



GRANT SAMUEL  
FUNDS MANAGEMENT  
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## MEDIA RELEASE

### **Investors warned against complacency as “fear index” approaches record low**

Grant Samuel Funds Management and Triple3 Partners have warned investors not to take market returns for granted, as the CBOE volatility index - the VIX - hits near record lows.

The VIX index, often referred to as the Fear Index, is a measure of expected volatility on the S&P500 Index over the next 30 days. High VIX readings mean investors see significant risk that the market will move sharply, either up or down.

The VIX hit a low of 11.32 in May, and in the past a low VIX has frequently been a harbinger of significant market falls, says Mr Simon Ho, founder and chief investment officer of Triple3 Partners.

“This period could be the calm before the share market storm,” he says.

“The last time the VIX was at these low levels was at the start of 2007, the period immediately before the onset of the GFC.

“I expect that volatility levels will start to climb higher by the end of 2014, with a lot of uncertainties ahead for world economies.

“There is the housing bubble in China which will start to deflate at some point, the experimental quantitative easing taking place in Japan which will have unknown consequences, and the US’ decision to unwind its quantitative easing program which should see asset prices and risk premiums in that country return to more normal levels.

“Throw into the mix the conflagration in Eastern Europe, and the Euro-zone being on the verge of deflation, and you have a number of banana skins on the road ahead, waiting to trip-up the unwary.

“The backdrop against this is that equities are very fully priced. We have seen five years of a bull market where the S&P has gone from a low of 666 to sit at its current levels above 1900.

“Investors can’t afford to be complacent about their portfolio diversification,” Mr Ho says.

Along with a mix of equities, bonds, cash, alternatives and property, investors can also diversify by investing in volatility itself.

“Most investors see volatility as risk, but it is increasingly being recognised as a distinct asset class, and one which offers a largely untapped source of portfolio returns that are largely uncorrelated to equities.

An investment in volatility can be accessed through the VIX with the use of options and volatility derivatives. Mr Ho says it is a good natural diversifier.

VIX options have been one of the fastest growing option markets in recent years and now rank as one of the world’s most liquid – regularly trading over 1 million options contracts per day.

The Triple3 Volatility Advantage Fund, which is distributed in the Australian market by Grant Samuel Funds Management, aims to generate long-term absolute returns with its volatility-focused strategy to capture alpha from highly liquid exchange-traded VIX options, which are negatively correlated to equities.

Mr Damien McIntyre, director and head of distribution with Grant Samuel Funds Management, says: “The investment strategy is expected to perform best in periods where the S&P is falling. In periods where the S&P is choppy, the investment strategy is expected to generate positive returns, and where the S&P remains stable or increases only steadily, the investment strategy is expected to generate cash-like returns.”

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**Grant Samuel Funds Management (GSFM)** was established in July 2007 and is a subsidiary of the Grant Samuel Group, and co-owned by the executives of GSFM. Grant Samuel Group is an independent investment advisory house founded in 1988 and owned by its executives. GSFM specializes in marketing funds managed by high calibre local and international managers to Australian institutional and retail investors.

GSFM formed an alliance in October 2007 with New York based Epoch Investment Partners, Inc. to distribute Epoch's investment products to Australian clients.

In May 2008, GSFM acquired an equity stake in Tribeca Investment Partners, a successful Australian boutique manager which has been investing clients' funds since 1999.

In May 2011, GSFM formed a relationship with Payden & Rygel, a Los Angeles based independent investment management firm established in 1983, to distribute its global fixed income and absolute return strategies in the Australian market.

In early 2014, GSFM established a relationship with Triple Three Partners Pty Ltd (Triple3) a boutique research and investment management firm based in Sydney. Triple3 specialises in volatility as an asset class. The first fund from this relationship the Triple3 Volatility Advantage Fund was launched in May 2014.

GSFM currently represents over \$4.6 billion funds under management (as of 31 March 2014). For more information about GSFM please visit the website: [www.grantsamuelfunds.com.au](http://www.grantsamuelfunds.com.au)

**Triple3 Partners** is an independent research and investment firm based in Sydney that specialises in volatility as an asset class and provides volatility strategies to institutional clients. This includes alpha strategies, volatility overlay and volatility research.

Triple3 invests in portfolios of options in order to tap the alpha potential inherent in volatility. Using a proprietary quantitative strategy, Triple3 helps investors enhance returns and manage portfolio volatility.

Over the past seven years Triple3 has developed quantitative forecasting techniques and portfolio allocation algorithms, which represent a prominent source of its competitive edge. For more information please visit the website: [www.triple3p.com](http://www.triple3p.com)

The PDS for the Fund may be obtained by contacting GSFM on (02) 9324 4356 or from [www.gsfm.com.au](http://www.gsfm.com.au). Before making an investment decision in relation to the Fund, investors should read and consider the PDS for the Fund.