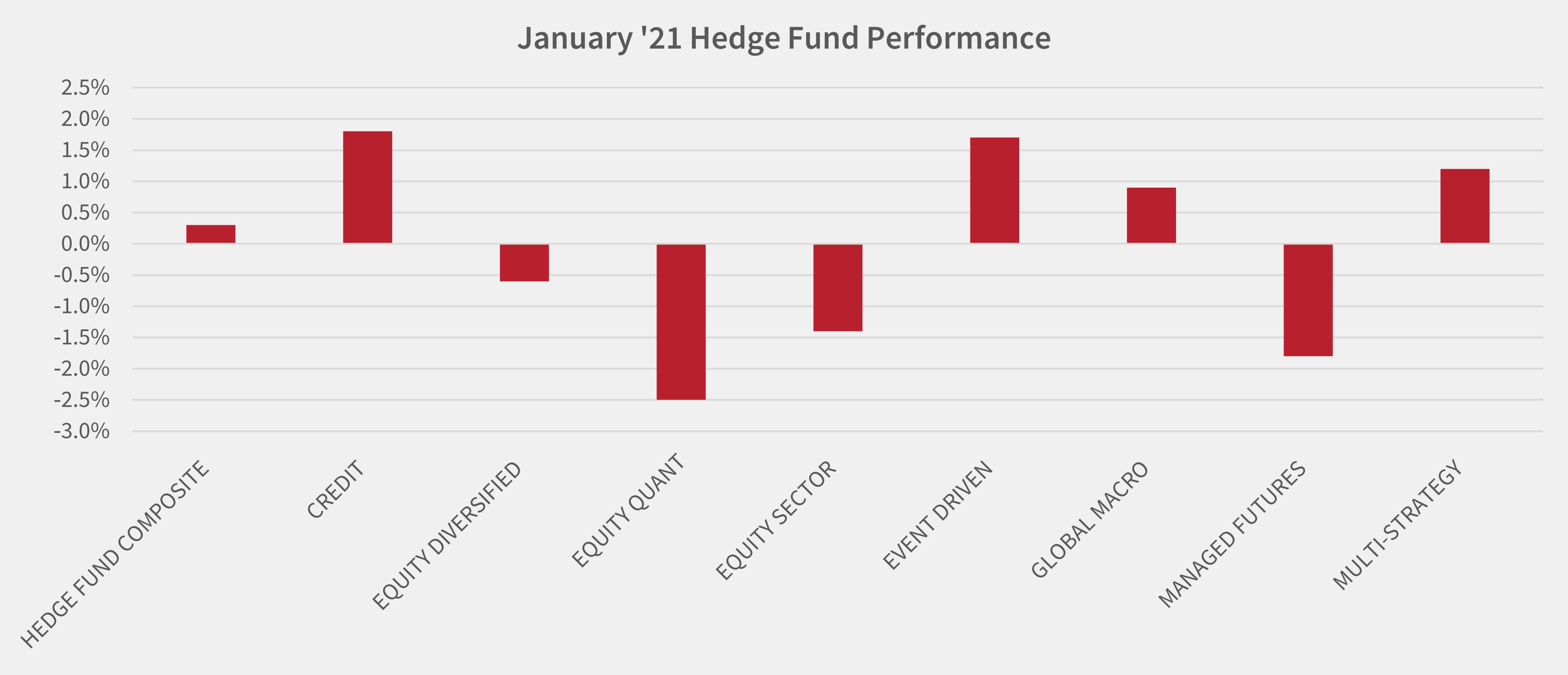
PIVOTAL INDICES

PivotalPath, on behalf of **$100B in client hedge fund capital**, tracks over **200,000 data points** across more than **2,000 institutionally relevant hedge funds**, spanning **$2.3T 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. We also provide average monthly performance of funds within separate AUM bands.

Key Takeaways: PivotalPath's Hedge Fund Composite Index started the year up +0.3% while the S&P was down -1.0%. 55% of funds reported positive numbers, with the median fund returning +0.4%. January marks the 1st month since March 2020 that Equity Sector funds exhibited negative returns, primarily dragged down by TMT (-2.3%).

