Buckingham Global Advisors Weekly E-Mini Program: An Institutional Perspective on Volatility Management and Weathering the Storm

April 2025

Introduction

Institutional investors, including pension funds, endowments, and foundations, face an ongoing challenge in balancing growth with risk management. Traditional U.S. equity portfolios offer long-term growth but can also expose investors to market volatility and large drawdowns during market crises. The global financial crisis of 2008, the Eurozone turmoil in 2011, and the pandemic crash of 2020 are stark reminders that stock-heavy portfolios can suffer large losses when volatility spikes. In response, institutions have turned to managed futures – an alternative investment strategy executed by licensed Commodity Trading Advisors (CTAs) – in an attempt to enhance diversification, improve risk-adjusted returns, and preserve capital during these downturns.

This white paper expands on the institutional case for incorporating managed futures, particularly as implemented by Buckingham Global Advisors' Weekly E-Mini Program (WEP), alongside or in place of U.S. stock-only allocations. We provide detailed comparisons of performance (annualized returns, Sharpe/Sortino ratios, volatility, drawdowns, and correlations), especially during stress periods such as 2008, 2011, 2015, 2018, 2020, 2022, and 2024. We also highlight examples of pensions and endowments that allocate to managed futures for volatility management. The analysis demonstrates that a thoughtfully managed futures program can improve a portfolio's resilience – delivering above-average risk-adjusted returns and downside protection relative to traditional long-only equity strategies.

Before we outline some of the benefits behind using managed futures programs to diversify a portfolio, we do like to point out that trading in the futures markets and trading options on futures brings its own risks. You are reminded that any past performance results being presented in this Whitepaper is just that…the past. This does not imply that the same results can be replicated in the

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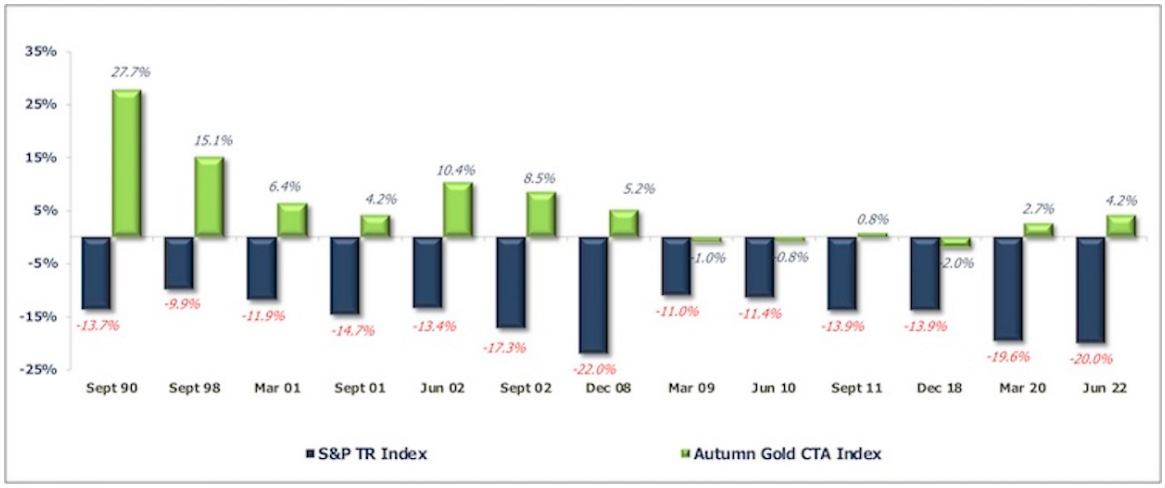
future. You will need to carefully read the Advisors CTA Disclosure Document to learn more about the risks particular to the program.

Managed Futures in Institutional Portfolios

Managed futures are investment programs where professional managers trade futures (and options) across a broad range of asset classes – equity indices, bonds, commodities, currencies, etc., taking both long and short positions. Although losses may occur, this flexibility enables managed futures strategies the opportunity to profit in bull or bear markets, making them attractive as a portfolio diversifier. Key characteristics that institutional investors find compelling include:

- **Low Correlation to Traditional Assets During Times of Stock Market Stress:** The following chart demonstrates how managed futures ("AG CTA Index") performed during periods when Stocks ("S&P TR Index") experienced quarterly losses greater than 10%. The data runs from January 1990 through March 2025. The AG CTA Index reflects the average performance of Commodity Trading Advisors ("CTAs") reporting to the Autumn Gold Database.



