



INFLATION'S IMPACT: HOW TO NAVIGATE YOUR PORTFOLIO

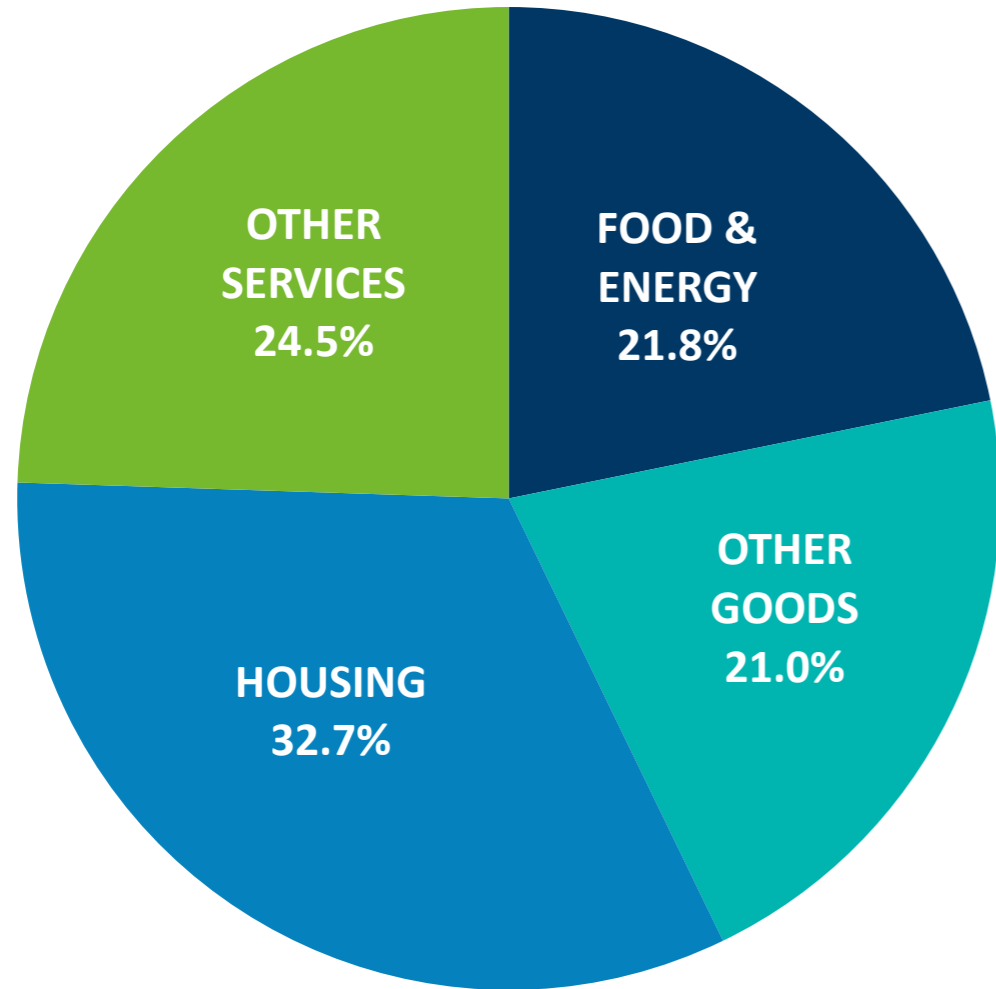
Kim Tilley, CIMA
Director

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LAZARD
ASSET MANAGEMENT

WHY DOES INFLATION MATTER?

