



GRANT SAMUEL
FUNDS MANAGEMENT



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MEDIA RELEASE

Australian-first VIX based volatility strategy for retail investors

Grant Samuel Funds Management and Triple3 Partners have formed a partnership that will see Grant Samuel distribute the newly launched Triple3 Volatility Advantage Fund to the Australian market.

Mr Damien McIntyre, director and head of distribution with Grant Samuel Funds Management, says Triple3 offers products and strategies that fill a genuine need in the Australian market – that of real and sustained portfolio diversification.

“Australian superannuation portfolios currently have the second highest allocation to equities in the world, at 54 per cent. They generally have high allocations to Australian equities for dividends and franking credits and to global equities, real estate investment trusts and listed infrastructure for income.

“Traditionally investors have sought to diversify their equity risk by investing in bonds, cash and more recently, other non traditional assets such as alternatives, with varying levels of success.

“Many alternatives strategies actually show strong positive correlation to equities, rendering them far less effective diversification tools for standard portfolio,” Mr McIntyre says.

Simon Ho, founder and chief investment officer of Triple3 Partners, says volatility has emerged as a distinct asset class in recent years that offers a largely untapped source of alpha for investors' portfolios.

“With low correlation to other asset classes, volatility can be used to enhance returns and manage risk, and can be accessed through the VIX Index with the use of options and volatility derivatives.

“The volatility inherent in options markets is negatively correlated to traditional assets. It is possible to hedge out the risk of holding equities via options on the VIX Index. Although this has been recognised in international markets, it is relatively unused as a diversification option in Australia,” Mr Ho says.

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 level of volatility tends to be negatively correlated to equity indices, indicating that when equity markets fall, volatility tends to rise and vice versa. Options on the VIX Index allow investors to access this feature, which cannot be as reliably harnessed in other asset classes, making VIX an ideally suited instrument for targeting returns that are negatively correlated to the S&P500.”

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 will be distributed in the Australian market by Grant Samuel, aims to generate long-term absolute returns, which are negatively correlated to equities.

“The fund aims to deliver cash-like returns in periods when global equity markets rise or are flat, positive returns when markets are choppy and strong positive returns in periods when global equity markets fall,” Mr Ho says.

Mr McIntyre says the depth of experience and understanding of volatility in markets demonstrated by Triple3 means it was an easy decision to partner with the consultant and fund manager to distribute its funds in Australia.

“Triple3 has a seven year history and are recognised experts in the field of volatility. In addition to a role as an investment manager, Triple3 is a dedicated volatility research house and sells its research to professional investors as well as consulting to stock exchanges around the world,” Mr McIntyre concludes.

Planned Fund Features

- Easy access to the potential diversification benefits of volatility
- Daily liquidity
- Only deal in liquid exchange traded options and cash instruments
- Only deal in vanilla options; calls and puts
- Precise risk controls – limit loss to 5% in a VIX expiry month
- Proven track record of delivering targeted return streams

- No OTC derivatives
- No ISDA required
- No complex or hard to value instruments
- No lock-ups
- No gate
- The fund is not a serial options seller
- The fund is not a tail risk hedge

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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.

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

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

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