

C Acc EUR Share Class

Monthly Performance Data

(%; net of fees; since inception, C Acc EUR share class, as at 31 March 2021)

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
2021	-2.18	1.44	0.25										-0.52
2020	0.52	-0.72	-2.44	1.06	1.53	-0.63	0.42	0.94	-0.72	1.09	3.51	2.03	6.64
2019	-1.30	0.68	0.15	0.54	-2.07	-0.02	1.41	0.53	-0.62	-0.72	1.36	0.92	0.80
2018	1.20	-0.06	-0.84	1.45	0.27	-0.50	0.57	-0.18	0.22	-0.35	-0.03	-0.65	1.10
2017	1.47	-0.50	0.58	1.30	-0.21	-0.39	-0.46	-0.09	0.87	0.92	-1.36	-0.27	1.83
2016	-0.20	-0.42	0.73	-0.44	0.60	-0.03	-0.06	-0.57	0.32	0.58	-1.87	1.34	-0.05
2015									-1.07	-0.30	0.52	0.75	-0.12

The performance quoted represents past performance. Past performance is not a reliable indicator of future results. Source: Lazard Asset Management

Investment Profile

The Lazard European Alternative Fund aims to deliver steady capital appreciation with reduced volatility by taking long and short positions in the shares of European companies. The strategy's core pillar is fundamental stock picking within a robust risk framework characterised by stop-losses, price targets, liquidity targets and disciplined portfolio construction. The strategy is liquid, investing across a diversified portfolio with around 50-70 underlying holdings.

Gross Performance: Long/Short (%)

	1 Month
Long	4.86
Short	-0.80
Hedge	-3.78
Total	0.28

The performance quoted represents past performance. Past performance is not a reliable indicator of future results.

Fund Information

Fund Manager	Léopold Arminjon
Launch Date	28 September 2015
Liquidity	Daily
NAV Calculation	Daily
Fund Size	€340m

Market Capitalisation (% of NAV, Delta-Adj)

	Long	Short	Net
Large-Cap (>US\$10bn)	68.9	-64.3	4.6
Mid-Cap (US\$1-10bn)	27.6	-0.9	26.7
Small-Cap (<1US\$bn)	0.0	0.0	0.0
Total	96.5	-65.2	31.3

Portfolio Construction

Number of Securities (Long)	58
Number of Securities (Short)	6
Number of Hedges	3
Average Weighted Market Cap US\$bn (Long)	34.7
Average Weighted Market Cap US\$bn (Short)*	37.0
Weight of Top Ten Names (Long)	20.8%
Weight of Top Ten Names (Short)*	-7.5%

*Does not reflect index futures positions.

Top Five Long Positions (% of NAV, Delta-Adj)

Merck	2.2
Enel	2.1
Bankinter	2.1
EssilorLuxottica	2.1
Barclays	2.1

Country Allocation (% of NAV, Delta-Adj)

	Long	Short	Net
France	21.8	0.0	21.8
Germany	20.9	-2.6	18.3
United Kingdom	14.1	-1.8	12.3
Italy	5.3	0.0	5.3
Netherlands	6.6	-1.5	5.1
Spain	4.5	0.0	4.5
Norway	2.5	0.0	2.5
Denmark	1.8	0.0	1.8
Finland	1.6	0.0	1.6
Portugal	1.6	0.0	1.6
Belgium	1.5	0.0	1.5
Ireland	1.5	0.0	1.5
Switzerland	3.1	-1.6	1.5
Sweden	9.7	-12.2	-2.5
Europe	0.0	-45.5	-45.5
Total	96.5	-65.2	31.3

Commentary

In the month of March 2021, the Lazard European Alternative Fund (LEAF) returned +0.25% net of fees in the 'C' Acc Euro share class, compared to +6.47% for the MSCI Europe Net Total Return Index.

Our gross exposure expanded to 162% while our net exposure remained stable at 31%.

In March, our long book made 486 basis points (bps), while our short book cost us -458bps, of which -378bps for hedges and cash, and -80bps on stocks. On the long side, we made +37bps in BT, +29bps in Stellantis, +29bps in Linde, +25bps in Pandora, +24bps in Saint Gobain, +24bps in ING, +22bps in Deutsche Post and +20bps in Unilever, while we lost -29bps in TeamViewer. On the short side, there is a -37bps loss to report in a capital goods name.

