

# Marketable Alternatives Update

As of Q3 2021

## Hedge Fund Performance Highlights

### Equity Hedge

Equity hedge managers ended the quarter down as markets saw a reversal in prevailing trends. Upward moves in the 10-year induced a broad-based equity selloff during the month of September. All HFRI: EH sub-sectors experienced a negative quarter with the exception of the Energy/Basic Materials Index.

### Event-Driven

Event-driven managers experienced a negative quarter despite M&A activity reaching record highs in the month of September. Anti-trust concerns continued to spark volatility.

### Macro and CTA

Macro managers ended the quarter modestly negative with sub-indices seeing significant dispersion during the third quarter. Discretionary macro managers struggled particularly in July due to popular steepener trades, while systematic managers struggled with trade reversals in rates, FX, and currencies. Commodity-focused managers contributed significantly to index performance, posting impressive returns in the last week of the quarter as energy prices surged.

### Relative Value

Relative value managers were the only HFRI sub-strategy group to end the quarter positive. All but two sub-strategies posted positive returns during Q3 with the Fixed Income-Sovereign Index and Volatility Index serving as the only detractors.

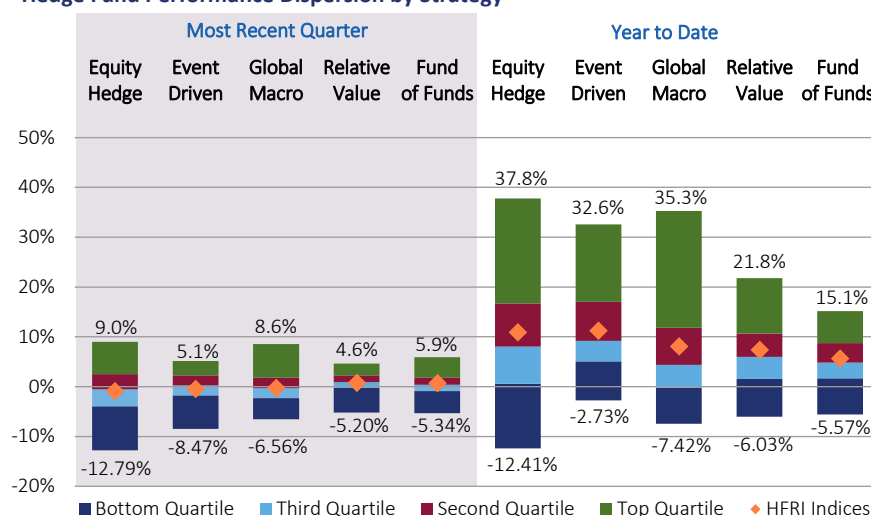
### Industry Flows

Total hedge fund industry assets remained near \$4.0 trillion, with industry inflows outweighing performance gains. Two hedge fund strategy segments experienced inflows during the third quarter of 2021. Equity hedge managers saw the most notable inflows of \$5.1 billion with relative value managers following with \$3.2 billion of inflows. Macro and event-driven managers experienced outflows of \$1.8 billion and \$0.9 billion respectively.

Performance Summary	Jul '21	Aug '21	Sep '21	QTD	YTD
HFRI Fund Weighted Composite Index	-0.91%	0.76%	-0.24%	-0.39%	9.69%
HFRI Fund of Funds Composite Index	-0.64%	1.29%	0.11%	0.74%	5.73%
HFRI Equity Hedge (Total) Index	-1.19%	1.10%	-0.80%	-0.90%	10.95%
HFRI Event-Driven (Total) Index	-1.27%	0.76%	0.09%	-0.42%	11.25%
HFRI Macro (Total) Index	-0.59%	0.07%	0.29%	-0.23%	8.09%
HFRI Relative Value (Total) Index	-0.25%	0.51%	0.52%	0.77%	7.40%
OCIO Model Directional Portfolio	0.38%	1.01%	-1.23%	0.15%	7.58%
OCIO Model Diversifying Portfolio	-0.75%	0.19%	0.30%	-0.27%	2.55%
S&P 500 Index	2.38%	3.04%	-4.65%	0.58%	15.92%
Russell 2000 Index	-3.61%	2.24%	-2.95%	-4.36%	12.41%
MSCI ACWI ex USA Index	-1.65%	1.90%	-3.20%	-2.99%	5.90%
Bloomberg Barclays U.S. Agg. Index	1.12%	-0.19%	-0.87%	0.05%	-1.55%
Bloomberg Barclays U.S. High Yield Index	0.38%	0.51%	-0.01%	0.89%	4.53%
Bloomberg Commodity Index	1.84%	-0.30%	4.98%	6.59%	29.13%