Strategy Highlights: During a fairly volatile month, PivotalPath's Dispersion Indicator clocked 4.6% across all funds, well-above the long-term monthly average of 2.9%. Dispersion was highest among Equity Sector managers (6.1%) and lowest among Credit ones (2.1%). The high-level indices below house over 40 investment sub-strategies. Among those, European Long/Short Activist (+6.2%) and Asia Long/Short (+3.7%) were at the top of the performance charts, while Global Long/Short Quant (-5.1%) and Equity Special Sits (-2.4%) brought up the rear.



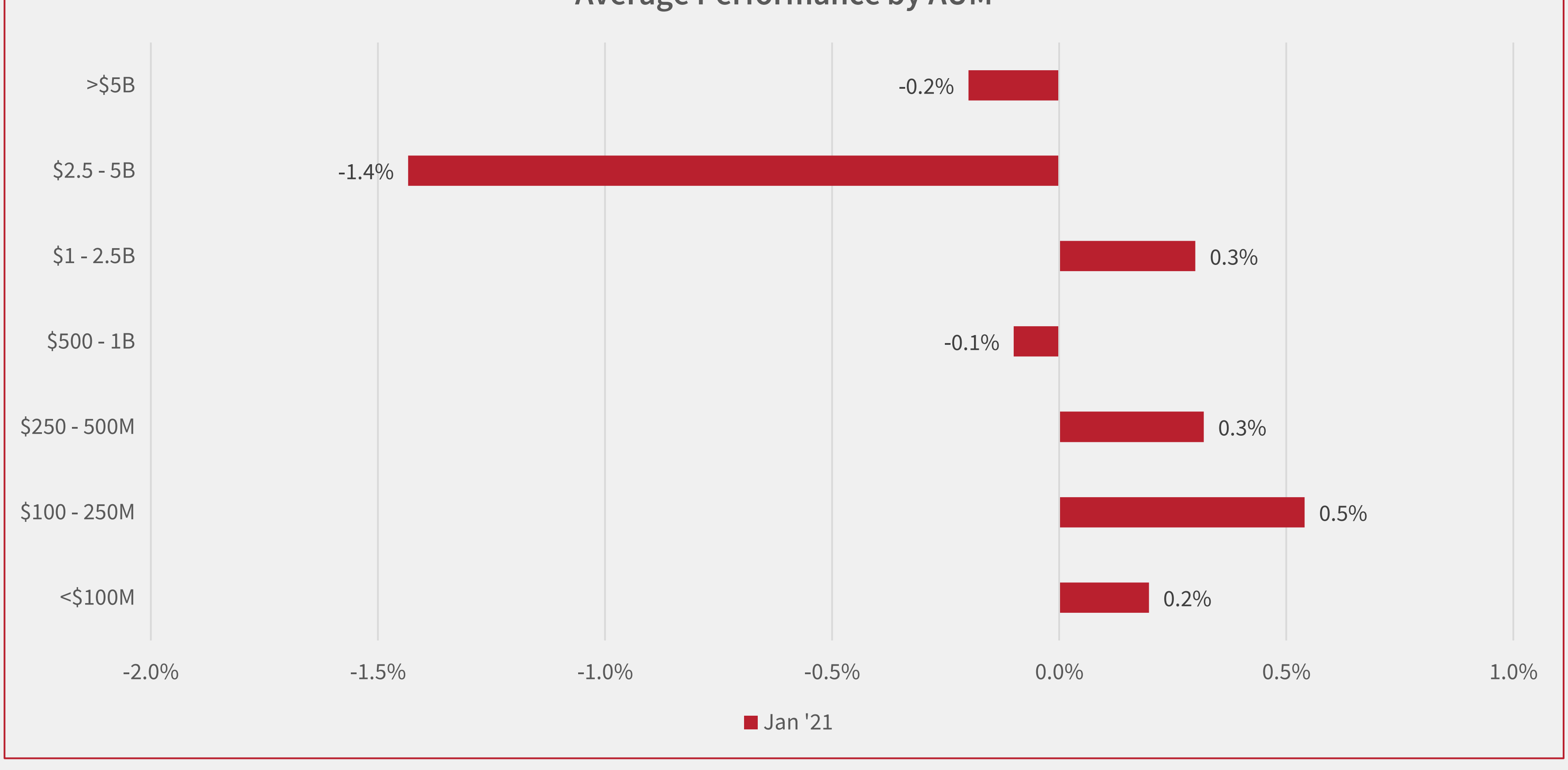
Available on the Bloomberg Terminal — P2HFCI | P2CRDI | P2QNTI | P2EQDI | P2EQSI | P2EVDI | P2GBMI | P2MFTI | P2MSTI

