Lazard
Global Managed Volatility Fund

May 2022
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	232
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

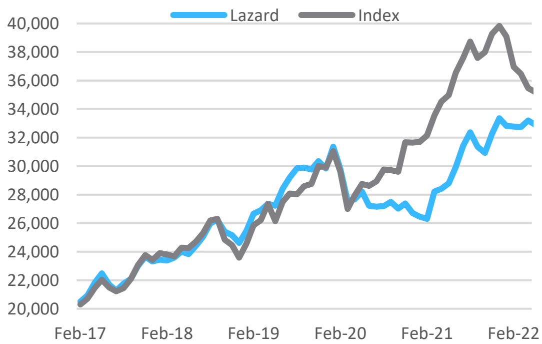
Investment Characteristics

	Lazard	Index
Sharpe Ratio (Since Inception)	1.0	1.0
Standard Deviation (Since Inception)	9.3	10.3
Beta	0.7	-
Dividend Yield (%)	2.8	2.1
Active Share (%)	84.4	-
Forward Price/Earnings	13.7	15.8

Performance (%)

	Lazard	Index	Excess Return
1 Month	-1.0	-0.8	-0.2
3 Months	0.3	-4.8	5.1
1 Year	14.2	0.6	13.6
3 Years (pa)	6.5	10.4	-3.9
5 Years (pa)	7.9	9.8	-1.9
Since Inception (pa)	9.8	11.2	-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	18.3	7.3	11.0
Financials	11.3	14.8	-3.5
Communication Services	9.4	7.8	1.6
Energy	2.9	5.2	-2.3
Real Estate	6.3	2.8	3.5
Materials	3.6	5.2	-1.6
Health Care	12.5	12.3	0.2
Industrials	6.5	9.4	-2.9
Information Technology	10.5	21.4	-10.8
Consumer Discretionary	5.2	11.0	-5.7
Utilities	8.4	3.1	5.3
Cash	4.9	0.0	4.9
Region			
North America	53.2	63.9	-10.7
Continental Europe	4.7	12.1	-7.4
United Kingdom	2.9	3.9	-1.0
Asia Pacific ex-Japan	4.8	3.1	1.7
Japan	13.2	5.5	7.7
Middle East	0.3	0.2	0.1
Emerging Markets	15.7	11.3	4.4
Cash	4.9	0.0	4.9

Top 5 Holdings (%)

	Lazard	Index
Loblaw Companies	1.7	0.0
Tokyo Gas	1.6	0.0
Japan Post Holdings	1.5	0.0
Proctor & Gamble	1.5	0.6
Metro	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

A sharp rebound at month-end pulled the global equity markets into positive territory, resulting in a 0.1% gain (in USD terms) in May. Volatility remained elevated, and many indices neared bear-market status (a fall of 20% in USD terms) at mid-month before equities rallied. Signs of a slowing in inflationary pressures and a potential easing of COVID-19 restrictions in China contributed to the rally.

Central bank policies continued to dominate investor sentiment as the banks attempted to control inflationary pressures through tighter monetary policies. The 60 interest-rate-hike announcements this year are the most since 2000. The US Federal Reserve has remained a focal point as the US economy has been healthy and appears capable of withstanding higher interest rates without falling into a recession. Corporate earnings remained strong despite some higher-profile disappointments in the technology and retail spaces. Ongoing supply chain issues continued to hinder global growth, particularly affecting China where pandemic restrictions are likely to result in negative GDP growth in the second quarter, well below the 5.5% target set by the People's Bank of China. Central banks in China, Japan, and Russia stood out for remaining accommodative. The war in Ukraine continued to drag on, with neither side showing any meaningful progress. Russia was increasingly ostracized as Finland and Sweden both submitted applications to join NATO, and several countries, including the United Kingdom, looked for ways to cease buying Russian oil and gas.

Oil prices pushed higher in May, rising another 7%, but remained below their peak in mid-March. The ongoing spike in oil prices continued to benefit energy stocks, which led the equity market with a rise of over 12% (in USD terms) during the month. Utilities also posted a positive month. Investors shied away from consumer stocks, however, as several prominent retailers announced disappointing results and provided weak guidance. Real estate stocks also sold off. Despite the slowdown in China and higher US interest rates, emerging markets finished May in positive territory. Small cap stocks virtually matched the returns of their large cap counterparts.

As in April, factor performance remained fairly consistent across regions in May. Value continued to work well across all regions, with defensive measures, including low price-to-earnings ratios, proving especially effective. By contrast, growth factors continued to lag across the globe again with the exception of Japan. Quality and market sentiment measures, including price momentum, were favored except in Europe. Low beta and low volatility stocks were mixed, remaining in favor in the United States and emerging markets but underperforming in Europe and Japan.

Portfolio Review

The Lazard Global Managed Volatility Fund lost 1.0% during the month (net of fees) trailing its MSCI All Country World Index benchmark by 0.2%. Sector positioning accounted for the underperformance, stock selection was positive. Stock selection was favorable in six of eleven sectors led by information technology and communication services. Selection was weakest in health care and financials. Allocation wise, the underweights to consumer discretionary and information technology and the overweight to utilities helped, but was more than offset by the by the underweight to energy and overweight to consumer staples. Regionally, selection was strongest in Japan and emerging Asia, and weakest in Europe including the UK and the US.

Stocks that made the largest contribution to return included Verizon, as data usage on the new 5G service continues to climb. Since January of 2021, data usage on Verizon's 5G Ultra Wideband network has increased 249%. To meet that growing demand, in 2022, Verizon plans to deliver about 175 million POPs by year end, and will deliver at least 250 million POPs by the end of 2024. Coterra Energy, which continues to benefit from the rising energy prices. Analysts also noted the company is aided by its low cost of supply, below average debt/EBITDA, as well as one of the highest base plus variable dividends in its peer group. Eneos, the Japanese petroleum and metals conglomerate, reported a 371.2% surge in attributable profit for the year ended 31 March thanks to a decline in operating expenses and the resumption of economic activity post-COVID-19. Profit rose to 537.12 billion yen ($4.17 billion), or 166.87 yen per share, compared with 114 billion yen, or 35.42 yen per share, in fiscal 2021. Revenue for the year amounted to 10.922 trillion yen, up from 7.658 trillion yen.

Detractors in the month included two giant retailers, Target and Walmart, as disappointing quarterly earnings from retailers added to investors' concerns about the impacts of inflation on the economy. Walmart lowered its fiscal 2023 profit outlook after reporting weaker-than-expected fiscal first quarter adjusted earnings per share amid supply chain disruptions, increased costs and persistent inflationary pressures, mainly on food and fuel. Target, meanwhile, reported first quarter adjusted earnings per share below analysts' expectations amid what CEO Brian Cornell described as "unexpectedly high costs." Roche fell after reporting that an interim analysis of an ongoing clinical trial showed that its experimental drug, tiragolumab, failed to meaningfully slow disease progression in newly diagnosed patients with advanced non-small-cell lung cancer (NSCLC) in combination with its approved PD-L1 immunotherapy Tecentriq, versus Tecentriq alone. The fresh blow to Roche's hopes in a closely watched class of cancer immunotherapies cast a long shadow across the crowded field, but the latest setback is not the end of the road for these oncology treatments, analysts say.

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.

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