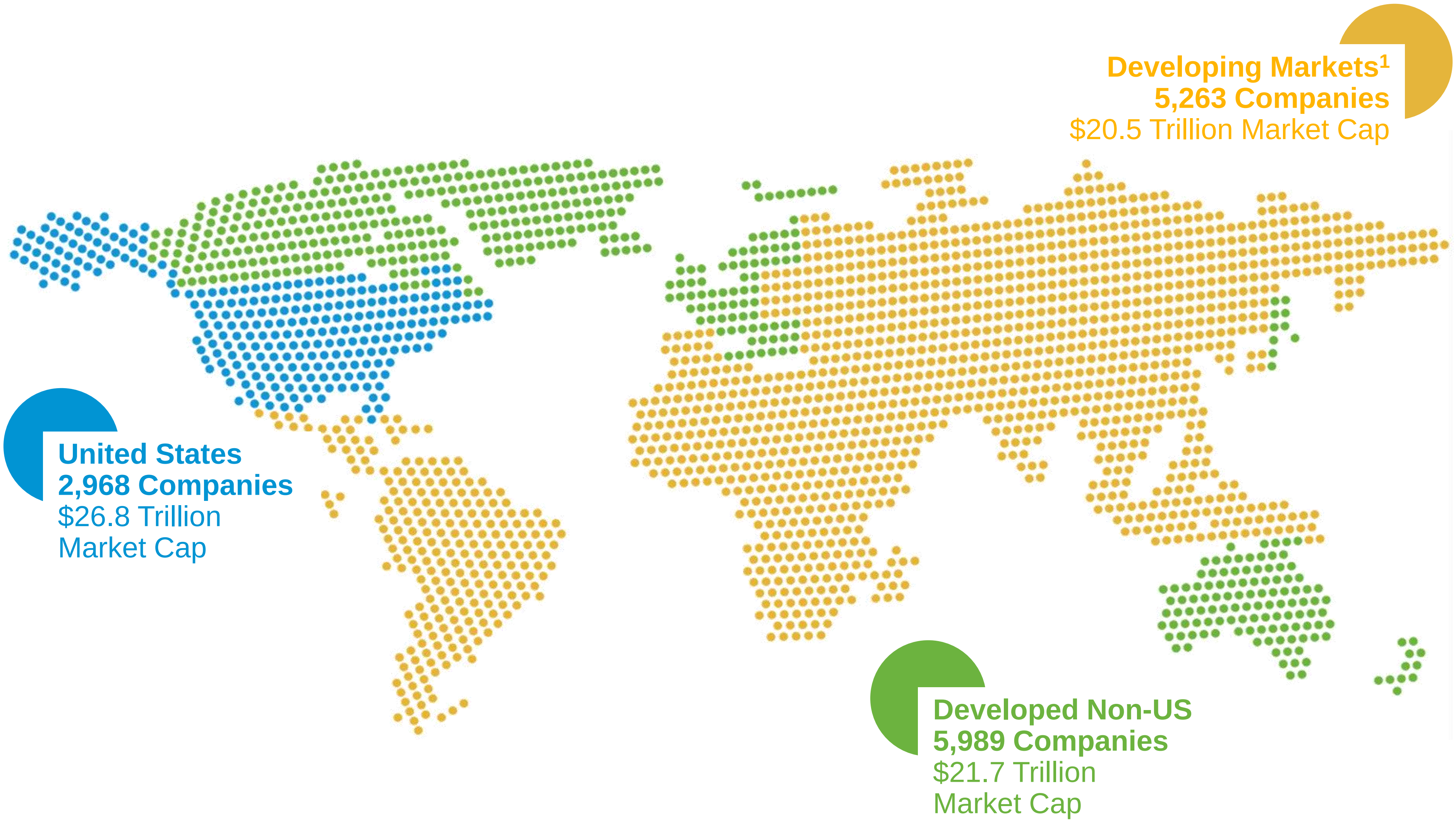
LAZARD
ASSET MANAGEMENT

SACRS

May 9th, 2019

The World by the Numbers

14,220 Public Companies, $69.0 Trillion Market Cap



As of 31 December 2018.

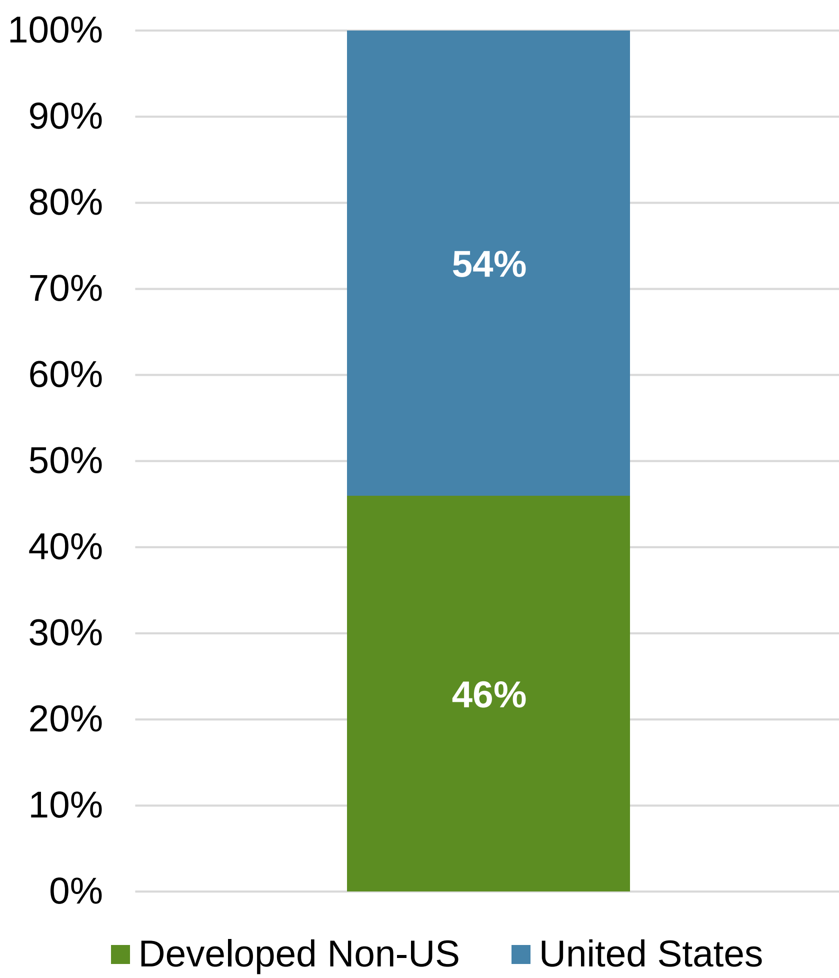
1. Includes all non-developed countries commonly defined in the following categories: emerging markets, frontier markets, and unclassified/standalone countries.

All data reflect rounding. Includes companies covered by MSCI and with a market cap (not float adjusted) greater than $100 million US Dollars.

