

Liquidity, Portfolio, and Performance Summary

Lazard Emerging Markets Equity Portfolio

PREPARED BY:

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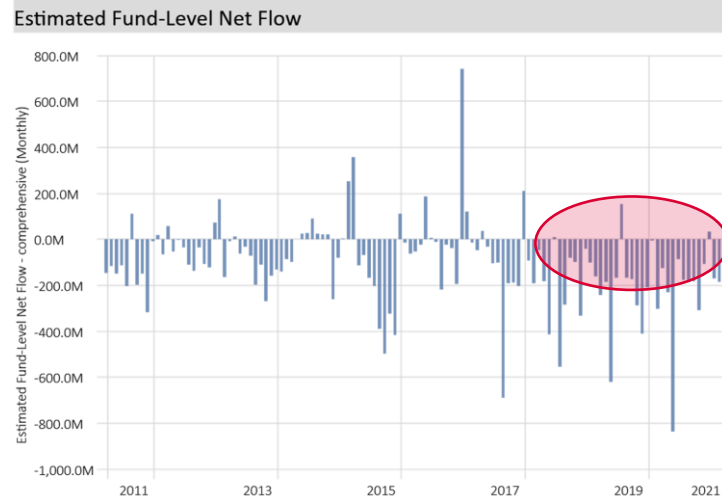
Jay Young CFA®, CMA®, CTP, Partner

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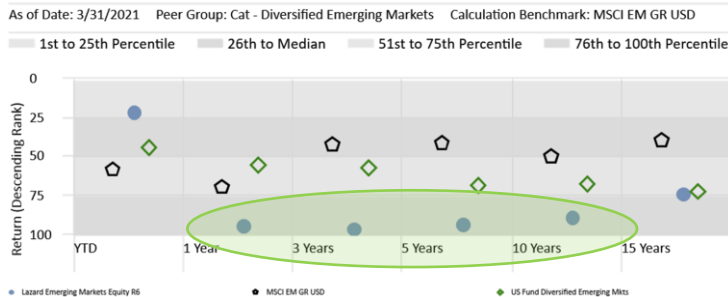
June 24, 2021

Assets have Fallen; Performance has Faltered

- Ten years ago, the Lazard Emerging Markets Fund held assets of over \$18 billion, making it one of the largest funds in its category. At the end of the first quarter of 2021, assets had dropped to \$4.3 billion (top right, circled in blue).
- Over three years ending on March 31st of this year, investors had pulled money from the fund in all but three months (bottom right, circled in red).
 - Though the fund's still-large asset base eases liquidity concerns to a degree, continued outflows on this scale could have the potential to have investment and operational impacts and merit careful monitoring.
- Medium- to long-term performance has been poor, with the fund ranking in worst 25% of all emerging market mutual fund strategies over 1-, 3-, 5-, and 10-year periods as of March 31st of this year (below, blue dots circled in green).

