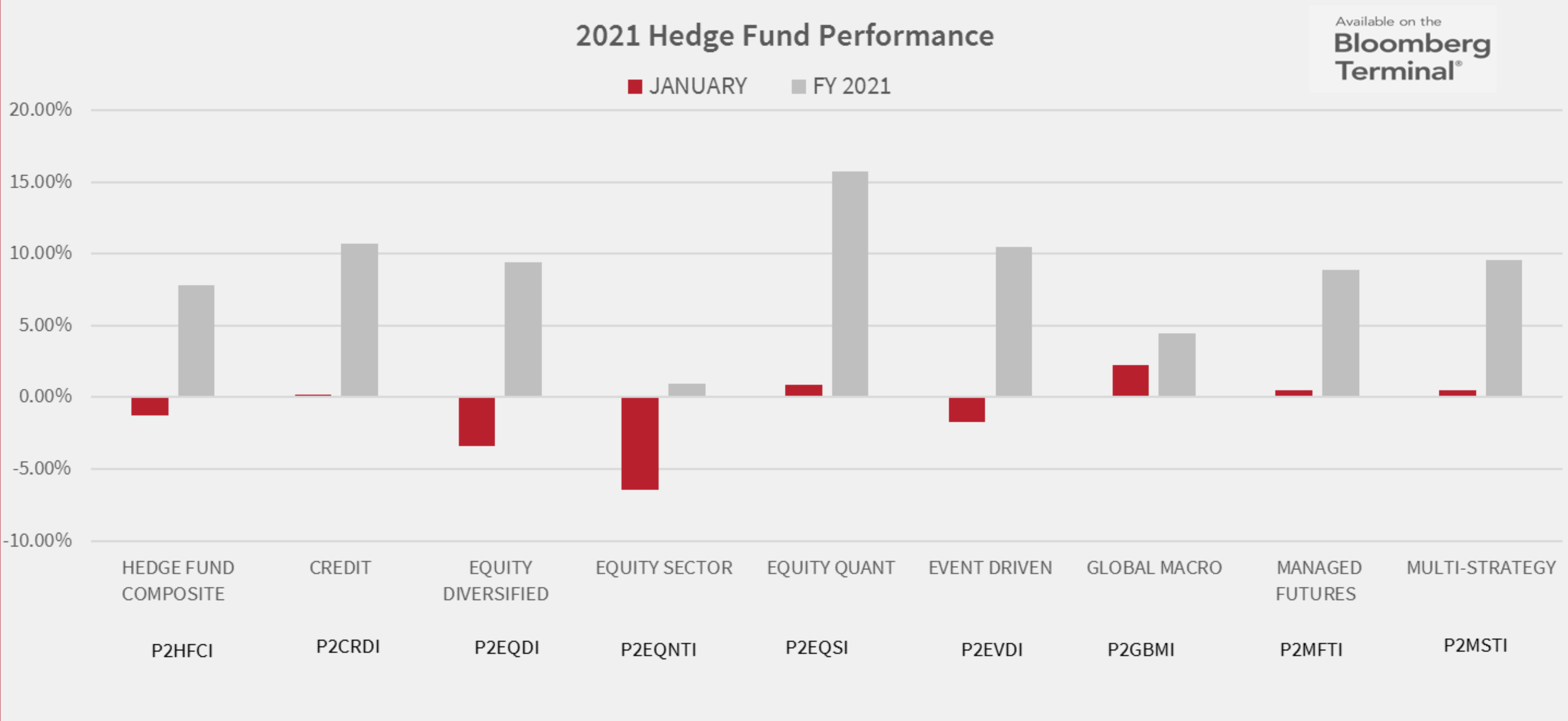
February 2022 Edition

# PIVOTAL POINT OF VIEW

PivotalPath, on behalf of **over $150B in client hedge fund capital**, tracks over **2,400 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-year 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 lost 1.3% in January, significantly outperforming key traditional equity benchmarks. The S&P 500 and Nasdaq declined 5.2% and 9.0%, respectively, during the month. The Composite's 12-month beta to the S&P through January was 0.2.

**Strategy Highlights:** Global Macro led all strategies in January, generating +2.3%; performance was driven by the Risk Premia and Commodities sub-strategies which continued their strong performance from 2021. Equity Sector was the worst performing strategy in January as well as in 2021.



