

Lazard Global Equity Income Fund

Fund Commentary

2016 was a year that provided a number of surprises and reversals entrenched market trends. Early in the year, investors feared U.S. Federal Reserve policy would stall the economy, the possibility of Chinese currency devaluation, falling oil prices and subsequent deterioration in credit markets. Investor sentiment was sufficiently crushed, which enabled a durable rally to ensue. Equities rebounded with oil which triggered a rotation into commodity-oriented value stocks and a rebound in emerging markets relative performance. The mid-year shock of Brexit caused a knee-jerk drop in rates, but within a few weeks, rates bottomed. The subsequent move higher in rates triggered a rotation into rate sensitive value stocks and declines in the defensive growth stocks which had benefited from the earlier deflationary concerns. The election results in the U.S. drove expectations of easing political gridlock, stimulative tax cuts and infrastructure spending. This provided further evidence that an extended period of widespread deflation was unlikely and accelerated the rise in rates and rotation into more cyclical value stocks. We feel that markets absorbed the shock of Brexit and Trump's win because investor sentiment was despondent yet a

broad array of economic indicators had begun to show that deflationary pressures were abating in the global economy.

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

Positive Contributors

Stock selection in the materials sector contributed to Fund performance. Shares of International Paper, a global containerboard and packaging company, climbed on industrial demand and increasing containerboard prices. An underweight position in the consumer staples sector also helped performance.

Performance Detractors

Stock selection in the consumer discretionary sector detracted from performance in fourth quarter. Shares of RTL Group, a European multimedia company, declined on fears of ad market softness due to economic and political uncertainties on both the continent and in the U.K. Stock

selection in the financials sector also hurt performance. Shares of Agricultural Bank of China, a Chinese commercial bank, declined lagged on concerns fundamentals had not caught up to the rally in share prices.

Current Positioning

Value strategies tend to have a skew toward cyclical and commodity-oriented companies with limited pricing power and have historically benefited from a healthy level of inflation in the global economy, performing well during the period prior to the financial crisis period and while inflation rose during the 1980's. The deflationary environment of 2014 and 2015, which brought U.S. consumer price inflation to zero, weighed materially on the relative performance of value strategies. While many equity income strategies struggle amid rising rates, high-yielding stocks overall generate competitive returns when rates rise and it's only when the high-yielding universe is further screened for defensive characteristics that rate sensitivity increases. Cyclical income stocks in particular have historically been resilient in a rising interest rate

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environment as they are not an appropriate substitute for bonds and tend to see improved profitability driven by the economic upturn that is driving up rates. Lazard seeks to maintain a balance of resilient cyclicals and attractively valued defensives in the Fund which should mitigate the rate sensitivity of the Fund.

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Contribution Analysis

LAST QUARTER

INDUSTRY			
Top 5 Contributors		Top 5 Detractors	
	%		%
Containers & Packaging	0.40	Semicond. & Semicond. Equip.	-0.38
Wireless Telecom. Services	0.38	Indep. Pwr. Prod. & Energy Trdrs.	-0.36
Oil, Gas & Consumable Fuels	0.33	Household Durables	-0.34
Insurance	0.31	Thriffs & Mortgage Finance	-0.32
Internet Software & Services	0.28	Health Care Prov. & Services	-0.29

COUNTRY			
Top 5 Contributors		Top 5 Detractors	
	%		%
France	0.94	Norway	-0.48
Russia	0.44	Thailand	-0.40
Netherlands	0.37	India	-0.25
Australia	0.26	Germany	-0.25
China	0.20	Brazil	-0.24

COMPANY			
Top 5 Contributors		Top 5 Detractors	
	%		%
PacWest Bancorp	0.92	Telenor ASA	-0.47
Mobile Telesystems	0.51	Pruksa Real Estate	-0.37
AXA SA	0.49	Pattern Energy Group Inc.	-0.37
AT&T Inc.	0.39	Indiabulls	-0.33
International Paper Co.	0.39	Life Healthcare Group Holdings	-0.27

LAST 12 MONTHS

INDUSTRY			
Top 5 Contributors		Top 5 Detractors	
	%		%
Semicond. & Semicond. Equip.	1.61	Insurance	-0.95
Banks	1.56	Tech. Hardware, Storage & Periph.	-0.89
Containers & Packaging	0.86	Household Durables	-0.37
Electrical Equipment	0.74	Media	-0.36
Communications Equipment	0.72	Metals & Mining	-0.35

COUNTRY			
Top 5 Contributors		Top 5 Detractors	
	%		%
Taiwan	1.22	Canada	-0.47
Russia	1.11	Norway	-0.35
United States	0.77	Mexico	-0.35
Brazil	0.71	Austria	-0.33
Australia	0.59	Spain	-0.29

COMPANY			
Top 5 Contributors		Top 5 Detractors	
	%		%
Mobile Telesystems	1.29	Seagate Technology Inc.	-0.60
Taiwan Semiconductor	1.15	ConocoPhillips	-0.55
International Paper Co.	0.89	Aviva plc	-0.43
Eaton Corp PLC	0.84	Fibra Uno Admin. SA ORD	-0.38
PacWest Bancorp	0.72	Pruksa Real Estate	-0.37

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