

# K2 Australian Absolute Return

Quarterly Investment Option Update

30-June-2016

## Availability

Product name	APIR
AMP Flexible Super – Choice (Retirement)	AMP1622AU
AMP Flexible Super – Choice (Super)	AMP1613AU
CustomSuper	AMP1598AU
Flexible Lifetime – Allocated Pension	AMP1634AU
Flexible Lifetime – Super	AMP1598AU
Signature Super	AMP1604AU
Signature Super – Allocated Pension	AMP1628AU

## 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.

## Contact Us

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## Overview

**Aim & Strategy:** To preserve capital over the medium-term and aim to generate a 15% pa return, after fees, over a 3 to 5 year investment cycle. This may be suitable for those seeking diversification within traditional asset class exposure, and those with a high risk tolerance. The portfolio generally invests in listed equities in Australia and New Zealand (across sectors that the investment manager believes will add greatest value) although it may also invest in other investments as permitted by its constitution. Typically the portfolio will hold between 50 and 70 listed equities. If deemed appropriate, the portfolio may be

100% invested in cash. While implementing the long /short strategy the gross invested position of the portfolio will not exceed the net asset value.

**Investment category:** Specialist equities

**Suggested Investment Timeframe:** 3 to 5 years

**Relative Risk Rating:** High

**Investment Style:** Opportunistic

Asset Allocation	Benchmark (%)	Range (%)
Australian Equities	n/a	0-100
Cash	n/a	0-100

## Holdings

Industry Exposure	%
Basic Materials	15.40
Communications	7.26
Consumer Cyclical	9.43
Consumer, Non Cyc	10.35
Energy	1.24
Financial Ex Reits	26.92
Reits	13.78
Industrials	6.07
Technology	1.35
Utilities	0.15
Cash	8.05

Regional Exposure	%
Australia	100

Top Ten Securities	%
BHP Billiton	7.14
Suncorp	5.30
Rio Tinto	5.10

National Storage	4.85
Macquarie Group	4.75
Retail Food Group	4.67
Vocus Communication	3.92
CYBG PLC	3.40
Fletcher Building	2.75
ANZ	2.53

## Market Commentary

Global equities endured significant volatility over the June quarter, especially in the lead up to the Brexit decision. Markets were sold down aggressively on the uncertain future. Once the panic selling was exhausted and a sharp month end bounce ensued on expectations the central bank cavalry would arrive to support markets.

## Investment Option Commentary

The Fund underperformed the benchmark during the June Quarter. Over the period the fund put much of its cash to work in the market, in anticipation of stronger markets. The average cash holding has fallen from 28% last quarter to 6% now.

The fund benefitted from solid gains in both Macquarie Group and BHP. Vita Group was also a strong contributor. Main detractors were Flight Centre, Clydesdale Bank and Spotless Group.

The volatility in equity markets has been extreme in recent months and we expect this to abate as recent rallies in bond markets have made equities very attractive again on a relative basis. We expect positive moves in equities over the coming months and remain close to fully invested at only 6% cash levels..

## Outlook

We think that the probability of another rate cut in Australia has increased. Near term, global growth prospects have diminished, the Australian dollar has strengthened and domestic petrol prices for the June quarter are 18% lower than last year. However we do not believe that the European ructions will have a large bearing on the Australian economy.

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