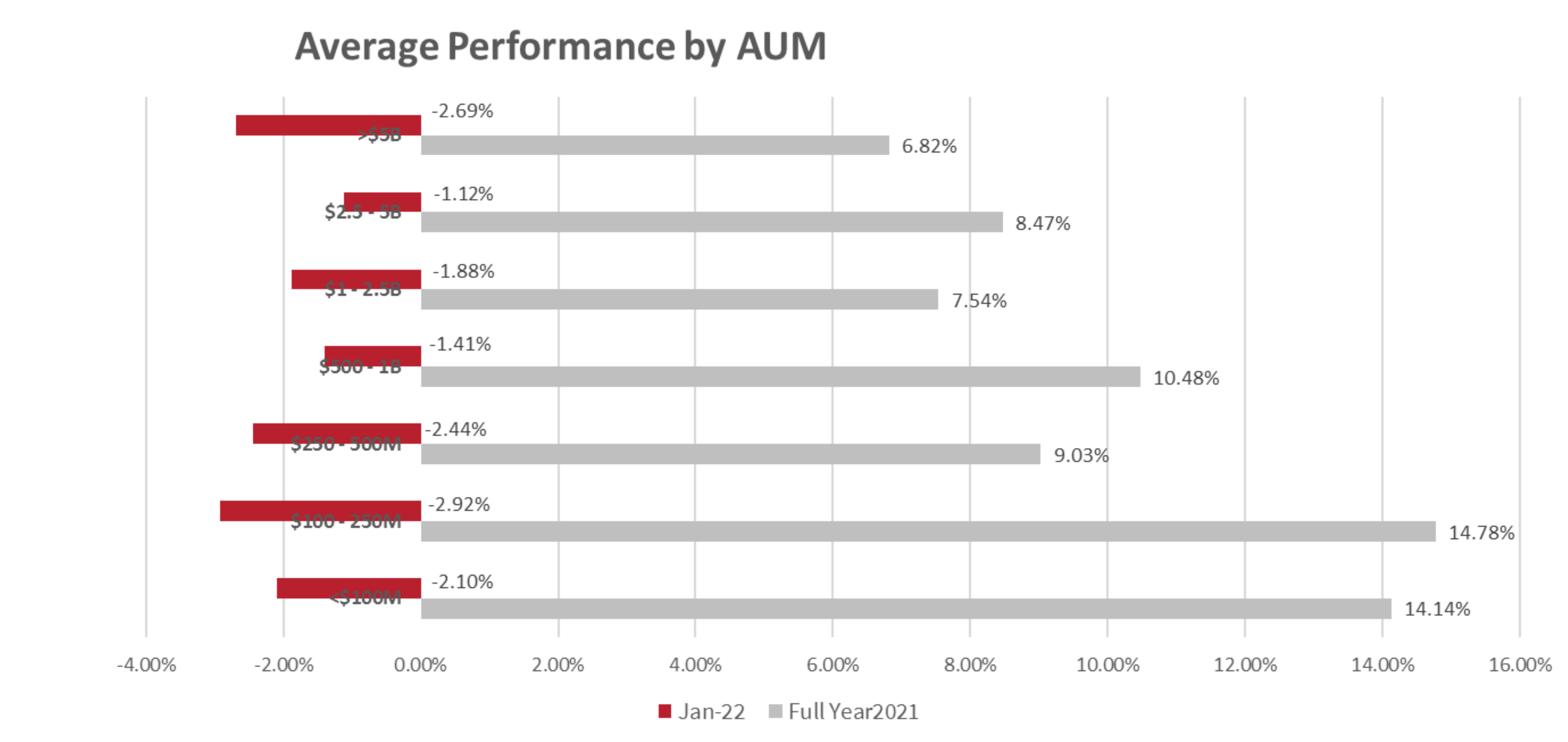

The chart below depicts alpha-generation for each Pivotal Index, ranked from high to low. Each strategy is color-coded for easy tracking. For the 12-month rolling period ending in January, all indices except Equity Sector and Equity Diversified continued to generate positive alpha relative to the S&P 500. The negative alpha within Equity Sector was due to Healthcare and Technology strategies.

