Diversification Drawdowns: A Necessary Evil?

A timely look at diversification in a well-structured portfolio

March 3, 2026

The information in this presentation is for illustrative purposes only. Hypothetical results relating to the Alternative Commodity Algorithmic Program ("ACAP©") do not reflect actual investment results or the trading of an actual account and are achieved by the retroactive application of market and other trading data. Hypothetical results have many inherent limitations, including that they are prepared with the benefit of hindsight. Hypothetical results do not involve financial risk. There are numerous other factors related to the markets in general or to the implementation of any specific trading program which cannot be fully accounted for in preparation of hypothetical results, all of which can adversely affect actual trading results.

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Program	Symbol	March 3 % change	AUM
State Street SPDR S&P 500 ETF Trust	SPY	- 0.88%	$709B
iMGP Dbi Managed Futures Strategy	DBMF	- 3.10%	$2.37B
AQR Managed Futures Strategy Fund	AQMRX	- 0.77%	$2.65B
LoCorr Managed Futures Strategy Fund	LFMIX	unch	$1.52B
PIMCO Trends Managed Futures Fund	PQTPX	- 1.95%	$1.42B
Virtus AlphaSimplex Mgd Futs Strategy I Fund	ASFYX	unch	$1.12B
American Beacon AHL Managed Futures Strategy	AHLYX	- 2.22%	$1.59B

The above table is a snapshot of well-regarded managed futures programs and how they performed during the equity pullback yesterday (March 3, 2026). These programs are designed to provide diversification for well-structured equity/fixed income portfolios. Admittedly this is only one day and these programs are designed to provide diversification over the long term. However, our argument is that managed futures fail to provide diversification during the early stages of an equity drawdown.

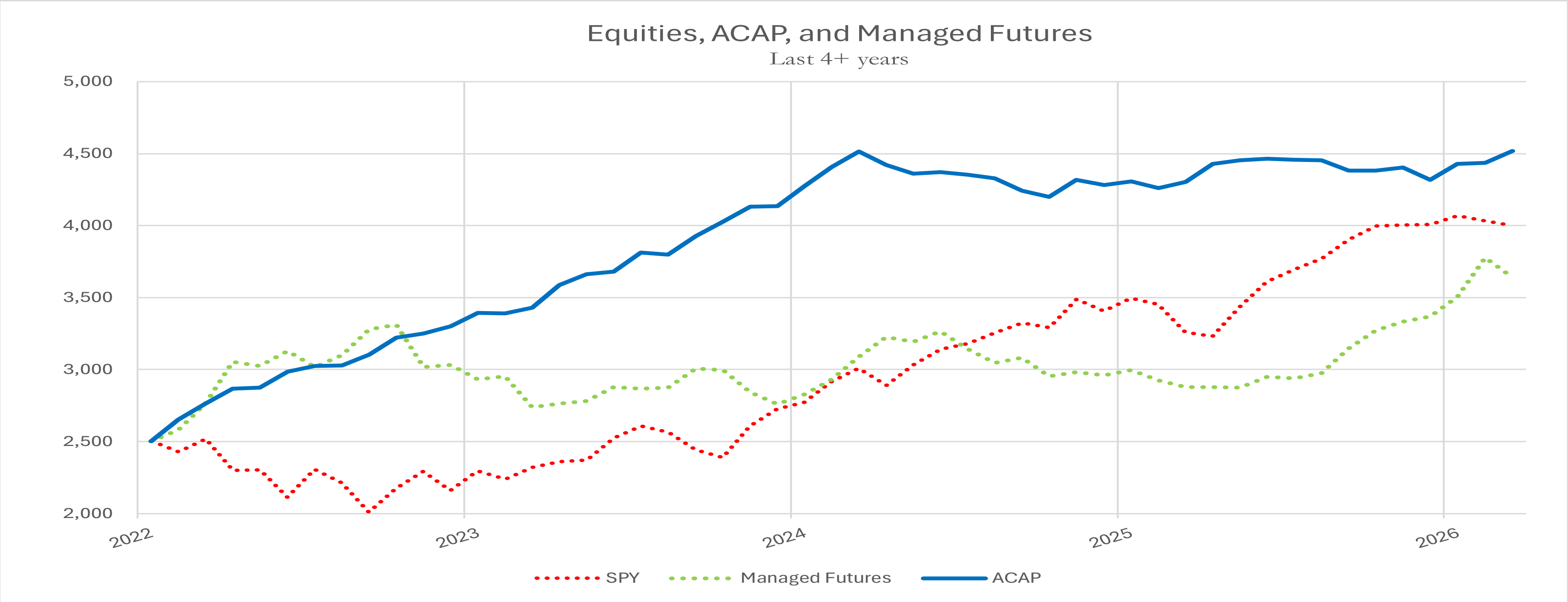
The recent recovery in managed futures follows a period of drawdowns not seen in decades. While challenging, this performance profile is an expected characteristic of these strategies and is generally accepted by allocators in exchange for their long-term diversification benefits. Because most managed futures strategies rely on trend-following models, periods of underperformance are unavoidable. The key consideration for portfolio managers is whether the magnitude of these drawdowns warrants maintaining the allocation.

