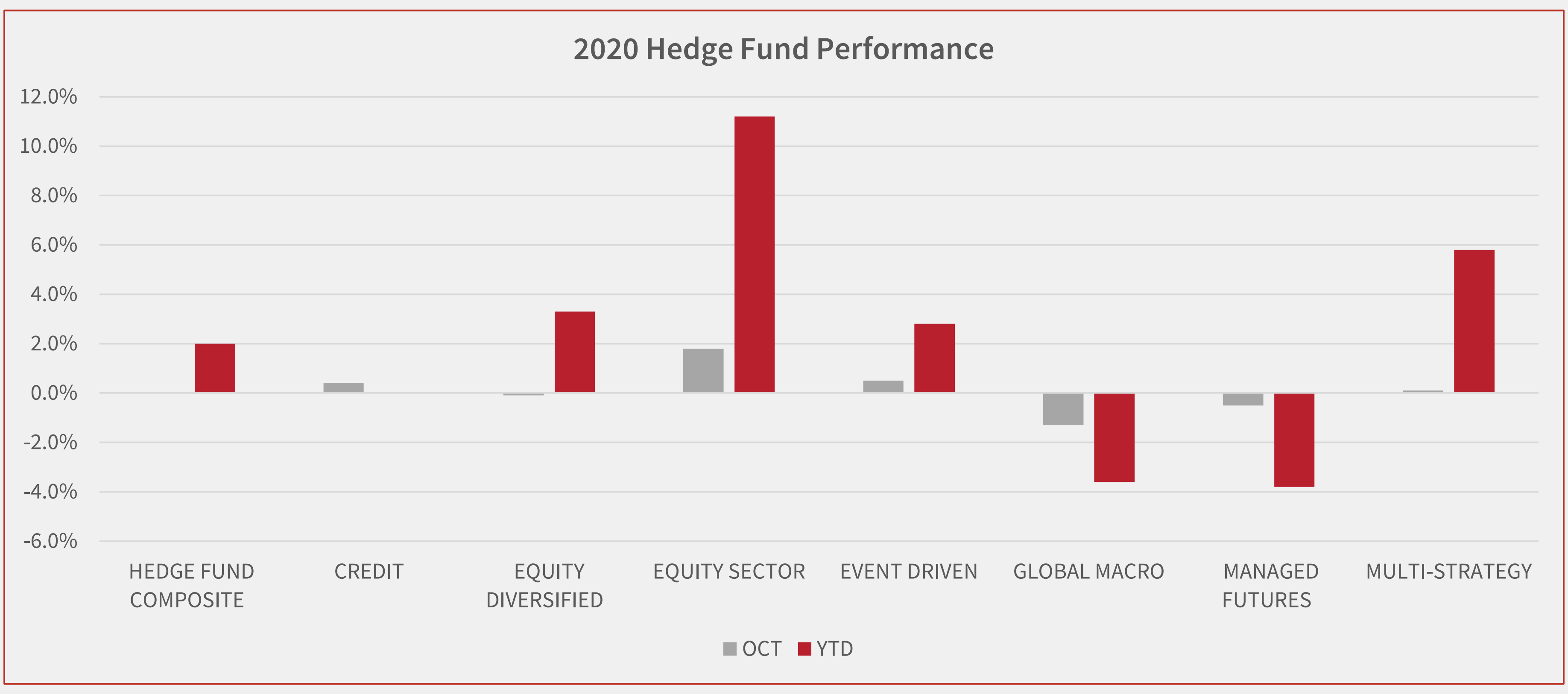
PIVOTAL INDICES

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 includes year-to-date hedge fund performance, as well as 12-month rolling alpha across eight core hedge fund strategies. We also provide average monthly performance of funds within separate AUM bands.

Key Takeaways: For the year, hedge funds are outpacing the S&P 500, the former up 2.0% and the latter up 1.2%. Specifically, in October, the S&P was down 2.8% while the PivotalPath Hedge Fund Composite Index, which is asset-weighted across high-level strategies, was flat. At the fund-level, 55% of managers reported positive performance for the month.

