

Investing through volatility: the power of discipline and quality

May 2026



Aaron Viscayno (00:00):

Hello and welcome to The Ideas Exchange, ASX's regular podcast where we cover investment trends, market updates, and ideas for your portfolio. My name is Aaron Viscayno, business development manager from the investment products team here at ASX. And it is our mission to deliver to you the latest in market updates and ideas through the conversations we have with investment experts.

Speaker 2 (00:22):

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Aaron Viscayno (00:49):

It has certainly been a tumultuous start to 2026 with geopolitical tensions between Iran and the US showing little signs of easing. Elevated all prices have continued to weigh on global markets and investors remain cautious.

(01:01):

Hello everyone. Aaron Viscayno, business development manager with the investment products team at ASX here. Welcome you back to The Ideas Exchange podcast. As a boutique global equity manager based here in Sydney, Aoris listed the Aoris International Fund active ETF in the first half of 2023 under the ticket code BAOR, alongside a currency hedge version trading under DAOR. Joining me on the podcast today is founder and chief investment officer of Aoris, Stephen Arnold. With more than 30 years of experience investing in offshore markets, today we'll discuss the current investing climate and how a fund manager overseeing a highly selective portfolio stays focused through periods of uncertainty. Thanks for joining us today, Stephen.

Stephen Arnold (01:40):

Pleasure to be here.

Aaron Viscayno (01:41):

Could you just start by telling us a little bit about your background in investing and what's kind of led you to found Aoris in 2017?

Stephen Arnold (01:47):

Sure can. I finished school at Turrumurra High School in 1987, and I remember the period sort of 1985, '86, '87 was a pretty ebullient time in corporate Australia. And I remember I used to lie on a carpet in our living room and read the Saturday and Sunday business sections and all the amazing and exciting things going on at the time, and that really sparked my interest in business and investing. Crash that happened in '87 provided its own lessons about leverage and big takeovers and big personalities and the sort of businesses that did so well prior to that. But that sparked my interest in business.

(02:22):

After finishing my university degree, I started at Bankers Trust in the early '90s, which was a preeminent financial institution in Australia at the time. Spent some years with Kerr Neilson at Platinum Asset Management. I spent 10 years in London. Most of that was with Goldman Sachs Asset Management. London's where I've met my wife and we started a family over there. And then come 2017, where I've been investing and running a selective international strategy at a wealth management firm for some years, I felt confident enough in my process to start a business built around that.

(02:55):

So we've been going for eight years now. And the business was founded on five principles, which we put in our owner's manual, which people can see on our website. And they are that we're a single-strategy business, so we're here to do just one thing and do it well. We're deliberately very transparent. We show all of our holdings every month, and we like to tell investors what they own, why we own them, where we make changes, why that is. We're also limited in the amount of funds we'll manage for clients, and we manage two billion today, but we said five billion is the limit. What we can do well at a billion, we can't do well at 50, so we draw a line at five billion. We are a wholly independent and staff-owned business.

(03:35):

And lastly, we are an aligned business. The only international equity exposure that the staff of Aoris can have is the Aoris International Fund. So we invest alongside of our clients and that's the only place we can put our personal money for international equities.

Aaron Viscayno (03:51):

And look, as mentioned earlier, it is a very highly selective fund. So the Aoris International Fund is investing in 15 exceptional businesses worldwide. Can you walk us through Aoris's core investment philosophy, and how do you actually apply that philosophy to narrow down the universe of companies that you can invest in?

Stephen Arnold (04:08):

I think a good place to start is the word share where we talk about share market or to remind ourselves that a share means a share of a business. It's ownership. So that's a good place to start. So what sort of businesses do we want to be owners of? We want to be owners at Aoris of businesses that we believe will become progressively more

valuable over time at an attractive rate and where the risk of a material disappointment is low.

(04:30):

Let's start with all the parts of the market that we exclude, and that's part of our selectivity. And so where do we think the risks are higher emerging markets? Energy and mining companies where commodity prices play such a big role in their earnings, banks and insurance companies that are quite opaque, very regulated, sensitive to the housing cycle, unemployment cycle, businesses that are very trade-dependent that can get knocked off course by changes in geopolitics, businesses that are very narrow or naturally very cyclical, or businesses that are very regulated where the government can move the goalposts around.

(05:04):

So it's a fish that John West reject approach, if you like, starts with all the areas we exclude. And then from what's left, we are very selective when we set very demanding criteria around areas like profitability, consistency of earnings, businesses that win in their markets, consistently take market share, keep their clients for a long time, strong balance sheets, strong corporate cultures. Now, of course, you can be more or less demanding. If you're less demanding, more businesses look interesting. We like to be very demanding and hence very selective. So we narrow that down to 15 businesses.