Effective diversifiers are those that serve as long-term core holdings within a well-constructed portfolio, similar to equities and bonds. Managed futures are often positioned as complementary additions to a traditional equity–bond framework due to their historically low correlation with these asset classes. However, as we have noted previously, managed futures often lag during the early stages of equity market stress. Their benefits tend to emerge during prolonged equity declines, when the ability to establish short positions becomes meaningful.

Structural factors further limit their effectiveness. Many managed futures strategies maintain significant long equity exposure, which can amplify portfolio risk rather than mitigate it. In addition, these exposures often shift only after an initial market decline. While this may help reduce subsequent losses, it can lead to underperformance during market recoveries—when investors are seeking participation, not protection.

A review of recent holdings in the iMGP Managed Futures Strategy ETF (DBMF), based on data from February 18 and March 3, highlights these dynamics. Domestic equity exposure declined and briefly turned slightly short, while international equity exposure remained elevated. A more sustained equity downturn would likely be required to meaningfully reduce or reverse this positioning.

Below, we compare ACAP and managed futures performance over the past four-plus years, a period that includes the most severe managed futures drawdowns in over two decades. DBMF returns are used from its April 2019 inception, with earlier performance represented by the Société Générale CTA Index, a long-established managed futures benchmark. Since April 2019, DBMF has exhibited a correlation of approximately 0.85 to the SG CTA Index.



- - - - Recent Performance - - - -

Jan 1, 2022 thru Mar 3,2026	SPY	Managed Futures[1]	ACAP[2]
Annualized Return%	+10.47%	+9.52%	+15.91%
Max Drawdown	-23.93%	-17.30%	-7.00%
Standard Deviation	15.53%	12.96%	6.65%
Avg 3M T-Bill rate	4.17%	4.17%	4.17%
Sharpe Ratio	**0.41**	**0.41**	**1.77**

[1] *Managed Futures are comprised returns derived from the Societe General CTA Index. From April 2019 to present the returns are derived from the iMGP Managed Futures Strategy ETF*

[2] *ACAP returns shown are the ACAP Total Return less costs and fees equal to 2.0% annually.*

- - - - - - Annual Returns - - - - - -

Year	SPY	Managed Futures[1]	ACAP[2]
2022	-18.18%	+21.60%	+35.17%
2023	+26.18%	-8.94%	+25.26%
2024	+24.89%	+7.24%	+3.59%
2025	+17.72%	+13.84%	+0.79%
2026*	-0.23%	+8.05%	+4.66%

** Through 3/23/2026*

- Correlation to SPY -

Period	Managed Futures[1]	ACAP[2]
2000-2010	(0.16)	(0.01)
2005-2015	0.00	(0.08)
2010 - 2020	0.13	(0.11)
2015 to 2025	(0.10)	(0.08)
2000 to 3/3/26	**(0.12)**	**(0.07)**

Analysis of Alternative Diversifiers During Equity Drawdown Periods

Analysis of Alternative Diversifiers During Equity Drawdown Periods: The First 10 Days

The key takeaway is that all proven diversification strategies experience periods of underperformance. However, ACAP's drawdowns have been materially less severe than those of most managed futures programs and, importantly, have not coincided with equity drawdowns. This reinforces ACAP's role as a consistently non-correlated diversifier.

Going back to 2000, the table below shows the performance of various equity diversifiers and how they perform during the first 10 days of an equity drawdown.

