

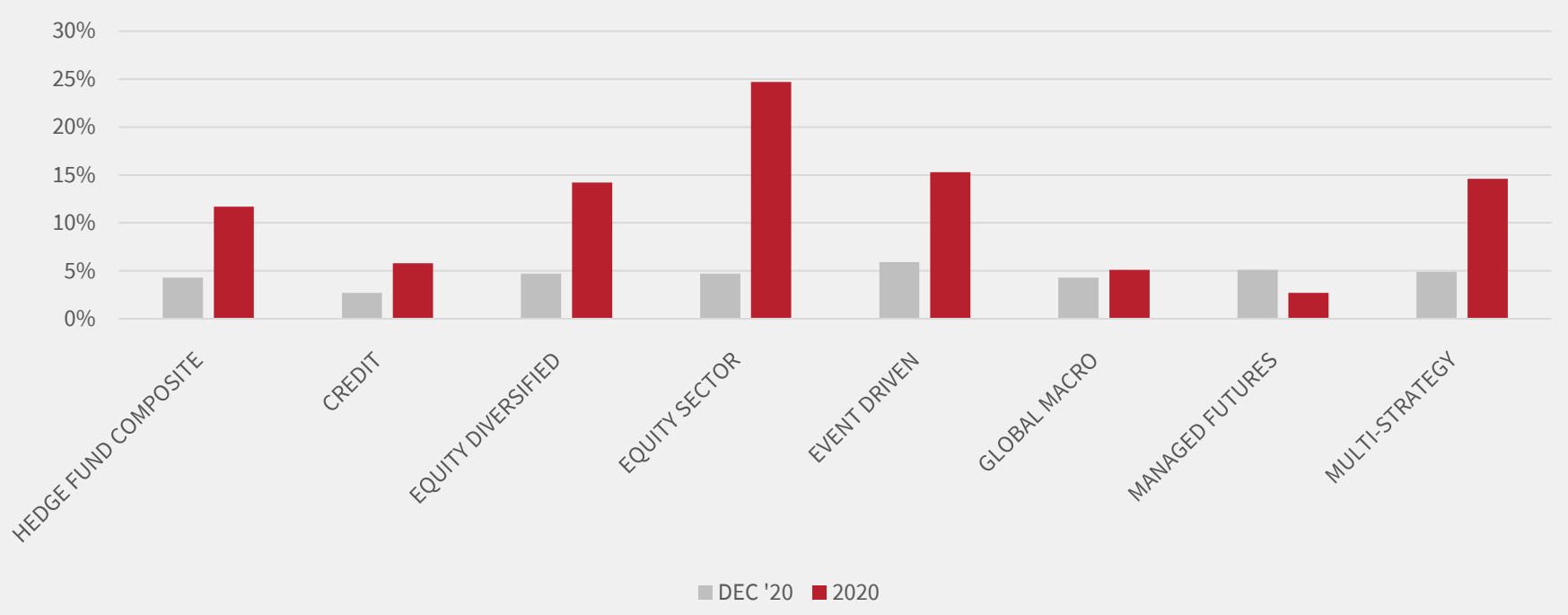
# PIVOTAL INDICES

PivotalPath, on behalf of \$100B 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 eight core hedge fund strategies. We also provide average monthly performance of funds within separate AUM bands.

**Key Takeaways:** The PivotalPath Hedge Fund Composite Index was up 4.3% in December, with 95% of funds reporting positive performance. 74% of managers ended 2020 in positive territory, with the Composite up 11.7% for the year. While hedge fund closures out-paced launches by 20%, we have been hearing a lot of pent-up demand for marquee launches slotted for 2021.

**Strategy Highlights:** All strategies turned in positive performance in December. Almost all sub-strategies were up for the year as well, with the exception of Equity Quant and Risk Premia. PivotalPath's Dispersion Indicator clocked 3.8% for the month across all funds, above the long-term monthly average of 2.9%, but down from the elevated 5.8% we saw in November.

