

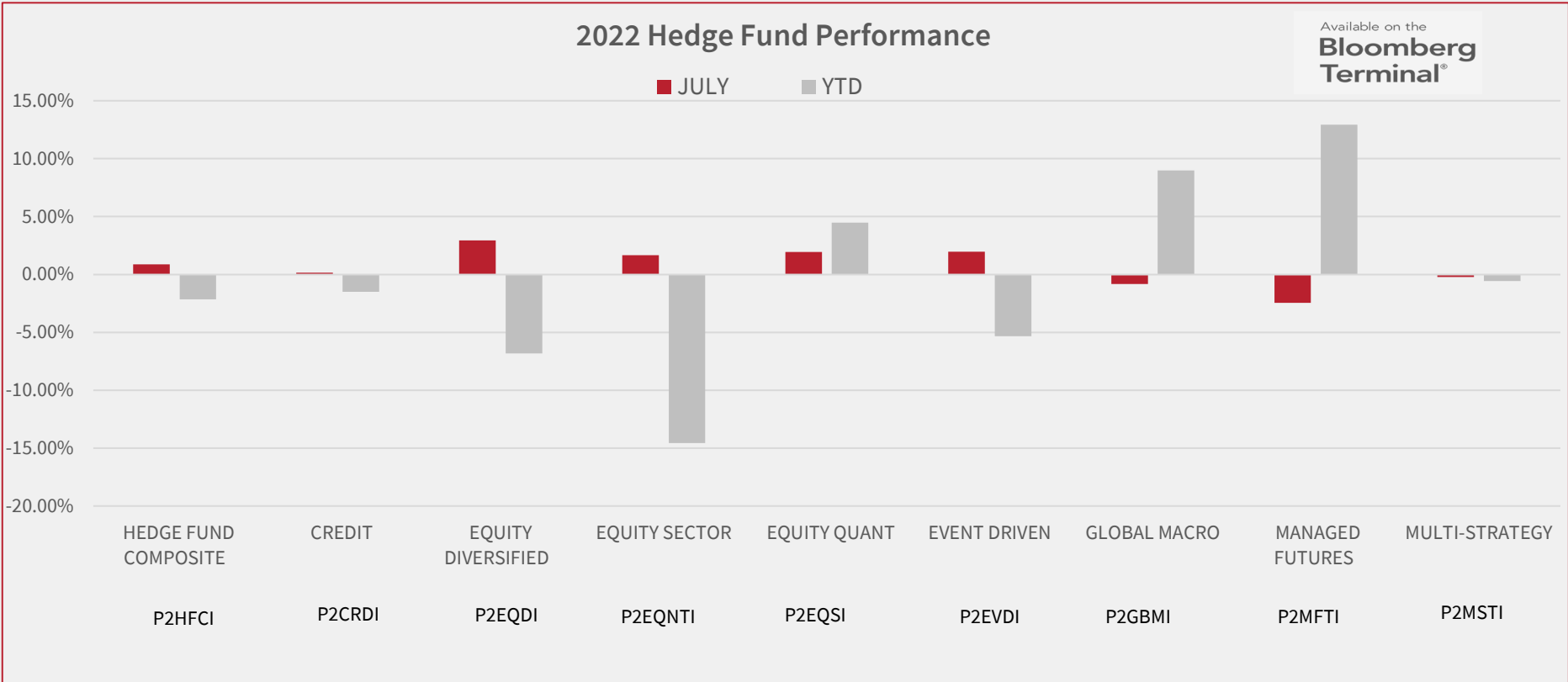
PIVOTAL POINT OF VIEW

For allocators evaluating hedge fund performance, context matters.

Every month, on behalf of over \$250B in client hedge fund capital, **PivotalPath** tracks over 2,500 institutionally-relevant hedge funds, spanning >\$2.5T 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: After a challenging first half and especially June, financial markets and hedge funds recovered in July. The PivotalPath Hedge Fund Composite Index gained 0.9% in July, compared to a decline of 1.8% in June. Year-to-date the PivotalPath Composite is down 2.2% compared to the S&P 500 which has lost 12.6% and the Nasdaq index which has declined 20.8%.

