



GRANT SAMUEL  
FUNDS MANAGEMENT



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## MEDIA RELEASE

### **Volatile markets to challenge investors in 2015**

Triple3 Partners has warned that quantitative easing, an expected increase in global interest rates and falling oil prices will present investors with a challenging set of circumstances in 2015.

“The investment environment for 2015 will be very different to last year, and investors should be prepared for new challenges as well as new opportunities,” says Mr Simon Ho, founder and chief investment officer of Triple3 Partners.

Mr Ho is the manager of the Triple3 Volatility Advantage Fund, which is distributed in the Australian market by Grant Samuel Funds Management.

“The actions last week of the European Central Bank, which surprised the market to the upside, were significant and set the scene for the volatility that lies ahead,” Mr Ho says.

“After two very benign years in global markets, there will be volatility and movement in asset prices that we haven’t seen in some time.

“Until now, the focus has been on quantitative easing (QE) and markets are inflated as a result of QE, which is what you would expect. Now the focus will move beyond QE and global markets will no longer be seen as a homogenised mass.

“Following five years of a US equity bull market run, which in the last stage in 2014 saw an expansion of PE ratios, suggesting prices were increasing without justification, more volatility will be evident.”

This will be partly as an unwinding of QE, and partly as a result of the US Federal Reserve increasing interest rates. The collapse of the oil price is also very significant.

“After a period of laying dormant, foreign exchange markets will also experience volatility. The Euro is being battered and the decrease in the oil price means the currencies of those economies heavily reliant on oil production will suffer.

“Those emerging markets that are reliant on oil production will see more volatility.

“Russia is already suffering from the sanctions against it. But other oil production counties, such as Venezuela, will also be affected.

“Similarly, as Chinese growth rates – which are already at their lowest levels since 1990 - continue to slow, commodities such as iron ore and coal will continue to be under pressure.”

Mr Ho says this expected volatility creates opportunities for investors.

“Although most investors see volatility as simply a measure of risk, it is also an asset class in and of itself, and one that offers investors portfolio returns that are largely uncorrelated to equities,” Mr Ho says.

Mr Damien McIntyre, director and head of distribution with Grant Samuel Funds Management, says an investment in volatility can be accessed through VIX options, which have been one of the fastest growing option markets in recent years.

The VIX Index, also called the Fear Index, measures expected volatility on the S&P500 Index over the next 30 days. If investors expect that the market will move sharply (either up or down), the VIX will give a high reading

“Volatility is usually negatively correlated to equity markets, so that when equity markets fall, volatility tends to rise, and vice versa. Investing in options on the VIX Index allow investors to access this negative correlation, which cannot be as reliably harnessed in other asset classes, making VIX well suited to targeting returns that are negatively correlated to the S&P500,” Mr McIntyre says.

“VIX options now rank up with the world’s most liquid – and have been known to trade over 1 million options contracts per day,” Mr Ho says.

The Triple3 Volatility Advantage Fund aims to generate long-term absolute returns with its volatility-focused strategy to capture alpha from these highly liquid exchange-traded VIX options.

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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 \$5.2 billion funds under management (as of 31 December 2014). For more information about GSFM please visit the website: [www.gsfm.com.au](http://www.gsfm.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.