Lazard
Global Managed Volatility Fund

Jun 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	226
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

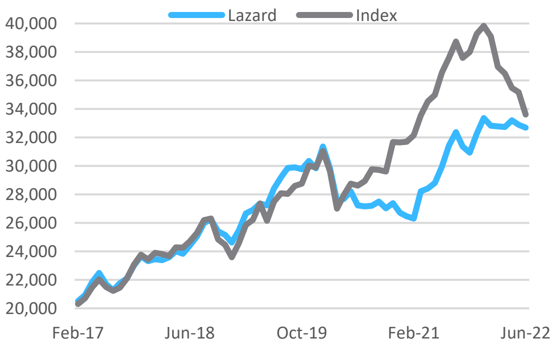
Investment Characteristics

	Lazard	Index
Sharpe Ratio (Since Inception)	1.0	0.9
Standard Deviation (Since Inception)	9.2	10.5
Beta	0.7	-
Dividend Yield (%)	3.0	2.3
Active Share (%)	84.5	-
Forward Price/Earnings	13.0	14.6

Performance (%)

	Lazard	Index	Excess Return
1 Month	-0.6	-4.5	3.9
3 Months	-0.1	-7.9	7.8
1 Year	9.2	-8.0	17.2
3 Years (pa)	4.8	6.9	-2.1
5 Years (pa)	8.6	9.4	-0.8
Since Inception (pa)	9.5	10.1	-0.6

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.

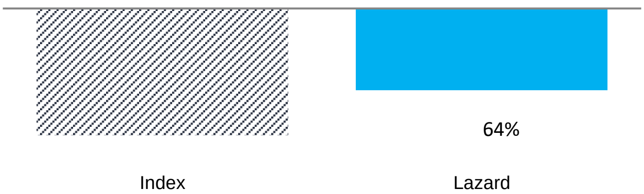
Allocations (%)

Sector	Lazard	Index	Overweight/ Underweight
Consumer Staples	19.1	7.6	11.5
Financials	10.4	14.5	-4.1
Communication Services	8.9	7.9	1.0
Energy	2.7	5.0	-2.3
Real Estate	6.1	2.8	3.3
Materials	2.9	4.8	-1.8
Health Care	13.5	13.0	0.5
Industrials	7.8	9.4	-1.6
Information Technology	9.6	20.9	-11.3
Consumer Discretionary	4.8	11.1	-6.2
Utilities	10.1	3.2	6.9
Cash	4.1	0.0	4.1
Region			
North America	55.1	63.8	-8.7
Continental Europe	4.6	11.8	-7.2
United Kingdom	2.9	3.9	-1.0
Asia Pacific ex-Japan	4.7	3.1	1.6
Japan	13.2	5.4	7.7
Middle East	0.2	0.2	0.0
Emerging Markets	15.2	11.7	3.4
Cash	4.1	0.0	4.1

Top 5 Holdings (%)

	Lazard	Index
Loblaw Companies	1.8	0.0
Tokyo Gas	1.7	0.0
Procter & Gamble	1.6	0.6
Japan Post Holdings	1.5	0.0
Merck & Co.	1.5	0.4

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.

LAZARD
ASSET MANAGEMENT

Commentary

After May's brief relief rally, global equity markets resumed their plunge, falling another 8.5% in June. The global equity markets are now down more than 20% (in USD terms) in 2022, marking the worst start to a year in over 50 years.

Inflation levels have continued to surprise to the upside, fueled by ever higher oil and commodity prices, labor shortages, and ongoing supply chain disruptions. Central banks have broadly acted in a coordinated fashion to fight inflation, with 45 banks raising rates thus far in 2022. The Peoples Bank of China and Bank of Japan are two notable exceptions. The US Federal Reserve has remained a focal point as it has maintained an increasingly hawkish tone in the face of stubbornly high inflation numbers. The European Central Bank warned that the era of low interest rates and low inflation has ended, aggravated by the Ukraine invasion and global pandemic, and forecasted a larger interest rate hike in September following a 25-basis-point (bps) increase in July. Consumer confidence continued to wane, and recessionary fears in Europe and the United States were a primary concern, creeping into the oil markets, which fell nearly 10% (in USD terms) in June. Nevertheless, oil prices were still 40% above year-end 2021 levels. The Ukraine war has placed additional upward pressure on food prices and European energy costs, which are likely to continue rising going into the fall, barring a resolution to the conflict. Japan's loose monetary policy continued to put downward pressure on the yen, which reached a 24-year low against the US dollar in June. In a month with little other positive news, China modified its COVID-19 lockdown policies and reported a modest increase in industrial production, lifting the equities market 7% (in USD terms) in June—the only major market to finish in positive territory for the month. That helped emerging markets to outperform developed markets both for the month and for the first half of 2022.

