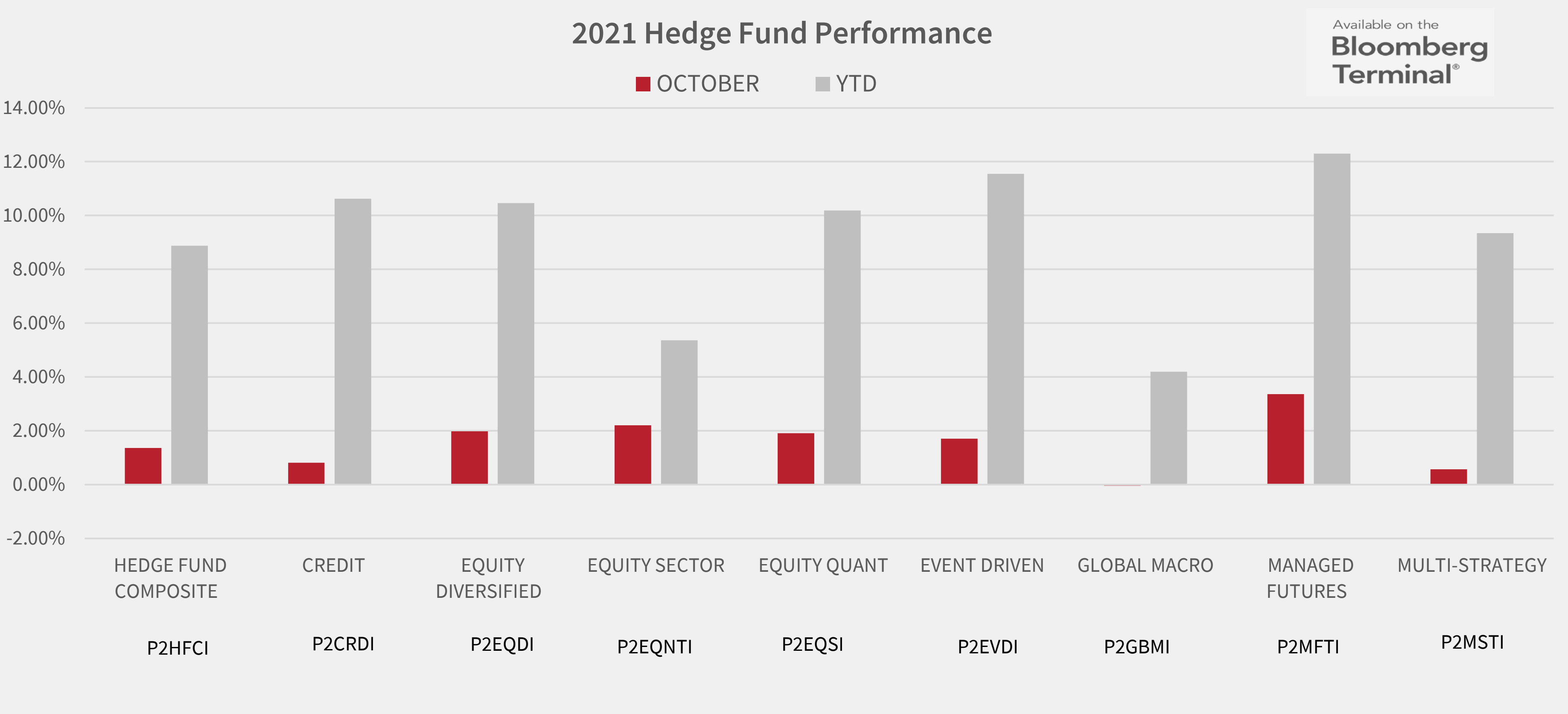
November 2021

PIVOTAL POINT OF VIEW

PivotalPath, on behalf of **over $150B 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 added 1.4% in October, bringing the index to +8.9% YTD. This was against a backdrop of widely appreciating markets, as exemplified by the S&P 500 which gained 7.0% in October after falling 4.7% in September. The Composite had positive returns in both months and continues to generate positive performance, regardless of the underlying equity markets. YTD, the Composite's only losing month was July where the Index fell 0.4%.

Strategy Highlights: Most indices performed well in October led by Equity Sector and Managed Futures. Strong equity markets as well as a steep drop in implied volatility and strong performance from commodities generally played well across most strategies. However, positioning relative to the treasury yield curve caught some Global Marco managers and Credit managers wrong-footed, while trend followers in Managed Futures generally got it right.



