



GRANT SAMUEL
FUNDS MANAGEMENT



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MEDIA RELEASE

Commodities, oil and \$US to drive volatility in 2017

Market volatility in 2017 will continue to be episodic – rather than prolonged – although asset price distortion will ultimately rectify during the year and be the forerunner of a downturn and increased average volatility in 2018, according to Simon Ho, chief investment officer, Triple3 Partners.

“This is going to be a very interesting year,” Mr Ho said.

“Despite market commentators talking about high levels of volatility in the past year, it actually was not very volatile. Although the volatility index - the VIX - rallied six percent, it started from a very low base. There were a few volatility spikes during the year – but no ongoing activity.”

Mr Ho says there will be some key drivers of market volatility in 2017.

“The first will be the US dollar. The second will be oil and commodity prices - which are intermittently linked to the movement in the dollar. The third will be interest rates and we think that the Fed could be behind the curve here, resulting in a faster pace of interest rate hikes.

“We are already seeing green shoots of inflation - even in Europe - in the most recent data. We are certainly expecting inflation in the US, and President Trump pump priming the economy, will also impact inflation.

“Any one of those three drivers could potentially cause a crack in the fabric of global economies.

“If rates surprise on the upside – and President Trump’s policies feed into that – a market downturn is inevitable for 2018.

“A depressed US market is bad news for global economies. If you look around the world, stocks globally are priced at fairly high levels, and a rapid rise in rates could see a lot of that come undone.”

In this environment investors would be well placed to position their portfolios - using options over the VIX - to prepare for these bouts of episodic volatility ahead of a potential market downturn in 2018, Mr Ho said.

“This strategy means investors can put some negatively correlated assets into their portfolio, which will help them profit from periods when markets turn down and volatility rises.

“Generally speaking, people want to own equities because over the long run they do well. Allocating a portion of the portfolio to a volatility strategy can help to mitigate or circumvent the losses that come when the markets go down.”

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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

Grant Samuel Funds Management (GSFM) was established in July 2007 as a subsidiary of the Grant Samuel Group. In November 2016 CI Financial Corp purchased an 80 per cent stake in the business. GSFM specialises in marketing funds managed by high calibre local and international managers to Australian and New Zealand institutional and Australian 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 and New Zealand 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 and New Zealand 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.

GSFM currently represents over \$6 billion funds under management (as at 31 October 2016). For more information about GSFM please visit the website: www.gsfm.com.au