

Manager profile

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Company overview

Lazard Asset Management is known for its global perspective on investing and years of experience with global, regional and domestic portfolios. Its team-based approach to portfolio management helps deliver robust and consistent performance over time.

With over A\$122 billion in assets worldwide as at 30 September 2009, Lazard has offices located throughout the world in Bahrain, Boston, Frankfurt, Hamburg, Hong Kong, London, Milan, Montreal, New York, San Francisco, Seoul, Sydney, Tokyo, and Toronto. Lazard's business is a diversified, global investment platform that focuses on managing assets.

Investment philosophy

Lazard's Global Thematic Equity team believes major companies compete for customers and capital in a single global marketplace; therefore investing requires a global perspective. With geographic boundaries becoming less relevant, the team focuses on its global connections, relationships and themes rather than, for example, geographic regions or traditional industry sectors.

The Thematic approach seeks to identify the major secular, cyclical and structural influences on the world's economies and stock markets in the early stages of their development. The associated social, economic, industrial or demographic investment themes which the team believes represent investment opportunities that are asymmetric in the investor's favour, determine the shape and strategic direction of the portfolio.

This Thematic approach has built a framework for the portfolio managers' thinking, giving consistency, a context for the themes and diversification in the portfolio and seeks to reduce overall portfolio risk. It's based upon an understanding of how companies are evolving and fit into the global business environment.

The team aims to understand and exploit changes in the global economy. It does not seek unique sources of information but it does apply unique thematic analysis.

Investment process

Global Framework Identification

– this has evolved with the global economy, changing business models and geopolitical developments. It's a structure based on company observations, which the team believes capture the critical strategic imperatives to which companies that compete globally must respond. It relies on the aggregation of Lazard's global research observations, observations from company managements, analysis of cultural and historical factors, and inputs from strategists and economists. The framework provides definition within the investable universe by focusing the Global Thematic portfolio managers on what is believed to be most relevant.

Global Theme Identification – global themes are investment opportunity sets inspired by global industry observations and by the Global Framework. Themes should represent favourable asymmetric investment opportunity sets – found in a long investment time horizon, the prevalence in markets of the benchmark mentality and conventional wisdom, regulatory distortions and the complexity of the global system.

All theme ideas, regardless of their origins, are researched and debated to establish their validity and value, before determining the degree to which a theme is investable, ie the extent to which it can be populated with attractively valued stocks.

Portfolio construction – the portfolio is constructed thematically, with each theme representing a distinct opportunity set with favourable asymmetric characteristics. It's also critical to determine how the theme might affect the rest of the portfolio in terms of investment and correlations.

The portfolio typically contains 8-12 fundamentally uncorrelated themes, each represented by 8-12 stocks resulting in a diversified portfolio of about 90-120 stocks. The strategy aims to capitalise on broad opportunity sets with emerging markets being limited to 25% of the portfolio and market capitalisations being US\$1 billion or greater. Tracking error is not managed explicitly; the discipline focuses on absolute risk, measured by the standard deviation of returns.

The investment team

The Global Thematic team is located in New York and consists of four individuals who joined Lazard in 2003. William Holzer has been managing portfolios on a Global Thematic basis since 1986, and has been working with Nicholas Bratt since 1982. Irene Cheng has worked alongside Nick and William since 1993 and Andrew Norris joined the trio in 1998.

Themes are constantly reviewed by debate between the Thematic team and other Lazard investment professionals, such as Lazard's global sector analyst teams, its emerging market, mid-cap and small-cap portfolio management teams, and its country-based analysts.

Reason Advance selected Lazard

Lazard's thematic approach is unique and is managed by a stable and experienced investment team.

We also favour the following factors.

- Integrated global platform, where asset management is a material part of the overall business.
- The Global Thematic team members work together effectively and possess complementary investment approaches.
- It's a process that's been well developed and tested over the years.
- Thematic views and bottom-up research fit well together.

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