Lazard
Global Managed Volatility Fund

Jul 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	235
Total Fund Size	$102.8m
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

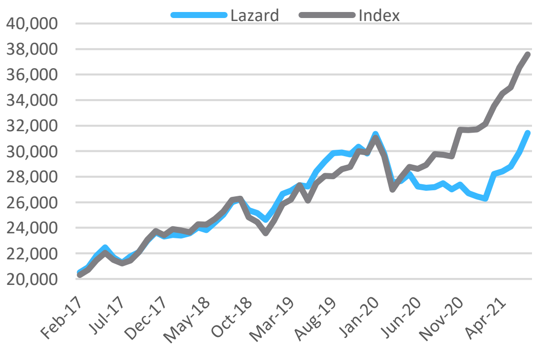
Investment Characteristics

	Lazard	Index
Sharpe Ratio (Since Inception)	1.1	1.4
Standard Deviation (Since Inception)	9.5	10.2
Beta	0.8	-
Dividend Yield (%)	2.4	1.7
Active Share (%)	86.3	-
Forward Price/Earnings	16.3	19.2

Performance (%)

	Lazard	Index	Excess Return
1 Month	5.0	2.8	2.1
3 Months	10.6	8.9	1.7
1 Year	15.8	29.9	-14.2
3 Years (pa)	7.9	14.1	-6.3
Since Inception (pa)	10.6	15.0	-4.5

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.

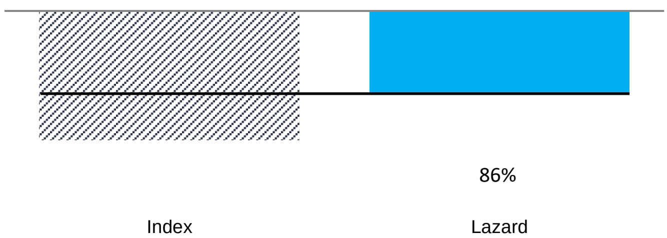
Allocations (%)

Sector	Lazard	Index	Overweight/ Underweight
Consumer Staples	19.0	6.8	12.2
Financials	10.2	13.9	-3.7
Communication Services	9.3	9.3	0.0
Energy	0.8	3.2	-2.4
Real Estate	5.8	2.6	3.2
Materials	4.2	5.0	-0.8
Health Care	15.6	11.8	3.8
Industrials	9.1	9.9	-0.8
Information Technology	9.9	22.3	-12.4
Consumer Discretionary	8.7	12.4	-3.7
Utilities	6.2	2.7	3.6
Cash	1.0	0.0	1.0
Region			
North America	56.7	62.5	-5.8
Continental Europe	8.5	12.9	-4.5
United Kingdom	2.1	3.7	-1.6
Asia Pacific ex-Japan	3.3	2.9	0.4
Japan	11.3	5.8	5.5
Middle East	0.3	0.2	0.1
Emerging Markets	16.9	12.0	4.9
Cash	1.0	0.0	1.0

Top 5 Holdings (%)

	Lazard	Index
Roche	1.7	0.4
Novo Nordisk	1.6	0.2
Procter & Gamble	1.6	0.5
Metro	1.4	0.0
Verizon	1.4	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

The global equity markets notched their sixth consecutive monthly gain in July, boosted by strong corporate earnings and record low interest rates. COVID-19 vaccination rates continued to improve in the developed markets despite the spread of the new Delta variant, which slowed reopening in some countries. Central banks maintained their accommodative policies to foster economic growth, and interest rates declined to levels only slightly above the pandemic lows of a year ago. Inflation fears abated as oil and commodity prices leveled off over the month. The other major influence on the equity markets in July was China’s crackdown on technology and private tutoring businesses, which added a political risk component to securities from that fast-growing economy. The selloff that resulted drove shares in China down 13% overall, which contributed to an 8.5% difference in returns between the developed and emerging markets in July. Tech stocks in China had their worst month since 2008. Most developed markets, led by the United Kingdom, United States, and continental Europe, finished in positive territory. Japan’s market gave ground, however, as the Delta variant created a state of emergency, and spectators were banned from the Olympic Games in Tokyo.

The disparity in regional equity performance carried over to the global sectors. Technology led the market in July largely due to record earnings at many US companies. Defensive sectors, including real estate and utilities, also fared well as investors sought their yields, which were generally higher than those in the fixed income markets. Energy stocks underperformed, giving back some of their 2021 gains, but remained the best-performing sector in 2021. Consumer discretionary stocks also fell; investors became more defensive due to the uncertainties surrounding virus variants, corporate earnings outlooks, and the Chinese government’s actions.