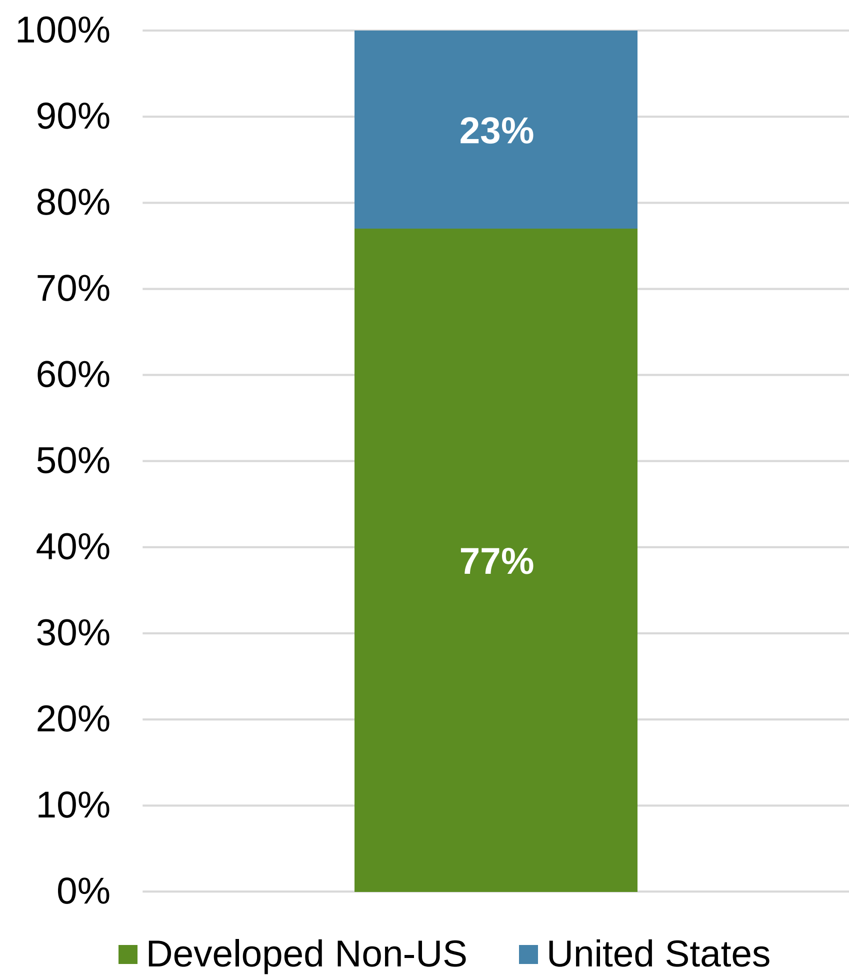
Source: FactSet , MSCI

Abroad(er) Opportunity Set

International companies make up almost one-half of global market cap



… and about three-quarters of listed companies



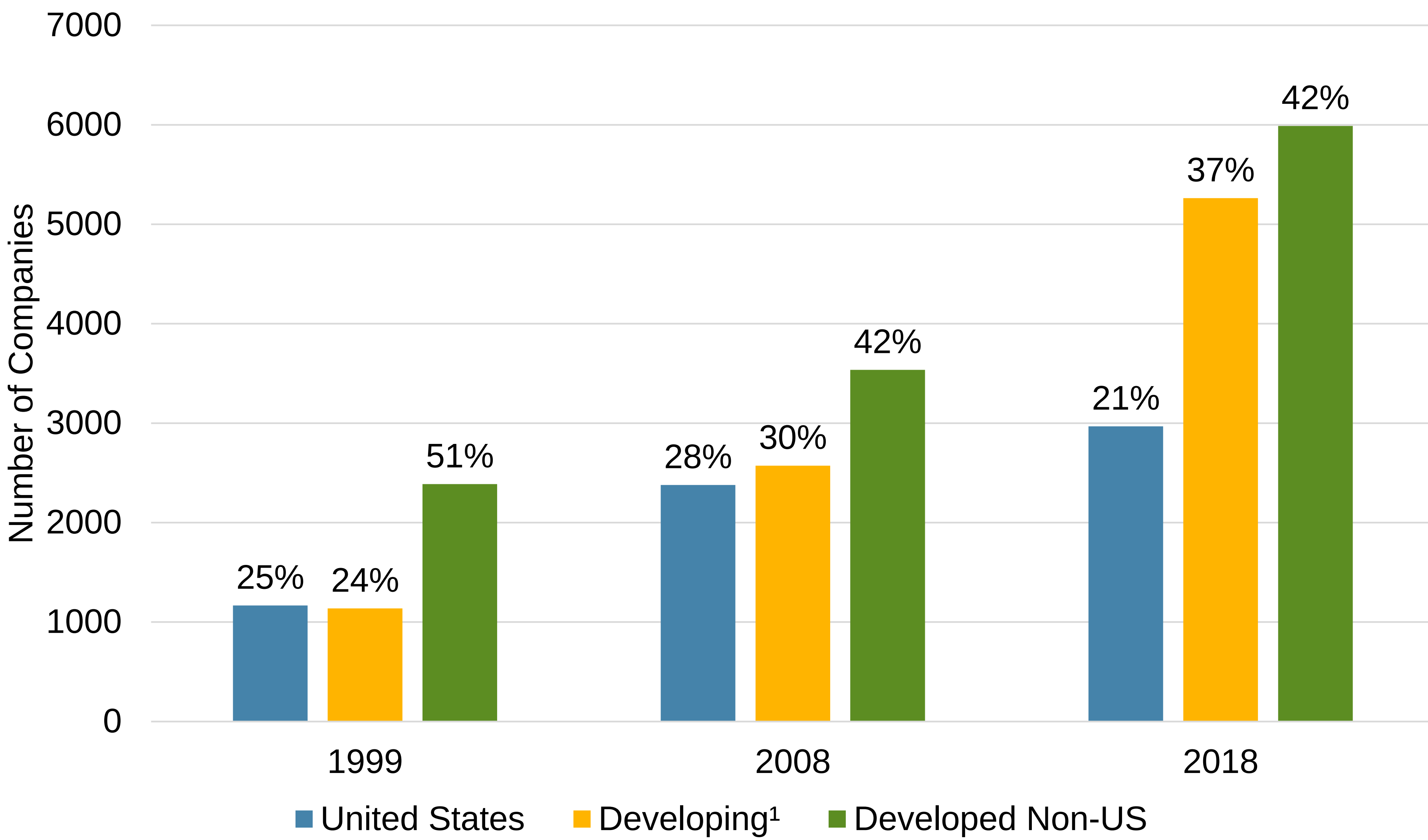
As of 31 December 2018.

1. MSCI ACW All Cap ex-US Index

Source: FactSet, MSCI

Vast Opportunities Outside the United States

Non-US Companies Relative to US Rapidly Growing



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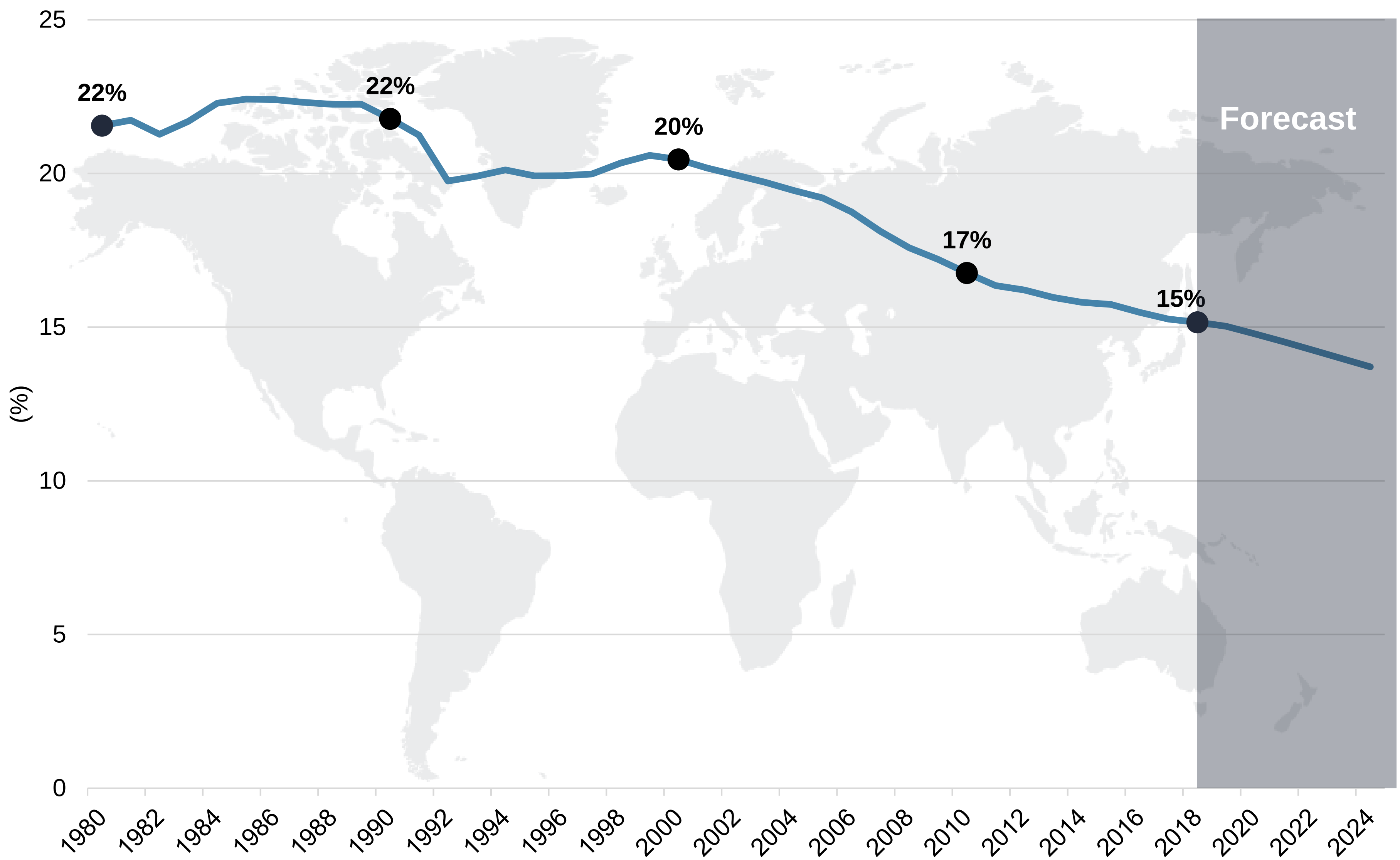
Source: FactSet , MSCI

A Shrinking Proportion of Global GDP

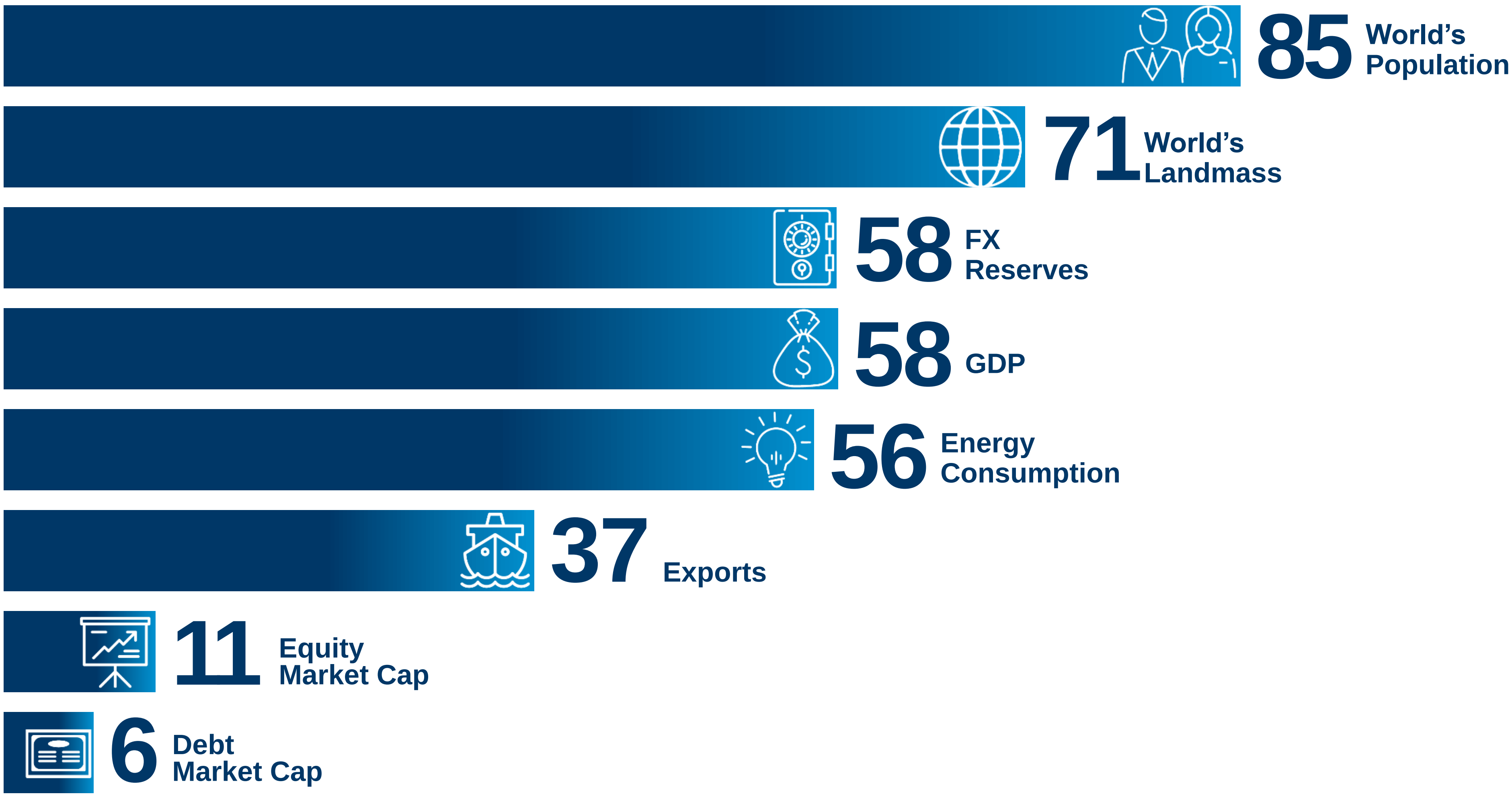
The US Represents an Impressive Share of Global GDP, But It Is Declining



