

Lazard

Global Managed Volatility Fund

Jan 2021
Factsheet

Lower Volatility
Seeks lower volatility than the benchmark over a full market cycle

Systematic Approach
Our quantitative approach focuses explicitly on risk reduction

Capital Growth Potential
Fully invested in equities across both developed and emerging markets for growth opportunities

Fund Facts

Number of stocks	217
Total Fund Size	\$90.1m
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

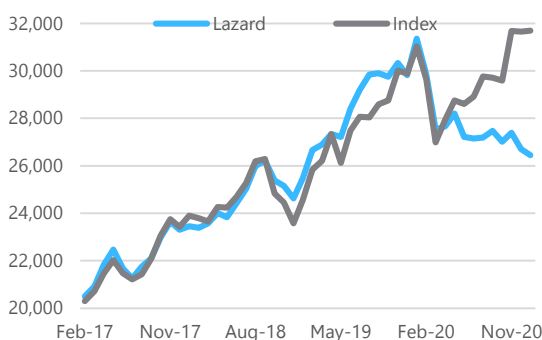
Investment Characteristics

	Lazard	Index
Sharpe Ratio (Since Inception)	0.7	1.1
Standard Deviation (Since Inception)	9.1	10.5
Beta	0.7	-
Dividend Yield (%)	2.8	1.8
Active Share (%)	86.4	-
Forward Price/Earnings	14.7	23.0

Performance (%)

	Lazard	Index	Excess Return
1 Month	-0.9	0.1	-1.1
3 Months	-2.1	7.1	-9.2
1 Year	-15.7	2.1	-17.8
3 Years (pa)	4.1	9.9	-5.8
Since Inception (pa)	7.2	12.2	-5.0

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.

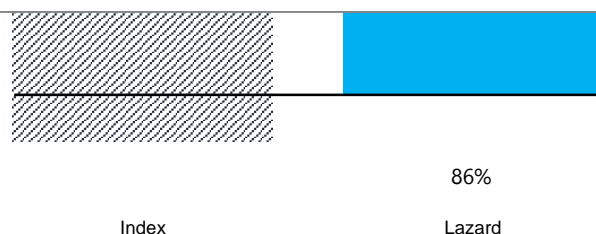
Allocations (%)

Sector	Lazard	Index	Overweight/ Underweight
Consumer Staples	18.8	7.1	11.6
Financials	12.0	13.3	-1.3
Communication Services	9.7	9.3	0.4
Energy	0.3	3.1	-2.8
Real Estate	4.1	2.6	1.5
Materials	4.0	4.9	-0.9
Health Care	15.8	12.1	3.7
Industrials	8.9	9.5	-0.6
Information Technology	9.1	22.0	-12.9
Consumer Discretionary	7.4	13.2	-5.8
Utilities	8.4	3.0	5.4
Cash	1.4	0.0	1.4
Region			
North America	54.7	59.8	-5.2
Continental Europe	7.2	12.8	-5.6
United Kingdom	0.8	3.8	-3.0
Asia Pacific ex-Japan	4.2	3.2	1.2
Japan	14.7	6.7	8.0
Middle East	0.3	0.2	0.1
Emerging Markets	16.8	13.7	3.1
Cash & Equivalents	1.4	0.0	1.4

Top 5 Holdings (%)

	Lazard	Index
Clorox	1.6	0.0
Japan Post Bank	1.5	0.0
Procter & Gamble	1.5	0.5
Verizon	1.5	0.4
Kimberly-Clark	1.5	0.1

Historical Drawdown



Historical Drawdown is calculated since inception and based on performance gross of all fees. Drawdown 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.

Commentary

Global equity markets began January with the same momentum that characterized the final months of 2020, only to see it dissipate in the final week pushing the global equity market indices got off to a 0.1% gain for the month. COVID-19 news continued to dominate investor behavior, as a slow rollout of the new vaccines coupled with the emergence of several new, more infectious strains added to anxiety and locked down the United Kingdom. The United States saw a transition in the Presidency, but only after a riot and a second impeachment of former President Trump highlighted the sharp divide in the country. Volatility remained elevated, exacerbated by a headline grabbing "short squeeze" that was forced upon several prominent hedge funds through a combination of social media and low-cost trading platforms. The price action in a small group of stocks, whose underlying businesses were viewed by many as suspect, undermined the concept of price discovery and company fundamentals, adding to market discomfort. Emerging markets and small cap stocks both rallied and finished with positive returns in the month, reacting favorably to a continued dovish tone from the Federal Reserve. The US dollar was flat for the month. Oil prices remained flat, while gold sold off as silver prices surged at month-end.

Sector performance in January looked similar to the last months of 2020, with energy and information technology stocks continuing to outperform. Health care stocks also rallied, as pharma and biotech companies were rewarded in part for their COVID-19 vaccine development. Consumer staples stocks continued their difficulties, falling over 3.4% in USD terms, as the sector has been the worst performing sector in the past six months. Investors continued to favour higher risk stocks globally, but this preference was largely confined to the US market. Quality measures underperformed throughout both the developed and emerging markets. Valuation measures began the month on a strong note, but reversed in the final two weeks to finish in negative territory particularly the more defensive price/earnings measures. With the single exception of Japan, sentiment measures worked well as they have recalibrated following the large drawdown in November. Growth measures were also broadly favoured in both developed and emerging markets.