**Alpha Leaderboard**

12M Rolling Over S&P 500

| Jan-22 | 2018 | 2019 | 2020 | 2021 |
|---|---|---|---|---|
| 8.5% Multi-Strategy | 2.1% Credit | 7.8% Managed Futures | 19.4% Equity Sector | 10.5% Credit |
| 7.60% Credit | 1.3% Equity Sector | 5.0% Equity Sector | 10.8% Multi-Strategy | 9.80% Multi-Strategy |
| 7.5% Global Macro | 1.1% Multi-Strategy | 4.6% Multi-Strategy | 9.3% Event Driven | 5.9% Event Driven |
| 5.9% Managed Futures | -0.4% Event Driven | 3.2% Composite | 6.6% Composite | 3.1% Composite |
| 1.9% Event Driven | -0.36% Composite | 2.7% Equity Diversified | 5.1% Equity Diversified | 3.0% Global Macro |
| 1.8% Composite | -1.6% Managed Futures | 2.5% Global Macro | 2.5% Credit | 0.7% Managed Futures |
| -2.4% Equity Diversified | -2.4% Equity Diversified | 2.3% Event Driven | 0.9% Managed Futures | -0.3% Equity Diversified |
| -15.20% Equity Sector | -2.6% Global Macro | 2.0% Credit | 0.5% Global Macro | -7.8% Equity Sector |

While smaller funds outperformed their larger peers in 2021, January proved difficult for funds of all sizes. In fact, PivotalPath's Composite EW (equal weighted) lost 2.3% or 90bps more than the Composite which is asset weighted by strategy.




## The Pivotal Point of View Commentary

- **The backdrop:**
  - 2022 began much as 2021 ended, continuing trends experienced in Q4 2021, though with a more negative tone. With inflation remaining stubbornly high and potentially entrenched, commodities continued to add fuel to the fire, including a ~17% gain in WTI Crude and a 30% jump in Natural Gas.
  - In reaction, the US 10 Year Treasury yield increased from 1.51 to 1.78; this paled in comparison to the jump in the US 2 Year Treasury yield, which increased from 0.74 to 1.16. Accordingly, the spread between the two flattened further to just 61bps.
  - Outside of commodities and the value factor more generally, there were very few bright spots in January, as the significant equity selloff was broad across most sectors and geographies.

- **The rotation into value from growth continues:**
  - After value outperformed growth in 2021 for the first time since 2016, PivotalPath's U.S. Cyclical Basket (a proprietary measure of value) outperformed our U.S. Growth Basket by 9.5% in January. This is the second largest spread dating back to January of 2000 with only February of 2021 experiencing a larger differential.
  - Growth sectors such as technology and biotech saw significant losses in January along with small-caps. The Russell 2000 lost 9.6% in January, almost double the loss of the S&P 500, and the SPDR S&P Biotech ETF (XBI) lost 16.6%. PivotalPath's Small-Cap Biotech Basket was down 20% for the month and the SaaS basket lost 10.1%.
  - Meanwhile, the Energy Sector SPDR (XLE) gained 18.8% for the month and the Dow Jones Commodity Index rose 8.7%.

- **Hedge funds performed relatively well and should have met most expectations:**
  - The PivotalPath Composite Index, a broad measure of overall hedge fund performance, lost a modest 1.3% vs. the major indices as described above, though dispersion by strategy remained historically wide. PivotalPath's Dispersion Indicator registered at 6.3% which is the third highest month since April of 2009.
  - Systematic strategies including Macro, Managed Futures, and Equity Quant were able to capitalize on the flattening yield curve, rally in the energy complex, and other factor trends, all of which are trends that are at least a year in the making.

- **Multi-Strategy and Credit were slightly positive for the month and continue to generate top of class alpha:**
  - With heightened volatility, exemplified by the +40% rally in the VIX, Multi-Strategy managers performed well yet again, with the Index generating a gain of 0.5% while maintaining a near zero beta to the S&P.
  - The Credit index was slightly positive for the month led by the Structured & MBS and Relative Value sub-strategies, both of which generated returns of ~1%.

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: P2HFCI, P2CRDI, P2EQDI, P2QNTI, P2EQSI, P2EVDI, P2GBMI, P2MFTI & P2MSTI

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