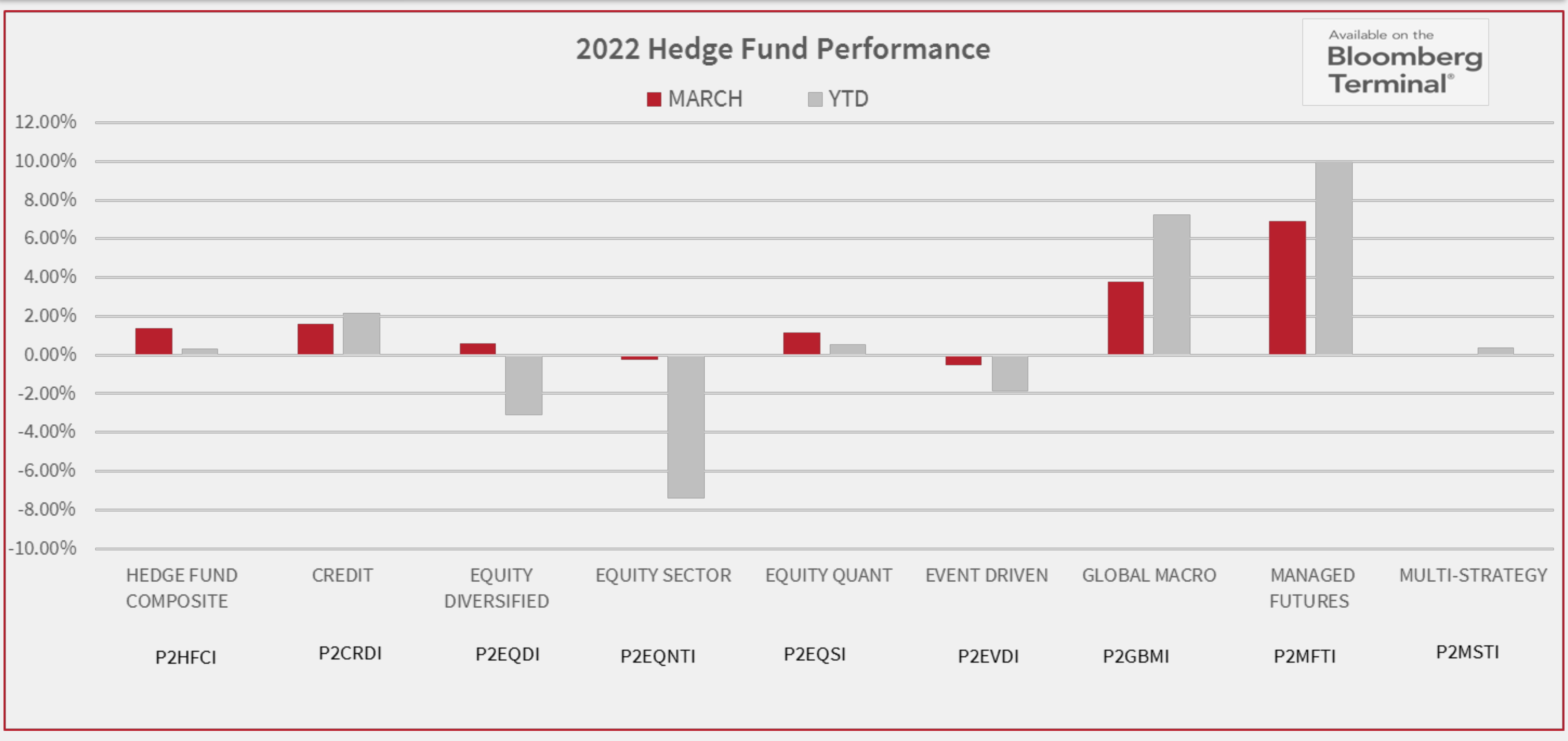
April 2022 Edition

PIVOTAL POINT OF VIEW

PivotalPath, on behalf of **over $200B 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 1.4% in March, underperforming major indices on an absolute basis for the first time this year. The S&P 500 and Nasdaq rose 3.7% and 3.4%, respectively, during the month. Year-to-date the PivotalPath Composite is up .3% versus the S&P's decline of 4.6% and Nasdaq's decline of 9.1%. The Composite's 12-month beta to the S&P through March has remained stable at 0.18.

