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Is there a managed futures beta?

by Daniel P. Collins

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

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.”

The paper also does a good job in describing Managed Futures and its most popular style, diversified systematic trend following.