

# Lazard Global Small Cap

Quarterly Investment Option Update

31 March 2020

## 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](http://amp.com.au)

## Investment Option Overview

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

Asset Allocation	Benchmark (%)	Actual (%)
Global Shares	100%	96.4
Cash	0%	3.6

Sector Allocation	%
Communication Services	9.3
Consumer Discretionary	8.3
Consumer Staples	2.2
Energy	1.7
Financials	9.5
Health Care	11.0
Industrials	17.7
Information Technology	16.5
Materials	4.2
Real Estate	14.6
Utilities	3.3

Regional Allocation	%
Europe ex UK	16.7
UK	5.2
North America	58.1
Japan	14.3
Asia Pacific ex Japan	3.0
Middle East & Africa	1.1
Emerging Markets	0.0
Cash	1.6

Top Holdings	%
Pennon Group	1.9
PS Business Parks	1.9
Arteria Networks	1.9
National Storage Affiliates Trust	1.9
TeamViewer	1.7
Japan Lifeline	1.7
Commerce Bancshares	1.7
Armstrong World	1.7
Parsons	1.6
J2 Global	1.6

## 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.

TeamViewer, a Germany-listed software solution provider that allows for remote access capability for enterprise customers, was among the top contributors in the quarter. The company reported accelerating billings growth and investors were optimistic about its earnings upside. TeamViewer is a direct short term and longer-term beneficiary of people working from home.

ARTERIA Networks, a Japan-listed specialty telecom company, also contributed to performance. The company delivered strong results in the period and its business model should be minimally impacted by the COVID-19 outbreak, if not a beneficiary.

PacWest Bancorp, a US-listed regional bank, was among the top detractors. The worsening macro environment and significant interest rate cuts during the period impacted the entire sector. Furthermore, due to the current environment, lenders such as PacWest have refocused their attention on providing customer liquidity and have temporarily stopped share repurchases.

Aroundtown, a Germany-listed real estate company, also detracted from performance. While the company delivered strong operating results in the prior period, investors are focused on the impact of the COVID-19 pandemic, leading to rent holidays and hotel tenant bankruptcy risks. After meeting with management and discussing with the portfolio team.

## Market Commentary

Global equity markets were down considerably to start 2020. The economic and health risks of the COVID-19 pandemic hampered not only sentiment but also led to earnings downgrades across the world. While Japan's equity market was still down significantly in the quarter, it fared the best after the country focused on testing and containment early in the process. Conversely, stock markets in the United States and the United Kingdom lagged because COVID-19 outbreak fears were more pronounced. The demand shock from the viral outbreak, coupled with fears of oversupply due to the dispute between the Organization of the Petroleum Exporting Countries (OPEC) and Russia, led to a significant oil sell off. In this environment, defensive sectors such as consumer staples, utilities, and health care outpaced the market, while energy, materials, and consumer discretionary lagged.

## Outlook

The impact of the COVID-19 pandemic has been widespread, with US employment numbers severely affected and global manufacturing output (as measured by purchasing managers' indices) also hit hard. While political and geopolitical issues like the OPEC and Russia energy conflict are important risk factors, the viral outbreak poses the greatest risk, in our view. In addition, the placating actions of global central banks in an already levered world demands the attention of investors.

## 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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