LAZARD
ASSET MANAGEMENT

Lazard US Small Caps:
Il piacere di lavorare con colleghi immaginari

Lorenzo Piacentini, CAIA
Director
Head of Third Party Distribution Italy

SIAT ACADEMY 2025

‘READ THE ROOM’

‘READ THE ROOM’

Previously on Lazard

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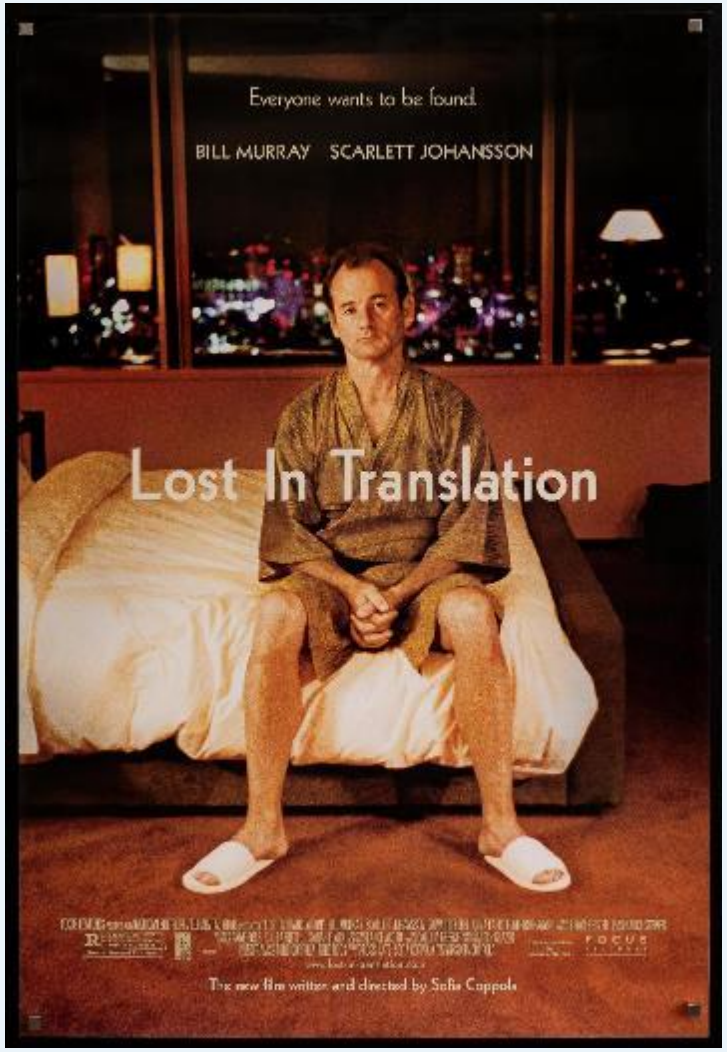

Lazard US Small Cap Equity – The Original Team

Oren Shiran

Managing Director
Portfolio Manager/Analyst
Lazard Asset Management LLC
San Francisco

Oren Shiran is a Portfolio Manager/Analyst on the Lazard Systematic Equity team. Oren began working in the investment field in 2005. Prior to joining Lazard in 2019, Oren was a co-founder and managing partner with Baylight Capital. Prior to Baylight, Oren was a founding principal at QM Capital, a fintech company founded in 2005. Prior to QM, Oren was a PhD candidate in Computational Mathematics at Stanford University. Oren has a Master's Degree in Computational Mathematics from Stanford University and a Bachelor's Degree in Electrical Engineering & Computer Science from University of California, Berkeley.

Stefan T. Tang, CFA

Director
Portfolio Manager/Analyst
Lazard Asset Management LLC
San Francisco

Stefan T. Tang is a Portfolio Manager/Analyst on the Lazard Systematic Equity team. Stefan began working in the investment field in 2005. Prior to joining Lazard in 2019, Stefan was a co-founder and managing partner with Baylight Capital. Prior to Baylight, Stefan was a founding principal at QM Capital, a fintech company founded in 2005. Prior to QM, Stefan was a PhD candidate in Computational Mathematics at Stanford University. Prior to Stanford, Stefan worked as a software developer in Germany where he developed algorithms for e-procurement applications. Stefan has a Master's Degree in Computational Mathematics from Stanford University and a Diploma in Computer Science from the Technical University of Berlin. Stefan is a CFA® charterholder.

Seavan Sternheim

Director
Client Portfolio Manager
Lazard Asset Management LLC
San Francisco

Seavan Sternheim is a Client Portfolio Manager on the Lazard Systematic Equity team. Seavan began working in the investment field in 2001. Prior to joining Lazard in 2019, Seavan was a co-founder and managing partner with Baylight Capital. Prior to Baylight, Seavan was the Chief Operating Officer at QM Capital, a fintech company. Prior to joining QM, Seavan was Vice President at SVB Financial Group where he managed a commercial banking portfolio of international venture capital and private equity firm clients. Seavan has a Master's Degree in Business from Santa Clara University and a Bachelor's degree in Finance from Lehigh University.

Automated Fundamental Analysts – The Imaginary Team

	Broad Market	Description
1	Accelerating Growth	Meaningful inflection of operating results (Aug ‘15)
2	Value	Very cheap businesses with improving operating results (Aug ‘15)
3	Inflecting Value	Deeply discounted and being reassessed by market participants (Sep ‘15)
4	Discounted Cash Flow (“DCF”)	Valuation arbitrage between simplistic multiples and quantitative real time DCF (Oct ‘17)
5	High Financial Productivity	Compelling return on investment (Oct ‘17)
6	Competitive Advantage	Sustained margin improvement and superior business metrics (Jan ‘18)
7	Discounted Quality	High-quality companies measured upon several dimensions, including valuation (Jan ‘18)
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15	Stressed Markets	Quality companies positioned to weather difficult markets (Apr ‘20)
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	Sector/Industry	Description
18	Financials	Improving balance sheet and capital allocation (Oct ‘17)
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22	Technology	Sustainable organic growth (Apr ‘18)
23	Consumer Staples	Solid growth at a discount (Oct ‘18)
24	Medical Devices	Strong intellectual property and operating results (Oct ‘18)
25	Energy	Assessment of operating metrics and capital allocation (May ‘19)

For illustrative purposes only. Information and opinions are current as of the date of this document and subject to change.
Source: Lazard

