

Lazard Emerging Markets A Acc

November 2021
Investment Research



Overview

The fund invests in emerging market equities with the aim of growing capital over time. We believe the fund's manager and his team are capable of delivering long-term returns above that of the MSCI Emerging Markets index with lower than index levels of volatility. That said, the nature of this region means that any growth in capital may be highly variable, and growth is not guaranteed. Unitholders should not consider this proposition for a short-term foray into global emerging equity markets.

Capital Accumulation	Capital Preservation	Income	Inflation Protection
●			

Square Mile Expected Outcome

We believe the fund should be able to deliver returns that exceed the MSCI Emerging Markets index over a market cycle, which we would consider to be at least five years in length.

Active/Passive: Active	Domicile: United Kingdom
Asset Class: Equity	IA Sector: IA Global Emerging Markets
Launch Date: 06/09/1999	Fund Size (as at 12 Nov 2021): £403.3m
Yield: 1.66%	Distribution Pay Date: Apr 01, Oct 01 (Final)
Fund Manager: Ganesh Ramachandran, James Donald, Monika Shrestha, Rohit Chopra	Ongoing Charge Figure: 1.12%
	Transaction Cost ex Ante: 0.19%



Fund Opinion

We believe the fund's manager is capable of delivering a total return that exceeds that of the MSCI Emerging Markets index over a market cycle, which we would consider to be at the very minimum, (rolling) five years in length. The manager's historical record of consistent outperformance of the broader market has generally been strong over the last 20 years, but it is only in more recent years that the fund has struggled, as the manager's relative value approach has been a headwind in a market which has been driven by higher growth businesses. Nonetheless, the fund is managed by a highly seasoned investor and his team and we see it as an attractive option for investors who are seeking a well-run fund with a sensible approach to investing in the region and who are prepared to hold the fund over a full market cycle.

James Donald and his team adhere to a process that we think is constructed sensibly and reflects the heightened risks of investing in emerging markets. This is a region with thousands of listed companies where in general there can be poor disclosures and transparency, insufficient corporate governance and complicated stock markets. The team have followed companies and the evolution of markets for many years, and have learnt to be appreciative of the threats and opportunities that come around over time. In essence, they look for companies with high or improving financial profitability as long as they are at acceptable and attractive valuation levels. This can mean building exposure to companies, sectors or markets that have been overlooked or ignored. Whilst this is a good discipline to have, this relative value approach can add a higher element of volatility, in what is a volatile asset class.

Fund Description

This fund's lead manager, James Donald, operates from New York within a small but specialist emerging markets equities team. Further support is provided by Lazard's wider emerging markets teams, which cover both equities and bonds, and the global sector researchers within the group. The equity teams assess stocks through different approaches and the interaction between them acts as a helpful sounding board to examine ideas from a different perspective. The bond analysts also provide useful input on the macroeconomics within the region. This is a well organised team which has the resources available to perform the fundamental research required in this diverse and often complex asset class.

The team focus their activities on stock research. They aim to identify financially productive businesses that are priced sensibly although they will also consider companies with improving financial returns. Detailed work is undertaken on the company accounts to validate that the financial productivity number represents a true picture of the company's health and that the business is sustainable. Price targets are arrived at, drawn from the team's assessment of a stock's fundamental valuation, adjusted for the risks that the business faces. The portfolio is constructed on a stock by stock basis and the manager pays little regard to the benchmark index. As such, the sector and country allocations in the portfolio can be quite sizeable both in absolute terms as well as relative to the index.

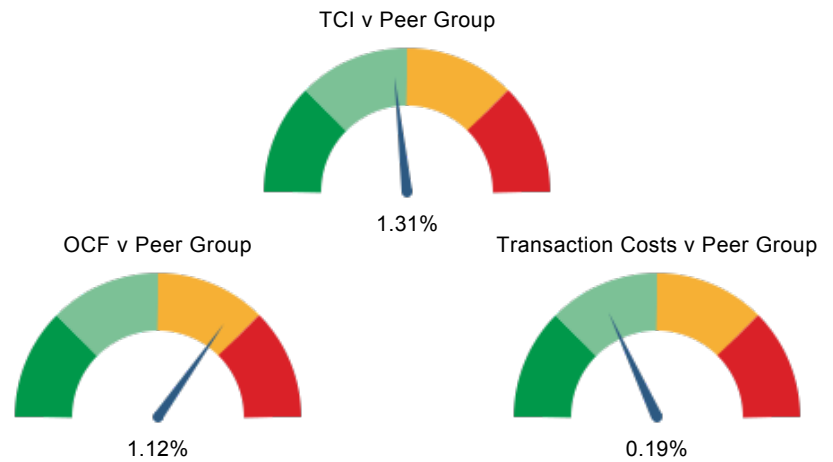
Risk Summary

This is an equity fund investing in developing markets and over the short term, it can be vulnerable to swings in stock markets. Emerging market equities is a highly volatile asset class and returns do not only rest on the performance of the underlying companies, but also the political and macroeconomic situations within the region. The fund invests overseas and exchange rate risks are significant. Lazard run considerable assets in emerging market equities and they have periodically closed the fund to new investors. Liquidity is a potential issue and this limits the potential for the team to consider smaller companies. Fund returns can be highly variable relative to the benchmark index, particularly over shorter time periods.

