

Media release

ARCO responds to market demand with a new daily-liquid absolute return offer

Melbourne: November 1, 2017

ARCO Investment Management (ARCO) has recently launched its daily-priced ARCO Absolute Return Fund, in response to investor feedback on its long-established Australian equities, absolute return strategy.

The feedback came from several private wealth and family office investors and their advisers, attracted to the strategy's capital preservation and compounding return track record, but who sought daily liquidity and pricing for the strategy.

ARCO's flagship absolute return strategy has been a strong performer. Since inception in September 2008, the strategy has delivered a net annual return of 8.3% per annum. It has also generated positive returns in 80% of months since its inception, compared with 53% for the ASX200.

ARCO believes its Absolute Return Fund will appeal in current market conditions. Financial markets currently face several escalating risks, and investors are actively reshaping their portfolios to better prepare against downside risk and to protect their capital.

"Ultra-low interest rates continue to underpin relatively expensive equity valuations, but this trade is now very long in the tooth. Offshore central banks seem keen to lift rates and tighten liquidity, which may act to increase equity market volatility," said George Colman, Co-Portfolio Manager and co-founder of ARCO.

"In Australia, there seems to be less immediate upward pressure on short rates, but we remain wary about the outlook for housing, and its broader implications for the economy and our equity market.

"Given these issues, in addition to a number of geo-political risks which have been largely ignored by equity markets to date, we shouldn't be surprised that many sophisticated investors are increasing their portfolio allocation to alternative strategies such as absolute return funds that have proven effective in preserving capital in all market conditions," said Mr Colman.

ARCO Absolute Return Fund

"The key objectives of the ARCO Absolute Return Fund are to deliver steady, compounding investor returns over time, with an overarching focus on capital preservation and with lower volatility compared to the broader equity market," said ARCO Co-Portfolio Manager and co-founder Peter Whiting.

"We have a fundamental research approach to selecting stocks, constructing portfolios of stocks we believe are mispriced and don't reflect their underlying value. We hedge the 'long' portfolio against market drops by selling short securities that we believe are priced well above their underlying values," he said.

"The fund is designed to shield investors from downside equity risk when equity markets are

flat to falling while building wealth over time.”

The strategy typically has a diversified portfolio of between 40 and 60 stocks (including both long and short positions).

Release Ends

About ARCO

ARCO Investment Management, (formerly Optimal Fund Management Australia), is a specialist Australian equities investment manager established in September 2008, based in Melbourne, focused solely on delivering absolute return investment outcomes to investors. ARCO is majority-owned by its founding principals and respected industry veterans, George Colman and Peter Whiting, who are also investors in the strategy. The investment team has over 90 years’ combined experience in Australian equities.

The firm aims to provide investors with consistent, positive, risk-adjusted returns, across all market conditions.

The firm’s flagship absolute return strategy has delivered investors an average return (net of all fees) of 8.28% p.a. since its inception to September 2017, with 80% positive return months over this same period.

The Company is Chaired by senior industry veteran, Bruce Loveday. Bruce is the former Chairman of Bennelong Funds Management Limited and Praemium Ltd, and currently serves as Chairman of Burnham Capital.