

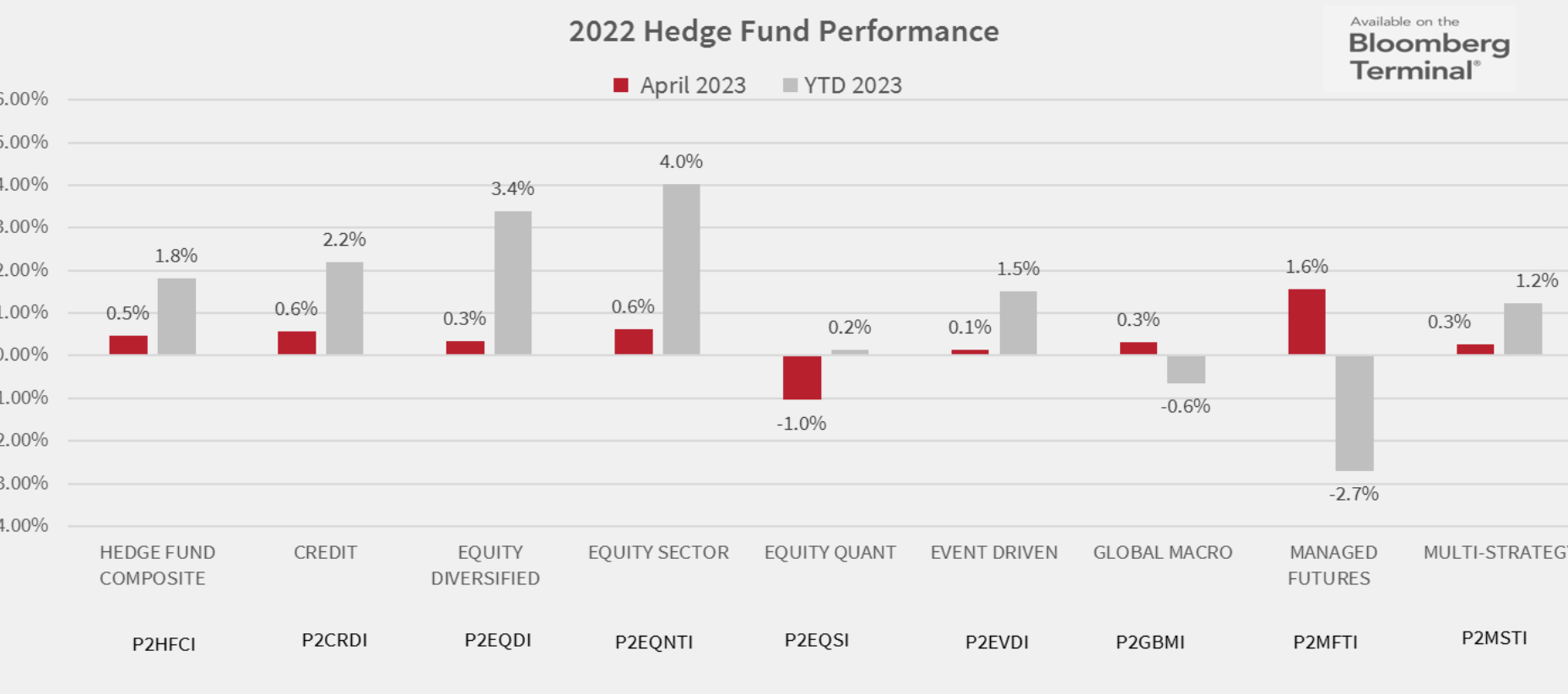
PIVOTAL POINT OF VIEW

For allocators evaluating hedge fund performance, context matters.

Every month, on behalf of over \$300B in client hedge fund capital, **PivotalPath** tracks over 2,500 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-month rolling alpha across high-level strategies.

Key Takeaways: The PivotalPath Composite Index returned 0.5% in April amid economic concerns relating to the US debt ceiling, along with recalibrated interest rate hikes and recession probabilities. The S&P 500 Index rose 1.56% and the Nasdaq and Russell 2000 had mixed performance: +0.04% and -1.86%, respectively. All hedge fund indices performed well relative to March and were positive on the month with the exception of Equity Quant.