Strategy Highlights: High-level strategies performed within 310 bps of each other in October, ranging from down 1.3% (Global Macro) to up 1.8% (Equity Sector). Our Composite's dispersion is 2.6% for the month, below the long-term monthly average of 2.9%. YTD is a different story, with 15% separating the top, Equity Sector up 11.2%, from the bottom, Managed Futures down 3.8%.



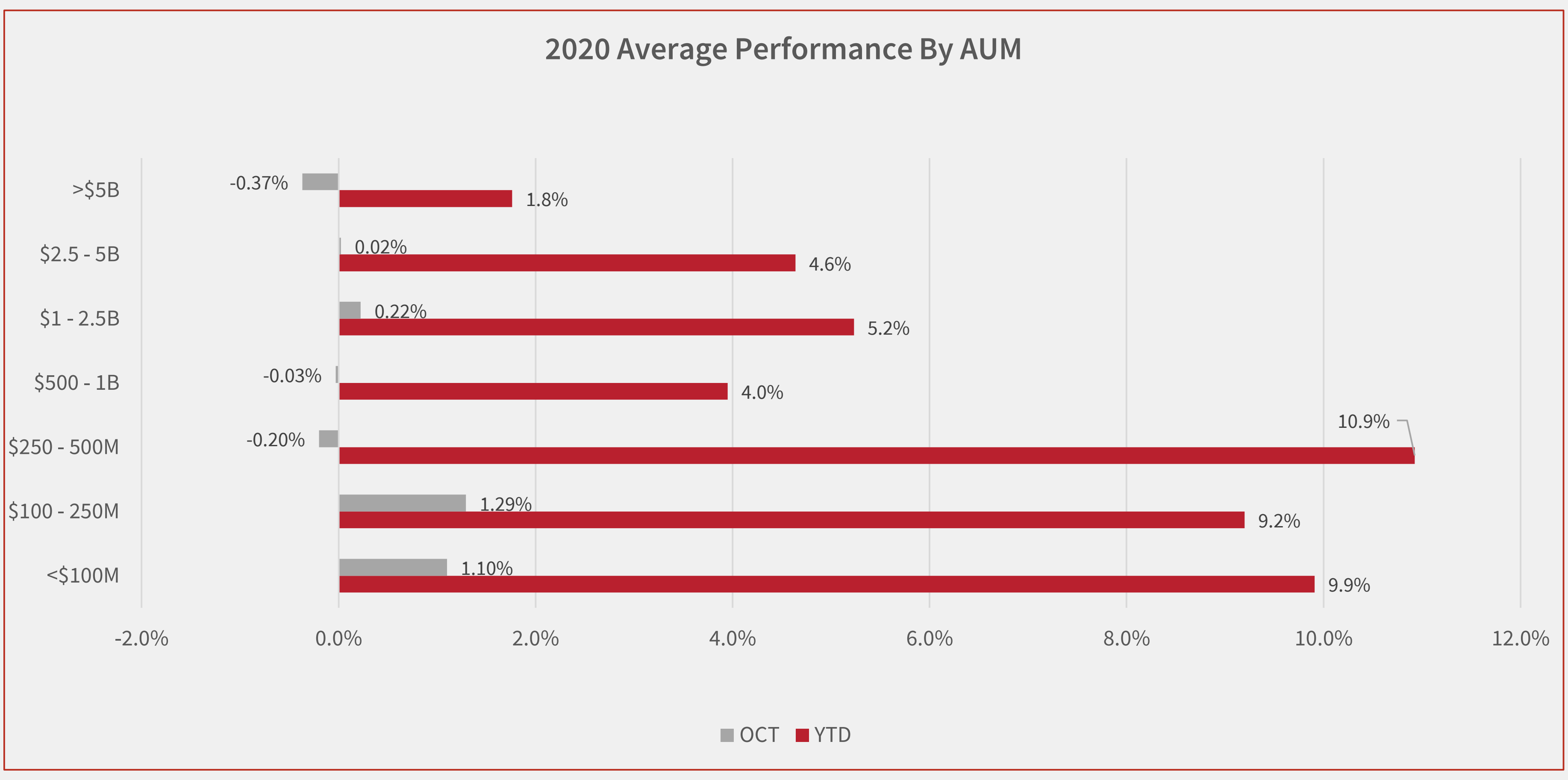
Available on the Bloomberg Terminal | P2HFCI | P2CRDI | P2EQDI | P2EQSI | P2EVDI | P2GBMI | P2MFTI | P2MSTI

The chart below depicts alpha-generation for each PivotalIndex, ranked from best to worst. Each strategy is color-coded for easy tracking. Equity Sector continues to top the chart, generating 13.3% of alpha for the rolling 1-year period ending in October. In fact, the last time the strategy was in negative territory was September 2019.