The chart below depicts alpha-generation for each PivotalIndex, ranked from best to worst. Each strategy is color-coded for easy tracking. For the 1-year rolling period ending in January, Equity Sector continued its run at the top.

Alpha Leaderboard Relative to S&P 500

JAN '21	2017	2018	2019	2020
16.7% Equity Sector	11.9% Equity Sector	2.1% Credit	7.8% Managed Futures	19.4% Equity Sector
12.2% Multi-Strategy	11.6% Equity Diversified	1.3% Equity Sector	5.0% Equity Sector	10.8% Multi-Strategy
10.1% Event Driven	9.2% Event Driven	1.1% Multi-Strategy	4.6% Multi-Strategy	9.3% Event Driven
7.1% Equity Diversified	6.6% Multi-Strategy	-0.4% Event Driven	3.2% Composite	6.6% Composite
6.2% Composite	5.9% Composite	-0.6% Composite	2.7% Equity Diversified	5.1% Equity Diversified
2.9% Global Macro	4.3% Credit	-1.6% Managed Futures	2.5% Global Macro	2.5% Credit
-0.7% Credit	-0.7% Global Macro	-2.4% Equity Diversified	2.3% Event Driven	0.9% Managed Futures
-5.7% Managed Futures	-7.2% Managed Futures	-2.6% Global Macro	2.0% Credit	0.5% Global Macro

In January, just under 2% separated the top performing AUM band ($100-250M, +0.5%) from the bottom ($2.5-5B, -1.4%). As 2021 monthly data accumulates, we will be keeping an eye out to see if 2020's trend of small fund outperformance, with 2.5x the alpha and a ¼ less volatility of large funds, persists.



Pivotal Point of View

- ✓ A note on the GameStop in the room - the effects that this highly publicized, recent short squeeze may have on investor behavior and regulation remain unclear. However, what is clear is the considerable level of misinformation in the public sphere about the hedge fund industry. At PivotalPath, we believe that robust data and quality information ground this discourse, which is why it's imperative to publish clear, verifiable insights on a regular basis. The Pivotal Point of View is one such example and we thank you for reading it. As always, please contact us with questions – to learn more about our suite of apps empowering allocators and managers, contact inquiry@pivotalpath.com.
- ✓ On January 29th, the Institute for Private Capital (IPC) at UNC Kenan-Flagler announced its formal selection of PivotalPath as a dedicated research partner. This partnership will allow academic researchers to access data with "the transparency, the precision, and the depth that is necessary for high-quality research."

Average Pairwise Correlation

- ✓ On an ongoing basis, we methodically track and analyze pairwise correlations for 200+ global risk factors as a measure of systemic risk. January 2021 marks the all-time high for this indicator since its inception in 2000. The two previous highs occurred during March 2020 and the Global Financial Crisis.
- ✓ In 2019, average pairwise correlations crept up from a prolonged period of depressed values. At that time, CEO Jon Caplis noted in *Institutional Investor* that "normally differentiated strategies may be loading up on the same risks, even if their approach remains unique….diversification is harder to come by, and even the best security selection may not yield the expected results." Today, we are at nearly 2x the average pairwise correlation level than we were then.

For access to underlying data and additional research, visit www.pivotalpath.com

Source: PivotalPath data through 02/10/2021. Historic performance available on Bloomberg.
Tickers: P2HFCI, P2CRDI, P2EQDI, P2EQSI, P2EVDI, P2GBMI, P2MFTI, P2MSTI & P2QNTI

PIVOTAL PATH