



How To Invest Your Money In Q4: Best Fund Picks From 10 Barron's-Ranked Financial Advisors

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Catalyst Hedged Futures Strategy (HFXAX)

By David Kudla

Market volatility increased significantly in August and September. This has left many investors wondering how to protect their portfolios against market gyrations. Cash is dead money. Bonds offer virtually no yield. So, while both of these asset classes dampen the impact of stock volatility in a diversified portfolio, they may also dampen longer-term returns for growth investors.

Liquid alternatives are complex, but offer a strategy to hedge against market volatility without necessarily sacrificing stock-like returns. A good example is Catalyst Hedged Futures Strategy (HFXAX).

While Catalyst Hedged Futures Strategy has more volatility than most bond funds and bond ETFs, it has lower volatility than the S&P 500 Index. Importantly, the fund has low correlation with both stocks and bonds. It has also proved to be a very good hedge against events like the 10% correction for stocks recently. Add to that, the fund has a positive total return of 7.8% in 2015 versus a -4.4% return for the S&P 500 and 0.9% return for the BarCap U.S. Aggregate Bond Index (through September 23rd). An investor has a position well suited for almost any diversified portfolio in the financial markets of 2015.

The fund manager uses an options strategy. Options typically perform better in higher volatility markets, such as the market environment we have experienced this year. Catalyst Hedged Futures Strategy has been around since 2005. Since its inception, it has more than doubled the annualized return of the S&P 500. Want more proof that volatility can be your friend? In 2008, when the S&P 500 was down 36%, Catalyst Hedged Futures Strategy was up more than 50%.

When it comes to a rate hike decision by the Federal Reserve, the only certainty is that there's much uncertainty about when the first hike will occur. If there is one thing the market hates, it's uncertainty. The market volatility we have experienced as of late will continue into the fourth quarter, as the world awaits the Fed's kick off of a tighter monetary policy as well as worrying about China and slowing global growth.

Market volatility and uncertainty can cause many investors to flee to the sidelines, willing to give up potential gains out of fear of further losses. Rather than run from market volatility, profit from it. Catalyst Hedged Futures is a mechanism to accomplish that objective.

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