

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	223
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

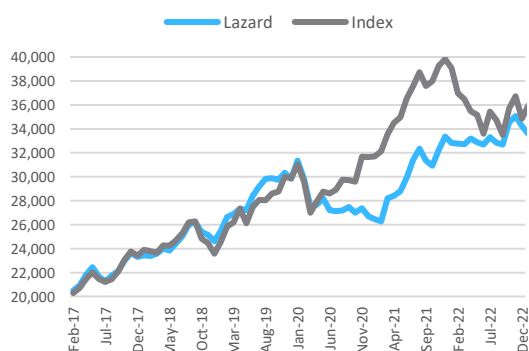
Investment Characteristics

	Lazard	Index
Sharpe Ratio (Since Inception)	0.9	0.8
Standard Deviation (Since Inception)	9.2	11.0
Beta	0.7	-
Dividend Yield (%)	2.8	2.2
Active Share (%)	86.5	-
Forward Price/Earnings	13.1	16.2

Performance (%)

	Lazard	Index	Excess Return
1 Month	-2.0	3.1	-5.1
3 Months	-2.8	0.7	-3.5
1 Year	2.3	-8.0	10.3
3 Years (pa)	2.3	5.0	-2.7
5 Years (pa)	7.4	8.5	-1.1
Since Inception (pa)	9.0	10.3	-1.3

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.

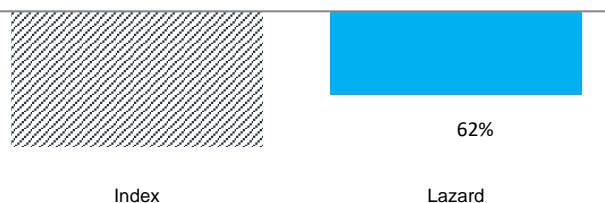
Allocations (%)

Sector	Lazard	Index	Overweight/ Underweight
Consumer Staples	19.4	7.3	12.1
Financials	11.4	15.3	-3.9
Communication Services	8.3	7.1	1.2
Energy	1.6	5.4	-3.8
Real Estate	3.4	2.6	0.8
Materials	2.4	5.1	-2.7
Health Care	18.5	12.5	6.0
Industrials	10.9	10.0	0.9
Information Technology	6.3	20.6	-14.3
Consumer Discretionary	8.0	11.1	-3.1
Utilities	8.1	3.0	5.1
Cash	1.5	-	1.5
Region			
North America	57.5	63.1	-5.6
Continental Europe	3.5	12.8	-9.3
United Kingdom	2.2	3.8	-1.6
Asia Pacific ex-Japan	4.3	3.3	1.0
Japan	13.9	5.5	8.4
Middle East	0.2	0.2	-
Emerging Markets	16.9	11.3	5.6
Cash	1.5	-	1.5

Top 5 Holdings (%)

	Lazard	Index
Merck & Co.	1.6	0.5
Amdocs	1.5	-
Waste Management	1.5	0.1
Tokyo Gas	1.5	-
Gilead Sciences	1.4	0.2

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.

Commentary

Global equity markets began 2023 with a sharp rally appreciating more than 7% (in USD terms), the second strongest January return in the past 30 years (MSCI ACWI, S&P BMI). We believe positive signs of moderating inflation along with better-than-expected corporate earnings and GDP numbers alleviated investor concerns over a deep and prolonged recession.

The markets were led regionally by Latin America which was up about 10% as a weaker US dollar and better-than-expected consumer spending benefitted the region. Developed European markets also outperformed as the milder winter alleviated energy shortage concerns and inflation numbers showed real signs of abating. Asian markets were also strong as growth prospects from China's reopening boosted the entire region. India was a notable exception: The market dealt with the broad implications of fraud allegations surrounding Indian industrial conglomerate Adani Group. Japan and the United States posted strong returns of 6% but lagged the broader global benchmarks. Oil prices fell modestly reportedly due to milder winter conditions and slowing economic growth, which caused many of the Mid-East and energy markets to lag in the month. Inversion in the US and European yield curves became more pronounced as investors anticipated a softening in central bank monetary policies on improving inflation news, in our view. Gold and Bitcoin prices both rallied sharply.

