

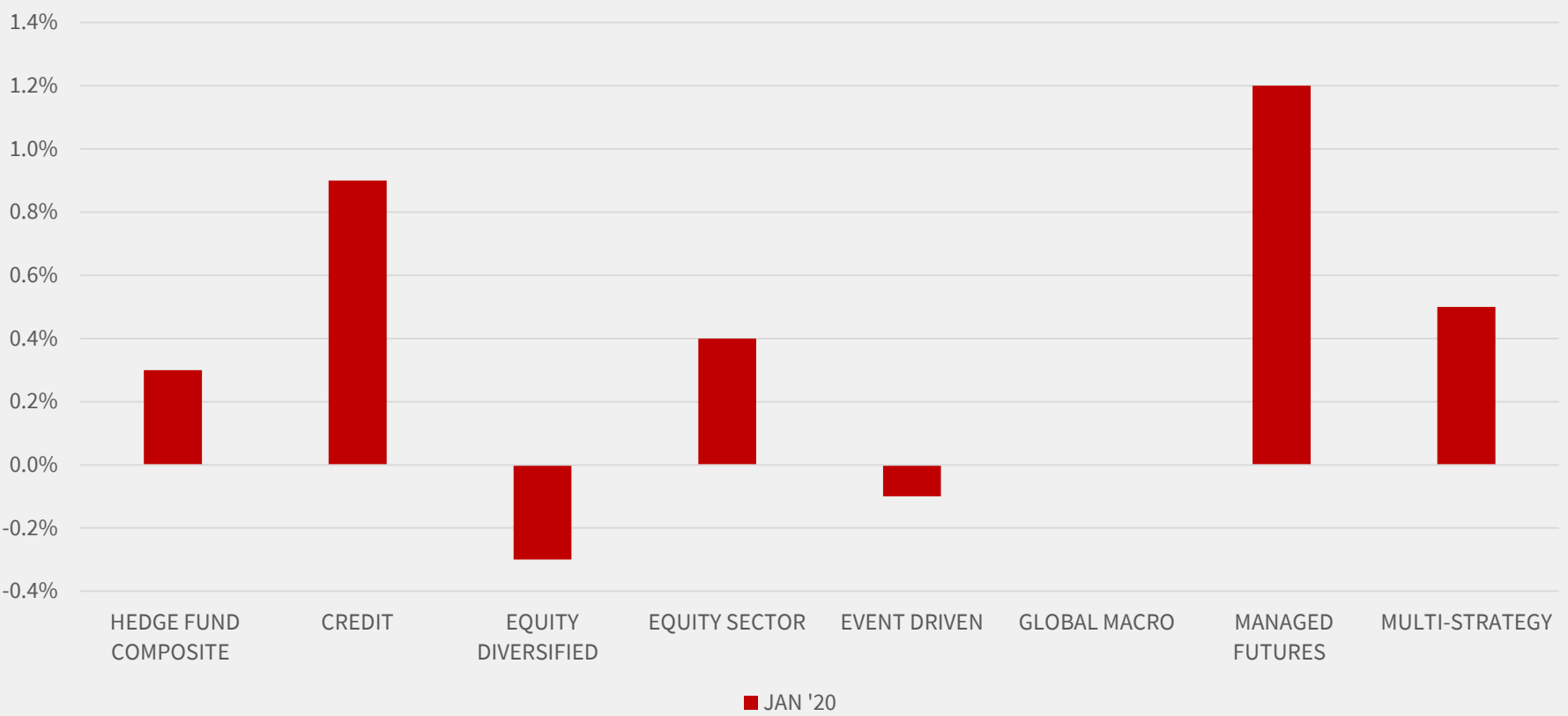
PIVOTAL INDICES

PivotalPath, on behalf of \$100B in client hedge fund capital, tracks over 200,000 data points across more than 2,000 hedge funds and 40+ different strategies. Our monthly report includes year-to-date hedge fund performance, as well as 12-month rolling alpha across eight core hedge fund strategies. We also provide the average monthly performance of funds within separate AUM bands.

Key Takeaway: The PivotalPath Hedge Fund Composite Index started the year up slightly, returning +0.3% in January. Across the fund universe, there was fairly wide dispersion between top and bottom performers for the month, with 1st quartile managers up +4.0% and 4th quartile managers down -4.0%, on average.

Strategy Highlights: While markets in general were down in January, the PivotalPath Hedge Fund Indices were mainly flat to modestly positive for the month. Equity Diversified, the bottom monthly performer, was pulled down by Asia Long/Short returns.