ACAP demonstrates consistent non-correlation that provides consistent diversification for a well-structured portfolio.

DD Start Date	10 days after start of DD*	SPY[1]	AGG[2]	ACAP-S[3]	Managed Futures[4]	SPGSCITR[5]
	Averages >>	-3.86%	0.36%	0.46%	-1.63%	-1.22%
12/31/1999	1/6/2000	-6.21%	-0.31%	1.32%	-1.76%	-2.03%
1/19/2000	1/29/2000	-7.57%	0.42%	0.03%	0.80%	-1.05%
3/24/2000	4/3/2000	-1.51%	1.19%	-0.22%	-0.04%	-2.06%
2/20/2007	3/2/2007	-5.05%	0.78%	-0.97%	-4.68%	3.42%
7/19/2007	7/29/2007	-6.42%	0.57%	0.64%	-4.83%	-0.87%
10/9/2007	10/19/2007	-4.35%	1.30%	-0.21%	1.10%	6.18%
9/14/2012	9/24/2012	-0.55%	0.63%	-1.40%	-0.77%	-5.26%
5/21/2013	5/31/2013	-2.23%	-1.07%	-0.32%	-2.67%	-2.47%
12/31/2013	1/10/2014	-0.30%	0.63%	-0.25%	-1.54%	-3.52%
9/18/2014	9/28/2014	-1.48%	0.52%	0.62%	1.31%	-0.22%
7/20/2015	7/30/2015	-0.83%	0.43%	1.96%	0.08%	-4.11%
6/8/2016	6/18/2016	-2.25%	0.45%	-1.29%	0.42%	-3.80%
1/26/2018	2/5/2018	-7.90%	-0.46%	-0.13%	-6.10%	-2.52%
9/20/2018	9/30/2018	-0.53%	0.13%	1.55%	1.26%	3.23%
5/3/2019	5/13/2019	-4.48%	0.47%	0.94%	-1.97%	-1.77%
7/26/2019	8/5/2019	-6.02%	1.34%	-0.07%	-1.75%	1.21%
2/19/2020	2/29/2020	-12.44%	1.58%	3.94%	-6.45%	-11.16%
9/2/2020	9/12/2020	-6.61%	-0.24%	-0.59%	-1.72%	-4.70%
9/2/2021	9/12/2021	-1.71%	-0.16%	0.26%	-1.02%	-0.07%
1/3/2022	1/13/2022	-2.76%	-0.44%	1.88%	-2.62%	4.97%
3/27/2024	4/6/2024	-0.91%	-1.11%	0.35%	2.40%	5.04%
7/16/2024	7/26/2024	-3.62%	-0.13%	3.39%	-3.86%	-2.50%
2/19/2025	3/1/2025	-3.06%	1.85%	-0.97%	-3.15%	-4.00%

** If the max drawdown occurs less than 10 days after the drawdown start date, the analysis uses the earlier date of the max drawdown period examined.*