According to our calculations, market leadership reflected a sharp rotation into economically-sensitive stocks with consumer discretionary, communication services, and information technology stocks all rallying more than 10%. More defensive segments of the market including utilities and consumer staples were positive but significantly short of the broader market return.

January was a notable market paralleling the historic November 2020 and March–May 2009 periods in terms of magnitude of factor performance. High beta and more volatile stocks surged particularly in the United States. Small-cap stocks outperformed in every region except in Europe. Stocks with favorable price momentum sold off to an extreme degree across the globe dominated by the United States. The rally in global stocks was also led by lower quality stocks as companies with high return on equity (ROE) and operating margins underperformed. Investors favored deep value measures (low price-to-book ratio) while more defensive, quality measures (price-to-cash flow, dividend yield) underperformed. Growth measures were also mixed.

Portfolio Review

The Lazard ACW Global Managed Volatility Fund lost 2.0% during the month (net of fees in AUD terms), underperforming its MSCI All Country benchmark. Both stock selection and sector positioning detracted. Stock selection was led by utilities and healthcare. Allocation wise, the underweight to energy and overweight to communication services added the most value. But these were offset by the overweight to consumer staples. Regionally, selection was strongest in India and Thailand, and weakest in the US and Japan.

What Helped

Comcast Corporation posted strong performance during the month. The company consistently generates cash flows with relatively stable debt level. The core cable business enjoys significant competitive advantages but will likely see growth slow.

AT&T's stock continued its rally in January. The company is investing heavily within its business and has several exciting developments, including its fiber business.

CEZ's stock rose steadily during the period. Its earnings before interest, taxes, depreciation, and amortization (EBITDA) reached record highs thanks to elevated wholesale price. The company's large share of low-cost nuclear power provides merchant price upside.

What Hurt

Johnson & Johnson's stock fell significantly in January. Its pharma business is expected to see growth slow in 2023. Unfavorable customer mix and competitive pricing pressures can weigh on the company.

Procter & Gamble's stock declined during the month. Unfavorable foreign exchange (FX) environment and inflationary pressures had negative impacts.

Merck's strong rally over the last year has made its shares more expensive and less attractive. The company issued 2023 guidance which is slightly below market expectations. Outside of immune oncology, Merck needs to increase the number of its late-stage pipeline drugs.

Outlook

In our view, 2023 may produce a better result for equity and fixed income investors than 2022. Coming from a year with a return in -20% range, we believe that is far from a bullish prediction and we think that we can expect equity market returns to remain muted for the near-term. Central banks, we believe, especially in developed markets, may continue to tighten interest rates until inflation is brought into a manageable range of 2-4%. The resilience of the global economy in the face of 2022's interest rate hikes has been a surprise but the harsh medicine necessary to deal with inflation will continue to be administered until it is brought under control despite political pressures to the contrary. This will likely result in a global recession and lower wage demands which, in combination with higher interest rates, should be sufficient to stem inflationary pressures. The US dollar has begun to weaken as other central banks have finally begun to match the magnitude of the Federal Reserve's rate hikes. We expect that the dollar will continue to ease making non-US investment, including emerging markets, relatively attractive. Valuation levels in many markets have adjusted by as much as 50% reflecting higher interest rates but corporate earnings uncertainty likely overstates this correction and will be the critical factor in determining the market's immediate direction. We believe that anticipation over central bank easing versus ongoing economic strength is likely to keep volatility elevated in the near-term. In sum, we remain strong believers in public equity investments as a long-term risk/return option and see 2023 as a year potentially providing a number of good entry points in a bumpy year.

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

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