

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	\$175.2m
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

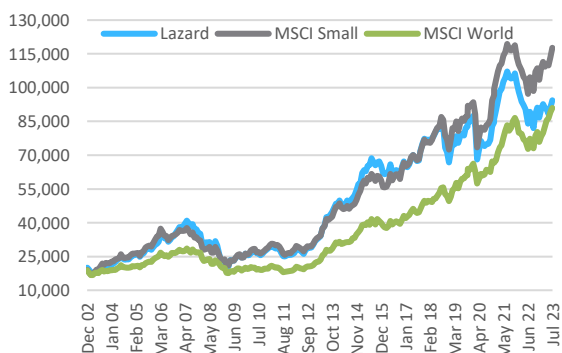
Investment Characteristics

	Lazard	Index
Forward Price/Earnings	15.3	18.2
Forward Return on Equity (%)	14.1	9.9
Price/Cash Flow	10.6	9.4
Weighted Average Market Cap (\$m)	9,327	6,300
Active Share (%)	97.2	-
3 Year Turnover (% pa)	52.3	-

Performance¹ (%)

	Lazard	Index	Excess Return
1 Month	3.4	3.6	-0.3
3 Months	4.2	6.3	-2.1
1 Year	5.7	12.4	-6.7
3 Years (pa)	8.4	13.1	-4.7
5 Years (pa)	2.9	7.3	-4.4
10 Years (pa)	8.3	10.9	-2.6
Since Inception (pa)	7.8	9.1	-1.3

Growth of \$20,000¹



Allocations (%)

Sector	Lazard	Index	Overweight/underweight
Communication Services	1.9	3.0	-1.1
Consumer Discretionary	14.1	13.2	0.9
Consumer Staples	6.7	4.6	2.1
Energy	5.5	5.1	0.4
Financials	12.2	14.1	-1.9
Health Care	11.9	10.3	1.6
Industrials	19.2	19.8	-0.6
Information Technology	12.1	11.6	0.5
Materials	4.4	7.3	-2.9
Real Estate	8.1	8.2	-0.1
Utilities	2.8	2.8	-
Other	-	-	-
Cash	1.1	-	1.1
Region			
Europe ex UK	13.1	12.7	0.4
United Kingdom	5.7	5.5	0.2
North America	61.7	64.1	-2.4
Japan	10.6	11.4	-0.8
Asia Pacific ex Japan	1.3	5.3	-4.0
Middle East	1.9	1.0	0.9
Emerging Markets	4.5	-	4.5
Cash	1.2	-	1.2

Top 5 Holdings (%)

	Lazard	Index
Commerce Bancshares	2.7	0.1
Middleby	2.0	0.1
Cactus	1.8	-
Helen of Troy	1.7	-
Envista	1.7	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 rose strongly in the month. Stocks in more cyclical sectors such as energy, financials, and consumer discretionary outperformed on a relative basis, while those in more defensive sectors such as health care, utilities, and consumer staples lagged. Geographically, the United Kingdom led somewhat on a relative basis as Continental Europe trailed.

Commentary

The Lazard Global Small Cap Equity Fund rose on an absolute basis, but modestly underperformed the MSCI Global Small Cap Index (net of fees) in the period. Stock selection was roughly neutral while allocation detracted.

Shares of Helen of Troy (consumer discretionary), a US-listed personal care and household products manufacturer, performed well during the month after the release of better-than-expected quarterly results. Continued investor optimism on the corporate management's outlook for the company also boosted the stock price. The portfolio continues to hold the shares.

Shares of Comerica (financials), a US-listed bank, continued to perform well after the release of better-than-feared quarterly results. The portfolio continues to hold the shares.

Shares of Trisura (financials), a Canada-listed property and casualty insurer, fell amid increased industry-wide concerns regarding counterparty exposure following fraud allegations against a competitor's reinsurer. The portfolio continues to hold the shares.

Shares of SeSa (information technology), an Italy-listed value-added information technology solutions provider, gave back in July the gains it posted in June amid investor concerns over the company's cash flow as it continues to invest heavily in mergers and acquisitions and capital expenditures. Worries overshadowed the release of quarterly results that were in line with analysts' expectations. The portfolio continues to hold the shares.

Helped

- + Stock selection in the healthcare and energy sectors

- + Stock selection in the United States

Hurt

- Stock selection in the financial and real estate sectors

- Stock selection in Canada

Outlook

Despite many major central banks moving closer to what is expected to be a peak in policy rates, significant uncertainty about the global economic outlook is likely to persist in the near term as growth and inflation may only weaken gradually. However, we believe small-cap stocks have largely discounted this uncertainty and remain highly attractive from a fundamental point of view. As measured by the MSCI World Small and Large Cap indices, small caps continue to trade at a rare valuation discount to large caps on a forward price-earnings (P/E) basis. This dislocation has widened significantly so far this year, particularly in the US where the disproportionate outperformance of mega- and large-cap stocks has been most pronounced. We would not be surprised to see this dynamic reverse given that large-caps trade at valuations above their long-term historical averages while those of small-caps remain well below.

Furthermore, we believe our relative value approach that focuses on stocks of high-quality companies (e.g., high cash flow return on investment, return on equity, etc.) trading at attractive valuations (e.g., high free-cash-flow yield, low P/E, etc.) is well suited for both a higher rate environment as well as the secular de-globalization trend. We believe higher rates will expose weaker business models that have benefited from cheap capital and force valuation discipline among more speculative-minded investors. In addition, as companies continue to push towards localization, we believe smaller companies with domestic expertise, assets, and market share will be well placed to benefit from this dynamic.

For more information, call us on 1800 825 287
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