

Lazard

Global Managed Volatility Fund

Oct 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	216
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

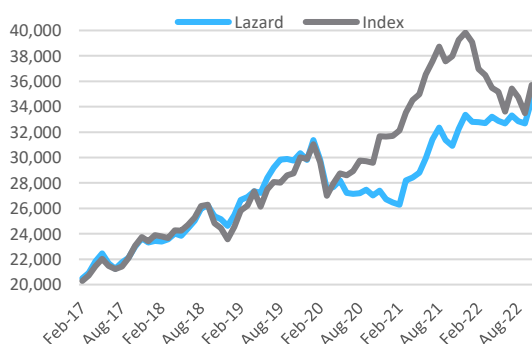
Investment Characteristics

	Lazard	Index
Sharpe Ratio (Since Inception)	1.1	0.9
Standard Deviation (Since Inception)	9.3	10.9
Beta	0.7	-
Dividend Yield (%)	2.9	2.3
Active Share (%)	86.2	-
Forward Price/Earnings	13.6	14.9

Performance (%)

	Lazard	Index	Excess Return
1 Month	5.7	6.6	-1.0
3 Months	3.7	0.8	2.9
1 Year	11.7	-6.0	17.7
3 Years (pa)	5.1	7.5	-2.4
5 Years (pa)	8.5	9.1	-0.6
Since Inception (pa)	10.0	10.6	-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.

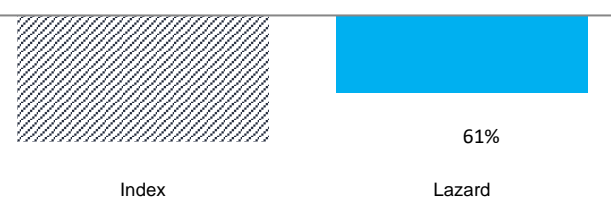
Allocations (%)

Sector	Lazard	Index	Overweight/ Underweight
Consumer Staples	19.9	7.6	12.3
Financials	10.0	14.8	-4.7
Communication Services	8.8	6.9	1.9
Energy	1.6	5.8	-4.2
Real Estate	3.7	2.5	1.1
Materials	2.1	4.6	-2.6
Health Care	18.0	13.2	4.8
Industrials	10.3	9.8	0.5
Information Technology	7.6	20.9	-13.3
Consumer Discretionary	6.8	10.8	-4.0
Utilities	9.1	3.0	6.0
Cash	2.1	-	2.1
Region			
North America	58.3	66.2	-7.9
Continental Europe	6.1	11.6	-5.5
United Kingdom	2.2	3.7	-1.5
Asia Pacific ex-Japan	3.4	2.9	0.5
Japan	12.3	5.2	7.1
Middle East	0.2	0.2	-
Emerging Markets	15.3	10.2	5.1
Cash	2.1	-	2.1

Top 5 Holdings (%)

	Lazard	Index
Merck & Co.	1.7	0.5
Johnson & Johnson	1.5	0.8
Bristol-Myers Squibb	1.5	0.3
Gilead Sciences	1.5	0.2
Metro	1.5	-

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

Global equity markets rallied more than 6% (in the USD terms) in October, a month characterized by a large dispersion across both markets and sectors and mixed economic news. The US and European markets were the strongest regions for the month with returns over 7% contrasted by emerging Asia which fell by more than 5%.

Oil prices moved higher in the month as production cuts by OPEC and the war in Ukraine pushed prices higher for the first time since June. Interest rates also inched higher in the month as inflation remained elevated in most areas of the world. US corporate earnings, at the midpoint of reporting season, have come in slightly below long-term averages with 71% reporting earnings ahead of consensus estimates as the US consumer remains resilient in the face of higher interest rates. US GDP rose 2.6% in the third quarter following declines in the previous two quarters. Investor optimism for a pivot in the US Federal Reserve's pace of interest rate hikes helped to propel the rally despite little economic evidence to support an easing. China, in contrast, plunged at the conclusion of the 20th National Congress of the Chinese Communist Party, which saw President Xi Jinping elected for an unprecedented third term and the removal of two top rivals from the government as they attempted to decouple from Western economies. China sentiment remained negative given the overhang from the struggling real estate market and political tensions. European markets benefitted from the increase in oil prices; the Italian election of Giorgia Meloni, who vowed fiscal prudence; and a hawkish European Central Bank that hiked rates, matching inflation-fighting moves from the US Fed.

