Why Hold a Tactical Investment
Special Report
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It has been about three years since the markets we trade--commodities, currencies and interest rate futures --presented any outstanding profitable opportunities. During such times of unremarkable market movement whipsaw losses from meandering prices most often overpower the few profitable trends. So it is particularly gratifying that our funds have returned a small net profit over this period and outperformed the major managed futures indexes as well.

During this time of relatively stable commodity, currency and interest rate prices world stock markets have surged. This is exactly what you'd expect. When there is stability and low volatility in prices of underlying goods and services and inflation is virtually nonexistent corporations enjoy above average profitability and stocks shine.

At times like these, when stocks are flying high and commodity funds are not keeping pace, investors may ask themselves why they should remain invested in commodities when they could be making so much more money in stocks. Short memories indeed. Stocks are not always such spectacular performers and commodities not always ho hum.

Looking back at just recent times, an investment made in the SP500 plus reinvested dividends at the end of August 2000 near the market peak would have been down about 1% a full 11 years later. Over this same period the Tactical Institutional Program gained 891% and Tactical Multistrategy gained 439%. It would have been a mistake to write off stocks as a terrible long term investment and sink everything into commodities at that time. Similarly, odds favor it is a mistake to write off commodities and sink everything into stocks at this time.

Remember: The benefit of holding a well-managed commodity fund in your portfolio is its extraordinary ***diversification***. Non-correlated diversification may smooth a portfolio's performance and is considered by many to be the only "free lunch" in finance. In our interconnected world it is exceedingly rare to find assets with low correlation to stocks. Yet managed futures like Tactical have had a near zero correlation to the major stock indices for decades. Diversification is what a Tactical investment is all about.

Remember too: It is nearly impossible to consistently time your portfolio weighting, switching between investments to favor the next, best performing asset class. Some people think they can "beat the market" by more heavily investing in the asset class which will perform the best in the near term, then switching to the asset class which will next perform best, etc. Watch it. This extraordinary talent is nearly non-existent despite claims to the contrary. Many university studies support this fact.

Because the future cannot be predicted with reliability the tried and true solution is to maintain your diversification at all times, at most rebalancing your portfolio periodically to maintain your targeted percentage of the pie in each asset class.

Once you have embraced the sound principle of balanced diversification, track your portfolio as a whole, not its parts. Placing individual assets under the microscope or trying to time portfolio weightings is fraught with the danger of losing all the benefits of diversification. Keep the long view and let the statistics of diversification play out. This is the classical wisdom of long-term investing.

No one can guarantee any investment will make money, our Tactical funds included. But we can guarantee that balanced diversification is a very wise and prudent course of investing. There is no doubt that your Tactical investment continues to provide you with outstanding diversification to traditional assets. That is why you hold a Tactical investment.