Alpha Leaderboard Relative to S&P 500

Q1 '20	Q2'20	Q3 '20	OCT '20	2017	2018	2019
5.6% Managed Futures	6.0% Equity Sector	12.3% Equity Sector	13.3% Equity Sector	11.9% Equity Sector	2.1% Credit	7.8% Managed Futures
0.9% Global Macro	3.9% Multi-Strategy	8.0% Multi-Strategy	8.4% Multi-Strategy	11.6% Equity Diversified	1.3% Equity Sector	5.0% Equity Sector
0.5% Equity Sector	2.0% Equity Diversified	1.6% Equity Diversified	3.9% Equity Diversified	9.2% Event Driven	1.1% Multi-Strategy	4.6% Multi-Strategy
0.0% Composite	0.3% Composite	1.4% Event Driven	3.5% Event Driven	6.6% Multi-Strategy	-0.4% Event Driven	3.2% Composite
-0.3% Multi-Strategy	-0.2% Managed Futures	0.8% Composite	2.5% Composite	5.9% Composite	-0.6% Composite	2.7% Equity Diversified
-0.4% Equity Diversified	-1.0% Event Driven	-2.7% Global Macro	-1.1% Credit	4.3% Credit	-1.6% Managed Futures	2.5% Global Macro
-1.2% Credit	-2.5% Global Macro	-5.2% Credit	-2.7% Global Macro	-0.7% Global Macro	-2.4% Equity Diversified	2.3% Event Driven
-2.6% Event Driven	-5.7% Credit	-7.1% Managed Futures	-6.9% Managed Futures	-7.2% Managed Futures	-2.6% Global Macro	2.0% Credit

Categorized by AUM, performance was mixed across managers in October. Funds with less than $250M in AUM outperformed their larger brethren, particularly those with over $5B in AUM.



Pivotal Point of View

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

- ✓ 67% of funds have reported positive returns YTD. Unfortunately for the sub-strategy, not one of those funds are categorized as Risk Premia, which is both the bottom-performing strategy for October (down 2.4%) and the year (down 14.8%).
- ✓ Equity Sector continues to top the charts this year, up 11.2%. Within Equity Sector, Healthcare (up 3.8% in Oct., 14.4% YTD) and TMT (up 0.5% in Oct., 21.1% YTD) are sub-strategies where managers consistently generate both performance and alpha (see a sample of our commentary on the subject here and here). Financials-focused managers have been a drag on performance for the high-level Equity Sector index, with that sub-strategy losing 9.3% YTD. However, October offered a bright spot for the space, as Financials topped our monthly performance rankings with a 3.9% return.
- ✓ With an eye toward next year, we are investigating trends in hedge fund performance during periods of divided government. Since 1999, 7 of 11 eras have been marked by such division. We look forward to sharing our findings with you in the coming weeks.
- ✓ From March-August, colleagues across the industry have noted the level of high-quality investors attending virtual conferences, exceeding numbers historically seen in person. Since school has been back in "session," thought leadership and cap intro conferences are still well-attended, but investor response to follow up from managers has been waning. Without the ability to forge connections in person, many managers are finding it hard to break through, even with strong performance. We're interested to see how relationships between managers and allocators continue to evolve, especially now that it's imperative to derive context from data, not just conversation. Have you seen funds creatively approach allocator communications, either through content or tactics? If so, please let us know inquiry@pivotalpath.com.

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

Source: PivotalPath data through 11/10/2020. Historic performance available on Bloomberg.
Tickers: P2HFCI, P2CRDI, P2EQDI, P2EQSI, P2EVDI, P2GBMI, P2MFTI & P2MSTI.

PIVOTAL PATH