Lazard
Global Managed Volatility Fund

Dec 2021
Factsheet

Lower Volatility	Systematic Approach	Capital Growth Potential
Seeks lower volatility than the benchmark over a full market cycle	Our quantitative approach focuses explicitly on risk reduction	Fully invested in equities across both developed and emerging markets for growth opportunities

Fund Facts

Number of stocks	240
Total Fund Size	$108.4m
Inception Date	31 January 2017
Total Management Costs	0.64%
Index	MSCI AC World
Minimum Investment	$20,000
Buy/Sell Spread	+0.20%/-0.20%
Distributions	Annually
APIR Code	LAZ1240AU

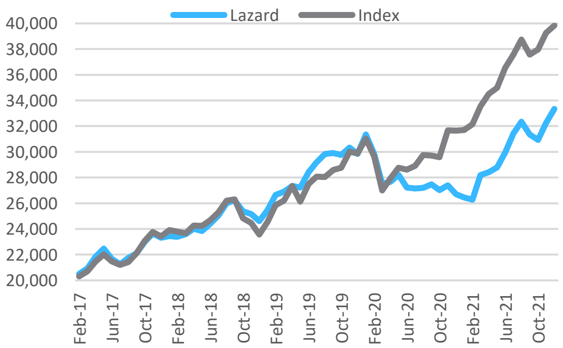
Investment Characteristics

	Lazard	Index
Sharpe Ratio (Since Inception)	1.1	1.4
Standard Deviation (Since Inception)	9.6	10.0
Beta	0.8	-
Dividend Yield (%)	2.3	1.7
Active Share (%)	85.4	-
Forward Price/Earnings	16.0	19.2

Performance (%)

	Lazard	Index	Excess Return
1 Month	3.4	1.4	2.0
3 Months	6.3	6.0	0.4
1 Year	24.9	25.8	-0.9
3 Years (pa)	10.6	19.1	-8.5
Since Inception (pa)	11.0	15.0	-4.1

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.

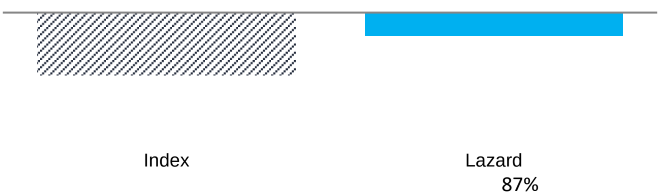
Allocations (%)

Sector	Lazard	Index	Overweight/ Underweight
Consumer Staples	16.6	6.8	9.8
Financials	8.2	13.9	-5.6
Communication Services	10.5	8.6	1.9
Energy	2.2	3.4	-1.2
Real Estate	6.6	2.7	3.9
Materials	3.8	4.7	-0.9
Health Care	16.2	11.7	4.5
Industrials	9.0	9.6	-0.6
Information Technology	12.6	23.6	-11.0
Consumer Discretionary	7.3	12.4	-5.1
Utilities	6.4	2.7	3.7
Cash	0.6	0.0	0.6
Region			
North America	57.4	64.2	-6.8
Continental Europe	7.0	12.6	-5.6
United Kingdom	2.2	3.6	-1.4
Asia Pacific ex-Japan	3.6	2.7	0.9
Japan	11.2	5.5	5.7
Middle East	0.2	0.2	0.0
Emerging Markets	17.8	11.2	6.6
Cash	0.6	0.0	0.6

Top 5 Holdings (%)

	Lazard	Index
Roche	1.8	0.4
Procter & Gamble	1.7	0.6
Novo Nordisk	1.3	0.3
Republic Services	1.3	0.0
Walmart	1.3	0.3

Down Market Capture Ratio



Down Market Capture Ratio is calculated since inception and based on performance gross of all fees. Down Market capture is a statistical measure of an investment manager's overall performance in down markets, being calendar months where the Index experiences negative performance. A drawdown ratio (or percentage) of less than 100 (or 100%) reflects that the manager has outperformed the Index during such down markets.

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Commentary

Global equity markets finished 2021 with a 4% (in USD terms) gain in December, capping another strong year for equity investors. Although Omicron, the COVID-19 variant that surfaced in November, proved to be more infectious than the Delta strain, investors took consolation that it also appeared to be far less virulent. The emergence of new antiviral pills and increased vaccination rates in developed countries also reduced the fear of another global shutdown. A further signal of the improving US economy came from the Federal Reserve, which announced that it would reduce its bond purchases sooner than expected in 2022 and forecast three interest rate increases in 2022. Both the Bank of England and European Central Bank followed with similar monetary tightening moves. These all helped to alleviate concerns over inflation and an overheating of the global economy. The Bank of Japan remained an outlier, adhering to its stimulus policies, which sent the yen to multi-year lows. The prospect of higher interest rates overall, China's efforts to deflate its property and debt bubbles, and rising commodity prices put a damper on emerging markets equities, which underperformed developed markets by 2.4% in December and 24.4% for the year in USD terms, their worst relative year since 2013.