This demonstrates that the AG CTA index outperformed the S&P TR Index during periods when the Index incurred quarterly losses above 10%. In every instance, when the S&P TR Index incurred these losses, the AG CTA index produced positive returns or losses less than 2%. *Note that the last time the S&P TR Index lost more than 10% in a Quarter was June 2022.*

- **Global Diversification and Liquidity:** Managed futures programs participate in hundreds of global markets – from stock index futures in the U.S., Europe, and Asia to bond, energy, metal, agricultural, and currency futures. This broad opportunity set provides exposure to diverse return drivers beyond equity market risk. Futures markets are typically deep and liquid, allowing institutional-sized trades to be executed efficiently. Positions can be scaled up or liquidated within days or even hours, which is particularly valuable for active risk management.

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- **Ability to Go Short (Convexity)**: Unlike long-only stock portfolios, managed futures strategies can profit from declining markets by purchasing protective put options (long vol). This gives them a form of convexity – the ability to generate positive returns during severe market stress when traditional assets are plummeting. In effect, many managed futures strategies act as long volatility or "crisis alpha" strategies: they tend to outperform in periods of market turmoil, providing a hedge-like benefit. For example, during stock market "fear" cycles, volatility often surges and trends emerge (e.g., falling equity prices, rising bond prices), which CTAs can capitalize on. Indeed, managed futures funds have a track record of thriving when equities falter. In 2008, many trend-following CTAs posted gains even as global equities lost over 40%, and in 2022, when both stocks and bonds fell sharply, managed futures indexes delivered strong positive returns.

- **Competitive Risk-Adjusted Returns:** Over the long term, managed futures have offered returns comparable to equities with lower volatility, leading to higher Sharpe ratios when included in a portfolio. Industry research by the Alternative Investment Management Association (AIMA) echoes this: "CTAs offer competitive risk-adjusted and non-correlated returns and have historically demonstrated their ability to provide downside protection." Managed futures strategies, by virtue of their diversification and adaptive trading, can improve a portfolio's Sharpe and Sortino ratios (higher returns per unit of risk) and reduce tail risk. We will present data on Sharpe/Sortino metrics in a later section to illustrate this benefit.

Because of these features, managed futures have become a mainstream component of institutional portfolios. According to the CME Group, assets in managed futures funds grew from under $10 million in 1980 to over $340 billion by 2024. Pension plan sponsors and endowments have increased their allocations to managed futures in recent years in an effort to enhance returns and bolster risk management. In the framework of the "Endowment Model" of investing (which emphasizes alternatives), managed futures play a key role as a liquid hedge fund strategy with the potential to provide diversification and volatility mitigation.

Buckingham Global Advisors' Weekly E-Mini Program (WEP)

Buckingham Global Advisors, LLC is a modern quantitative investment manager that demonstrates how managed futures can be implemented for volatility management and absolute returns. Buckingham's flagship strategy, the Weekly E-Mini Program (WEP), trades E-Mini S&P 500 options using a quantitative approach with an emphasis on absolute returns and low correlation to equities. Although there is no guarantee the program's investment objective will be met, the program's investment objective is to deliver uncorrelated alpha and steady capital appreciation for institutional clients while maintaining low beta exposure to the stock market. Several aspects of Buckingham's strategy align with institutional priorities:

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- **Quantitative Short-Duration Strategy:** Buckingham's WEP is a systematic strategy focused on the S&P 500 E-mini futures and options markets. The program primarily writes (sells) a series of out-of-the-money (OTM) call and put options on S&P 500 futures to capture premium from short-term market volatility. By concentrating on short-duration derivatives – options that expire within 2 to 8 days – WEP maximizes the benefit of time decay. The strategy leverages statistical models to identify option strikes with the best risk/reward profile (e.g., strikes that are unlikely to be reached before expiration). This quantitative, systematic approach yields a high turnover portfolio that is largely market-neutral over the short term, aiming to extract consistent returns from the options market inefficiencies.

