Lazard
Global Managed Volatility Fund

Feb 2023
Factsheet

Lower Volatility	Systematic Approach	Capital Growth Potential
Seeks lower volatility than the benchmark over a full market cycle	Our quantitative approach focuses explicitly on risk reduction	Fully invested in equities across both developed and emerging markets for growth opportunities

Fund Facts

Number of stocks	219
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

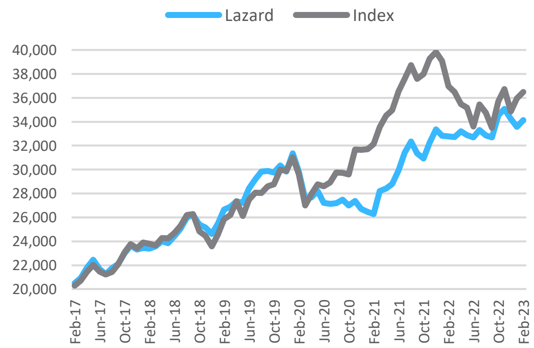
Investment Characteristics

	Lazard	Index
Sharpe Ratio (Since Inception)	0.9	0.9
Standard Deviation (Since Inception)	9.2	10.9
Beta	0.7	-
Dividend Yield (%)	2.8	2.3
Active Share (%)	86.3	-
Forward Price/Earnings	13.1	15.9

Performance (%)

	Lazard	Index	Excess Return
1 Month	1.7	1.5	0.2
3 Months	-2.6	-0.7	-1.9
1 Year	4.2	-1.3	5.5
3 Years (pa)	4.6	7.2	-2.6
5 Years (pa)	7.9	8.9	-1.0
Since Inception (pa)	9.2	10.4	-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	19.7	7.4	12.3
Financials	11.3	15.4	-4.1
Communication Services	7.4	7.0	0.4
Energy	1.1	5.2	-4.1
Real Estate	3.8	2.6	1.2
Materials	2.3	5.0	-2.7
Health Care	19.5	12.3	7.2
Industrials	9.9	10.2	-0.3
Information Technology	7.2	21.1	-13.9
Consumer Discretionary	7.6	11.0	-3.4
Utilities	7.9	2.9	5.0
Cash	2.3	0	2.3
Region			
North America	56.1	63.4	-7.3
Continental Europe	5.4	13.0	-7.6
United Kingdom	2.1	3.9	-1.8
Asia Pacific ex-Japan	4.0	3.1	0.9
Japan	13.3	5.5	7.8
Middle East	0.3	0.2	0.1
Emerging Markets	16.5	10.9	5.6
Cash	2.3	-	2.3

Top 5 Holdings (%)

	Lazard	Index
Waste Management	1.5	0.1
Amdocs	1.5	-
Merck & Co.	1.4	0.5
Tokyo Gas	1.4	-
Hershey	1.4	0.1

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 continued their seesaw pattern with the broad indices falling more than 2.7% (in USD terms) in February (MSCI ACWI, S&P BMI, as of 28 February 2023). We believe that markets continued to struggle with central bank policy as higher-for-longer sentiment took over after the January PPI and personal consumption index both escalated in January. Wage inflation remains entrenched, thwarting central bank efforts to curb inflation through higher interest rates. The US dollar strengthened after four months of declines and gold and oil prices both fell. Inversion in the US and European yield curves became more pronounced and fixed income sold off.

European markets outperformed with the major markets finishing in flat-to-positive territory even accounting for the strong US dollar. We believe that this is, in large part, due to comparatively lower valuations, the reemergence of China after the lifting of zero-COVID policies, and their consumer demand for cars and luxury goods from Europe. Positive interest rates in Europe have also started to benefit the financial sector. Asian markets sold off in the month. Kazuo Ueda, the new Bank of Japan governor, reiterated the loose monetary policies of the previous administration, sending the yen into a sharp decline. China retreated as the reopening of China is proving to be uneven with foreign travel remaining depressed and the real estate loan overhang resuming prominence. Increased geo-political tensions with the West also tempered investor enthusiasm. The decline in oil and commodity prices adversely impacted mid-East and energy-dominated markets causing them to lag for the month.

According to MSCI and S&P, the emerging markets fell approximately 6% in February, lagging developed markets by 3%. Small-cap stocks outperformed during the period. Sector dispersion was relatively narrow in February with information technology and industrials leading in the month with minor losses. Real estate, utility, and material stocks fell 5%.

Factor performance settled into a more conventional pattern in February after the extremes in January. Sentiment factors turned positive, and valuation was also favored, notably defensive measures such as price to cash flow and dividend yield. Risk measures were not rewarded, except in Japan. Quality measures were rewarded broadly with Japan again the contrarian market. Higher interest rates are showing an impact as lower leverage companies have outperformed for a third-straight month (except Japan).

Portfolio Review

The Lazard Global Managed Volatility Fund gained 1.71% during the month (net of fees), outperforming its MSCI All Country Index benchmark. Stock selection contributed to the excess return; sector positioning detracted. Stock selection was led by consumer discretionary and financials. Allocation wise, the underweight to materials and energy added the most value, which was offset by the underweight to information technology. Regionally, selection was strongest in Japan and China, and weakest in the US and Korea.

What Helped

Orange's fourth quarter result was aligned with market expectation. For 2023, the company has guided for slight growth in EBITDA, a significant decrease in capital expenditures and an increase in its dividend floor. The intention to raise its dividend floor resulted in the stock being up by more than 6%.

Wolters Kluwer's 2022 full year result was broadly in line with market forecast. A proposed buyback of up to EUR 1billion and stronger organic growth offset its weaker margin guidance.

Everest reported strong performance during the month after the fourth quarter earnings. The company said the 1 January renewal achieved an excellent outcome. Reinsurance premiums were hurt by a reduction in property exposure, but the company reportedly saw opportunities in mortgages.

What Hurt

KT Corporation's stock continued to fall significantly in the month. The company missed earnings forecasts due to higher wage costs. The current CEO, Hyeon-mo Ku, announced that he was withdrawing from the new CEO search. He was highly regarded, and his withdrawal put added pressure on the stock.

Petronas Chemicals' fourth quarter net profit plunged, and a weak sequential quarter was expected. Sluggish global growth from weak aggregate demand and uncertainties over China's reopening weighed on the company's product prices.

Tokyo Gas's shares tumbled after the new three-year business plan was announced. The company will cut shareholder returns from the next financial year and use freed up funds to invest in technology to slash its carbon emissions.

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.