

# Lazard Global Small Cap

Quarterly Investment Option Update

30 September 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:

[www.amp.com.au/performance](http://www.amp.com.au/performance)

## Investment Option Overview

<b>Investment Category</b>	Global Shares
<b>Suggested Investment timeframe</b>	5+ years
<b>Relative risk rating</b>	7 / Very high
<b>Investment style</b>	Small Cap – Value
<b>Manager style</b>	Single Manager

<b>Sector Allocation</b>	<b>%</b>
Communication Services	5.5
Consumer Discretionary	12.9
Consumer Staples	3.7
Energy	1.7
Financials	10.4
Health Care	12.2
Industrials	16.9
Information Technology	15.2
Materials	5.0
Real Estate	11.3
Utilities	3.1

<b>Regional Allocation</b>	<b>%</b>
Europe ex UK	19.1
UK	5.6
North America	59.1
Japan	11.3
Asia Pacific ex Japan	1.2
Middle East & Africa	0.9
Emerging Markets	0.9
Cash	2.0

<b>Top Holdings</b>	<b>%</b>
Valmont Industries	1.8
Stillfront Group	1.8
Royal Unibrew	1.6
Envista	1.6
National Storage Affiliates Trust	1.6

<b>Asset Allocation</b>	<b>Benchmark (%)</b>	<b>Actual (%)</b>
Global Shares	100%	98.0
Cash	0%	2.0

## Investment Option Commentary

The Global Small Cap strategy increased in absolute terms but underperformed its benchmark, the MSCI World Small Cap Index, in the quarter. The portfolio benefited from stock selection in health care and financials while stock selection in consumer discretionary, industrials, and technology detracted. By geography, stock selection in the United States and Japan detracted.

Stelco, a Canadian-listed steel producer, contributed to performance. The company reported better-than-expected revenue and earnings. It began renting out excess land holdings, which added incremental cash flow outside steel-based end markets. Improving execution and presales that should enable Stelco to operate effectively at 100% capacity, coupled with stabilizing end prices, buoyed the shares.

Stillfront, a Swedish-listed mobile app developer, also contributed during the quarter. Its medium-term outlook solidified the market's opinion of its competitive positioning. The company reported accelerated demand and forged ahead with its M&A consolidation strategy.

Bravura, a leading financial software company based in Australia, detracted from performance. The company has developed a loyal user base, rolling out new product offerings and expanding its geographic footprint. The company's earnings fell below expectations, however, with Brexit and COVID-19 uncertainties weighing on deal flow. After speaking with management, we concluded that the diminished pipeline was related to market slowdown not company share loss.

Hunting, a UK-listed oil and gas company, also cost performance. Energy sector sentiment was broadly negative as a result of the period's demand shock.

Lazard has maintained our holdings in all four stocks.

## Market Commentary

Global equities continued their recovery into the third quarter. Shares of companies that stand to benefit from structural change post COVID 19 fared particularly well. Continental Europe outperformed in the period as economic stimulus supported equities. Japanese shares also outperformed with COVID-19 affecting the economy relatively less than other markets. The United States lagged because of high COVID-19 case levels and political uncertainty. So did the United Kingdom as Brexit uncertainty persisted and COVID-19 lockdowns resumed. In this environment, consumer discretionary and communication services led the market, while materials and energy trailed.

## Outlook

The impact of COVID-19 has been widespread, dramatically impacting US employment numbers and global PMIs. While the US election and issues like OPEC and Russia energy strategy are important risk factors, COVID-19 still poses the greatest risk in our view. In addition, the accommodative actions of central banks in an already levered world demand 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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