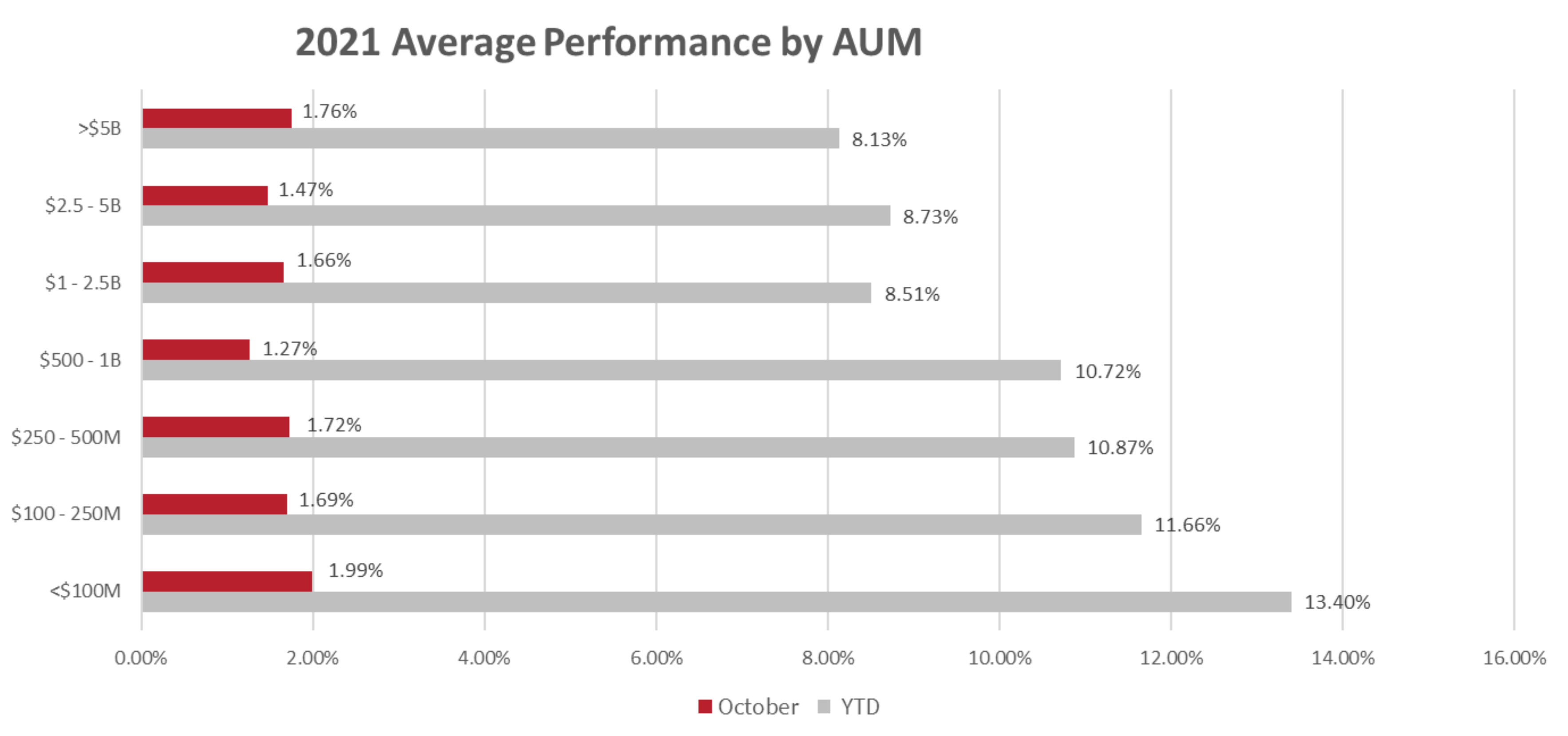
The chart below depicts alpha-generation for each Pivotal Index, ranked from high to low. Each strategy is color-coded for easy tracking. For the 12-month rolling period ending in October, all indices except Equity Sector generated positive alpha relative to the S&P 500. Event Driven, Credit and Multi-Strategy continued to lead the way, while the Equity Sector experienced negative alpha for the first time this year, dragged lower by Healthcare.