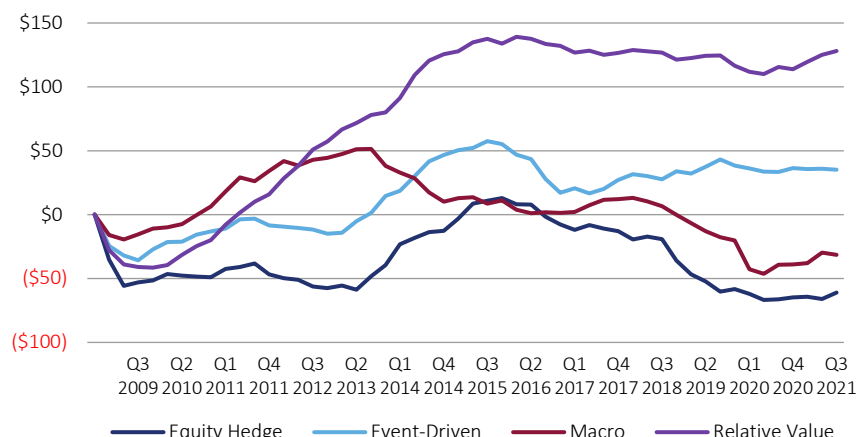
Source: Bloomberg, HFR

### Hedge Fund Performance Dispersion by Strategy



Source: HFR

### Cumulative Sub-Strategy Flows Since 2008 (\$BN)



Hedge Fund Sub-Strategy Performance	Jul '21	Aug '21	Sep '21	QTD	YTD
<b>OCIO Model Directional Portfolio*</b>	<b>0.38%</b>	<b>1.01%</b>	<b>-1.23%</b>	<b>0.15%</b>	<b>7.58%</b>
<b>Directional Strategies - Fund Weighted**</b>	<b>-1.23%</b>	<b>1.02%</b>	<b>-0.39%</b>	<b>-0.61%</b>	<b>11.30%</b>
HFRI EH: Fundamental Growth Index	-1.37%	1.36%	-0.90%	-0.92%	10.14%
HFRI EH: Fundamental Value Index	-1.57%	1.05%	-0.74%	-1.27%	14.63%
HFRI EH: Multi-Strategy Index	-0.45%	-0.19%	-1.39%	-2.02%	11.32%
HFRI EH: Quantitative Directional Index	1.23%	1.38%	-2.78%	-0.23%	7.46%
HFRI EH: Sector - Energy/Basic Materials Index	-0.75%	1.20%	1.94%	2.38%	21.80%
HFRI EH: Sector - Technology/Healthcare (Total) Index	-1.76%	1.70%	-1.63%	-1.71%	2.86%
HFRI ED: Activist Index	-1.25%	1.46%	-1.73%	-1.55%	12.57%
HFRI ED: Credit Arbitrage Index	0.20%	1.02%	0.12%	1.35%	8.77%
HFRI ED: Distressed/Restructuring Index	-0.79%	0.29%	0.67%	0.16%	14.78%
HFRI ED: Multi-Strategy Index	-2.09%	0.52%	-0.76%	-2.33%	7.26%
HFRI ED: Special Situations Index	-1.70%	0.72%	0.26%	-0.74%	12.16%
HFRI RV: Fixed Income-Convertible Arbitrage Index	0.20%	0.35%	0.88%	1.44%	5.98%
HFRI RV: Fixed Income-Corporate Index	-0.09%	0.62%	-0.18%	0.35%	7.13%
HFRI RV: Multi-Strategy Index	-0.78%	0.76%	0.72%	0.69%	7.76%
HFRI RV: Yield Alternatives Index	-2.38%	0.06%	4.77%	2.33%	26.86%
<b>OCIO Model Diversifying Portfolio*</b>	<b>-0.75%</b>	<b>0.19%</b>	<b>0.30%</b>	<b>-0.27%</b>	<b>2.55%</b>
<b>Diversifying Strategies - Fund Weighted**</b>	<b>-0.32%</b>	<b>0.32%</b>	<b>0.56%</b>	<b>0.55%</b>	<b>7.53%</b>
HFRI EH: Equity Market Neutral Index	0.20%	0.57%	0.52%	1.29%	6.44%
HFRI ED: Merger Arbitrage Index	-1.29%	0.91%	0.94%	0.55%	8.96%
HFRI Macro: Active Trading Index	-2.00%	0.76%	0.50%	-0.77%	5.84%
HFRI Macro: Commodity Index	-0.14%	1.33%	4.04%	5.28%	20.55%
HFRI Macro: Currency Index	-0.62%	-0.05%	1.17%	0.50%	0.16%
HFRI Macro: Discretionary Thematic Index	-3.26%	-0.13%	-1.37%	-4.71%	3.86%
HFRI Macro: Multi-Strategy Index	-0.44%	0.39%	0.56%	0.50%	8.03%
HFRI Macro: Systematic Diversified Index	0.46%	-0.34%	-0.23%	-0.12%	7.61%
HFRI RV: Fixed Income-Asset Backed Index	0.37%	0.52%	0.40%	1.29%	6.90%
HFRI RV: Fixed Income-Sovereign Index	-0.18%	0.65%	-0.76%	-0.29%	1.64%
HFRI RV: Volatility Index	-0.26%	-0.10%	-0.01%	-0.36%	1.71%

