

# AHL Alpha

Quarterly Investment Option Update

30-June-2016

## Availability

Product name	APIR
AMP Flexible Super – Choice (Retirement)	AMP1762AU
AMP Flexible Super – Choice (Super)	AMP1754AU
CustomSuper	AMP1707AU
Flexible Lifetime – Allocated Pension	AMP1715AU
Flexible Lifetime – Super	AMP1707AU
SignatureSuper	AMP1723AU
SignatureSuper – Allocated Pension	AMP1741AU

## Investment Option Performance

Investment performances are subject to product fees and where relevant tax as outlined in the product PDS. Therefore investment performance may differ between products. In addition, activity on your account such as contributions and deductions will also impact the investment performance specific to you. To view the latest investment performances for each product, please visit [www.amp.com.au](http://www.amp.com.au). You can also view the last investment performance specific to you by visiting your My Portfolio account.

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## Overview

**Aim & Strategy:** To generate medium to long term returns in both rising and falling markets by investing in another underlying investment which uses a proprietary managed futures program to invest in global securities. Investments will typically be hedged back to Australian dollars. Futures, options, forward contracts, swaps and other financial derivatives both on and off market exchanges are used. Markets traded may be accessed directly or indirectly and generally includes stocks, bonds, currencies, short-term interest rates, energies, metals, credit, and agricultural.

**Investment category:** Alternative strategies

**Suggested Investment Timeframe:** 5+ years

**Relative Risk Rating:** High

**Investment Style:** Active

Asset Allocation	Benchmark (%)	Range (%)
Managed futures	100	0-100

## Holdings

Industry Exposure	%
Agriculturals	11.2%
Bonds	35.4%
Credit	1.0%
Currencies	19.4%
Energies	7.3%
Interest Rates	8.3%
Metals	6.3%
Stocks	11.2%

Regional Exposure	%
Africa	2.2%
Asia Excl Japan	4.5%
Australasia	7.3%
Europe Excl UK	17.3%
Global	11.2%
Japan	10.1%
Latin America	1.1%
Middle East	0.6%
North America	35.8%
United Kingdom	10.1%
Africa	2.2%

Top Ten Securities	%
Sugar	0.13%
Australian Bonds	0.12%
US Treasuries	0.12%
Turkish Lira/US Dollar	0.11%
RBOB Gasoline	0.09%
Gilts	0.09%
Eurodollar	0.09%
Italian Bonds	0.08%
Euro/US Dollar	0.08%
Japanese Bonds	0.07%

## Market Commentary

AHL invests across a large range of investment markets including stocks, bonds, currencies, interest rates and also hard and soft commodities. No market comments on these specific areas of investment have been provided by the investment manager.

## Investment Option Commentary

The fund retraced during Q2 2016. The start of the quarter saw a reversal in many of the trends that had

been prevalent throughout most of the first quarter. A pro-risk appetite in contrast to Q1 gloom saw rallies in global stocks and credit. A hawkish Federal Reserve (Fed) indicated that June rate rises might be back on the table, leading to rising Treasury bond yields and a rising US dollar. This, along with some supportive fundamental stories, also caused a surge in the price of many agricultural commodities.

These themes caused losses to the program right up until the end of June when the surprise result of the UK referendum to leave the European Union caused a flight to safety from which the program's long fixed income positions were the main beneficiary. Indeed, fixed income was the best performing sector over the quarter, with long positions in UK bonds faring particularly well as Gilt ten year yields halved over the quarter. Within credit, small losses were experienced, particularly trading the European CDS indices where range-bound behaviour before Brexit and sharp moves post Brexit incurred losses.

Commodities trading was mixed. The program switched to long oil in its momentum systems late Q1 so was able to profit from rising oil prices in Q2. Agricultural commodity prices were highly volatile. Sugar prices rallied throughout the quarter as detrimental weather hit crop yields and benefitted the program's long positions. Corn, on the other hand, ended the quarter roughly where it started, but saw swings of almost 25% within that time, which whipsawed positions.

FX trading was difficult for the program as the US dollar reversed trend part-way through the quarter thanks to the Fed indicating its intention to raise rates. The program's long positions in emerging market currencies suffered from this change in direction - for example South African rand, Korean won, Mexican peso – as these currencies dropped against the USD. Developed markets were rather range-bound over the quarter, with the euro and pound lacking direction in the lead-up to Brexit and the yen's retracement against the USD in May proving costly.

Stocks trading was detrimental to performance for each of the constituent months. Initial short positioning, a legacy of risk-off markets at the start of the year, caused losses as risk-assets rallied during the quarter, and when net positioning finally turned to long, the Brexit surprise caused further pain. One bright spot was European banks, which profited from short positioning both before and after Brexit.

## Outlook

It is AHL's policy not to comment on its outlook for the next 6-12 months however it is possible to say that sustained price trends with low volatility are market conditions best suited for AHL's trading strategy.

Range-bound price activity or short-term reversals are market conditions that can potentially have a negative impact on performance. Over the medium to long-term, AHL would expect the fund to perform within its stated investment guidelines.

#### **What you need to know**

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