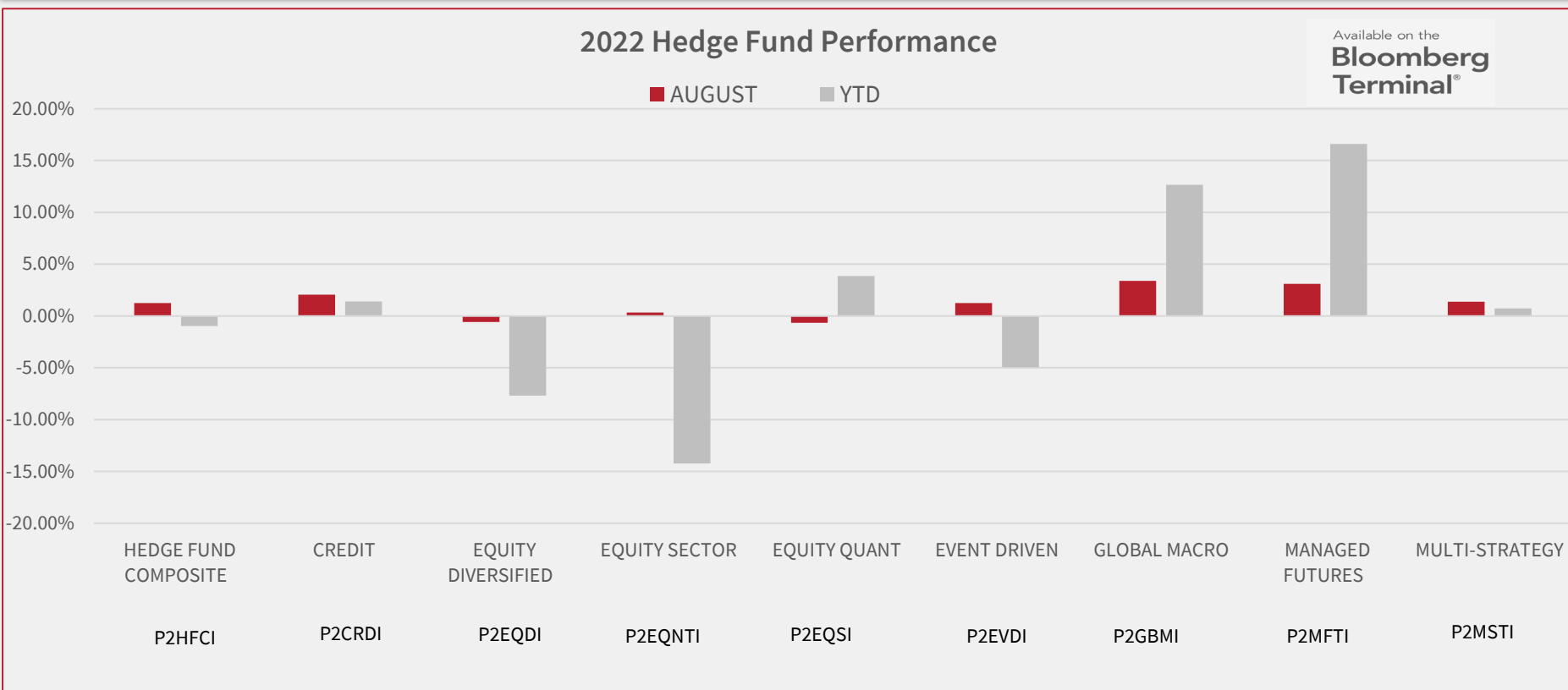


For allocators evaluating hedge fund performance, context matters.

Every month, on behalf of over \$250B in client hedge fund capital, **PivotalPath** 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-month rolling alpha across high-level strategies. We also provide average monthly performance of funds within separate AUM bands.

Key Takeaways: Hedge funds performed well against a backdrop of declining equity markets in August with the PivotalPath Hedge Fund Composite Index gaining 1.3%. Year-to-date the PivotalPath Composite is down 1% compared to the S&P 500 (-16.4%) and the Nasdaq (-24.5%).

Strategy Highlights: Managed Futures and Global Macro recovered from June and continued their strong performance this year. The two indices were up 3.1% and 3.4% respectively in August. Year-to-date the PivotalPath Managed Futures Index is up 16.6% while the Global Macro Index is up 12.7%. Equity Diversified lost 0.6% after a strong July and has fallen 7.7% for the year. Within this, European Long/Short experienced a 2.6% decline during the month of August.



The chart below depicts alpha relative to the S&P 500 on a 12-month rolling basis for each Pivotal Index. They are sorted from high to low and each strategy is color-coded for easy tracking.

