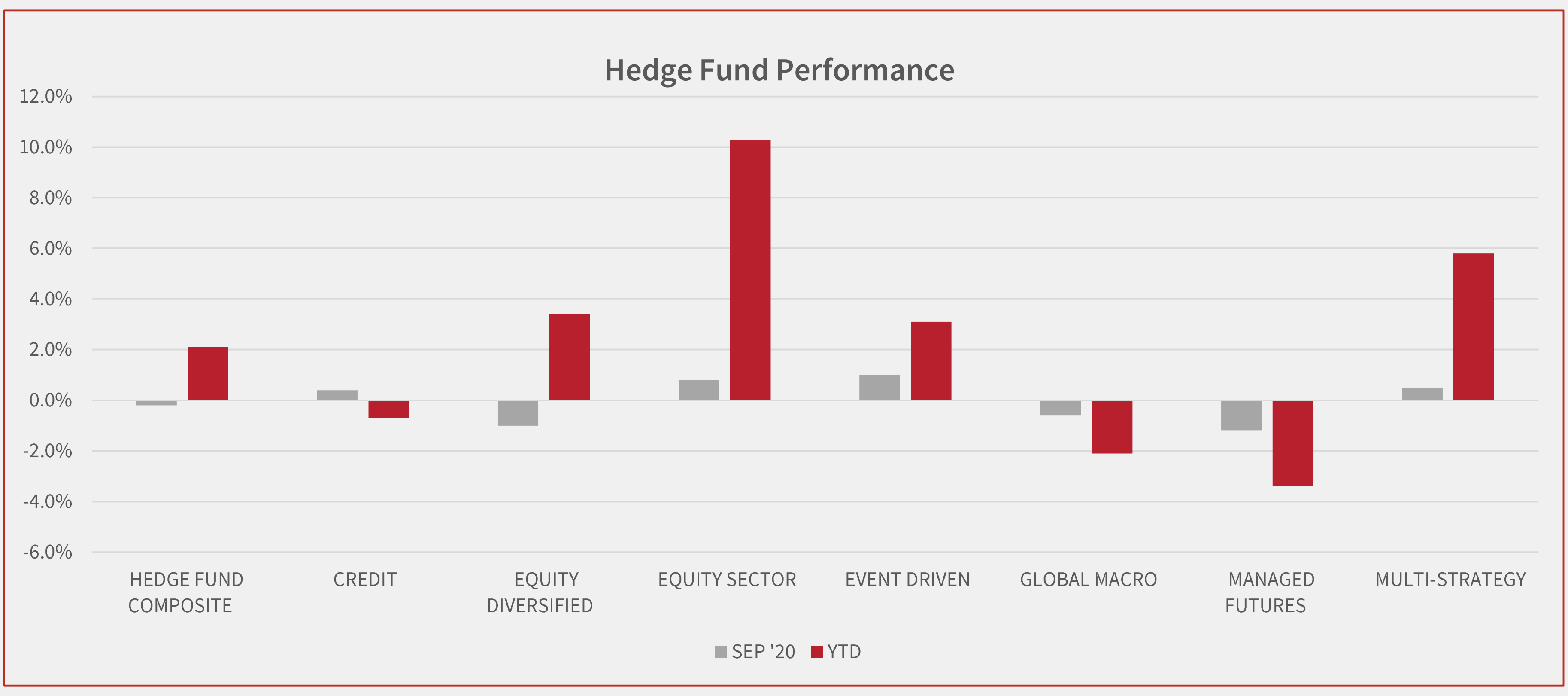
PIVOTAL INDICES

PivotalPath, on behalf **of $100B in client hedge fund capital**, tracks over **200,000 data points** across more than **2,000 hedge funds** and **40+ different strategies**. 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: September is the 1st month since March that both hedge funds and the market turned in negative performance. Specifically, the S&P was down 3.8% while hedge funds were slightly in the red, down 0.2%. Of PivotalPath's equity indices, Equity Diversified was also down slightly, while Equity Sector continues its run of positive monthly returns since March.

Strategy Highlights: High-level strategies performed within 220 bps of each other in September, ranging from down 1.2% (Managed Futures) to up 1.0% (Event Driven). YTD is a different story, with almost 14% separating the top, Equity Sector up 10.3%, from the bottom, Managed Futures down 3.4%. Interestingly, our Composite's dispersion is 2.8% for the month, just below the long-term average.