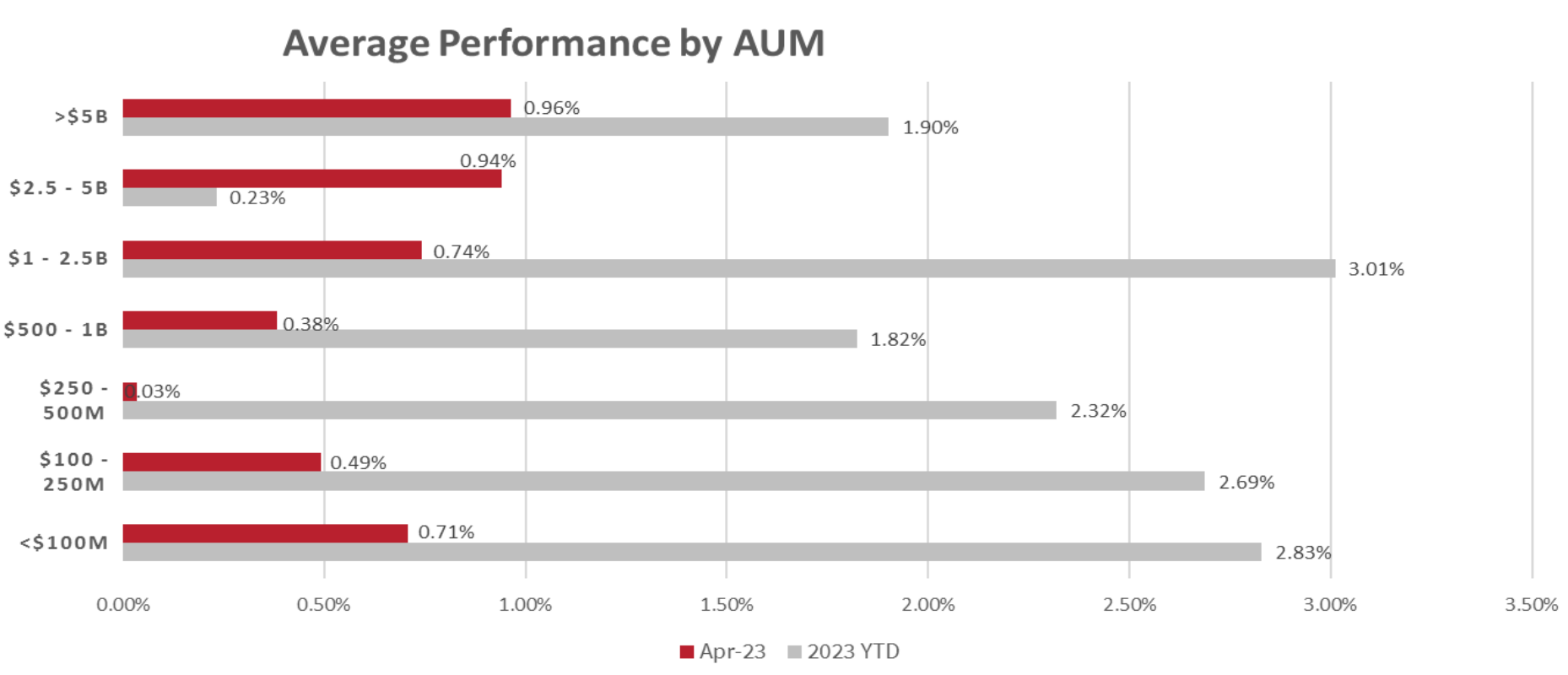
Strategy Highlights: Managed Futures and Global Macro partially recovered March losses, but year-to-date performance remains negative. Equity-oriented strategies appreciated modestly along with overall equity markets.



The chart below depicts alpha generation for each PivotalPath Index, ranked from high to low. Each strategy is color-coded for easy tracking. For the 12-month rolling period ending in April, Multi-Strategy rose to the top of the list of alpha generation while Event Driven fell to the bottom of the pack. Managed Futures maintained its recent negative Alpha generation.

