

Lazard

Emerging Markets Equity Fund

Aug 2023
Factsheet

Proven Relative Value Process
Value creation through bottom-up stock selection

Active Management in a Dynamic Universe
Seeks to capture the full opportunity set through diversification

Experienced Perspective
Lazard has over 20 years experience in emerging markets investing

Fund Facts

Number of stocks	77
Total Fund Size	\$148.2m
Inception Date	22 October 1997
Total Management Costs	1.15% p.a.
Index	MSCI Emerging Markets
Minimum Investment	\$20,000
Buy/Sell Spread	+0.35%/-0.35%
Distributions	Annually
APIR Code	LAZ0003AU

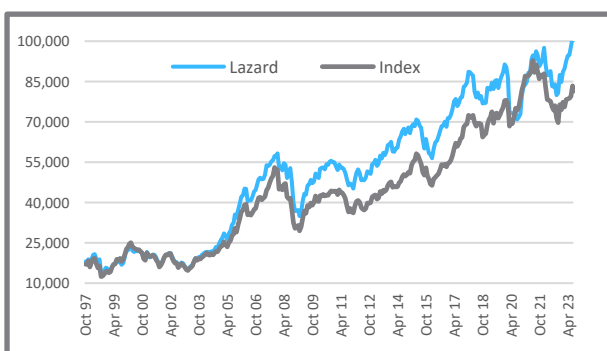
Investment Characteristics

	Lazard	Index
Forward Price/Earnings	8.3	13.4
Forward Return on Equity (%)	14.7	11.9
Price/Cash Flow	5.0	8.4
Dividend Yield (%)	6.3	3.1
Active Share (%)	82.4	-
3 Year Turnover (% pa)	30.1	-

Performance (%)

	Lazard	Index	Excess Return
1 Month	-0.6	-2.4	1.8
3 Months	6.1	3.4	2.7
1 Year	19.8	7.2	12.6
3 Years (pa)	12.3	3.1	9.2
5 Years (pa)	5.0	3.2	1.8
10 Years (pa)	5.7	6.3	-0.6
Since Inception (pa)	6.4	5.6	0.8

Growth of \$20,000



Investments can go up and down. Past performance is not necessarily indicative of future performance. Fund returns are quoted after the deduction of Management Costs. Performance assumes reinvestment of all distributions.

Allocations (%)

Sector	Lazard	MSCI EM	Overweight/Underweight
Communication Services	5.8	9.7	-3.9
Consumer Discretionary	9.4	13.9	-4.5
Consumer Staples	6.2	6.3	-0.1
Energy	10.2	5.1	5.1
Financials	26.1	21.8	4.3
Health Care	3.4	3.8	-0.4
Industrials	5.6	6.6	-1.0
Information Technology	20.5	20.6	-0.1
Materials	6.2	7.9	-1.7
Real Estate	0.7	1.8	-1.1
Utilities	1.7	2.5	-0.8
Cash	4.1	-	4.1
Region			
China	23.2	29.8	-6.6
Korea	9.7	12.2	-2.5
Brazil	11.5	5.3	6.2
South Africa	7.3	3.2	4.1
Russia	0.0	-	0.0
India	8.5	14.9	-6.4
Indonesia	4.4	2.0	2.4
Taiwan	12.5	15.0	-2.5
Mexico	4.1	2.8	1.3
Hungary	3.3	0.3	3.0
Thailand	2.1	2.0	0.1
Other	9.3	12.5	-3.2
Cash	4.1	-	4.1

Top 5 Holdings (%)

	Lazard	Index
Taiwan Semiconductor Manufacturing	3.7	6.4
Galp Energia, SGPS S.A.	2.8	0.0
China Construction Bank	2.6	0.8
OTP Bank	2.6	0.1
Petrobras Petroleo Brasileiro	2.5	0.4

Commentary

Intensifying investor concerns over the Chinese economy and somewhat greater confidence over the US economy caused emerging market equities to underperform shares in developed countries in August. The focus in China was primarily on the real estate industry which pressured global equity markets overall. Emerging markets witnessed broad-based price weakness with only three countries recording positive returns in Australian dollar terms.

The MSCI Emerging Markets Index fell by 2.4% over the month with stock prices falling by about the same amount in Asia and 3.5% in Latin America. Share prices in Europe, the Middle East and Africa (EMEA) benefitted from positive returns in Turkey, Hungary, and Egypt although overall, the geographic group still finished about 1.5% lower.

Early in the month, a large Chinese property developer, Country Garden, failed to make a debt payment which appeared to be manageable. This caused confusion and concern among investors who speculated that the industry problems were far deeper than the market had believed. Despite government actions, such as reducing interest rates and lowering deposit ratios on property purchases, worries persisted especially over whether deteriorating confidence would severely affect consumer spending. South Korean shares were negatively affected by the concerns over Chinese economic growth and fell significantly. In India, strong second quarter GDP growth kept share prices in positive territory even amid the negative performance seen in the financial sector. For the most part, weakness elsewhere in Asia was relatively muted.

Across Latin America, markets were also adversely affected by Chinese concerns. All commodity-rich countries witnessed larger-than-index declines. Mexico, a recent beneficiary of its close trading relationship with the US as well as the nearshoring trend, still fell by 0.6%. After a strong recent performance, share price weakness was recorded in Polish, and Czech equity markets. Strong results by financial company OTP helped boost Hungarian equities. South African stocks were hurt by commodity price declines, load sharing and inflation trends, all of which undermined the rand. In Turkey, more orthodox monetary policies, including an interest rate rise from central bank, helped the lira, and share prices.

By sector, energy outperformed while consumer discretionary and communications services were the largest decliners.

Contributors to performance:

- OTP Bank shares rallied as the outlook for the Hungarian bank improved due to a pickup in asset quality and the expansion of margins.
- Shares of GALP, a Portuguese based energy company with assets in Brazil and Africa, rose on the back of rising energy prices with production cuts by the Organization of the Petroleum Exporting Countries (OPEC) successfully drawing down inventories.
- Shares of KT Corp, a Korean telecom services company, gained on expectations that a new chief executive officer (CEO) would be appointed. The stock also got a boost from good cost management in the second quarter.

Detractors from performance:

- Chinese insurance company Ping An Insurance saw its shares weaken amid concerns about its exposure to the property sector.
- Shares of Chinese banks China Merchants Bank and China Construction Bank fell due to mounting net interest margin pressure from lower rates and fears that more borrowers could refinance their mortgages, squeezing the companies' profits.
- Shares of Nedbank, a South African bank, declined due to slowing GDP growth in the country and asset quality deterioration in the consumer loan book due to higher prime rates.

We believe that the global economy is currently in the process of bottoming out, marked by a divergence in growth among countries. We are anticipating higher growth in developing countries over the next several years, which increases our confidence that the current relatively reasonable valuations are too low.

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