

Lazard Global Small Cap

Quarterly Investment Option Update

30 September 2019

Aim and Strategy

To achieve total returns (includes income and capital appreciation and before the deduction of fees and taxes) that exceed those of the MSCI World Small Cap Accumulation Index by 3% per annum over rolling 3 year periods. The investment strategy is to provide investors with access to investments in global small companies in any geographical location. The portfolio will generally have:

- Limits on the equity securities (including securities convertible into equity securities) holdings of any one issuer at the time of purchase; No more than 25% of the assets may be invested in the equity securities (including securities convertible into equity securities) of issuers located in emerging market countries. Emerging market countries will be determined by the investment manager but are generally considered to be countries not included in the MSCI World Small Cap Accumulation Index.

Investment Option Performance

To view the latest investment performances for each product please visit amp.com.au

Investment Option Overview

Investment Category	Global Shares
Suggested Investment timeframe	5+ years
Relative risk rating	6 / High
Investment style	Small Cap – Value
Manager style	Single Manager

Asset Allocation	Benchmark (%)	Actual (%)
Global Shares	100%	94.7
Cash	0%	5.3

Sector Allocation	%
Consumer Discretionary	12.1
Consumer Staples	1.9
Energy	2.0
Financials	12.6
Health Care	10.8
Industrials	12.8
Information Technology	15.2
Materials	4.2
Real Estate	16.2
Communication Services	6.3
Utilities	0.8

Regional Allocation	%
Europe ex UK	12.5
UK	6.2
North America	57.9
Japan	12.2
Asia Pacific ex Japan	2.7
Middle East & Africa	1.1
Emerging Markets	2.1
Cash	5.3

Top Holdings	%
Aroundtown Property	2.0
Brixmor Propety	1.8
J2 Global	1.8
National Storage Affiliates Trust	1.7
PS Business Parks	1.7
PacWest Bancorp	1.7
Marcus	1.6
Sterling Bancorp	1.5
Clinigen	1.5
Banca Generali	1.5

Investment Option Commentary

Strong stock selection in industrials and information technology overcame weak stock selection in materials and financials. By geography, stock selection in United States and Japan stood out, while stock selection in the United Kingdom and Asia ex Japan trailed the benchmark.

Cambrex, a US-listed supplier of active pharmaceutical ingredients and pharmaceutical compounds, contributed to the period's returns. The company announced that it had signed a definitive agreement to be acquired by a private equity firm with an expected closing in the fourth quarter. Lazard planned to exit the shares.

Altus Group Ltd, a Canadian-listed company which provides data analytic software and property tax consultation to the commercial real estate industry, also contributed. The company reported revenue and earnings ahead of revenue expectations as it transitions to a higher quality recurring business. Lazard remained shareholders.

Burford, a UK-listed litigation finance company, detracted. Short sellers questioned Burford's accounting practices. The company strongly disagreed and responded by clarifying its investments, hiring a new CFO, and laying out possible plans for a new US listing. Lazard maintained their position.

Stelco, a Canadian-listed steel producer, also detracted. The company's revenue and earnings disappointed consensus expectations. Lazard believe the market has not fully appreciated the company's large net cash balance sheet and extensive land holdings. In fact, the company has begun the process of renting out the excess land to drive cash flow independent of steel-based end markets.

Market Commentary

Global equities pulled back during the third quarter. Political overhang and softer global economic data weighed on the market following a strong start to 2019. After lagging for the first half of the year, Japan outperformed on improved trade sentiment. Increasing political tension combined with softer economic data constrained returns in the United States. Continental Europe declined on similarly poor economic data. The lack of a consensus on the path of Brexit legislation continued to hamper UK sentiment. In this environment, consumer staples and real estate outperformed, while materials and health care underperformed.

Outlook

US employment numbers continue to be encouraging, but Global PMIs have been trending downward. Politics and geopolitics, highlighted by the global trade tensions between the United States and China and other countries, pose the greatest risks in Lazard's view. In addition, the direction of interest rates in a world with significant gross debt demands the attention of investors, as seen in recent market volatility.

Availability

Product name	APIR
AMP Flexible Lifetime Super	AMP1714AU*
AMP Flexible Super - Retirement account	AMP1769AU*
AMP Flexible Super - Super account	AMP1757AU*
CustomSuper	AMP1714AU*
Flexible Lifetime - Allocated Pension	AMP1718AU*
SignatureSuper	AMP1736AU*
SignatureSuper Allocated Pension	AMP1748AU*
AMP Flexible Lifetime Super	AMP1714AU*

* Closed to new members

Contact Details

Web: www.amp.com.au
Email: askamp@amp.com.au
Phone: 131 267



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