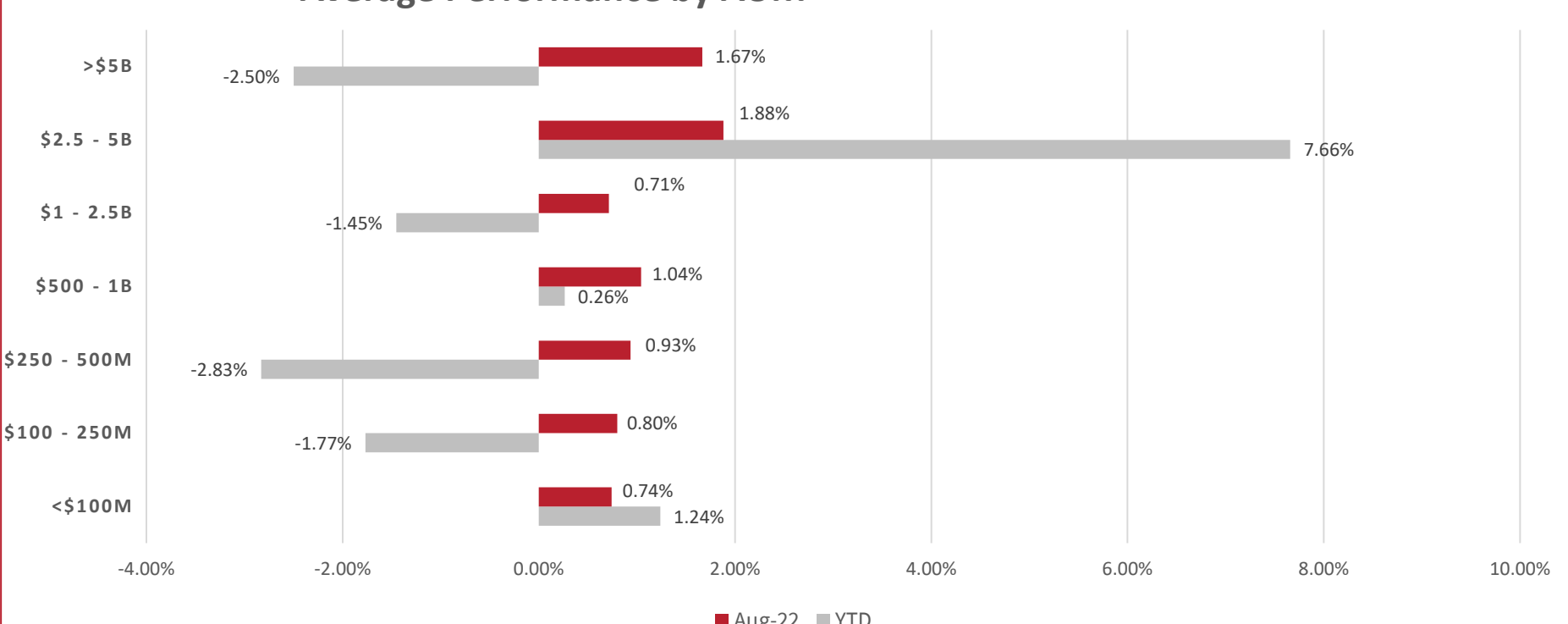
For the 12-month rolling period ending in August, Managed Futures and Global Macro continue to produce the highest alpha while Equity Sector and Equity Diversified continue to generate significant negative alpha. All indices except Multi-Strategy (roughly flat) saw improved alpha generation vs the July rolling 12-month period.

Alpha Leaderboard 12M Rolling Over S&P 500

Q1 2022	Q2 2022	Jul-22	Aug-22	2018	2019	2020	2021
12.0% Managed Futures	16.1% Managed Futures	12.9% Managed Futures	15.2% Managed Futures	2.1% Credit	7.8% Managed Futures	19.4% Equity Sector	10.5% Credit
9.5% Global Macro	8.7% Global Macro	9.3% Global Macro	11.8% Global Macro	1.3% Equity Sector	5.0% Equity Sector	10.8% Multi-Strategy	9.80% Multi-Strategy
7.0% Credit	2.1% Multi-Strategy	2.5% Multi-Strategy	3.9% Credit	1.1% Multi-Strategy	4.6% Multi-Strategy	9.3% Event Driven	5.9% Event Driven
4.7% Multi-Strategy	1.8% Credit	1.2% Credit	2.4% Multi-Strategy	-0.4% Event Driven	3.2% Composite	6.6% Composite	3.1% Composite
1.4% Composite	-1.0% Composite	-0.5% Composite	0.6% Composite	-0.36% Composite	2.7% Equity Diversified	5.1% Equity Diversified	3.0% Global Macro
-0.3% Event Driven	-5.5% Event Driven	-2.5% Event Driven	-2.2% Event Driven	-1.6% Managed Futures	2.5% Global Macro	2.5% Credit	0.7% Managed Futures
-3.8% Equity Diversified	-6.2% Equity Diversified	-5.1% Equity Diversified	-4.7% Equity Diversified	-2.4% Equity Diversified	2.3% Event Driven	0.9% Managed Futures	-0.3% Equity Diversified
-14.6% Equity Sector	-16.8% Equity Sector	-15.9% Equity Sector	-15.8% Equity Sector	-2.6% Global Macro	2.0% Credit	0.5% Global Macro	-7.8% Equity Sector

