

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 high-level strategies. We also provide average monthly performance of funds within separate AUM bands.

Key Takeaways: The PivotalPath Hedge Fund Composite Index was up 3.4% in February and 3.6% YTD, while the S&P returned 2.8% in February and 1.7% YTD. 85% of managers reported positive monthly performance, with the median fund returning 2.9%.

Strategy Highlights: The high-level indices below house over 40 investment sub-strategies. Among those, last month's worst performer became this month's best - Equity Special Situations (-2.4% January, +6.8% February). Replacing Equity Special Sits spot at the bottom of the performance charts for February was U.S. Long/Short Quant (+0.2%).

2021 Hedge Fund Performance



Available on the
Bloomberg Terminal

P2HFCEI P2CRDI P2QNTI P2EQDI P2EQSI P2EVDI P2GBMI P2MFTI P2MSTI

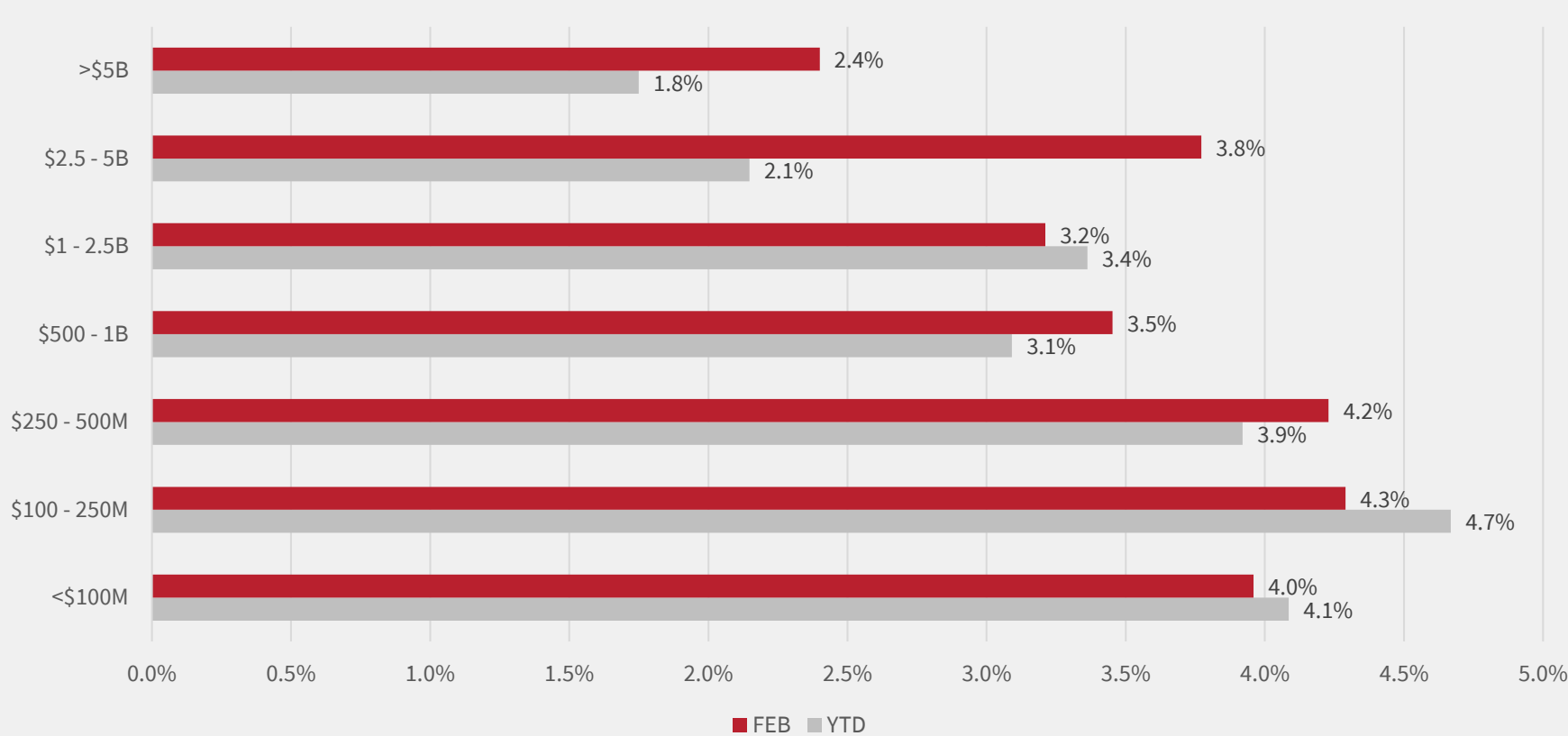
The chart below depicts alpha-generation for each PivotalIndex, ranked from best to worst. Each strategy is color-coded for easy tracking. For the 1-year rolling period ending in February, Equity Sector continued its run at the top.