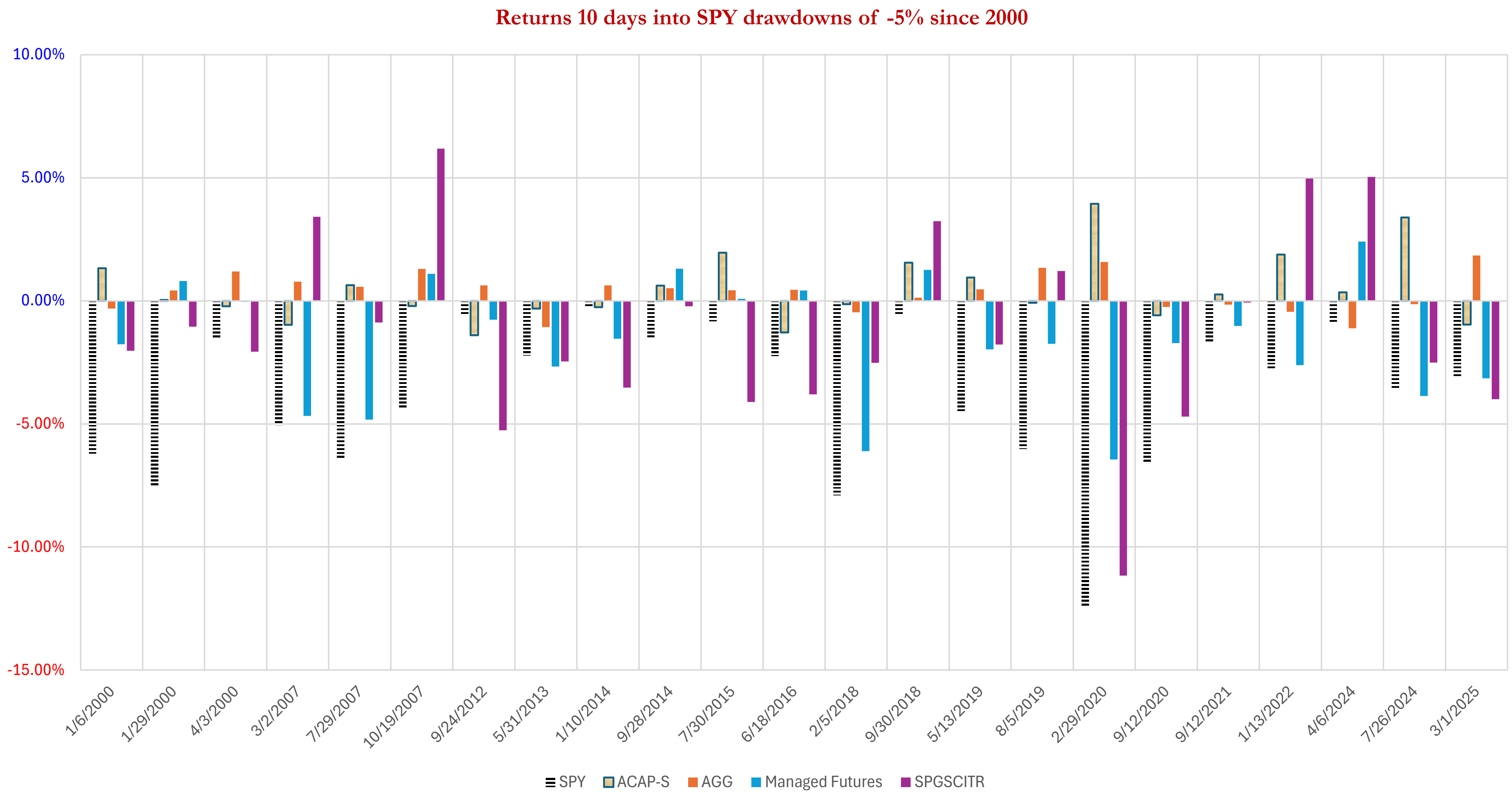
[1] SPDR S&P 500 ETF Trust

[2] The Vanguard Total Bond Market Index Fund Investor Shares (VBMFX) are used from 2000 to 2006. The iShares Core US Aggregate Bond ETF (AGG) are used from 2007 to present.

[3] ACAP-S represent the returns of the HYPOTHETICAL returns of the ACAP-Total Return, net of expected costs and fees.

[4] The Societe General CTA Index (SG-CTA) returns are used from 1/1/2000 thru 6/30/2019. The iMGP DBi Managed Futures Strategy ETF (DBMF) returns are used from 7/1/2019 to present.

[5] SPGSCITR is the S&P Goldman Sachs Commodity Index - Total Return


Returns 10 days into SPY drawdowns of -5% since 2000
10.00%
5.00%
0.00%
-5.00%
-10.00%
-15.00%
1/6/2000
1/29/2000
4/3/2000
3/2/2007
7/29/2007
10/19/2007
9/24/2012
5/31/2013
1/10/2014
9/28/2014
7/30/2015
6/18/2016
2/5/2018
9/30/2018
5/13/2019
8/5/2019
2/29/2020
9/12/2020
9/12/2021
1/13/2022
4/6/2024
7/26/2024
3/1/2025
SPY
ACAP-S
AGG
Managed Futures
SPGSCITR

Analysis of Alternative Diversifiers During Equity Drawdown Periods: At the Max Drawdown Date

