PivotalPath

# Pivotal Point of View

**2025** | *January*

***For allocators evaluating hedge fund performance, context matters.***

Every month, on behalf of over $440B in client hedge fund capital, PivotalPath tracks 3000+ institutionally-relevant hedge funds, spanning over $3T of assets.

Our monthly report contextualizes these data points and identifies trends to provide unique insight into the hedge fund industry.

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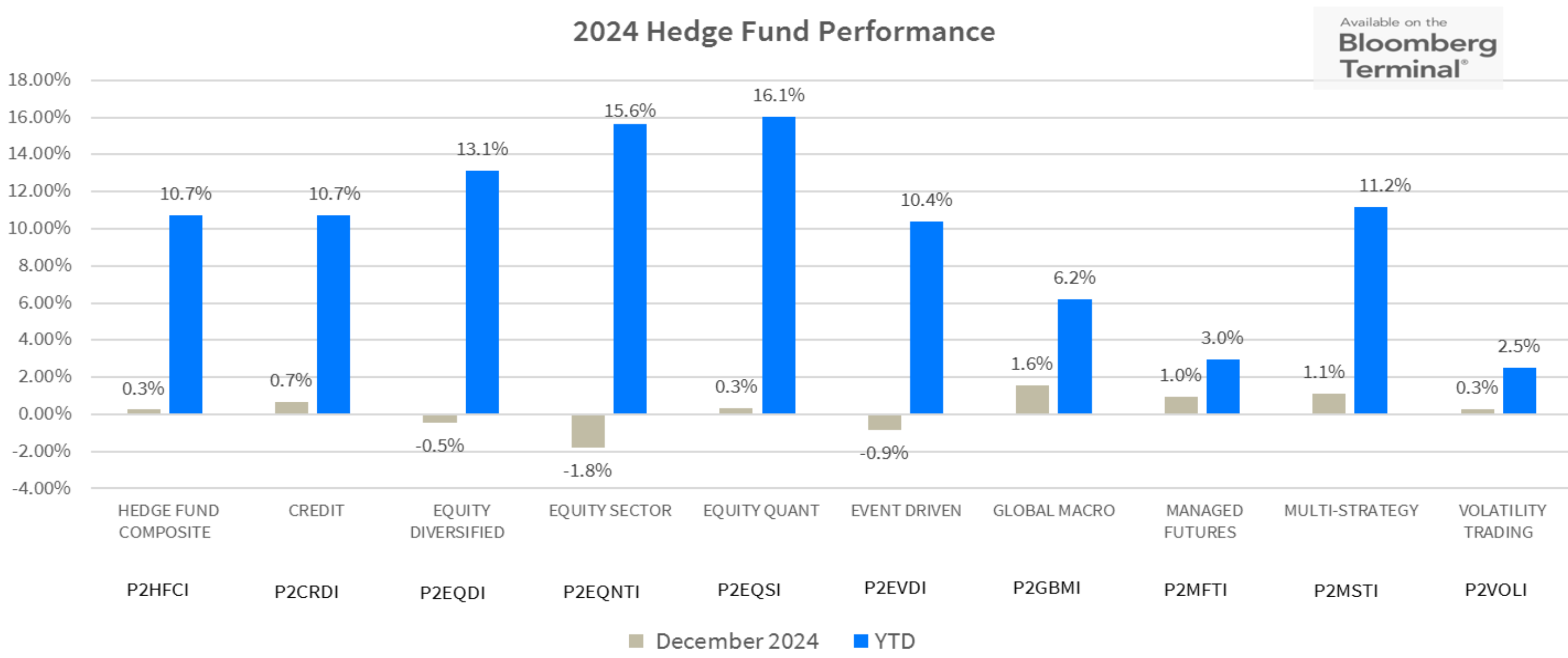
# Key Takeaways

## **Pivotal Point In Time:** December tested the mettle of equity players, while macro managers shined

- Hedge funds rode December's volatility well, with the **PivotalPath Hedge Fund Composite Index** up 0.3% across the month.
    - The sector's flat month compares favorably with major markets, which were hit hard after November's 'Trump Rip' turned into a 'Trump Dip'. The **S&P 500** was down 2.38% versus the **PivotalPath Equity Diversified Index**'s flat 0.5%.
    - The month also saw significant regional dispersion, and, in a reversal of November's trend, US market players fared less well than EMEA and APAC focused funds.
    - The **PivotalPath Equity Diversified: US Long/Short Index** was down 1.5% in December, versus the **PivotalPath Equity Diversified: Asia Long/Short Index**'s 2.1% and the **PivotalPath Equity Diversified: Europe Long/Short**'s 1.0%.