(05:39):

And one commonality across those businesses are we like to own businesses that are essential to their business customers, businesses that make their customers more efficient, businesses that help to simplify their businesses, businesses that do many things for their customers that solve more than one purpose, businesses that are naturally broad, businesses that provide really good value to their customers relative to what they charge.

(06:03):

So those are the characteristics you'll see across our portfolio. And as I said, we're very demanding.

Aaron Viscayno (06:08):

Great. Thank you. And look, I'm actually keen to put that philosophy to the test. I'm just actually curious to see how a highly selective manager like Aoris thinks during periods of extreme market volatility. What, if anything, has the past year reinforced for you in terms of portfolio construction, business quality, and staying disciplined in uncertain markets?

Stephen Arnold (06:26):

Well, Aaron, it's been a highly unusual year. And over the last year, our performance has diverged significantly from the market. The market's up relatively strongly and our businesses have gone the other direction. Now in a period like this, I think investors can... Some investors can try to zig with the market, and I think that's certainly not our approach. We're not chameleons. We have a disciplined approach that we believe in.

So the last year we've certainly been true to process, but at the same time, we need to be patient, recognizing that there are periods where share prices can diverge from fundamentals in pretty profound ways, and the last year has been unusual in that regard. But at the same time, we need to be humble, recognizing that things change. Not every business that we own today might be delivering on our expectations.

(07:10):

And so it's that combination of patients, discipline, belief in our process, and at the same time, a humility to recognize that maybe things have changed and we might need to make portfolio changes alongside that. But if you look at our portfolio today, it hasn't changed a lot over the last year. We've made a relatively similar number of changes that we made in 2023 and 2024 and 2025. So there's a patience alongside... I should say, we hold our stocks on average for about four years. We make about four changes of our 15 stocks per year, and we've done that in the last four months.

Aaron Viscayno (07:44):

Great. And now let's shift our focus towards the ARS International Fund itself. So as mentioned earlier, 15 companies that are chosen on the basis of being highly profitable. Typically, market-leading businesses that provide sustainably high returns on invested capital, and just as important to that, that they are resilient to economic stress. Had to flick through the portfolio here, and a number of these companies will be familiar to our listeners, I'm sure. Think of the likes of L'Oreal, Microsoft, Accenture. Could you pick one company from the portfolio that you think our listeners would like to hear a bit more about? And what was it about that company that attracted you to it?

Stephen Arnold (08:20):

One business that I'd love to talk to our listeners about, Aaron, today is Cintas. Now, Cintas is a name that's probably not familiar to many listeners, but it's one of these hidden gems of American commerce. The business has been around for decades. And Cintas provides a uniform rental service to its clients. So think about all the hundreds of thousands of businesses in America where their employees wear uniforms. It could be a hotel, it could be an education facility, or a hospital. It could be a manufacturing site, it could be a conference center. Anywhere people wear uniforms. And conventionally, the employees or their employer would buy the uniforms and the employee would take them home at the end of the day or the end of the week and put them in the washing machine with everything else, and that's their responsibility.

(09:02):

Cintas's approach is you can leave those dirty uniforms at work and once a week a Cintas van will come with five fresh uniforms for each employee with your business name on the front of the uniform and to the size of the particular employee who's going to wear the uniform, we will be responsible for laundering them, maintaining them, repairing them, and replacing them as needed. So your employees always look and feel fantastic in their work wear. And that's been an extraordinarily successful business over many decades. When most of their business every year comes from companies that are outsourcing for the first time, some also come from smaller competitors that can't do

what Cintas does as well as Cintas does, partly because its culture of servicing its customers very, very well, its size and scale that brings huge advantages.

(09:51):

Now when that Cintas van arrives at the customer's facility, there are other services that Cintas can provide as well. They might be replacing the consumables, the soap and so on in the washroom. It might be checking and replacing things in a first aid kit, because often the employer will be thinking, "Well, who checks it? Who's responsible?" Oftentimes those things get missed. Cintas can take that job off your hand and make sure it's done reliably well.

(10:15):

Other services like the fire alarm and the fire equipment. The entrance mat, the first thing a visitor to your facility or a hotel sees when they walk in the door, it's the entrance mat. Who thinks about cleaning it, replacing it, making sure that it represents your business as well as it possibly can? Cintas today is multiples the size of its nearest competitor and growing faster than any of its competitors. It's highly profitable. It's remarkably recession-resilient because it serves businesses through so many different parts of American industry and commerce. It's a business that remarkably keeps its customers on average for about 30 years. It's remarkable on top of which wins many new ones every year.

