

**World Class Companies**  
Bigger does not necessarily mean better

**Historical Performance of Small Caps**  
Global small indices have outperformed large-cap indices

**Large Opportunity Set**  
A dedicated small cap team to find investment opportunities

### Fund Facts

Number of stocks	89
Total Fund Size	\$290m
Inception Date	13 December 2002
Total Management Costs	W Class: 1.12% p.a.
Index	MSCI World Small Cap
Minimum Investment	\$20,000
Buy/Sell Spread	+0.25%/-0.25%
Distributions	Annually
APIR Code	LAZ0012AU

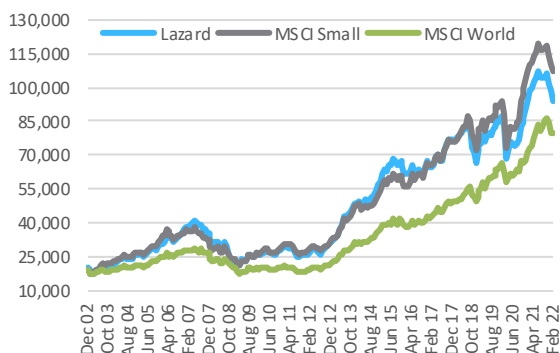
### Investment Characteristics

	Lazard	Index
Forward Price/Earnings	15.9	17.4
Forward Return on Equity (%)	14.1	10.9
Price/Cash Flow	11.3	11.4
Weighted Average Market Cap (\$m)	6,978	6,156
Active Share (%)	96.7	-
3 Year Turnover (% pa)	58.9	-

### Performance<sup>1</sup> (%)

	Lazard	Index	Excess Return
1 Month	-4.4	-2.5	-1.9
3 Months	-11.7	-9.5	-2.3
1 Year	-0.3	0.3	-0.7
3 Years (pa)	7.8	9.6	-1.8
5 Years (pa)	7.3	10.1	-2.8
10 Years (pa)	12.7	13.7	-1.1
Since Inception (pa)	8.3	9.3	-0.9

### Growth of \$20,000<sup>1</sup>



### Allocations (%)

Sector	Lazard	Index	Overweight/underweight
Communication Services	2.3	3.1	-0.9
Consumer Discretionary	11.7	12.2	-0.4
Consumer Staples	5.2	4.4	0.8
Energy	3.7	5.0	-1.4
Financials	14.1	13.6	0.5
Health Care	10.0	9.8	0.2
Industrials	20.7	18.7	2.0
Information Technology	10.7	11.9	-1.2
Materials	5.5	7.9	-2.4
Real Estate	10.4	10.4	0.0
Utilities	2.9	2.9	0.0
Other	-	-	-
Cash	2.9	-	2.9
<b>Region</b>			
Europe ex UK	21.5	13.5	8.0
United Kingdom	6.1	6.2	0.0
North America	58.3	63.8	-5.5
Japan	9.4	9.7	-0.4
Asia Pacific ex Japan	1.0	5.7	-4.6
Middle East	-	1.2	-1.2
Emerging Markets	0.8	0.0	0.8
Cash	2.9	-	2.9

### Top 5 Holdings (%)

	Lazard	Index
Commerce Bancshares	3.0	0.1
East West Bancorp	2.7	0.1
Cactus	2.3	0.0
Bankinter	1.9	0.1
Curtiss-Wright	1.8	0.1

<sup>1</sup> Performance is presented net of W Class fees, please refer to [www.lazardassetmanagement.com](http://www.lazardassetmanagement.com) for performance of the I Class.

Investments can go up and down. Past performance is not necessarily indicative of future performance. Net returns are quoted after the deduction of Management Costs. Performance assumes reinvestment of all distributions.

## Market Overview

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.

## Commentary

The Lazard Global Small Cap Equity Fund underperformed the MSCI World Small Cap Index (the "Index") in the quarter due to negative impact from both allocation and stock selection. Negative allocation impact was caused mainly by the Fund's underweights in the energy and materials sectors as well its overweight in Continental Europe. On a more granular basis (i.e., based on the sixty-nine MSCI GICS industries rather than twelve sectors), most of the negative attribution in the period was due to the portfolio's limited exposure to both fossil fuel (i.e., MSCI GICS industry "Oil, Gas, and Consumable Fuels") and metals & mining companies.

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

Bankinter (financials) – 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 favorable rate environment for banks.

Dermapharm (health care) – 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.

Shares of JD Sports Fashion (consumer discretionary) – 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.

## 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, we have not made material changes to the portfolio in response to these risks. We are opportunistically adding to holdings of companies that we believe have been disproportionately impacted by recent market volatility, but whose fundamentals remain strong in our view. At the portfolio construction level, we continue to take a balanced approach to mitigate top-down risks while emphasizing idiosyncratic, or stock specific, risks. We 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 we estimate the underlying revenue exposure of portfolio companies is less than 1% overall. Relative to 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, we believe it remains well positioned to capitalize on recent market volatility.

For more information, call us on 1800 825 287  
or visit [www.lazardassetmanagement.com](http://www.lazardassetmanagement.com)

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