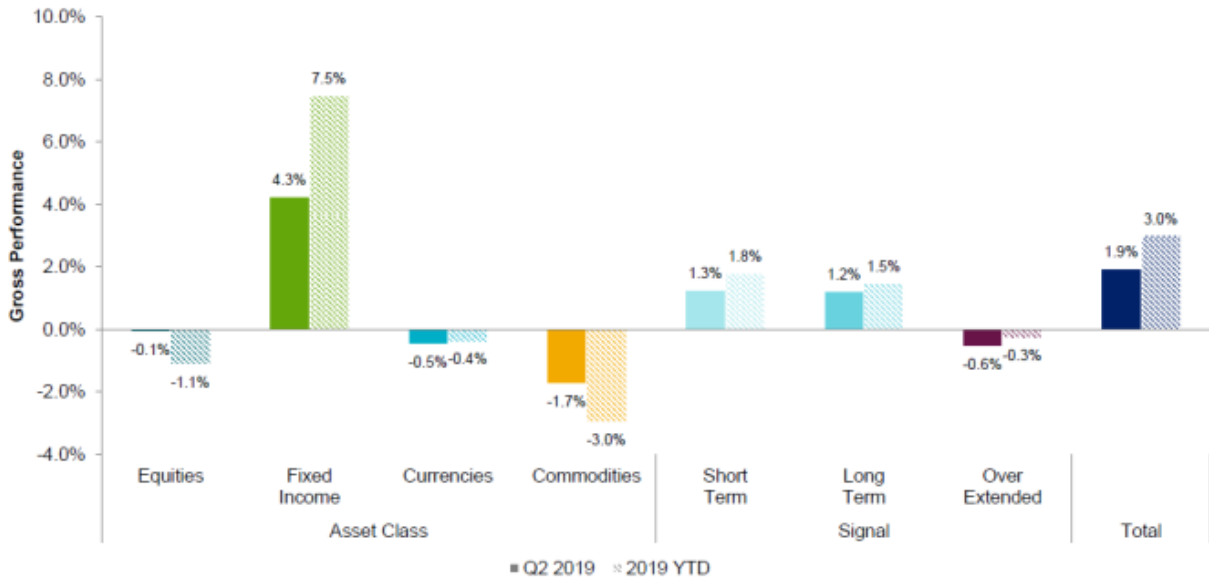


Managed Futures Performing Well in 2019

Managed futures have been performing well this year. The primary explanation of what’s driving performance this year is being long rates/fixed-income. Here’s AQR’s attribution chart from their Q2 presentation, courtesy of AQR (the numbers are for the lower vol version of the strategy, but the direction and relative magnitude of performance are the same for the HV version that we own):

Gross Performance Attribution

January 1, 2019 – June 30, 2019

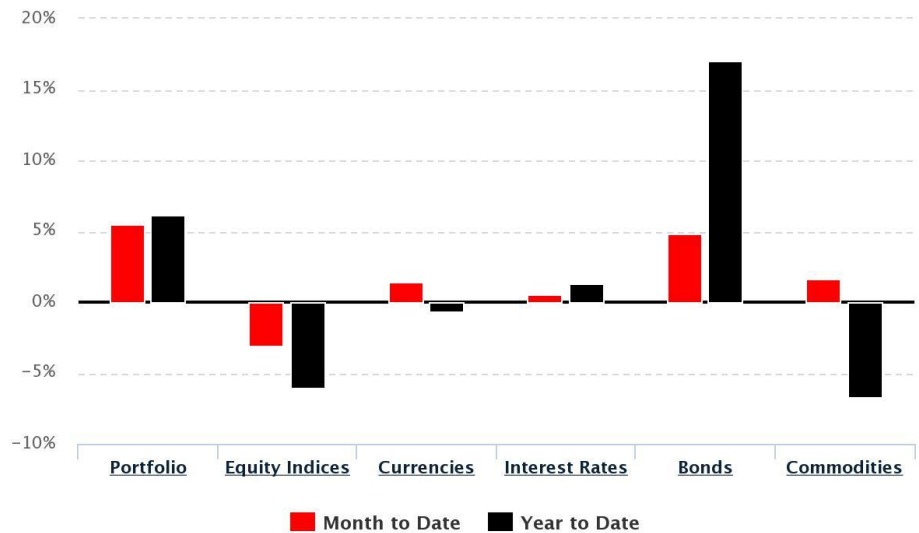


Source: AQR.