- **Adaptive Positioning and Hedging:** The WEP dynamically adjusts its positioning based on daily position level attribution and volatility levels. When volatility is low and market trends are stable, the program can extend the duration of its option positions slightly (capturing premium over a few more days). In higher volatility regimes, it shortens holding periods and maintains strict risk triggers to protect capital. A key feature is P&L based position level monitoring and hedging: WEP will purchase protective long options or when the models detect market "unease" or when daily P&L drawdowns reach certain thresholds, allowing the program to nimbly switch from short volatility to long volatility. These hedges act as an insurance policy, kicking in to cap losses during sudden shocks and drive positive attribution during times of extreme turbulence. In essence, the program strives to participate in steady market gains, but pivot defensively when risk arises.

- **Robust Risk Management:** Buckingham's WEP employs a multi-faceted risk management framework. The system undergoes rigorous stress tests, simulating hundreds of historical volatility events (e.g., 2008 crash, 2011 debt crisis, 9/11, 2015 yuan devaluation, 2018 VIX spike, 2020 Covid crash, 2024 Japanese Yen Crisis, and 2025 Trump Tariffs) to assess potential drawdowns. Real-time risk monitoring runs 24/7, with automatic triggers to reduce exposure if an individual position or the overall portfolio breaches predefined loss limits. Although daily loss limitations may be exceeded, this drawdown control mechanism, (implemented April 2022,) aims to limit daily losses within a tight range. Approximately 30% of volatility spike scenarios tested show WEP's long-volatility component generating outsized gains, helping offset losses in the rest of the portfolio. The program also enforces strict position limits to avoid concentration risk or "fat finger" errors, and coordinates with prime brokers on margin requirements to ensure leverage remains modest. Liquidity analysis is built-in so that even in stressed markets the strategy can adjust positions without market impact. Overall, WEP targets a margin-to-equity usage of 50% in normal conditions, implying low effective leverage and plenty of buffer capital. This conservative stance preserves capital and allows the program to "stay in the game" during turbulent swings.

- **Convexity and Tail Risk Alpha:** A core design goal of Buckingham's WEP is to maintain a positively convex return profile – that is, the strategy has the ability to outperform during periods of market stress or volatility spikes. By keeping net exposure low and incorporating

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hedges, WEP often acts as a long-volatility strategy at the portfolio level. In fact, Buckingham enhanced the model after the 2020 Covid shock to explicitly improve upside in high-volatility scenarios. In a sharp selloff, the combination of existing short positions (which profit as markets fall) and newly added long put option hedges can potentially produce outsized gains even as the equity market tumbles. This was evident in a subset of volatility events where WEP's hedge positions generated strong positive returns, helping the overall program end up flat or positive while equities sank. In a grinding rally or low-volatility environment, WEP expects to capture moderate option premiums (and will likely underperform a roaring equity market but still post positive returns). Conversely, in a bear market, the strategy's short trade duration and strict daily loss targets are designed to outperform the S&P 500, providing crisis alpha when it's most needed. Importantly, WEP's correlation to the S&P 500 TR Index is only about 0.4 over the long run and tends to drop significantly in bear markets. This low beta, convex return profile means WEP can act as a potent hedge within a larger portfolio-capturing upside in volatility spikes, while maintaining positive carry in normal times.

- **Experienced, Research-Driven Management:** The WEP is managed by Buckingham's principal trader, Charles ("Chong") Dai, who began trading client money in March 2015 and has over 15 years of derivatives trading experience. The strategy was informed by lessons from past "titans" of option trading – learning from their mistakes and refining their approaches with modern techniques. Buckingham employs a **rigorous, data-driven research process,** leveraging over 20 years of back-testing data, to continually evaluate and improve the models. The Quant team tests everything that merits testing, iterating on entry/exit criteria, volatility filters, and risk management rules to adapt to changing market regimes. This culture of systematic refinement ensures the strategy stays effective across different environments. Since launching in 2015, the WEP has incorporated multiple model enhancements (including the long-volatility hedge trigger introduced after 2020) and will continue evolving as markets change. Buckingham's implementation thus aligns with institutional needs: it provides exposure to managed futures' benefits (diversification, crisis alpha) while maintaining robust risk controls and technology-driven execution. By focusing on U.S. equity index futures and options, Buckingham offers a targeted volatility management tool that integrates seamlessly with traditional portfolios.

