

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.

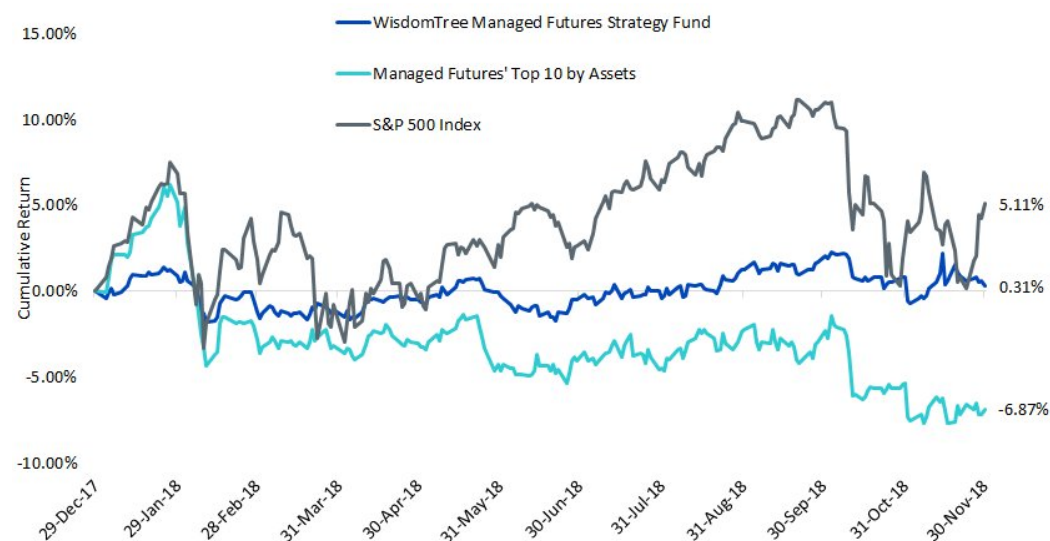
These largest managed futures funds were also caught long on equities at the wrong time in October, right before the sell-off. They then struggled to benefit from the recent bounce-back in November as the funds lowered their equity risk with equity trends that became negative.

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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