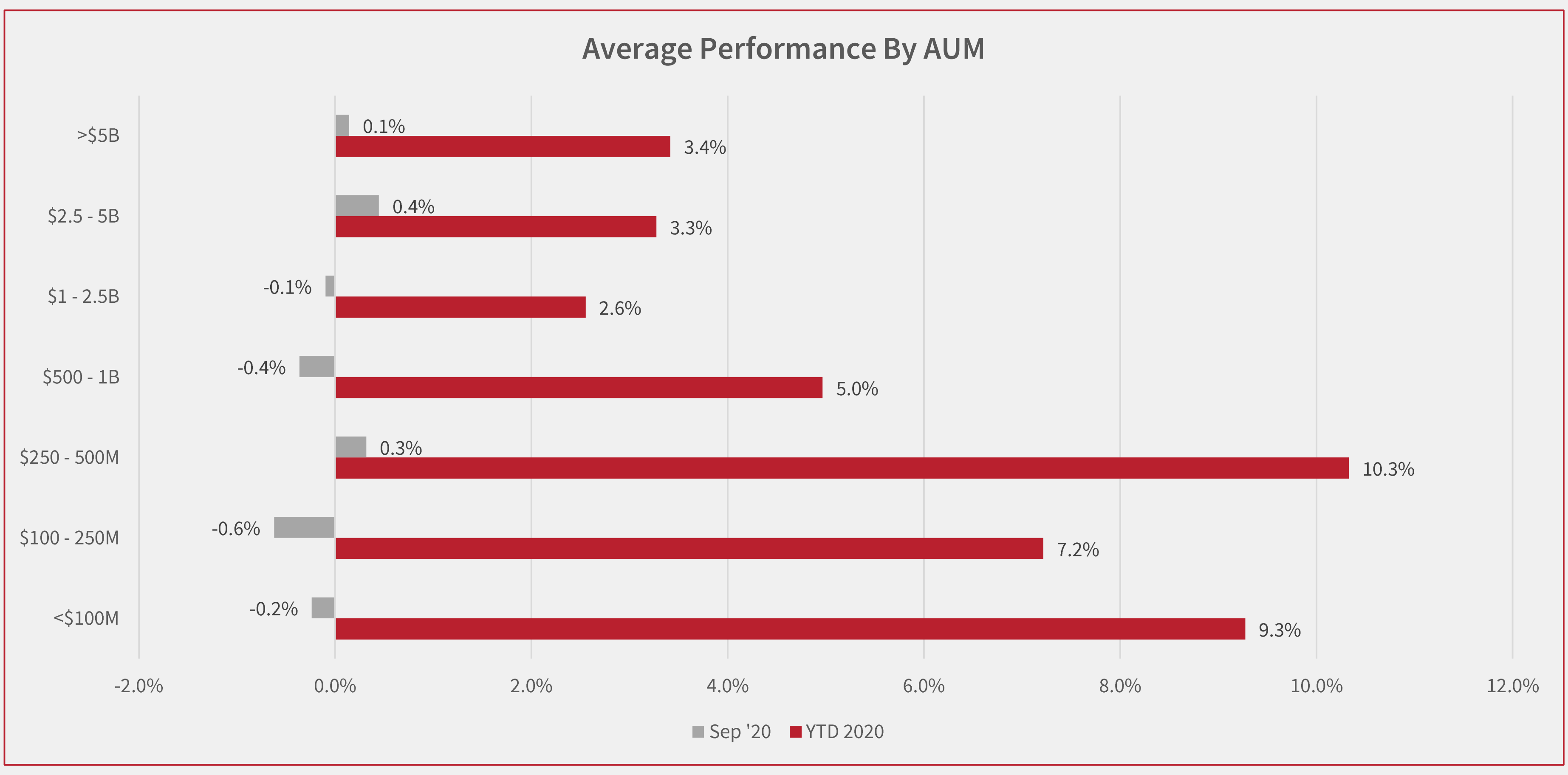
Available on the Bloomberg Terminal | P2HFCI | P2CRDI | P2EQDI | P2EQSI | P2EVDI | P2GBMI | P2MFTI | P2MSTI

The chart below depicts alpha-generation for each PivotalIndex, ranked from best to worst. Each strategy is color-coded for easy tracking. For the last 12 months, Equity Sector has generated positive alpha, while Credit has remained negative. Though most strategies crossed into negative alpha-generating territory over the summer, September has seen the majority return to the positive realm, using a 12M lookback.

