

# Lazard Global Small Cap

Quarterly Investment Option Update

31 December 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/performance](http://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

Asset Allocation	Benchmark (%)	Actual (%)
Global Shares	100	97.3
Cash	0	2.7

Sector Allocation	%
Communication Services	4.7
Consumer Discretionary	12.4
Consumer Staples	4.6
Energy	1.6
Financials	10.0
Health Care	11.2
Industrials	18.3
Information Technology	15.6
Materials	6.7
Real Estate	9.5
Utilities	2.8

Regional Allocation	%
Europe ex UK	20.4
UK	5.6
North America	59.1
Japan	10.0
Asia Pacific ex Japan	1.0
Emerging Markets	1.1
Cash	2.7
Europe ex UK	20.4

Top Holdings	%
Citizens Financial Group	2.0
Commerce Bancshares	2.0
flatexDEGIRO	1.8
Envista	1.8
Ingevity Corporation	1.7
Stelco	1.7
Cactus	1.6
Aroundtown Property	1.6
Valmont Industries	1.6
Eagle Materials	1.6

## Investment Option Commentary

The Lazard Global Small Cap Fund underperformed the MSCI World Small Cap Index in the quarter due mainly to stock selection, the drag of holding cash in a market rally, and the market's low-quality bias.

**Stelco**, a Canada-listed steel manufacturer, contributed to relative performance. Better-than-expected end demand, coupled with an industry supply shortage, provided a strong backdrop for company operations. With an industry-leading cost structure, low debt, and underappreciated assets, the company appears well placed to succeed.

**Atkore**, a US-listed manufacturer of electrical products for the construction industry, also contributed. The company continued to improve profitability and provided a more optimistic outlook than expected by some investors.

**Solarwinds**, a US-listed provider of information technology management software, detracted. During the quarter, one of the company's product suites was compromised in a malicious hack by foreign actors. Notwithstanding the company's long-term track record and high historical retention rates, investors have been assessing risks related to the breach.

**Arteria**, a Japan-listed network communication services provider, also detracted. Incremental demand benefits due to the work-from-home surge were somewhat offset by the resultant need for additional investment as well as by spending delays from corporate customers.

The Fund has maintained its holdings in all four names.

## Market Commentary

Global equity markets rose in the fourth quarter, with all sectors posting strong gains. Cyclical sectors like energy and financials outperformed on a relative basis, as did information technology. More defensive sectors like consumer staples and real estate trailed. Regionally, all major geographies gained during the month, though Japan lagged on a relative basis. North America outperformed. In general, stocks of low quality (e.g., low return on equity), unprofitable, and/or more indebted companies outperformed—particularly those with depressed valuations (e.g., on a price-to-book value basis).

## Outlook

The COVID-19 vaccine rollout is likely to drive investor sentiment in the near to medium term. Recent optimism, however, must be weighed against the unfortunate effects of persistent and widespread surges in infection rates and fatalities. The outcome of the US elections during the quarter buoyed investor sentiment as uncertainty dissipated and the path toward additional fiscal stimulus opened. As the US government transition process continues, investors may become increasingly focused on US-China trade relations and the progressive policy changes US President-elect Biden plans to pursue. Inflation expectations, which have crept upwards, as well as continued US Dollar weakness, are also factors that are likely to influence investor positioning in the months and quarters ahead.

## Availability

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

\*Closed to new investors

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