Every sector finished in negative territory in June; recessionary fears inflicted the largest losses on the material and energy sectors. Energy stocks were the only sector with a positive return year to date. The defensive healthcare and consumer staples sectors posted minor losses. Small cap stocks lagged by nearly 2% in June, matching the loss in large cap stocks for the year.

The market decline in June was felt across every region as higher beta and more volatile stocks underperformed, with the notable exception of higher volatility stocks in emerging markets. Beyond this broad risk aversion, factor performance again diverged across regions in June. Value measures, which have worked well globally for most of 2022, reversed notably in emerging markets and the United States. Defensive value measures in Europe and Japan were rewarded. Growth measures were favored for the first time this year except in Japan. In another first for the year, sentiment measures were flat to negative except in Europe where they continued to work well. Despite the market decline, quality measures also were out of favor except in Europe.

Portfolio Review

The Lazard Global Managed Volatility Fund lost 0.6% (net of fees) during the month exceeding its MSCI All Country World Index benchmark by 3.9%. Both sector positioning and stock selection accounted for the excess return. Stock selection was favorable in all but two sectors: communication services and real estate. Selection was strongest in utilities and financials. Allocation wise, the overweight to consumer staples and the underweights to information technology helped the most. Regionally, selection was strongest in the US and Japan, and weakest in Europe including the UK and Thailand.

Stocks that made the largest contribution to return included Tokyo Gas, as it received a few analyst upgrades from industry analysts. The upgrades mainly cited the stability of Tokyo Gas earnings made possible by the company's ability to procure LNG at comparatively low prices even as the electric power and gas sector faces uncertainty about earnings stemming from higher fuel and raw material prices, but which appears to be already reflected in their share price. Kimberly-Clark's recent first quarter 2022 earnings saw revenue rising from $4.74 billion in first quarter 2021 to $5.1 billion in first quarter 2022. First quarter sales rose 7% to $5.1 billion. Organic sales, excluding acquisitions, rose 10%, helped by a 6% increase in net selling prices. General Mills, the maker of Wheaties and Cheerios, said that it expects its full-year fiscal 2023 organic net sales to grow by 4% to 5%, and adjusted EPS in the range between flat and up 3%. Additionally, General Mills said it has raised its quarterly dividend to $0.54 per share, from $0.51 in the prior quarter.

Detractors in the month included Coterra Energy, as Goldman Sachs lowered its price targets for 19 stocks in the exploration & production (E&P) sector, including Coterra Energy. Goldman cited increased risks stemming from a likely global recession as well as rising costs and government pronouncements resulted in a 19% decline in the XLE (Energy Select Sector SPDR Fund) in June. Woori Financial, one of South Korea's largest commercial banks detracted, as police raided the company's headquarters since one of the bank's employees is suspected of embezzling more than 60 billion won (US$47 million). Most of the stolen money was from a $57.8-billion contract deposit that Woori Bank must return to an Iranian company in connection with a failed acquisition deal. The bank has filed a criminal complaint against the employee. Rio Tinto detracted, as a commodities selloff over easing China demand and fears of a global recession deepened. Lower output from Chinese steel mills has hit demand for iron ore, while prices of commodities like copper and aluminum have slumped on worries that aggressive interest rate hikes by the Federal Reserve and other central banks could tip the global economy into a recession.

Outlook

The market correction in the first half of 2022 was one of the most pronounced in decades and effectively signaled the end of "free" money throughout the world. Unfortunately, it did not end the impacts of the COVID-19 virus nor the war in Ukraine, both of which are likely to influence economic conditions in the second half of the year. The escalation in commodity and wage inflation has triggered a strong response from the central banks sending the bond market into a decline that was equally unprecedented in terms of past several decades.

A 20% selloff would normally present a broad set of good buying opportunities, but the tightening by central banks has greatly increased the likelihood of a recession as they attempt to cool the economy and ease inflationary pressures. The tension between fighting inflation and triggering a recession is a theme that we expect will play out differently among the central banks and we expect that policies will diverge. Company earnings, which have been remarkably strong, are certainly going to feel the effects of the slowdown and valuation levels will be challenged more by the denominator rather than price. We believe that a correction after the extraordinary gains following the March 2020 selloff was overdue and that the market has found a level approximating fair value. We expect that volatility will remain high over the balance of the year but slowly ebb from quarter-end levels as the economic picture becomes clearer. Equity investors have likely experienced most of the pain from the sell-off and we believe that the market will be range bound for the balance of 2022. The sell-off has restored market valuations to reasonable levels but the ability to identify mispriced stocks with sustainable businesses models will favor a bottom-up approach focused on stock selection.

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