While Europe (excluding the UK) is still very much in lockdown mode, we are positioned for its reopening as we believe that vaccination will finally start to have an impact from Q2. We believe that the reopening of Europe in the next few months will lead to renewed sell off in global government bonds, and we would not be surprised to see the US 10 year yield reach 2% by the end of Q2. As the European economy awakens, the gap between European and US growth will shrink, leading to a logical depreciation of the US dollar in our view. As a consequence, our positioning remains unchanged: we remain pro cyclical and pro-value, acknowledging nonetheless that the performance of defensives vs cyclicals should be more balanced going forward, while value, and in particular financials, still have a lot of room to catch-up, at the expense of growth stocks and duration in general.

To play the reopening of Europe, we have for example increased our position in Elior, in which we believe there is significant upside after the weakness caused by the latest French lockdown. We also bought Colonial, whose real estate portfolio in Paris, Madrid, and Barcelona looks undervalued to us, as we are not convinced that the pandemic will have a lasting impact on prime office properties. We have also increased our position in Hennes & Mauritz following the recent weakness related to the Chinese boycott.

In our search of stocks that have been left behind because they do not have an obvious fit with the consensus macro view, we have increased our position in Bayer to 2%. Bayer is a difficult stock to position: it is still included in pharmaceutical indexes but it has a higher gearing to the cycle thanks to its CropScience business. As soon as the very expensive acquisition of Monsanto occurred a few years ago, the glyphosate litigation blew up in the face of Bayer while agricultural commodities collapsed, leading to significant earnings cuts and a de-rating on top. Today, we have a line of sight on the conclusion of the glyphosate litigation, agricultural commodities have recovered, and we have a better visibility on the pharmaceutical patents expiries, but the stock still trades on less than 9x2021E earnings, which seems cheap for a business investing twice as much as its nearest competitor in crop sciences.

Léopold Arminjon, Nitin Arora and Aron Ceccarelli

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(%; net of fees; since inception, C Acc EUR share class)

2021	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD Return
Lazard European Alternative Fund (C Acc EUR)	-2.18	1.44	0.25										-0.52
MSCI Europe Net Total Return Index	-0.75	2.54	6.47										8.35
2020	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD Return
Lazard European Alternative Fund (C Acc EUR)	0.52	-0.72	-2.44	1.06	1.53	-0.63	0.42	0.94	-0.72	1.09	3.51	2.03	6.64
MSCI Europe Net Total Return Index	-1.26	-8.47	-14.35	6.12	2.95	3.07	-1.37	3.59	-2.03	-5.01	13.95	2.37	-3.32
2019	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD Return
Lazard European Alternative Fund (C Acc EUR)	-1.30	0.68	0.15	0.54	-2.07	-0.02	1.41	0.53	-0.62	-0.72	1.36	0.92	0.80
MSCI Europe Net Total Return Index	6.19	4.15	2.03	3.77	-4.94	4.43	0.30	-1.44	3.76	0.86	2.70	2.06	26.05
2018	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD Return
Lazard European Alternative Fund (C Acc EUR)	1.20	-0.06	-0.84	1.45	0.27	-0.50	0.57	-0.18	0.22	-0.35	-0.03	-0.65	1.10
MSCI Europe Net Total Return Index	1.60	-3.86	-2.03	4.61	0.11	-0.69	3.11	-2.25	0.53	-5.31	-0.86	-5.53	-10.57
2017	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD Return
Lazard European Alternative Fund (C Acc EUR)	1.47	-0.50	0.58	1.30	-0.21	-0.39	-0.46	-0.09	0.87	0.92	-1.36	-0.27	1.83
MSCI Europe Net Total Return Index	-0.37	2.92	3.34	1.69	1.53	-2.48	-0.37	-0.78	3.89	1.96	-2.08	0.79	10.26
2016	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD Return
Lazard European Alternative Fund (C Acc EUR)	-0.20	-0.42	0.73	-0.44	0.60	-0.03	-0.06	-0.57	0.32	0.58	-1.87	1.34	-0.05
MSCI Europe Net Total Return Index	-6.22	-2.20	1.33	1.92	2.28	-4.25	3.51	0.70	-0.03	-0.82	1.09	5.84	2.57
2015	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD Return
Lazard European Alternative Fund (C Acc EUR)									-1.07	-0.30	0.52	0.75	-0.12
MSCI Europe Net Total Return Index									1.92	8.29	2.67	-5.28	7.33

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