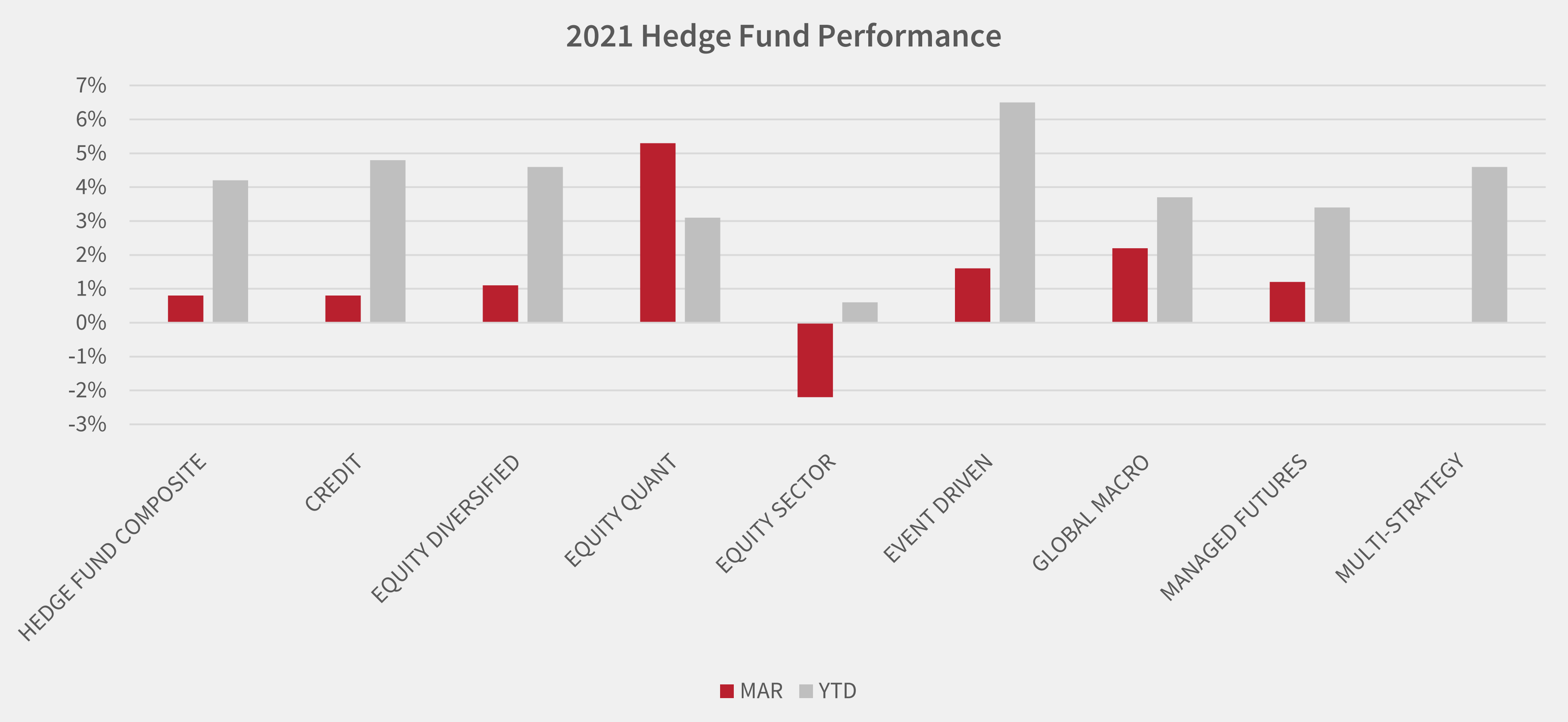
PIVOTAL INDICES

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: The PivotalPath Hedge Fund Composite Index added 0.8% in March, bringing the index up to 4.2% YTD. 62% of managers reported positive monthly performance, with over three-quarters of funds up in Q1. At the composite level, dispersion remained slightly elevated (3.7% vs. the long-term average of 2.9%), with Equity Sector funds displaying the highest level of dispersion across all strategies at 5.2%.