2020 Hedge Fund Performance



Available on the Bloomberg Terminal

P2HFCEI P2CRDI P2EQDI P2EQSI P2EVDI P2GBMI P2MFTI P2MSTI P2QNTI

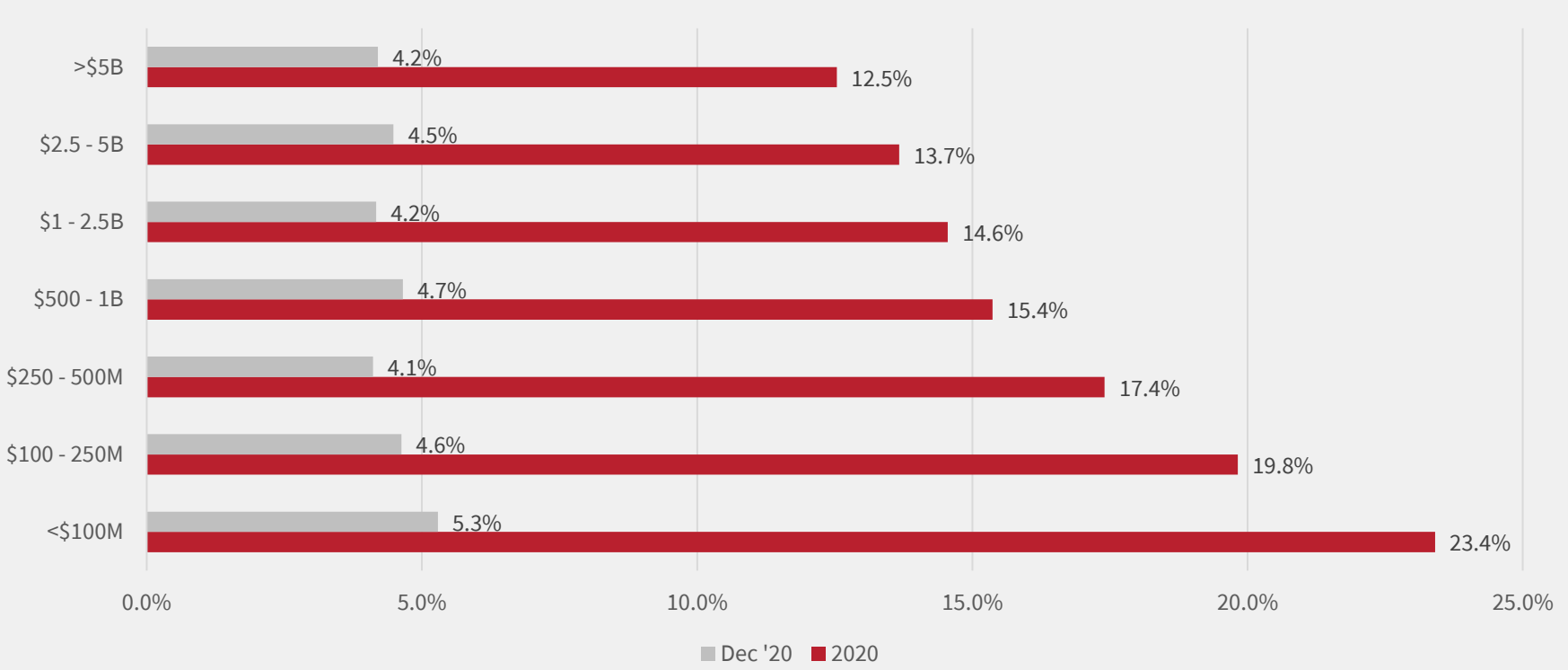
The chart below depicts alpha-generation for each PivotalIndex, ranked from best to worst. Each strategy is color-coded for easy tracking. For the 1-year rolling period ending in December, Multi-Strategy funds generated the highest level of alpha than they had since 2010.

Alpha Leaderboard Relative to S&P 500

Q1 '20	Q2 '20	Q3 '20	Q4 '20	2017	2018	2019
5.6% Managed Futures	6.0% Equity Sector	12.3% Equity Sector	14.7% Multi-Strategy	11.9% Equity Sector	2.1% Credit	7.8% Managed Futures
0.9% Global Macro	3.9% Multi-Strategy	8.0% Multi-Strategy	14.1% Equity Sector	11.6% Equity Diversified	1.3% Equity Sector	5.0% Equity Sector
0.5% Equity Sector	2.0% Equity Diversified	1.6% Equity Diversified	7.8% Event Driven	9.2% Event Driven	1.1% Multi-Strategy	4.6% Multi-Strategy
0.0% Composite	0.3% Composite	1.4% Event Driven	6.8% Equity Diversified	6.6% Multi-Strategy	-0.4% Event Driven	3.2% Composite
-0.3% Multi-Strategy	-0.2% Managed Futures	0.8% Composite	6.4% Composite	5.9% Composite	-0.6% Composite	2.7% Equity Diversified
-0.4% Equity Diversified	-1.0% Event Driven	-2.7% Global Macro	2.3% Credit	4.3% Credit	-1.6% Managed Futures	2.5% Global Macro
-1.2% Credit	-2.5% Global Macro	-5.2% Credit	1.4% Global Macro	-0.7% Global Macro	-2.4% Equity Diversified	2.3% Event Driven
-2.6% Event Driven	-5.7% Credit	-7.1% Managed Futures	-1.9% Managed Futures	-7.2% Managed Futures	-2.6% Global Macro	2.0% Credit

Managers across all AUM bands exhibited positive performance on both a monthly and yearly basis. Continuing the trend we noted earlier in 2020, managers on the high end of the AUM spectrum trailed their smaller brethren through the end of the year, an observation we shared with *Bloomberg* in October.