- While **equity specialists** seesawed in December, **macro managers** made hay with the potential dawn of an era promising more currency volatility and a lack of central bank alignment.
    - The **PivotalPath Global Macro Index** was up 1.6% for December, compounding November's returns of 1.5%. Macro players, who have experienced a challenging year, ended 2024 strongly, with a YTD of 6.2%. Members of the macro cohort with a decent equity component did significantly better than this, often exceeding double digits across the year.

# 2024 Hedge Fund Performance




## **Strategy Highlights:** All PivotalPath Indices ended 2024 with positive performance

- December was challenging, but 2024 remained a vintage year for hedge funds with all of **PivotalPath**'s main Indices and sub-Indices up for the year for the first time since 2019. The **PivotalPath Composite Index** ended 2024 up **10.7%**.

- Leading the main Indices pack for 2024 was the **PivotalPath Equity Quant Index**, which delivered returns of **16.1%**. **Equity Quant** has now delivered annualized returns of almost **10%** over the last 3 years.

- Allocators have woken up to the investment potential of **Equity Quant** strategies. However, as an inherently capacity constrained space, there are limited opportunities to meet current demand – paving the way for well-resourced start-ups and specialist multi-strats to claim some of this pent-up capital in 2025.

**The PivotalPath Equity Sector: Energy/Utilities/ Industrials Index** registered this unease, falling **1.5%** across the month.

## Energy wobbled in December, but managers believe AI will secure its long-term investment potential

Energy, which will be a long-term benefactor of AI's thirst for power, experienced a structural wobble in December, with most of its key indices impacted by unstable prices and falling demand from China, that took the price of oil to its lowest point of 2024.

**The PivotalPath Equity Sector: Energy/Utilities/Industrials Index** registered this unease, falling **1.5%** across the month. However, managers believe the projected gains from AI data centers are a solid long-term bet. And while short-term gains will be disrupted by the creeping decline of oil and any signs of slowing demand from big energy importers like China or the EU, this will be reversed as more data centers come online. This multi-year trend means managers see energy stocks as a sound bet, especially with the tech sector lacking price sensitivity around what it pays for essential power.

# Pivotal Context

| US Equity Factors | MTD (%) | YTD (%) |
|---|---|---|
| Quality | -0.38 | 3.21 |
| Size | -0.09 | -9.94 |
| Value | 0.49 | -12.74 |
| Growth | -0.49 | 12.74 |
| Momentum | -0.94 | 30.33 |

## **The Backdrop:** New Year and New Government spells opportunity, but also some caution:

- January ushers in not just a new year, but a freshly minted **US Government**, the likely impact of which managers are still trying to understand.
  - Over the course of December some of the inherent contradictions of the new administration's **dual pro-business and pro-tariffs mandate** spilled over into market confidence.
  - Simultaneously the Fed's clear(ish) signal that it would hold rates higher for longer, **sent bond yields upwards, despite the recent rate cuts**. And as yields increased the stock rally that had defined 2024 faded.
  - It's early days, but one manager summed it up thus: "Equities have lost value, bonds have also lost value, as have commodities – **so far the prospect of a new government has gone against early predictions** and damaged wealth creation."
  - However, the bigger picture looks rosier, and at the end of 2024, **US economic exceptionalism continued to assert itself**. Over the last 12 months the **S&P 500** has experienced its largest jump relative to the rest of the world since 1997.

# Pivotal Context (cont'd)

## **Short sellers were also particularly busy in December**, the most active period of short selling for 5 years.

- Elsewhere the picture is murkier. Last month **PivotalPath** pointed out that Europe was probably only temporarily absent from President Trump's first tariff broadsides – a prediction that was proved right at the of December, with the incoming president threatening **'tariffs all the way'** unless the EU bought US oil and gas.
    - Europe's export-driven economies could be hit hard by this – however, if the US starts a trade war it will not be all one-way traffic and some of the most dire predictions surrounding European (and Asian) equity markets are perhaps over-played – in fact a number of managers feel that the doom mongering continues to make these **markets undervalued and ripe for good stock pickers**.

