

Lazard Global Small Cap

Quarterly Investment Option Update

31 December 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%	97.7
Cash	0%	2.3

Sector Allocation	%
Communication Services	7.8
Consumer Discretionary	12.1
Consumer Staples	2.5
Energy	3.0
Financials	11.5
Health Care	9.5
Industrials	16.5
Information Technology	13.6
Materials	4.9
Real Estate	14.3
Utilities	1.9

Regional Allocation	%
Europe ex UK	15.3
UK	6.4
North America	58.2
Japan	12.7
Asia Pacific ex Japan	3.2
Middle East & Africa	1.2
Emerging Markets	0.7
Cash	2.3

Top Holdings	%
Clinigen	1.8
Aroundtown Property	1.8
PacWest Bancorp	1.8
National Storage Affiliates Trust	1.7
Commerce Bancshares	1.7
Malibu Boats	1.7
Atkore International	1.6
Brixmor Property	1.6
PS Business Parks	1.6
Arteria Networks	1.5

Investment Option Commentary

The portfolio benefited from its consumer discretionary and communication services stock selections but stock selection in information technology and health care detracted. By geography, stock selection in Japan and Asia ex Japan helped, while stock selection in North America and United Kingdom hurt.

Malibu Boats, a US-listed specialty designer and manufacturer of sport boats used in water skiing and wake surfing, contributed during the period. Malibu reported stronger than expected results in the face of the marine industry's ongoing weakness. The company capitalized on a market-leading positioning to outpace the market and Lazard continued to hold the shares.

Atkore International Group, a US-listed company which manufactures and supplies metal products and electrical raceway solutions for non-residential construction, also buoyed fund performance. Executing well and delevering its balance sheet in the process, the company retains its place in the portfolio.

PS Building Parks, a US listed industrial and flex real estate investment trust, detracted. A rotation away from the REITs and analyst downgrades drove the underperformance. Nevertheless, the company posted strong results and Lazard's thesis stayed intact.

Japan Lifeline, a Japanese medical device company, also detracted from performance. The company reported disappointing earnings and guided down its full year numbers. Even so, the company delivered ample returns and Lazard maintained their position.

Market Commentary

Global equities ended 2019 with most markets posting gains. The United Kingdom outperformed. Greater clarity around Brexit improved investor sentiment there. Continental Europe also outperformed, again thanks to Brexit clarity. Positive economic data also buoyed shares. Japan and the United States both underperformed but had positive quarters. Health care and information technology outperformed in this risk-on environment while real estate and utilities lagged.

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

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