January 2020 Performance



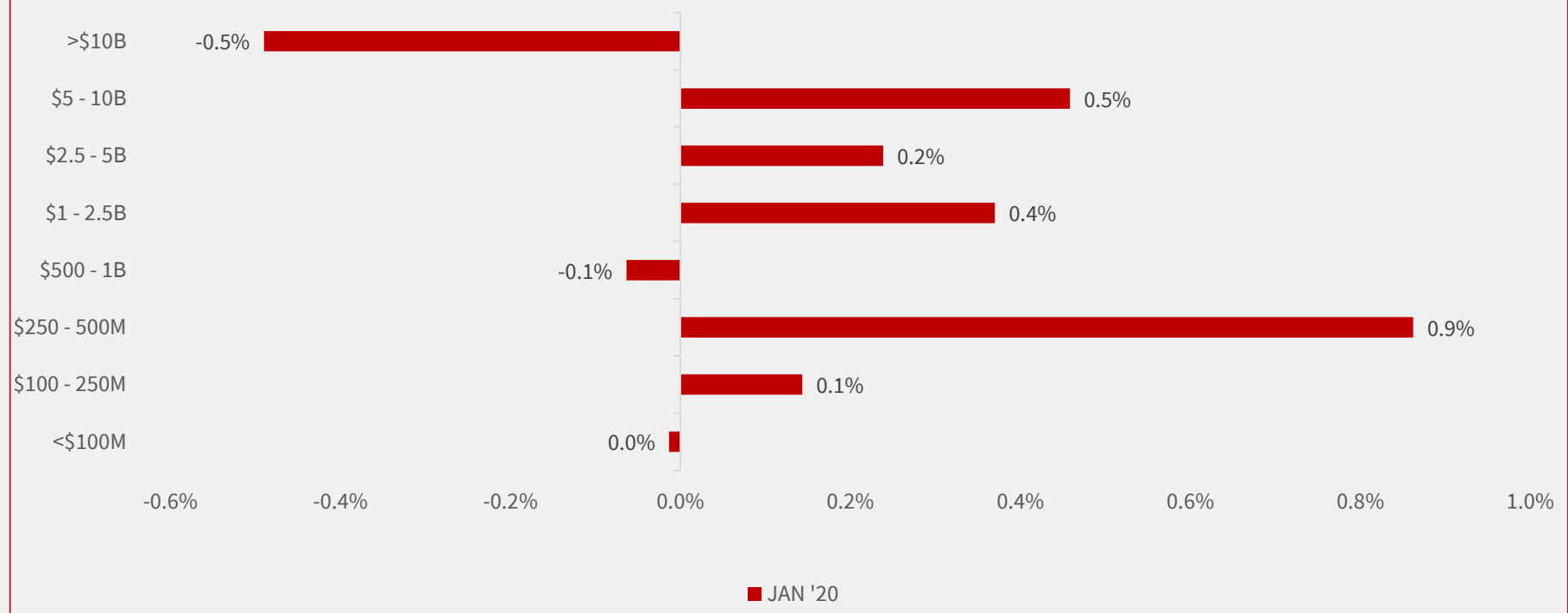
The chart below depicts alpha-generation for each PivotalIndex, ranked from best to worst. Each strategy is color-coded for easy tracking. As of January, all strategies generated positive alpha.

Alpha Leaderboard Relative to S&P 500

JAN '20	2016	2017	2018	2019
8.3% Managed Futures	7.1% Credit	11.9% Equity Sector	2.1% Credit	7.8% Managed Futures
5.6% Equity Sector	5.9% Global Macro	11.6% Equity Diversified	1.3% Equity Sector	5.0% Equity Sector
4.2% Credit	5.4% Managed Futures	9.2% Event Driven	1.1% Multi-Strategy	4.6% Multi-Strategy
3.6% Composite	2.9% Multi-Strategy	6.6% Multi-Strategy	-0.4% Event Driven	3.2% Composite
3.3% Multi-Strategy	2.9% Event Driven	5.9% Composite	-0.6% Composite	2.7% Equity Diversified
3.2% Equity Diversified	2.4% Composite	4.3% Credit	-1.6% Managed Futures	2.5% Global Macro
3.0% Event Driven	-1.8% Equity Sector	-0.7% Global Macro	-2.4% Equity Diversified	2.3% Event Driven
1.1% Global Macro	-3.2% Equity Diversified	-7.2% Managed Futures	-2.6% Global Macro	2.0% Credit

Managers with \$250-500M in assets under management were the best performers in January, up +0.9% on average, while funds at the top end of the AUM range trailed the pack, returning -0.5%.

Average Performance by Assets Under Management (AUM)



Pivotal Point of View

Here is what the data means for hedge funds, institutional investors, and markets overall:

- ✓ In 2020, we expect allocators to continue their hunt for niche, uncorrelated strategies. As with all strategies, peer data sets are essential to manager analysis - context is king. To accurately assess key manager characteristics, we structure robust data sets across different sub-strategies. For example, we use our Dispersion Indicator to track monthly performance dispersion on a strategy-by-strategy basis. The higher the indicator within a sub-strategy, the more crucial manager selection becomes for allocators. We also break out strategy-specific performance by AUM to see whether larger or smaller managers outperform.
- ✓ The high-level indices cited in this monthly infographic are comprised of over 40 sub-strategies. In January, the high-level index with the greatest degree of dispersion amongst its sub-strategy components was the Equity Sector Index. Specifically, Technology/Media/Telecom was the best performing sub-strategy, gaining +3.5%, while Financials (-0.9%), Healthcare (-1.5%) and Energy/Utilities/Industrials (-1.7%) finished at the bottom. For access to sub-strategy indices, please contact inquiry@pivotalpath.com.
- ✓ Beyond the recent market volatility attributed to Coronavirus-related fears, we have observed other anecdotal effects in the hedge fund world, including cancellations of industry conferences, manager roadshows and investor on-site visits to name a few. Last year, [in an insight we published](#), we talked about how the protests in Hong Kong could drive managers to transfer operations to Singapore, a thus altering the region. How the Coronavirus affect markets, and hedge funds in particular, on a longer-term basis? If the current trend in the Coronavirus data hold, we may look back at this as a scary, but somewhat routine flu season. Realistically, it is too early to tell. As we do with our hedge fund analysis, we stress the importance of evaluating the data in the right context.