(10:57):

So Cintas is a business as owners. We can look forward with confidence that'll be a much more valuable business 5 and 10 years from now. And today we think we own it at a very attractive price.

Aaron Viscayno (11:08):

Right. And I guess that begs the question, when was that company 20 years ago? Like picking up my first fast food job when I was a bit younger, I was coming home smelling like grease. So it's one to look out for.

(11:18):

Let's open it up to the rest of the portfolio, Stephen. Which of the stocks in your portfolio are you most optimistic about for the year ahead?

Stephen Arnold (11:25):

Well, Aaron, if I can reframe that to a longer-term horizon, because as investors, we're always looking forward longer term, a business I'd love to talk to you about is Compass Group, which has many of the same characteristics as Cintas. It provides an outsourcing solution to its clients that helps make their businesses more efficient, save the money. But in the case of Compass, it's a catering business. It serves hundreds of thousands of customers and facilities around the world, including in Australia. It provides catering facilities at sporting events, corporate head offices, hospitals, universities, remote mining sites, and defense facilities.

(12:00):

And interestingly, across all of those types of facilities globally, today, about 45% of them do the catering themselves, but every year, a bit more of it is outsourced as those organizations and institutions realize that catering is not their core business and it's best done by someone who is a professional catering organization. And Compass is by far the largest globally, and that scale brings enormous value and benefits to the client. Day one, Compass will typically reduce the cost of food to the client by 30%, on top of which they can provide better menu options and replace the menu and refresh their menu more often than the client would typically do themselves.

(12:46):

Now, another benefit that Compass has is it's organized by industry specialty. So the way this works is there are a slice of the Compass Group business globally that just focuses on sporting stadiums. In Australia, it does the Australian Open. In the UK, it does Wimbledon. And there are many, many other sporting facilities it provides their catering services. So when they're talking to a new sporting stadium that currently does their own catering, Compass can approach them and say, "Well, our bit of Compass is a specialty. We understand your unique needs really, really well. We have many other sporting stadiums around the world. We understand that for your business, nothing probably happens on Monday, Tuesday, and Wednesday. Maybe on Thursday night there's an event, and then Saturday and Sunday, it goes all crazy, and we're really good at providing catering services to your type of business."

(13:37):

And then there's another part of Compass that just specializes in universities and understands their unique needs. And there's another part of Compass that just specializes in hospitals that has also their particular needs to how they feed patients and how they feed visitors in a hospital.

(13:53):

And so that's been enormously successful. Like Cintas, Compass keeps its customers on average for more than 30 years, and it wins a lot of new ones every year. So as owners of Compass, we can look forward with a lot of confidence that the business will be bigger, more profitable, more successful, more valuable 5 and 10 years from today, and we believe at today's share price, we own the business at a really attractive valuation.

Aaron Viscayno (14:17):

Great. Thanks, Stephen. That's given our listeners, I think, a really good idea of the Aoris International Fund.

(14:22):

One last question just before we get out of here, Stephen. We were talking a little bit earlier. We know that you're an avid cricket fan, but also you're a very voracious reader with a penchant for nonfiction. What are you currently reading at the moment?

Stephen Arnold (14:33):

Well, I just have, given it with school holidays, we were just on holiday with our two kids, and I did read some interesting books. Perhaps I can share two of them with you. As an interesting student of business, while Nvidia is not the type of business that we'd own in the portfolio, I think it's a fascinating company. So there's a book that was released last year called The Thinking Machine about the business and its founder, which I found really interesting, and I highly recommend it. A second book I read recently and really enjoyed was a book on The Beatles. I love The Beatles' music, and this is regarded as the best book on The Beatles that's been released for many years. It's called John & Paul: A Love Story in Songs. I loved it, and I really recommend it.

Aaron Viscayno (15:11):

And your favourite Beatle album?

Stephen Arnold (15:12):

Abbey Road.

Aaron Viscayno (15:13):

Abbey Road? More of a Rubber Soul man myself.

(15:15):

Stephen, thank you so much for joining us today.

Stephen Arnold (15:17):

Thank you, Aaron. It's been a real pleasure.

Aaron Viscayno (15:19):

For more information on Aoris, featuring insights, head on over to the website, aoris.com.au. That's A-O-R-I-S. Or search ticker code BAOR and DAOR on the ASX website or through your broker app. Till next episode, talk to you then.

Speaker 2 (15:36):

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