

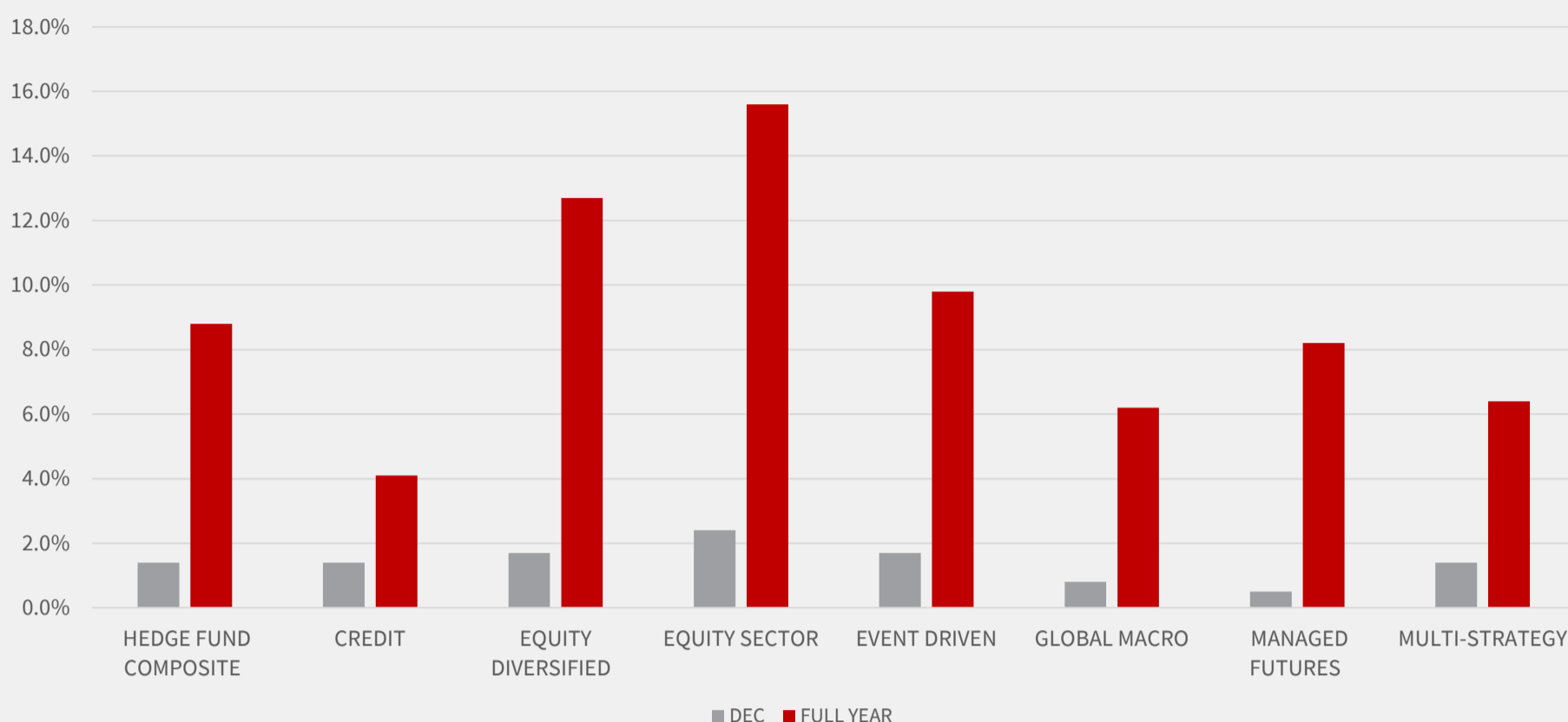
# PIVOTAL INDICES

PivotalPath, on behalf of \$100B in client hedge fund capital, tracks over 200,000 data points across more than 2,000 hedge funds and 40+ different strategies. Our monthly report includes year-to-date hedge fund performance, as well as 12-month rolling alpha across eight core hedge fund strategies. We also provide the average monthly performance of funds within separate AUM bands.

