

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	\$169m
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

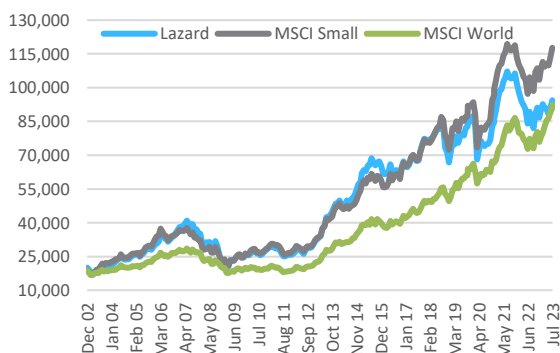
Investment Characteristics

	Lazard	Index
Forward Price/Earnings	14.8	17.7
Forward Return on Equity (%)	14.3	10.0
Price/Cash Flow	10.2	9.5
Weighted Average Market Cap (\$m)	9,490	6,438
Active Share (%)	97.0	-
3 Year Turnover (% pa)	53.2	-

Performance¹ (%)

	Lazard	Index	Excess Return
1 Month	0.1	0.1	0.0
3 Months	6.9	7.2	-0.3
1 Year	10.6	14.3	-3.7
3 Years (pa)	8.0	12.2	-4.2
5 Years (pa)	2.3	6.2	-4.0
10 Years (pa)	8.3	11.1	-2.8
Since Inception (pa)	7.8	9.1	-1.3

Growth of \$20,000¹



Allocations (%)

Sector	Lazard	Index	Overweight/underweight
Communication Services	1.8	3.0	-1.2
Consumer Discretionary	13.4	13.1	0.3
Consumer Staples	8.3	4.8	3.5
Energy	5.8	5.3	0.5
Financials	11.9	14.0	-2.1
Health Care	11.4	10.1	1.3
Industrials	19.9	20.0	-0.1
Information Technology	10.8	11.6	-0.8
Materials	4.0	7.3	-3.3
Real Estate	7.7	8.2	-0.5
Utilities	2.9	2.6	0.3
Other	-	-	-
Cash	2.1	-	2.1
Region			
Europe ex UK	13.1	12.6	0.5
United Kingdom	5.6	5.5	0.1
North America	61.0	63.8	-2.8
Japan	10.6	11.9	-1.3
Asia Pacific ex Japan	1.3	5.2	-3.9
Middle East	1.9	1.0	0.9
Emerging Markets	4.4	-	4.4
Cash	2.1	-	2.1

Top 5 Holdings (%)

	Lazard	Index
Commerce Bancshares	2.5	0.1
Cactus	1.9	-
Middleby	1.8	0.1
Jumbo	1.7	-
Hostess Brands	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 were flat in August. Stocks in the energy, consumer staples, and industrial sectors outperformed strongly on a relative basis, while those in the utilities, communication services, and healthcare sectors lagged. Geographically, Japan was a notable outperformer on a relative basis while most other regions saw their equities fall.

Commentary

The Lazard Global Small Cap Equity Fund performed roughly in line the MSCI Global Small Cap Index in the period. On a regional basis, stock selection and allocation both contributed marginally to relative performance. On a sector basis, stock selection detracted modestly while allocation contributed moderately.

Shares of Array Technologies (industrials), a US-listed manufacturer of mounting systems used in solar energy projects, performed well during the month after the release of a well-received quarterly results that demonstrated better-than-expected profitability development. The portfolio continues to hold the shares.

Shares of Hostess (consumer staples), a US-listed baked goods manufacturer, performed well amid press speculation regarding possible bids for the company from industry peers. The portfolio continues to hold the shares.

Shares of AbCellera (healthcare), a US-listed contract research organization that offers antibody discovery services, fell after the release of lower-than-expected quarterly earnings. Concerns over the industry-wide demand outlook for research and development (R&D) also hurt the stock amid a softer economic environment. The portfolio continues to hold the shares.

Shares of ZoomInfo Technology (communication services), a US-listed sales and marketing data provider, fell after the release of lower-than-expected quarterly earnings and a more cautious near-term outlook from corporate management. The portfolio continued 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. 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 United States 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 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
or visit www.lazardassetmanagement.com

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