Value for Money

The ongoing charge figure (OCF) of this fund is slightly above the median for the peer group. When one considers the total cost of investment (TCI) it is below the median within its peer group. Square Mile believes that this represents good value for money given that investors have access to a very seasoned investor and his team of experienced managers as well as a proven investment approach.

Under MiFID II regulations, all firms are required to disclose all of the costs and charges related to the running and administration of funds. This can include items outside of the OCF, such as research costs. This step is at the discretion of each fund group, but the majority of asset managers have decided to absorb these costs. Lazard absorb all the costs associated with their research, which slightly reduces the overall fee paid by investors.



ESG Integration

Company Assessment	0	1	2	3
ESG factors are fully integrated and are instrumental to the company's investment processes.				
UN PRI Strategy & Governance Rating	A+			
Fund Assessment	0	1	2	3
ESG factors are actively considered by the fund's manager as an important part of the investment process, but do not drive the final investment decision.				

Responsible Investing Approach

Exclusion	Responsible Practices	Sustainability	Impact
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Additional Information

Annualised Return	5.28%
Annualised Volatility	16.03%
Max Drawdown	-28.06%
Max Gain	18.64%
Max Loss	-23.52%
Sharpe Ratio	0.25
Sortino Ratio	0.23

(3 years data to last month end unless otherwise stated)

Currency of Share Class

GBP

Fund Price (as at 12 Nov 2021)

394.2 pence

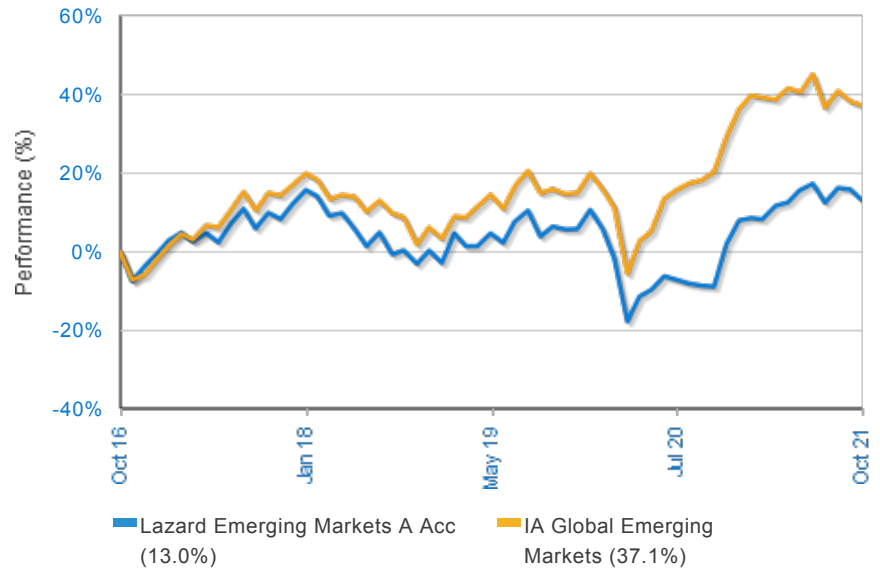
Benchmark

MSCI Emerging Markets

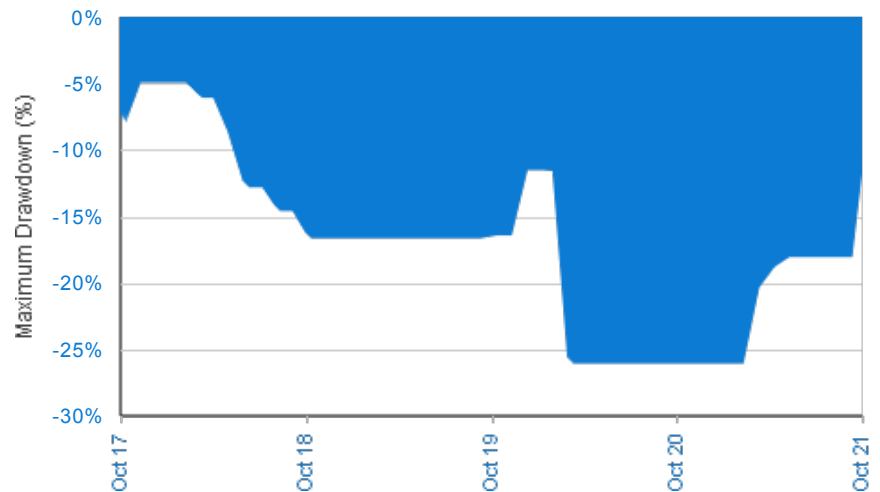
Discrete Annual Performance to Last Quarter End