Minions Do It Better

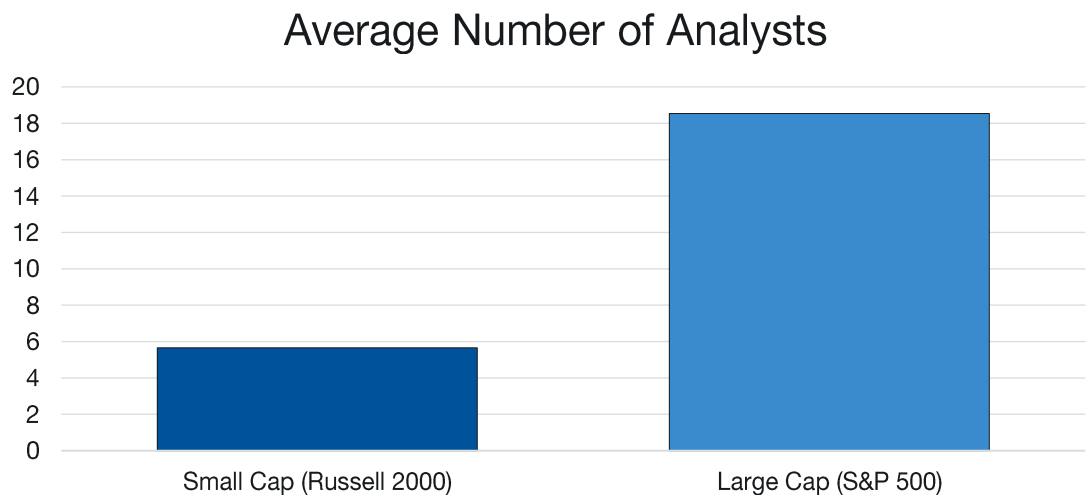
Why US Small Caps?

Smaller Companies	• Excludes the largest, most efficient part of the market • Thousands of publicly listed stocks
Diverse & Fragmented	• Representation across the entire spectrum • Twice as much M&A activity than large caps
Historically High Velocity Of Change	• Operating results can have immediate impact • Potential for outsized growth
Limited Capacity	• Fewer market participants and less research coverage • Lack of information flow
Breadth & Lack Of Concentration	• Ideal for active management • Security selection produces alpha

For illustrative purposes only. Information and opinions are current as of the date of this document and subject to change.
Sources: Lazard, FactSet.

Why US Small Caps?

1. Lack of Information Flow



Number of Analysts	Small Caps (Russell 2000)	Large Caps (S&P 500)
0	6%	0%
1-2	16%	0%
3-5	34%	1%
6-10	33%	12%
11+	11%	87%

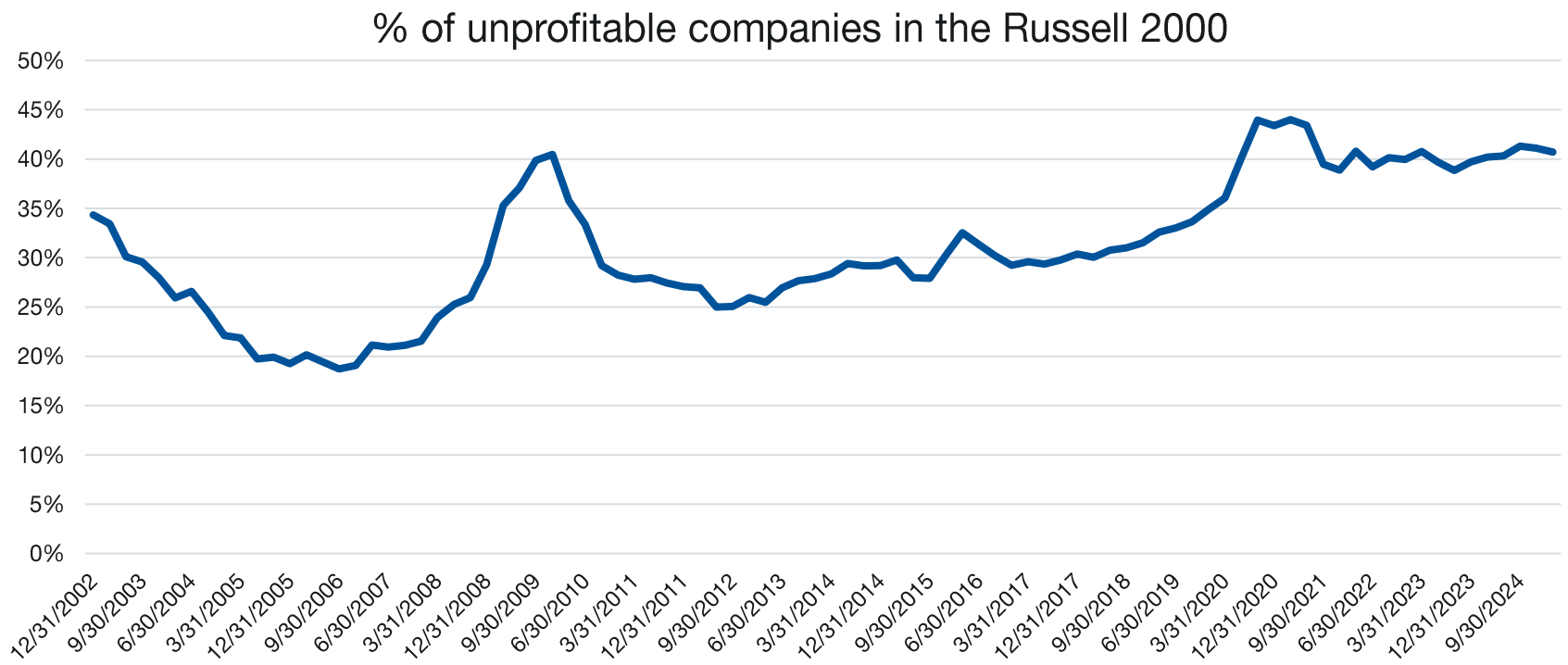
As of 11 October 2024. Based on EPS data. For illustrative purposes only.
Source: FactSet.

Limited capacity historically leads to less research coverage and inefficient markets

Why US Small Caps?

