

Lazard

European Alternative Fund

February
2022
Fact Sheet

C Acc EUR Share Class

Monthly Performance Data

(%; net of fees; since inception 1 October 2015, C Acc EUR share class, as at 28 February 2022)

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
2022	-0.28	1.03											0.74
2021	-2.18	1.44	0.25	0.68	-0.08	-0.25	0.31	0.84	-0.56	0.85	-1.25	1.80	1.80
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	-2.39
Short	2.01
Hedge	1.58
Total	1.20

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

Fund Information

Fund Management Team	Leopold Arminjon Nitin Arora Aron Ceccarelli
Launch Date	28 September 2015
Liquidity	Daily
NAV Calculation	Daily
Fund Size	€290m

Market Capitalisation (% of NAV, Delta-Adj)

	Long	Short	Net
Large-Cap (>US\$10bn)	58.8	-34.5	24.3
Mid-Cap (US\$1-10bn)	17.4	-8.7	8.7
Small-Cap (<1US\$bn)	0.0	0.0	0.0
Total	76.2	-43.2	33.0

Portfolio Construction

Number of Securities (Long)	48
Number of Securities (Short)	22
Number of Hedges	2
Average Weighted Market Cap US\$bn (Long)	55.4
Average Weighted Market Cap US\$bn (Short)*	27.1
Weight of Top Ten Names (Long)	24.8%
Weight of Top Ten Names (Short)*	-16.4%

*Does not reflect index futures positions.

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

SAP	3.1
Air Liquide	3.1
Vonovia	3.0
Vodafone	2.8
EssilorLuxottica	2.4

Country Allocation (% of NAV, Delta-Adj)

	Long	Short	Net
France	15.0	-2.3	12.7
Germany	14.2	-6.4	7.8
United Kingdom	13.4	-6.0	7.4
Netherlands	5.5	0.0	5.5
Denmark	3.6	0.0	3.6
Portugal	3.4	0.0	3.4
Spain	4.8	-2.2	2.6
Switzerland	5.7	-3.6	2.1
Belgium	1.6	0.0	1.6
Austria	1.0	0.0	1.0
Ireland	1.8	-1.0	0.8
Norway	0.0	-1.5	-1.5
Sweden	1.6	-4.9	-3.3
Europe	1.8	-7.1	-5.3
Italy	2.8	-8.2	-5.4
Total	76.2	-43.2	33.0

Commentary

In the month of February 2022, the Lazard European Alternative Fund (LEAF) returned 1.03% net of fees in the 'C' Acc Euro share class, compared to -3.01% for the MSCI Europe Net Total Return Index.

Our gross and net exposures went up in February: the month-end gross exposure was marginally up at 120% while our net exposure increased to 33%, mostly due to the addition of defensive stocks

In February, our long book lost -239 basis points (bps), while our short book made +359bps, of which +158bps for hedges and cash, and +201bps on single name shorts. On the long side, the notable negative contributions were Erste Bank (-32bps) and HelloFresh (-29bps), Technip Energy (-22bps) and Unicredit (-21bps). In the short book, we made money in a healthcare stock (+39bps) and in a chemical stock (+26bps) amongst others.

The war in Ukraine adds a lot to the complexity of investing for many reasons, the main one being the lack of reliable information. This is reflected in a very high level of market volatility that has led us to further reduce our gross exposure since the start of the month.

While it is extremely sad to have to speculate on such a grave matter, we are nonetheless professionally obliged to take a view. So far, the confrontation between Ukraine and Russia surprisingly looks like a draw: Ukraine is resisting better than expected, despite the cautious help militarily from the West. Each party are exhausting themselves for limited results. This should bring Russia and Ukraine to negotiate if rationality prevails. Besides, while the West is focused on its discomfort from higher energy bills, emerging markets populations are suffering even more as food prices soar. We can only assume that the silent support Russia gets from China and India has limits, and that they will eventually try to push Russia to the negotiation table.

It is not impossible that the worst has already happened in Ukraine. The use of nuclear weapons would probably cause a greater involvement of NATO, while an interruption of gas supplies would force Europe to pivot faster towards other energy sources, damaging Russia's long-term prospects. But such black swan events remain nonetheless possible unfortunately.

Many things are binary, but a few things are certain in the current environment: investment in defence will spike for a sustained period everywhere and investments in any source of energy will recover, particularly oil and gas. We have increased our position in a basket of oil services companies to take advantage of that trend, as they will benefit both from their pivot towards renewables and a recovery in spending on conventional energy sources.

We also notice that many cyclical and financials are now starting to price a severe recession. At the same time, the risk/reward profile of some defensive stocks is less attractive in relative terms. As a consequence, we have started to rebalance our portfolio to cautiously get exposure to the optionality that some cyclical and financial stocks start to offer, while we are trying to take profits on some defensive positions that have held well.

One other thing is certain: inflation caused by the Covid pandemic is fuelled further by rising commodity prices. Central banks' job is getting more difficult by the day, and we can only assume that rate rises still need to take place.

Léopold Arminjon, Nitin Arora and Aron Ceccarelli

Monthly Performance Data

(%; net of fees; since inception 1 October 2015, C Acc EUR share class, as at 31 January 2022)

2022	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD Return
Lazard European Alternative Fund (C Acc EUR)	-0.28	1.03											0.74
MSCI Europe Net Total Return Index	-3.20	-3.01											-6.12
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	0.68	-0.08	-0.25	0.31	0.84	-0.56	0.85	-1.25	1.80	1.80
MSCI Europe Net Total Return Index	-0.75	2.54	6.47	2.07	2.56	0.95	1.86	1.97	-3.01	4.66	-2.49	5.52	25.14
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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