Lazard
Global Managed Volatility Fund

Nov 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	245
Total Fund Size	$105.6m
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

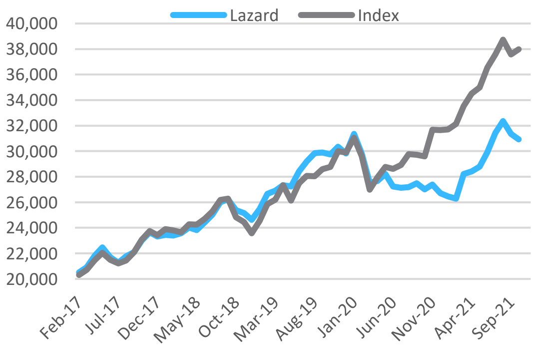
Investment Characteristics

	Lazard	Index
Sharpe Ratio (Since Inception)	1.1	1.4
Standard Deviation (Since Inception)	9.6	10.1
Beta	0.8	-
Dividend Yield (%)	2.4	1.8
Active Share (%)	85.6	-
Forward Price/Earnings	15.2	18.5

Performance (%)

	Lazard	Index	Excess Return
1 Month	4.3	3.4	0.9
3 Months	-0.3	1.4	-1.7
1 Year	17.7	23.9	-6.2
3 Years (pa)	8.6	17.1	-8.5
Since Inception (pa)	10.4	15.0	-4.6

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.

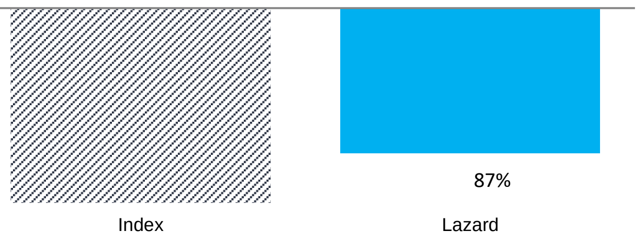
Allocations (%)

Sector	Lazard	Index	Overweight/ Underweight
Consumer Staples	16.4	6.6	9.8
Financials	8.7	13.9	-5.1
Communication Services	10.3	8.7	1.6
Energy	2.1	3.4	-1.3
Real Estate	6.4	2.6	3.7
Materials	3.9	4.6	-0.7
Health Care	14.7	11.4	3.3
Industrials	9.2	9.5	-0.3
Information Technology	12.7	23.8	-11.1
Consumer Discretionary	7.5	12.8	-5.4
Utilities	6.6	2.6	4.0
Cash	1.4	0.0	1.4
Region			
North America	56.6	64.3	-7.7
Continental Europe	7.1	12.3	-5.1
United Kingdom	1.9	3.5	-1.6
Asia Pacific ex-Japan	3.7	2.7	0.9
Japan	11.3	5.7	5.6
Middle East	0.2	0.2	0.0
Emerging Markets	17.9	11.3	6.6
Cash	1.4	0.0	1.4

Top 5 Holdings (%)

	Lazard	Index
Roche	1.7	0.4
Procter & Gamble	1.6	0.5
Walmart	1.3	0.3
Novo Nordisk	1.3	0.3
Republic Services	1.3	0.0

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.

Commentary

The global equity markets retreated more than 2% in USD terms in November, as the emergence of a new coronavirus variant, Omicron, and hawkish comments from US Federal Reserve Chair Jerome Powell offset a very strong corporate earnings season. Volatility surged with the uncertainty over the severity and transmissibility of the mutated virus and the efficacy of current vaccines. Inflationary pressures continued, as did labor shortages, supply chain disruptions, and commodity price increases, sending interest rates higher. Oil prices moved steadily higher for most of the month before plunging at month end due to the fear that the spread of Omicron would curb demand. The US dollar rallied on higher interest rates. Emerging markets and small cap stocks suffered disproportionately, falling 3.5% and 4.6% in USD terms, respectively.

The United States continued to be the strongest of the major equity markets, falling only 1% in USD terms in November. Its size helped offset weakness in the non-US markets: The average market declined 4.7% in USD terms in the month. Japan's market also held up as the government announced a large stimulus package to boost growth. Chinese stocks fell nearly 6% in USD terms despite a modest pick-up in manufacturing activity. Tensions with the West remained high, and Chinese regulators continued to impose restrictions on gaming and tech companies and their senior management. Sector performance reflected fear of an economic slowdown, with energy and financial stocks leading the decline. Tech and consumer discretionary stocks outperformed, much as they did during the 2020 COVID sell-off.

Factor performance followed patterns that are typical of a market decline. Large cap stocks with strong financial characteristics were favored. Defensive valuation measures (low price/earnings) also outperformed. High beta and volatile stocks underperformed, although not to the same extent as in the first months of 2020. Sentiment measures continued to recover, particularly price momentum, following the massive sell-off in November 2020. Continuing a pattern that developed in the second quarter, emerging markets factor effectiveness diverged from that in the developed markets. Emerging markets small cap stocks outperformed, while defensive value and sentiment measures were ineffective. However, as in developed markets, quality measures were rewarded.

The Lazard Global Managed Volatility Fund gained 4.3% in the month (Net of fess), outperforming its MSCI All Country World Index benchmark which returned 3.4%.

Portfolio Review

Stock selection accounted for the excess return, as sector positioning lagged. Selection outperformed in seven of eleven sectors led by financials and consumer staples. Holdings in information technology and energy detracted the most. The underweights to financials and energy was more than offset by the underweight to information technology. Regionally, selection was strongest in continental Europe and China, and weakest in the US and Japan.

Stocks that made the largest contribution to return included Costco, as its COST growth strategies, better price management, decent membership trends and increasing penetration of e-commerce business have been contributing to its upbeat performance. Cumulatively, these factors have been aiding the company in registering impressive sales and comparable sales numbers. Japan Post Bank performed well after releasing its third quarter results. The company raised its full-year guidance for profits from ¥260bn to ¥350bn, principally on improvement in net interest income compared to the initial expectation. Factors contributing to the improvement in net interest income include lower foreign currency funding costs, a rise in gains from the redemption of foreign bonds, and greater-than-expected private equity fund distribution. Qualcomm posted record quarterly sales and forecast further growth amid surging demand for 5G smartphones in the face of supply-chain constraints. The mobile-phone chip giant, whose processors are in many new 5G handsets, said sales rose 12% to $9.3 billion in its fiscal fourth quarter, generating a $2.8 billion profit, exceeding expectations.

Detractors in the month included Quebecor, reported largely in-line financial results; however, Telecom EBITDA underperformed, declining 1.4%. Analysts remain cautious on the stock in the near term due to uncertainties around its wireless expansion plans. Yapi ve Kredi Bankasi, the Turkish bank came under pressure as the lira slumped after President Tayyip Erdogan defended recent sharp interest rate cuts, in what analysts called a reckless and premature monetary easing. The Turkish lira lost 11% of its value, crashing to a record low of 13.45 lira per dollar as investors panicked after Erdogan vowed to win his "economic war of independence", defending an aggressive easing cycle. Sainsbury's detracted, as falling recent sales after its Argos business was knocked by supply chain challenges and a post-lockdown easing of demand. Argos sales slumped 12% year on year in the third quarter, with the group blaming "supply challenges, unseasonal weather and lower demand for home office equipment and technology."

Outlook

Despite a selloff in September, returns for developed market equities remain in the mid-teens for the year reflecting strong corporate profit growth, ongoing stimulus from the central banks and broad progress on containing the COVID 19 virus and its variants. Emerging markets have behaved in an entirely different manner 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 should be well positioned to deliver superior returns in such an environment.

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