**Key Takeaway:** The PivotalPath Hedge Fund Composite Index finished 2019 up 8.8%. Equity Sector (+15.6%) and Equity Diversified (+12.7%) led the way, while Credit (+4.1%) trailed the pack. In addition to generating the best performance in 5 years, all strategies generated significant alpha in 2019.

**Strategy Highlights:** Equity-oriented strategies produced the highest returns against a backdrop of strong equity market performance.

2019 December & Full Year Performance



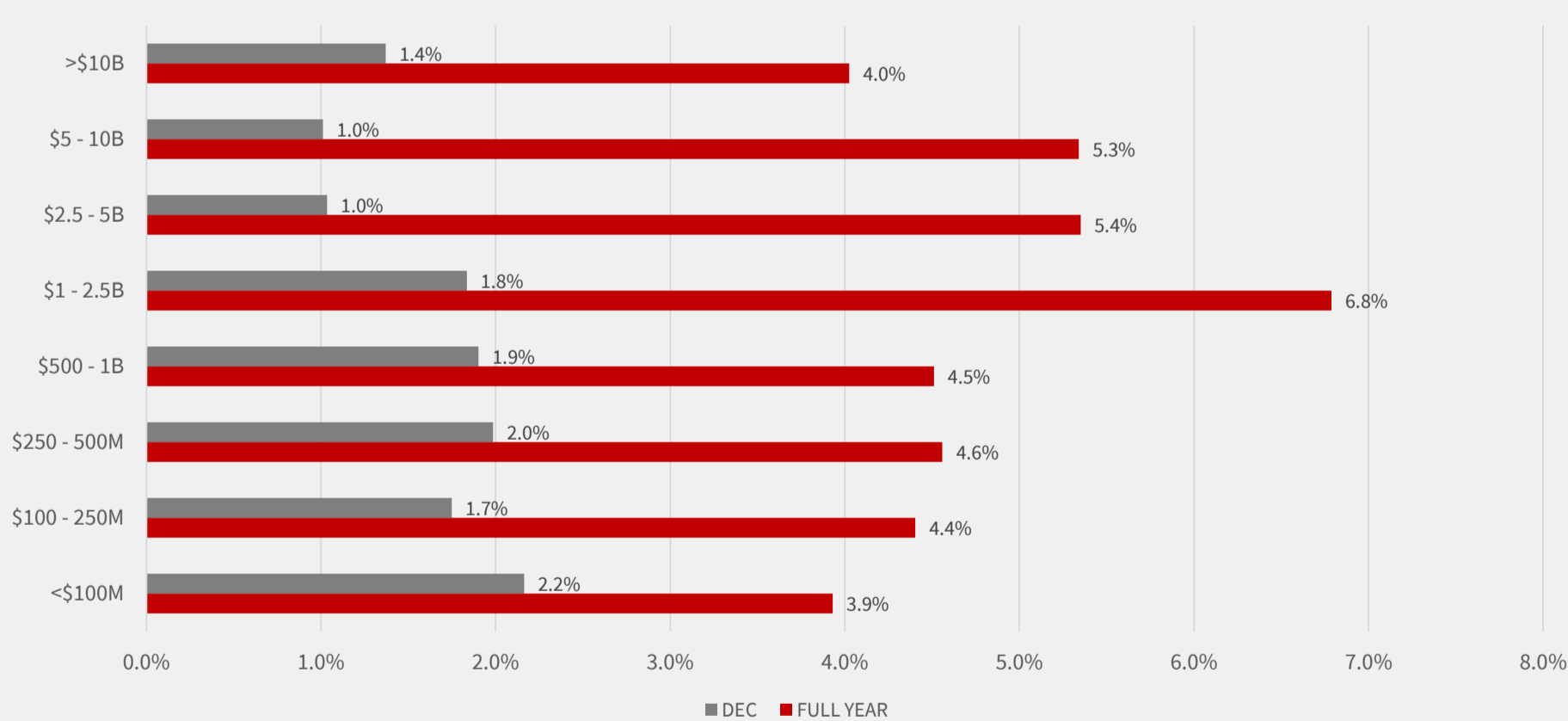
The chart below depicts alpha-generation for each PivotalIndex, ranked from best to worst. Each strategy is color-coded for easy tracking. As of December, all strategies generated significant alpha.