Energy stocks soared more than 18% in October, returning 33% for the year and exceeding broader markets by 50%. Industrial and healthcare stocks were also among the market leaders in October; communication services and consumer discretionary stocks continue to lag and are, thus far, the weakest sectors in 2022.

Factor performance varied across regions with limited commonality in effectiveness. Higher beta stocks outperformed in every area including emerging markets; lower volatility stocks were rewarded in emerging markets and the United States. Valuation measures worked well in the United States and Europe, lagged in Japan, and were mixed in emerging markets. Growth criteria were mixed except for favorable results in Japan. Sentiment indicators continued their strength in emerging markets but were mixed-to-negative in developed markets, notably Europe and Japan. Quality worked well in most regions except for Europe.

Portfolio Review

In October, the Lazard Global Managed Volatility Fund returned 5.7 (net of fees) underperforming its MSCI All Country Index benchmark by 1.0%. Stock selection accounted for the performance, while sector positioning detracted. Stock selection was favorable in five of eleven sectors, led by consumer discretionary and communication services. Allocation wise, the underweight to consumer discretionary and overweight to health care added the most value, which was partially offset by the underweight to energy. Regionally, selection was strongest in the US, and weakest in Japan and Canada.

Stocks that made the largest contribution to return included Gilead Sciences, whose shares rose significantly by 13% after reporting third quarter results which topped expectations and boosted its full-year profit and sales outlook. The company generates stellar profit margins with its HIV and HCV portfolios, which require only a small salesforce and inexpensive manufacturing. Merck announced positive top-line results from the pivotal phase 3 Stellar trail evaluating the safety and efficacy of sotatercept. The stock rallied throughout the month. Shares of Everest rebounded strongly in October, responding positively to the third quarter earning calls. The reinsurer consistently grows its portfolio without substantially changing the risk profile. The management is targeting over 13% shareholder returns by 2023.

Detractors in the month included WH Group, which reported third-quarter results that trailed the market's estimates of revenue and operating profit. The deterioration in the operating margin was primarily caused by the upstream business across China and the US. Yamazaki Baking reported the third quarter earnings in the month and the result missed analysts' forecasts. Bread companies in Japan have been hit hard by soaring material prices, as well as the declining population. SinoPac Financial reported missed performance for the first half of the year. The weakening in financial markets has generally led to a decline in banks' wealth management business.

Outlook

The continuing selloff in the global equity markets fanned by rising interest rates, a surging US dollar, war in the Ukraine and fears of a deep global recession have sent equity prices to multi-year lows. Corporate earnings are beginning to see the effects of inflation and a slowing economy, as several companies have preannounced weaker earnings for the upcoming quarter and lowered their forecasts. We believe the unified resolve of the central banks to "do what it takes" to fight inflation will certainly be a dominant influence over the global equity markets in the upcoming year. Inflation is showing little sign of abating despite a softening in oil prices and shipping rates. Low unemployment and a desire to diversify suppliers/deglobalization continue to thwart the central banks efforts. Real interest rates in most developed markets remain in negative territory.

In our view, the equity market decline of 2022 is a manifestation of the almost inevitable inflationary pressures caused by a policy of "free" money and government stimulus. Still the markets remain above their pre-pandemic levels. We do believe that the distasteful medicine administered by the central banks is both necessary and likely overdue. More importantly, we expect that it will work to begin to curb inflation in a material way, as companies adjust to the slowing economy and unemployment rises. Any deceleration in inflation will put pressure on the central banks and likely pause the need for future rate increases. We expect that the volatility in the equity markets will remain elevated for the rest of this year and earnings season will be a challenging one. Still, the equity markets are forward looking and, we believe that well managed companies will continue to be sought and rewarded by patient, long-term investors. Progress in curbing inflation may well provide the necessary catalyst for improved equity markets in the year to come.

For more information, call us on 1800 825 287
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