Strategy Highlights: After a long run at the top of the charts, Equity Sector was the worst performing strategy both in March (-2.2%) and YTD (+0.6%). Meanwhile, Equity Quant leapt from the bottom to the top for the month – the strategy's March return of 5.3% represents a 43% increase over its previous all-time high (+3.7% in May 2009), led by U.S. Long/Short Quant (+5.6%) and Global Long/Short Quant (+5.5%).



Available on the Bloomberg Terminal

P2HFCI	P2CRDI	P2EQDI	P2EQNTI	P2EQSI	P2EVDI	P2GBMI	P2MFTI	P2MSTI

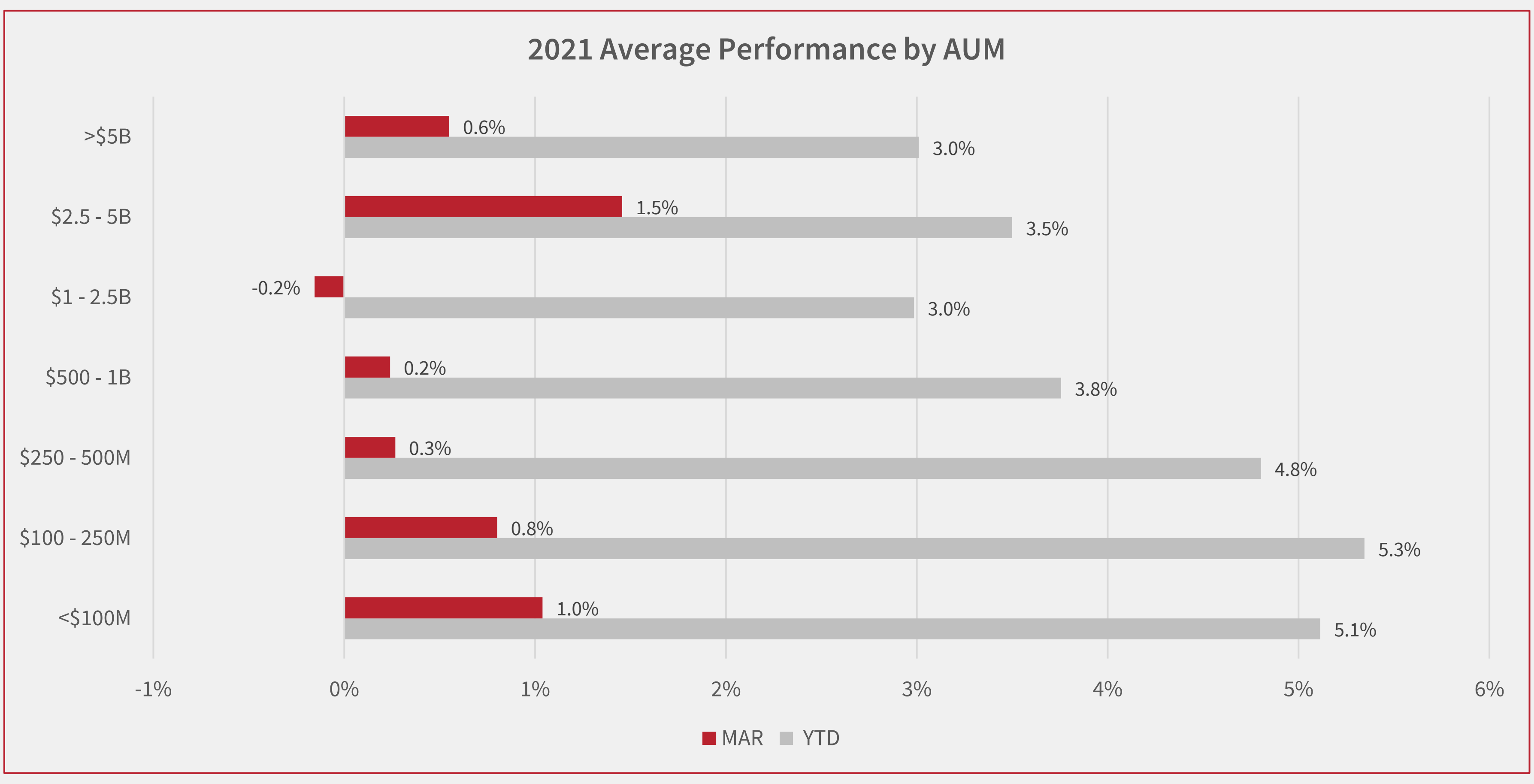
The chart below depicts alpha-generation for each Pivotal Index, ranked from best to worst. Each strategy is color-coded for easy tracking. For the 1-year rolling period ending in March, Equity Sector ceded its 20-month run of top spots. Event Driven's rise should be considered in the context of a 12M rolling calculation. When spreads blew out last March in the wake of the economic shutdowns, Event Driven managers, who tend to run net long and exhibit high beta to the market, were hit hard. Now, a year later, the depressive effects of last March have rolled off and replaced with strong performance in March of 2021.