2. Security Selection is Critical

- Many high-quality companies but also many speculative and expensive companies
- Overall universe contains a large proportion of unprofitable companies

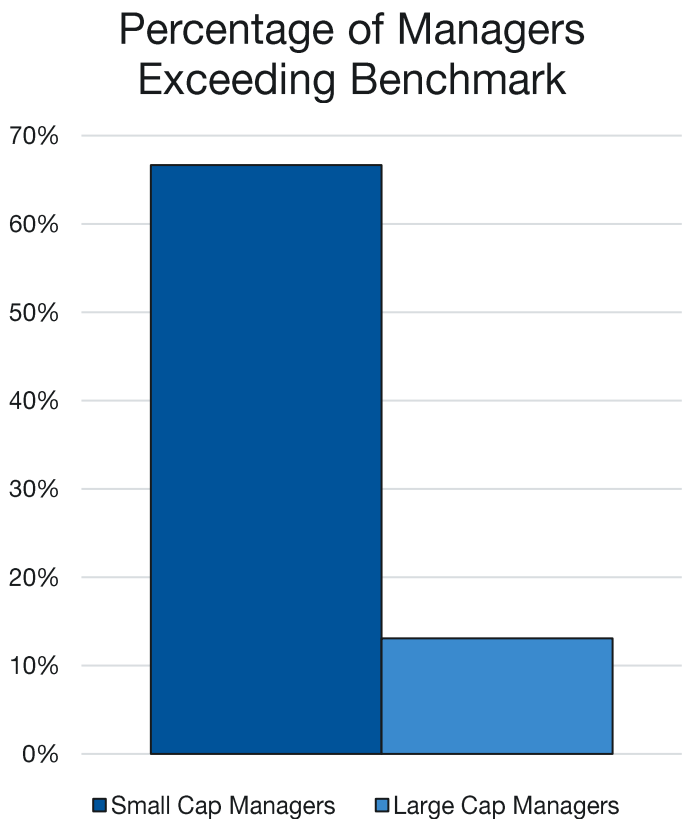


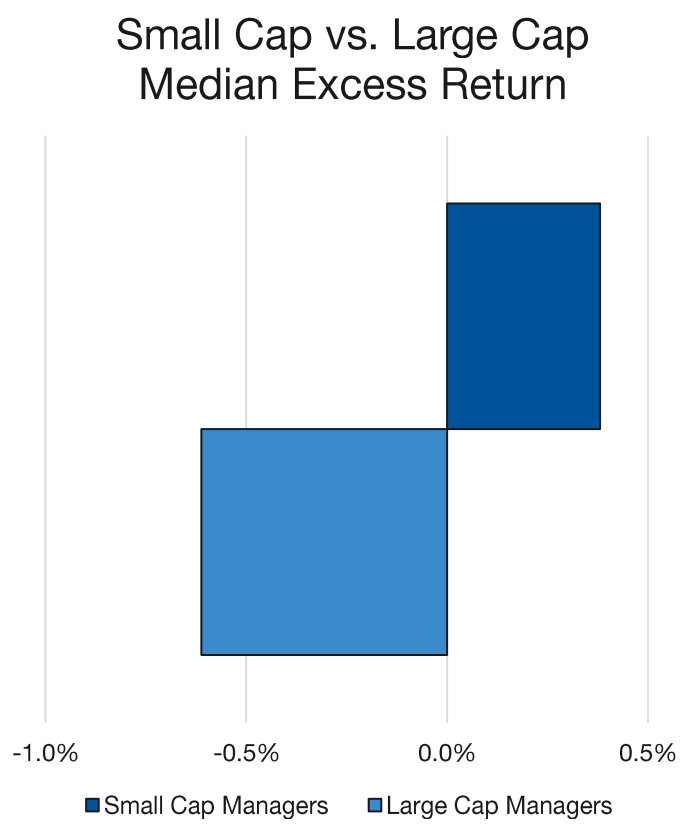
Based on data from January 2002 through March 2025.
Source: Lazard, FactSet

Active management benefits from the large and growing proportion of unprofitable companies

Why US Small Caps?

3. Security Selection Leads to Alpha





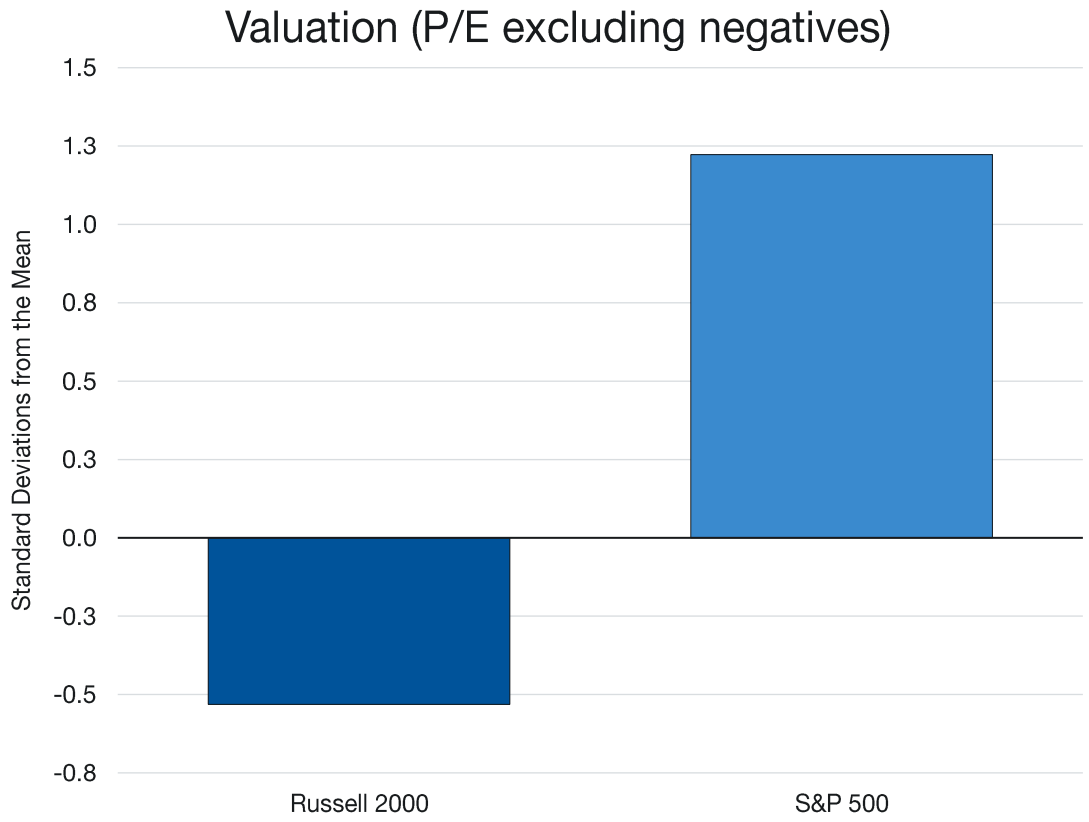
Over the last 20 years, active small cap strategies have generated more alpha than large cap strategies.