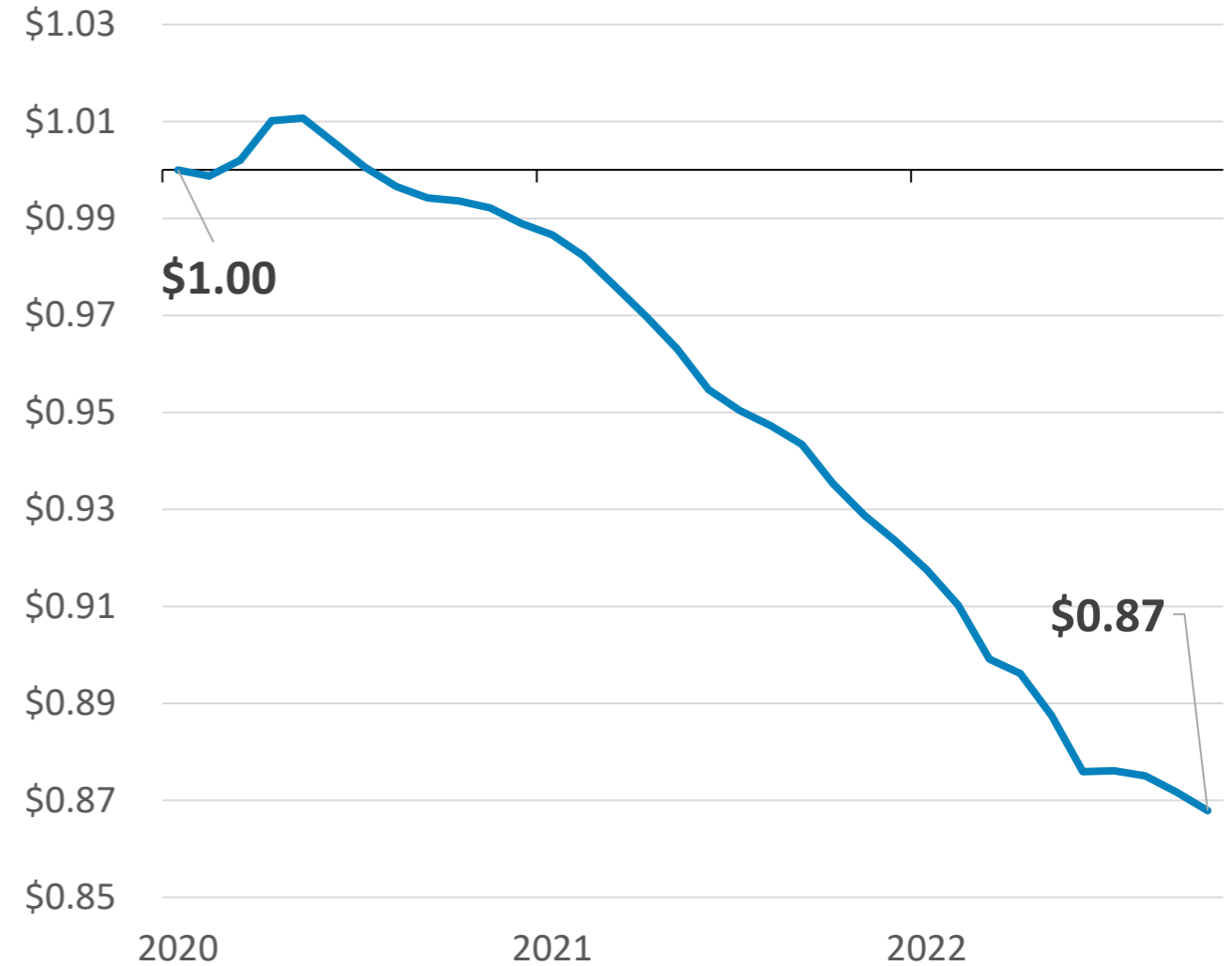
Share of US CPI



Data as of 31 October 2022
Source: US Bureau of Labor Statistics, Haver Analytics
Other Services = Healthcare, Education, Transportation, etc.; Other Goods = Clothing, Autos, Medical

PURCHASING POWER OF A DOLLAR

Purchasing Power of US\$1 based on US CPI, Jan 2020-Present (\$)

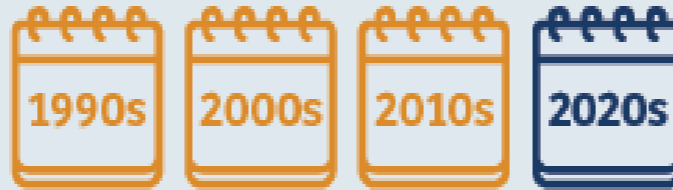


RISING INFLATION AFFECTS BUSINESSES AND CONSUMERS



Nearly 9 in 10 Americans say they have noticed prices rising around them.

