

Lazard Global Small Cap

Quarterly Investment Option Update

31 March 2022

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

Investment Option Overview

Investment Category	Global Shares
Suggested Investment timeframe	5+ years
Relative risk rating	7 / Very high
Investment style	Small Cap – Value
Manager style	Single Manager

Asset Allocation	Benchmark (%)	Actual (%)
Global Shares	100%	97.1
Cash	0%	2.9

Sector Allocation	%
Communication Services	2.3
Consumer Discretionary	11.7
Consumer Staples	5.2
Energy	3.7
Financials	14.1
Health Care	10.0
Industrials	20.7
Information Technology	10.7
Materials	5.5
Real Estate	10.4
Utilities	2.9
Cash	2.9

Regional Allocation	%
Europe ex UK	21.5
UK	6.1
North America	58.3
Japan	9.4
Asia Pacific ex Japan	1.0
Emerging Markets	0.8
Cash	2.9

Top Holdings	%
Commerce Bancshares	3.0
East West Bancorp	2.7
Cactus	2.3
Bankinter	1.9
Curtiss-Wright	1.8
Envista	1.7
Italgas	1.6
Carlisle Companies	1.6
National Storage Affiliates	1.5
MKS Instruments	1.5

Investment Option Commentary

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

Cactus, a US-listed manufacturer of wellhead and pressure control equipment, contributed positively to relative performance in the period. The shares benefitted from better-than-expected quarterly results, increased capital returns to shareholders, and industry tailwinds from higher energy prices.

Bankinter, a Spain-listed bank, contributed positively to relative performance in the period. The shares rose alongside the release of strong quarterly results and a more favourable rate environment for banks.

Dermapharm, a Germany-listed pharmaceutical company, detracted from relative performance in the period. The share price fell alongside the release of quarterly results that included a modestly less optimistic outlook for growth and profitability than some investors expected. After benefiting strongly from its COVID-19 vaccine operations (in partnership with BioNTech) over the last two years, some investors are re-basing forward growth estimates.

JD Sports Fashion, a U.K.-listed branded footwear and apparel retailer, continued to be weak following a share sale by the Executive Chairman and news that the company would delay releasing its full year results. The results are being delayed to facilitate reporting on a divestment and to review the ongoing process of splitting the Chairman and CEO roles.

Market Commentary

Global small cap markets fell in the quarter and Russia’s February invasion of Ukraine exacerbated investor concerns regarding central bank policy, yields, and inflation. Stocks in the energy sector rose significantly, leading the MSCI World Small Cap Index by over 4,000 basis points, while those in the materials and utilities sectors also outperformed. Stocks in the health care, information technology, and consumer discretionary sectors materially underperformed. Regionally, Continental Europe and the UK were significant laggards while energy and material heavy geographies such as Canada and Australia outperformed strongly. In general, higher-quality companies (i.e., top-half return on equity) (ROE) underperformed.

Outlook

Lazard Asset Management is deeply disturbed by the humanitarian tragedy unfolding in Ukraine. The Ukrainian people are suffering through an unspeakable crisis following Russia’s invasion. The conflict has likely killed thousands of civilians, injured many more, and displaced millions. Our thoughts are with the people of Ukraine.

Although Russia’s invasion of Ukraine continues to draw condemnation and reprisals from around the world, an already deeply troubling situation appears to be getting uglier. Alongside the growing humanitarian crisis, the war’s myriad effects continue to increase market volatility. Higher inflation, increased commodity and energy prices, supply chain disruptions, a stronger U.S. dollar, rising rates, weaker global demand, and central bank reactions are all factors that investors must consider in the months and quarters ahead.

Thus far, Lazard have not made material changes to the portfolio in response these risks. Lazard are opportunistically adding to holdings of companies that they believe have been disproportionately impacted by recent market volatility, but whose fundamentals remain strong in our view. At the portfolio construction level, Lazard continue to take a balanced approach to mitigate top-down risks while emphasizing idiosyncratic, or stock specific, risks. Lazard continue to work closely with the firm’s Risk Management and Legal and Compliance Teams to assess, and when necessary, react, to the evolving situation. The portfolio has no holdings in Russian securities, and Lazard estimate the underlying revenue exposure of portfolio companies is less than 1% overall. Relative the MSCI World Small Cap index, the portfolio currently trades at a moderate valuation discount (forward P/E) and a significant return premium (forward ROE) with lower debt ratios. As such, Lazard believe it remains well positioned to capitalize on recent market volatility.

Availability

Product name	APIR
SignatureSuper*	AMP1736AU
SignatureSuper Allocated Pension*	AMP1748AU

* Closed to new investors

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