Risk-Adjusted Performance: WEP vs. Equities: A critical consideration for institutions is whether adding a managed futures allocation improves the risk-adjusted returns of the overall portfolio. Here we analyze the performance of Buckingham's Weekly E-Mini Program relative to a traditional equity benchmark (the S&P 500 TR Index). The metrics demonstrate that WEP has delivered equity-like returns with substantially lower volatility – resulting in higher Sharpe and Sortino ratios – and historically has provided valuable downside protection during market stress periods. There is no guarantee that this will continue to be the case.

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Growth of $1,000 VAMI – Buckingham WEP Program – S&P 500 TR Index
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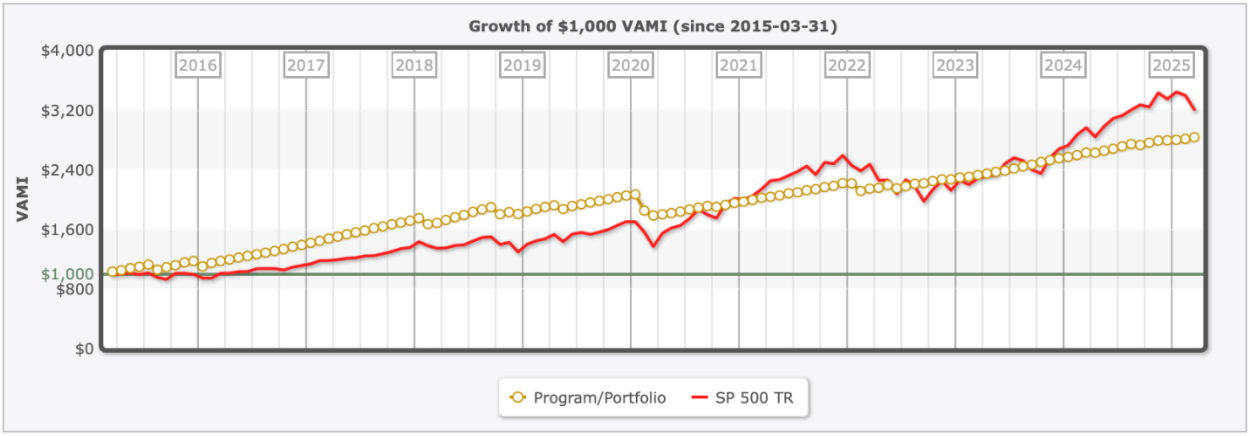

Over this period, WEP achieved similar total growth as the S&P TR Index but with historically smoother performance and shallower drawdowns, highlighting its volatility management benefits.

- **Volatility and Sharpe Ratio:** Historically, managed futures strategies have delivered returns comparable to equities with much lower volatility, leading to higher Sharpe ratios. Buckingham's WEP reinforces these advantages. Since inception (Mar 2015 – Dec 2024), WEP has achieved an annualized compound return of approximately 10.6% with an annualized volatility of 6.8%, yielding a Sharpe ratio around 1.5, net of all fees. Over the same period, the S&P 500 TR Index produced a slightly higher annual return (11.6%) but with 15.3% volatility, for a Sharpe ratio around 0.76. In other words, WEP delivered comparable returns to the S&P 500 TR Index with less than half the volatility, resulting in roughly double the Sharpe ratio. The Sortino ratio (which penalizes only downside volatility) for WEP is likewise significantly higher than that of equities, indicating that WEP's variability has been mostly on the upside, with very limited downside deviation. Although there is no guarantee Buckingham's managed futures program will outperform in the future a pure equity allocation on a risk adjusted, these metrics do suggest that on a risk-adjusted basis, Buckingham's managed futures program has historically outperformed a pure equity allocation on risk-adjusted measures.

