

Lazard Global Small Cap

Quarterly Investment Option Update

30 September 2018

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

Investment Option Overview

Investment category Global Shares

Suggested investment timeframe 5+ years

Relative risk rating 6 / High

Investment style Small Cap – Value

Asset Allocation	Benchmark (%)	Range (%)
Global Shares	100%	95-100%
Cash	0%	0-5%

Regional Allocation	%
Europe ex UK	14.0
UK	13.9
North America	50.6
Japan	12.4
Asia Pacific ex Japan	4.1
Middle East & Africa	0.0
Emerging Markets	2.5
Cash	2.5

Sector Allocation	%
Consumer Discretionary	11.4
Consumer Staples	1.1
Energy	3.8
Financials	12.7
Health Care	6.3
Industrials	24.4
Information Technology	11.8
Materials	10.6
Real Estate	8.9
Communication Services	6.6
Utilities	-
Cash	2.5

Investment Option Commentary

Relatively better stock selection in the United Kingdom and Canada was more than offset by weaker stock selection in the United States, Japan, and Australia. By sector, positive stock selection in industrials and materials was countered by weaker stock picking in information technology, consumer discretionary, and telecom.

Malibu Boats, a US-listed specialty designer and manufacturer of sport boats used for water skiing, wakeboarding, and wake surfing, contributed to performance. In August the company announced a sizable acquisition of a saltwater fishing boat company which was well received by the market. Additionally, in September the company reported strong operating results with revenues and earnings well ahead of forecasts. The Fund Manager is maintaining a position.

Atkore International Group, a US-listed company which manufactures and supplies metal products, systems, and solutions for non-residential construction also contributed. In August the company presented results and a forecast which surpassed street estimates, leading to an improvement in the stock. The portfolio continues to hold the shares.

Speedcast, an Australian-listed provider of satellite-based communication network services, detracted. In August the company guided full-year numbers lower. The guidance, coupled with higher debt levels due to an acquisition, led to a pullback in the shares. After speaking with management, the portfolio team reviewed the position and actually added to the holding.

National Storage Affiliates, a US-listed REIT which owns and operates a diverse portfolio of self-storage properties across the United States also detracted. While quarterly earnings came in broadly in line with forecasts, several acquisitions leading to a capital raise and broader industrywide worries about overcapacity combined to dent the stock price. Nevertheless, the Fund Manager continues to hold the shares.

Market Commentary

Global equities rose in the third quarter, with the perceived strength of the US economy propelling stocks higher despite a number of negative developments internationally. China came under pressure as its economy slowed and trade war rhetoric started to become a reality. Italian stocks fell on concerns over the new government's fiscal stance, and emerging market currencies continued to slide. Progress on the United Kingdom's Brexit talks stalled. In a positive contrast, Japan was seen as improving. Global small cap equities gained during the period with health care, telecommunications, and information technology leading the way while the consumer staples and materials sectors trailed. By geography, the United States outperformed while other major markets lagged the benchmark.

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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