

**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	243
Total Fund Size	\$102.6m
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

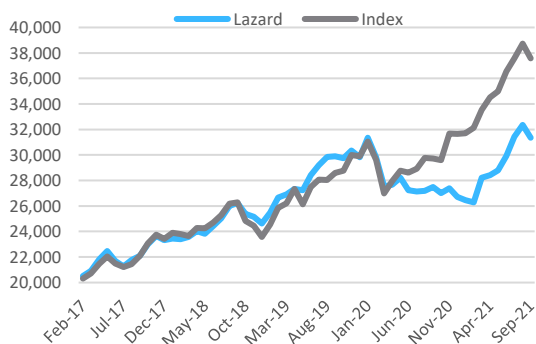
### Investment Characteristics

	Lazard	Index
Sharpe Ratio (Since Inception)	1.0	1.3
Standard Deviation (Since Inception)	9.6	10.2
Beta	0.8	-
Dividend Yield (%)	2.5	1.8
Active Share (%)	85.9	-
Forward Price/Earnings	15.9	18.6

### Performance (%)

	Lazard	Index	Excess Return
1 Month	-3.1	-3.0	-0.1
3 Months	4.8	2.8	1.9
1 Year	14.1	26.4	-12.3
3 Years (pa)	6.1	12.6	-6.5
Since Inception (pa)	10.1	14.5	-4.3

### 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	18.1	6.8	11.3
Financials	9.0	14.4	-5.4
Communication Services	9.6	9.3	0.3
Energy	1.3	3.5	-2.2
Real Estate	5.7	2.6	3.1
Materials	3.7	4.7	-0.9
Health Care	15.0	11.7	3.3
Industrials	10.1	9.7	0.5
Information Technology	12.3	22.3	-10.0
Consumer Discretionary	8.2	12.4	-4.3
Utilities	6.0	2.6	3.3
Cash	0.9	0.0	0.9
<b>Region</b>			
North America	56.7	62.4	-5.7
Continental Europe	8.3	12.7	-4.4
United Kingdom	2.6	3.7	-1.1
Asia Pacific ex-Japan	4.4	2.9	1.5
Japan	10.7	6.2	4.5
Middle East	0.3	0.2	0.1
Emerging Markets	16.1	12.0	4.1
Cash	0.9	0.0	0.9

### Top 5 Holdings (%)

	Lazard	Index
Roche	1.6	0.4
Procter & Gamble	1.6	0.5
Novo Nordisk	1.4	0.2
Verizon	1.3	0.3
PepsiCo	1.3	0.3

### Down Market Capture Ratio



87%

Index

Lazard

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.

## Commentary

A broad-based decline in September pushed the global equity markets to a minor loss for the quarter, their first quarterly decline since the onset of the global pandemic. The US Federal Reserve's stimulus policy path was a focal point as they announced preparations to slow the monthly purchase of government backed bonds, but also to raise interest rates in 2022. In Europe, the European Central Bank and the Bank of England (BoE) also signaled they were prepared to retreat from their accommodative monetary policy stances while in Asia, the Bank of Japan announced that it would hold its accommodative monetary policy steady to support the Japan market. Broad-based supply chain disruptions continue to hamper the global recovery, creating inflationary pressures on everything from agricultural produce to electronics to medical supplies. Shipping rates have more than doubled in the past five months. After a dip in August, oil prices reached highs not seen since 2014. China was another source of worry amid data indicating that the country's economy was slowing. Compounding this anxiety was the ongoing crackdown by Chinese regulators on certain domestic sectors in the name of general prosperity. The news that the debt-laden real estate developer Evergrande could default on its obligations prompted contagion fears as real estate represents a disproportionate 28% of the Chinese economy.

Energy was strongest sector in the third quarter, which has led the market (+35% in USD terms) in 2021. The prospect of higher interest rates benefitted banks, which ended the quarter positively. Falling commodity prices and a stronger US dollar made materials stocks one of the worst-performing sector. Factor performance was overall positive for the quarter mainly driven by a strong July. The quarter finished with a style rotation into value measures across the global markets. Sentiment measures, including price momentum, worked well in the United States but were mixed in Europe and underperformed in Japan and the emerging markets. Growth and quality measures continued to underperform in line with their year-long trend. Despite the sell-off in September, higher beta and more volatile stocks outperformed in the developed markets, notably in the United States. However, both lower volatility and low beta stocks were rewarded in the emerging markets.