Alpha Leaderboard

12M Rolling Over S&P 500

Q1 2021	2017	2018	2019	2020
22.4% Event Driven	11.9% Equity Sector	2.1% Credit	7.8% Managed Futures	19.4% Equity Sector
16.1% Credit	11.6% Equity Diversified	1.3% Equity Sector	5.0% Equity Sector	10.8% Multi-Strategy
15.2% Multi-Strategy	9.2% Event Driven	1.1% Multi-Strategy	4.6% Multi-Strategy	9.3% Event Driven
13.9% Equity Sector	6.6% Multi-Strategy	-0.4% Event Driven	3.2% Composite	6.6% Composite
12.0% Composite	5.9% Composite	-0.6% Composite	2.7% Equity Diversified	5.1% Equity Diversified
10.0% Equity Diversified	4.3% Credit	-1.6% Managed Futures	2.5% Global Macro	2.5% Credit
5.9% Global Macro	-0.7% Global Macro	-2.4% Equity Diversified	2.3% Event Driven	0.9% Managed Futures
0.6% Managed Futures	-7.2% Managed Futures	-2.6% Global Macro	2.0% Credit	0.5% Global Macro

At the end of the first quarter, over 200bps separates the top-performing AUM band ($100-$250M) from the bottom two (>$5B and $1-2.5B), continuing the trend of managers with smaller AUM outperforming those with significantly more capital. In March, performance was relatively clustered across funds of all sizes.



Pivotal Point of View

- ✓ While the first quarter of the year has seen higher than average performance dispersion across strategies, it is nothing like what we saw this time last year, when the PivotalPath Dispersion Indicator registered an all-time high of 11.7%. Across strategies, 18% of managers have already returned double-digits, with the top fund up 67% YTD. On the flip side, thus far 4% of managers are down double-digits in 2021.

- ✓ The PivotalPath Equity Sector Index houses investment sub-strategies including Healthcare, TMT, Financials and Energy. Over the last few years, Healthcare and TMT vastly outperformed Financials and Energy. However, the US 10-year Treasury yield's rise from 1.4% to 1.74% in March triggered a rotation from growth to value/cyclicals. The result? Financials (+3.8%) and Energy (+3.2%) placed in the top quartile of monthly sub-strategy performance, while Healthcare (-3.3%) and TMT (-4.4%) ranked at the absolute bottom.

- ✓ Additionally, on the topic of interest rates and Equity Sector managers, our Research team is conducting a systematic analysis of sector sub-strategy performance during different interest rate regimes. Preliminary results indicate that Energy and Financials (the value/cyclical sectors) perform best when rates were high whereas Healthcare and TMT (the growth sectors) perform best when rates were low. The one condition where growth sectors perform even better than they do during periods of low rates is when rates move up quickly and dramatically, resulting in significant outperformance by both Healthcare and TMT. Two such examples of this phenomenon are after the Global Financial Crisis in '09 and the Taper Tantrum in '13. Hedge fund investors with a perspective on rates may want to tilt their Equity Sector allocations accordingly. Stay tuned for the full results of our analysis later this month!

- ✓ The hedge fund industry performs better than many close observers even realize, and it has for years. While GameStop and Reddit distract, institutional investors such as pensions, endowments and foundations could invest with funds returning over 11% in 2020 with less than half the volatility of the S&P 500, while generating almost 4% of alpha. As a recent Federal Reserve working paper reveals, new research regarding risk-adjusted, differentiated performance should lead to increased hedge fund allocations given the existing headwinds institutional investors face in achieving stated performance objectives.