Lazard
Global Managed Volatility Fund

Jul 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	232
Total Fund Size	$1.9m
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

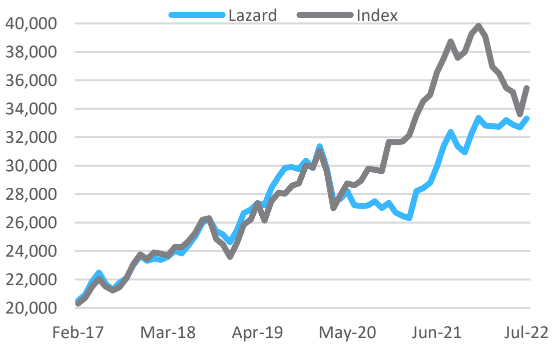
Investment Characteristics

	Lazard	Index
Sharpe Ratio (Since Inception)	1.0	1.0
Standard Deviation (Since Inception)	9.2	10.6
Beta	0.7	-
Dividend Yield (%)	2.9	2.2
Active Share (%)	84.8	-
Forward Price/Earnings	13.2	15.6

Performance (%)

	Lazard	Index	Excess Return
1 Month	1.9	5.4	-3.6
3 Months	0.3	-0.1	0.4
1 Year	6.0	-5.7	11.7
3 Years (pa)	4.5	8.1	-3.6
5 Years (pa)	9.4	10.8	-1.4
Since Inception (pa)	9.7	11.0	-1.2

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.

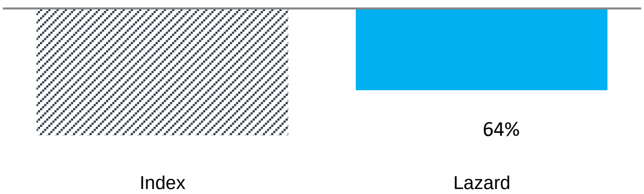
Allocations (%)

Sector	Lazard	Index	Overweight/ Underweight
Consumer Staples	19.0	7.4	11.6
Financials	10.4	14.1	-3.7
Communication Services	8.5	7.5	0.9
Energy	3.7	5.0	-1.3
Real Estate	6.4	2.8	3.6
Materials	2.9	4.6	-1.7
Health Care	13.2	12.5	0.7
Industrials	8.1	9.6	-1.5
Information Technology	10.0	21.9	-11.9
Consumer Discretionary	4.6	11.6	-6.9
Utilities	9.5	3.1	6.4
Cash	3.7	0.0	3.7
Region			
North America	54.6	65.1	-10.5
Continental Europe	5.5	11.6	-6.1
United Kingdom	3.2	3.8	-0.6
Asia Pacific ex-Japan	4.8	3.0	1.7
Japan	13.2	5.4	7.8
Middle East	0.2	0.2	0.0
Emerging Markets	14.8	10.9	3.9
Cash	3.7	0.0	3.7

Top 5 Holdings (%)

	Lazard	Index
Loblaw Companies	1.7	0.0
Tokyo Gas	1.6	0.0
Japan Post Holdings	1.5	0.0
Metro	1.5	0.0
Procter & Gamble	1.4	0.6

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

Heightened volatility and regional divergences continued to characterize the global equity markets in July, as developed markets surged more than 7% (in USD terms), nearly recovering from June's sharp losses. Emerging markets fell 0.4% (in USD terms), surrendering their excess return over developed markets for the year.

Optimism that inflation had crested and recessionary pressures would cause central banks to retreat from planned rate hikes sustained the markets in July. This held even in the face of another 75-basis-point increase by the US Federal Reserve and hawkish rhetoric from other major central banks. With about half of corporations reporting, earnings surprised to the upside; a majority exceeded estimates, although at a lower percentage than in the past few quarters. Recessionary fears weighed on oil prices, which retreated close to pre Ukraine invasion levels. Consumer spending showed a pronounced shift away from many discretionary items as gasoline and food costs escalated. Still, travel and restaurant sales picked up. German retail sales fell at the largest annual rate in nearly 30 years. Emerging markets returns continue to be dominated by China, which posted a 9% loss (in USD terms). Factory activity in China contracted unexpectedly, and problems with lease payments on unfinished properties placed pressures on the country's fragile real estate market. Other emerging markets posted gains, but these were muted by the continued strength of the US dollar.

July's rally included a reemergence of the growth preferences seen in 2019–2020. Information technology and consumer discretionary stocks both rose more than 10% (in USD terms). While every sector finished in positive territory, defensive areas—communication services, consumer staples, and health care—lagged. It was a "risk-on" month, with higher beta and volatile stocks outperforming. Emerging markets were a notable exception as lower volatility stocks remained in favor.

Factor performance shifted sharply away from value across global equity markets, accelerating the move which began in June. Growth factors were favored, particularly in Europe and Japan. Sentiment measures, especially price momentum, saw a sharp drawdown in developed markets but continued to work well in emerging markets. Quality measures remained in favor in the developed markets as they have for most of the past year. By contrast, emerging markets investors appeared indifferent to quality metrics.

Portfolio Review

The Lazard Global Managed Volatility Fund gained 1.9% (net of fees) during the month underperforming its MSCI All Country World Index by 3.5%. Both sector positioning and stock selection accounted for the shortfall. Stock selection was favorable in two of eleven sectors: real estate and energy. Holdings in utilities and consumer discretionary detracted the most. Allocation wise, the underweights to financials, materials and energy was more than offset by the underweight to information technology and overweight to consumer staples. Regionally, selection was strongest in China and the UK, and weakest in the US and Japan.

Stocks that made the largest contribution to return included Jack Henry, which announced that it has now connected over 250 financial institutions to either The Clearing House's RTP network and/or the Zelle Network. PayCenter provides a quicker, more cost effective, efficient conduit to the faster payments' networks. The proprietary hub also enables financial institutions to accelerate time to market with faster payment solutions that expedite funds availability and improve cash flow. Cadence Design System lifted its fiscal 2022 forecast for sales and earnings and said long-term trends such as hyper-scale computing, autonomous driving, and artificial intelligence are pushing the demand for its products and services. The software firm now sees adjusted earnings per share of between $3.89 and $3.97 compared with its previous guidance range of $3.70 to $3.80. Keysight Technologies announced that AI-LINK has selected Keysight's 5G test tools for end-to-end performance validation of cloud-native 5G radio access network (RAN) equipment in a digital twin laboratory environment, which accelerates 5G private network deployments for large-scale smart warehouse applications.

Detractors in the month included Verizon Communications, which slashed its full-year earnings outlook as customers pull back on spending from red-hot inflation, while the telecommunications conglomerate posted lower second-quarter profit that missed Wall Street's expectations. Pressure caused by inflation within the company's cost structure, especially on labor, utilities and logistics expenses, is expected to accelerate in the second half and have an impact of profitability and earnings. Tokyo Gas detracted, as the electric power and gas sector faces uncertainty about earnings stemming from higher fuel and raw material prices. The share price was weighed down in the near term by concerns over LNG supply from the Sakhalin 2 project. Procter & Gamble set out an annual profit outlook that would seem to miss Wall Street's estimates due to foreign exchange and cost headwinds, while the consumer goods company reported mixed fiscal fourth-quarter results. The company pegged fiscal 2023 organic revenue growth at 3% to 5%, which would reflect a slowdown from a 7% gain reported in the year ended 30 June.

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