

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	84
Total Fund Size	\$175.5m
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

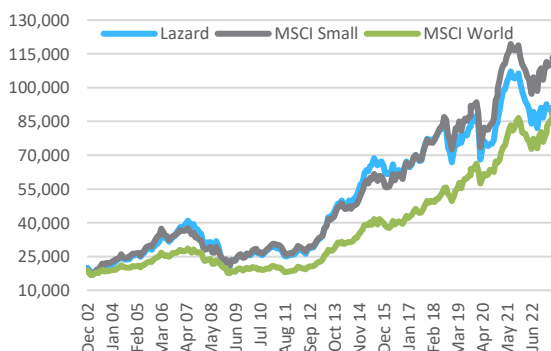
Investment Characteristics

	Lazard	Index
Forward Price/Earnings	14.0	17.4
Forward Return on Equity (%)	14.5	10.0
Price/Cash Flow	10.1	9.0
Weighted Average Market Cap (\$m)	9,152	6,137
Active Share (%)	97.3	-
3 Year Turnover (% pa)	51.6	-

Performance¹ (%)

	Lazard	Index	Excess Return
1 Month	3.3	3.3	0.0
3 Months	0.4	3.9	-3.4
1 Year	8.7	16.7	-8.0
3 Years (pa)	6.8	11.7	-4.9
5 Years (pa)	2.2	6.6	-4.4
10 Years (pa)	9.0	11.4	-2.5
Since Inception (pa)	7.7	9.0	-1.3

Growth of \$20,000¹



Allocations (%)

Sector	Lazard	Index	Overweight/Underweight
Communication Services	1.9	3.0	-1.1
Consumer Discretionary	12.9	13.0	-0.1
Consumer Staples	7.2	4.7	2.5
Energy	4.6	4.8	-0.2
Financials	12.3	13.5	-1.2
Health Care	11.2	10.8	0.4
Industrials	20.0	20.1	-0.1
Information Technology	12.6	11.6	1.0
Materials	4.1	7.3	-3.2
Real Estate	8.4	8.3	0.1
Utilities	2.9	2.9	-
Other	-	-	-
Cash	1.9	-	1.9
Region			
Europe ex UK	13.4	12.9	0.5
United Kingdom	5.9	5.4	0.5
North America	59.9	63.9	-4.0
Japan	10.5	11.5	-1.0
Asia Pacific ex Japan	1.3	5.3	-4.0
Middle East	2.1	1.0	1.1
Emerging Markets	5.1	-	5.1
Cash	1.8	-	1.8

Top 5 Holdings (%)

	Lazard	Index
Commerce Bancshares	3.0	0.1
Middleby	1.9	0.1
Atkore	1.8	0.1
Italgas	1.7	-
Envista	1.6	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 markets continued to rise in the second quarter amid softer inflation, a “skip” in interest rate hikes by the US Federal Reserve, and a more resilient US economy.

Stocks in the information technology, healthcare, and industrial sectors outperformed on a relative basis in the period, while those in the communications services, materials, and real estate sectors were notable laggards. On a geographic basis, the US outperformed, while other regions lagged. Small cap stocks materially underperformed their large cap peers in the period and continued to trail significantly year-to-date.

Commentary

The portfolio underperformed the MSCI World Small Cap Index (net of fees, in Australian dollar terms) in the period as positive allocation was more than offset by negative stock selection. Stock selection in healthcare accounted for largest portion of negative attribution. Several holdings in this sector faced idiosyncratic challenges in the quarter that detracted from relative performance. For the most part, we continue to believe in the investment theses that underpin these holdings and maintained or added to these positions.

Helen of Troy, a US-listed personal care and household products manufacturer, performed well during the period. The share price bounced back strongly in the second quarter following a challenging performance in the first quarter. Better-than-feared quarterly results, clarity on executive succession plans, and a more-optimistic-than-expected outlook for next year from corporate management all worked to improve investor sentiment. The portfolio continues to hold the shares.

Stevanato, a US-listed manufacturer of drug containment (e.g., vials) and delivery (e.g., syringes) systems, performed well in the period. The share price continued to rise after reporting quarterly results that were in line with market expectations and a strong orderbook. The stock was also boosted by investor optimism on the demand potential for obesity and Type II diabetes-related drugs (e.g., glucagon-like peptide-1 known as GLP-1) and delivery systems (e.g., auto and pen injectors). The portfolio continues to hold the shares.

Catalent, a US-listed contract development and manufacturing organization (CDMO) serving the pharmaceutical industry, performed poorly in the period. The share price fell following the announcement of further operational issues at three facilities, the unexpected departure of the company’s chief financial officer, a dropped takeover bid from an industry peer, and the delayed release of quarterly results. The portfolio no longer holds the shares.

Envista, a US-listed leading manufacturer of dental implants, orthodonture products (brackets & wires, clear aligners), consumable products, and equipment, performed poorly in the period. The share price fell after the release of weaker-than-expected quarterly results due to demand headwinds in emerging markets and soft equipment volumes. The portfolio continues to hold the shares.

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. Less synchronization in policy and economic outlook appears likely in the short term. That is highlighted recently by central banks in several developed markets restarting or increasing the pace of their hiking cycles, even as the Fed held rates steady (albeit with indications that future increases are likely). As a result, the divergence among global small cap equity markets may increase, providing more attractive opportunities for fundamental active managers.

For more information, call us on 1800 825 287
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