Straits Financial

Oahu Capital Group

What Are **Managed Futures?**

Managed Futures is an investment class that may provide the opportunity for diversification not typically available in traditional stock and bond portfolios and used by investors seeking to diversify their portfolios for more than thirty years.

The Managed Futures industry is comprised of professional money managers known as Commodity Trading Advisors (“CTAs”) who trade on behalf of investors using their own unique trading system usually through analysis of fundamental or technical factors.

Generally, a CTA takes a market position when, in their opinion, the potential for profit outweighs the risk of the trade.

Each CTA must be registered as a Commodity Trading Advisor with the National Futures Association (“NFA”), the industry’s self-regulatory organization authorized by Congress in 1982, or the CTA must have filed an exemption with the NFA.

Commodities are an asset class, while **Professional Managed Futures** are an investment vehicle.

Managed futures refers to an investment where a portfolio of futures contracts is actively managed by professionals. Managed futures are considered an alternative investment and are often used by funds and institutional investors to provide both portfolio and market diversification.

Managed futures provide this portfolio diversification by offering exposure to asset classes to help mitigate portfolio risk in a way that is not possible in direct equity investments like stocks and bonds. Performance of managed futures tends to be weakly or inversely correlated with traditional stock and bond markets, making them ideal investments to round out a portfolio constructed according to modern portfolio theory.

Understanding Managed Futures

Managed futures have increasingly been positioned as an alternative to traditional hedge funds. Funds and other institutional investors often use hedge fund investments as a way of diversifying their traditional investment portfolios of large market cap stocks and highly rated bonds. One of the reasons hedge funds were an ideal diversification play is that they are active in the futures market. Managed futures have developed in this space to offer a cleaner diversification play for these institutional investors.

The Rise of Managed Futures

Managed futures evolved out of the Commodity Futures Trading Commission Act, which helped to define the role of commodity trading advisors (CTA) and commodity pool operators (CPO). These professional money managers differed from stock market fund managers because they worked regularly with derivatives in a way most money managers did not

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DISCLAIMER: Trading commodity futures and options products presents a high degree of risk, and is not suitable for all investors. Losses in excess of your initial investment may occur. Past performance is not necessarily indicative of future results. Please contact your account representative with any concerns or questions.

Although Straits strives to provide you with the latest technology and highly robust trading platforms, periods of system outages or slow performance may occur. These occurrences may be out of Straits' control and require you to place orders through alternative means. Should you experience technical issues, please contact us to report the problem and enter orders through our order desk until it is remedied.