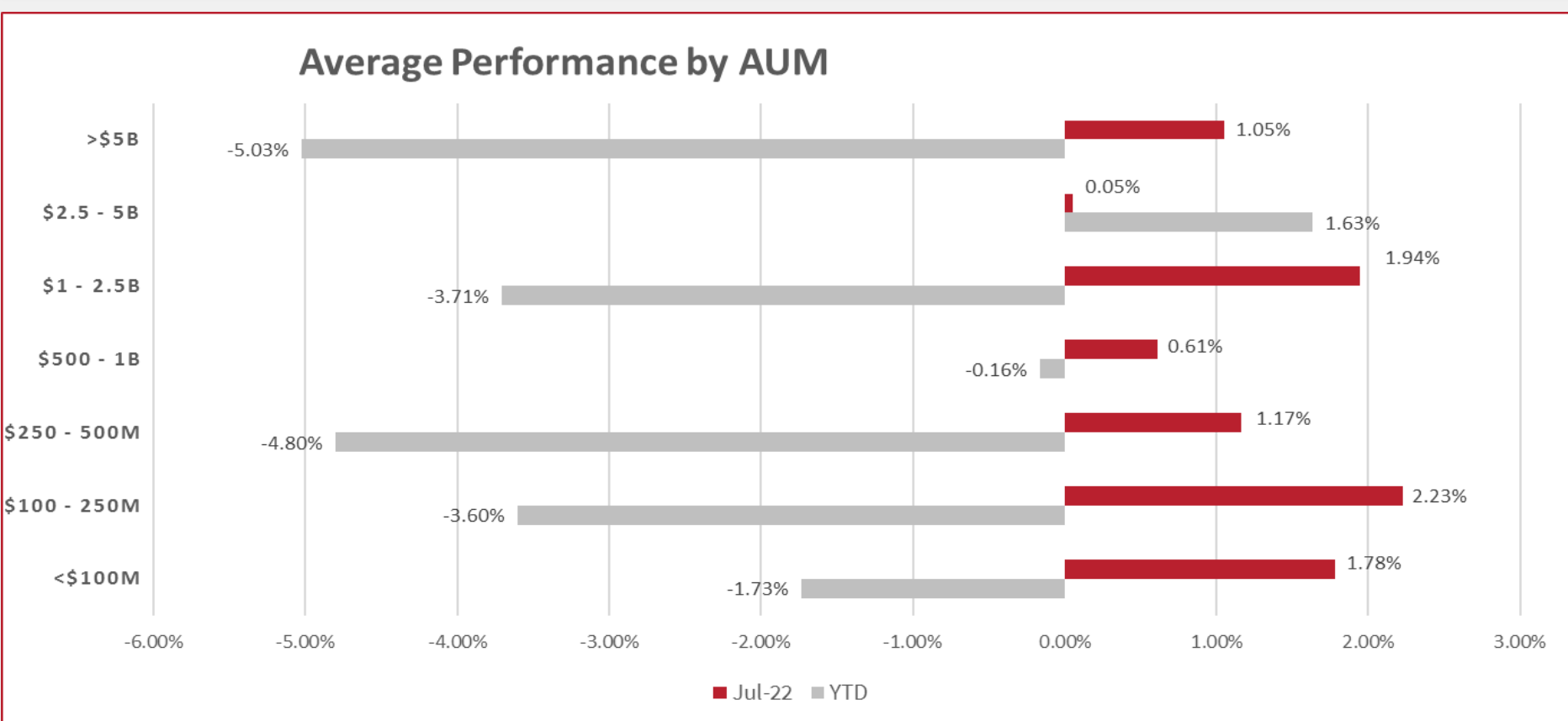
Strategy Highlights: Managed Futures and Global Macro gave back some of their strong performance this year and declined 2.5% and 0.8%, respectively. Year-to-date they are up 12.9% and 9.0%, respectively. Equity Diversified recovered nicely gaining 2.9% and is now down 6.8% for the year. Global and US Long/Short sub-strategies did well vs Asia Long/Short which continues to struggle.



The chart below depicts alpha generation for each Pivotal Index, ranked from high to low. Each strategy is color-coded for easy tracking. For the 12-month rolling period ending in July, Managed Futures and Global Macro continue to produce the highest alpha while Equity Sector and Equity Diversified continue to generate significant negative alpha relative to the S&P 500 on a 12-month rolling basis. All strategies except Managed Futures and Credit saw improved Alpha generation vs the June rolling 12-month period.