Averages >>	-14.04%	1.10%	5.69%	0.34%	-5.94%
Max DD date	SPY[1]	AGG[2]	ACAP-S[3]	Managed Futures[4]	SPGSCITR[5]
1/6/2000	-6.21%	-0.31%	1.32%	-1.76%	-2.03%
2/25/2000	-9.30%	1.51%	0.42%	0.06%	5.42%
7/23/2002	-46.51%	23.77%	28.27%	24.89%	1.78%
3/5/2007	-5.95%	0.72%	-1.54%	-5.88%	1.55%
8/15/2007	-9.05%	1.01%	1.52%	-7.89%	-3.64%
3/9/2009	-55.19%	7.39%	45.40%	18.81%	-47.71%
11/15/2012	-7.35%	1.12%	0.28%	-3.93%	-8.93%
6/24/2013	-5.55%	-3.55%	0.69%	-4.91%	-2.40%
2/3/2014	-5.70%	1.89%	-0.65%	-3.36%	-2.13%
10/16/2014	-7.27%	2.18%	-1.67%	1.21%	-7.69%
8/25/2015	-11.91%	0.99%	4.89%	0.54%	-13.94%
6/27/2016	-5.52%	0.93%	-1.42%	1.11%	-7.05%
2/8/2018	-10.10%	-1.14%	-0.89%	-9.20%	-5.63%
12/24/2018	-19.35%	1.64%	12.32%	-0.98%	-21.98%
6/3/2019	-6.62%	2.14%	5.35%	-2.34%	-7.62%
8/5/2019	-6.02%	1.34%	-0.07%	-1.75%	1.21%
3/23/2020	-33.72%	-1.34%	4.28%	-6.60%	-35.32%
9/23/2020	-9.44%	-0.49%	-0.04%	-4.55%	-3.10%
10/4/2021	-5.11%	-0.82%	0.88%	-1.90%	7.52%
10/12/2022	-24.50%	-14.37%	29.65%	31.54%	29.12%
4/19/2024	-5.35%	-2.44%	-0.84%	3.47%	3.24%
8/5/2024	-8.41%	2.14%	1.44%	-11.49%	-5.91%
4/8/2025	-18.76%	0.89%	1.26%	-7.18%	-11.39%

[1] *SPDR S&P 500 ETF Trust*

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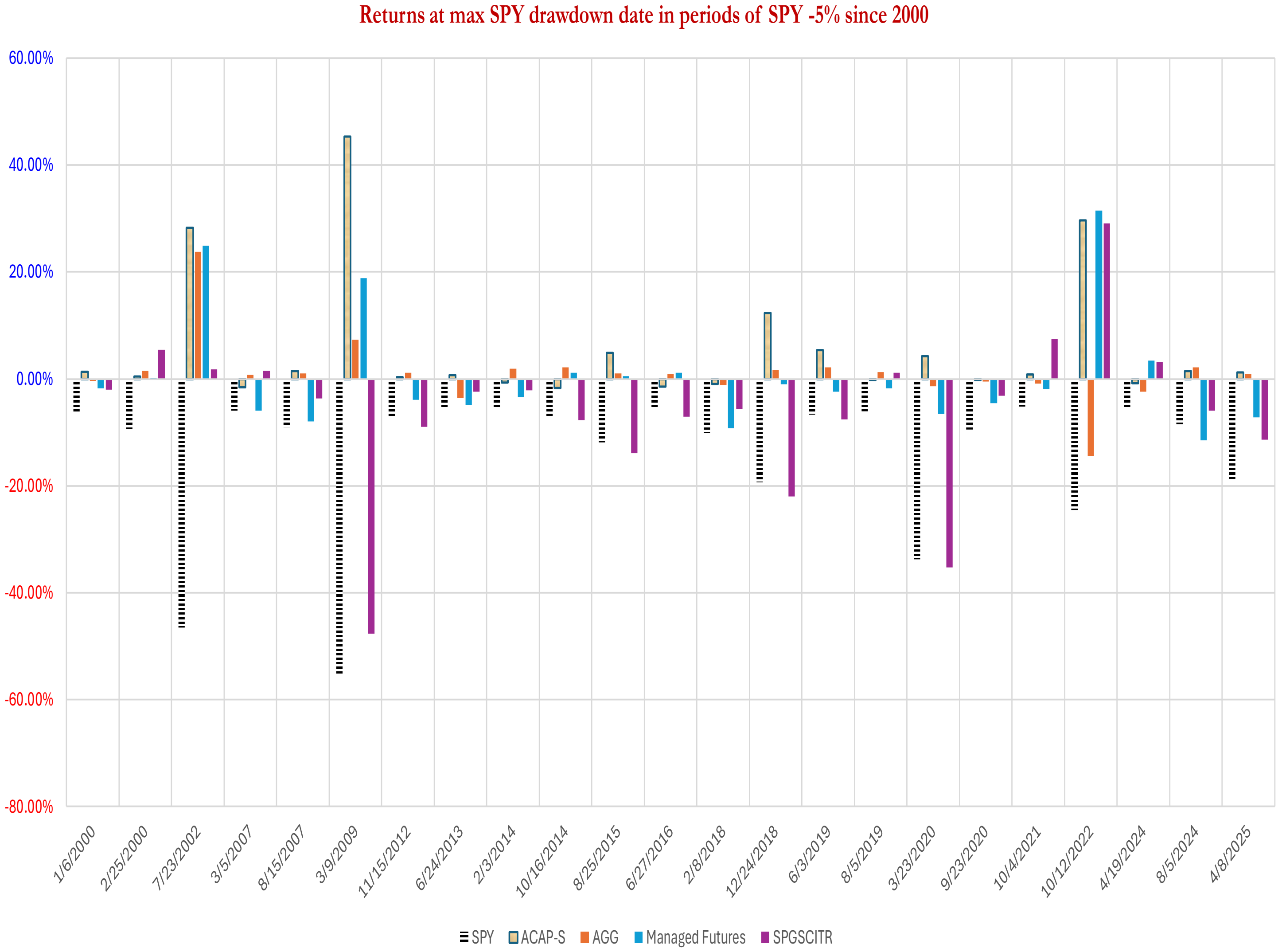