To illustrate the comparison, Table 1 summarizes key performance statistics for WEP vs. the S&P 500 TR Index:

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Buckingham's WEP reinforces key managed futures advantages.
Since inception (March 2015–March 2025):

Metric	Buckingham WEP	S&P 500 Total Return
Annualized Return	10.6%	11.6%
Annualized Volatility	6.8%	15.3%
Sharpe Ratio	1.55	0.76
Max Drawdown	-13.8%	-34.0%
Beta to S&P 500	0.2	1.0
Correlation to S&P 500	0.4	1.0

*(**Table 1: Risk-Adjusted Performance Comparison**)*

As shown above, Buckingham's WEP has produced a Sharpe ratio around 1.5 versus 0.7 to 0.8 for the S&P 500, thanks to WEP's much lower volatility for a similar return level: 6.8% vs. 15.3%. Notably, WEP's maximum peak-to-valley drawdown since 2015 is about –13.8%, which occurred during the swift pandemic shock of March 2020. By contrast, the S&P 500's worst drawdown in the same period was approximately –34% in February through March 2020 (the fastest bear market on record). Although there is no guarantee that WEP would perform positively during future severe market stress periods, this historical comparison does highlight WEP's ability to limit losses during this particular severe market stress and uncertainty.

For an allocator, the impact of including WEP in a broader portfolio could be significant. Even a blend of 80% equities and 20% WEP would have outperformed a 100% equity allocation on a risk-adjusted basis. For example, using the figures above, an 80/20 (S&P/WEP) mix would achieve approximately 11.4% annualized return with 12.8% volatility, improving the portfolio Sharpe ratio to 0.88, compared to 0.76 for equities alone. In practice, institutions have found that diversifying into managed futures can raise Sharpe ratios and reduce portfolio volatility meaningfully. This is echoed by industry data: the Alternative Investment Management Association notes that CTAs offer non-correlated returns and have historically demonstrated their ability to provide downside protection.

The risk-adjusted outperformance of WEP is further illustrated by the Sortino ratio and beta. WEP's Sortino ratio (which measures return per unit of downside risk) is considerably higher than the S&P's (the program has very limited downside deviation relative to its returns). Meanwhile,

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WEP's beta to the S&P 500 is quite low – historically around 0.2 or less. This low beta means WEP contributes little systematic equity risk to a portfolio. In fact, over 2015–2024 WEP's correlation to equities was only 0.3–0.4, and in many down months the correlation turned negative. Based on such characteristics WEP should be strongly considered as a diversifier alongside equity and bond holdings.

Drawdowns and Downside Protection

One strong argument for managed futures is their historical track record of shallower drawdowns relative to equities. Equities are prone to large peak-to-trough losses during bear markets (for instance, the S&P 500 lost over 50% in 2007–09). Managed futures programs, by contrast, tend to cut losses or may even profit in downturns, resulting in far smaller drawdowns. Empirical studies have demonstrated this pattern. In one long-term analysis, a simple trend-following CTA strategy had a worst peak-to-valley drawdown of only –13.3%, versus –32.5% for a traditional 60/40 stock-bond portfolio over the same period. Moreover, when a 20% allocation to managed futures was combined with a 60/40 portfolio, the maximum equity drawdown was reduced from 51% to 22% in that sample. The implication is clear: even if a managed futures program merely breaks even during an equity crash, it significantly dampens the overall portfolio's drawdown – and if the program achieves positive "crisis alpha" gains, it can offset equity losses and provide a much-needed buffer.

Buckingham's WEP performance exemplifies this downside protection in practice. Since inception, the program's worst monthly loss has been –10.6% (in February 2020), and its worst drawdown on a multi-month basis was –13.8% during the COVID-19 market crash. By comparison, the S&P 500 plunged –34% in roughly one month during the Feb–Mar 2020 collapse including a –12.5% drop in March 2020 alone (its largest monthly loss in decades). Thanks to active hedging and strict stop-loss rules, WEP was able to contain its losses to a fraction of the US stock market's decline. During the Feb–Mar 2020 pandemic turmoil, WEP fell approximately –13.87% peak-to-trough, while global equities fell over –32%. This limited drawdown preserved capital – investors in WEP avoided the full extent of the crash. While the S&P 500 rebounded sharply after March 2020 (finishing that year +18%), WEP's conservative stance caused it to lag the late-year equity surge (WEP posted a modest –4.85% net for 2020). However, from a risk management perspective, WEP succeeded in its primary goal: mitigating severe losses when markets imploded. It survived the storm with only a dent, allowing investors to continue compounding when conditions normalized.