While the equity markets in general enjoyed strong gains in December, sector leadership rotated, as utility and consumer staples stocks rallied 8% (in USD terms) in the month. Consumer discretionary stocks fell modestly and were the weakest sector in 2021, as valuation concerns and the impact of inflation on discretionary consumer spending continued to worry investors.

Factor performance was relatively consistent across regions in December. Investors favored stocks with attractive valuations and sold stocks with growth attributes. Low volatility stocks remained in favor, as they were throughout the fourth quarter, enjoying their strongest three-month period since 2018. In every region, quality measures were also favored in December, except companies with less leverage which underperformed. Sentiment measures, including companies with analyst upgrades and favorable price momentum, were flat over the month, except in emerging markets where they continued to outperform. Momentum and value measures have been favorable for most of 2021.

The Lazard Global Managed Volatility Fund gained 3.4% in the month (Net of fees), outperforming its MSCI All Country World Index benchmark which returned 1.4%.

Portfolio Review

Both stock selection and sector positioning accounted for the excess return. Stock selection was favorable in six of eleven sectors led by information technology and consumer discretionary. Selection was weakest in consumer staples and utilities. The underweight to consumer discretionary and overweight to consumer staples helped, which was partially offset by the overweight to communication services. Regionally, selection was strongest in the US and China, and weakest Europe including the UK and Latin America.

Stocks that made the largest contribution to return included Procter & Gamble, which has been aggressively courting growth, both with its legacy brands and via incubation and acquisition. For the most recent quarter ended 30 September, P&G's beauty sales totaled nearly $4 billion, up 5% from the previous year. Loblaw Companies beat expectations, as it reported its third-quarter profit rise compared with a year ago, helped by strong demand in stores and online. Canada's largest grocery and pharmacy chain says it earned a profit attributable to common shareholders of $431 million. Zoetis profit and revenue rose for the third quarter, driven by its petcare parasiticides and dermatology products. The animal-health company posted net income attributable to the company of $552 million, compared with $479 million in the year-ago period.

Detractors in the month included Monolithic Power systems, which outperformed in the second half of 2021, but gave back recent gains after analyst raised concerns over Inventory building in China. This implies that real demand may not be as strong as the headline numbers for sales and earnings growth. Adobe fell in December triggered by disappointment in its 2022 earnings estimates. While Adobe technically met Wall Street projections for growth, the selloff seems more associated with a 'whispered earnings' miss. Coterra Energy, one of Pennsylvania's biggest gas drillers, is facing allegations of pollution in a rural community where it is already charged with fouling residents' drinking water wells with high levels of methane.

Outlook

Entering the third year of the global pandemic, equity investors have benefitted from the extraordinary stimulus measures provided by the central banks, the medical community's response to controlling the virulence of the virus, new labor models and rising hopes for a return to a new normal would be in the offing. After the plunge in March, 2020, equity prices have nearly doubled, supported by corporate earnings growth and extraordinary levels of central bank liquidity in support of risk based assets. One has to go back to the late 1980s to find three consecutive years where equity returns have exceeded this most recent period.

Looking forward to 2022, we are optimistic that the darkest days of the pandemic are behind us with the increase in vaccinations and possible introduction of new therapeutics to treat severe cases. We expect that the economic recovery will be uneven but discernable across most regions and sectors. The market, continuously forward-looking, has already discounted much of the favorable news and reality may, in fact, disappoint at times. We believe that, global interest rates, led by the US and Europe, will increase as central banks rearm themselves for the next recession. And we believe that, government stimulus will slowly be withdrawn but remain well above historic norms. Inflationary pressures will likely subside slowly as labor shortages and social pressures to address economic inequalities place upward pressure on wages. While we are less sanguine about the market's absolute return in 2022, we do anticipate that earnings growth and low real rates of return in the fixed income markets will support a modestly positive equity market in 2022. Volatility will likely remain elevated as political tensions remain high and economic news will be more mixed. In our view, the market will continue to focus on company fundamentals and execution as was the case in the past year. Against this backdrop, we believe that the year should favor our investment approach and relative performance should remain strong.

For more information, call us on 1800 825 287
or visit www.lazardassetmanagement.com

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