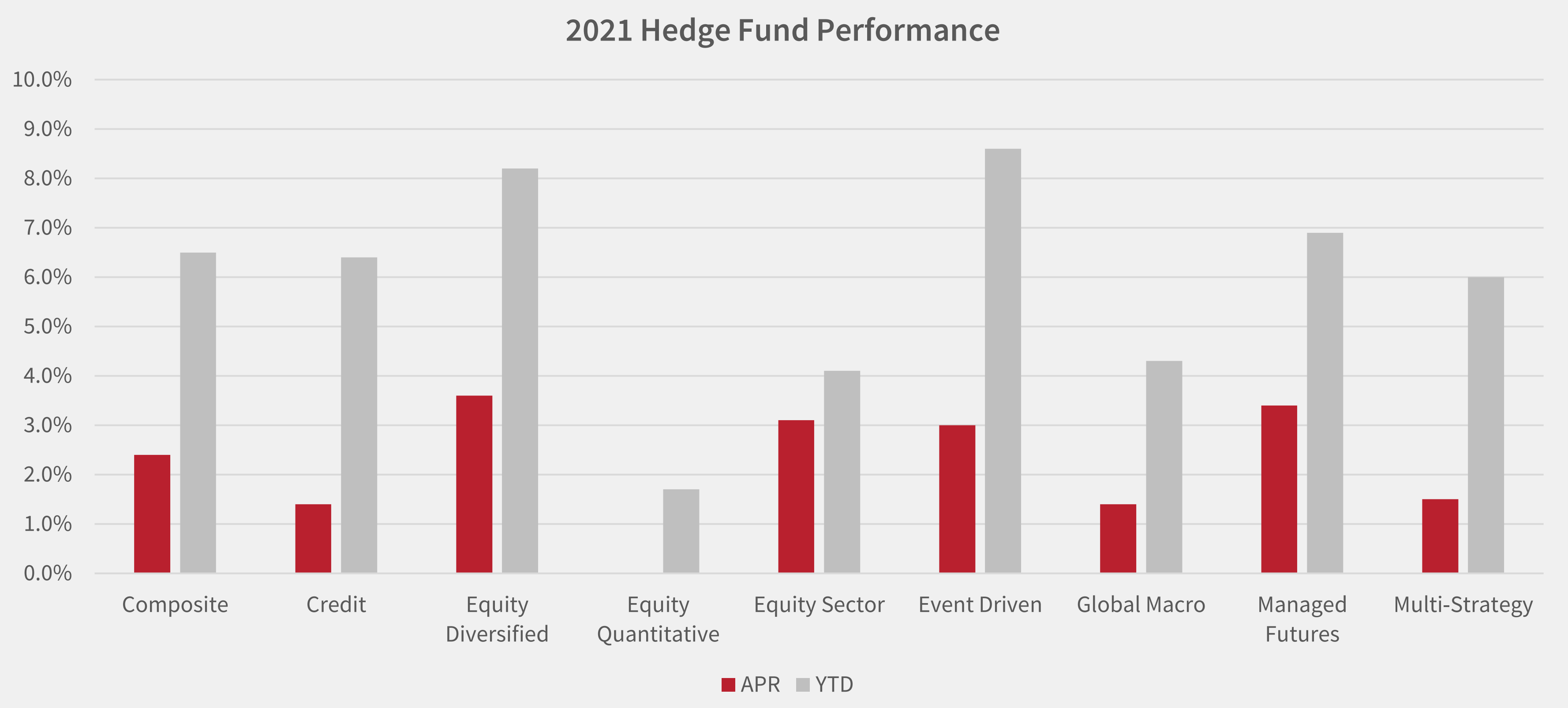
PIVOTAL INDICES

PivotalPath, on behalf of **over $150B in client hedge fund capital**, tracks over **200,000 data points** across more than **2,000 institutionally-relevant hedge funds**, spanning **$2.3T of industry assets**. Our monthly report contextualizes these data points, including analysis of hedge fund performance, as well as 12-month rolling alpha across high-level strategies. We also provide average monthly performance of funds within separate AUM bands.

Key Takeaways: The PivotalPath Hedge Fund Composite Index added 2.4% in April, bringing the index up to 6.5% YTD. 88% of managers reported positive monthly performance, with over 86% of funds up YTD. At the composite level, the PivotalPath Dispersion Indicator, which had been elevated in recent months, declined to 2.8% (vs. the long-term average of 2.9%), with Equity Sector funds displaying the highest level of all strategies at 4.5%.