Lazard US Small Cap Equity (Long Only) strategy exceeded the Russell 2000 by ~350 bps net (~460 bps gross) annualized since inception in August 2015.

Performance through 31 March 2025 is presented net of fees basis. Net performance is calculated based on actual fees. For fee calculations, please refer to Lazard's standard fee schedule GIPS® Standards Composite Information. The performance quoted represents past performance. Past performance is not a reliable indicator of future results. Performance data from Morningstar US Fund Small Blend and US Fund Large Blend categories. Small cap uses the Russell 2000 Total Return benchmark and Large cap uses S&P 500 Total Return.
Source: Morningstar

US Small Caps vs. Big Caps

Current Market Opportunity

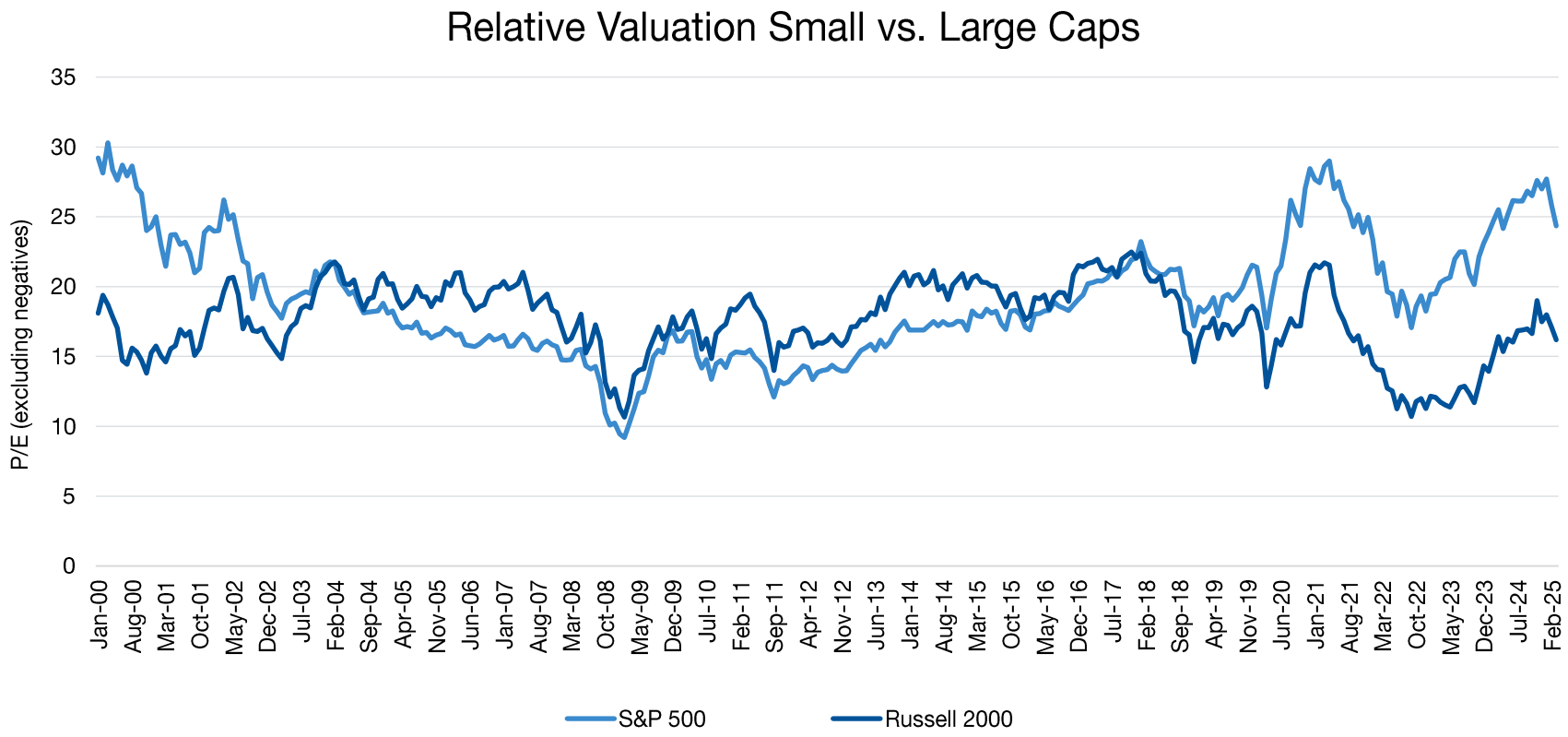


Small caps currently trade at a discount to their own history

Based on data from January 2000 through March 2025.
For illustrative purposes only.
Source: Lazard, FactSet.

US Small Caps vs. Big Caps

Current Market Opportunity



Small caps currently trading at a significant discount to large caps

Based on data from January 2000 through March 2025.
For illustrative purposes only.
Source: Lazard, FactSet.

US Small Caps vs. Big Caps

Current Market Opportunity

For illustrative purposes only. Source: Bloomberg.

How? Different Ways to Invest in US Small Caps

	Passive	Fundamental	Quantitative	Lazard
Approach	Index	Stock picking	Multi-factor	Systematic
Tracking error	-	5.85	4.12	4.58
Typical active share (%)	-	94	72	81
Typical # of holdings	2,000	75	420	400
% of Top 10	4	27	13	8
Information Ratio (net)	-	0.19	0.25	0.78
Cumulative excess return (%, net)	-	20.6	17.3	73.2
Description	Passively invests across entire universe by market cap weighting	Portfolio constructed by discretionary stock selection	Ranks stocks based on factor weights	Systematically combines multiple fundamental alpha sources

Data is from strategy inception 1 August 2015 through 31 December 2024. Median net performance metrics and portfolio characteristics from eVestment based on primary investment approaches categorized as "Quantitative" or "Fundamental" US Small Cap Core Equity strategies. Lazard pays eVestment for data and research related to industry and asset flows and peer comparisons. Lazard did not pay eVestment for its rank amongst the U.S Small Cap Core Equity Universe.
Source: eVestment, FactSet, Lazard

Lazard Systematic approach outperforms with more holdings

Minions Do It Better

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Source: Lazard

Meet & Greet

Name: Sir Dominick Charles Fairmont

Age: 67

Occupation: DCF Analyst

- **Simplicistic Multiples**: Common valuation metrics are easy to calculate but often fail to capture future growth, risk profiles, and financial health, and can be distorted by industry-specific factors
- **Quantitative Real-Time DCF**: A dynamic approach that uses detailed cash flow projections, real-time discount rate adjustments, TV estimation, and scenario analysis to provide a more accurate valuation
- **Valuation Arbitrage**: Exploiting discrepancies between simplistic multiples and quantitative real-time DCF valuations to identify investment opportunities