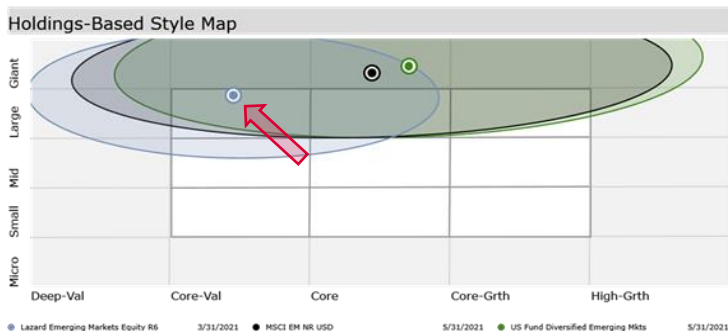
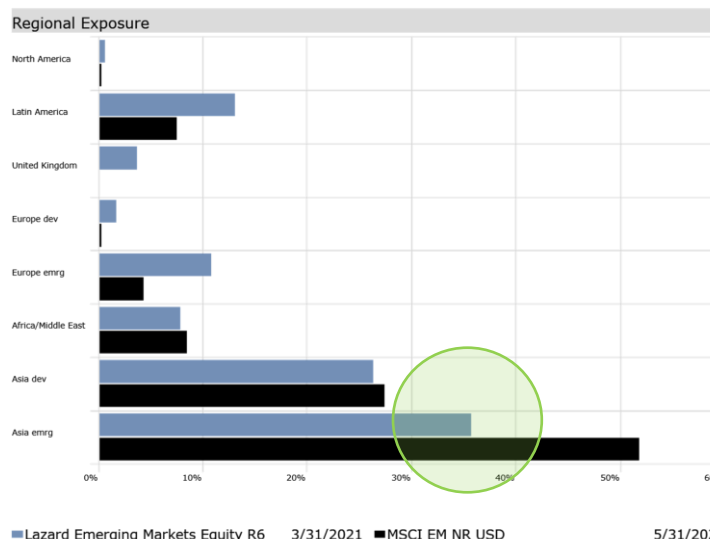
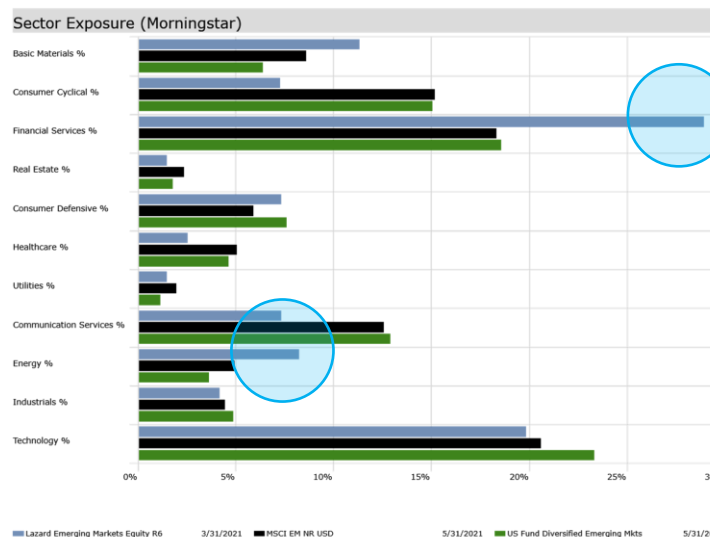


Performance Relative to Peer Group (Descending Rank)



The Fund's Value Bias has Hurt...

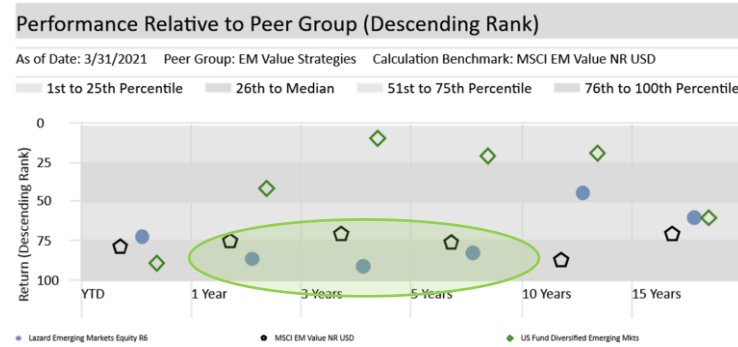
- As Morningstar indicates, much of the fund's underperformance can be ascribed to the value-based strategy it has pursued consistently since its inception in the late 1990s.
- The fund has a marked value bias (below, red arrow, and blue dot) vs. the peer group (green dot) and MSCI EM index (black dot). Growth-oriented emerging markets stocks have outperformed value-oriented EM stocks over the last 15 years (7.27% vs. 5.2%), especially in 2019 and 2020 (25.44% vs. 12.54% and 31.58% vs. 5.97%, respectively).*
 - Stock selection (often choosing value names over growth names) has been the primary source of underperformance for the fund.
- The fund's value-oriented approach has also led, in part, to large over-weights in financial stocks and energy (top right, circled in blue). A value emphasis has also led to a geographic under-weight in Asia (bottom right, circled in green), especially China.
 - These allocation decisions have contributed to underperformance.



*As measured by the MSCI EM Growth and MSCI EM VALUE benchmarks.

