

## How Family Offices Use CTAs to Diversify Risk

In a world where traditional asset classes are increasingly interdependent, family offices are turning to Commodity Trading Advisors (CTAs) to unlock non-correlated alpha and improve portfolio resilience. At Advanced Alpha Advisers, we work with sophisticated investors—including multi-generational wealth platforms and single-family offices—to identify short-term systematic CTA strategies that provide diversification when it's needed most.

### Why CTAs? A Portfolio Stabilizer

Family offices typically seek stability, capital preservation, and long-term appreciation. Yet, during periods of stress—such as inflationary spikes, geopolitical shocks, or rate dislocations—traditional equity and fixed income allocations often move in tandem. This is where CTAs can play a strategic role.

CTAs trade liquid futures and options across asset classes—commodities, currencies, rates, indices—utilizing models that react to market behavior rather than macro narratives. The result? A source of return that is often uncorrelated with stocks or bonds, especially during drawdowns.

### Key Reasons Family Offices Allocate to CTAs

1. **Diversification Beyond the 60/40 Model** Managed futures provide exposure to market anomalies and trends that traditional assets miss, often performing well during volatility or economic regime shifts.
2. **Daily Liquidity and Transparency** Unlike private equity or hedge funds with long lockups, CTA strategies offer frequent liquidity and full position-level transparency—critical for dynamic family office portfolios.
3. **Customizable Mandates** Whether through separately managed accounts or fund vehicles, family offices can tailor risk exposure, leverage, and strategy types to match their specific investment objectives.
4. **Risk Management with a Quantitative Edge** Systematic CTAs are governed by models, not emotions. This allows for disciplined stop-losses, position sizing, and capital protection mechanisms.
5. **Tactical Positioning During Crisis Events** Some of the best CTA performance years have occurred during major market dislocations (e.g., 2008, 2020), where they offered ballast to otherwise struggling portfolios.

### The Advanced Alpha Approach

We work closely with family offices to identify, evaluate, and onboard institutional-grade CTA managers—ranging from short-term **systematic** strategies to high-conviction **discretionary** strategies that apply fundamental insights and real-time market judgment.

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At **Advanced Alpha Advisers**, we typically recommend allocating across a portfolio of **1 to 3—or in some cases 4—CTA strategies** that exhibit little to no correlation to one another. By blending both systematic and discretionary approaches, investors gain exposure to diverse alpha sources and benefit from multiple styles of market interpretation. This **multi-manager framework** enhances the diversification effect and enables portfolios to perform across a range of volatility regimes and macro cycles.

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## Why Managed Accounts? Notional Funding & Tax Efficiency

Family offices often prefer **managed account structures** for their transparency, control, and flexibility. One of the key advantages in this format is the use of **notional funding**, which allows investors to allocate less cash while maintaining full notional exposure to the CTA's strategy. This frees up capital for use in other investments without sacrificing the portfolio's diversification or performance potential.

In addition, **most CTA strategies trading U.S. futures benefit from favorable tax treatment under Section 1256 of the Internal Revenue Code**. This tax rule typically allows for 60% of gains to be treated as long-term capital gains and 40% as short-term, regardless of holding period. For high-net-worth individuals and family offices, this blended tax rate can result in **significant after-tax advantages** when compared to traditional equity or bond strategies taxed at ordinary income rates.

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Whether acting as a specialist advisor or introducing a curated selection of CTAs through our platform, Advanced Alpha Advisers is committed to helping family offices harness the full potential of managed futures.

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## Interested in learning more about how CTAs—both systematic and discretionary—can complement your portfolio?

✉ Contact us at [info@advancedalphaadvisers.com](mailto:info@advancedalphaadvisers.com) to explore bespoke, tax-efficient solutions tailored for your family office.