Lazard
Global Managed Volatility Fund

Apr 2022
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	235
Total Fund Size	$2.0m
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

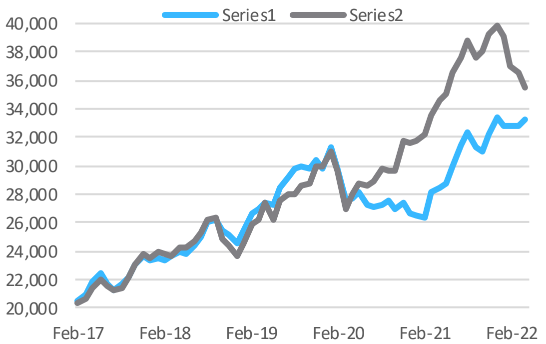
Investment Characteristics

	Lazard	Index
Sharpe Ratio (Since Inception)	1.1	1.0
Standard Deviation (Since Inception)	9.3	10.4
Beta	0.7	-
Dividend Yield (%)	2.6	2.1
Active Share (%)	84.6	-
Forward Price/Earnings	13.5	16.0

Performance (%)

	Lazard	Index	Excess Return
1 Month	1.5	-2.8	4.3
3 Months	1.2	-9.2	10.4
1 Year	16.9	2.8	14.1
3 Years (pa)	6.7	9.1	-2.4
5 Years (pa)	8.8	10.6	-1.8
Since Inception (pa)	10.1	11.5	-1.4

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	18.2	7.5	10.7
Financials	11.5	14.5	-3.0
Communication Services	9.4	7.7	1.7
Energy	2.8	4.6	-1.8
Real Estate	6.5	2.9	3.6
Materials	3.6	5.1	-1.5
Health Care	12.0	12.3	-0.3
Industrials	7.1	9.5	-2.4
Information Technology	10.4	21.5	-11.1
Consumer Discretionary	5.5	11.3	-5.8
Utilities	7.7	3.0	4.7
Cash	5.1	0.0	5.1
Region			
North America	53.3	63.9	-10.6
Continental Europe	5.0	12.1	-7.1
United Kingdom	2.6	3.9	-1.3
Asia Pacific ex-Japan	4.5	3.2	1.3
Japan	12.9	5.4	7.5
Middle East	0.2	0.2	0.0
Emerging Markets	16.2	11.3	4.9
Cash	5.1	0.0	5.1

Top 5 Holdings (%)

	Lazard	Index
Loblaw Companies	1.7	0.0
Procter & Gamble	1.7	0.6
Tokyo Gas	1.5	0.0
Metro	1.5	0.0
Japan Post Holdings	1.4	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.

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Commentary

The sell-off in global equity markets accelerated in April. Major indices fell 8% (in USD terms) for the month, and the markets entered a correction—a loss of 10% (in USD terms) or more—for the year. Every developed market dropped in the month and, with the exception of certain oil- and commodity-dominated markets, emerging countries also suffered.

Rising inflation ultimately stoked the selling as the US Federal Reserve, European Central Bank, Bank of England, and several other central banks continued to tighten their monetary policies to fight it, thus raising the likelihood of a recession. Interest rates moved higher throughout the developed markets, with the notable exception of Japan as the central bank there continued its stimulative policies. The US dollar continued to strengthen, increasing the country's trade imbalance and slowing its inventory growth as GDP dropped 1.4% in the first quarter. The sharp appreciation of 1.7% in the US dollar caused US equities to lag global markets in April. The war in Ukraine raged on, with horrific costs to people and property. The war also wreaked havoc with the commodity markets; oil prices remained highly volatile, finishing up 4% (in USD terms) in April but well below their March peak. Emerging markets equities dropped in April but held up well comparatively. However, China's 4% (in USD terms) fall extended its decline to 17% (in USD terms) for the year as the country continued to impose severe COVID lockdowns in major cities, including Shanghai and Beijing, and attempted to grapple with its overbuilt real estate sector. The lockdowns have placed additional pressure on supply chains. Consumer staples and energy stocks led the markets, with growth-oriented sectors, namely communication services and information technology, continuing to sell off.