But it's Underperformed Other EM Value Funds

- In addition to underperforming the overall peer group, the Lazard fund has performed poorly versus the subset of other value-oriented emerging markets funds.
 - The fund ranks in the bottom 25% of EM mutual fund strategies classified as “value” in Morningstar’s database over 1, 3, and 5 years (top right, blue dots circled in green).
 - The relatively superior performance of the median EM fund (green diamonds, which includes core-, growth-, and value-oriented funds) over the same periods is also apparent.
- The Trailing Returns chart (bottom right) shows that the fund has performed better vs. the MSCI EM Value benchmark than against the core benchmark, but results are still uninspiring.



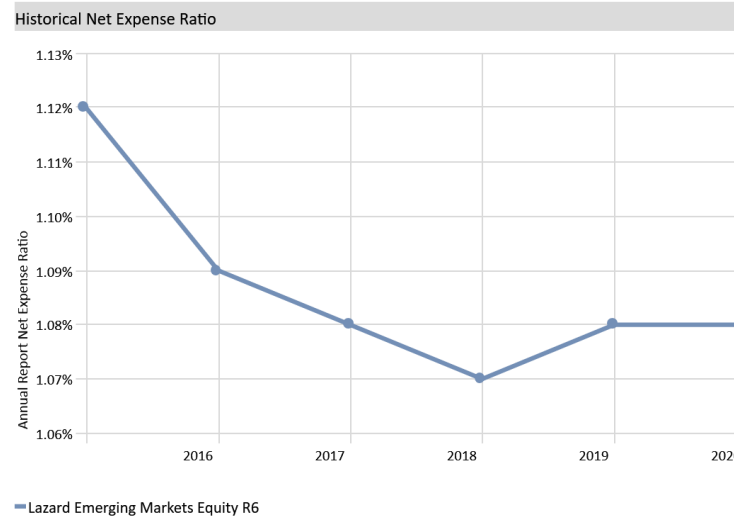
Trailing Returns

As of Date: 3/31/2021 Data Point: Return Calculation Benchmark: MSCI EM Value NR USD Peer Group: EM Value Strategies

	YTD	1 Year	3 Years	5 Years	10 Years	15 Years
Lazard Emerging Markets Equity R6	5.04	50.18	-0.17	7.58	1.89	4.85
MSCI EM Value NR USD	4.11	52.53	2.60	8.42	1.03	4.75
MSCI EM NR USD	2.29	58.39	6.48	12.07	3.65	5.95
Average	6.03	60.60	3.37	9.87	2.04	5.20

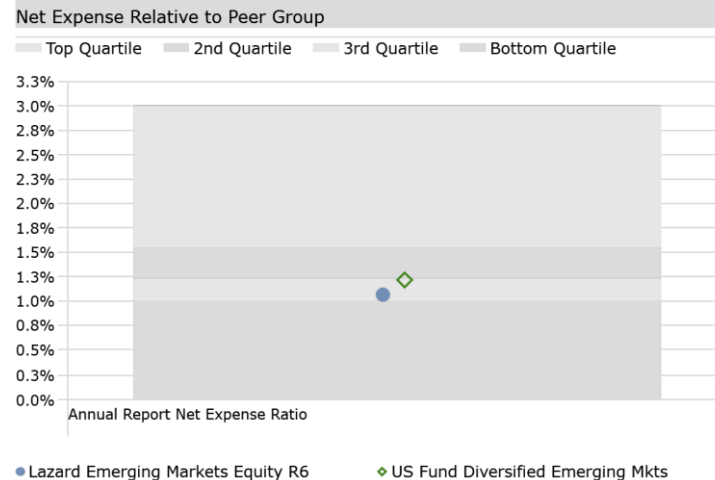
Expenses and Management are Positives

- Unlike many firms where a strategy has bled assets, Lazard hasn't raised the fund's expense ratio (top right). In fact, fund expenses are lower than they were in 2016.
 - Expenses of the Institutional and R6 share classes are competitive (bottom right, blue dot), ranking just below peer average (green diamond).
 - More specifically, the Institutional and R6 share class expenses (1.11%) are roughly even with the average expense of all actively-managed, institutional share classes (1.32%).
- Lazard also employs a highly experienced management team, with lead manager James Donald (20.5 years) among the ten longest-tenured managers in the category. The team's four analysts all have more than 20 years of experience.



