

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	85
Total Fund Size	\$231.8m
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

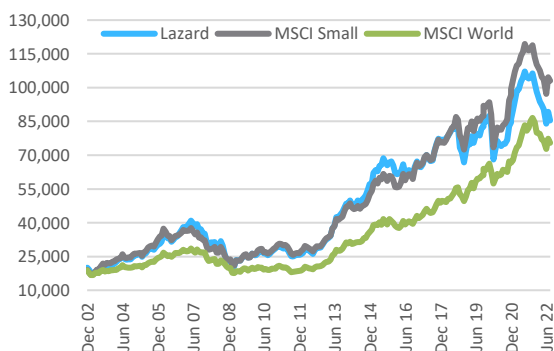
Investment Characteristics

	Lazard	Index
Forward Price/Earnings	12.6	15.4
Forward Return on Equity (%)	15.3	11.1
Price/Cash Flow	9.6	10.0
Weighted Average Market Cap (\$m)	7,793	5,831
Active Share (%)	96.7	-
3 Year Turnover (% pa)	57.0	-

Performance¹ (%)

	Lazard	Index	Excess Return
1 Month	-4.3	-1.5	-2.8
3 Months	-5.6	-0.6	-5.0
1 Year	-20.3	-13.7	-6.7
3 Years (pa)	2.7	6.5	-3.8
5 Years (pa)	4.7	8.6	-3.8
10 Years (pa)	11.9	13.6	-1.8
Since Inception (pa)	7.6	8.8	-1.2

Growth of \$20,000¹



Allocations (%)

Sector	Lazard	Index	Overweight/underweight
Communication Services	1.1	2.8	-1.8
Consumer Discretionary	12.6	12.1	0.5
Consumer Staples	5.9	4.8	1.1
Energy	4.9	5.4	-0.5
Financials	13.6	14.0	-0.4
Health Care	12.5	10.9	1.7
Industrials	18.7	18.7	0.0
Information Technology	10.7	11.3	-0.6
Materials	4.8	7.4	-2.6
Real Estate	10.0	9.4	0.6
Utilities	3.6	3.1	0.5
Other	-	-	-
Cash	1.6	-	1.6
Region			
Europe ex UK	19.0	11.9	7.2
United Kingdom	5.2	5.6	-0.4
North America	59.6	64.7	-5.2
Japan	10.8	10.8	0.0
Asia Pacific ex Japan	1.4	5.8	-4.4
Middle East	-	1.2	-1.2
Emerging Markets	2.4	0.0	2.4
Cash	1.6	-	1.6

Top 5 Holdings (%)

	Lazard	Index
Commerce Bancshares	3.4	0.1
East West Bancorp	3.0	0.1
Curtiss-Wright	2.1	0.1
Icon	2.0	0.0
Envista	1.8	0.1

¹ Performance is presented net of W Class fees, please refer to 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 equities gave back some of July's strong gains in August as investors continued to assess the path of inflation, interest rates, economic growth, and central bank policy. The annual Jackson Hole policy symposium served as a platform for central banks – particularly the US Federal Reserve – to reassert their commitment to fighting inflation even in the face of slowing demand.

Once again, stocks in the energy sector outperformed materially. All other sectors fell in the period. Financials and consumer staples outperformed modestly on a relative basis, while real estate and communication services lagged. Regionally, non-Japan Asia outperformed while Continental Europe and the United Kingdom were notable laggards. Fossil fuel stocks continued to outperform significantly, alongside deep-value, low-quality stocks in other industries. As has been the case year-to-date, both dynamics served as a headwind to portfolio performance during the month.

Commentary

The Lazard Global Small Cap Equity Fund underperformed the MSCI Global Small Cap Index (“the Index”) this month. Allocation impact was roughly neutral on a sector basis and detracted on a regional basis due mainly to the portfolio's overweight in Continental Europe. Stock selection impact also detracted from relative performance in the month.

Shares of JAFCO (financials) – a Japan-listed venture capital firm – performed well in the period following the disclosure of a large shareholding by an activist investor. The portfolio continues to hold the shares.

Shares of Sterling Check (industrials) – a US-listed background check and identity verification services provider – rose in the period alongside the release of strong quarterly results and an optimistic outlook from corporate management. The portfolio continues to hold the shares.

Shares of Crayon (information technology)—a Norway-listed value-added software reseller—gave back strong gains from July following the release of a mixed set of quarterly results that included weaker-than-expected profitability. As of month end, the portfolio continued to hold the shares.

Shares of CAE (industrials) – a Canada-listed aerospace and defense company – fell in the month alongside the release of weaker-than-expected quarterly results, deteriorating operations in the company's defense business, and a pessimistic near-term outlook from corporate management. The portfolio no longer holds the shares.

Portfolio Drivers

Helped

- + Stock selection in the financial sector
- + Stock selection in Japan

Hurt

- Stock selection in the information technology and health care sectors
- Stock selection in the United States and Continental Europe

Outlook

Concerns about inflation, rates, central bank policy, and economic growth remain elevated. While equity markets have trended higher since June, weakening economic data may become more noticeable in the months and quarters ahead. Despite hope among some investors that inflation has peaked, if structural pressures continue even as the economy softens, the Federal Reserve and other central banks may be slow to ease tightening measures, potentially decreasing the probability of a “soft-landing”.

In the meantime, we continue adding capital to positions, new and old, where we have the highest conviction and can do so at attractive valuations. These changes are happening across a variety of sectors, in both defensives and cyclicals. We have also increased our focus on balance sheets to ensure portfolio companies can weather a recession. Finally, we are keeping a close watch on our “wish-list” of companies to enable quick action as extraordinary buying opportunities present themselves.

For more information, call us on 1800 825 287
or visit www.lazardassetmanagement.com

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