- Yet, there is an **air of renewed caution around equities** (even the powerhouse of US equities) as markets move into 2025 – futures markets remained volatile at the dawn of the new year and managers have addressed risk by taking profits and pegging back leverage (albeit from almost record levels).
    - **Short sellers were also particularly busy in December**, the most active period of short selling for 5 years.

- All of this sets the hedge fund space up for an interesting 2025, with **equity managers, global macro and the multi-strats** particularly energized by the opportunities around violent dispersion. And if the depressive tendencies of inflation can be kept at bay, this year could compound the gains of 2024.

# Alpha Leaderboard

**Alpha Leaderboard**
12M Rolling Over S&P 500

| Q1 2024 | Q2 2024 | Q3 2024 | Q4 2024 | | 2020 | 2021 | 2022 | 2023 |
|---|---|---|---|---|---|---|---|---|
| 14.3% Managed Futures | 13% Equity Quant | 10.9% Equity Quant | 9.5% Multi-Strategy | | 14.3% Equity Sector | 10.7% Credit | 10.0% Managed Futures | 6.1% Credit |
| 9.3% Equity Quant | 8.3% Managed Futures | 7.4% Credit | 9.1% Equity Quant | | 7.2% Multi-Strategy | 9.5% Multi-Strategy | 9.3% Global Macro | 5.9% Equity Quant |
| 8.4% Global Macro | 8.1% Global Macro | 6.0% Multi-Strategy | 8.9% Credit | | 5.6% Event Driven | 6.2% Event Driven | 7.8% Equity Quant | 4.4% Managed Futures |
| 7.4% Credit | 7.9% Credit | 5.6% Global Macro | 7.0% Global Macro | | 3.7% Composite | 6.2% Equity Quant | 1.9% Credit | 3.9% Multi-Strategy |
| 6.1% Multi-Strategy | 7.8% Multi-Strategy | 2.4% Managed Futures | 6.0% Composite | | 3.2% Equity Diversified | 3.2% Global Macro | 1.2% Multi-Strategy | 3.7% Global Macro |
| 5.6% Composite | 5.6% Composite | 4.3% Composite | 4.2% Equity Diversified | | 1.8% Credit | 3.0% Composite | 0.8% Composite | 3.0% Composite |
| 5.3% Equity Sector | 3.8% Equity Diversified | 2.9% Equity Diversified | 3.5% Equity Sector | | 0.7% Global Macro | 0.6% Managed Futures | -1.6% Equity Diversified | 2.4% Equity Sector |
| 2.9% Equity Diversified | 1.7% Event Driven | 2.0% Equity Sector | 2.6% Event Driven | | 0.0% Managed Futures | -0.7% Equity Diversified | -2.4% Event Driven | 1.3% Equity Diversified |
| -0.4% Event Driven | 1.1% Equity Sector | 0.4% Event Driven | 0.4% Managed Futures | | -7.9% Equity Quant | -8.4% Equity Sector | -10.3% Equity Sector | -1.1% Event Driven |

- For the 12-month rolling period through December, **Multi-Strat** and **Equity Quant** funds continue to produce the highest alpha relative to the **S&P 500**, a remarkable run of multi-year consistency.
- The **Multi-Strat** space has been a fixture of the top 5 alpha generating strategies for the past 5 years and closed 2024 occupying the top spot - although for sheer consistency **Equity Quant** was the dominant strategy throughout the year, occupying the top or second spot in each quarter of 2024.
- A sign of the hedge fund sector's current pomp is that all strategies produced positive alpha in 2024.