Strategy Highlights: The Equity Sector Index houses hedge fund sub-strategies including Healthcare, TMT, Financials and Energy. Thus far in 2021, two Equity Sector sub-strategies are top performers across all hedge fund strategies – Financials (+4.1% APR, 16.2% YTD) and Energy (+4.2% APR, +10.5% YTD) – while two are among the bottom – Healthcare (+1.2% APR, +1.1% YTD) and TMT (+3.9% APR, +2.8% YTD).



Available on the Bloomberg Terminal® P2HFCI P2CRDI P2EQDI P2EQNTI P2EQSI P2EVDI P2GBMI P2MFTI P2MSTI

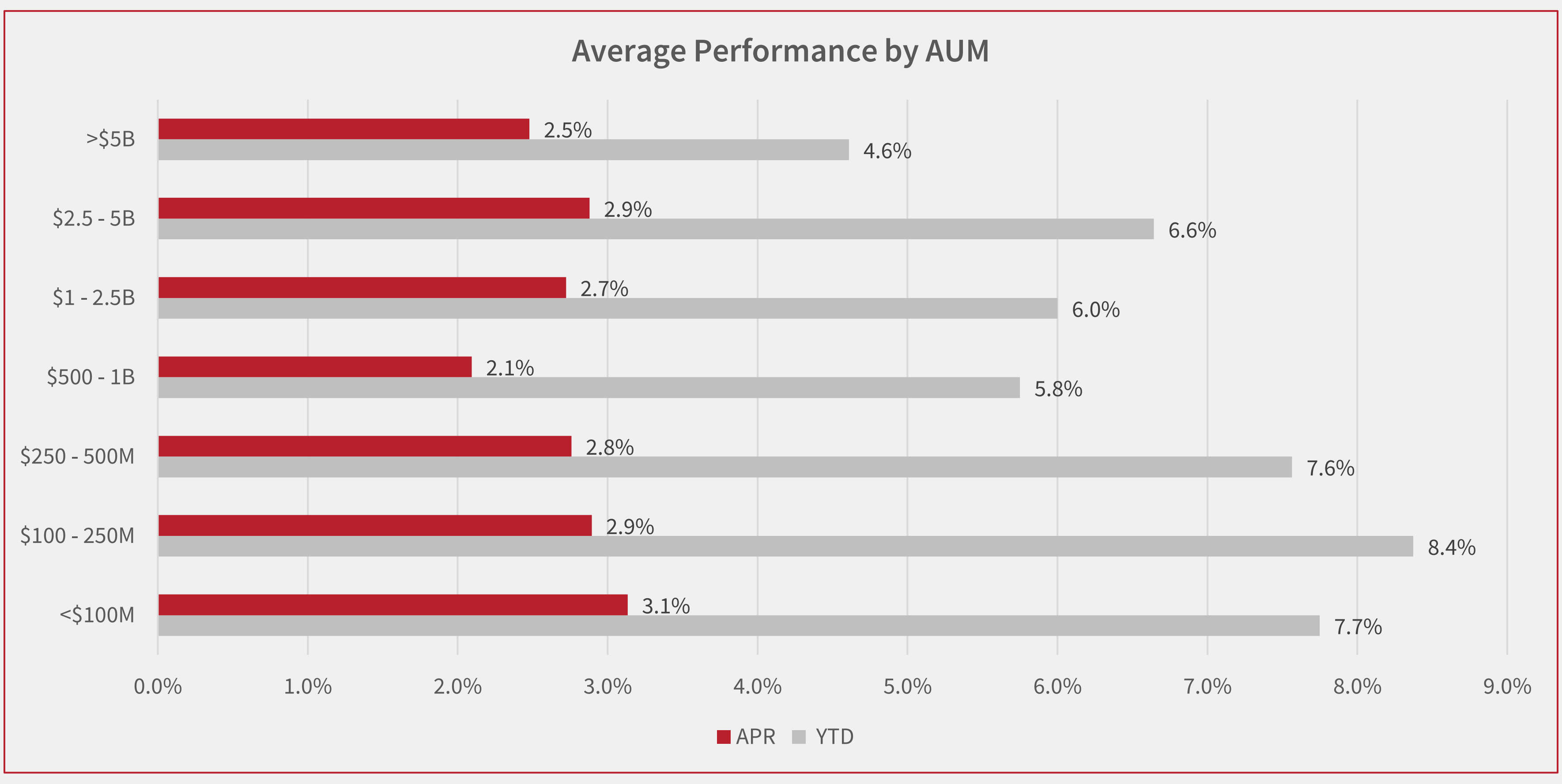
The chart below depicts alpha-generation for each Pivotal Index, ranked from best to worst. Each strategy is color-coded for easy tracking. For the 1-year rolling period ending in April, Event Driven continues to top the charts. Managed Futures' significant move up should be considered in the context of a 12M rolling calculation. The depressive effects of last April on the strategy have rolled off and been replaced with strong performance in April of 2021.

