

Lazard Global Small Cap

Quarterly Investment Option Update

31 December 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	12.6
Consumer Staples	1.1
Energy	2.8
Financials	12.5
Health Care	10.4
Industrials	22.8
Information Technology	9.5
Materials	7.3
Real Estate	11.3
Communication Services	6.6
Utilities	0.8
Cash	2.5

Top Holdings	%
Aroundtown Property	2.7
Malibu Boats	2.0
Burford Capital	2.0
Atkore	1.7
J2 Global	1.6
National Storage	1.6
Altus	1.5
Armstrong World	1.5
Dalata Hotel	1.5
MKS Instruments	1.4
Aroundtown Property	2.7
Malibu Boats	2.0

Investment Option Commentary

The portfolio benefited from good stock selection in consumer staples but its stock selection in financials, consumer discretionary, and information technology detracted. By region, poor stock selection in United Kingdom and United States weighed on results.

National Storage Affiliates, a US-listed REIT focused on self-storage properties around the United States, contributed during the quarter. The company reported higher than expected earnings. It reiterated full-year guidance, and the fund manager continues to hold the shares.

Aroundtown, a German-listed real estate company, also contributed. The company reported higher than expected earnings and reiterated its expectation for strong future growth. Lazard are maintaining their position. Japan-listed Financial Products Group enhanced the quarter's results. The company reported a new share repurchase program and an increased dividend. The company also announced plans to maintain its high return on equity. The fund manager continues to hold the shares.

Cambrex, a US-listed pharmaceutical supplier, detracted, posting sales and profits below expectations and reducing its sales outlook. The company announced the completion of two strategic acquisitions, however, that are accretive to future growth by expanding the company's addressable market opportunities and diversifying its business, so Lazard are retaining their position.

Core Laboratories, a US-listed provider of patented technology used in reservoir management, also detracted during the quarter. The company reported stronger than expected third quarter sales and profits but issued fourth-quarter guidance below expectations. The energy sector's overall weakness weighed on performance as well. Nevertheless, Lazard continue to own the shares.

Malibu Boats, a US-listed specialty designer and manufacturer of boats used for water skiing and wake surfing, further undermined performance. The company had previously reported strong third-quarter earnings, and the fund manager continues to hold the shares, but the shares pulled back as sales data for the powerboat industry disappointed.

Market Commentary

Global equities fell back in the fourth quarter of 2018. Concerns that the earnings cycle has peaked, worries over increasing interest rates, and ongoing geopolitical conflict drove a broad global equity market retreat. More cyclical sectors such as energy, industrials, and materials underperformed relative to defensive sectors such as utilities and real estate. Among national and regional markets, Japan outperformed in relative terms, even though it declined in absolute terms, while the United States and United Kingdom were laggards.

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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