

AC RESEARCH INSTITUTE

Q2 2026  
INVESTMENT  
THESIS

Separating Signal from  
Noise in War-Driven  
Markets

Prepared By :  
Aden Chan

# Separating Signal from Noise in War-Driven Markets

The question everyone keeps asking: Will the war escalate, or will there be a ceasefire? How does this impact my investments?

The truth may sound uncomfortable but is rather simple – if you can predict what will happen, to a veritable degree, then your investments will prosper. If you are wrong, then so it shall suffer.

Any strategy that depends on predicting an unpredictable outcome can no longer be reliable when the outcome diverges from its expected path. Rather, we look into positioning ourselves in a way where there is a high probability that we can profit regardless of how events unfold. If that probability is not high, then we simply sit and wait for when the odds are closer to our favour. This approach safeguards us from being pegged to directional bets on uncertain outcomes. It is the application of dynamic strategies combined with the framework of predictive regression analysis and a strong understanding for fundamental moats of the companies we invest in that allows us to consistently generate a high-return in a somewhat defensive portfolio.

Global events are never binary, they are sequential. Therefore our strategy revolves around graphing out a probability matrix (on what I like to call a "Probability Tree") that branches out to various possible timelines and we focus only on identifying the big impact outcomes that will affect price action of global macroeconomics, thus our investments. We focus on finding what matters, rather than trying to predict an outcome without access to asymmetrical information.

## A Probabilistic Approach to War & Markets

Once we develop a probability matrix, what's left is to engineer a solution for each outcome sequentially (if this, then that, etc) and size our buys or sells with some statistical noggin and weighted allocations. This all combined then becomes what you call a "Risk Mitigation" strategy: the goal is to not only to be right more times than wrong, but to also ultimately be right bigger than you are wrong; and weighing the impact of our decisions can help us achieve just that.

## Why not buy or short Oil and Energy?

History tells us oil prices hike whenever there is a war because of diminishing supply. But today it has already been priced in, and any signs of ceasefire would likely lead into a sharp decline of oil prices. Based on our weighted probability matrix, my decision to avoid oil becomes straightforward. There is no asymmetric opportunity and the upside doesn't justify the potential downside risk.

Price direction is heavily dependent on near-term geopolitical developments, or whatever Trump decides to say, which I would not bet a significant portion of my cash positions on unless I knew in advance what he was going to say and what Iran's military strategy is. There is a way to understand the latter (Iran's war strategy) - but there is almost no way to know what the Trump Administration will announce in the coming weeks from public sources.

## Why not buy or short Oil and Energy?

One liner? It's more like a coin flip now, but 50/50 is not convincing.

## Why Microsoft and Meta?

Does it have to do with intrinsic value?

Short answer: Yes.

This leads to the current deployment strategy – allocating approximately 25–40% of available cash into select opportunities. The focus is on assets where downside has largely been priced in, while upside remains disproportionately high relative to risk. Microsoft's recent pullback has been influenced by sentiment surrounding high AI infra costs, OpenAI's sustainability and its perceived involvement in geopolitical developments. But its quite irrelevant if you look at Microsoft's overarching business (this is where data comes in). Our quantitative models tell a different story and its reflected price has fallen far enough relative to its intrinsic value to make it appealing, with ~50% upside back to previous highs. This is barely a structural collapse.

Meta is facing ongoing legal pressure hence causing the panic-driven price action. If you've read some of my stuff, you'd know I love buying into lawsuits. Since when have you stopped using Instagram or Facebook because of a big tech lawsuit? Cheers.

## Closing Note

Even with 40% deployed generating ~50% returns, that translates into a ~20% gain on total capital from cash reserves when markets recover – and even if we are wrong now and conditions worsen and markets drop 70-80% from its peak, the remaining 60% is deployed at distressed valuations on carefully curated investments with dynamically adjusted allocations based on global macro conditions.

On recovery, that capital will very likely return 2x or more, implying 200–300% gains on that portion.

This creates two outcomes:

- Win small: ~20% bonus in the near future on cash reserves
- Win big: ~200–300% on deployed capital during recovery

The strategy is to remain dynamically positioned for leverage while hedging for escalation scenarios. We aim to thrive on volatility and unpredictability. To spot opportunity in chaos. That is our *modus operandi*.

In the event where all megacaps simultaneously collapse beyond a 70–80% drawdown, the issue is no longer financial; it implies systemic collapse at a global scale. That is the boundary condition that we would fail, but so would the global markets and economy.

If that is the only scenario where this strategy fails, then it is not a flaw in the strategy.

It simply means the game itself has changed.

**Aden Chan**  
**Founder, AC Research**  
**Institute**