IMPROVING PORTFOLIO OUTCOMES WITH MANAGED FUTURES

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As investors increasingly look beyond traditional stocks, bonds, and real estate, the role of alternative strategies has become harder to ignore. One of the most established - and misunderstood - of these alternatives is managed futures.

When thoughtfully integrated into a portfolio, managed futures can help improve resilience, reduce reliance on any single market outcome, and enhance long-term investment outcomes.

What are managed futures?

Managed futures are a category of alternative investments that have been used by institutional investors for decades. These strategies invest in futures contracts across a broad set of global markets - including commodities, currencies, interest rates, and equity indexes -and can take both long and short positions.

The most common approach within managed futures is trend following, a systematic strategy designed to identify sustained price movements and participate in them—whether markets are rising or falling.

Unlike traditional investments that depend primarily on economic growth or rising asset prices, managed futures are designed to adapt to changing market conditions.

Benefits of Integrating into a portfolio

For more than 30 years, institutional and high-net-worth investors have used managed futures to help improve portfolio outcomes. Key benefits include:

- Lower overall portfolio risk
- Improved risk-adjusted returns
- Ability to perform across different market environments
- Meaningful diversification beyond stocks and bonds

PAST PERFORMANCE IS NOT NECESSARILY INDICATIVE OF FUTURE RESULTS.

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Low correlation to traditional asset classes

One of the most compelling attributes of managed futures is their historically low correlation to traditional asset classes such as equities and bonds. Because managed futures derive returns from price trends across global futures markets - not from earnings growth, credit spreads, or valuation multiples - their performance tends to be driven by very different forces. This low correlation can help reduce overall portfolio volatility and soften the impact of drawdowns when traditional assets struggle. When combined with stocks and bonds, managed futures have the potential to improve portfolio stability without sacrificing return potential.

Correlations of Managed Futures vs. Major Asset Classes

Jan 2000 to Dec 2025, monthly correlation

		SocGen CTA Index	Barclay BTOP50	SG CTA Trend	Real Estate	Equities	Gold	Fixed Income	Hedge Funds
Macro Indices	**SG CTA Index**	1							
	Barclay BTOP50	0.93	1						
	SG CTA Trend	0.97	0.96	1					
Traditional Indices	Real Estate	-0.04	-0.03	0.00	1				
	Equities	-0.08	-0.09	-0.08	0.67	1			
	Gold	0.16	0.17	0.16	0.14	0.17	1		
	Fixed Income	0.15	0.17	0.16	0.38	0.25	0.44	1	
Alts.	Hedge Funds	0.10	0.07	0.09	0.54	0.86	0.23	0.23	1

Source: Bloomberg and WaveFront Global Asset Management Corp.
Equity: MSCI World Index, REITs: FTSE NAREIT Index, Gold: GLS, Bonds: Barclays Global Aggregate Bond Index, Hedge Funds: HFRI Fund Weighted Composite Index

Low correlation means managed futures returns are not dependent on the same drivers as traditional investments.

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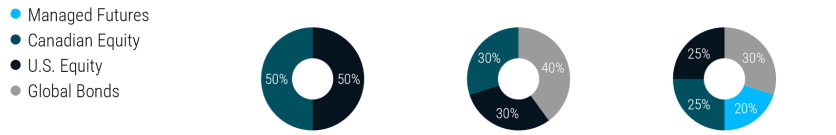
Potential to Improve Overall Portfolio Returns

Managed futures are often misunderstood as being useful only during market stress. In reality, their ability to trade across diverse global markets gives them the flexibility to contribute in a wide range of conditions. By adding an asset class that responds differently to economic growth, inflation, interest rates, and geopolitical shocks, portfolios can become less dependent on any single market outcome. This diversification effect can reduce overall volatility and improve the consistency of returns over time - particularly during periods when traditional diversification breaks down.

Comparing Traditional vs. Diversified Portfolio w/ Managed Futures

Historical Performance from Jan 2000 to Dec 2025



	100% Stock Portfolio	**60|40%** Balanced Portfolio	**50|30|20%** Diversified Portfolio
Annualized Return	8.18%	6.60%	**6.37%**
Volatility	13.73%	9.14%	**7.54%**
Sharpe Ratio	0.50	0.54	**0.60**
Sortino Ratio	0.72	0.77	**1.06**
Worst Drawdown	-46.61%	-29.22%	**-23.11%**

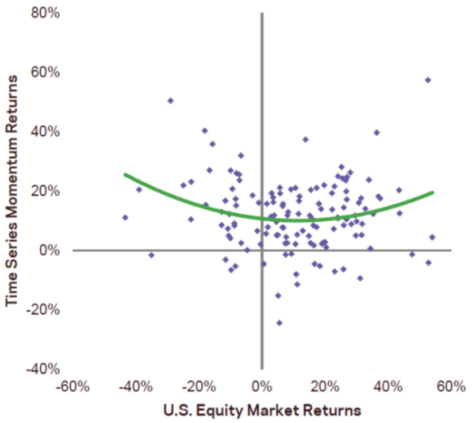
Integrating Managed Futures into a Traditional Balanced Portfolio Delivers:

- ~18% lower volatility vs. 60/40
- ~38% higher Sortino ratio
- ~21% smaller worst drawdown
- Improved risk-adjusted efficiency with lower equity dependence

Data Source: Bloomberg and WaveFront Global Asset Management Corp.
Past performance is not a guarantee of future results. Performance of an index is not illustrative of any particular investment. It is not possible to invest directly in an index. Index returns are unmanaged and do not reflect the deduction of any fees or expenses. Index returns reflect all items of income, gain and loss and the reinvestment of dividends and other income.
TSX Composite Index, S&P 500 Index, Barclays Global Aggregate Bond Index, and SG CTA Index are used to represent Canadian Equity, U.S. Equity, Global Bonds, and Managed Futures, respectively.

Managed Futures Myth #1: Managed futures only perform well when equities struggle.

Historical data suggests otherwise. Many strong periods for managed futures have coincided with strong equity markets. Trend-following strategies seek price persistence - not equity market weakness - and can benefit from sustained trends in stocks, bonds, commodities, and currencies alike.



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Opportunity to Enhance Risk-adjusted Returns

Beyond diversification, managed futures have also demonstrated the potential to enhance risk-adjusted returns when combined with traditional assets.

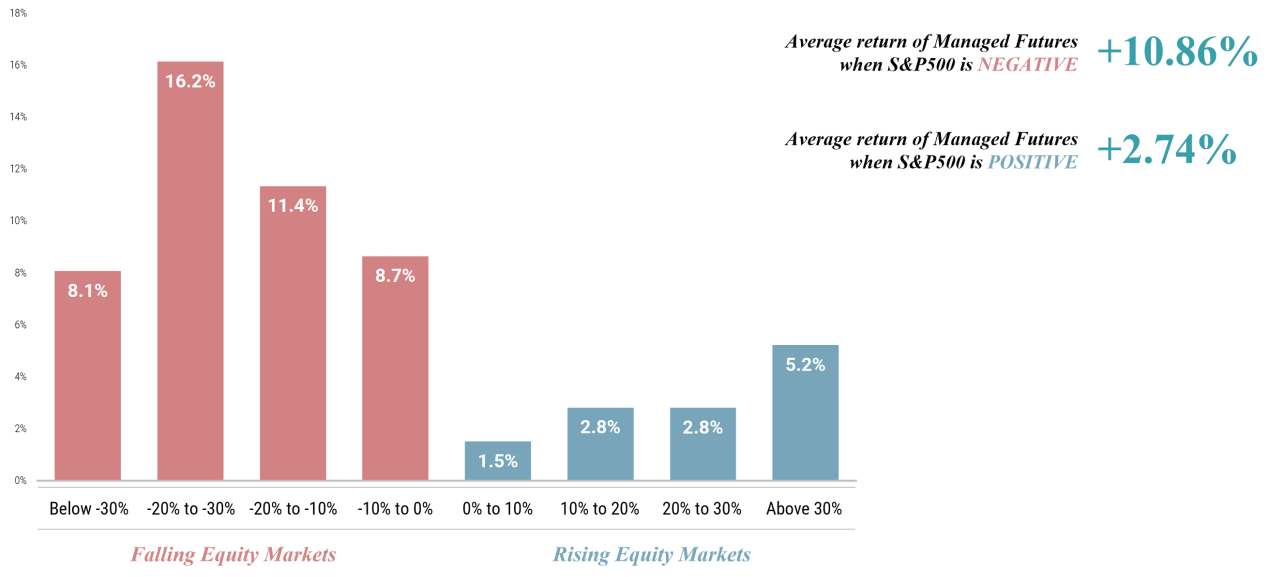
Academic research, including a landmark study by Dr. John Lintner of Harvard University, found that portfolios combining stocks (or stocks and bonds) with managed futures achieved lower risk at every level of expected return than portfolios without managed futures.

In simple terms: adding managed futures historically allowed investors to either reduce risk for the same return, or increase expected return for the same level of risk.

Historically, managed futures have added value in both up and down equity markets, with their most meaningful contribution occurring during periods of equity stress.

Average 12-month Managed Futures Performance during positive and negative 12-month periods for the S&P 500

Historical Performance from Jan 2000 through Dec 2025



Data Source: Bloomberg and WaveFront Global Asset Management Corp.
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Managed Futures represented by the SG CTA Index.

*Lintner, John. "The Potential Role of Managed Commodity-Financial Futures Accounts (and/or Funds) in Portfolios of Stocks and Bonds." The Handbook of Managed Futures: Performance, Evaluation & Analysis. Ed. Peters, Carl C. and Ben Warwick. McGrawHill Professional, 1996. 99-137.

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Opportunity to Perform Across Market Environments

Managed futures strategies are designed to adapt.