WEP's resilience was even more evident in 2022, a year when traditional portfolios suffered a rare simultaneous decline in both stocks and bonds. The S&P 500 TR Index ended 2022 down approximately –18% (its worst year since 2008), and the U.S. Aggregate Bond index was down over –13%, leaving a 60/40 portfolio deeply in the red. Buckingham's WEP, however, delivered a positive net return of +2.3%. It not only avoided the bear market loss but also provided a slight gain even as almost every traditional asset class struggled. Institutions with even a 5–10% allocation to managed futures in 2022 may have cushioned their losses, demonstrating the

strategy's value in real time. This outcome aligns with broader industry results: many managed futures programs had double-digit gains in 2022's volatile environment precisely when equities and bonds were suffering in tandem. WEP's performance in 2022 serves as a live example of "crisis alpha" – the program generated positive returns in a bear market, helping to hedge the rest of the portfolio.

It is important to note that managed futures are not infallible; certain market conditions can be challenging (for example, periods of choppy, trend-less trading or sudden reversals can lead to losses for these strategies). Indeed, "whipsaw" environments – such as parts of 2011 or mid-2018 – have historically reduced CTA profits. Even Buckingham's WEP had a couple of down months amid the rapid market rotations of 2018 (e.g. it lost –4.75% in Feb 2018 and –4.97% in Oct 2018 during abrupt volatility spikes, though it quickly recovered). However, what stands out is that even in those difficult periods, managed futures programs like WEP have the potential to avoid large, crippling losses and remain uncorrelated. WEP, for instance, has a demonstrated ability to rebound from small drawdowns quickly due to its tight risk limits and agility. Its capital preservation focus (explicitly aiming for low downside volatility on a daily and weekly basis) means that losses are cut short before they escalate. This discipline helped WEP finish every calendar year since inception in positive territory except for one (2020), and that year's small loss was recovered and then some in subsequent years.

From a multi-year perspective, WEP's low correlation and beta to equities have contributed to its role as an effective hedge. The program's beta to the S&P 500 has averaged below 0.1 to 0.2 (and was essentially zero in certain periods), meaning its returns have been largely independent of market direction. In fact, during some equity pullbacks, WEP has shown a slight negative beta. For example, in the third quarter of 2015, global equities saw a minor correction (the S&P 500 TR Index fell around –7% from August to September 2015), while WEP was up slightly over the same time frame – highlighting a potential inverse response. Similarly, in early 2025, when equity markets turned choppy (the S&P declined–4.5% amid inflation and geopolitical concerns), a comparable managed futures program (Springtech's, prior to its integration into Buckingham) gained +2.8%, illustrating the concept of crisis alpha in action. The ability to post gains – or at least remain resilient – during ~~in~~ falling markets is what gives managed futures their appeal as a form of portfolio insurance.

The payoff to this approach is evident in portfolio outcomes. An institution that added a managed futures sleeve, such as Buckingham's WEP, to its portfolio would have experienced higher risk-adjusted returns and shallower drawdowns over the last decade. Perhaps most importantly, during the worst market months – whether it was August 2015, February–March 2020, or 2022 – the managed futures allocation helped serve as a stabilizer, mitigating losses when equities were hit hardest. This potential reliability in downturns is what underpins the growing popularity of managed futures among sophisticated investors.

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Numerous institutional investors have embraced managed futures as a core volatility management tool. For example, large public pension funds such as Alberta Investment Management Corporation, the Ontario Teachers' Pension Plan, and the Texas Teachers' Retirement System have all incorporated managed futures strategies into their portfolios. Likewise, leading university endowments including Northwestern University, University of Texas (UTIMCO), and University of Toronto have maintained long-standing allocations to CTA managers as part of their long-term investment strategy. These institutions use managed futures to diversify holdings, reduce overall portfolio volatility, and provide a source of returns uncorrelated to stocks and bonds. The fact that even sovereign wealth funds and major foundations allocate to CTAs underscores the broad acceptance of managed futures in institutional circles. In 2022's bear market, for instance, many of these investors saw their managed futures allocations produce gains or limit losses while both equities and fixed income declined-reinforcing the decision to include such strategies for the "weathering of storms."