As of 09 April 2019.
GDP based on PPP.
Source: Haver Analytics, IMF

Emerging Markets in a Global Context

Emerging Markets Indicators as Share of the World (%)



As of June 2018

Population, GDP (PPP), and Exports as of 2015 based on data released by the IMF World Economic Outlook in October 2016; landmass as of 2015 (2.7% unassigned regions); FX reserves as of latest available: 82% of 169 country list as of December 2015; energy consumption as of 2015 (4.2% unassigned regions); equity market capitalization (float adjusted) based on MSCI ACWI IMI as of June 2018; and debt market capitalization based on sum of J.P. Morgan GBI-EM Broad, EMBI Global Diversified, and CEMBI indices as share of the Bloomberg Barclays Capital Global Aggregate Bond Index as of December 2016.

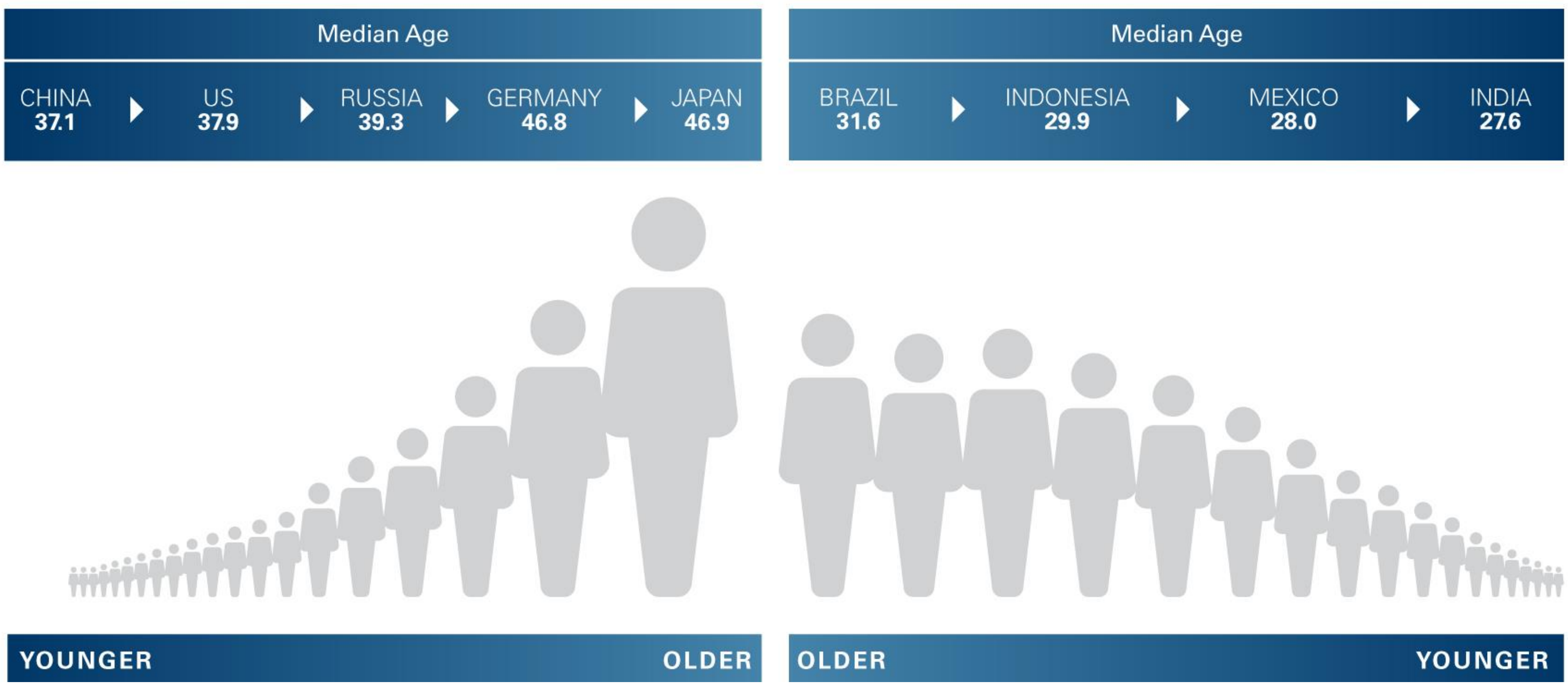
Source: Lazard, Bloomberg, BP, CIA The World Fact Book, IMF, J.P. Morgan, MSCI, World Bank

The Most Favorable Demographics Are in EM

Developed Countries Tend to Have Older/Aging Populations, while Many EM Countries have Young Populations and Some are Getting Even Younger

Countries That Are Aging

Countries That Are Getting Younger

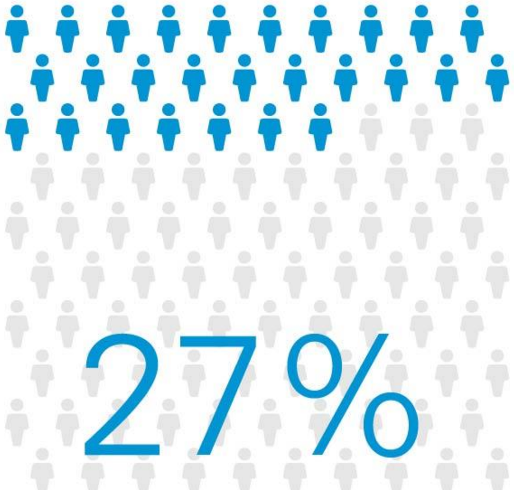


As of July 2015
Estimated or forecasted data are note a promise or guarantee of future results and are subject to change.
Source: Haver Analytics, United Nations

The Global Middle Class – Size and Consumption Will Be Dominated by EM

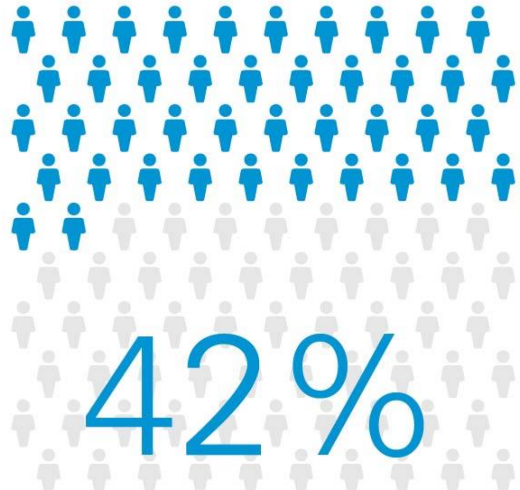
Middle Class Population as a Percentage of the Global Total

