

Lazard Global Small Cap

Quarterly Investment Option Update

30 September 2021

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 invests in securities with market capitalisations, at the time of initial purchase, between US\$300 million and US\$5 billion or in the market capitalisation range of companies included in the MSCI World Small Cap Accumulation Index and to be domiciled in countries in the benchmark subject to the emerging markets exposure outlined below. The number of securities will generally range from 60 to 90 which means the investment manager makes active investment decisions as to which securities the portfolio holds.

The portfolio cannot invest:

- more than 5% of its assets in the equity securities (including equity like and securities convertible into equity securities) of any one issuer at time of purchase;
- More than 10% of the outstanding equity securities (including equity like and securities convertible into equity securities) of any one issuer; and
- more than 25% of its assets in the equity securities (including equity like and 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

Sector Allocation	%
Communication Services	2.8
Consumer Discretionary	14.4
Consumer Staples	5.7
Energy	3.3
Financials	13.1
Health Care	10.1
Industrials	18.4
Information Technology	11.8
Materials	7.3
Real Estate	7.1
Utilities	2.2
Cash	3.9

Top Holdings	%
East West Bancorp	2.5
Commerce Bancshares	2.5
Cactus	2.1
Arcadis	1.8
flatexDEGIRO	1.7
Bankinter	1.7
Gates Industrial	1.7
National Storage Affiliates Trust	1.6
Stevanato Group	1.5
Ortho Clinical Diagnostics	1.5

Investment Option Overview

Investment Category	Global Share	Asset Allocation	Benchmark (%)	Actual (%)
Suggested investment timeframe	5+ years	Global Shares	100%	96.1
Relative risk rating	7 / Very high	Cash	0%	3.9
Investment style	Small Cap – Value			
Manager style	Single Manager			

Investment Option Commentary

The Lazard Global Small Cap Equity Fund marginally underperformed the MSCI World Small Cap Index (the “Index”) in the quarter, as positive stock selection impact was offset by negative allocation impact.

Arcadis, a Netherlands-listed consultancy and engineering firm serving the buildings, environment, infrastructure, and water markets, contributed positively to relative performance in the period. The shares rose on the back of better-than-expected quarterly results, cyclical tailwinds following the COVID-19 induced downturn, and rising demand from customers for environmentally sustainable engineering solutions. The Fund continues to hold the shares.

Technopro, a Japan-listed provider of engineering staffing services, contributed positively to relative performance in the period. After falling last quarter, the shares rose sharply as the company reported better-than-expected results and announced a medium-term plan that, if executed well, could result in higher profitability and returns. Shares of the company also benefited from strong ongoing demand for IT related engineering and some optimism that COVID-19 related headwinds are abating. The Fund continues to hold the shares.

flatexDEGIRO, a German-listed online brokerage, detracted from relative performance in the period. The shares were weak alongside the release of quarterly results that did not meet optimistic investor expectations following exceptionally strong results in the prior quarter. In addition, although the company does not receive any so-called “payment-for-order-flow,” a practice in which brokers direct client order flow to third parties in return for a fee, the shares were weak given increased regulatory scrutiny surrounding PFOF during the period. The Fund continues to hold the shares.

ATI Physical Therapy, the leading US physical therapy and rehabilitation clinics operator, detracted from relative performance in the period. The shares fell following the company’s inaugural quarterly earnings report, which included weaker-than-expected results and guidance as well as higher-than-expected leverage. With management credibility in question, a less certain outlook, and more debt than anticipated, the Fund exited the shares.

Market Commentary

Global equity markets rose in the quarter, although there was wide dispersion on a relative basis. Stocks in the energy and financials sectors outperformed materially and those in communication services and healthcare were notable laggards. From a regional perspective, all major geographies were up in the period. The US underperformed on a relative basis and Japan outperformed strongly. In general, stocks of higher quality (i.e., top half return on equity (ROE) outperformed, as did those of profitable companies relative to unprofitable ones.

Outlook

For much of the past year-and-a-half, markets have been dominated by the extraordinary impacts of the pandemic. Both the crash and the recovery were historically steep and changed the patterns of public life, including overconsumption of goods and services at home and underconsumption of those linked to mobility, gatherings, and office work. While new COVID-19 cases are slowing again in the US and globally, vaccination remains low in developing markets and vaccine hesitancy is surprisingly high in parts of the United States. European vaccination acceptance is good and restrictions there are loosening while business is picking up.

How the global recovery will evolve as each region reaches the end of the V-shaped rebound remains a key question for investors going forward. China, the first to bounce back after the onset of COVID-19, likely hit peak growth in the first quarter this year. The US may be following suit with weaker retail sales of late and mixed labor market conditions. Europe, on the other hand, still seems to be enjoying the rebound at the same time two of its largest uncertainties—elections in Germany and European Central Bank Policy—become clearer. Upcoming elections in Japan may also bring additional optimism for economic growth.

Monetary policy is becoming slightly less stimulative as some central banks move to decrease accommodation. Although fiscal stimulus helped lift the global economy back to pre-pandemic GDP levels, progress from here, as stimulus wanes, remains less certain. In the meantime, US fiscal policy proposals have encountered increased political opposition and Chinese authorities have prioritized regulatory objectives over economic growth. The impact of higher taxes may also become more relevant to economies as governments look to fund stimulus efforts and other social programs.

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*

* Closed to new members

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