

Is there a managed futures beta?

by Daniel P. Collins

One of the annoying aspects of modern investment theory is the constant bucketing of different investment styles and strategies and the attempt to create a "beta," for every investment type.

Thomas Rollinger and Scott Hoffman, principals of Red Rock Capital, provide a comparison of CTA Indexes in a recent white paper.

mutual fund attempting to track the S&P 500; the return from the S&P 500 index is the beta. If a manager doesn't beat it, he really does provide anything above what a cheaper index fund could. You can say the same for vanilla bond funds and even real-estate to some extent.

They write, "Although most Managed Futures programs trade equity index, fixed income, and foreign exchange futures, their returns have historically been uncorrelated to the returns of these asset classes. The reason for this is that most managers are not simply taking on systematic beta exposure to an asset class, but are attempting to add alpha through active management and the freedom to enter short or spread positions, tactics which offer the potential for completely different return profiles than long-only, passive indexes."

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