

# Lazard Global Equity Income Fund

## Fund Commentary

Global markets continued to rise in the third quarter as increasing geopolitical risks could not overcome strong corporate earnings and robust indicators of growth around the world. Oil and other commodities rebounded from the low levels reached late in the second quarter which enabled commodity related sectors to rebound from extended weakness and outperform the broad market. Defensive groups such as consumer staples and health care lagged. However, even with that rotation to more cyclical, value-oriented sectors, growth indices continued to outperform driven by strength in technology. Interest rates were volatile during the quarter and reached their lows for the year early in September before rebounding as growth remained steady and central banks globally continued to display resolve to reduce the currently aggressive stimulus.

Against this backdrop, the Lazard Global Equity Income Fund underperformed its benchmark, the MSCI All Country World Index.

## Positive Contributors

Stock selection and an overweight position in the energy sector contributed to performance in third quarter. Shares of Royal Dutch Shell, an integrated energy company, rose as the company reported strong profits and cash flows and as oil rallied back above \$50. Lazard continues to like Royal Dutch Shell as they have quality assets, a robust dividend yield and Lazard is confident in management's plans for restructuring. Stock selection and an underweight position in the consumer staples sector also helped performance. Shares of Anheuser-Busch InBev, a global beer company, climbed as profits, volumes and revenues exceeded expectations. Lazard initiated a position in Anheuser-Busch InBev during the period as valuation has become more attractive after its recent underperformance and their skilled management team is likely to enhance profitability through effective integration of SAB Miller's business.

## Performance Detractors

stock selection in the real estate sector detracted from performance in third quarter. Shares of Uniti Group, a communications infrastructure REIT, fell on concerns over the financial health of a large tenant which we believe are overdone. Lazard continues to hold Uniti Group on the opportunities for growth as the company continues to acquire assets, its stable cash flow and secure dividend. An underweight position in the information technology sector also hurt performance.

## Current Positioning

Investors' recent focus back towards defensive names and low rate beneficiaries does not seem supported by fundamentals as the global recovery becomes more synchronized, labor markets become tighter and inflation expectations stabilize. There is little doubt that central banks globally are moving away from the unconventional policies that have distorted equity valuations over the last

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decade. Geopolitical risks including those related to North Korea have weighed on rates, but broader indicators of political uncertainty have fallen that could further drive a reverse in safe-haven flows. Notably towards the end of the third quarter, rates and more cyclical value stocks began to rebound as central banks displayed resolve in their policy direction. Lazard's Global Equity Income Fund has maintained its value orientation and, Lazard believes, is poised to rebound as growth, monetary policy and rates normalize.

## About Lazard

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## Contribution Analysis (relative to benchmark)

### LAST QUARTER

INDUSTRY			
Top 5 Contributors		Top 5 Detractors	
	%		%
Oil, Gas & Consumable Fuels	0.76	Equity Real Estate Inv. Trusts (REITs)	-0.49
Metals & Mining	0.32	Internet Software & Services	-0.44
Semicond. & Semicond. Equip.	0.29	Capital Markets	-0.26
Wireless Telecom. Services	0.26	Software	-0.22
Hotels, Restaurants & Leisure	0.22	Specialty Retail	-0.22

COUNTRY			
Top 5 Contributors		Top 5 Detractors	
	%		%
Russia	0.28	United States	-1.26
United Kingdom	0.26	China	-0.37
Taiwan	0.22	Canada	-0.24
Portugal	0.19	Germany	-0.22
Australia	0.19	Israel	-0.19

COMPANY			
Top 5 Contributors		Top 5 Detractors	
	%		%
Royal Dutch Shell PLC	0.39	Uniti Group Inc	-0.47
PacWest Bancorp	0.28	Bezeq Israeli Telecom Corp.	-0.22
Taiwan Semiconductor	0.28	L Brands Inc	-0.19
Alumina Ltd	0.27	SES	-0.17
Pfizer Inc.	0.25	Alaris Royalty Corp.	-0.12

### LAST 12 MONTHS

INDUSTRY			
Top 5 Contributors		Top 5 Detractors	
	%		%
Oil, Gas & Consumable Fuels	1.33	Internet Software & Services	-1.04
Semicond. & Semicond. Equip.	0.93	Tech. Hardware, Storage & Periph.	-0.99
Wireless Telecom. Services	0.88	Software	-0.88
Insurance	0.71	Banks	-0.70
Metals & Mining	0.57	Diversified Telecom. Services	-0.69

COUNTRY			
Top 5 Contributors		Top 5 Detractors	
	%		%
Taiwan	1.35	United States	-5.21
France	0.91	Germany	-0.75
Russia	0.78	China	-0.42
Netherlands	0.67	South Africa	-0.39
Australia	0.57	South Korea	-0.39

COMPANY			
Top 5 Contributors		Top 5 Detractors	
	%		%
PacWest Bancorp	0.85	Uniti Group Inc	-0.56
Taiwan Semiconductor	0.83	Pruksa Real Estate	-0.42
AXA SA	0.83	Bezeq Israeli Telecom Corp.	-0.41
Mobile Telesystems Ojsc	0.80	L Brands Inc	-0.40
Alumina Ltd	0.74	Life Healthcare Group Holdings	-0.38

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