Average Performance By AUM

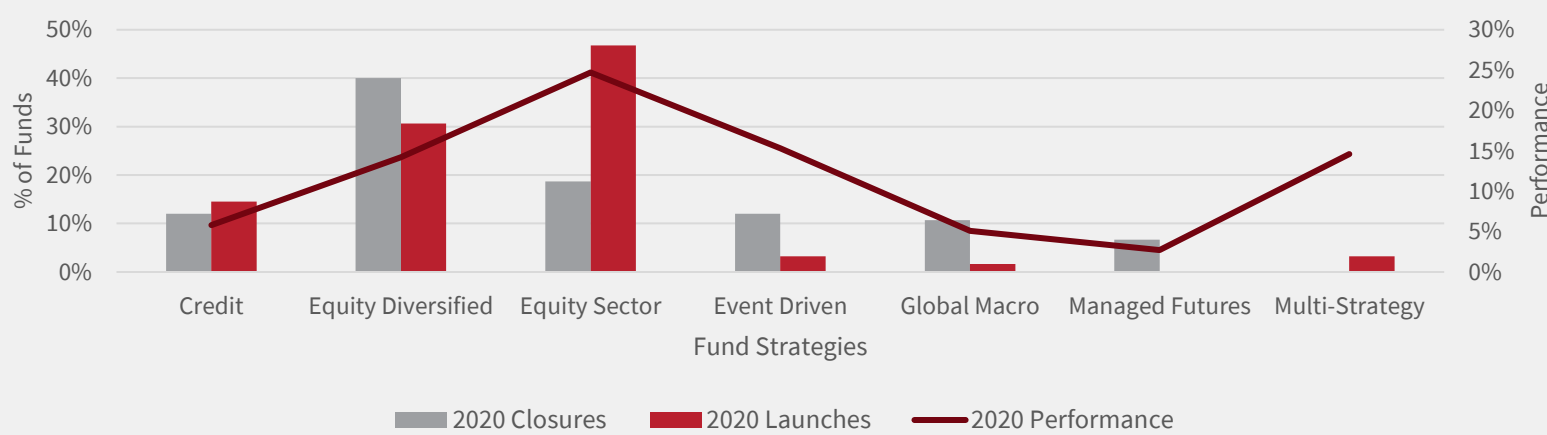


## Pivotal Point of View

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

- ✓ In aggregate, hedge funds finished the year up 11.7%, their highest annual return since 2013 (when funds were up 14.5%). Managers achieved these returns with a volatility of 11.13% to the S&P's 25.95%, resulting in a Sharpe ratio of 1.04 to the S&P's 0.71.

2020 Launches vs. Closures



- ✓ **The graph above offers a sneak peek of our year-end hedge fund review. Unsurprisingly, there seems to be a relationship between performance and fund launches.** Equity Sector tops both lists, accounting for 47% of the year's total launches and returning 24.7%. The Equity Sector index also houses the year's highest returning sub-strategy - Technology/Media/Telecom - which finished 2020 up 34.0%.
- ✓ Also in this upcoming annual report, we'll further break down the 2020 hedge fund landscape - additional detail about fund launches, closures/launches by strategy on a historical basis, and fund closure data with respect to AUM and track record length.
- ✓ **While we are happy to say goodbye to 2020 for so many reasons, for our firm, 2020 marked a year of growth.** Our clients, whose roster expanded by 45% during the year, logged onto our research platform 11,808 times. Especially in this virtual world, allocators find the ability to leverage our research notes, fund presentations, data and analytics invaluable. **This year, as a result of conversations held with institutional managers on behalf of our clients, we added just shy of 1,000 meeting notes to the platform.** If you'd like to learn more about how we partner with hedge fund industry professionals, please contact [inquiry@pivotalpath.com](mailto:inquiry@pivotalpath.com)

For access to underlying data and additional research, visit [www.pivotalpath.com](http://www.pivotalpath.com)

Source: PivotalPath data through 01/10/2021. Historic performance available on Bloomberg. Tickers: P2HFCEI, P2CRDI, P2EQDI, P2EQSI, P2EVDI, P2GBMI, P2MFTI, P2MSTI & P2QNTI

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