Alpha Leaderboard Relative to S&P 500

Q1 '20	Q2'20	JUL '20	AUG '20	SEP '20	2017	2018	2019
5.6% Managed Futures	6.0% Equity Sector	3.9% Multi-Strategy	6.0% Equity Sector	12.3% Equity Sector	11.9% Equity Sector	2.1% Credit	7.8% Managed Futures
0.9% Global Macro	3.9% Multi-Strategy	2.5% Equity Sector	5.7% Multi-Strategy	8.0% Multi-Strategy	11.6% Equity Diversified	1.3% Equity Sector	5.0% Equity Sector
0.5% Equity Sector	2.0% Equity Diversified	1.3% Equity Diversified	-1.5% Equity Diversified	1.6% Equity Diversified	9.2% Event Driven	1.1% Multi-Strategy	4.6% Multi-Strategy
0.0% Composite	0.3% Composite	-0.5% Global Macro	-1.6% Composite	1.4% Event Driven	6.6% Multi-Strategy	-0.4% Event Driven	3.2% Composite
-0.3% Multi-Strategy	-0.2% Managed Futures	-1.0% Composite	-2.9% Event Driven	0.8% Composite	5.9% Composite	-0.6% Composite	2.7% Equity Diversified
-0.4% Equity Diversified	-1.0% Event Driven	-3.6% Event Driven	-5.1% Global Macro	-2.7% Global Macro	4.3% Credit	-1.6% Managed Futures	2.5% Global Macro
-1.2% Credit	-2.5% Global Macro	-3.9% Managed Futures	-6.2% Credit	-5.2% Credit	-0.7% Global Macro	-2.4% Equity Diversified	2.3% Event Driven
-2.6% Event Driven	-5.7% Credit	-7.5% Credit	-6.8% Managed Futures	-7.1% Managed Futures	-7.2% Managed Futures	-2.6% Global Macro	2.0% Credit

Categorized by AUM, performance was mixed across managers in September. Funds above $2.5B in AUM did tend to perform slightly better than the majority of their smaller brethren.



Pivotal Point of View

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

- ✓ For most of U.S. history, presidential elections have removed uncertainty from the markets, regardless of which party wins. As we transition to greater certainty every fourth November, generally we see hedge funds, represented by the PivotalPath Hedge Fund Composite, outperform in the 3 months following an election relative to their performance in the 3 months prior. Even during the contested election of 2000, this trend holds. What could happen if an election ushers in 3 months of greater uncertainty? We are currently investigating – we look forward to sharing an insight on this topic with you in the near term.
- ✓ The 8 high-level hedge fund indices above, available on Bloomberg via the listed tickers, house over 40 investment sub-strategies. Several contain some of the year's biggest winners AND losers. For instance:
  - ✓ Global Macro, down 2.1%, includes both Commodities, up 27.1%, and Risk Premia, down 12% YTD
  - ✓ Equity Sector, up 10.3%, includes both TMT, up 21.3%, and Financials, down 10.9% YTD
  - ✓ Credit, down 0.7%, includes both Convertible Bond Arbitrage, up 12.9%, and Structured Credit, down 5.4% YTD
- ✓ Earlier this year, the PivotalPath Dispersion Indicator set a 1-month record in March, reaching 11.5% vs. the long-term monthly average of 2.9%, stretching back to 2000. Taken with the point above, manager selection and strategy selection have both been critically important in Q1-Q3 2020. What will Q4 bring?
- ✓ When we look at the data through Q3 2019 vs. Q3 2020, hedge fund launches are down around 20%. Given how the year 2020 has been thus far, many would expect this number to be even lower. In 2019, ~40% of launches occurred in Q4. We will be tracking how Q4 2020 diverges from, or replicates, this phenomena.

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

Source: PivotalPath data through 10/09/2020. Historic performance available on Bloomberg.
Tickers: P2HFCI, P2CRDI, P2EQDI, P2EQSI, P2EVDI, P2GBMI, P2MFTI & P2MSTI.

PIVOTAL PATH