"Inflation is a Worry for 9 in 10 Americans Polled," *New York Times*, 25 February 2022.



For the first time in **nearly four decades**, inflation is now among Americans' top concerns.

"Americans Say High Prices Are Hitting the Things They Need to Get By," *New York Times*, 9 March 2022.



19% of Gen X and **10%** of Boomers have postponed or considered delaying plans to retire due to rising costs.

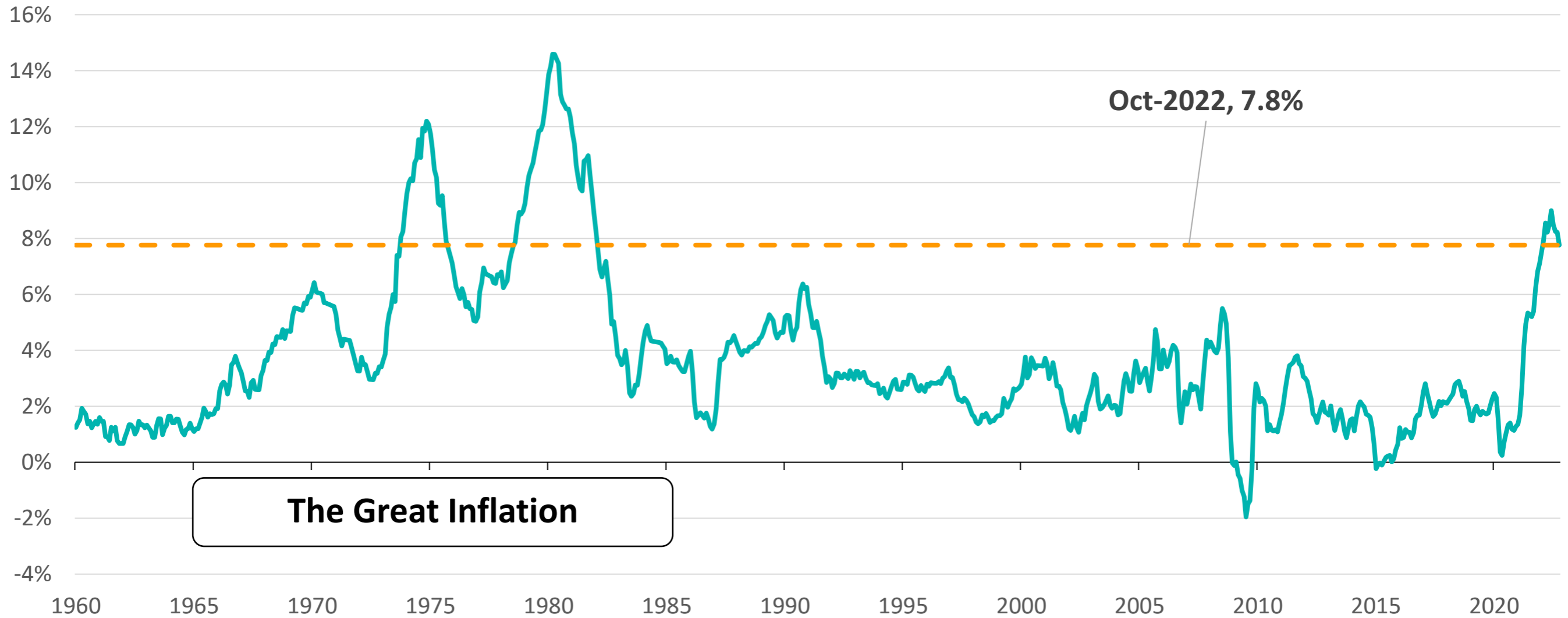
Inflation Flash Poll Report, Nationwide Retirement Institute, 17 February 2022.