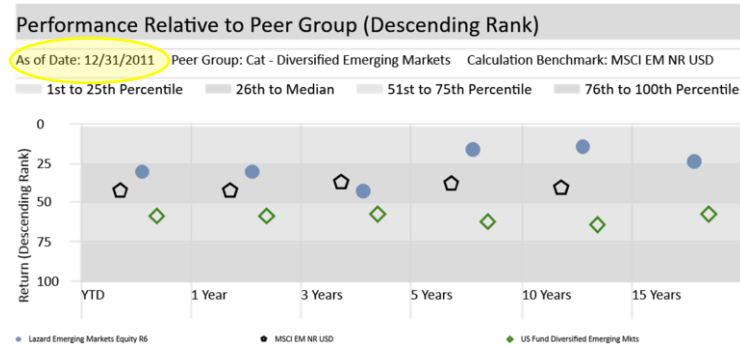
Management Summary

Manager Name	John R. Reinsberg Rohit Chopra James M. Donald Ganesh Ramachandran Monika Shrestha
Manager Tenure (Average)	14
Manager Tenure (Longest)	27



Performance has Been Solid in the Past

- The strategy is benchmark-agnostic (not relatively constrained to an index) and must be expected to be out of step with the MSCI EM index frequently - potentially for long periods of time (e.g., Chinese stocks will likely be underweighted until relative valuations fall).
- Investors should keep in mind that performance figures are simply snapshots in time.
 - Results from 10 years ago are markedly different from those ending Q1 2021. It's possible that results from the first quarter are likely to be no more reflective of the next decade's returns than were results from 2011.



Trailing Returns

As of Date: 12/31/2011 Data Point: Return Calculation Benchmark: MSCI EM NR USD

	YTD	1 Year	3 Years	5 Years	10 Years	15 Years
Lazard Emerging Markets Equity R6	-17.75%	-17.75%	19.70%	3.53%	16.00%	8.14%
MSCI EM NR USD	-18.42%	-18.42%	20.07%	2.41%	13.86%	—
MSCI EM Value NR USD	-17.86%	-17.86%	20.32%	4.26%	15.90%	—
Average	-18.87	-18.87	19.20	1.22	13.01	7.03

The Decision to Keep or Eliminate

In keeping with good policy, the fund's current performance shouldn't be the primary driver of a decision to keep or eliminate Lazard Emerging Markets. While performance is a factor that should be considered, the decision should be forward-looking rather than retrospective.

You might elect to keep the fund if your committee:

- *Emphasizes management consistency.* The fund's management team is highly experienced and has executed a consistent investment process with discipline.
- *Is patient with "out-of-step" performance.* Performance is currently suffering as the value-oriented strategy is out of favor but has been excellent during periods where the strategy's approach has been in favor.
- *Believes that the fund justifies its reasonable expenses.* Expenses are reasonable versus other actively managed, institutionally priced funds. Lazard has reduced the fund's expense level over time despite the falling asset base.
- *Offers multiple emerging markets options or exposures.* The benchmark-agnostic strategy may offer a diversification benefit to participants investing in a plan that also offers core or growth emerging markets exposure (acknowledging that, in most plans, only a relative few participants are interested in or capable of effectively taking advantage of such an opportunity).

You might elect to eliminate the fund if your committee:

- *Prefers greater consistency of performance versus a benchmark.* Given the fund's strategy, its portfolio is likely to look different from that of the core MSCI Emerging Markets Index. Hence, the fund's performance will often be very different from that of the index and peer average (either negatively, as now, or positively, as in 2011).
- *Emphasizes low investment costs, including for actively managed funds.* The expenses of the Inst. and R6 share classes are lower than the category average and compare favorably to the average of other actively managed EM mutual funds. However, many less expensive options are available (both active and index funds).
- *Doesn't have faith that management can outperform in the long run.* The fund's performance has lagged both the overall category and the subset of value-oriented peers. While performance has been better vs. the MSCI EM Value Index than the core MSCI EM Index, the fund has underperformed against both in the mid-term.
- *Is concerned that the fund's falling asset base could, at some point, affect performance or operational liquidity.* Often, problems with liquidity can present a more immediate emergency than poor performance. The fund still has \$4 billion in assets (in the top 15% of active funds in Morningstar's Emerging Markets category). However, the fund's current track record is unattractive (thus unlikely to attract new investors at scale), and an event such as a manager change could trigger sharp redemptions.

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