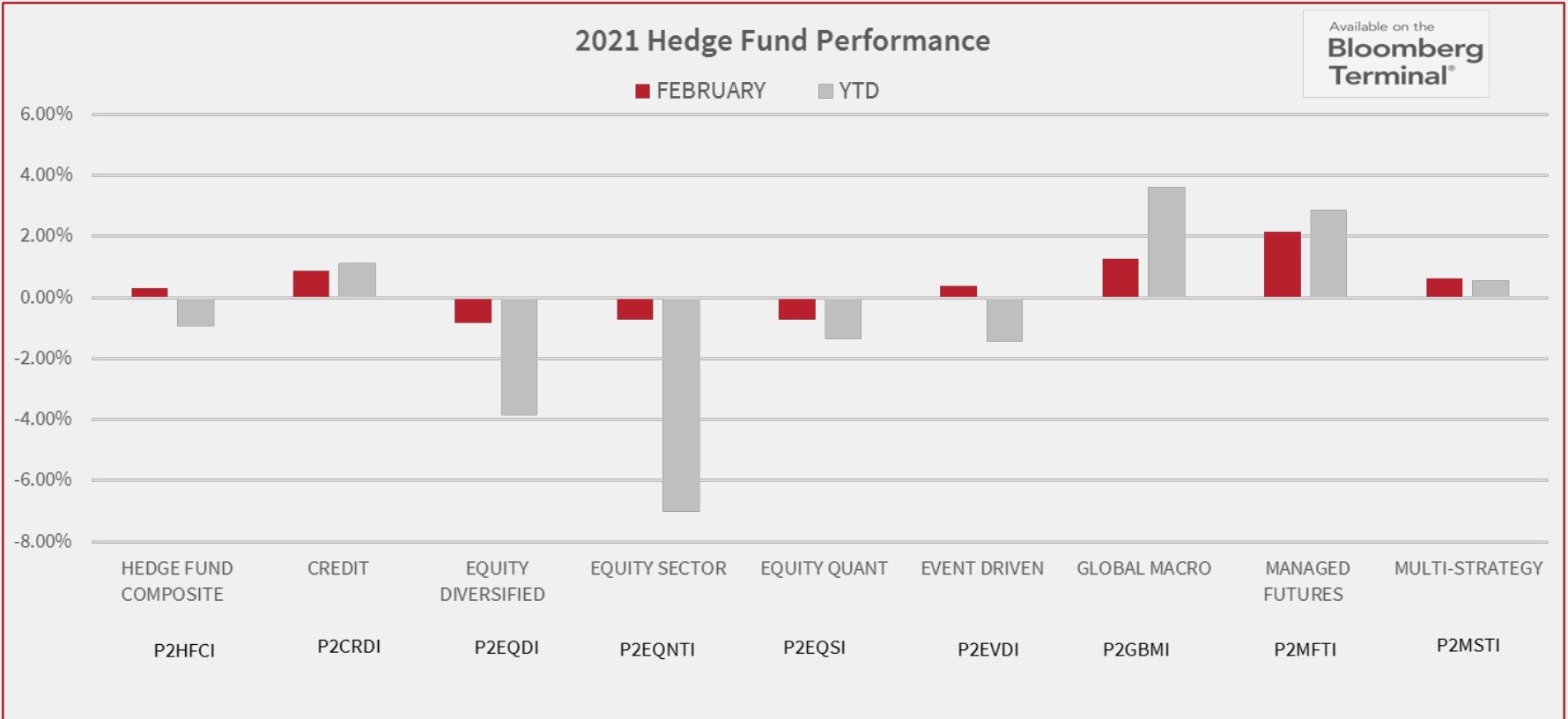


PivotalPath, on behalf of over \$150B in client hedge fund capital, tracks over 2,400 institutionally-relevant hedge funds, spanning >\$2.5T of industry assets. Our monthly report contextualizes these data points, including analysis of hedge fund performance, as well as 12-year rolling alpha across high-level strategies. We also provide average monthly performance of funds within separate AUM bands.