2009



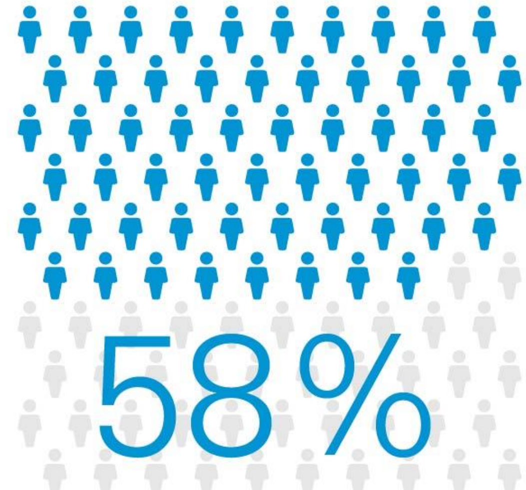
Middle Class Population: 1,845 million

2020



Middle Class Population: 3,249 million

2030



Middle Class Population: 4,884 million

Largest Country by Middle Class Consumption[1], $B

2009

UNITED STATES

Total Middle Class Consumption

$4,377

2020

CHINA

Total Middle Class Consumption

$4,468

2030

INDIA

Total Middle Class Consumption

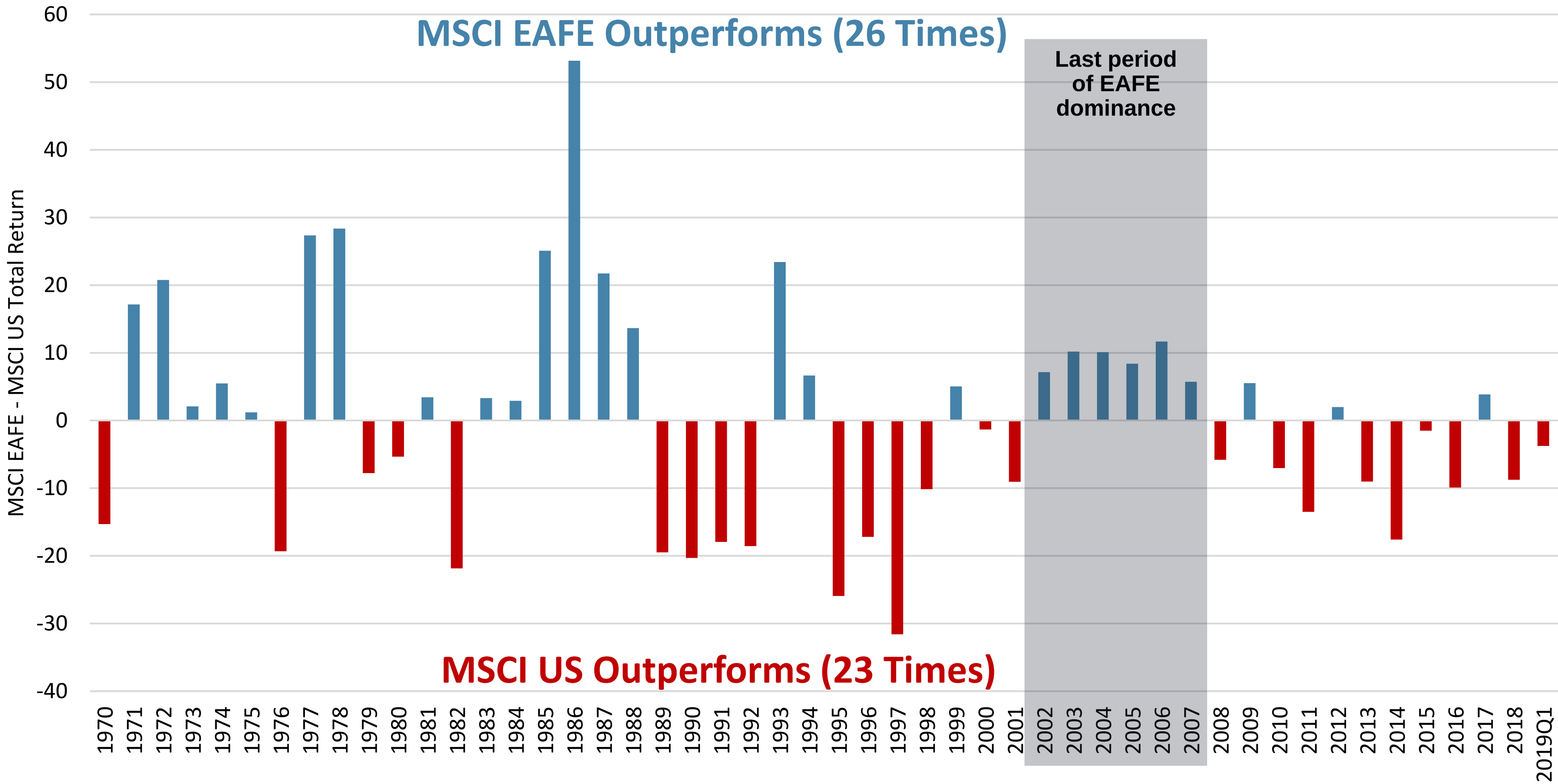
$12,777

1 Based on 2005 PPP US dollar

Estimated or forecasted data are not a promise or guarantee of future results and are subject to change.

Source: Kharas, Homi and Geoffrey Gertz, "The New Global Middle Class: A Cross-Over from West to East." Brookings Institution, 2010.

MSCI EAFE vs MSCI US: Time for a Change?



Since Dec 1969:	**MSCI US**	**+9.2 %**
	MSCI EAFE	**+8.6 %**

EAFE and US Have Taken Turns Outperforming

As of 31 March 2019. Returns since 1969 are annualized.
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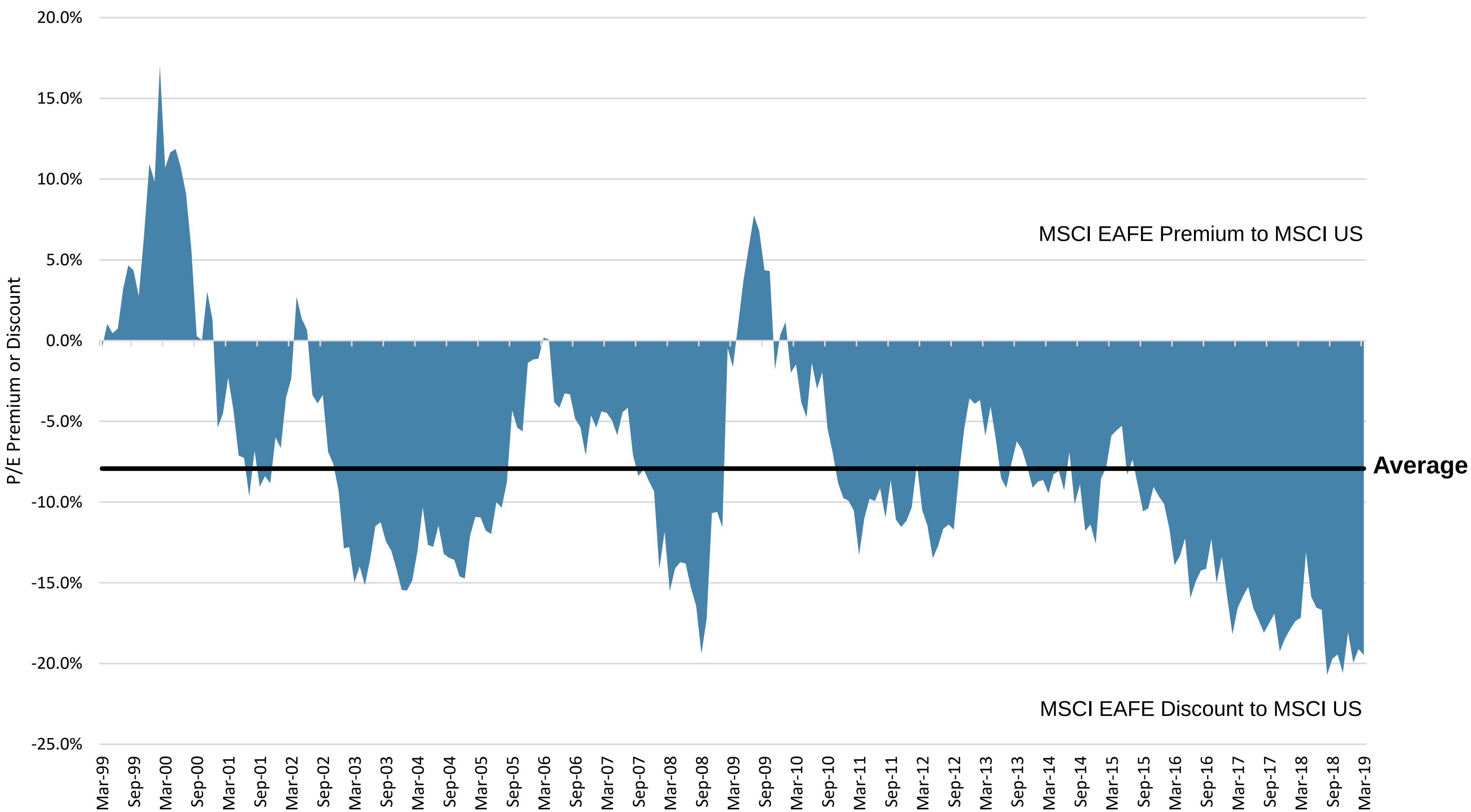
Source: MSCI, Lazard

MSCI EAFE vs MSCI USA



EAFE near deepest discount to US in 20 years

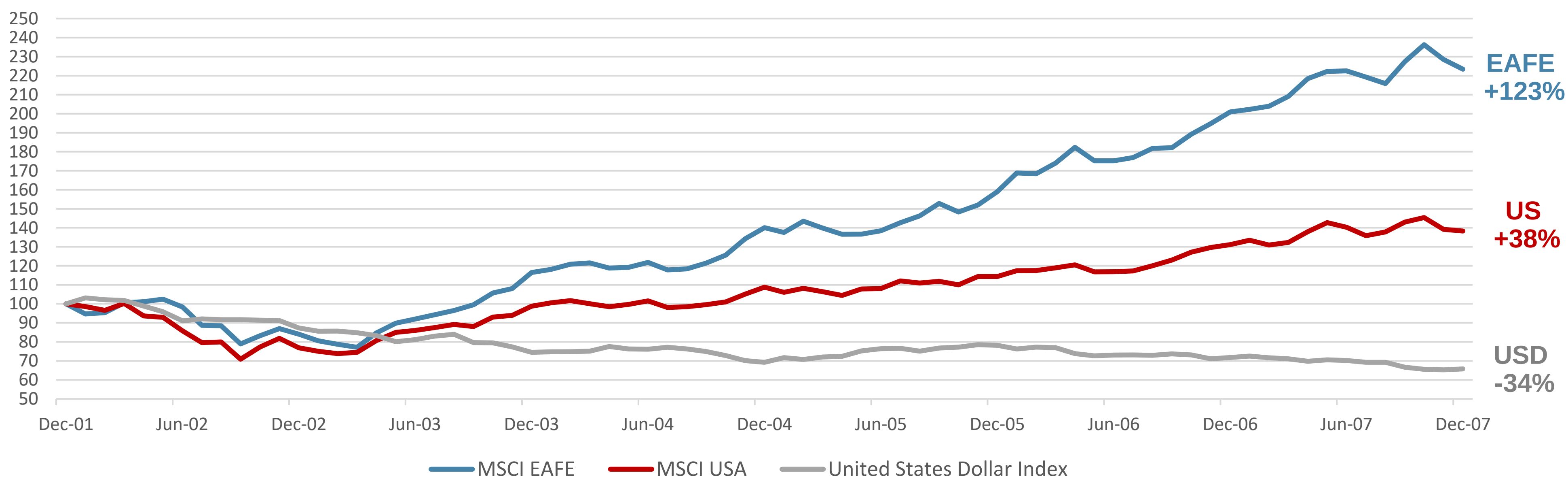
As of 31 March 2019
Source: Factset, MSCI

Drivers of EAFE Outperformance
12/31/01 through 12/31/07

MSCI EAFE	+123.4% (+14.3% Annualized)
MSCI United States	+38.3% (+5.6% Annualized)

EAFE outperformed US driven by:

