

# Lazard

## Global Managed Volatility Fund

Nov 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	215
Total Fund Size	\$2m
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

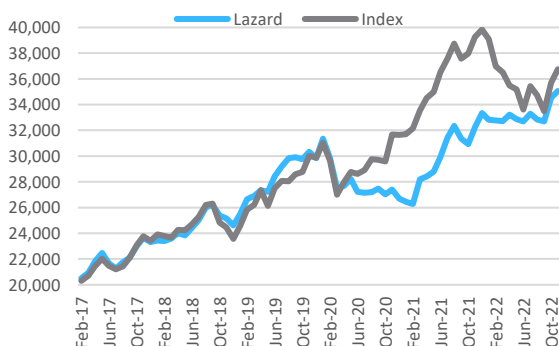
### Investment Characteristics

	Lazard	Index
Sharpe Ratio (Since Inception)	1.1	0.9
Standard Deviation (Since Inception)	9.2	10.8
Beta	0.7	-
Dividend Yield (%)	2.9	2.2
Active Share (%)	86.6	-
Forward Price/Earnings	13.3	15.8

### Performance (%)

	Lazard	Index	Excess Return
1 Month	1.5	2.9	-1.4
3 Months	6.8	5.8	1.0
1 Year	8.7	-6.4	15.2
3 Years (pa)	4.9	7.0	-2.0
5 Years (pa)	8.2	9.1	-0.9
Since Inception (pa)	10.1	11.0	-0.9

### 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	19.3	7.5	11.8
Financials	11.3	14.9	-3.6
Communication Services	8.8	6.9	1.9
Energy	1.6	5.6	-3.9
Real Estate	3.2	2.6	0.7
Materials	2.0	4.9	-2.9
Health Care	16.9	13.0	3.9
Industrials	10.7	10.0	0.8
Information Technology	6.7	20.8	-14.1
Consumer Discretionary	7.3	10.8	-3.5
Utilities	9.3	3.0	6.3
Cash	2.8	-	2.8
<b>Region</b>			
North America	57.4	64.8	-7.4
Continental Europe	3.9	12.0	-8.1
United Kingdom	2.1	3.8	-1.7
Asia Pacific ex-Japan	3.8	3.1	0.8
Japan	14.6	5.3	9.3
Middle East	0.2	0.2	-
Emerging Markets	15.1	10.8	4.3
Cash	2.8	-	2.8

### Top 5 Holdings (%)

	Lazard	Index
Merck & Co.	1.7	0.5
Japan Post	1.6	-
Amdocs	1.5	-
Bristol-Myers Squibb	1.5	0.3
Johnson & Johnson	1.5	0.8

### 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

The global equity markets enjoyed a second strong month in a row, rallying more than 7.5% (in the USD terms) in November. Inflation showed definite signs of easing globally, increasing the potential for a slowing in the Federal Reserve's interest rate hikes. China also took measures to ease its COVID-19 lockdown policies, seemingly independent of local protests, which sent emerging markets up more than 13% in the month.

While US equity markets moved higher, the US yield curve continued to invert raising fears of a recession. The potential for less hawkish Fed policy caused the US dollar to fall sharply against most major currencies including the euro, UK pound, and yen. Oil prices gave back their October gains, falling back to January levels on expectations of softening in demand. Corporate earnings growth continued to ebb, with companies reducing their outlooks for 2023. Gold prices rose 9% in the month as the collapse of one of the largest cryptocurrency exchanges sent investors looking for more traditional safe havens for their assets. European markets led the developed markets in the month, with employment figures showing strong gains; the United States lagged largely due to the weaker dollar. Emerging markets were helped by the nearly 30% gain in China—a sharp reversal from last month—while the oil-dominated markets, including Brazil and Saudi Arabia, posted losses. By sector, materials and real estate stocks led the market in November. Health care and energy stocks, two of the strongest sectors this year, lagged.

Factor performance was dominated by a large drawdown in momentum on 10 November 2022 when it appeared that China might relax its COVID lockdown policies and US inflation may have crested. Risk spiked and discretionary stocks rallied sharply, while health care stocks struggled to keep pace. The balance of the month brought a moderation in the momentum drawdown and risk preference, especially in developed markets. Risk measures finished in negative territory in the United States. Value measures were rewarded globally, with outsized performance in the emerging markets. Growth metrics were generally negative except in Japan. Quality was favored in developed markets but mixed in the emerging markets. Small cap stocks lagged modestly.

## Portfolio Review

The Lazard Global Managed Volatility Fund underperformed its MSCI All Country World Index benchmark (net of fees in AUD terms) during the month. Sector positioning accounted modestly for the performance, while stock selection detracted. Stock selection was led by holdings in the energy sector. Holdings in industrials and materials were the largest detractors. Allocation wise, the underweight to energy added the most value, which was offset by the underweight to materials. Regionally, selection was strongest in Canada, and weakest in the United States and China.

Stocks that made the largest contribution to return included Japan Tobacco (JT), whose shares rallied over the month after the company and Altria Group accounted a joint venture to commercialise Ploom heated tobacco sticks products in the US. In our view, integration of the domestic tobacco business into JT will enhance the company's competitive position in reduced risk products and organisational restructuring of the domestic tobacco business will free up some resources for RRP marketing and R&D investment. Japan Post delivered a strong month reaching its six-month peak. The Japanese government has financial and political incentives to ensure that the environment supporting the company's profitability remains benign. Gilead Sciences continued its strong performance following solid third-quarter results that displayed the strength of the company's dominant HIV regimen as well as oncology therapies. Sales were well ahead of market expectations, mostly due to continuing demand for the company's COVID-19 drug.

Detractors in the month included Kellogg, whose share price fell following Q3 2022 results. The organic growth of 13% was largely driven by higher prices. Similar to its peers, Kellogg has strained to keep up with the rapid evolution of consumer trends which has weighed on volume growth. Public Storage's stock continued to struggle throughout the month despite a decent set of numbers in the third quarter earnings results. We see increasing signs of growth moderation in the upcoming years with a slowing economy and additional storage supply coming to market. Molina Healthcare's shares saw significant movement during recent months, with the share price falling after the third quarter earnings call.

## Outlook

The continuing selloff in global equity markets fanned by rising interest rates, a surging US dollar, the war in 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 lower 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/deglobalisation 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 certainly a manifestation of the almost inevitable inflationary pressures caused by a policy of "free" money and government stimulus. Despite the decline, 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 fully 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 equity markets will remain elevated for the rest of this year and earnings season will be a challenging one. Equity markets are forward looking, and we believe that well managed companies will continue to be sought after 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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