Q1 2023	Apr-23	2019	2020	2021	2022
3.0% Global Macro	2.2% Multi-Strategy	7.8% Managed Futures	19.4% Equity Sector	10.5% Credit	10.2% Managed Futures
2.7% Multi-Strategy	1.8% Global Macro	5.0% Equity Sector	10.8% Multi-Strategy	9.80% Multi-Strategy	10.0% Global Macro
1.7% Credit	0.8% Credit	4.6% Multi-Strategy	9.3% Event Driven	5.9% Event Driven	2.2% Credit
1.5% Equity Diversified	0.6% Composite	3.2% Composite	6.6% Composite	3.1% Composite	1.1% Composite
1.2% Composite	0.3% Equity Diversified	2.7% Equity Diversified	5.1% Equity Diversified	3.0% Global Macro	1.1% Multi-Strategy
-0.8% Event Driven	0.0% Equity Sector	2.5% Global Macro	2.5% Credit	0.7% Managed Futures	-1.2% Equity Diversified
-0.9% Managed Futures	-0.7% Managed Futures	2.3% Event Driven	0.9% Managed Futures	-0.3% Equity Diversified	-2.3% Event Driven
-1.8% Equity Sector	-2.8% Event Driven	2.0% Credit	0.5% Global Macro	-7.8% Equity Sector	-9.5% Equity Sector

As illustrated in the graph below, all AUM bands were positive in April reversing consistently negative performance in March. YTD, all AUM bands are now positive as well.



Pivotal Context

- **The Hedge Fund Takeaway:**
 - The **PivotalPath Composite Index** rose modestly (+0.5%) in April, leaving the index at +1.8% year-to-date vs. the S&P 500 up 9.2% and Nasdaq up 16.8%. It should be noted the Russell 2000 and DJIA are up 0.4% and 2.9%, respectively, illustrating the thinness of the market rally. The **Composite's** volatility, however, remains historically low vs. the S&P 500's volatility over the last 12 months through April. The S&P 500 Index generated volatility of 22.0% vs. 3.9% for the Composite, or 5.6x the volatility. For context, the volatility ratio of 5.6 is in the 95th percentile of rolling 12-month periods going back to 1998.
 - Hedge Funds overall were positive for the month with over 2/3 of all funds reporting positive returns (average +1.9%) and 1/3 in negative territory (average -1.8%). YTD, the same ratio holds true with 67% positive (average +5.4%) and 33% negative (average -4%). Equity Sector and Equity Diversified continue to lead all indices, up 4.0% and 3.4%, respectively.
 - Within Equity Sector, Healthcare was the main driver +4.1%, while Technology/Media/Telecom (TMT) was down 1.7%.
- **The Backdrop: Fed's Next Move, Looming Debt Ceiling Crisis, Recession**
 - Economic uncertainty remained high in April with fears of a US Debt ceiling crisis, its economic impact, and if and when the Fed will pause. The S&P 500 and DJIA rose 1.56% and 2.48% respectively while the Russell 2000 declined 1.86%. The Nasdaq was flat at +0.04%. Year to date, the Nasdaq has risen 16.82% followed by the S&P 500, +9.17%, DJIA +2.87%, and the Russell 2000 +.44%.
 - The **US 10-year Treasury** yield continued to decline, falling modestly from 3.47% to 3.42% while the US 2-Year yield fell from 4.03% to 4.01%.
 - Declining interest rates over the past two months along with the consensus the Fed is nearing the end of the rate hike cycle and may need to cut rates later this year drove growth in the Biotech sector (XBI) +5.24%, Health care (XLV) +3.14%, and Communications (XLC) +3.33%. Natural gas rose 8.75% and is down 48% for the year.
- **Dispersion and AUM: Dispersion Declines in April.**
 - PivotalPath's proprietary **Dispersion Indicator** fell in April to the lowest level since July of 2019. On average YTD, it remains historically elevated ranking in the 69th percentile of months dating back to January of 2008.
 - Larger funds outperformed smaller ones in April primarily due to the recovery of large managers within Managed Futures and Macro strategies.
- **Factors and PivotalPath Baskets:**
 - The Dow Jones U.S. Thematic Market Neutral factors continue to be mixed:
 - Value and Momentum were up 1.6% and 1.7% respectively but are down 6.9% and 2.4% respectively YTD.
 - Low Beta recovery continues, +3% in April and is down 3.6% YTD.
 - The size factor continued to reverse early gains declining 1.5% in April and is now down 1.5% for the year.
- **Leverage** of PivotalPath Long/Short Fundamental funds continues to be at the lower end of its historical range, though off historic lows.
 - The Equity Diversified U.S. Long/Short Fundamental Index maintains a beta of 0.4 to the S&P 500 in the last 12 months through April. This remains slightly off the lows in May 2022 of 0.35, indicating that long/short funds are somewhat less bearish on equities, but still well below the levels seen in 2019-2021 when exposure averaged over 0.5.