

# Lazard Global Small Cap

Quarterly Investment Option Update

31 December 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 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 Share
<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%	98.6
Cash	0%	1.4

Sector Allocation	%
Communication Services	3.2
Consumer Discretionary	14.1
Consumer Staples	4.6
Energy	2.8
Financials	13.8
Health Care	11.4
Industrials	19.8
Information Technology	11.5
Materials	5.6
Real Estate	10.0
Utilities	1.8
Cash	1.4

Top Holdings	%
Commerce Bancshares	2.5
East West Bancorp	2.5
Cactus	1.9
Ortho Clinical Diagnostics	1.9
flatexDEGIRO	1.7
Arcadis	1.7
Aalberts	1.6
Envista	1.6
ˆGates Industrial	1.6
MKS Instruments	1.6

## Investment Option Commentary

The Lazard Global Small Cap Equity Fund (the “Fund”) modestly underperformed the MSCI World Small Cap Index (the “Index”) in the quarter.

Ciena, a US-listed network and communication services infrastructure provider, contributed positively to relative performance in the period. The shares rose following quarterly results that included better-than-expected order growth and an optimistic revenue outlook from corporate management. The Fund continues to hold the shares.

National Storage Affiliates, a US-listed self-storage REIT, contributed positively to relative performance in the period. The shares rose alongside the release of strong quarterly results, higher-than-expected new property acquisitions, and a more optimistic outlook from corporate management. The Fund continues to hold the shares.

Ryohin Keikaku, a Japan-listed multiline “no-brand” retailer, detracted from relative performance in the period. The shares fell alongside increased investor concerns regarding higher input prices as well as negative demand impacts from mobility restrictions in China (China accounts for approximately 45% of group operating profit). The Fund continues to hold the shares.

Teamviewer, a German-listed software solutions provider that enables full remote access and control functionality for connected devices, detracted from relative performance in the period. The shares fell as quarterly results and management’s outlook failed to meet lofty expectations for the second time this year. With investors now questioning the company’s growth trajectory against a backdrop of increased competition and lingering capital discipline concerns, the Fund exited the position.

## Market Commentary

Global equity markets rose in the quarter despite rapid worldwide spread of the Omicron variant. Dispersion remained wide. Stocks in the real estate, utilities, and materials sectors outperformed materially, while those in communication services and healthcare sectors were significant laggards. Regionally, Japan was a notable underperformer, and most other major regions rose modestly. In general, stocks of higher quality companies (i.e., top half return on equity) (ROE) outperformed strongly, as did those of profitable companies relative to unprofitable ones.

## Outlook

Both the coronavirus and central bank policy – particularly that of the US Federal Reserve (Fed) – continue to be of significant interest to investors. The emergence of the Omicron variant has renewed uncertainties about the near-term global outlook. Initial data suggests that while Omicron is significantly more transmissible than prior variants, it is also less severe – especially among vaccinated and/or previously infected populations. That said, it remains too soon to determine what impact this variant will have on businesses, supply chains, and sentiment as different countries respond to the infection surge in different ways. Despite somewhat higher market volatility, equity investors appear to have taken a sanguine view thus far, implying that they believe the virus is unlikely to have a significant impact on medium-term growth.

Meanwhile, the Fed and other central banks have become more alert to inflation risks and are winding down extraordinary accommodation. The Fed is reducing monetary stimulus and is now likely to do so more quickly than anticipated given its higher inflation and growth forecasts for 2022. A number of other central banks have either already raised interest rates or are contemplating doing so. It remains unclear how investors will react as less stimulative monetary policy takes hold, and the prospect of higher rates rises.

## Availability

Product name	APIR
SignatureSuper*	AMP1736AU
SignatureSuper Allocated Pension*	AMP1748AU

\* Closed to new investors

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