Period	Fund (%)	Sector (%)	Quartile Ranking
0-12m	26.8	17.0	1
12-24m	-14.1	2.0	4
24-36m	6.0	6.5	3
36-48m	-5.2	-1.5	4
48-60m	14.0	17.4	4

Capital Growth



Maximum Drawdown (Rolling 12 Months)



Top Ten Holdings

(Data as at 30 Sep 2021)

Company Name	%
CHINA CONSTRUCTION BANK	3.6
SAMSUNG ELECTRONICS CO	3.5
LUKOIL PJSC	2.9
SK HYNIX INC	2.9
ISHARES CORE MSCI	2.5
VANGUARD INTERNATIONAL LTD	2.5
SBERBANK OF RUSSIA	2.3
GALP ENERGIA SGPS	2.0
PT TELKOM INDONESIA	2.0
MOBILE TELESYSTEMS PJSC	1.9

Sector Breakdown

(Data as at 30 Sep 2021)



- Financials (27%)
- Information Technology (18%)
- Others (11%)
- Energy (11%)
- Consumer Discretionary (8%)
- Communications (8%)
- Consumer Staples (7%)
- Materials (7%)
- Industrials (3%)
- Other (2.0%)

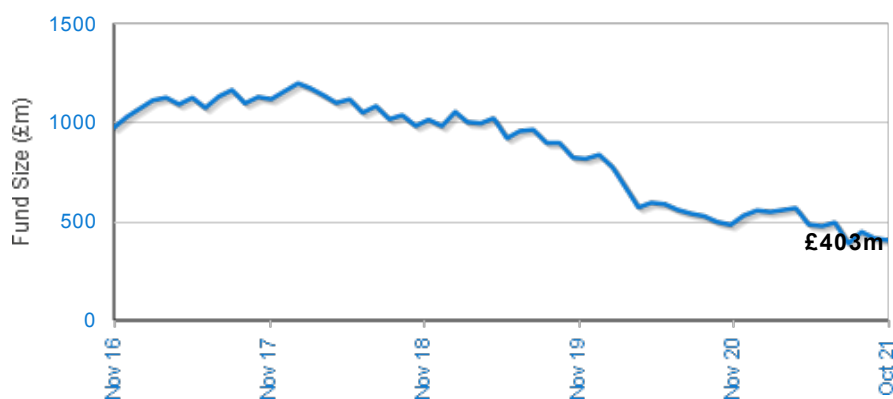
Geographic Breakdown

(Data as at 30 Sep 2021)



- Emerging Asia (55%)
- European Emerging Markets (13%)
- Latin America (12%)
- Africa (7%)
- Continental Europe (7%)
- UK (3%)
- Money Market (2%)
- Asia Pacific ex Japan (1%)

Assets Under Management



Qualitative Risk Assessment

	Significant	Potentially Significant	Not Significant
Equity Risk	●		
Interest Rate Risk		●	
Credit Risk			●
Exchange Rate Risk	●		
Liquidity Risk			●
Emerging Markets Risk	●		
Derivative Risk			●
Manager Risk	●		

Equity Risk

The fund is predominately invested in shares. Shares are volatile investments and this volatility is typically heightened at times of economic stress.

Interest Rate Risk

The fund is an equity fund. Higher interest rates may adversely affect valuations of shares.

Credit Risk

This fund does not have significant exposure to corporate debt.

Exchange Rate Risk

The fund predominately invests abroad and it is exposed to foreign currencies. Currency markets may move sharply.

Liquidity Risk

The fund invests in liquid assets and any sale should be possible at close to the prevailing market price.

Emerging Markets Risk

The fund predominately invests in emerging regions. Economic, political, legal and market events in the region may have a material adverse effect on the fund price. Valuations in emerging market assets can be volatile.

Derivative Risk

The portfolio is predominantly invested in underlying cash securities.

Manager Risk

The manager is seen as a critical element in Square Mile's rating of the fund. Square Mile is likely to downgrade the fund if the manager were to leave.

FE Risk Rating: 86.00

SRRI: 6

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