Alpha Leaderboard Relative to S&P 500

JAN '21	FEB '21	2017	2018	2019	2020
16.7% Equity Sector	13.7% Equity Sector	11.9% Equity Sector	2.1% Credit	7.8% Managed Futures	19.4% Equity Sector
12.2% Multi-Strategy	10.8% Multi-Strategy	11.6% Equity Diversified	1.3% Equity Sector	5.0% Equity Sector	10.8% Multi-Strategy
10.1% Event Driven	8.3% Event Driven	9.2% Event Driven	1.1% Multi-Strategy	4.6% Multi-Strategy	9.3% Event Driven
7.1% Equity Diversified	6.4% Equity Diversified	6.6% Multi-Strategy	-0.4% Event Driven	3.2% Composite	6.6% Composite
6.2% Composite	5.0% Composite	5.9% Composite	-0.6% Composite	2.7% Equity Diversified	5.1% Equity Diversified
2.9% Global Macro	2.3% Global Macro	4.3% Credit	-1.6% Managed Futures	2.5% Global Macro	2.5% Credit
-0.7% Credit	0.7% Managed Futures	-0.7% Global Macro	-2.4% Equity Diversified	2.3% Event Driven	0.9% Managed Futures
-5.7% Managed Futures	-3.6% Credit	-7.2% Managed Futures	-2.6% Global Macro	2.0% Credit	0.5% Global Macro

Last year, managers in the smallest AUM band (<\$100M) returned 2x as much as those in the largest (>\$5B), with 2.5x the alpha and 1/4 less volatility. While far too early to say whether that trend will continue through 2021, preliminary indicators seem to be consistent.

2021 Average Performance by AUM



Pivotal Point of View

- ✓ With rising rates and inflation on everyone's mind, including our allocator clients, interest in discretionary global macro and commodities-focused managers has been picking up. These strategies have benefited from the rising rate environment and the rotation into value/cyclicals.
- ✓ Last year, PivotalPath created baskets of "Social Distance Winners" (think Zoom, Peloton, Atlassian) and "Social Distance Losers" (think Delta, Las Vegas Sands, Cinemark Holdings). In 2020, the Winners unsurprisingly outpaced the Losers, with the former up 126.7% while the Losers were down 18.5%. So far in 2021, the Losers are getting their revenge, as the Social Distance Losers basket is up 21.6% to the Winners' 3.8%.
- ✓ TMT managers, up 4.8% in February and 1.3% YTD, trade in a space that's been prominently featured in the media thus far this year. Given recent volatility in tech stocks, we would expect manager dispersion to be well above the long-term average of 2.5% as well. Sure enough, PivotalPath's Dispersion Indicator clocked in at 4.7% for TMT managers in February, down from 5.8% in January but still elevated. YTD, the top performing TMT fund is up 16.6% while the bottom lost 14.6%.
- ✓ Recommended Read: [The Hedge Fund Industry is Bigger \(and has Performed Better\) Than You Think](#)
 - Leveraging Form PF filings, this academic working paper reveals that the hedge fund industry has performed 18% better, over a 4-year period, than commercial databases reported publicly. Additionally, the industry represents \$5+ trillion in capital, not \$3+ trillion, a widely cited statistic. That's a \$2 trillion error, an amount in excess of the recently passed \$1.9 trillion Covid relief bill.
- ✓ While monthly editions of the Pivotal Point of View largely showcase quantitative insights, we also spend significant time discussing the qualitative with our allocator clients. On that observational front, as we mark the 1-year anniversary of quarantine, our team reflected on what we miss most about being together in the office. A few standout observations below:
 - Learning from each other without scheduling a time to do so
 - Overhearing anything!
 - A clear start and end to the workday
 - Speaking (showered) face to (showered) face

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

Source: PivotalPath data through 03/10/2021. Historic performance available on Bloomberg.
Tickers: P2HFCEI, P2CRDI, P2EQDI, P2EQSI, P2EVDI, P2GBMI, P2MFTI, P2MSTI & P2QNTI

PIVOTAL PATH