

Lazard Global Small Cap

Quarterly Investment Option Update

31 March 2019

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

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	5.7
Consumer Staples	13.9
Energy	0.7
Financials	2.9
Health Care	11.6
Industrials	11.0
Information Technology	19.9
Materials	13.0
Real Estate	4.9
Top Holdings	%
Communication Services	10.8
Real Estate	10.9
Health Care	10.5
Industrials	1.8
Dalata Hotel	1.7
MKS Instruments	1.7
Armstrong World	1.7
PacWest Bancorp	1.6
Altus	1.6
Steven Madden	1.6
Clinigen	1.6

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

Investment Option Commentary

The portfolio benefited from stock selection in industrials and energy, which was offset by stock selection in health care and information technology. By geography, stock selection in Japan and Continental Europe was good while stock selection in the United Kingdom was poor.

MKS Instruments, a US-listed industrial semiconductor supplier, contributed to performance during the quarter. MKS reported above-consensus results and guidance. Positive broker notes and potential synergies with a recent acquisition also were received favorably by the market. We continue to own shares. Technopro, a Japan-listed engineer-staffing company, also enhanced the quarter's results. Technopro delivered strong organic revenue growth and profits in the first half of its fiscal year. Lazard are maintaining their position.

PGT Innovations, a US-listed manufacturer of specialty windows and doors, detracted. Although the company posted better-than-expected fourth quarter numbers, it guided lower than market forecasts. Nevertheless, after speaking with management we believe the thesis is still intact.

Financial Products Group, a Japan-listed provider of operating lease investment products for tax purposes, detracted from performance during the quarter. The company reported results below market expectations. After the disappointing results, we visited management in Tokyo to reaffirm their investment thesis and continue to hold the shares.

Market Commentary

After a difficult end to 2018, global equities rallied on better-than-anticipated earnings and improved political sentiment. The US market set the pace as positive news flow on trade talks and the Federal Reserve's commentary on rates outweighed an earnings slowdown and soft macroeconomic data. The lack of a consensus on the path of Brexit legislation continued to weigh on UK and Continental Europe sentiment, as did the prospect of an increased consumption tax in Japan. OPEC production cuts, plus Iran and Venezuela sanctions, pushed oil prices higher. In this environment, both secular and cyclical growers such as information technology and energy outperformed, while defensives such as consumer staples underperformed.

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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