Strategy Highlights: Managed Futures and Global Macro continue to lead all strategies, generating 6.9% and 3.8% respectively in March and 10% and 7.2% YTD. Global Macro Index performance was driven by Quantitative and Discretionary sub-strategies which are up 8% and 10% YTD, respectively. The Equity Sector Index lost 25bps for the month and continues to be the worst performing index, losing 7.4% YTD. The YTD decline is mainly due to poor performance in TMT, Healthcare and Consumer sub-indices.



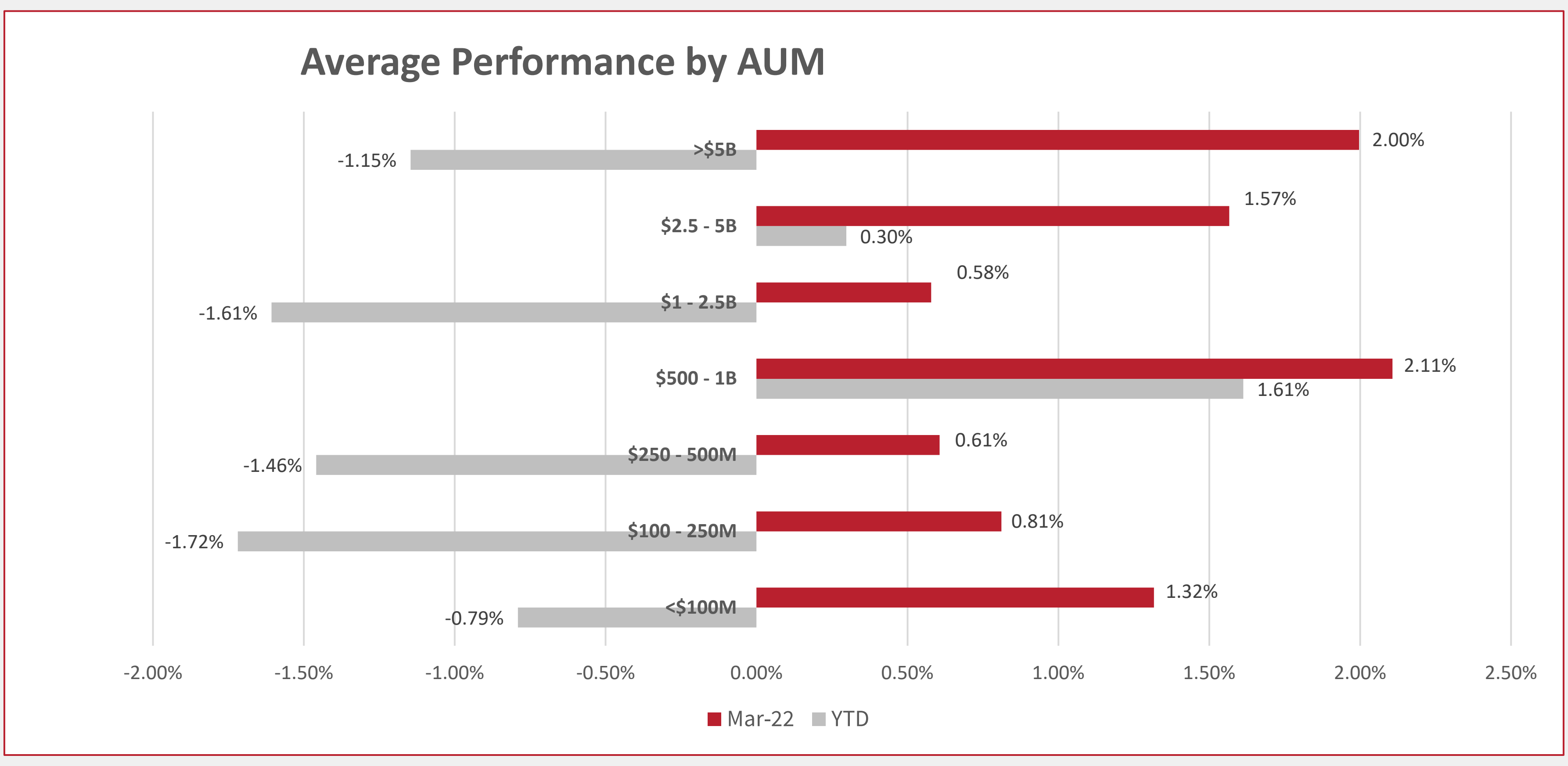
The chart below depicts alpha-generation for each Pivotal Index, ranked from high to low. Each strategy is color-coded for easy tracking. For the 12-month rolling period ending in March, Managed Futures and Global Macro are at the top while the Equity Sector and Equity Diversified continued to generate negative alpha relative to the S&P 500.