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Analysis of Alternative Diversifiers During Equity Drawdown Periods: At the Recovery Date

End of DD Return%	Length of Drawdown	AGG[2]	ACAP-S[3]	Managed Futures[4]	SPGSCITR[5]
	Averages >>	4.47%	19.15%	2.90%	1.62%
1/14/2000	14 days	-0.73%	1.29%	0.43%	4.74%
3/17/2000	58 days	2.50%	-0.84%	-1.25%	8.14%
10/26/2006	2407 days	47.67%	184.40%	57.06%	87.11%
4/16/2007	55 days	0.31%	1.17%	-0.25%	6.34%
10/5/2007	78 days	2.01%	5.42%	-4.71%	5.12%
8/16/2012	1773 days	34.13%	117.08%	18.41%	-22.38%
1/2/2013	110 days	0.83%	1.91%	-2.96%	-6.39%
7/11/2013	51 days	-2.69%	1.18%	-4.42%	2.94%
2/24/2014	55 days	1.39%	0.29%	-2.35%	3.25%
10/31/2014	43 days	1.63%	-1.65%	3.28%	-7.52%
4/18/2016	273 days	4.15%	9.15%	3.44%	-25.87%
7/8/2016	30 days	1.95%	1.51%	4.38%	-8.67%
8/6/2018	192 days	-0.59%	15.61%	-10.10%	1.39%
4/12/2019	204 days	4.72%	11.81%	0.87%	-4.78%
6/20/2019	48 days	3.08%	4.95%	1.40%	-4.18%
10/25/2019	91 days	1.97%	3.38%	3.68%	0.67%
8/10/2020	173 days	5.52%	8.45%	-4.16%	-26.44%
11/11/2020	70 days	-0.96%	3.20%	-3.63%	1.26%
10/20/2021	48 days	-1.54%	-0.95%	1.51%	12.50%
12/13/2023	709 days	-8.52%	71.08%	10.74%	16.73%
5/14/2024	48 days	-0.94%	-2.62%	4.77%	0.88%
9/19/2024	65 days	3.81%	0.77%	-7.00%	-3.75%
6/26/2025	127 days	2.99%	3.91%	-2.35%	-3.81%

