

Lazard Global Equity Income Fund

Fund Commentary

Global equity markets rose sharply in January driven by robust flows into retail mutual funds and exchange-traded funds. However, the rally was interrupted in mid-February by a spike in volatility driven by increasing signs of rising inflationary pressures. This in turn triggered an indiscriminate sell-off as systematic investors reduced risk in response to the change in the volatility environment. The first quarter was in sharp contrast to 2017 when financial markets were remarkably stable and volatility remained at historical lows.

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

Positive Contributors

Stock selection in the financials sector contributed to performance. Shares of Agricultural Bank of China, a Chinese commercial bank, rose. Lazard continues to like Agricultural Bank of China on its valuation, strong balance sheet and deposit franchise and attractive dividend yield. Stock selection in the information technology sector contributed to performance. Shares of Taiwan

Semiconductor performed well. Lazard likes TSMC on its attractive valuation, increasing structural profitability and ability to outpace industry growth with technology advantages.

Performance Detractors

Stock selection in the utilities sector detracted from performance. Shares of Pattern Energy Group, a wind focused independent power producer, fell. Lazard continues to like Pattern on its position to benefit from the secular growth in renewable energy and its stable cash flow generation with robust dividend payout. An underweight position in the consumer discretionary sector hurt performance.

Outlook

Cyclical value stocks typically perform well when inflation is close to historic averages. The deflationary environment that has persisted since the global financial crisis has been challenging for value stocks and beneficial for growth stocks. Using artificially depressed interest rates to

discount the future earnings of growth stocks materially increases their appropriate valuation. In addition, a deflationary environment reduces companies' pricing power and investors begin to chase after a shrinking pool of high quality companies, despite stretched valuations. Since interest rates and inflation expectations began to sustainably rise in mid-2016, value indices have outperformed in developed markets outside the United States, while the growth style has remained dominant in emerging markets and the United States.

Despite this, Lazard believes that as companies' pricing power expands globally and as future earnings are discounted against materially higher interest rates, a global rotation toward more attractively valued companies is likely to unfold. Volatility spikes, as experienced in February, often coincides with a change in market leadership. The last extended period of outperformance of value over other styles was between 2002 and 2007 and Lazard would note that there are increasing similarities between that period and the current environment. While it is surprising that the trough in interest rates in mid-2016 has not driven a more forceful rotation into value, Lazard believes trends in the global economy support such a

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rotation, and the strategy is well positioned for a shift to a more fundamentally driven market environment.

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Contribution Analysis (relative to benchmark)

LAST QUARTER

INDUSTRY			
Top 5 Contributors		Top 5 Detractors	
	%		%
Banks	0.84	Capital Markets	-0.60
Semicond. & Semicond. Equip.	0.63	Internet & Direct Marketing Retail	-0.42
Communications Equipment	0.20	Software	-0.31
Electrical Equipment	0.15	Independent Power and Renewable Electr	-0.31
Pharmaceuticals	0.14	It Services	-0.25

COUNTRY			
Top 5 Contributors		Top 5 Detractors	
	%		%
China	0.70	United States	-1.29
Taiwan	0.44	Canada	-0.28
South Africa	0.36	Sweden	-0.24
India	0.17	Turkey	-0.23
Australia	0.13	Japan	-0.21

COMPANY			
Top 5 Contributors		Top 5 Detractors	
	%		%
Agricultural Bank of China	0.64	Alaris Royalty Corp.	-0.41
Taiwan Semiconductor	0.42	Pattern Energy Group Inc.	-0.39
Cisco Systems, Inc.	0.27	Tofas Turk Otomobil Fabrika	-0.18
Standard Bank Grp. Ltd.	0.24	Swedbank AB	-0.16
China Construction Bank H	0.24	United Parcel Service Cl B	-0.15

LAST 12 MONTHS

INDUSTRY			
Top 5 Contributors		Top 5 Detractors	
	%		%
Oil, Gas & Consumable Fuels	1.54	Internet Software & Services	-1.01
Semicond. & Semicond. Equip.	1.50	Software	-0.88
Metals & Mining	0.75	Media	-0.86
Health Care Prov. & Services	0.55	Diversified Telecom. Services	-0.70
Communications Equipment	0.47	Capital Markets	-0.66

COUNTRY			
Top 5 Contributors		Top 5 Detractors	
	%		%
Taiwan	1.16	United States	-5.09
Australia	0.80	France	-0.97
United Kingdom	0.68	Israel	-0.46
South Africa	0.67	Germany	-0.44
Hong Kong	0.40	South Korea	-0.34

COMPANY			
Top 5 Contributors		Top 5 Detractors	
	%		%
Taiwan Semiconductor	0.99	SES	-0.93
Tokyo Electron Ltd.	0.78	Bezeq Israeli Telecom Corp.	-0.48
Agricultural Bank of China	0.61	Uniti Group Inc	-0.48
Standard Bank Grp. Ltd.	0.56	PacWest Bancorp	-0.42
Royal Dutch Shell PLC	0.51	Alaris Royalty Corp.	-0.37

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