

MEMORANDUM

DATE: June 2021
TO: State of Delaware Plans Management Board
FROM: CAPTRUST
RE: Fund Recommendation – Lazard International Equity R6

Upon completion of the investment analysis of the Program as of 03.31.2021, CAPTRUST is recommending the following fund action.

Lazard International Equity R6 is recommended to be placed on watch status. This is due to the fund's underperformance relative to the benchmark and category peer group. The strategy focuses on the tradeoff between valuation (P/E) and financial productivity, such as Return on Equity. Long term performance has been consistent with the team demonstrating an ability to protect capital in downward markets, but also keeping up in market rallies. However, the strategy recently failed to add value relative to the benchmark. While the strategy's value approach has faced challenges in recent growth-oriented market rallies, the fund's positioning has continued to hurt performance contributing to its subpar results.

Michael Fry has been the lead manager since 2005 and is joined by five co-PMs who all have lengthy tenures at the firm. The strategy posted consistent results from 2009-2015 and rarely landed in the bottom half of the peer group during that period. However, it significantly lagged the benchmark and peer group in 2016-2017 and has produced underwhelming results since then. Given the inconsistent performance in recent years, we believe the strategy merits further consideration.