Alpha Leaderboard

12M Rolling Over S&P 500

Jan-22	Feb-22	Mar-22	2018	2019	2020	2021
8.5% Multi-Strategy	7.4% Global Macro	12.0% Managed Futures	2.1% Credit	7.8% Managed Futures	19.4% Equity Sector	10.5% Credit
7.60% Credit	7.4% Managed Futures	9.5% Global Macro	1.3% Equity Sector	5.0% Equity Sector	10.8% Multi-Strategy	9.80% Multi-Strategy
7.5% Global Macro	6.5% Credit	7.0% Credit	1.1% Multi-Strategy	4.6% Multi-Strategy	9.3% Event Driven	5.9% Event Driven
5.9% Managed Futures	4.5% Multi-Strategy	4.7% Multi-Strategy	-0.4% Event Driven	3.2% Composite	6.6% Composite	3.1% Composite
1.9% Event Driven	0.5% Composite	1.4% Composite	-0.36% Composite	2.7% Equity Diversified	5.1% Equity Diversified	3.0% Global Macro
1.8% Composite	0.3% Event Driven	-0.3% Event Driven	-1.6% Managed Futures	2.5% Global Macro	2.5% Credit	0.7% Managed Futures
-2.4% Equity Diversified	-3.6% Equity Diversified	-3.8% Equity Diversified	-2.4% Equity Diversified	2.3% Event Driven	0.9% Managed Futures	-0.3% Equity Diversified
-15.20% Equity Sector	-16.1% Equity Sector	-14.6% Equity Sector	-2.6% Global Macro	2.0% Credit	0.5% Global Macro	-7.8% Equity Sector

March saw a large reversal from prior month with larger funds (>500mm) generally outperforming their smaller brethren.



The Pivotal Point of View Commentary

- **The backdrop:**
  - Inflation, rate hikes and protracted war continued to be the primary drivers of market performance in March
  - War inflicted supply worries continue to drive Nat Gas (+28.2%) and WTI Crude Oil (+4.8%) higher as well commodities in general illustrated by an increase of 8.2% from the Dow Jones Commodity Index leaving it +26% YTD.
  - Reacting to commodity inflation and headline inflation at 40-year highs, the U.S. 10 Year Treasury yield continued higher from 1.84% to 2.33% while the 2 Year moved even more from 1.43% to 2.28%, right at the point of inversion. The U.S Dollar rallied 1.7%.
- **The equity impact:**
  - March presented another reversal in leaders and laggers, especially in the equity markets. The Russell 2000 generated 1.1% compared to 3.7% from the S&P 500 and 3.4% from the Nasdaq, whipsawing once again from its significant outperformance in February following significant underperformance in January.
  - Developed equity markets well outperformed emerging markets with the MSCI World returning 2.7% vs. a loss of 2.3% from MSCI EM. In Asia, Chinese markets suffered significant losses as exemplified by 7.8% loss in the CSI 300, while Japan's Nikkei 225 generated 5.8%.
  - Within equities, most sectors generated positive returns, once again led by energy (XLE +8.3%) and utilities (XLU +9.6%) respectively. Healthcare and technology rebounded though both remain in the red YTD.
  - In the factor space, Value and Growth both had strong months as PivotalPath's U.S. Cyclical Sectors and Growth Sectors Baskets returned 4.2% and 4.3% respectively, though remain mirror images YTD with Cyclicals +7.0% while Growth is -7.0% through March.
- **Managed Futures have their day in March along side Global Macro**
  - Managed futures continue to do what they are supposed to do, capture trends that are long in the marking.
  - The PivotalPath Managed Futures Index generated 6.9% on the moth, which is the largest monthly gain since May of 2003. Among PivotalPath's 45 sub-indices, only Global Macro Commodities (+12.6%) and Global Macro Discretionary +(10.3%) and have bested Managed Futures (+10%) YTD.
- **Hedge fund performance and the case for diversification:**
  - YTD, PivotalPath's Hedge Fund Composite Index has eked out a small gain of 0.3% and continues to generate positive alpha of 1.2% and historically low beta of 0.18 relative to the S&P 500 (over the previous 12 months through March).
- **Dispersion and Divergence in Alpha generation:**
  - While hedge fund return dispersion on a monthly basis remains at a healthy level just above its 10-year average, alpha dispersion over the last year across strategies is quite significant with Managed Futures +12% and the Equity Sector's -15%.
  - For context, Equity Sector alpha is the lowest since July of 1999, while Managed Futures alpha is the highest since September of 2015

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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