- Improved financial productivity (ROE)
- Margin expansion
- Weaker US dollar



As of 31 December 2007.
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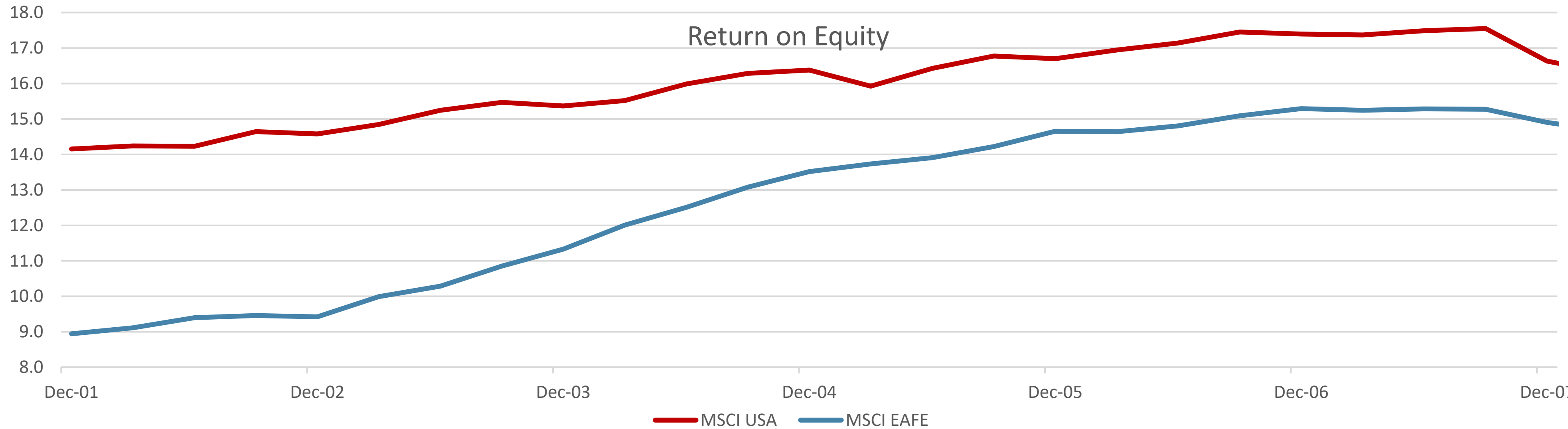
Source: MSCI, Lazard

Drivers of EAFE Outperformance: Financial Productivity
12/31/01 – 12/31/07



- **Then**: Margin expansion drove EAFE ROE higher

Return on Equity	MSCI EAFE	MSCI USA
12/31/2001	8.9	14.2
12/31/2007	14.9	16.6
% Change	66.6%	17.5%

- **Now**: EAFE ROE at large discount to peak. Opportunity for improvement includes margins, asset turns, financial leverage

Return on Equity	MSCI EAFE	MSCI USA
12/31/2018	11.2	18.7
% from 2007	-24.7%	12.6%

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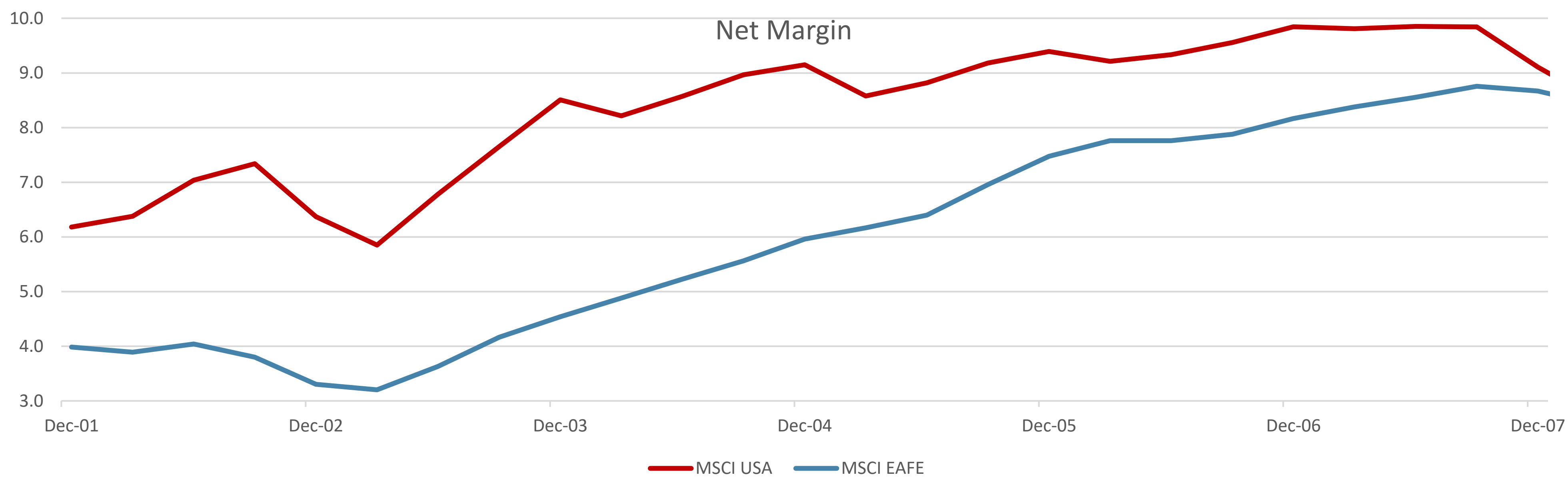
Source: MSCI, Lazard, Factset Market Aggregates (LTM)

Drivers of EAFE Outperformance: Margin Expansion
12/31/01 – 12/31/07



- **Then**: Rapid margin expansion drove ROE, EAFE outperformance.

Net Margin	MSCI EAFE	MSCI USA
12/31/2001	4.0	6.2
12/31/2007	8.7	9.1
% Change	117.6%	47.4%

- **Now**: EAFE margins still below peak, US margins now ~30% above peak

Net Margin	MSCI EAFE	MSCI USA
12/31/2018	8.2	12.1
% from 2007	-5.0%	32.7%

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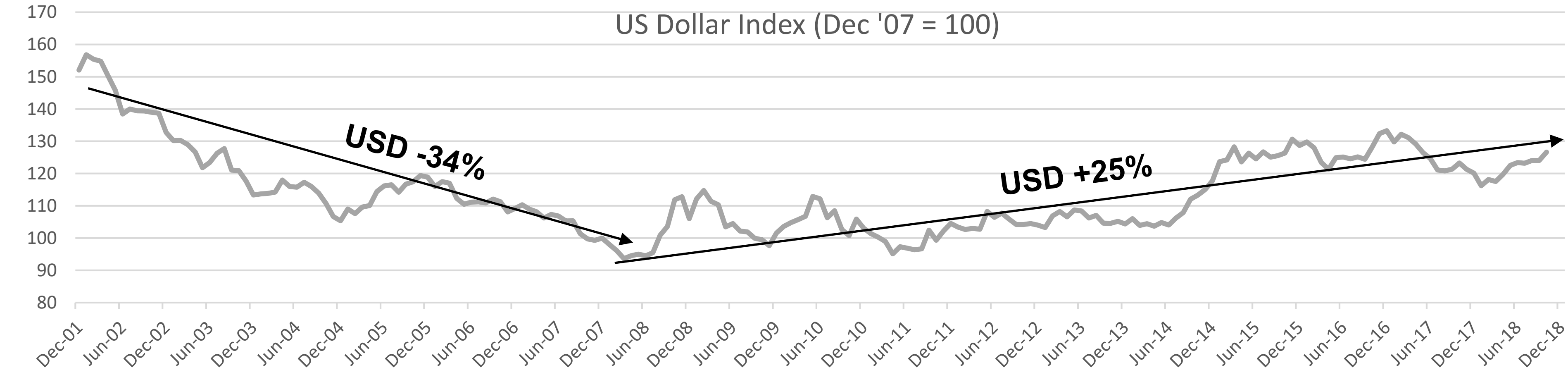
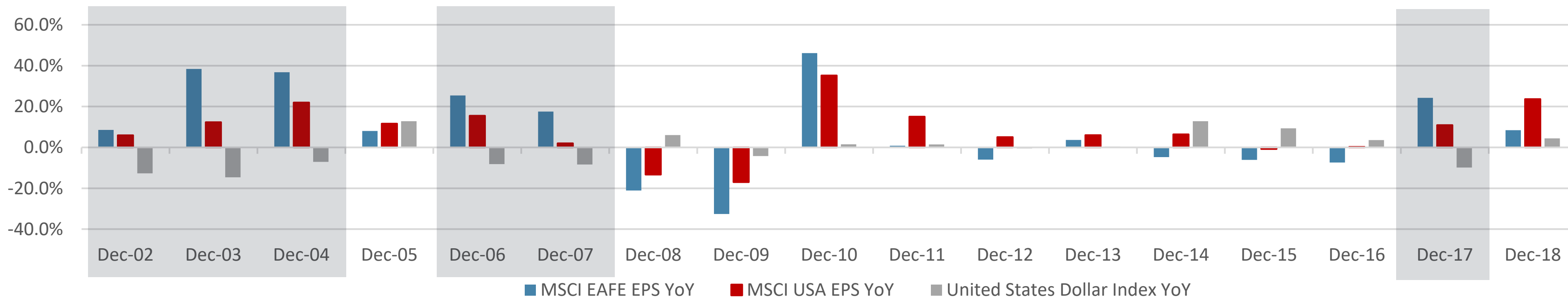
Source: MSCI, Lazard, Factset Market Aggregates (LTM)

Drivers of EAFE Outperformance: US Dollar
Time for a Reversal?