**Key Takeaways:** The PivotalPath Hedge Fund Composite Index gained 0.3% in February, once again significantly outperforming key traditional equity benchmarks. The S&P 500 and Nasdaq declined 3.0% and 3.4%, respectively, during the month. Year-to-date the PivotalPath Composite is down 0.9% versus the S&P down 8.0% and Nasdaq down 12.1%. The Composite's 12-month beta to the S&P through February was 0.16.

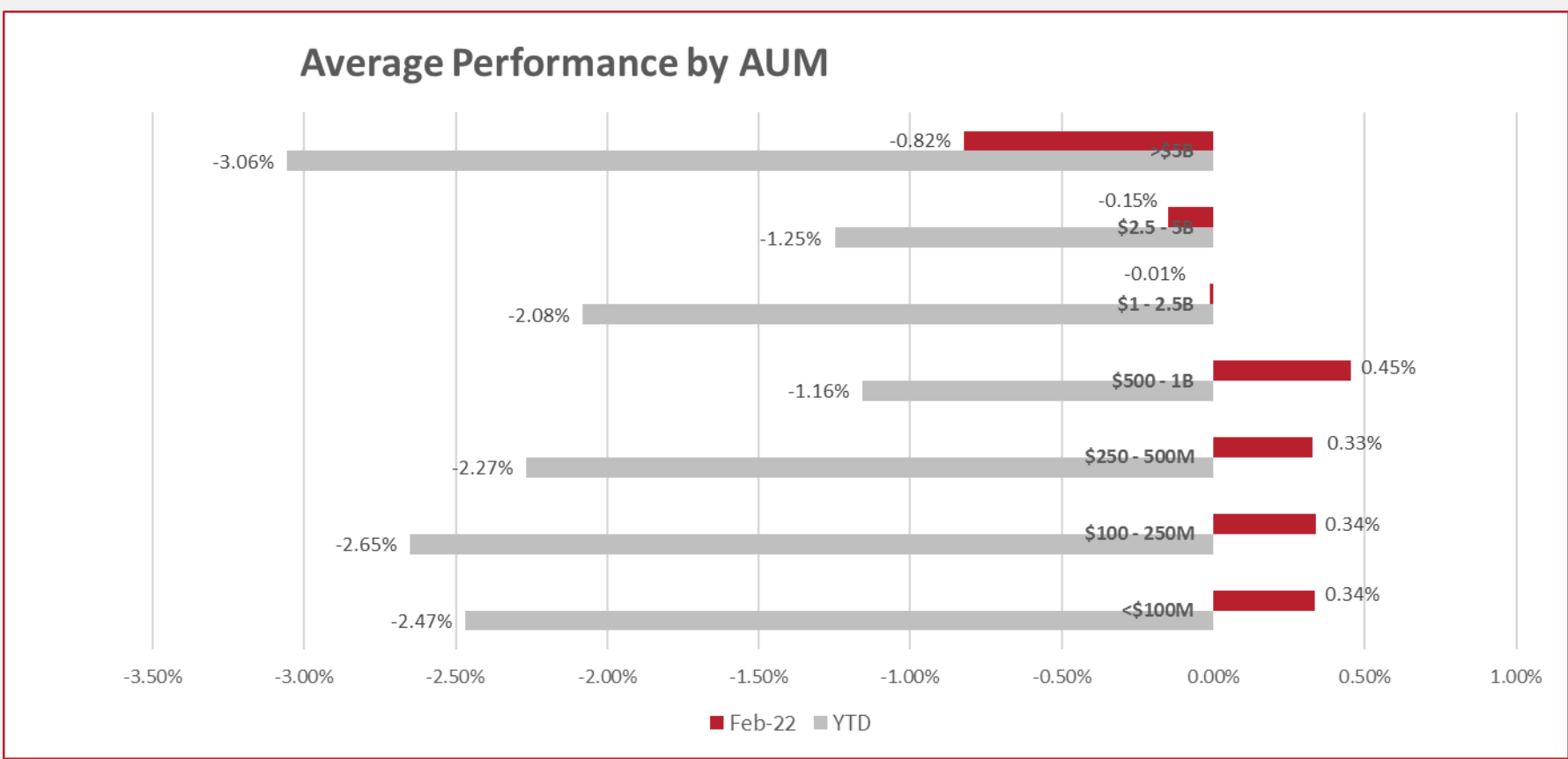
**Strategy Highlights:** Managed Futures and Global Macro led all strategies in February, generating 2.2% and 1.3% respectively. Performance was driven by the Risk Premia and Commodities sub-strategies which continued their strong performance from 2021. Equity Sector continues to be the worst performing strategy largely due to losses in the TMT and healthcare sub-strategies.



