Journal Article

Rebuffed: An Empirical Review of Buffer Funds

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Being an equity investor is hard. Volatility can be high, drawdowns can be long, and nobody can definitively (or a considerably lower bar than definitively) say when returns are going to be good or bad. Products catered to investor preferences of achieving equity-like returns with less downside risk have been around for decades. "Defined outcome" strategies such as buffer funds are the most recent in a line of products designed to accommodate this desire and offer a wide range of customizations to fit investor objectives. Like their predecessors, however, buffer funds don’t hold up to scrutiny, either empirically or theoretically. Once again Robert Heinlein, and his TANSTAAFL, is a better investment manager than the industry.

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