

# Lazard Global Small Cap Fund

FACTSHEET / DECEMBER 2011

## FUND OBJECTIVE

The Global Small Cap Fund seeks to achieve total returns (includes income and capital appreciation and before the deduction of fees and taxes) that exceed those of the MSCI World Small Cap Accumulation Index by 3% per annum over rolling three-year periods.

## PERFORMANCE\*

<i>Fund</i>	<i>1 Month (%)</i>	<i>3 Months (%)</i>	<i>1 Year (%)</i>	<i>3 Years (% p.a.)</i>	<i>5 Years (% p.a.)</i>	<i>10 Years (% p.a.)</i>
Global Small Cap (gross of fees)	-0.3	3.3	-8.8	4.8	-5.8	2.3
Global Small Cap (net of I class fees)	-0.4	3.0	-9.7	3.8	-6.7	1.3
Global Small Cap (net of W class fees)	-0.4	3.0	-9.9	3.6	-6.9	N/A
MSCI World Small Cap Index	-0.6	2.6	-9.1	4.0	-5.7	0.5

\* Investments can go up and down. Past performance is not necessarily indicative of future performance. The net returns are calculated using the Fund's Net Asset Value unit price. Performance assumes reinvestment of all distributions. Effective 1 April 2004, the benchmark was changed from the Price to the Accumulation version of the MSCI World Small Cap Index.

## THE FACTS as at 31 DECEMBER 2011

<i>Largest Holdings</i>	<i>Fund (%)</i>	<i>Geographic Allocation</i>	<i>Fund (%)</i>	<i>MSCI World Small Cap (%)</i>
Ain Pharmaciez	2.1	Europe ex UK	16.0	12.1
Bally Technologies	2.0	UK	7.1	7.3
Schweitzer-Mauduit International	1.9	North America	60.0	63.5
j2 Global	1.8	Japan	10.6	10.9
BE Aerospace	1.7	Asia Pacific ex Japan	2.6	5.8
Dr.Ci:Labo	1.7	Middle East & Africa	0.0	0.4
Mednax	1.7	Cash	3.6	0.0
IG Group	1.7			
Elekta	1.6			
PacWest Bancorp	1.6			

\*Total may not add to 100% due to rounding.


**SELECTED PORTFOLIO STATISTICS** as at 31 DECEMBER 2011

<i>Sector Allocation</i>	<i>Fund (%)</i>	<i>MSCI World Small Cap (%)</i>	<i>The Facts</i>	
Consumer Discretionary	15.2	15.1	Number of Stocks	79
Consumer Staples	6.5	4.0	Unit Price – Withdrawal (I Class)	\$0.8180
Energy	5.3	7.1	Unit Price – Withdrawal (W Class)	\$0.8235
Financials	10.7	20.5	Inception Date	22 October 1997
Health Care	8.4	8.6	Total Fund Size	\$240.9m
Industrials	24.2	17.4	Capped ICR (I Class)	1.00%
Information Technology	18.0	13.0	Capped ICR (W Class)	1.15%
Materials	6.9	9.7	Alpha (3-year)*	0.62%
Telecommunication Services	1.2	0.8	Beta (3-year)*	0.96
Utilities	-	3.8	Information Ratio (3-year)*	0.09
Cash	3.6	-	Sharpe Ratio (3-year)*	0.00

\*Total may not add to 100% due to rounding.

\* As at 30 November 2011.

**COMMENTARY**

Equity markets remained volatile during the fourth quarter of 2011, with the market experiencing three separate swings of more than 10%. Overall for the period, markets rose, with small cap stocks marginally outperforming their large cap counterparts. The European sovereign crisis continued to dominate market attention over the course of the quarter. Later in December, the (European Central Bank) ECB launched the first phase of a record three-year refinancing operation for more than 500 European banks. This emergency financing will be coupled with national fiscal and economic adjustment programs, and these austerity measures—together with the provision of bank credit to the economy—will largely determine the depth and duration of the recession into which most analysts believe Europe is entering. In the rest of the world, the economic picture remains clouded. Macroeconomic data from the United States has been marginally positive toward the end of 2011, while the economic situation in China remains unknown going into 2012.

During the quarter, the Lazard Global Small Cap Fund returned 3.0% (net of I class fees), outperforming the MSCI World Small Cap Index, which returned 2.6%.

*Schweitzer-Mauduit International* is a cigarette paper manufacturer, as well as a reconstituted tobacco leaf provider. The stock rallied as a result of an announced licensing agreement with a competitor, which will allow Schweitzer-Mauduit to receive royalty payments going forward. In addition, this agreement will end the costly ongoing patent

litigation. We continue to believe the stock is undervalued and it remains a top holding.

*PacWest Bancorp* is a California-based bank. Its third-quarter results, reported during October, were modestly better than expected, as a result of improving credit trends. Commercial/Industrial loan growth during the quarter was also encouraging and the outlook for loan growth continues to improve. We maintain our position in the stock.

*Dr. Ci:Labo*, a Japanese skin care-related pharmaceutical cosmetics company, traded down after posting first-quarter results, negatively affecting the strategy's performance in Japan. Sales and profits for the quarter were up year-over-year, and gross margins improved. However, the company reported that sales in November were down by more than 8% compared to internal targets of 10% growth. This weakness was attributed in part to a later-than-usual start to its autumn sales campaign, but the market reacted negatively to the report. We strongly believe that the company can manage its marketing strategies and meet its full-year sales and profit forecasts.

*BW Offshore*, a Norway-listed owner and operator of FPSO (Floating, Production, Storage and Offloading) vessels, traded lower during the period and detracted from performance in the energy sector. After a recent meeting with BW Offshore's management, the portfolio management team believes that despite the in November setbacks, the company is well-placed to participate in the coming expansion of the industry and BW Offshore's cash flows should become increasingly evident as it implements its dividend strategy.

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