Factor performance converged across markets in April, a reversal from the trend of the past few months. Risk measures, including beta and volatility, and smaller cap all underperformed during the month. Value enjoyed a strong month, with defensive factors including low price-to-earnings ratios proving especially effective. Quality gauges were generally favorable, particularly in the United States; Japan was the notable exception. Growth factors lagged across the globe. Sentiment indicators were mixed, with price momentum still working in most markets, while stocks favored by sell-side analysts provided mixed

Portfolio Review

The Lazard Global Managed Volatility Fund gained 1.5% (net of fees) during the month exceeding its MSCI All Country World index benchmark by 4.3%. Both stock selection and sector positioning accounted for the outperformance; the residual cash position also helped. Stock selection was favorable in all eleven sectors led by consumer discretionary and communication services. The overweight to consumer staples and underweight to information technology benefited the most, which was partially offset by the underweight to energy and overweight to communication services. Regionally, selection was effective in most major regions within the US and Japan the strongest, selection was flat in Asia ex-Japan.

Stocks that made the largest contribution to return included Hershey, which forecasted full-year profits for 2022 above Wall Street expectations. This came after the Kit Kat maker beat estimates for fourth quarterly profit on strong holiday demand and higher prices for its chocolates and candies. Kellogg also contributed to performance, as it has been gaining on its brand strength due to innovation and solid past buyouts. Also the company's EMEA region remains solid, with a multi-year track record of organic net sales growth. In 2021, Pringles delivered an impressive consumption performance despite pandemic-inflicted supply disruptions. Shares of Target jumped after the US retailer posted record holiday quarter earnings and forecast an upbeat 2022. Target said it expects profits to improve later this year, as sales have surged from new online options and same-day delivery. The company said same-day businesses, which allow shoppers to pull into a store and pick up goods in minutes or get them delivered within hours, rose 45% last year.

Detractors in the month included Matson, the US ocean transportation and logistics services company, which is seeing supply chain challenges in China, primarily due to actions to mitigate the spread of COVID-19, as well as continued supply chain constraints and congestion on the US West Coast, elevated consumption trends, and inventory restocking. Alphabet posted weaker YouTube revenue in the first quarter amid Russian de-monetization, leaving investors uncomfortable as the de-monetization drive is expected to deteriorate further in the second quarter. YouTube ad revenue didn't grow as much as anticipated, while user engagement continued to rise. The company said foreign exchange headwinds are likely to worsen in the second quarter. Netflix declined over 45% during the month after reporting mixed first quarter results and a sharp decline in subscriptions. The streaming giant on late Tuesday posted higher revenue but lower earnings per diluted share as it lost 200,000 paid subscribers in the first quarter.

Outlook

We view the global equity markets with cautious optimism. Inflation fears and the potential for higher global interest rates are likely to continue to weigh on investor sentiment for the rest of 2022. Unfortunately, we do not see an immediate end to the war in Ukraine with both sides seeing a path to complete victory and, at this point, unwilling to compromise to affect a peace settlement. The conflict will continue to maintain oil and commodity prices at elevated levels and dampen the prospects for global growth baring a change in government or OPEC policy. By contrast, consumer balance sheets are in a solid position, employment is high and capital spending plans remain strong. The global pandemic appears largely behind us save a new mutation from this very nefarious virus. The major exception is China where an ineffective vaccine and zero tolerance policy is having a profound impact on the world's second largest economy. While higher interest rates and wage inflation will certainly depress earnings, inflation pressures should begin to subside, and we are not convinced that the US Federal Reserve will be able to fully execute its planned series of rate hikes without pushing the economy into a recession. While equity prices will continue to be volatile, we believe that a bottom-up stock selection strategy, focused on company fundamentals, will likely reward investors over the balance of the year.

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