- Since 2002, EAFE EPS improved more than US when USD was down more than 5%
- Reasons that the US Dollar could weaken again:
  - Current US GDP growth rate boosted by one-time tax cut
  - US data vulnerable to disappointment (peak profits, rising input costs, trade)
  - Non-US GDP growth has catch-up potential (continued low rates, low inflation)
  - US twin deficits and uncertainty over future reserve currency
  - Gridlock in US Congress

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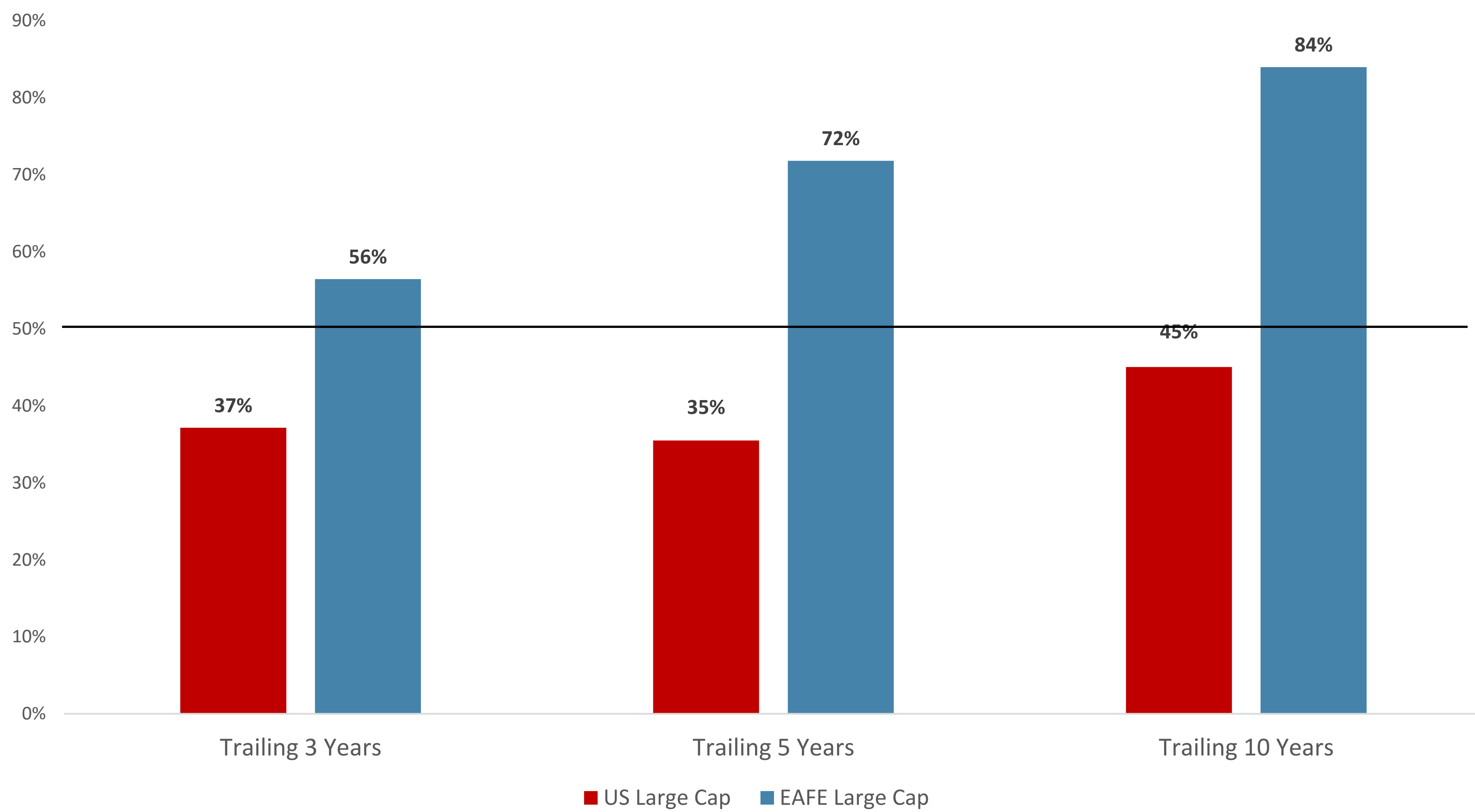
Source: MSCI, Lazard, Factset Market Aggregates (LTM)

Percentage of Strategies That Beat the Index



EAFE Managers Have Been More Effective Than US Equity Managers

As of 31 December 2018

Source: eVestment data as of 11 February 2019. Excess returns are gross of fees in the products base currency. Performance would be lower if fees and expenses were included.

US Large Cap is vs S&P 500 and the universe is eVestment US Large Cap Equity. 3 Year has 967 observations, 5 Year has 933 observations, 10 year has 771 observations.

EAFE Large Cap is vs MSCI EAFE and the universe is eVestment EAFE Large Cap Equity. 3 Year has 179 observations, 5 Year has 163 observations, 10 year has 137 observations.

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MSCI EAFE vs MSCI US: Valuations

Ratio	MSCI EAFE	MSCI USA	EAFE Discount to US
Price to Earnings	14.0	17.3	-19.1%
Price to Book Value	1.5	3.3	-52.5%
Price to Cash Flow	9.3	13.1	-29.2%
Enterprise Value to EBIT	13.7	16.7	-17.9%

EAFE at or Near Historic Discount vs. US

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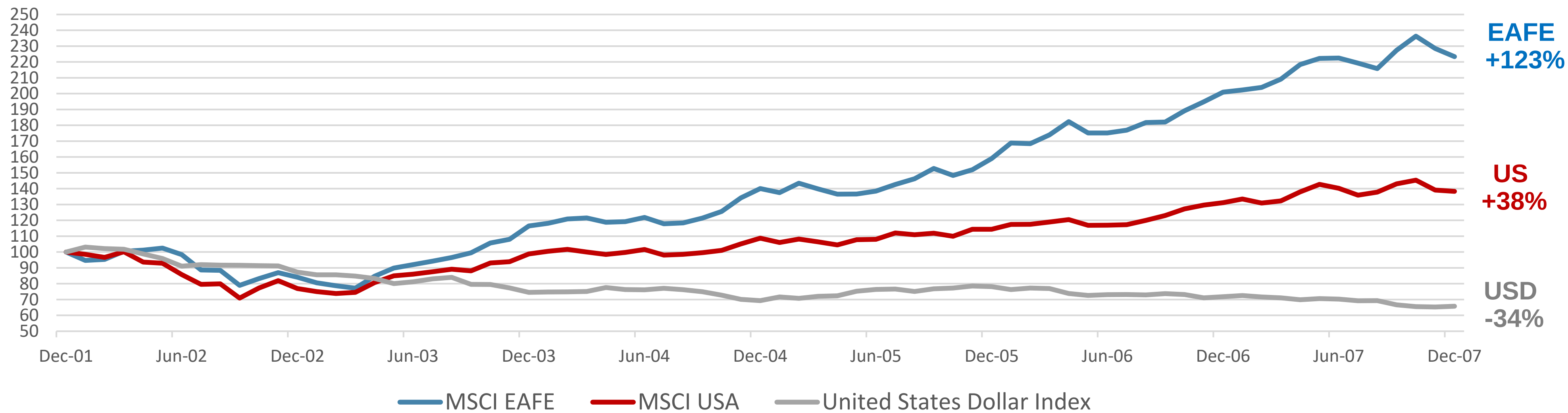
Source: MSCI, Lazard, Factset Market Aggregates (LTM)

Drivers of EAFE Outperformance
Then Versus Now

2001 – 2007 Index Returns (Rebased)



THEN

- Improved financial productivity
- Margin expansion
- A weaker dollar

NOW (Potential Catalysts)

- Improving financial productivity
- Margin expansion
- A stable or weaker dollar

In combination with:

+ EAFE managers' ability to beat index, particularly in challenging times
+ A historically large valuation discount

Source: MSCI, Lazard

Outlook

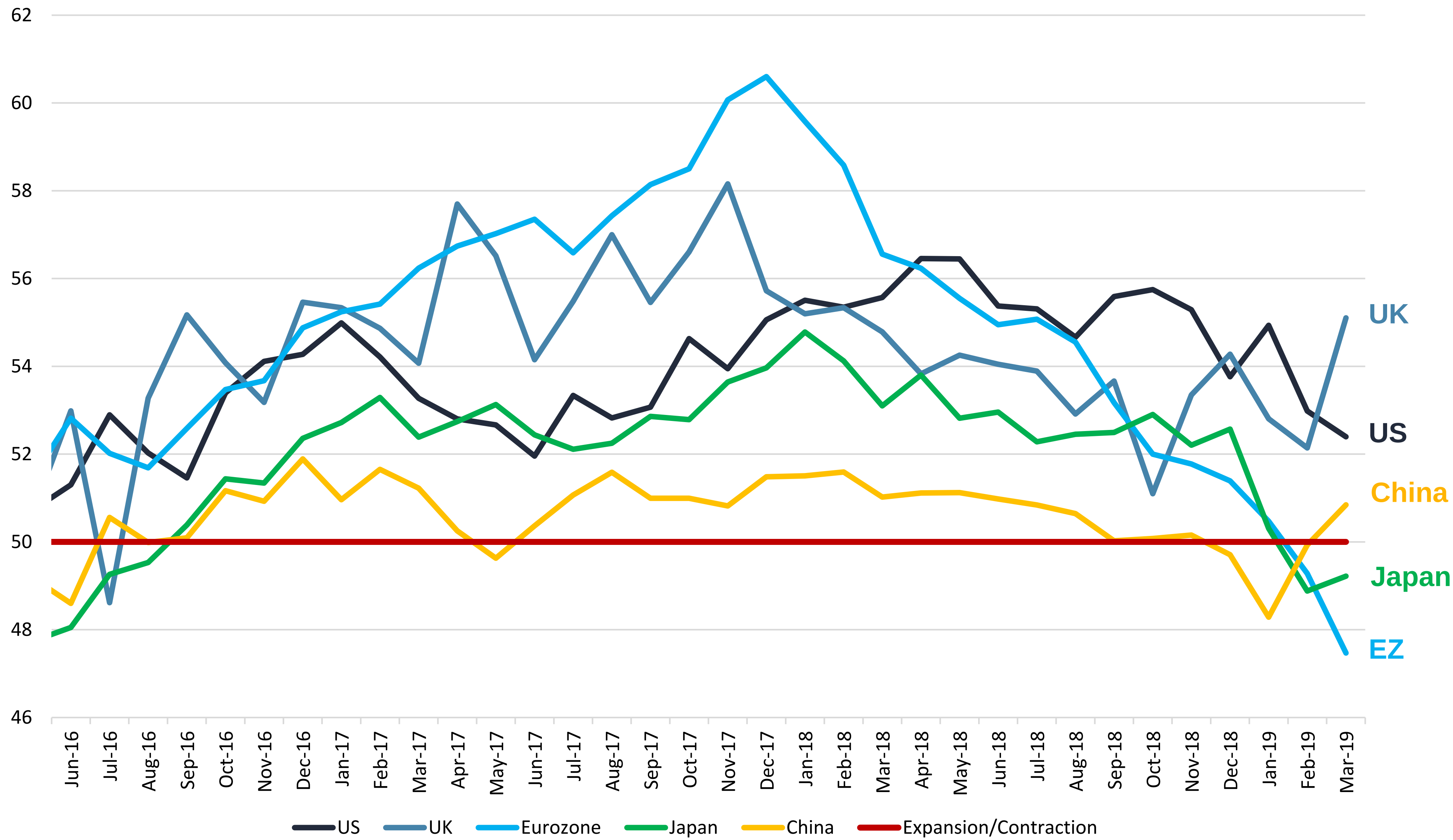
- Late cycle; global economic uncertainty
  - UK Brexit unresolved
  - US/China trade-war unresolved
  - Global political unrest continues
- Earnings estimates have come down
- Will central bank intervention work yet again?