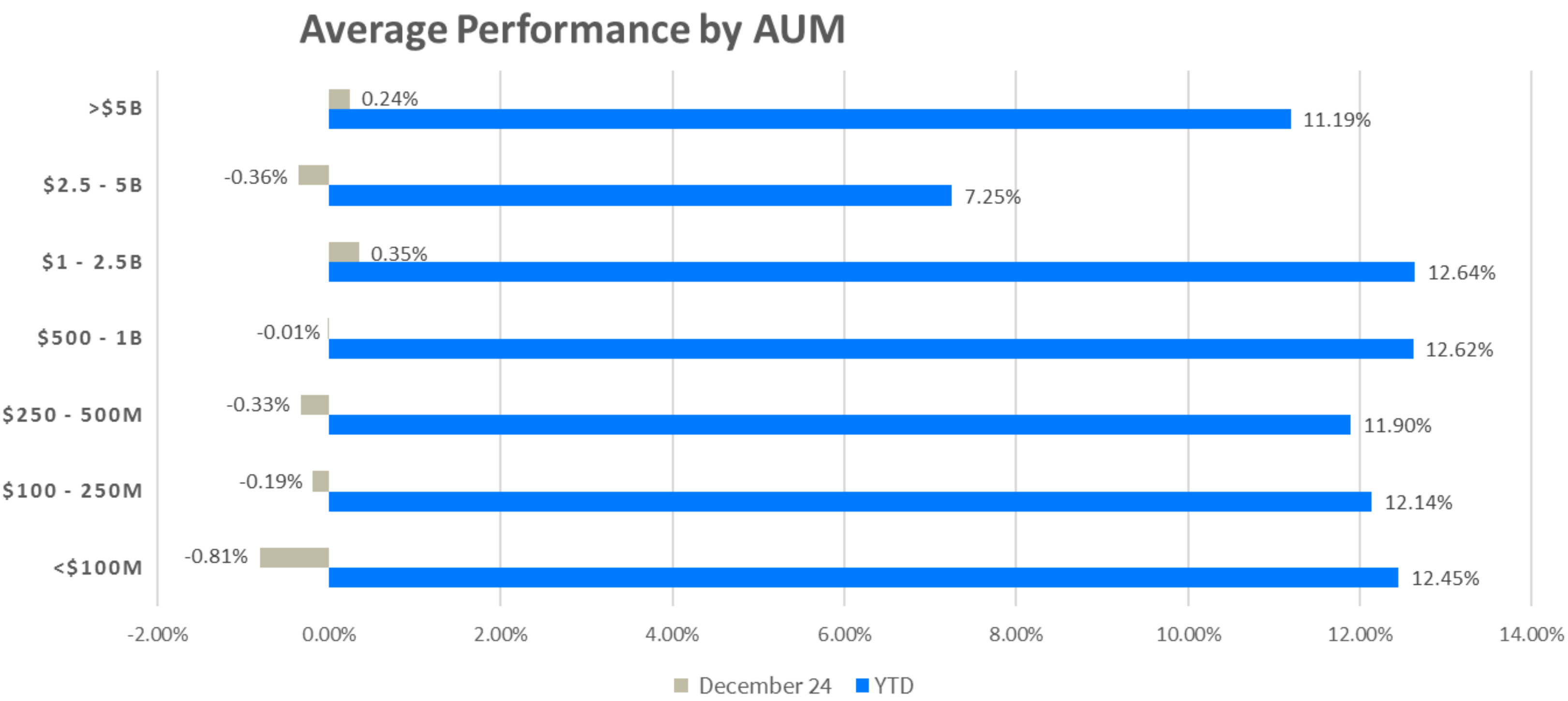
# The **PivotalPath Equity Diversified: Asia Long/Short Index** up **2.1%** in December and **14.6%** for the year

## Managers are circling China again, but still lack real conviction as they wait for stimulus to take full effect

With the **PivotalPath Equity Diversified: Asia Long/Short Index** up **2.1%** in December and **14.6%** for the year, managers are studying China's Government stimulus package, while reassessing the nation's investment opportunities. 2024 was the first year that Chinese stocks have been in growth mode since 2020 – and despite some cynicism about the country's long-term economic prospects, these early signs of green shoots are starting to feed into a narrative of resilience and even recovery.

There remain clear concerns (real estate, deflation, tariffs and weakening exports, to name but four!) but the nation's equities remain at an attractive valuation versus the rest of the world, meaning 2025 could see more flows as managers seek untapped value.

# Hedge Fund Performance by AUM




- Larger managers handled December's volatility well with firm's above **$5bn** eking out positive returns of **0.24%**, while smaller funds were generally down.
    - The hedge fund narrative is so often misleadingly focused on the performance premium of small funds. However, across 2024 it was the 'mega managers' who proved a point. Funds over **$10bn** in AUM led all other AUM brackets finishing the year up **12.72%**.

- Approximately **54%** of all funds reporting were positive in December. The average return of those positive was **1.95%**, while the average return of declining funds was **2.56%**.

- On a YTD basis, approximately **88%** of all funds reporting are positive with an average return of **14.67%,** while the average return of declining funds is **7.48%**.

2025
*January*

# PivotaPath Index App

- **PivotalPath**'s free Index App creates an accurate and common 'performance language' for managers and allocators to better communicate with each other.
- Click **[https://index.pivotalpath.com/](https://index.pivotalpath.com/)** to access the app and use best-in-class data today.