The Lazard Global Managed Volatility Fund lost -0.9% during the month, trailing its MSCI AC World Index benchmark by 1.1%.

Both stock selection and sector positioning led to the month's shortfall. Selection outperformed in four of eleven sectors led by consumer staples and financials. Holdings in communication services and consumer discretionary detracted the most. Sector positioning was helped by the overweight to health care, which was more than offset by the overweight to consumer staples. Regionally, selection was strongest in Asia including Japan and Europe, and weakest in the United States and emerging Asia.

Stocks that made the largest contribution to return included Eli Lilly, which continued to rally, as favourable results for its type 2 diabetes medicine, tirzepatide, along with a favourable court ruling on a patent case helped to boost the stock. Speculation that several new biotech developments for the treatment of Alzheimer's were imminent also caused a number of upgrades for the stock.

Electric Power Development (EPDC), the Japanese utility, bounced back, as wholesale power prices in Japan hit record highs with rising demand for heating with frigid temperatures gripping much of the country.

Thermo Fisher Scientific, which reported better-than-expected fourth-quarter results as the maker of laboratory equipment and diagnostic kits saw higher pandemic-driven demand for its testing products and other services. Revenues in the three months through December rose to USD10.55 billion from USD 6.83 billion in the prior-year quarter.

Detractors in the month included Colgate-Palmolive, which traded down as analysts reported that it may see continued strength in fourth quarter revenue, but it would only partially benefit net income due to logistics/input cost inflation and higher advertising levels. They noted that Colgate-Palmolive's total oral care underlying sales likely would slow a bit from third quarter levels, while underlying growth in personal care, home care and pet segments are projected to decline just modestly from the September quarter due to "continued elevated consumption levels."

Procter & Gamble lagged the broader market and the sector since November, as the momentum shift worked to its disadvantage. The stock has enjoyed excess returns since their successful brand consolidation and this has restored their organic growth and operating margins. Analyst sentiment continues to favour the company and it continues to rank well on our metrics.

Verizon continued to lag the market significantly for the third month in a row. Bidding in the FCC's C-Band spectrum auction has reached a price 15 times last year's level and investors are skeptical that the additional revenue opportunities are worth the price. This coupled with the subscriber pressure being applied by T-Mobile/Sprint has caused the sell-off in the stock.

Looking forward to 2021, we view the return to global economic growth with reasonable optimism. We see the end or a significant reduction of the global pandemic likely realized by the close of 2021. European governments have enacted fiscal stimulus packages and we expect that the European Recovery fund will play a strong role in helping these economies to rebound in 2021. China has already rebounded from the virus and appears on track to reaching its goal as the world's largest economy by 2025. Asian trading partners will likely be pulled along by China's growth.

Fiscal and monetary stimulus, coupled with low interest rates has left investors with little regard to underlying fundamentals and the risks of equity investing. At some point, all good things will end. We believe that the stimulus levers of the central banks are close to exhaustion. Negative real interest rates are ultimately inflationary, and in our view, will likely precipitate a reversal in monetary policy especially as the economy begins to recover and growth to levels that exceed pre-pandemic levels. We believe that the seeds are sown and properly nurtured to promote such growth.

Equity markets are, by their nature, forward looking and their recent action appears to be consistent with this outlook for favourable economic growth. When such economic growth materializes, we expect that the central banks will use the opportunity to "rearm" themselves by tightening in monetary policy especially if there are signs of inflation. This would start to provide investors with a viable alternative to equities (real rates of interest).

The implications of a global recovery and tighter monetary policy on the equity markets are several. First, we believe that broad economic growth will favourably affect a broader set of companies especially those who have managed to sustain themselves through the pandemic but have been unable to grow due to the poor economic climate. Leadership should be much less concentrated as a result. Second, we believe that fundamentals (valuation) of companies will assume greater importance. The generation of free cash flow, improving operating margins and return on equity will be rewarded as much as the promise of a business disruptor at any price. Finally, we believe that risk will again be priced into the equity markets and that higher-risk stocks will start to exhibit volatility in both directions as investors move away from macro themes such COVID and trade war beneficiaries to companies that execute consistently through time.

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or visit www.lazardassetmanagement.com.au

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As notified to unitholders in the 'Updated Information' page on our website, from the financial year commencing 1 July 2020, the Fund will operate as an attribution management investment trust (AMIT). Generally, it is expected that the tax position of unitholders will not substantially change as a result of the Fund becoming an AMIT. For the financial year commencing 1 July 2020, and for each financial year thereafter, instead of receiving an annual tax statement, unitholders will receive an AMIT Member Annual Statement (AMMA statement), and will be required to include information from the AMMA statement, including any income attributed to them, when preparing their tax return for that financial year and thereafter. To be clear, annual tax statements will be sent to unitholders for the financial year ended 30 June 2020. For further information please refer to our website: https://www.lazardassetmanagement.com/au/en_us/funds/updated-information. You can also contact our Client Services Team on 1800 825 287 or by email at investorqueries@lazard.com.