Q1 2022	Q2 2022	Jul-22	2018	2019	2020	2021
12.0% Managed Futures	16.1% Managed Futures	12.9% Managed Futures	2.1% Credit	7.8% Managed Futures	19.4% Equity Sector	10.5% Credit
9.5% Global Macro	8.7% Global Macro	9.3% Global Macro	1.3% Equity Sector	5.0% Equity Sector	10.8% Multi-Strategy	9.80% Multi-Strategy
7.0% Credit	2.1% Multi-Strategy	2.5% Multi-Strategy	1.1% Multi-Strategy	4.6% Multi-Strategy	9.3% Event Driven	5.9% Event Driven
4.7% Multi-Strategy	1.8% Credit	1.2% Credit	-0.4% Event Driven	3.2% Composite	6.6% Composite	3.1% Composite
1.4% Composite	-1.0% Composite	-0.5% Composite	-0.36% Composite	2.7% Equity Diversified	5.1% Equity Diversified	3.0% Global Macro
-0.3% Event Driven	-5.5% Event Driven	-2.5% Event Driven	-1.6% Managed Futures	2.5% Global Macro	2.5% Credit	0.7% Managed Futures
-3.8% Equity Diversified	-6.2% Equity Diversified	-5.1% Equity Diversified	-2.4% Equity Diversified	2.3% Event Driven	0.9% Managed Futures	-0.3% Equity Diversified
-14.6% Equity Sector	-16.8% Equity Sector	-15.9% Equity Sector	-2.6% Global Macro	2.0% Credit	0.5% Global Macro	-7.8% Equity Sector

As mentioned above, July was a strong month of recovery with all AUM bands showing positive absolute performance. Year-to-date, 60% of funds have positive performance while several large drawdowns skew the overall average performance in most of the AUM bands.



The Pivotal Point of View Commentary

- **The Hedge Fund takeaway:**
 - The **Pivotal Composite Index** gained 0.9% in July and is now down 2.2% for the year.
 - The Composite's (cumulative) spread **above** the S&P 500 YTD declined to 10% which is the historical average dating back 25 years.
 - The **PivotalPath Managed Futures Index** declined 2.5% in an otherwise stellar year with +12.9% YTD. July was the largest decline since November 2021.
 - The **Equity Diversified Index** did well, adding 2.9% in July and is now down 6.8% YTD. US and European Long/Short strategies were up 4.1% and 2.9%, respectively.
 - The **Equity Sector Index** appreciated 1.7% (-15% YTD) due to the strong performance in all sub sectors.
- **The backdrop:**
 - After a weak first half which ended with a horrific June, July equity returns recovered all of June's losses, with the S&P 500, Russell 2000 and Nasdaq gaining 9.2%, 10.4%, and 12.4%, respectively. These indices have declines YTD of 12.6%, 16%, and 21%, respectively.
 - **Internationally**, China declined with the CSI 300 giving back its June gains, declining 7%. The Hang Seng declined 10% and is now down 16% for the year. Euro Stoxx 50 gained 7.3% and is now down 13.7% for the year.
 - From a **Sector** perspective, Consumer Discretionary as measured by the XLY ETF, led the way gaining 18.4%. The sector is still one of the worst performing, down 20.4% YTD. Biotech (IBB) and Communications (XLC) are down 19% and 27% respectively on a YTD basis.
 - **Technology** saw the largest reversal from June with the Technology Sector SPDR gaining 13% after declining 9.5% in June. The XLK is down ~17% YTD.
 - **Commodities** were relatively quiet relative to prior periods, with the Dow Jones Commodity Index gaining 1% (+22% YTD). Natural gas futures however, gained 52% after falling 33% in June. Natural gas is up 121% YTD.
 - **Crypto currencies** recovered in June with the Bloomberg Galaxy Crypto Index rising 44%. The index is now down 54% for the year.
 - **The 10-Year Treasury yield came down** to 2.64% from 3.01% at the end of June.
- **The drivers of performance?**
 - While **Value** has outperformed **Growth** this year, July saw the reverse with a recovery of growth sectors. PivotalPath's FAANG, Mobile Payments and Food Delivery baskets were among the strongest performers in July: +16%, +19%, and +15%, respectively.
 - Volatility also declined in July as the VIX was down 25% to 23.87.
- **The equity impact:**
 - As discussed above, July saw the weakest performers recover. From a sector perspective, Healthcare, TMT and Consumer/Retail all did well in July but are among the weakest for the year.
 - The TMT sector was up 1.5% in July but is still the weakest, declining 19% YTD. This is followed by Healthcare and Consumer/Retail which were up 0.8% and 1.0% in July but are the biggest losers after TMT declining 15% and 14% respectively on a year-to-date basis.

For access to sub-indices, underlying funds and additional research, visit www.pivotalpath.com

Source: PivotalPath data as of 1/14/2022. Historic performance available on Bloomberg.
Tickers: P2HFICI, P2CRDI, P2EQDI, P2EQNTI, P2EQSI, P2EVDI, P2GBMI, P2MFTI & P2MSTI