Name: Bob

Age: 40

Occupation: Compounders Analyst

- **High Quality & Strong Financials**
- **Consistent Earning Growth**
- **Reinvestment Opportunities**
- **Management Quality**
- **Market Positioning**
- **Resilience**

Name: Stuart

Age: 18

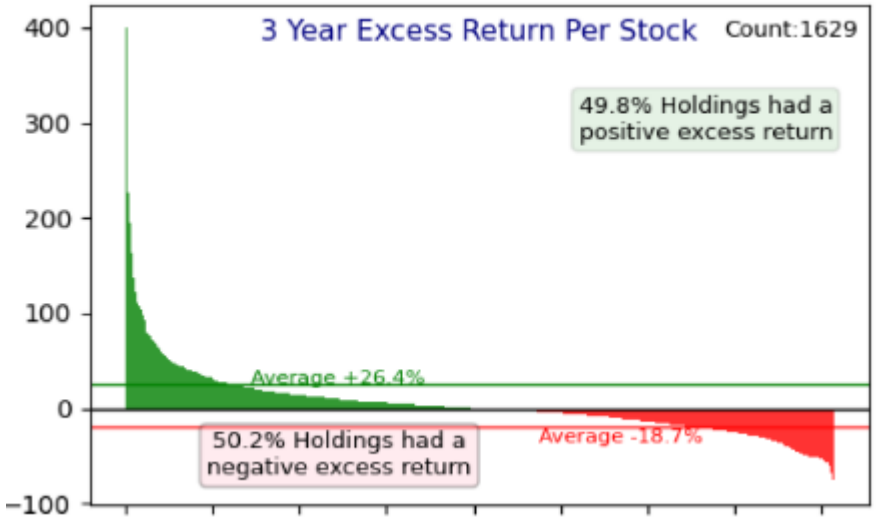
Occupation: Stressed Markets Analyst

- **Focus on Quality Companies**: Looking for strong fundamentals, durable competitive advantages and experienced management team
- **Long Term Perspective**: Stressed markets often creates short-term noise that Stuart avoids focusing on long term perspectives
- **Exploiting Valuation Discrepancies**: Working with Sir DCF, Stuart avoids irrational pricing
- **Contrarian Investing**
- **Capitalizing on Recovery**

Hit Rate Analysis

Lazard US Systematic Small Cap Equity Strategy vs Russell 2000 Index

	3 years
Number of trades	1,629
Hit rate (winners vs losers) (%)	49.8
Average winner (%)	26.4
Average loser (%)	-18.7



Winners significantly outperform the losers with a 50% hit rate

Data includes trades through 31 October 2024. Statistics shown as of the date the Systematic Equity Team commenced management of the portfolio at Lazard Asset Management. The performance quoted represents past performance. Past performance does not guarantee future results. The current performance may be lower or higher than the performance data quoted. An investor may obtain performance data current to the most recent month-end online at www.lazardassetmanagement.com. The investment return and principal value of the Portfolio will fluctuate; an investor's shares, when redeemed, may be worth more or less than their original cost. Returns reflect reimbursement of expenses as described in the prospectus. Had expenses not been reimbursed, returns would have been lower, and the expense ratio would have been higher. The analysis shows the number and percentage of portfolio holdings that outperformed and underperformed the Russell 2000 Index in the relevant period. Excess returns are shown at the stock level and as such, no fees and expenses have been applied. Excess returns on the stock level are shown on a gross of fees and expenses basis given fees and expenses are applied at the portfolio level.
Source: Lazard, Russell.

Minions Do It Better

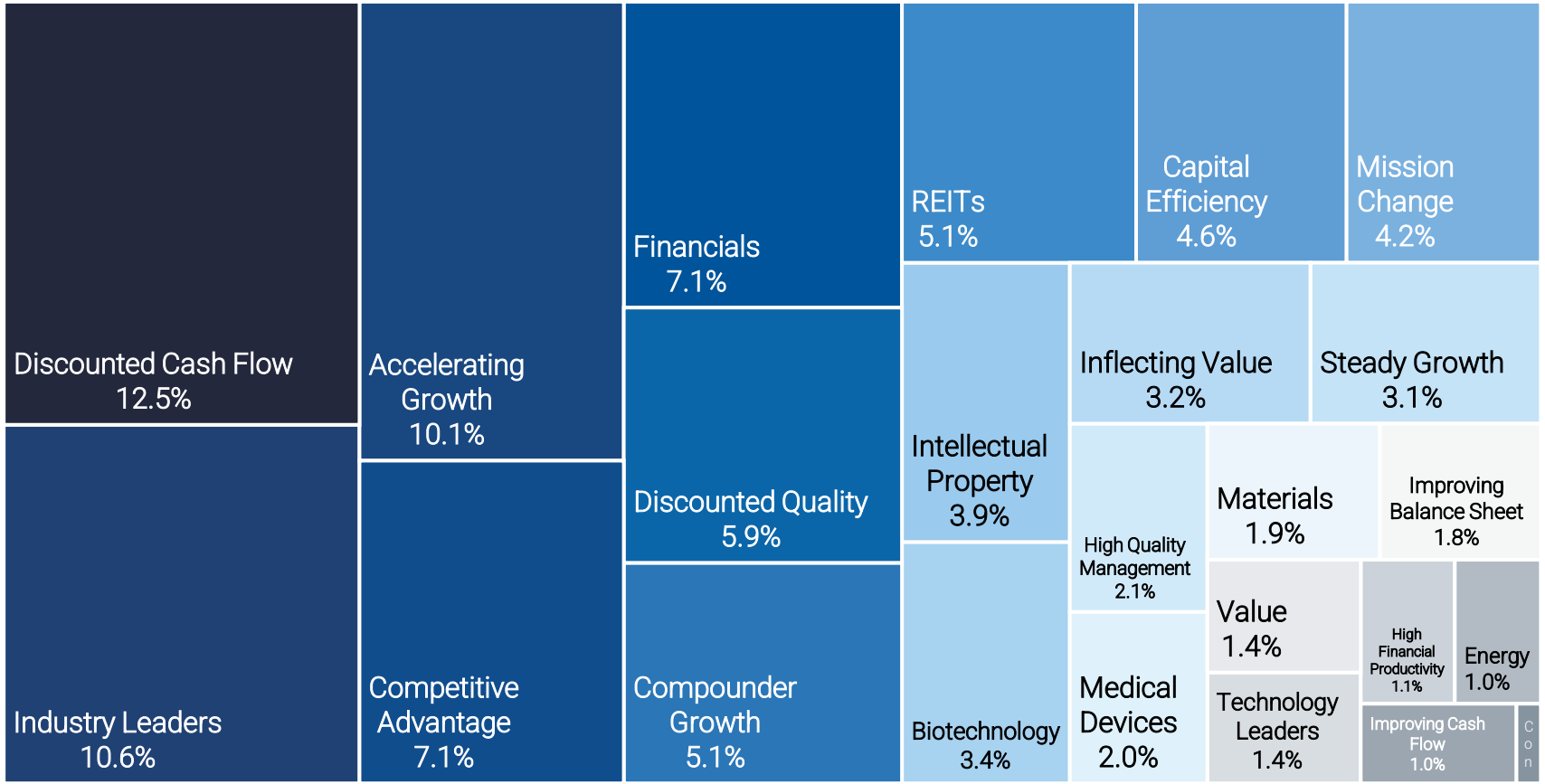
Benefits of the Multi-strategy Allocation Process

