

# Lazard US Systematic Small Cap

A Unique Systematic Approach Designed to Exploit Small Caps

## Capturing Inefficiencies

The US Small Cap universe is large with a high velocity of change, resulting in outsized growth rates. Much of the universe consists of unprofitable companies with limited capacity and lacking research leading to insufficient information flow. These inefficiencies make stock-specific, bottom-up research essential, but the size and diversity of this universe challenge traditional investment methods. We believe alpha can be sourced from uncovering information buried within company financial data.

## Why Systematic Matters

A typical US small cap strategy is concentrated, leading to high idiosyncratic risk and volatility, while potentially leaving many undervalued companies undiscovered and alpha on the table. To solve this problem of scale, our proprietary AI driven systematic approach, rooted in fundamental analysis, was developed to capture these opportunities.

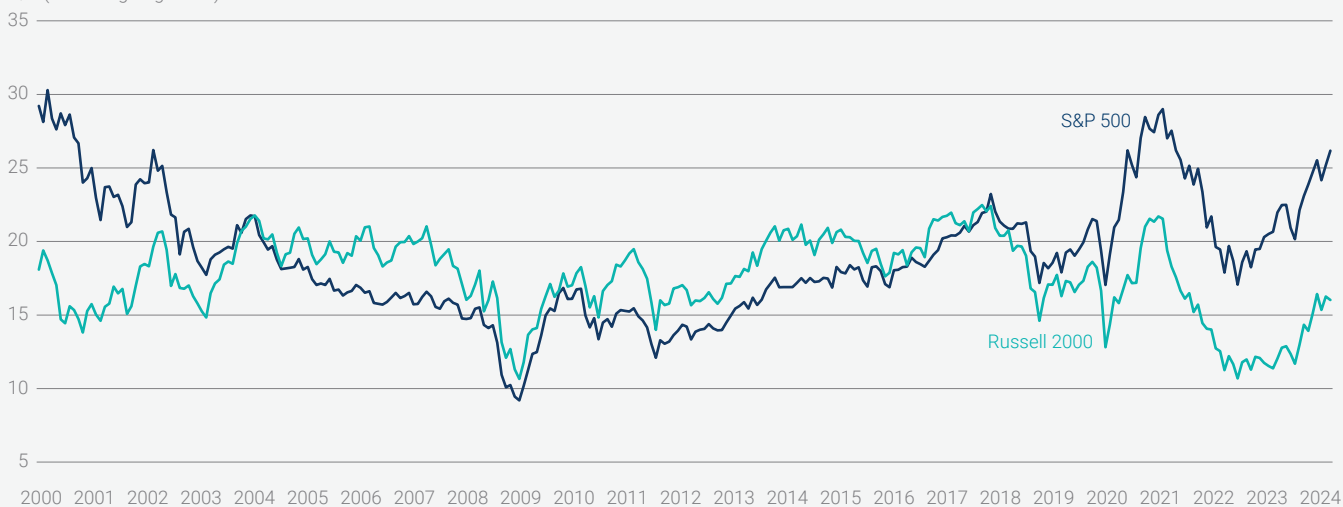
## Valuation Discount

Despite significantly higher revenue and earnings growth forecasts, valuations of small caps relative to large caps have been at one of the most attractive levels in decades. The Russell 2000 index sits at close to a two standard deviation discount to the S&P 500 index, the largest valuation gap since the turn of the century.<sup>1</sup>

## A Valuation Gap that Shouldn't be Overlooked

Relative Valuation Small vs. Large Caps

P/E (excluding negatives)



For illustrative purposes only

Based on data from January 2000 through June 2024.

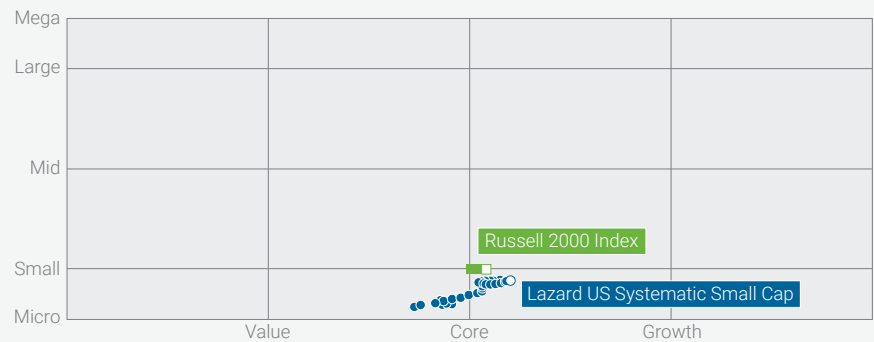
Source: Lazard, FactSet.

# Why Us?

## A Style – Agnostic Core Portfolio

We employ a unique investment process that is differentiated from existing traditional fundamental and quantitative approaches. Our approach offers an automated, style-agnostic framework that leverages fundamental analysis to capture market inefficiencies. This process is designed to lead to unbiased, rational, and consistent decision-making based on sound economic principles that has historically outperformed in different market conditions.