A New Volatility Regime: The Case for Managed Futures

The past several years have highlighted a critical reality for institutional portfolios: the frequency of market stress events has increased, and traditional diversification alone may no longer be enough. Historically, major volatility spikes and equity drawdowns were relatively infrequent (perhaps once a decade). However, since 2018, dislocations have occurred with greater frequency and intensity, and reduced recovery times between shocks – a structural shift with significant implications for portfolio construction.

In 2018 alone, investors experienced both the February "Volmageddon" (when the VIX spiked to 50 in a single day as short-volatility products imploded) and a severe December equity selloff driven by Fed tightening. Two volatility spikes in one year challenged the 60/40 portfolio, as equities and bonds struggled in **simultaneously**. In 2020, the COVID-19 pandemic delivered the fastest 30% equity drawdown ever recorded (VIX surged above 80) only to be followed by 2022's inflation-driven collapse in both stocks and bonds – the worst year for the 60/40 model since 1937, according to BlackRock. Most recently, 2024–2025 saw rolling shocks (e.g., a record one-day VIX jump of 60% on August 5, 2024, and a broad equity pullback in Q1 2025 on geopolitical tensions), a stark reminder as to how quickly markets can turn. These are not "black swans" but rather "gray rhinos": highly probable but underestimated risks that are striking repeatedly. This emerging regime suggests higher baseline volatility, more frequent tail events, and shorter market cycles.

For institutional investors, the implication is an urgent need for portfolio tools that are structurally prepared for turbulence. Managed futures strategies – particularly those like Buckingham's WEP that are designed to capitalize on both directional trends and volatility spikes – are increasingly vital in this environment. Their ability to dynamically reposition, stay nimble and liquid, and profit from either direction of the market makes them a natural antidote to the erosion of traditional diversification. When equity and bond returns both go negative (as in 2022), or when rapid-fire

crises strike, a managed futures allocation can act as an all-weather buffer. Instead of viewing volatility solely as a risk to be minimized, strategies like WEP, although the possibility for loss exists, seek to transform volatility into an opportunity for gain, thus flipping the script on market turbulence.

Conclusion

In conclusion, the institutional case for managed futures is compelling. Complementing a U.S. equity portfolio with managed futures can materially improve a portfolio's diversification, risk-adjusted performance, and resilience to market stress. We have shown that managed futures strategies, as exemplified by Buckingham Global Advisors' Weekly E-Mini Program, have historically tended to deliver positive returns or minimal losses during major equity downturns – from 2008's crash to the 2022 bear market – thereby allowing institutional portfolios to weather the storm of volatility. Importantly, this resiliency comes with few trade-offs in the long run: managed futures offer competitive absolute returns, and when included alongside equities, they have historically increased Sharpe ratios and lowered overall portfolio volatility and drawdowns. The strategy's low correlation to traditional asset classes makes it a powerful diversifier, while its ability to go short and adapt quickly means it can capture "crisis alpha" in tumultuous periods.

Buckingham Global Advisors' approach with WEP highlights how a well-implemented managed futures strategy can fulfill institutional objectives of capital preservation and steady growth. By using a diversified, quantitatively driven trading program with strict risk limits, Buckingham has achieved a low-beta, low-volatility exposure that complements equity holdings. Its positive performance in recent volatile markets (e.g., 2020 and 2022) further supports the role of managed futures as a volatility dampener and return enhancer. From the perspective of a CIO or investment committee, incorporating managed futures is not about market timing or speculation – it is about building a more robust portfolio that can withstand severe turbulence in global markets. As the events of recent years have shown, relying on equities and bonds alone can leave a portfolio vulnerable when both falter. Managed futures, backed by decades of evidence, provide a proven solution for volatile markets.

Many of the world's most sophisticated investors - pensions, endowments, sovereign funds, and others - have recognized this and made strategic allocations to managed futures. For institutions seeking to improve diversification, limit drawdowns, and achieve more consistent returns, a managed futures component, such as Buckingham's Weekly E-Mini Program, can be an invaluable addition to the portfolio. The data and historical record make a strong institutional argument: Managed futures have the inherent ability to transform volatility from a source of risk into an opportunity for gain, ultimately helping to preserve capital and support long-term wealth compounding.

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