Achieving a much higher information ratio by diversifying across uncorrelated sleeves

25 Sleeves	
Avg Information Ratio	0.5
Avg Correlation	0.2
Avg # of stocks	20

↓

1 Portfolio	
Expected Information Ratio	1.1
Avg # of stocks	400
Expected Ann Excess Return	500 bps
Expected Stable Tracking Error	4.5%



Allocations, correlations, expected IR, and number of holdings are provided as an example and designed to illustrate the allocation of capital to ideas in the portfolio. There is no guarantee that Lazard will achieve these IRs or allocate capital using the exact number of stocks and allocations depicted on this slide. Lazard's investment process is presented here in sequential steps for illustrative purposes only. In practice, the process is not sequential and will, as needed, weigh certain criteria over others.
Source: Lazard

What Are The Results

Lazard US Systematic Small Cap Equity vs. Russell 2000 Index

Generated excess returns versus the Russell 2000 for 9+ years

Performance as of 30 April 2025 (%)

			Annualized		
	YTD	1 Year	3 Years	5 Years	Since Inception (1 August 2015)
Lazard US Small Cap Equity – Gross	-10.19	1.89	6.75	15.57	10.85
Lazard US Small Cap Equity - Net	-10.40	1.18	6.00	14.75	10.05
Russell 2000 Index	-11.57	0.87	3.27	9.88	6.29
Excess Return (bps) - Gross	+138	+102	+348	+569	+456
Excess Return (bps) - Net	+117	+30	+273	+487	+376

Calendar Year (%)

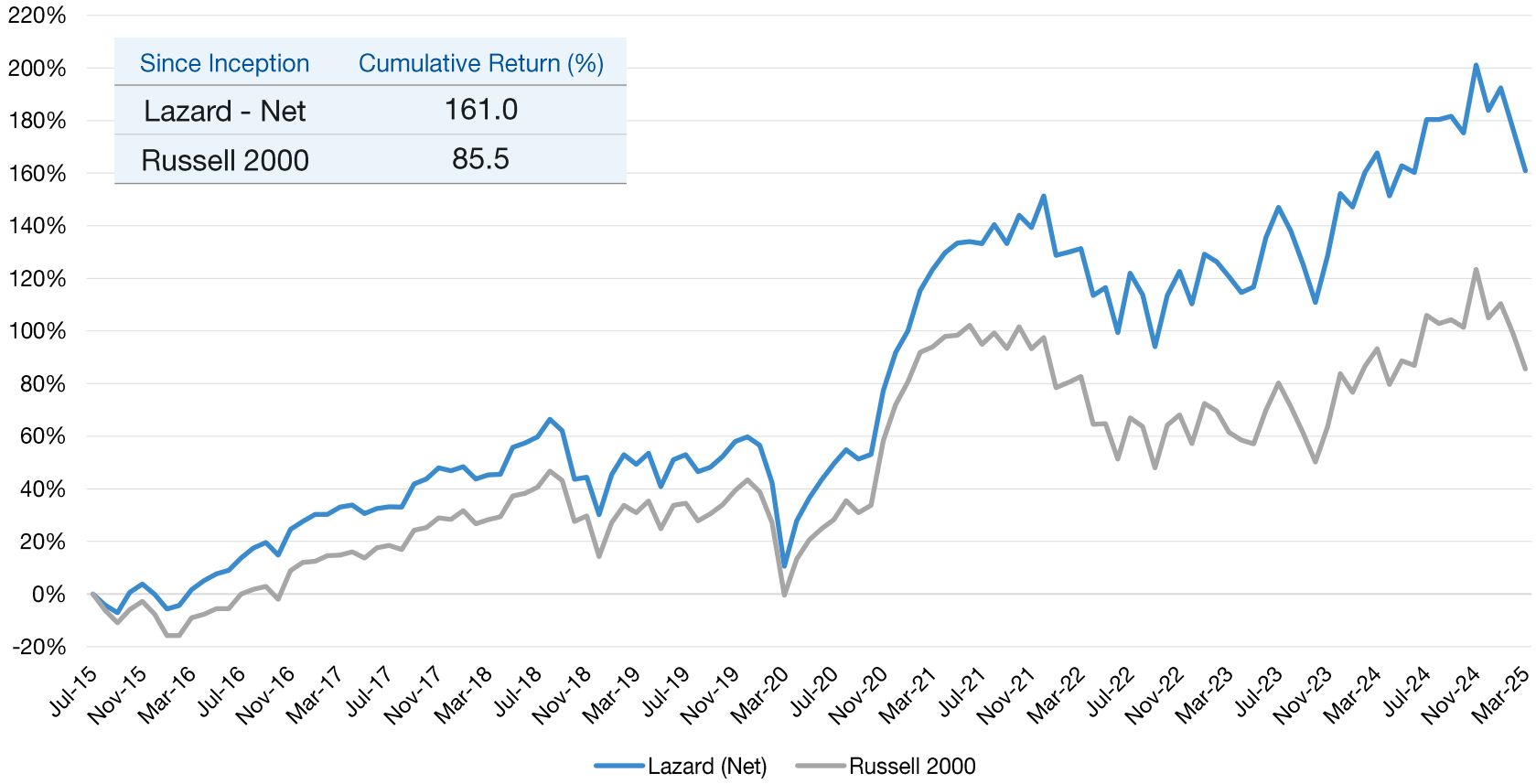
	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015[1]
Lazard US Systematic Small Cap Equity - Gross	13.32	20.82	-15.75	31.97	20.97	23.64	-10.64	15.94	28.73	0.14
Lazard US Systematic Small Cap Equity - Net	12.51	19.94	-16.42	30.65	19.70	22.37	-11.59	14.74	27.42	-0.30
Russell 2000 Index	11.54	16.93	-20.44	14.82	19.96	25.53	-11.01	14.65	21.31	-7.68
Excess Return (bps) - Gross	+179	+389	+468	+1,715	+101	-188	+37	+129	+743	+782
Excess Return (bps) - Net	+97	+301	+401	+1,583	-25	-315	-57	+9	+611	+738