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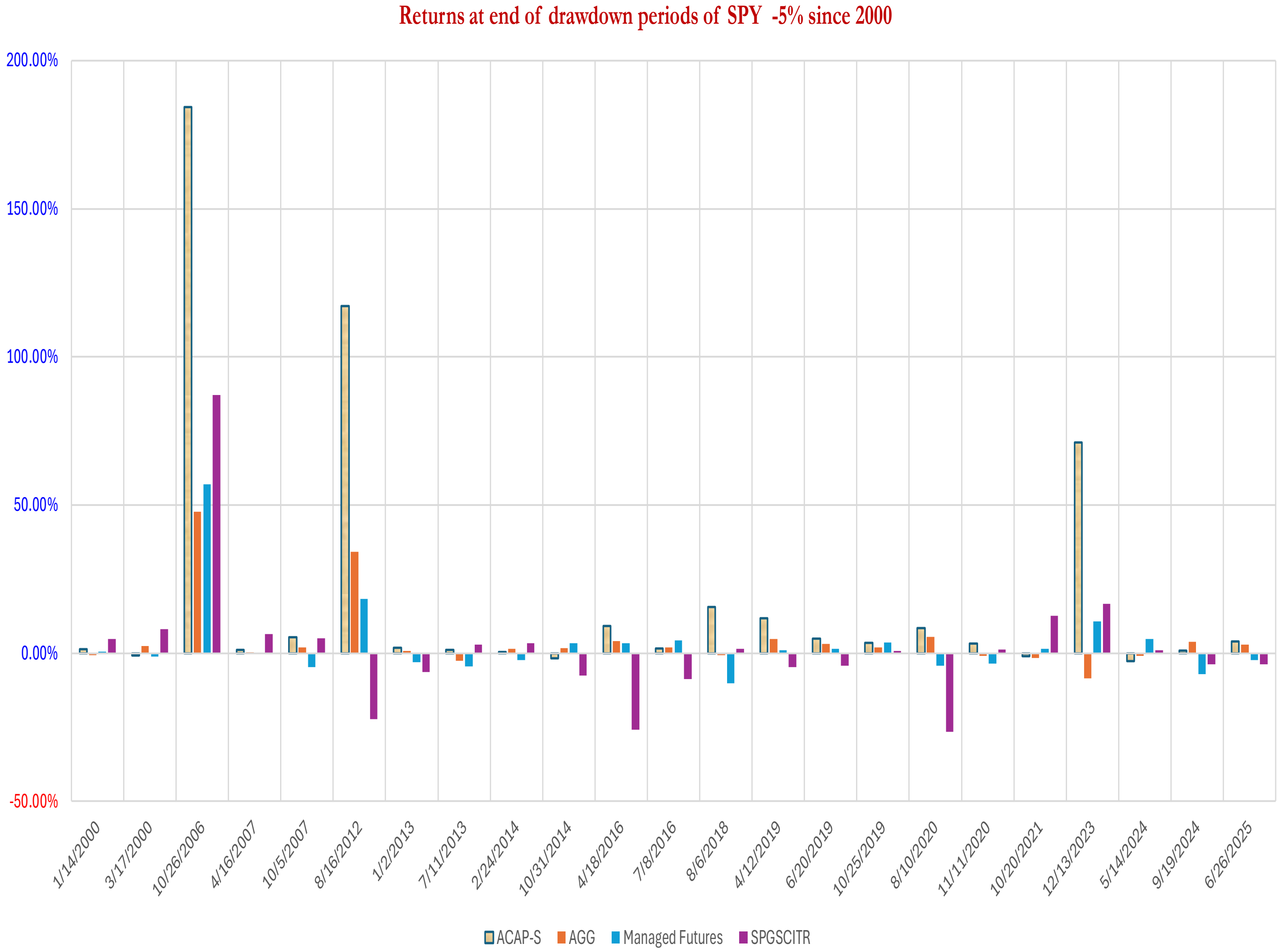

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For additional information on ACAP, including its effectiveness as a diversifier compared to commodity and managed futures strategies during equity drawdowns, visit **www.rtmanalytics.com**

For further reading on managed futures drawdowns, we recommend "Market Cycles and Managed Futures Drawdowns: An empirical analysis of Managed Futures drawdown and recovery periods" (June 2025) by Kathryn M. Kaminski, Ph.D., CAIA® and Shihong Wen, CFA®, CAIA® of AlphaSimplex. https://www.alphasimplex.com/assets/files/2025.06---market-cycles-and-managed-futures---kaminski-and-wen.pdf