

## Horse Racing and *Maretocracy*



I first went to the Exeter Racecourse when I was thirteen years old with the girl next-door. I don't remember where from, but we picked up a tip that a horse called Microlite could apparently just fly over the hedges, a surefire winner etc. So, we got very excited and I put on a big bet (fifty-pence - go big or go home!).

Well, it turned out that Microlite, like most horses, didn't really know how to fly, and came nowhere near winning.

I really felt that loss! I'd had that real thrill of feeling there was this hidden information, a signal that could tell me something about, in this case, predicting who would win the race. But I had also felt the gambler's pain of making a bet and losing it. I think that day was quite influential in shaping my future interest in markets and prediction but also in right-sizing allocations. For 50p that was probably a worthwhile lesson.

When we launched our commodity strategy nine years ago, we necessarily had a fairly small stable in terms of the horses, or the markets, that we were trading. With \$50M of seed capital there was a limit to the number of markets the strategy could allocate to – a single lot position in some of our calendar strips is valued in the millions. Diversity matters for both horse genetics and also market portfolios so that starting stable needed both breadth and quality, resulting in just under fifty markets at launch.

In many ways, market selection defines the *space* within which skill can matter.

Over time, much of our research process has been about selecting and developing new markets and diversifying commodity themes. That's included LNG markets, Chinese agriculturals, biofuels, the green transition, and expressions of datacenters and AI demand

via variegated power markets, nuclear fuels and grid infrastructure materials. This distinction - between breadth and *effective* diversification - is why more exposure does not automatically imply more opportunity.

Just as new blood has been judiciously added, on occasion some horses have been put out to pasture – their contribution to diversity having reduced or if they were no longer achieving the required quality for the herd. But overall, the stable has grown in size in a fairly monotonic manner.

That growth has slowed in the past few years, not due to a change in our view of what makes a great racehorse, but because the stable has reached a sufficient population (the strategy has had 150 +/-10 or so markets since 2023).

If you have too large a stable, you're no longer just selecting the finest thoroughbreds - you just have a large herd of increasingly generic looking horses. There's a vast difference between allocating between 100 markets and 1,000 markets. And if you're allocating to a thousand markets that is less about [idiosyncratic bets](#) and more about looking like an index.

For allocators, universe discipline is not about having *more* opportunities - it's about having *fewer, better-constrained* ones.

We're in the business of racehorses, not horses - and that means applying continuous, [capacity-aware](#) selection to what qualifies to run under the GQ banner.

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