1 Strategy inception 1 August 2015. As of 30 April 2025.
Reporting Currency: USD.
Performance is presented both on a gross and net of fees basis. Net performance is calculated based on actual fees. For fee calculations, please refer to Lazard's standard fee schedule GIPS® Standards Composite Information. The performance quoted represents past performance. Past performance is not a reliable indicator of future results.

Performance Review

Lazard US Small Cap Equity

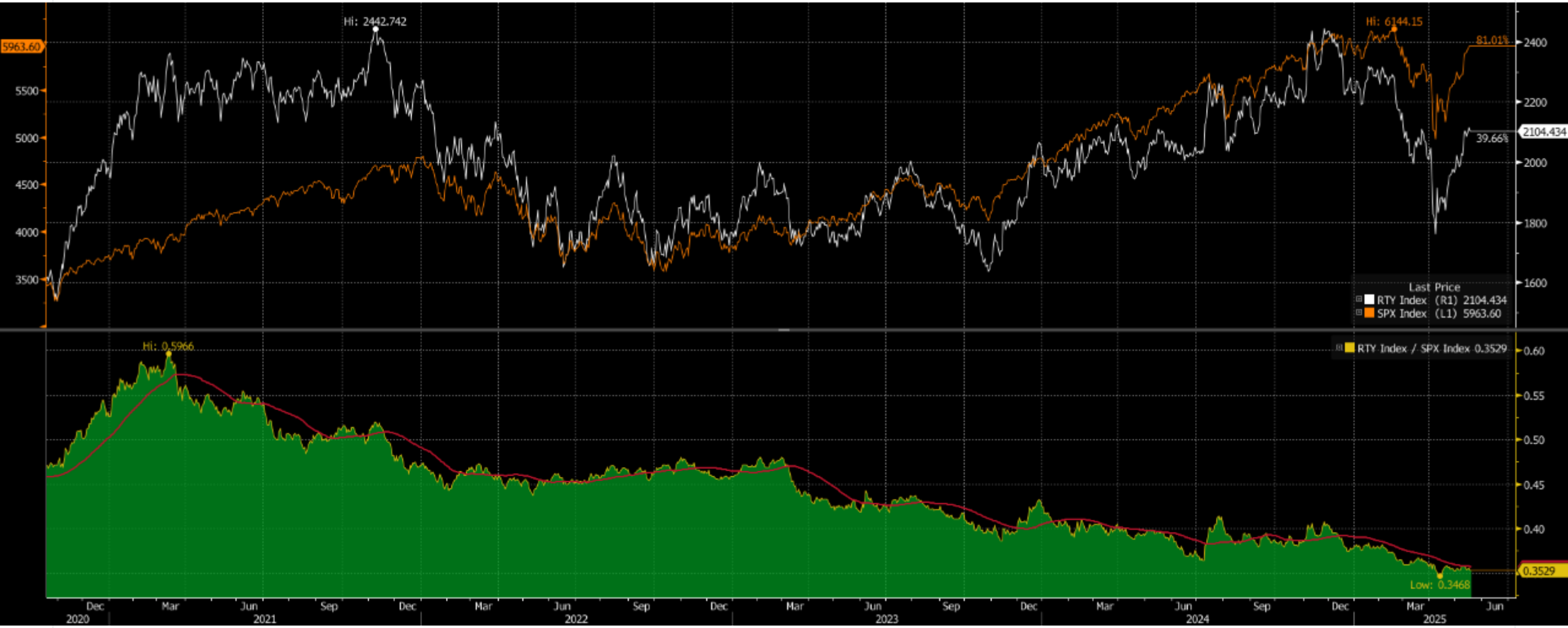
Since Inception	Cumulative Return (%)
Lazard - Net	161.0
Russell 2000	85.5



Strategy has significantly outperformed the benchmark since inception

Based on net monthly returns from strategy inception 1 August 2015 through 31 March 2025. The performance quoted represents past performance. Past performance does not guarantee future results. The Russell 2000 Index is designed to represent the "small cap" market of US equity securities, composed of approximately 2,000 of the smallest securities in the Russell 3000 Index. (The Russell 3000 Index measures the performance of the 3,000 largest US companies, representing most of the investable US equity market.) One cannot invest directly in an index. Equity securities will fluctuate in price; the value of your investment will thus fluctuate, and this may result in a loss.

Technical Analysis



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THANK
YOU

Lazard US Systematic Small Cap Equity

Composite Report

Benchmark: Russell 2000 Index
Reporting Date: 31 December 2024
Composite Inception Date: 01 August 2015
Reporting Currency: U.S. Dollar

Composite Description
The composite returns represent the total returns of all fully discretionary portfolios with a US Systematic Small Cap Equity mandate. The Lazard US Systematic Small Cap Equity strategy seeks to generate strong relative returns over a full market cycle by combining fundamental insights and quantitative techniques into a fully systematic process. The number of security holdings in a portfolio may have a material impact on portfolio performance.

Calculation of Performance Returns
The composite returns are reported net of foreign withholding taxes on dividends, interest and capital gains. The composite returns presented represent past performance and is not a reliable indicator of future results, which may vary. Performance data prior to June 2019 represents the strategy managed by the Systematic team at a prior firm and comprise substantially of all the investment decision makers of that team. The Systematic team employs a substantially similar investment strategy to manage this US Systematic Small Cap strategy as it did at its prior firm.

Fee Schedule
Lazard's standard fee schedule for US Systematic Small Cap Equity accounts is 0.75% on the first $100 million and 0.60% on the balance. (This fee schedule may be presented in non-U.S. local currency equivalents based on prevailing exchange rates.) The management fee for the pooled fund is 1.00% and a 0.30% fund expense. Actual account fees, inclusive of performance-based fees and VAT (if applicable) are used in the construction of composite net of fee performance unless otherwise noted. Net of fee performance for any fund in this composite is net of the strategy fee and any operational expenses the fund may incur.

