
MANAGED FUTURES: 'TIS THE SEASON FOR LOSSES

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[Managed futures](#) strategies have been among the most disappointing investment categories since the bottom of the financial crisis. For the largest funds in the category, performance went from bad to worse in 2018.

Now's the time to evaluate these strategies and see if they can at least provide a potential tax benefit.

The top 10 managed futures funds in the [Morningstar U.S. Managed Futures Category during 2018](#) tracked the market downward in February this year, due to high exposure to equity [futures](#), but never recovered with the market when it rebounded.

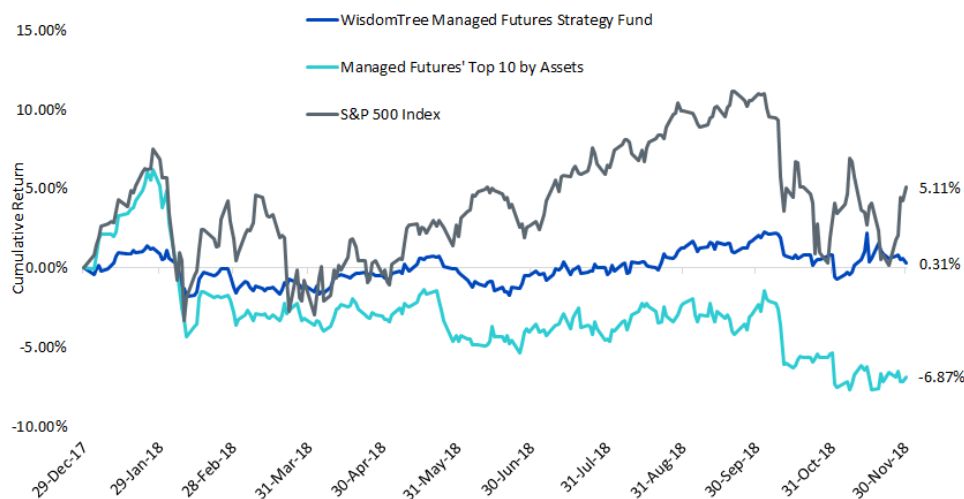
These largest managed futures funds were also caught long on equities at the wrong time in October, right before the sell-off. They then struggled to benefit from the recent bounce-back in November as the funds lowered their equity risk with equity trends that became negative.

You might ask: Are there alternatives with less equity [beta](#)?

The [WisdomTree Managed Futures Strategy Fund \(WTMF\)](#) does not include equity futures as part of its investable universe. We felt that including equities could increase [correlations](#) to equity markets at a time when you want it least. This is most evident during a sharp equity reversal, like the ones we experienced in January and October, where a trend-following strategy that can't quickly adjust is continually caught on the wrong side of the trade.

For those investors who own managed futures strategies, now could be a good time to [tax-loss harvest](#) and reinvest in a strategy with less sensitivity to the S&P 500 Index.

Managed Futures Performance



Sources: WisdomTree, Bloomberg, Morningstar, for the period 12/31/17–11/30/18. Performance is historical and does not guarantee future results. Current performance may be lower or higher than quoted. Investment returns and principal value of an investment will fluctuate so that an investor's shares, when redeemed, may be worth more or less than their original cost. Performance data for the most recent month-end is at the standardized performance link below. You cannot invest directly in an index. Period chosen to represent a 10% correction in the S&P 500 Index. Managed Futures' Top 10 by Assets represents the daily average performance of the top managed futures funds by strategy assets in the U.S. Managed Futures Morningstar Category. © Morningstar, Inc., 2018. All rights reserved. The information contained herein: (1) is proprietary to Morningstar and/or its content providers; (2) may not be copied or distributed; and (3) is not warranted to be accurate, complete or timely. Neither Morningstar nor its content providers are responsible for any damages or losses arising from any use of this information. Past performance, rankings and ratings are no guarantee of future results. As noted in the document, here is the short-term performance disclosure: a fund's performance, especially for very short time periods, should not be the sole factor in making your investment decision.

For standardized performance of WTMF, click [here](#).

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funds' total-return percentile rank compared to all funds within the same Morningstar category and is subject to change each month. Regarding ranking of funds, 1 = Best.

For standardized performance and the most recent month-end performance click [here](#) NOTE, this material is intended for electronic use only. Individuals who intend to print and physically deliver to an investor must print the monthly performance report to accompany this blog.

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You cannot invest directly in an index.

DEFINITIONS

Managed futures : An alternative investment strategy in which futures contracts are used as part of the investment strategy.

Futures/Futures Contract : Reflects the expected future value of a commodity, currency or Treasury security.

Beta : A measure of the volatility of a security or a portfolio in comparison to a benchmark. In general, a beta less than 1 indicates that the investment is less volatile than the benchmark, while a beta more than 1 indicates that the investment is more volatile than the benchmark.

Correlation : Statistical measure of how two sets of returns move in relation to each other. Correlation coefficients range from -1 to 1. A correlation of 1 means the two subjects of analysis move in lockstep with each other. A correlation of -1 means the two subjects of analysis have moved in exactly the opposite direction.

Tax Loss Harvesting : Selling securities at a loss to offset a capital gains tax liability. Tax gain/loss harvesting is typically used to limit the recognition of short-term capital gains, which are normally taxed at higher federal income tax rates than long-term capital gains.