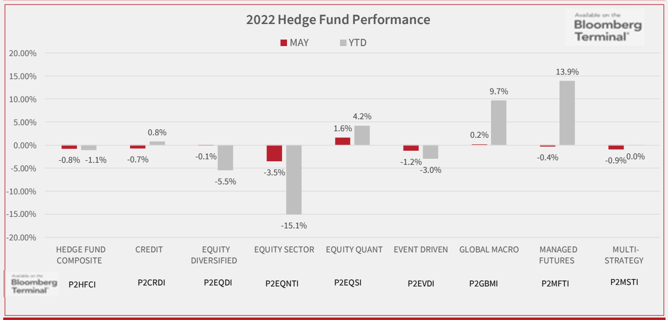
June 2022 Edition

PIVOTAL POINT OF VIEW

PivotalPath, on behalf of **over $250B in client hedge fund capital**, 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-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 lost 0.8% in May, outperforming the Nasdaq index which lost 2% and underperforming the S&P 500, which gained 18bps. Year to date however, the PivotalPath Composite is down 1.12% vs the S&P and Nasdaq which have declined 12.8% and 22.8%, respectively.

Strategy Highlights: Equity Quant and Global Macro were the only strategies with modest positive returns for the month of May. Global Macro performance was driven by Commodities and Risk Premia sub-strategies which were up 3.1% and 0.5%, respectively. The Equity Sector Index lost 3.5% in May and continues to be the worst performing index, losing 15.1% YTD. The YTD decline is mainly due to poor performance in TMT, Healthcare and Consumer sub-indices.



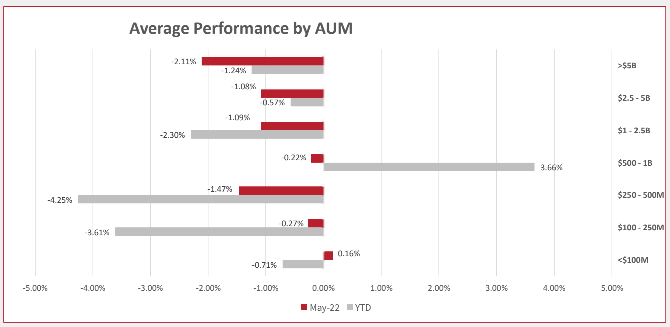
The chart below depicts alpha-generation for each Pivotal Index, ranked from high to low. Each strategy is color-coded for easy tracking. For the 12-month rolling period ending in March, Managed Futures and Global Macro continue to produce the highest alpha while Equity Sector and Equity Diversified continued to generate significant negative alpha relative to the S&P 500. All indices saw lower alpha generation vs the prior month's rolling 12-month levels.

Alpha Leaderboard

12M Rolling Over S&P 500

Q1 2022	Apr-22	May-22	2018	2019	2020	2021
12.0% Managed Futures	16.6% Managed Futures	14.2% Managed Futures	2.1% Credit	7.8% Managed Futures	19.4% Equity Sector	10.5% Credit
9.5% Global Macro	10.5% Global Macro	8.6% Global Macro	1.3% Equity Sector	5.0% Equity Sector	10.8% Multi-Strategy	9.80% Multi-Strategy
7.0% Credit	5.6% Credit	3.9% Credit	1.1% Multi-Strategy	4.6% Multi-Strategy	9.3% Event Driven	5.9% Event Driven
4.7% Multi-Strategy	4.6% Multi-Strategy	2.9% Multi-Strategy	-0.4% Event Driven	3.2% Composite	6.6% Composite	3.1% Composite
1.4% Composite	1.4% Composite	-0.1% Composite	-0.36% Composite	2.7% Equity Diversified	5.1% Equity Diversified	3.0% Global Macro
-0.3% Event Driven	-1.2% Event Driven	-2.4% Event Driven	-1.6% Managed Futures	2.5% Global Macro	2.5% Credit	0.7% Managed Futures
-3.8% Equity Diversified	-4.2% Equity Diversified	-4.8% Equity Diversified	-2.4% Equity Diversified	2.3% Event Driven	0.9% Managed Futures	-0.3% Equity Diversified
-14.6% Equity Sector	-14.7% Equity Sector	-16.9% Equity Sector	-2.6% Global Macro	2.0% Credit	0.5% Global Macro	-7.8% Equity Sector

May's negative absolute performance which is equally weighted within each AUM band brought most AUM categories into negative territory for the year. The one exception was the $500mm to $1B range due to some extreme outperformance within Global Macro along with numerous Managed Futures and Multi-Strat funds within the AUM band.



The Pivotal Point of View Commentary

- **The takeaway first:**
  - Media headlines continue to focus on a few large hedge funds which have struggled in 2022, reinforcing the narrative that hedge funds as a group have struggling mightily.
  - A broader analysis of the data paints a much more positive picture, illustrating that these large single fund losses are outliers and not reflective of the industry.
  - The PivotalPath Composite lost only 1% through May. Of the ten super strategy indices covered by PivotalPath, five are positive, four are negative and one is flat through May.
  - 47% of all hedge funds are positive YTD, while 62% have lost 1% or less. 8% have lost more than 25%.
  - YTD through May, the Composite Index is outperforming the S&P 500 by ~12%. That spread has only grown thus far in June.
    - One would have to go back to 2008 to find a larger outperformance in a calendar year.

- **The backdrop:**
  - May provided a slight and temporary respite (S&P 500 and Russell 2000 roughly flat and the Nasdaq falling ~2%) in the midst of spiraling inflation further induced by a slow Fed and global central banks, open ended war and continued supply shocks.
    - The S&P, Russell 2000, and Nasdaq are still down 13%, 17%, and 23%, respectively, through May
  - Commodities, led by natural gas futures (+12.4% MTD and +118% YTD) and crude oil futures (+9.5% MTD and 52% YTD) continue to push higher while China slowly started re-opening after Covid shocks and lock-downs.
  - The downturn in Bitcoin (-17% MTD and -31% YTD) and Ethereum (-30% MTD and -47% YTD) helped fully dispel the notion of cryptocurrencies acting as a hedge against inflation.
  - PivotalPath Baskets most sensitive to interest rates and overall economic downturns fell significantly in May; the worst performing was the Transportation Basket (-20.5%), including names such as Carvana and Lyft which were down 49% and 46%, respectively; Brick and Mortar Retail was down 14.3%, Food Delivery -11.8%, and Small Cap Biotech -11.2%

- **Global macro, CTAs and quant strategies in general continue to perform:**
  - The PivotalPath Global Macro Index and the Equity Quant Index gained 0.2% and 1.6% respectively in May and are up 9.7% and 4.2% YTD.
  - Managed Futures is still the best performing index YTD (up 13.9%) after a 0.4% decline in May.

- **The equity impact:**
  - PivotalPath's Equity Diversified Index (L/S equity strategies globally) is down only 5.5% YTD as funds pared risk coming into 2022.
    - Its beta of 0.27 to the S&P 500 is the lowest level since January of 2019 and December of 2009 before that.
  - Just like the sectors they trade, equity sector focused PivotalPath Healthcare Index and Technology Media and Telecom Index have led sector strategies lower, shedding 5.4% and 4.9% respectively in May and down 19.5% and 18.6% YTD.

For access to sub-indices, underlying funds and additional research, visit www.pivotalpath.com

PIVOTAL PATH

Source: PivotalPath data as of 1/14/2022. Historic performance available on Bloomberg.
Tickers: P2HFCI, P2CRDI, P2EQDI, P2QNTI, P2EQSI, P2EVDI, P2GBMI, P2MFTI & P2MSTI