July and August-to-date have been strong, with the funds we use up about 5% (PIMCO TRENDS Managed Futures Strategy, PQTIX) and 14%–15% (Natixis ASG Managed Futures Strategy, ASFYX, and AQR Managed Futures Strategy HV, QMHIX).

Below is a bar chart from the SG Trend Indicator website that shows a similar breakdown for that index through last Friday, August 16, courtesy of SG Prime Services. As you can see, over 100% of the year-to-date performance is from rates/bonds. The Trend Indicator is a set of simple trend rules that are a pretty good proxy

Trend Indicator Performance Attribution



source: SG Prime Services & Bloomberg

for major trends that you'd expect to find in most trend-following portfolios, although every manager has different models, asset class weightings, etc. (In August, commodities and currencies are also positive, but the story of the year is bonds.)

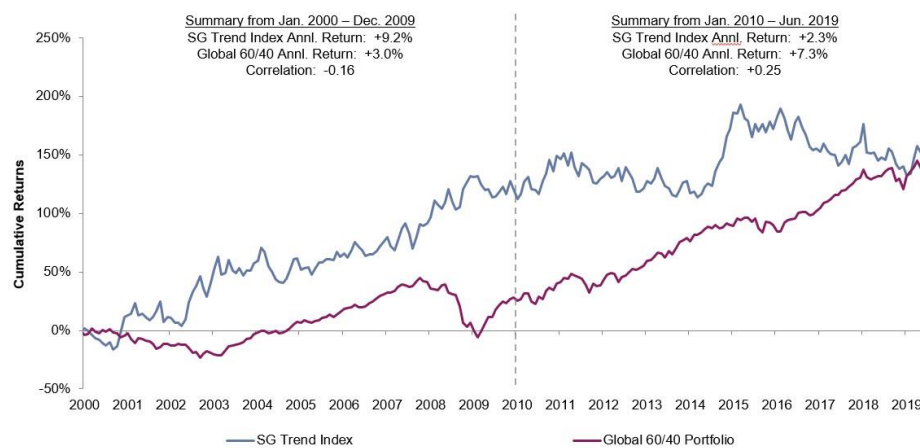
Also, we share below another page from AQR's presentation that's a good reminder of the benefit of trend following as part of a portfolio. Managed futures have delivered long-term returns similar to a global 60/40 portfolio but they've been uncorrelated, and they've tended to do well when equities struggle.

Cumulative Returns of Trend-Following Managers

Long-term perspective

Cumulative Returns of Trend Following and Global 60/40

January 1, 2000 – June 30, 2019



Source: AQR, Bloomberg. Inception date of January 1, 2000 is the inception of SG Trend Index. The Global 60/40 Portfolio is based on a 60% weighting on the MSCI World Net Total Return USD Index and 40% weighting on the Bloomberg Barclays Global Aggregate Total Return Index, rebalanced monthly. The time periods shown above are for illustrative purposes and represent the first decade and second decade of the 2000s. Past performance does not guarantee future results. The SG Trend Index is designed to track the largest 10 (by AUM) CTAs and be representative of the managed futures trend-following space. Broad-based securities indices are unmanaged and are not subject to fees and expenses typically associated with managed accounts or investment funds. Investments cannot be made directly in an index.

Source: AQR

This isn't anything we haven't discussed previously, but it may be helpful to see the longer-term chart to give some perspective relative to the largely disappointing returns we've experienced in the (still) relatively short period we've been invested in the strategy.

—Jason Steuerwalt, CFA