The Lazard Global Managed Volatility Fund gained 4.8% during the quarter outperforming its MSCI AC World benchmark by 1.9%

## Outlook

Emerging markets have diverged significantly from developed markets falling into negative territory for the year. Difficulties in dealing with the global pandemic and the Delta variant, the potential of higher US interest rates, a slowdown in China's economic growth and their regulatory overreach to a 'common prosperity' pushed the markets into negative territory for the year.

As we look forward to the fourth quarter and onto 2022, we remain constructive on the equity markets largely driven by continued progress on fighting the COVID-19 virus which will reopen markets and allow for continued growth in corporate profits albeit at a slower pace. We believe that the inflationary pressures are largely a result of supply chain imbalances and will resolve themselves over time reducing the upward pressure on prices and wages. We do expect that interest rates will increase from present levels as central banks begin to taper their numerous stimulus programs, rearming to fight the next recession. Still pent-up demand from 18 months of consumer isolation and labor demand should maintain economic growth at a modest but positive level. Equity market valuations have actually decreased since year end as a result of strong corporate profit growth. We look for the growth levels to subside but remain positive going into 2022.

The uncertainties for us going into the final quarter are largely political. It is clear from virtually every free election that a demand for greater equity and government spending for social programs is a clarion call. This will likely increase government deficits, raise interest and raise corporate taxes. We expect that equity returns will be far more muted as a result with the pricier developed markets lagging their inexpensive emerging counterparts. A carefully designed bottom-up stock selection strategy offers the potential to be well positioned to deliver superior returns in such an environment.

## What Helped

- Power Construction has won many recent contracts, including a massive agreement with Iraq for the construction of 2GW of solar projects as it progresses with efforts to ramp up PV capacity. The first stage of the deal with the state-owned Chinese energy company will initially result in the deployment of 750MW of solar.
- Novo Nordisk has outperformed in recent months driven by their strong financials all of 2021 and the initial substantial demand for their obesity drug, Wegovy, in the US, which enabled them to raise their outlook for the full year. They are undergoing a share buyback program.
- Aon rallied on news that its merger with Willis Towers Watson had been called off. The merger was facing significant legal hurdles particularly in Europe and the costs were likely to subsume most of the synergies. The company reported solid top-line growth of 11% and expectations are that this will grow now that the distractions of the merger are eliminated.
- Monolithic Power Systems, Inc. announced a very strong second quarter with sales at USD 293.3m compared to USD 186.2m a year ago. Operating income was USD 60.6 million compared to USD 28.0m a year ago
- Republic Services reported a solid second quarter, with revenues up 15% compared to a year ago. They increased adjusted earnings per share by 36%, and expanded adjusted EBITDA margin 110bps. They raised full-year financial guidance for the second time this year.

## What Hurt

- 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. We sold our position.

- Xinyi Glass sold off in the third quarter, as investors looked to lock in gains after reporting a strong first half of 2021. Revenues in the first six months were up 90.3% mainly due to improvement in all of the group's three glass business divisions in comparison with the low base during the same period in 2020 due to the impact of COVID-19.
- Rio Tinto retreated, as the decline in commodity prices, notably iron ore, weighed on the stock. With commodity prices at multi-year highs, near-time volatility is expected. We maintain a favorable view of the stock despite a weakening in the sentiment model.
- Cheng Loong the Taiwan based company principally engaged in the manufacture and distribution of paper products was negatively affected by the drop in commodity prices over the last month. They also have exposure to Evergrande as they also engage in real estate developments.
- Samsung Electronics sold off after they announced their large increase in capital expenditures. Investors feared the new clean room space would increase the supply of semi-conductor chips, depressing prices and reduce their margins as the manufacturing facilities came on-line.

For more information, call us on 1800 825 287  
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