**CenterBook Partners Publishes *Where Tracking Error Pays*, a Research Study on the Resurgence of Active Extension**

*CenterBook explores the evolution of Active Extension and sets out a roadmap for fundamental managers to translate their research-driven insights into benchmark-relative returns*

**Greenwich, Conn.** – October 29, 2026 – Today, CenterBook Partners ("CenterBook"), a global leader in dedicated Buy-Side Alpha Capture, released its latest research paper, *"Where Tracking Error Pays: The Resurgence of Active Extension and What It Takes to Deliver."* Drawing on more than a decade of proprietary research and insights, the paper explores the renewed investment case for fundamental Active Extension, examining how systematic portfolio construction can unlock greater potential from fundamental stock-selection skill and research to reach a benchmark-relative portfolio by moving beyond traditional long-only constraints, while maintaining a disciplined approach to active risk.

For institutional allocators, investment consultants, OCIOs and family offices, the paper provides a practical framework for extracting greater value from fundamental stock-selection skill, while maintaining disciplined risk oversight. It helps investors assess where Active Extension fits within public equity portfolios, distinguish genuine alpha from other exposures, evaluate risk and costs, and hold managers accountable for benchmark-relative value creation.

Key takeaways from the paper include:

- Expressing more of the research: Active Extension allows skilled fundamental managers to translate their research-driven insights into benchmark-relative returns that align with institutional allocators' public equity objectives.
- Controlling the risk that dilutes alpha: Systematic controls on market beta, factor exposures and individual stocks' contributions to tracking error help focus active risk on stock-specific insights.
- Pairing fundamental insight with systematic machinery: Partnerships between independent fundamental managers and systematic managers can translate stock-selection skill into benchmark-relative returns through disciplined sizing, risk management and execution.

"For an investment committee, the question is: *how do I do better than the index, and how much risk relative to that index am I willing to take?* The opportunity is to combine the powerful alpha of bottom-up fundamental stock picking with a systematic approach to portfolio construction and risk management," said David Stemerman, Co-Founder, Chief Executive and Chief Investment Officer of CenterBook. "We wrote this paper to help

allocators understand how more of a fundamental manager's research can reach a benchmark-relative portfolio, and how to evaluate whether the construction and risk-management machinery is working as intended."

K.C. Hamann, CenterBook Director of Research, added: "The Active Extension category largely fell out of favor post-GFC, but the need for index-plus returns never went away. With institutional interest returning, investors need to look beyond the headline exposure ratio and understand the construction discipline underneath it and to the composition of the tracking error a strategy takes on. What we're seeing now is greater institutional consideration for Active Extension, with assets largely flowing towards systematic strategies designed to deliver benchmark outperformance within tightly controlled tracking-error parameters."

For the purposes of this paper, fundamental managers are defined as those investing over mid-to-long-term horizons, with positions informed by company-level research and typically held for quarters or years rather than weeks or months.

CenterBook's platform systematically captures alpha from the insights of its independent, process-driven Contributor Funds and provides consultative support that enhances each participant's portfolio construction and risk management capabilities. By uniting human judgment with data-driven precision, the CenterBook platform is designed to convert differentiated fundamental insights into scalable investment strategies while reinforcing transparency and disciplined risk management across all participants.

To explore the full findings and download the paper, visit CenterBook's website.

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**About CenterBook Partners:** CenterBook Partners has built an innovative, Buy-Side Alpha Capture platform that systematically captures alpha from signals provided by its fundamental Contributor Funds. By combining human insight with systematic implementation, CenterBook's approach is designed to generate superior, scalable returns and advance the investment industry. Its responsible Buy-Side Alpha Capture platform transforms a multitude of independent investment ideas into a single source of long-term alpha opportunities. CenterBook currently manages ~$1.3 billion in assets.

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