All AUM bands exhibited positive absolute performance. Year-to-date, 60% of funds are positive while smaller numbers of large drawdowns skew the overall average performance in most of the AUM bands. One significant outperformer in the Global Macro peer group is included in the \$2.5B-5B AUM band. Excluding the one fund, YTD performance would be 1.37%.

Average Performance by AUM



Pivotal Context

> The hedge fund takeaway:

- The **Pivotal Composite Index** gained 1.3% in August and is now down 1.0% for the year.
- The Composite's (cumulative) spread above the S&P 500 rose again to 15% on the calendar year, after declining in July.
- Which ride would you prefer?** During the past three months the S&P 500 generated returns of -8.2% in June, +9.2% in July and -4.1% in August (-3.9% for the period) vs the PivotalPath Composite Index returns of -1.7%, +0.8% and +1.3%, respectively (+0.4% for the period).
- The **PivotalPath Managed Futures Index** recovered from a weak July, returning 3.8% in August, and is up 17.3% YTD, the best of all 45 strategy and sub-strategy indices.
- The **Event Driven and Global Macro Indices** did well, adding 2.1% and 1.9% in August, respectively. YTD, however, Global Macro is up 11% while Event Driven remains down 4%.
- The **Equity Sector Index** was marginally positive (+0.2%) in August, after struggling for much of 2022 (-14.0%).
- Dispersion** of the PivotalPath Composite Index remains elevated, a trend that began in 2021. For 2022 and 2021, dispersion is over 65% higher than the average from 2010-2020 (4.8% vs 2.9%) meaning that strategy and manager selection are integral to investor performance.

> The backdrop: Fed/China/global inflation

- As noted above, the past three months have seen significant market swings coinciding with economic and geo-political events. The Fed's goal of controlling inflation with aggressive rate hikes, while managing a soft landing, remains elusive. Combine that with continued supply chain issues arising out of China's zero Covid policy and the ongoing war in Ukraine, resulting in renewed market volatility. The S&P 500, Russell 2000 and Nasdaq declined in August 4.1%, 2.18%, and 4.64%, respectively. YTD, these Indices are down 16.1%, 17.9%, and 24.5%, respectively.
- Internationally**, China declined again with the CSI 300 giving back another 2.2%. YTD the CSI 300 is down 17.4%. The Euro Stoxx 50 lost the most ground in August (-5.15%) due to inflation and expected aggressive interest rate hikes.
- From a **sector** perspective, the August reversal was most pronounced in **Real Estate** (REIT Index RMZ -6.1% and the XLRE -5.6%) followed by **Technology** (XLK -6.2%), **Healthcare** (XLV -5.8%) and **Consumer Discretionary** (XLY -4.5%). The worst performing sectors this year are **Communications**, **Consumer Discretionary** and **Biotech**. The best performing sector continues to be **Energy**.
- The see-saw returns among June, July and August were greatest in **Technology (XLK)**: -9%, +13%, -6% and **Consumer Discretionary (XLY)**: -11%, +18%, -5%.
- Crypto currencies followed the equity markets and partially reversed some of July's gains.** The Bloomberg Galaxy Crypto Index declined 13% after rising 44% in July. The index is now down 60% for the year.
- The **10-year Treasury yield** rose back up above June's level (June 3.01%, July 2.64%, and August 3.19%).

> The backdrop: Fed/China/global inflation

- While **Value** has outperformed **Growth** this year, August saw the resumption of the PivotalPath Small-Cap Biotech Basket appreciation +29.5% in August and 11.6% YTD. As Covid-19 continues to subside and normal life resumes, the Covid-19 related baskets decline. The Covid-19 Healthcare basket, Vaccine Development basket and even the Mobile Payment basket resumed their declines, -15%, -13% and -6% respectively. YTD, they have declined 40%, 20% and 63% respectively.
- Volatility, which had declined in July rose back to more recent 2022 levels climbing 22% in August.

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

Source: PivotalPath data as of 1/14/2022. Historic performance available on Bloomberg.
Tickers: P2HFCEI, P2CRDI, P2EQDI, P2EQNTI, P2EQSI, P2EVDI, P2GBMI, P2MFTI & P2MSTI

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