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 February, Multi-Strategy is at the top and all indices except Equity Sector and Equity Diversified continued to generate positive alpha relative to the S&P 500.

Jan-22	Feb-22	2018	2019	2020	2021
8.5% Multi-Strategy	7.8% Global Macro	2.1% Credit	7.8% Managed Futures	19.4% Equity Sector	10.5% Credit
7.60% Credit	7.4% Managed Futures	1.3% Equity Sector	5.0% Equity Sector	10.8% Multi-Strategy	9.80% Multi-Strategy
7.5% Global Macro	7.30% Credit	1.1% Multi-Strategy	4.6% Multi-Strategy	9.3% Event Driven	5.9% Event Driven
5.9% Managed Futures	4.8% Multi-Strategy	-0.4% Event Driven	3.2% Composite	6.6% Composite	3.1% Composite
1.9% Event Driven	0.7% Composite	-0.36% Composite	2.7% Equity Diversified	5.1% Equity Diversified	3.0% Global Macro
1.8% Composite	0.2% Event Driven	-1.6% Managed Futures	2.5% Global Macro	2.5% Credit	0.7% Managed Futures
-2.4% Equity Diversified	-3.9% Equity Diversified	-2.4% Equity Diversified	2.3% Event Driven	0.9% Managed Futures	-0.3% Equity Diversified
-15.20% Equity Sector	-15.80% Equity Sector	-2.6% Global Macro	2.0% Credit	0.5% Global Macro	-7.8% Equity Sector

On average, larger funds (>\$5B) have had the most challenging period of performance in 2022, down 0.8% in February and down 3.1% year-to-date. Smaller funds (<\$1B) outperformed in February.



## The Pivotal Point of View Commentary

➤ **The backdrop:**

- After a tough January where almost all markets were down, February was a mixed month with the S&P down ~3.0% while the Russell 2000 was up ~1.0%. YTD however, all major indices are down with the tech heavy growth-oriented Nasdaq down 12.1%.
- Inflation continued to be a concern, fueled further by the spike in oil prices due to the Russian invasion of Ukraine.
- Volatility remained high as the VIX was up 21% month over month and is 75% higher in 2022.

➤ **The rotation into value from growth continued and size mattered in February:**

- The “Value over Growth” shift continued in February with the PivotalPath proprietary Cyclical Sectors Basket outperforming the Growth Sectors Basket by 4.2% in February. Through February the spread is now 13.5%. In addition, the small cap (size) factor performed well in February (+1.9%) and YTD (+1.7%).
- February was a difficult month for most sectors except energy. TMT and healthcare/biotech continued to see losses along with other sectors. The Communication Services Sector SPDR (XLC), Real Estate Sector SPDR (XLRE), and Technology Sector SPDR (XLK) were down 4.9%, 4.8%, and 7.4% respectively and the IBB lost 4.4%. Meanwhile, the Energy Sector SPDR (XLE) was up 7.1% and the Alerian MLP Index (AMZX) was up 4.8% in February.
- Bond markets were down across the board, with EM bonds suffering the worst losses due to exposure to Russia.

➤ **Hedge funds performed well in the midst of market turmoil:**

- The PivotalPath Composite Index, a broad measure of overall hedge fund performance, gained 0.3%, outperforming most major indices as described above. PivotalPath’s Dispersion Indicator decreased in February to 3.8%.
- Strategies including Global 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, Managed Futures, Global Macro and Credit were positive for the month and continue to generate top of class alpha:**

- Commodities, especially oil, reached fresh highs not seen in a decade, along with continued volatility, benefited Global Macro and Managed Futures funds who caught the right side of the trade.
- The PivotalPath Credit Index was positive for the month and delivered positive alpha mainly driven by the Relative Value and Multi-Strategy Credit sub-indices.