\*The performance results shown for the OCIO Model Directional Portfolio and the OCIO Model Diversifying Portfolios are based on models maintained by Wilshire; Wilshire was not managing actual client accounts during this time using the models represented here. There are certain limitations in model performance as the model results will not completely represent the actual trading of securities in a client account, and may not reflect the impact that material economic and market factors might have had on Wilshire's decision-making in actual client accounts. Actual client results will be lower based on the imposition of advisory fees, transaction costs, custodial fees, and any other expenses that a client would incur for such an investment. The results reflect reinvestment of all dividends and interest. All returns for periods greater than one year are annualized. As with all investments, there is no guarantee that the investment strategy will be successful and investors should be aware that investments can lose money, including principal, so that an investor could end up with less money than was invested. Past performance is not indicative of future results, and processes used may not achieve the desired results.

It is not possible to invest directly in an index. Index returns do not reflect payment of certain sales charges or fees an investor may pay to purchase the securities underlying the index or investment vehicles intended to track the performance of the index. The imposition of these fees and charges would cause actual performance of the securities/vehicles to be lower than the index performance shown.

\*\*Wilshire segregates HFRI sub-strategy indices into Directional and Diversifying groups for performance benchmarking purposes.

Wilshire Risk Premia Cluster Performance***	Jul '21	Aug '21	Sep '21	QTD	YTD
WRPI - Equity Factor - Multi-Factor	0.74%	0.16%	-0.68%	0.21%	0.91%
WRPI - Equity Factor - Size	-0.50%	-1.30%	-0.52%	-2.31%	-2.64%
WRPI - Equity Factor - Low Beta	2.05%	0.19%	-0.89%	1.33%	0.19%
WRPI - Equity Factor - Momentum	0.01%	0.45%	-0.35%	0.10%	0.19%
WRPI - Equity Factor - Quality	1.29%	-0.01%	-1.46%	-0.19%	1.81%
WRPI - Equity Factor - Value	-0.48%	-0.83%	-0.12%	-1.43%	2.94%
WRPI - Rates - Carry	0.85%	-0.25%	-1.00%	-0.40%	-1.95%
WRPI - Rates - Momentum	0.19%	-0.39%	-0.57%	-0.77%	-3.05%
WRPI - Multi - Momentum	0.67%	0.04%	-0.02%	0.69%	0.86%
WRPI - Commodities - Carry	0.12%	0.04%	-0.15%	0.01%	2.26%
WRPI - FX - Carry	0.36%	0.63%	-0.14%	0.85%	2.88%
WRPI - FX - Momentum	-0.74%	-0.30%	-0.16%	-1.20%	-4.65%

\*\*\*Wilshire constructs custom clusters of Flagship risk premia strategies, which Wilshire deems as robustly-built and potentially represent each strategy sponsor's best effort in extracting targeted risk premia.

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