Low volatility and lower beta stocks broadly outperformed in every region, most notably in the United States, as investors retreated from their risk-on posture of the past few months. Large-cap stocks significantly outperformed, except in emerging markets where the tech sell-off was acutely felt. Quality measures, including high return on equity and favorable operating margins, were strong, particularly in Europe and the United States. Value measures, especially defensive value (low price-to-earnings ratios) worked well across the globe. Historical growth measures were also in favor, but companies with high projected growth underperformed. Investor sentiment measures worked well in Europe and emerging markets, but stocks with favorable momentum and analyst upgrades underperformed in the United States and Japan.

The Lazard Global Managed Volatility Fund gained 5.0% in July (net of fees), outperforming its MSCI All Country World Index benchmark by 2.1%. Both stock selection and sector positioning accounted for the excess return. Selection outperformed in eight of eleven sectors, led by consumer discretionary and health care. Only holdings in utilities and materials detracted. Sector positioning was helped by the underweights to energy and consumer discretionary, which was partially offset by the underweight to information technology. Selection was favorable across most regions with North America the strongest and the Middle East flat.

Stocks that made the largest contribution to return included Novo Nordisk, which recorded first-half growth in all markets, with initial demand for recently-approved drug Wegovy in the US driving the company to revise its 2021 outlook. The Danish pharma giant foresees sales growth between 10% and 13% from the earlier forecast of a 6% to 10% increase and operating profit growth between 9% and 12%, up from the previous projection of between 5% and 9%. Metro, the Canadian food and pharma retailer and distributor, reported second quarter 2021 revenue of $4.19, 5.1% higher than the same period last year. Food same-store sales were up 5.5% (9.7% in 2020) and were up 10.1% for the first ten weeks of the quarter, as the company experienced an "unprecedented surge" in sales in the last two weeks of the second quarter last year due to the pandemic. Republic Services reported another solid quarter, as it grew revenues by 15%, increased adjusted earnings per share by 36% and expanded adjusted EBITDA margin by 110 basis points. They raised full-year financial guidance for the second time this year.

Detractors in the month included Orkla, the Norwegian consumer goods group, which reported a lackluster second quarter as it battled with higher sourcing costs. Going forward, purchasing costs will remain high and contribute to lag effects for second half as well due to rising raw material prices. Activision Blizzard shares fell on news that the president of Activision's Blizzard Entertainment is stepping down weeks after the maker of video games like “World of Warcraft” and “Call of Duty,” was hit with a discrimination and sexual harassment lawsuit in California as well as backlash from employees over their work environment. Metropolitan Bank & Trust reported profit growth in the first quarter, as the Philippines' second-largest bank in terms of assets posted stable fee-based revenue despite the adverse impact of the coronavirus pandemic. However, revenue derived from net interest income and non-interest income fell 2% year over year to 27 billion pesos from 27.6 billion pesos due to an 11% drop in interest income.

Outlook

The rally in the global equity market from the March 2020 lows has been fed by the extraordinary fiscal stimulus measures enacted by the central banks, an equally impressive development of highly effective vaccines to inoculate the world’s population against the COVID-19 virus and corporate profits that have exceeded even the most optimistic estimates. While the rollout of the vaccines has been uneven, progress is undeniable, and we are optimistic that a sizable percentage of the world’s population will ultimately be vaccinated. Still, we expect that further outbreaks are likely, as most of the vaccinations have been confined to the developed markets. At the same time, optimism about corporate profit growth over the latter half of the year remains high carrying the momentum from what is expected a very strong first half of 2021.

Looking at the balance of the year, we are less enthusiastic, understanding that much of the favorable news is largely discounted in the market price with most indices at or near all-time highs. While we are not convinced that inflation threats are significant, the increase in commodity prices and unfulfilled jobs openings warrant monitoring. We expect that central bank stimulus will begin to be withdrawn, initially led by the US Federal Reserve, placing upward pressure on interest rates and credit spreads. This may partially close some of the valuation disparity between the United States and many of the non-US markets, which is over 50% in the case of the emerging markets. Barring an unforeseen geopolitical event, we expect that equity markets will continue their upward move spurred by favorable corporate earnings. With the global markets already up by close to 15% in 2021, we look for a relatively modest, but positive increase in the second half.

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

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.