Portfolio Positioning

- Moderately Defensive
- High quality
- Relative Value
- Stock Specific Thesis

Information and opinions as of 31 March 2019 and are subject to change.

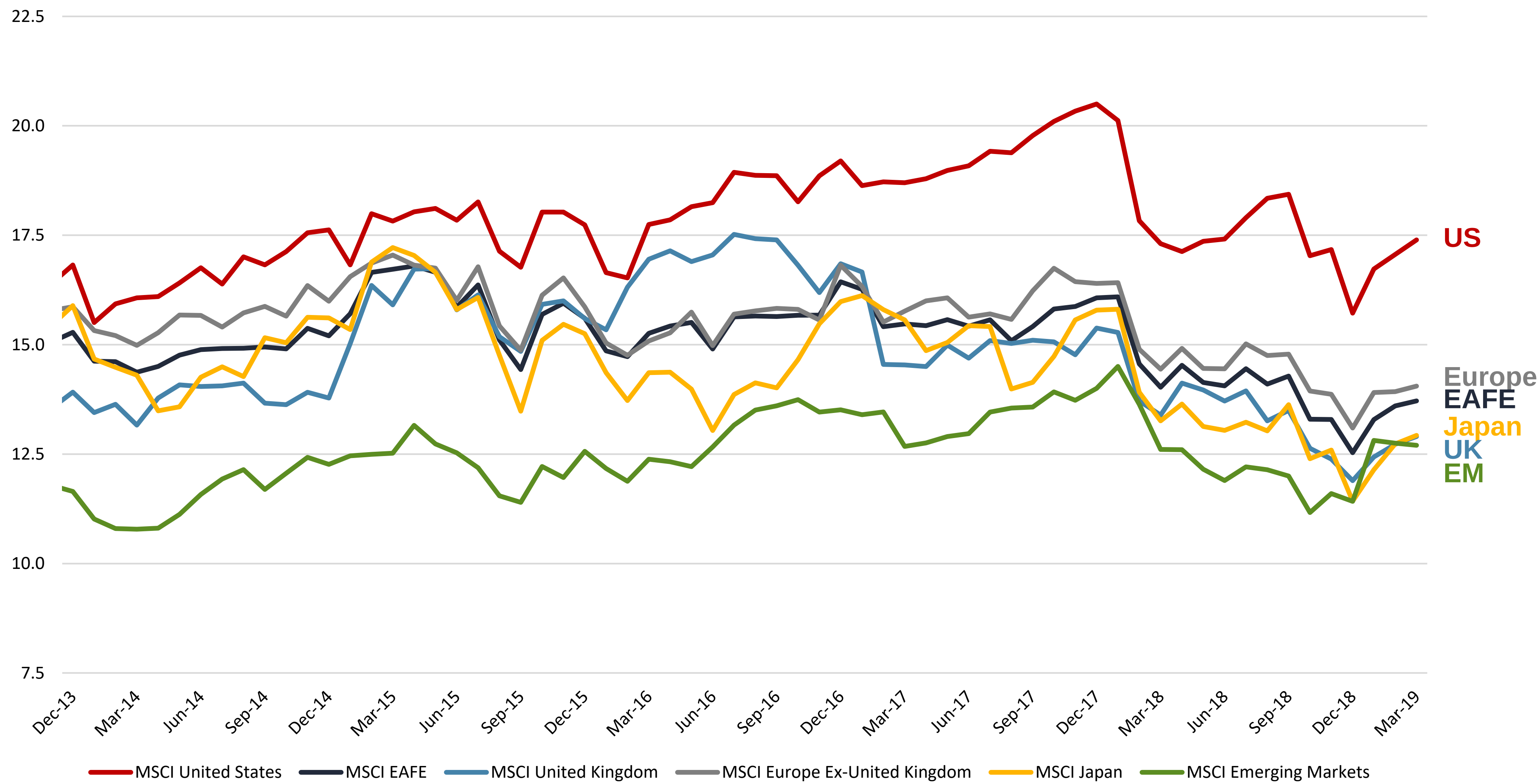
Manufacturing Purchasing Managers Indices



Global manufacturing activity is mixed

As of 31 March 2019.
Source: Factset, Markit, Nikkei, Caixin

Global Valuations
Forward P/E



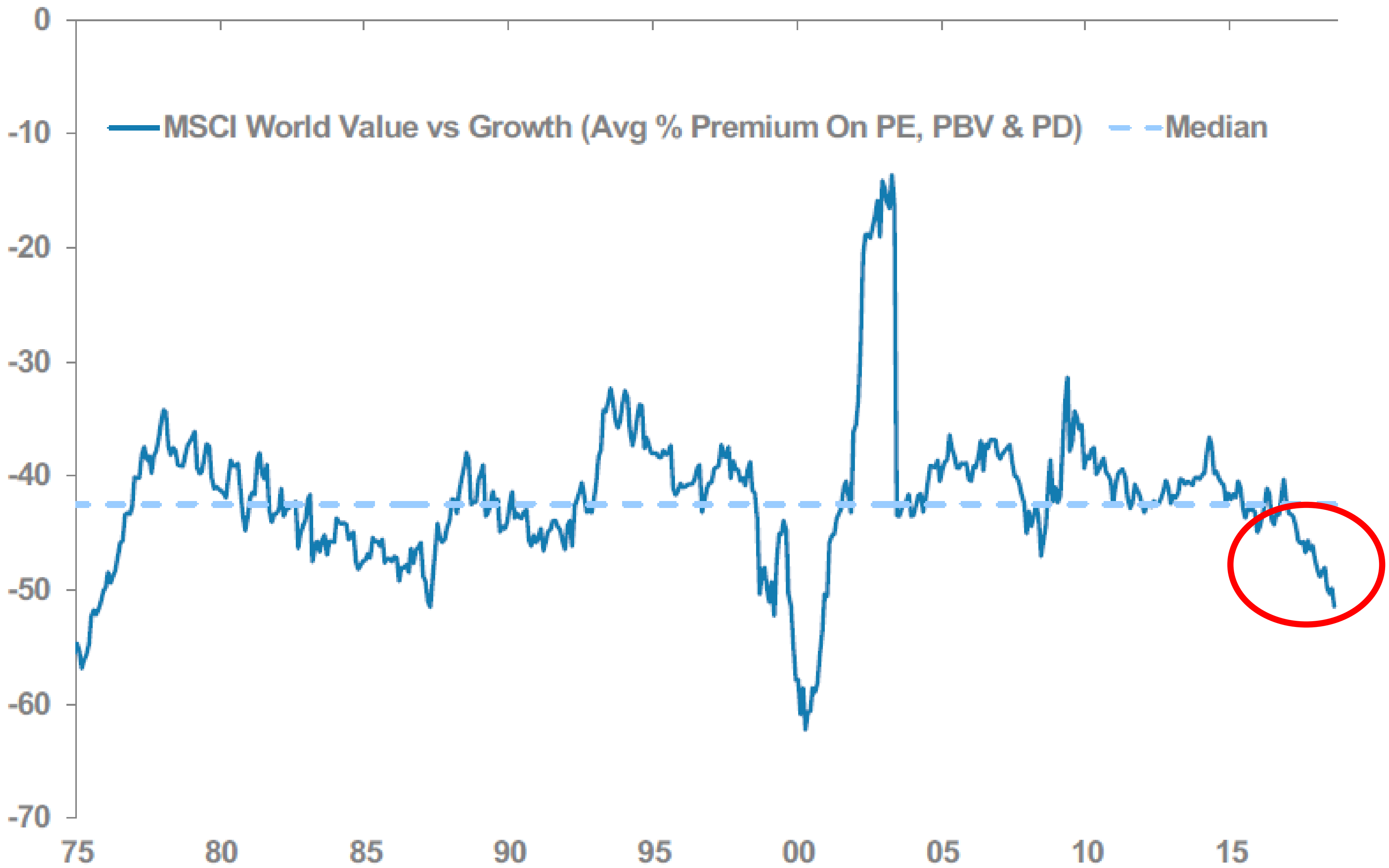
Market appreciation drove valuations higher

As of 31 March 2019
Forward Price/Earnings is defined as Price/Earnings FY1.
The indices listed above are unmanaged and have no fees. It is not possible to invest directly in an index.
Source: Lazard, FactSet, MSCI

The Great Debate Continues

- Growth has been the flavor of the decade
- A handful of technology businesses transformed the ecosystem and reinforced that bet
- The valuation gap between growth and value has seldom been wider
- Value has been under-owned and out of favor for a decade – history suggests that it may be time for a turn!

Value's Discount to Growth is Wide by Historical Standards



Information and opinions are as of 12/31/2018 and are subject to change.
Source: MSCI, Morgan Stanley Research
As of September 2018

Brexit: Uncertainty Continues

Timeline of Key Upcoming Events

April 10	May 7	May 23	June 30	Oct 31
EU Council Meeting	Deadline for UK registering to Participate in EU Parliament Elections **(Critical to Participate)**	EU Parliamentary Elections • UK can't remain EU member without participating	First review period of current Article 50 extension • Leaving on this date is possible	Current Article 50 Deadline Leave EU

With Article 50 deadline pushed further out, other options come back on the table including another referendum

Brexit Scenarios & Expectations:

	No Deal	Hard Brexit	Soft Brexit	Remain
UK stocks	↓↓	↓	↑	↑↑
UK Currency	↓↓	↓	↑	↑↑
LAM/UK Performance	✓✓	✓	×	××

Irish Border Dilemma/Customs Union?