Alpha Leaderboard

12M Rolling Over S&P 500

Q1 2021	APR 2021	2017	2018	2019	2020
22.4% Event Driven	19.4% Event Driven	11.9% Equity Sector	2.1% Credit	7.8% Managed Futures	19.4% Equity Sector
16.1% Credit	14.7% Equity Sector	11.6% Equity Diversified	1.3% Equity Sector	5.0% Equity Sector	10.8% Multi-Strategy
15.2% Multi-Strategy	12.3% Managed Futures	9.2% Event Driven	1.1% Multi-Strategy	4.6% Multi-Strategy	9.3% Event Driven
13.9% Equity Sector	10.3% Composite	6.6% Multi-Strategy	-0.4% Event Driven	3.2% Composite	6.6% Composite
12.0% Composite	10.3% Credit	5.9% Composite	-0.6% Composite	2.7% Equity Diversified	5.1% Equity Diversified
10.0% Equity Diversified	8.8% Equity Diversified	4.3% Credit	-1.6% Managed Futures	2.5% Global Macro	2.5% Credit
5.9% Global Macro	6.9% Global Macro	-0.7% Global Macro	-2.4% Equity Diversified	2.3% Event Driven	0.9% Managed Futures
0.6% Managed Futures	6.3% Multi-Strategy	-7.2% Managed Futures	-2.6% Global Macro	2.0% Credit	0.5% Global Macro

In April, performance was relatively clustered across funds of all sizes. However, smaller managers are outperforming their larger brethren on average YTD, with over 300bps separating performance of funds at the lowest end of the AUM spectrum (<$100M) from those with the most capital (>$5B).



Pivotal Point of View

Special Edition: Focus on Inflation

Today, potential inflationary effects on portfolios are top of mind for allocators amidst rising commodity prices, labor constraints, supply chain disruptions and additional fiscal stimulus that may come down the pike. Given these concerns, for the first time in nearly a decade, allocators are seeking our counsel for how best to analyze the positioning of their hedge fund exposures given various inflation-related scenarios.

For investors anticipating the rate of the 10-year climbing as the market prices in inflation, we offer historical guidelines below. These insights are derived from our recent study of 23 years of market and proprietary hedge fund data and are designed to empower allocators as they weigh asset allocations between hedge funds and equities amid rising rates. Please note all findings reference the 10-year yield as a proxy for rising rates.

- ✓ Conventional wisdom suggests that higher rates aren't favorable for equity market performance. That's true, once they get there. However, while rates are in the process of moving up, the S&P tends to generate very strong performance, resulting in a high relative bar for hedge funds. During months when the 10-year yield increases, the S&P 500 has annualized at ~21.0% compared to ~12.0% for the PivotalPath Hedge Fund Composite contemporaneously, per 133 monthly data points.
- ✓ Across strategies, Equity Diversified, Equity Sector and Credit funds have been top performers during these periods, while Global Macro and Managed Futures were laggards.
- ✓ However, when rates arrive at their elevated destination (~3.0% for the purpose of this analysis), ALL hedge fund strategies outperform the S&P 500 substantially.
- ✓ More good news for allocators, when rates move back down, ALL hedge fund strategies outperform equities on the way. To wit, the PivotalPath Hedge Fund Composite Index annualized at approximately 9.0% to the S&P 500's 1.0% return during those same periods, collectively totaling just under 150 monthly data points.

	Annualized Performance		
	# of Months	S&P 500	HF Composite
Rates ↓	133	1.2%	8.8%
Rates ↑	146	20.9%	11.9%
Difference		19.8%	3.0%

For additional insight into which hedge fund strategies outperform in various interest rate scenarios, contact inquiry@pivotalpath.com

For access to underlying data and additional research, visit www.pivotalpath.com

Source: PivotalPath data through 05/10/2021. Historic performance available on Bloomberg.
Tickers: P2HFCI, P2CRDI, P2EQDI, P2QNTI, P2EQSI, P2EVDI, P2GBMI, P2MFTI & P2MSTI

PIVOTAL PATH