### Rolling 36 Month Style Map

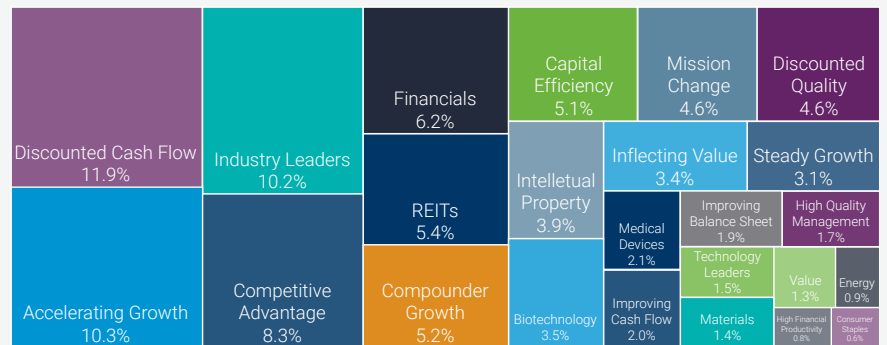


As of 30 June 2024. Since Inception of Lazard US Systematic Small Cap Equity (1 August 2015)  
 The performance quoted represents past performance. Past performance is not a reliable indicator of future results. This information is for illustrative purposes only and is supplemental to the full composite performance and disclosure information. This information is for illustrative purposes only and is supplemental to the "GIPS® Standards Composite Information."  
 Source: Lazard, eVestment, FactSet, Russell Investments.

## Automated Analysis

Our proprietary framework consists of over two dozen diversified, uncorrelated concepts, each exploiting a specific fundamental inefficiency. Designed as 'Automated Fundamental Analysts,' this system takes advantage of slow, deliberate analysis with swift, decisive action. By evaluating the market in real time through multiple lenses, we repeatedly identify mispriced companies. The outcome is a diversified, liquid portfolio of approximately 400 stocks, driven by idiosyncratic alpha, operating fundamentals and valuation.

### Diversifying Across Uncorrelated Sleeves

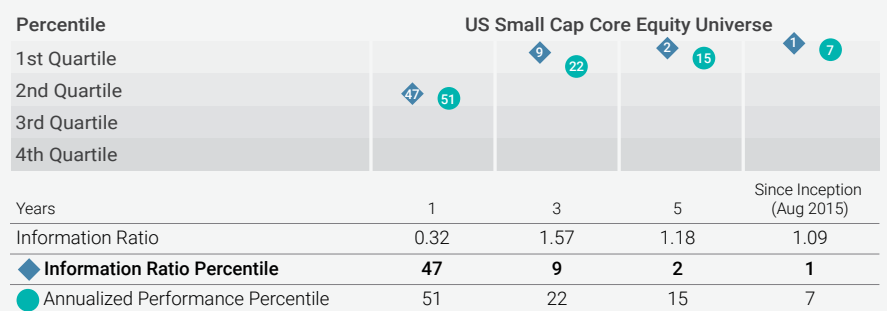


For illustrative purposes only. Allocations, correlations, expected IR, and number of holdings are provided as an example and designed to illustrate the allocation of capital to ideas in the portfolio. There is no guarantee that Lazard will achieve these IRs or allocate capital using the exact number 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

## Proof of Delivery

Unlike multi-factor portfolios, we believe our independent approach provides more resilience when a particular style, characteristic, or sector falls out of favor. The team has worked together for over a decade with the proof in our delivery, a first percentile-ranked information ratio among US small cap core strategies.<sup>2</sup>

### Lazard US Systematic Small Cap Equity



Ranking provided by eVestment and determined using reported returns as of 30 June 2024.  
 Ranking shown is for the US Small Cap Core Equity Universe based on default reported returns. Only managers that report performance were included in the ranking. The universe includes all traditional asset managers who classify as US Small Cap Core Equity. 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 US Small Cap Core Equity Universe. The number of observations for the 1, 3, 5 and since inception periods were 188, 182, 173, and 161, respectively as of 16 July 2024.  
 Source: Lazard, eVestment

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## Dedicated Team With a Dynamic Approach

**20** Average  
years in  
industry

As of 31 December 2023



**Oren Shiran**  
Managing Director  
Portfolio Manager/  
Analyst



**Seavan  
Sternheim**  
Senior Vice President  
Client Portfolio Manager

**5** Average  
years at  
Lazard

As of 31 March 2024



**Stefan T. Tang**  
CFA, Director  
Portfolio Manager/  
Analyst

## Notes

1. Based on data from January 2000 through June 2024. For illustrative purposes only. Source: Lazard, FactSet.
2. Ranking provided by eVestment and determined using reported returns as of 30 June 2024

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Published on 7 October 2024.

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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 S&P 500 Index is a market capitalization-weighted index of 500 companies in leading industries of the US economy. The index is unmanaged and has no fees. One cannot invest directly in an index.

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 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.

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.

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