- 1998 Good Friday Agreement eliminated hard border
- EU wants to control goods flowing across the border
- UK/Ireland wants to avoid a hard border

a) Hard border in Ireland; separates Irish union

b) Hard border in sea; separates the UK

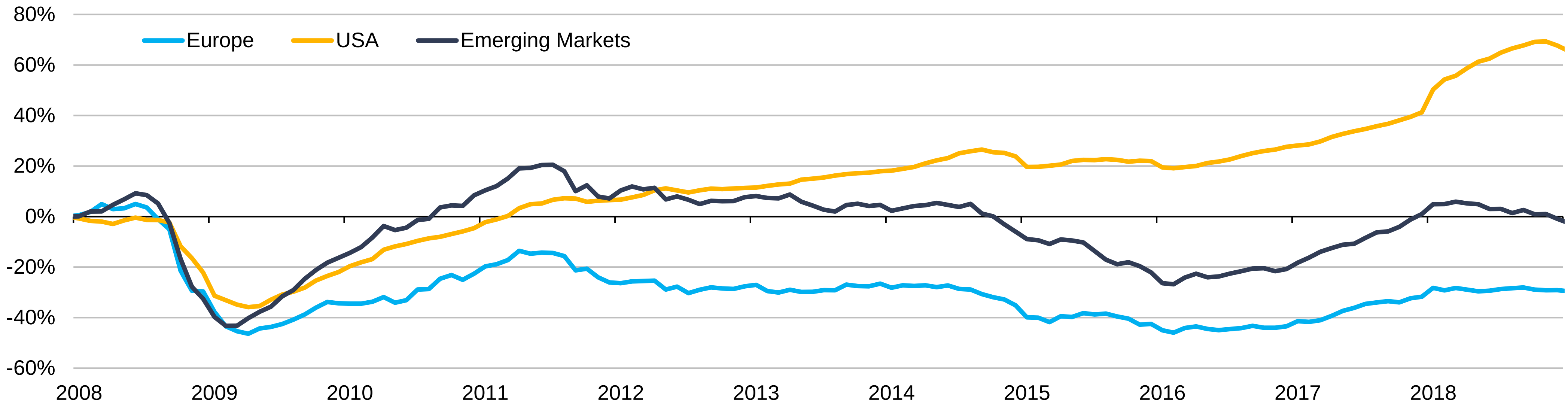
c) Soft border continues; EU loses control

Stock Selection Remains Primary Alpha Source

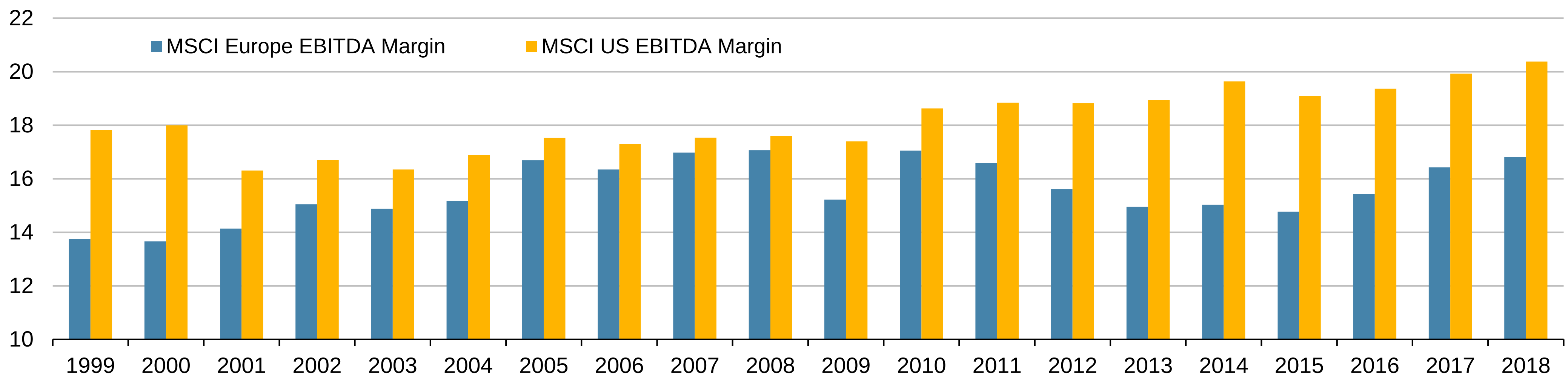
Information and opinions as of 12 April 2019 and are subject to change.
Source: Lazard, Bloomberg, Financial Times

Europe Offers Significant Recovery Potential

Earnings Rebased to 2008 for Europe, US and Emerging Markets[1]



European and US Margins[2]

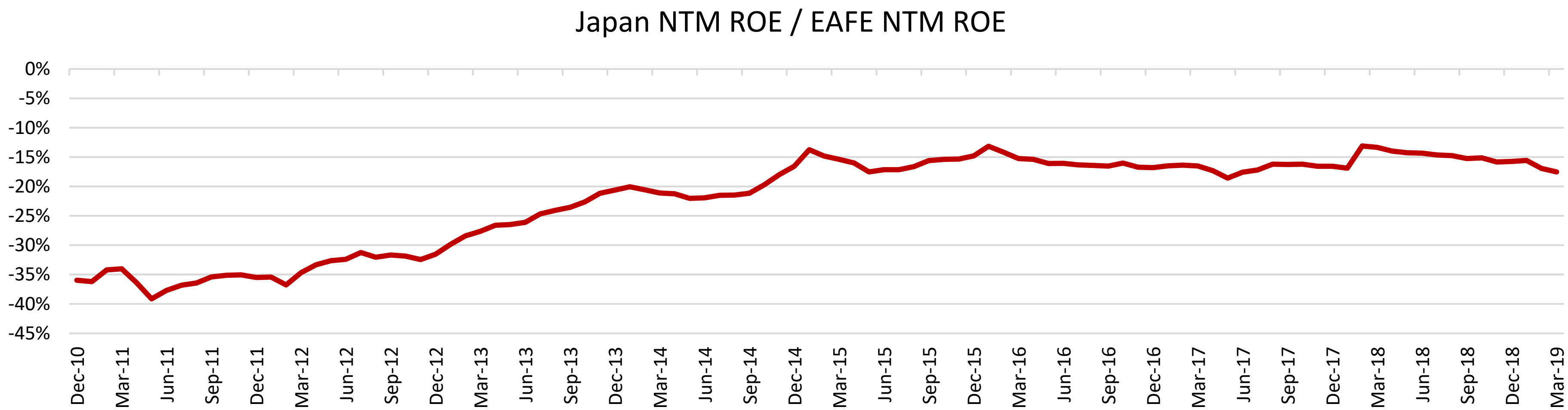


1 As at 31 December 2018. Source: FactSet. Earnings per share in USD

2 As at 31 December 2018 Source: FactSet, MSCI

Japan – Low Relative ROE

Japanese stocks financial productivity continues to be low by global standards



Positives:

- Employment is strong
- BOJ remains accommodative
- Corporate governance and shareholder returns are slowly improving
- Japan has benefited from global growth

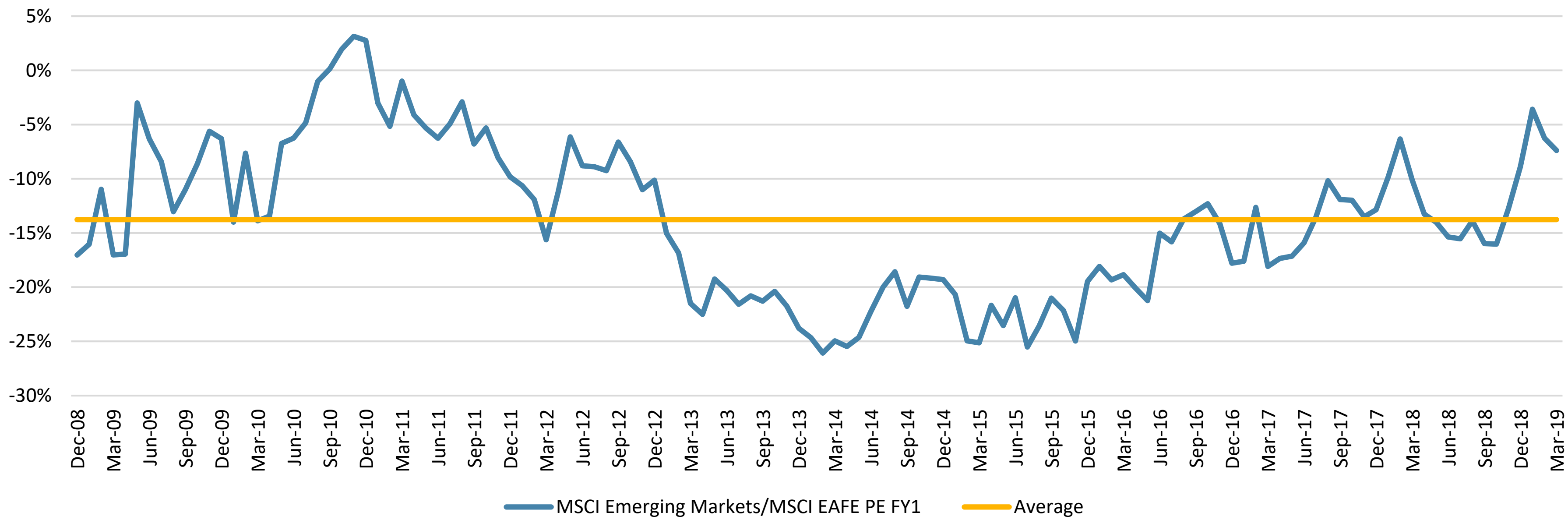
Negatives:

- Inflationary pressure is still intangible
- Rising cash balances are hurting ROEs
- Next consumption tax rise is on the horizon
- Japan returns are hurt by slowing global growth

Information and opinions as of 31 March 2019 and are subject to change.
Source: Lazard, Factset Market Aggregates, MSCI

Emerging Markets

EM discount to DM valuations elevated vs 10 year average



Risks:	**Opportunities:**
• Trade war concerns for export countries • Fragile currencies vulnerable to US$ strength • China slowdown	• Trade war resolution • Currency stability • China stimulus

Information and opinions as of 31 March 2019 and are subject to change.
Source: Lazard, FactSet, MSCI

Summary

- Vast opportunities for outperformance and growth exist outside the US which can help reduce home bias
- International active managers have beaten benchmarks with greater frequency then US managers
- International equities can provide outperformance
  - Margins and Financial Productivity can provide more upside for International Equities
  - And valuations are very cheap relative to the US

Information and opinions as of 31 March 2019 and are subject to change.
Source: Lazard

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The MSCI USA Index is designed to measure the performance of the large and mid-cap segments of the US market. The index covers approximately 85% of the free float-adjusted market capitalization in the US. The index is unmanaged and has no fees. One cannot invest directly in an index.

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