

i-Watch Rating System:

Date March 25, 2026
Fund Manager Lazard Asset Management
i-Watch Status ● **On-Watch**

- No concern(s)
- Moderate concern(s) requiring frequent and close monitoring
- Serious concern(s) that require a full review and may lead to removal from the fund platform

Product(s) Impacted:

Manulife Lazard Global Small Cap Equity (8931)

Summary

- Global Manager Research (GMR') recommended the removal of Manulife Lazard Global Small Cap Equity Fund ('the Fund') from the i-Watch platform due to significant changes to the Fund's portfolio management team, prolonged underperformance, and significant loss of assets.
- The Fund will be replaced by the Manulife Invesco Global Small Cap Equity Fund.

Commentary

The Manulife Lazard Global Small Cap Equity Fund experienced a prolonged period of underperformance, delivering annualized returns of 5.80% compared with 9.27% for the MSCI World Small Cap Total Return Index over the past decade (as of December 31, 2025), ranking in the last quartile compared to peers. The performance shortfall was driven primarily by stock selection, with geographic and sector allocation decisions also contributing negatively.

Lazard Asset Management implemented several changes to the Portfolio Management team in an effort to address persistent underperformance. In September 2023, Janice Davies was added as co-lead Portfolio Manager alongside long-time PM Ed Rosenfeld. This was followed by another leadership overhaul in Q1 2024, when both were replaced by Lazard's newly appointed Global Head of Small Cap Equity, Sean Gallagher, and new hire Sebastian Pigeon. The rapid succession of co-lead PM changes raises concerns about team stability and strategy consistency, particularly as each transition was accompanied by modifications to the investment process.

As a result of the poor performance and changes in the team, the strategy suffered significant outflows over the last three years, losing a significant portion of its Assets Under Management (AUM).

On the other hand, the recommended replacement fund Manulife Invesco Global Small Cap

Equity Fund is managed by the Invesco Small Cap global team of 35+ small cap specialists led by lead PM Michael Oliveros. The team seeks to invest in durable (quality-oriented) companies with a reasonable margin of safety. They aim to build a balanced portfolio of durable companies where they have a differentiated thesis leading to valuation asymmetry on a 3-5Y basis and provides a core exposure to investors that performs across market cycles. They will also invest in undervalued, fundamentally good businesses. As of December 31, 2025, the Fund ranks above the median of peers over 1-, 3- and 5-year annualized returns, with long-term performance above that of the Lazard Global Small Cap Equity Fund. Its Sharpe Ratio also ranks in the second quartile and above Lazard's over multiple time periods.

Closing Remarks

GMR maintains strong conviction with the Invesco team's ability to manage the Invesco Global Small Cap Equity Fund with a robust investment process and provide investors with quality exposure to the global small cap market and solid risk-adjusted returns over the long term.



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