LoCorr Chart Series

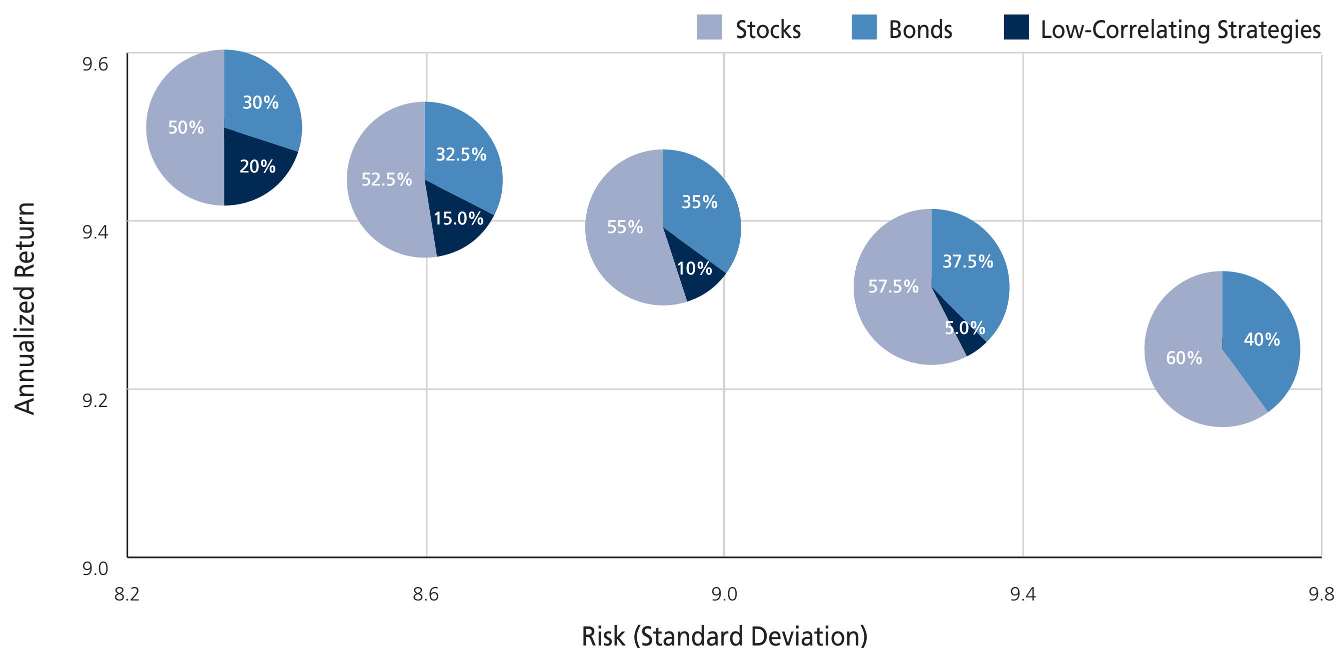
Using Low-Correlating Strategies to Improve Risk/Return Characteristics

LoCorr FUNDS™

Stocks and bonds are becoming increasingly correlated making it imperative to find new sources of return that can move independently from both. This means constructing a portfolio that includes equities and a broader set of diversifiers, not just fixed income.

The chart below shows how the performance and volatility (as measured by standard deviation) of a portfolio changed when low-correlating strategies were added to the mix.

The Impact of Adding Low-Correlating Assets to a Portfolio – January 1, 1986 - December 31, 2024



Source: Morningstar. Data from 1/1/86-12/31/24. Stocks are represented by the S&P 500 Index. Bonds are represented by the Bloomberg U.S. Aggregate Bond Index. Low-Correlating Strategies are represented by the CISDM CTA Index.

Key Takeaways

- Correlation between stocks and bonds has increased, putting the traditional 60/40 portfolio mix into question.
- Adding low-correlating strategies to the mix can enhance diversification, while improving a portfolio's overall risk/return profile.
- Low-correlating strategies can potentially deliver a smoother ride and a more consistent outcome for investors.

Performance data quoted represents past performance; past performance does not guarantee future results. Index and portfolio performance is not illustrative of fund performance. Performance as of 12/31/24 is as follows: S&P 500 Index: 25.02% 1-Yr, 14.53% 5-Yr, and 13.10% 10-Yr; Bloomberg U.S. Aggregate Bond Index: 1.25% 1-Yr, -0.33% 5-Yr, and 1.35% 10-Yr; CISDM CTA Index: 10.23% 1-Yr, 8.08% 5-Yr, and 5.96% 10-Yr.

Standard Deviation is the statistical measurement of dispersion about an average, which depicts how widely a portfolio's returns varied over a certain period of time. When a portfolio has a high standard deviation, the predicted range of performance is wide, implying greater volatility.

Bloomberg U.S. Aggregate Bond Index is the most common index used to track the performance of investment grade bonds in the United States. CISDM CTA Index is designed to broadly represent the performance of all CTA programs in the Morningstar database that meet the inclusion requirements. S&P 500 Index is an index of 500 large capitalization companies in major industries. This total return index includes net dividends and is calculated by adding an indexed dividend return to the index price change for a given time period. Fees and/or transaction costs are not reflected.

Past performance does not guarantee future results. The hypothetical example is for illustrative purposes only and does not represent the returns of any particular investment. Index performance is not illustrative of fund performance. Once cannot invest directly in an index.

The Funds' investment objectives, risks, charges, and expenses must be considered carefully before investing. The prospectus contains this and other important information about the investment company, and it may be obtained by calling 1.855.LCFUNDS, or visiting www.LoCorrFunds.com. Read it carefully before investing.

Mutual fund investing involves risk. Principal loss is possible. Non-diversified investments may concentrate assets in fewer individual holdings than diversified investments. Therefore, the investments are more exposed to individual stock volatility than diversified funds. The Funds invest in foreign investments and foreign currencies which involve greater volatility and political, economic and currency risks and differences in accounting methods. These risks are greater for emerging markets. The Funds may make short sales of securities, which involves the risk that losses may exceed the original amount invested. Investing in commodities may subject the Funds to greater risks and volatility as commodity prices may be influenced by a variety of factors including unfavorable weather, environmental factors, and changes in government regulations. The Funds may invest in derivative securities, which derive their performance from the performance of an underlying asset, index, interest rate or currency exchange rate. Derivatives can be volatile and involve various types and degrees of risks, and, depending upon the characteristics of a particular derivative, suddenly can become illiquid. Investments in debt securities typically decrease in value when interest rates rise. This risk is usually greater for longer-term debt securities. Investments in Asset-Backed, Mortgage-Backed, and Collateralized Mortgage-Backed securities include additional risks that investors should be aware of such as credit risk, prepayment risk, possible illiquidity and default, as well as increased susceptibility to adverse economic developments. Investments in small- and medium-capitalization companies involve additional risks such as limited liquidity and greater volatility. Investments in lower-rated and non-rated securities present a greater risk of loss to principal and interest than higher-rated securities. ETF investments are subject to investment advisory and other expenses, which will be indirectly paid by the Funds. As a result, the cost of investing in the Funds will be higher than the cost of investing directly in ETFs and may be higher than other mutual funds that invest directly in stocks and bonds. ETFs are subject to specific risks, depending on the nature of the ETF.

Diversification does not assure a profit or protect against loss in a declining market. Correlation measures how much the returns of two investments move together over time.

The LoCorr Funds are distributed by Quasar Distributors, LLC. © 2025 LoCorr Funds. All rights reserved.