Alpha Leaderboard

12M Rolling Over S&P 500

Q1 2021	Q2 2021	Q3 2021	Oct-21	2017	2018	2019	2020
20% Event Driven	14.6% Event Driven	12.3% Multi-Strategy	13.1% Multi-Strategy	11.9% Equity Sector	2.1% Credit	7.8% Managed Futures	19.4% Equity Sector
17.4% Multi-Strategy	12.5% Multi-Strategy	12.0% Event Driven	12.2% Credit	11.6% Equity Diversified	1.3% Equity Sector	5.0% Equity Sector	10.8% Multi-Strategy
17% Credit	12.4% Credit	11.4% Credit	10.6% Event Driven	9.2% Event Driven	1.1% Multi-Strategy	4.6% Multi-Strategy	9.3% Event Driven
15.7% Equity Sector	8.7% Composite	8.1% Managed Futures	10.2% Managed Futures	6.6% Multi-Strategy	-0.4% Event Driven	3.2% Composite	6.6% Composite
12.5% Composite	7.4% Equity Sector	7.7% Composite	7.1% Composite	5.9% Composite	-0.36% Composite	2.7% Equity Diversified	5.1% Equity Diversified
11.1% Equity Diversified	7.3% Equity Diversified	6.0% Equity Sector	6.1% Global Macro	4.3% Credit	-1.6% Managed Futures	2.5% Global Macro	2.5% Credit
4.6% Global Macro	4.7% Managed Futures	4.7% Global Macro	4.0% Equity Diversified	-0.7% Global Macro	-2.4% Equity Diversified	2.3% Event Driven	0.9% Managed Futures
0.9% Managed Futures	4.0% Global Macro	4.6% Equity Diversified	-1.3% Equity Sector	-7.2% Managed Futures	-2.6% Global Macro	2.0% Credit	0.5% Global Macro

Smaller funds continue to outperform their larger peers in 2021. In October, funds of all sizes were positive and tightly clustered. PivotalPath's Equal Weighted Composite is up 9.0% YTD besting the PivotalPath Composite Index (asset weighted) by 0.30%.



The Pivotal Point of View Commentary

- October was almost a mirror image of September, which was also the mirror image of August. The one constant throughout each month? Hedge funds continue to deliver.
- In 2021 alone, we have experienced at least three major market moving events, from the Archegos unwind, to the Reddit Short Squeeze to extreme moves in the treasury yield curve. Each time, there have been fears of market contagion and potential systemic shocks to hedge funds.
- Hedge fund strategies have been able to generate returns in many unique ways, which is exactly the diversification that investors covet:
  - The PivotalPath Composite Index has returned ~8.9% YTD and 18.3% over the last 1 year rolling period. All with a beta to the S&P 500 of .27 while generating alpha of 7%.
  - Out of PivotalPath's 40 indices and sub-indices, only two are negative YTD, both within the Equity Sector Index, where Healthcare and Consumer/Retail are down less than 2%.
- Within the Equity Sector Index, Financials, Energy/Utilities/Industrials have generated returns of 19.6%, and 15.2% respectively YTD, taking the mantle from TMT and Healthcare, which are +5.2% and -2.0% respectively.
  - Notably, PivotalPath's Energy/Utilities/Industrials Index generated positive returns in each of the last three months, +1.4 in August, +1.1% in September and +3.5% in October while crude was -7.4% in August, and +9.5% in September and +11.4% in October.
- Why the change in Equity Sector leadership?
  - When inflation leads to higher interest rates, value tends to outperform growth. This environment typically bodes well for financials and energy and creates headwinds for growth sectors such as technology and healthcare. True to form:
    - Value as measured by PivotalalPath's Cyclical Sectors Basket was +8% in October and +31.1% YTD.
    - Interestingly, the PivotalPath Growth Sector basket was up 8.5% in October and is +22.6% YTD
    - Another way to look at this is Value is outperforming Growth by over 8% YTD. This hasn't happened in a calendar year since 2016 and only twice since 2010.

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

Source: PivotalPath data as of 11/14/2021. Historic performance available on Bloomberg.
Tickers: P2HFCI, P2CRDI, P2EQDI, P2QNTI, P2EQSI, P2EVDI, P2GBMI, P2MFTI & P2MSTI

PIVOTAL PATH