Because they can go long or short futures contracts, they can potentially profit in rising, falling, inflationary, deflationary, and volatile markets. This flexibility has allowed managed futures to perform well during many historical stress periods—including equity bear markets and macroeconomic shocks.

While no strategy performs in all environments, managed futures have often provided valuable diversification precisely when portfolios needed it most.

Worst 15 Quarters for the S&P 500 Index vs. Managed Futures

Historical Returns from Jan 2000 to Dec 2025

Period	Event	S&P 500 Index	Managed Futures[3]	Difference
4Q 2008	Bear Market / Global Financial Crisis	-22.57%	8.93%	+31.50%
1Q 2020	Covid-19 Global Pandemic	-20.00%	-0.54%	+19.46%
3Q 2002	WorldCom Scandal	-17.63%	7.11%	+24.74%
2Q 2022	Inflation & Rate Hikes	-16.44%	7.37%	+23.81%
3Q 2001	World Trade Center & Pentagon Attacks	-14.99%	2.71%	+17.69%
3Q 2011	Euro Debt Crisis	-14.33%	2.57%	+16.89%
4Q 2018	US-China trade tensions, Macro weakness	-13.97%	-2.46%	+11.52%
2Q 2002	Bear Market / Technology Bubble	-13.74%	9.49%	+23.23%
1Q 2001	Bear Market / Technology Bubble	-12.12%	6.26%	+18.38%
2Q 2010	Euro Debt Crisis	-11.86%	-0.28%	+11.58%
1Q 2009	Chinese Markets Turmoil	-11.66%	-2.13%	+9.53%
1Q 2008	Bear Market / Global Financial Crisis	-9.92%	6.14%	+16.07%
3Q 2008	Bear Market / Global Financial Crisis	-8.87%	-4.16%	+4.72%
4Q 2000	Bear Market / Technology Bubble	-8.09%	18.22%	+26.31%
3Q 2015	Slowing China growth, Fed Tightening	-6.94%	2.32%	+9.26%
	Average	**-13.54%**	**4.10%**	**+17.64%**

Data Source: Bloomberg and WaveFront Global Asset Management Corp.
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1.Managed Futures represented by the SG CTA Index.

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Expanding the Opportunity Set

As Harry Markowitz famously observed, *"Diversification is the only free lunch in investing."*

Traditional portfolios typically rely on a narrow slice of the global investment universe—primarily stocks and bonds. Managed futures expand that opportunity set dramatically by accessing highly liquid futures markets across equities, fixed income, currencies, and commodities worldwide.

By diversifying across these markets and return drivers, managed futures offer exposure that is fundamentally different from traditional assets.

Expanding the Global Investment Opportunity Set

Illustrative examples of global futures markets accessed within the WaveFront Global Diversified Strategy*

Global Equities	Fixed Income & Rates	Currencies (FX)	Energy Markets	Metals	Agricultural
DAX Index	U.S. 5yr Treasury	Australian Dollar	Light Sweet Crude Oil	Gold (100 oz)	Corn
E-mini S&P 500	U.S. 10yr Treasury	British Pound	Brent Crude Oil	Silver	Wheat
NASDAQ-100 E-mini	Cad. 10yr Gov. Bond	Canadian Dollar	Heating Oil (No. 2)	Copper (High Grade)	Kansas Wheat
Euro Stoxx 50	German Bund	Japanese Yen	RBOB Gasoline	Aluminum	Soybeans
FTSE 100	German Bobl	Euro	Gasoil	Nickel	Soybean Oil
S&P/TSX 60	British Long Gilt	Swiss Franc	Natural Gas	Zinc	Palm Oil
Hang Seng Index	Australian 10yr Bond	New Zealand Dollar		Palladium	Canola
Nikkei 225 Index	Eurodollar / Euribor	Brazilian Real			Live Cattle
FTSE China A50	90-Day Bank Bills	Mexican Peso			Lean Hogs
S&P/ASX 200	Japanese Gov. Bond	Euro / Japanese Yen			
	Euribor	Euro / British Pound			
		Euro / Swiss Franc			

*The markets shown above are provided for illustrative purposes only and represent a sample of futures markets that may be accessed within the WaveFront Global Diversified Strategy. The list is not exhaustive and does not constitute a complete inventory of all markets traded. Market exposure may vary over time based on strategy design, portfolio construction, and prevailing market conditions. Inclusion of any market does not imply a current position or future allocation.

Managed Futures Myth #1: Managed futures only work in high-volatility markets.

While periods of elevated volatility can create opportunity, managed futures have also historically delivered value during more normal market conditions. Importantly, during periods of lower volatility, managed futures have tended to maintain low correlation to both traditional assets and hedge funds - further strengthening their diversification role.

Why Managed Futures Matter Today

In a world of higher macro uncertainty, shifting inflation dynamics, and less reliable stock-bond diversification, portfolios increasingly need sources of return that are adaptive, systematic, and unconstrained by market direction.

Managed futures are not a replacement for traditional assets, but when used thoughtfully, they can play a powerful role in building more resilient portfolios.

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Learn more at www.wavefrontgam.com

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