Benchmark Information
The Russell 2000 Index is a small-cap stock market index of the bottom 2,000 stocks in the Russell 3000 Index. The index is maintained by FTSE Russell, a subsidiary of the London Stock Exchange Group.

Disclosures
Lazard Asset Management claims compliance with the Global Investment Performance Standards (GIPS®) and has prepared and presented this report in compliance with the GIPS standards. Lazard Asset Management has been independently verified for the periods January 1, 1993 through December 31, 2023. The verification reports are available upon request. A firm that claims compliance with the GIPS standards must establish policies and procedures for complying with all the applicable requirements of the GIPS standards. Verification provides assurance on whether the firm's policies and procedures related to composite and pooled fund maintenance, as well as the calculation, presentation, and distribution of performance, have been designed in compliance with the GIPS standards and have been implemented on a firm-wide basis. Verification does not provide assurance on the accuracy of any specific performance report. Lazard Asset Management is the "Firm" to which the GIPS Standards apply (Frankfurt office included in Firm definition as of January 1, 2003). In March 2023, LAM acquired all of the membership interests of Truvvo Investment Partners, LLC ("Truvvo"), a registered investment adviser that offers wealth management services to sophisticated families with complex balance sheets. The personnel who joined LAM in the acquisition now conduct their wealth management activities as a wholly-owned division of LAM named Lazard Family Office Partners. GIPS® is a registered trademark of CFA Institute. CFA Institute does not endorse or promote this organization, nor does it warrant the accuracy or quality of the content contained herein. Policies for valuing investments, calculating performance, and preparing GIPS reports are available upon request. A complete list and description of all Lazard composites and pooled funds is available upon request. The composite creation date is April 2020.

	Calendar									
	2024	2023	2022	2021	2020	2019	2018	2017	2016	Aug 15 - Dec 15
Lazard Rate of Return (%; Gross of Fees)	13.32	20.82	-15.75	31.97	20.97	23.64	-10.64	15.94	28.73	0.14
Lazard Rate of Return (%; Net of Fees)	12.51	19.94	-16.42	30.65	19.70	22.37	-11.59	14.74	27.42	-0.30
Benchmark (%; Rate of Return)	11.54	16.93	-20.44	14.82	19.96	25.53	-11.01	14.65	21.31	-7.68
Composite Standard Deviation Gross (3-yr. Ann.)	20.94	19.83	25.62	23.18	25.01	15.41	13.96	N/A	N/A	N/A
Benchmark Standard Deviation (3-yr. Ann.)	23.30	21.11	26.02	23.35	25.27	15.71	15.79	N/A	N/A	N/A
# of Portfolios	3	2	2	2	1	1	1	1	1	1
Composite Dispersion Gross (Asset Wtd. Std. Dev.)	0.53	0.64	0.50	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Composite Assets (USD Millions)	554.4	44.5	28.6	9.1	3.9	6.0	7.7	8.6	0.3	0.2
Total Firm Assets (USD Billions)	167.6	190.7	169.0	222.1	213.0	205.5	177.2	206.6	168.0	160.1

Important Information

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Information and opinions presented have been obtained or derived from sources believed by Lazard to be reliable. Lazard makes no representation as to their accuracy or completeness. All opinions expressed herein are as of the date of this presentation and are subject to change.

Allocations and security selection are subject to change.

No risk management technique or process can guarantee return or eliminate risk in any market environment.

Certain information contained herein constitutes "forward-looking statements" which can be identified by the use of forward-looking terminology such as "may," "will," "should," "expect," "anticipate," "target," "intent," "continue," or "believe," or the negatives thereof or other variations thereon or comparable terminology. Due to various risks and uncertainties, actual events may differ materially from those reflected or contemplated in such forward-looking statements.

The indices referenced in this document are included merely to show general trends in the market during the periods indicated and are not intended to imply that investments made pursuant to the strategy are or will be comparable to any index in either composition or element of risk. The strategy is not restricted to securities comprising any index. The strategy may use various investment techniques not reflected in an index. The indices referenced herein are unmanaged and have no fees. One cannot invest directly in an index. There is no guarantee that the strategy's performance will meet or exceed any index.

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Important Information

Definitions: **Active share** is a measure of the percentage of stock holdings in the portfolio that differs from the index. **Alpha** represents the portion of a fund's return that is generated solely by the skills of the portfolio manager. **Beta** is a relative measure of the sensitivity of a portfolio's return to changes in the benchmark's return. The beta of the portfolio versus its benchmarks is the amount (and direction) the fund has historically moved when the benchmark moved by one unit. **Free cash flow yield** is calculated by dividing the free cash flows of the company by its price per share. P/E calculates the price of a stock divided by its earnings per share. **Sharpe ratio** is a risk-adjusted measure of return. The higher the Sharpe ratio for a portfolio, the better its risk-adjusted returns have been. **Standard deviation** measures the dispersion or "spread" of individual observations around their mean. Standard deviation of returns measure a fund's historical volatility, where a higher number is evidence of greater volatility (i.e., higher risk). **Forward-looking** figures represent next twelve months expected returns. Expected returns do not represent a promise or guarantee of future results and are subject to change.

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A quantitative investment strategy relies on quantitative models and quantitative filters, which, if incorrect, may adversely affect performance. No investment strategy or risk management technique can guarantee return or eliminate risk in any market environment. The Russell 2000 Index is designed to represent the "small cap" market of US equity securities, composed of approximately 2,000 of the smallest securities in the Russell 3000 Index. (The Russell 3000 Index measures the performance of the 3,000 largest US companies, representing most of the investible US equity market.) The index is unmanaged and has no fees. One cannot invest directly in an index.

The Strategy incorporates an "expert system" as an integral component of its proprietary quantitative investment process. An expert system is a type of Artificial Intelligence (AI) designed to address complex problems using a series of if/then rules, as opposed to conventional procedural code. The Investment Team uses the expert system to integrate a knowledge base (representing facts and rules) drafted by the Investment Team with a decision engine (representing potential decisions across an investable universe) selected by the Investment Team. The use of AI serves as a supplementary tool to enhance the efficiency of the Investment Team's process by identifying potential investment opportunities within the investable universe based on predetermined parameters.

For the avoidance of doubt, the expert system does not currently have machine-learning capabilities. Specifically, the expert system does not possess investment discretion, autonomous decision-making capabilities or the ability to make independent judgment over time. The criteria underlying the selection of investment opportunities by automated fundamental analysts is created by the Investment Team, who exercise their professional judgment and expertise in the development of their proprietary quantitative models and implementation of the expert system.