Alpha Leaderboard Relative to S&P 500

Q1 '19	Q2 '19	Q3 '19	OCT '19	NOV '19	DEC '19	2016	2017	2018
3.0% Managed Futures	3.2% Managed Futures	5.5% Managed Futures	7.1% Managed Futures	9.3% Managed Futures	10.4% Managed Futures	7.1% Credit	11.9% Equity Sector	2.1% Credit
2.4% Event Driven	1.5% Global Macro	1.8% Global Macro	2.6% Global Macro	3.8% Equity Sector	4.9% Equity Sector	5.9% Global Macro	11.6% Equity Diversified	1.3% Equity Sector
1.1% Credit	1.1% Credit	1.3% Event Driven	2.6% Event Driven	3.8% Multi-Strategy	4.3% Composite	5.4% Managed Futures	9.2% Event Driven	1.1% Multi-Strategy
0.9% Multi-Strategy	1.1% Multi-Strategy	1.2% Credit	2.2% Equity Diversified	3.6% Global Macro	4.3% Credit	2.9% Multi-Strategy	6.6% Multi-Strategy	-0.4% Event Driven
-0.2% Composite	0.4% Event Driven	0.8% Composite	2.0% Composite	3.5% Equity Diversified	4.0% Equity Diversified	2.9% Event Driven	5.9% Composite	-0.6% Composite
-0.6% Equity Sector	0.2% Composite	0.2% Multi-Strategy	1.6% Equity Sector	3.3% Composite	3.6% Multi-Strategy	2.4% Composite	4.3% Credit	-1.6% Managed Futures
-1.0% Global Macro	-1.4% Equity Sector	-0.4% Equity Diversified	0.5% Multi-Strategy	1.8% Event Driven	3.3% Event Driven	-1.8% Equity Sector	-0.7% Global Macro	-2.4% Equity Diversified
-2.4% Equity Diversified	-2.1% Equity Diversified	-2.9% Equity Sector	-0.1% Credit	0.6% Credit	2.5% Global Macro	-3.2% Equity Diversified	-7.2% Managed Futures	-2.6% Global Macro

In 2019, managers with \$1-\$2.5B in assets were the best performers. Many of the Equity Sector managers we cover sit within this AUM range. The significant outperformance of those strategies contributed to this asset range's strong numbers.

2019 Average Performance by AUM



## PIVOTAL POINT OF VIEW

Here is what the data means for hedge funds, institutional investors, and markets overall:

- ✓ How did hedge funds actually perform last year? In our view, more positively than many have reported. We recently published an [insight on 2019 launches & closures](#) that paints a different picture than what many have seen covered elsewhere. Click on the link to learn more!
- ✓ In addition to strong annual performance, all strategies generated significant alpha vs. the S&P in 2019. It is this ability to generate alpha that attracts institutional investors to the hedge fund space - this past year, managers delivered.
- ✓ On another encouraging note, our CEO recently spoke with [Pensions & Investments](#) about the positive implications of rising dispersion for hedge fund performance in 2020.
- ✓ The high-level indices cited in this monthly infographic are comprised of over 40 sub-strategies. On that more specific level, the top 3 performers for 2019 were Healthcare (+25.1%), Financials (+16.1%) and U.S. Long/Short Equity (+15.1%). Conversely, the bottom 3 sub-strategies for 2019 were Distressed Credit (+1.0%), Multi-Strategy Credit (+3.9%) and Quantitative Global Macro (+4.4%). For access to sub-strategy indices, please contact [inquiry@pivotalpath.com](mailto:inquiry@pivotalpath.com).
- ✓ Overall, 2020 is off to a fast and furious start. In the coming weeks, the research team plans to attend Morgan Stanley's Annual Hedge Fund Forum at Breakers as well as JPMorgan's Rising Stars Hedge Fund Forum. Additionally, our Head of Research Mark Doherty will be speaking about investment opportunities in China at an event co-hosted by 2 clients, KraneShares and Brown Advisory. PivotalPath's CEO Jon Caplis is due to speak at the Defined Contribution Alternatives Association quarterly meeting in early February.