Consumer giants Walmart and Target said high prices were eating into profitability and changing their customers' spending habits.¹

¹ "Walmart Profits Drop, Dragged Down by Higher Costs for Food and Fuel," *New York Times*, 17 May 2022.

HIGHEST INFLATION SINCE THE 1980S

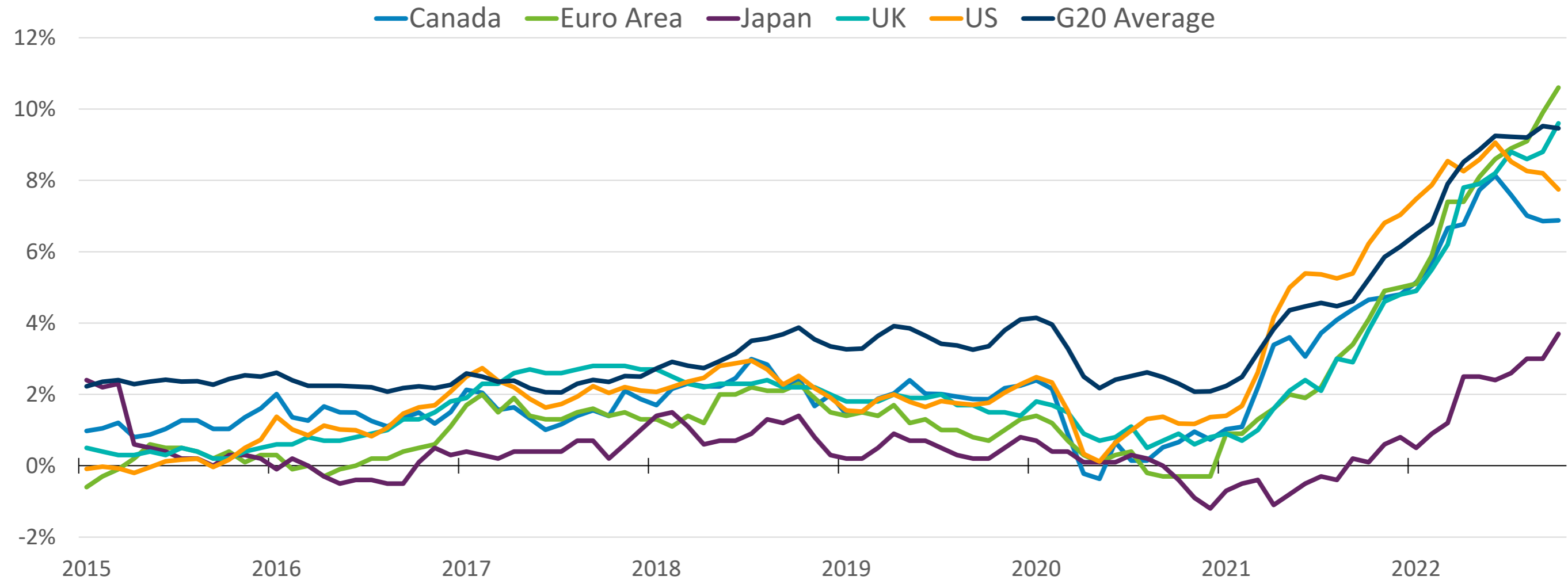
CPI YoY %



Data as of 31 October 2022
Source: US Bureau of Labor Statistics, Haver Analytics

INFLATION SURGED GLOBALLY

CPI YoY %



Data as of 31 October 2022

Consumer price indices follow national conventions and are not harmonized for cross-country comparison.

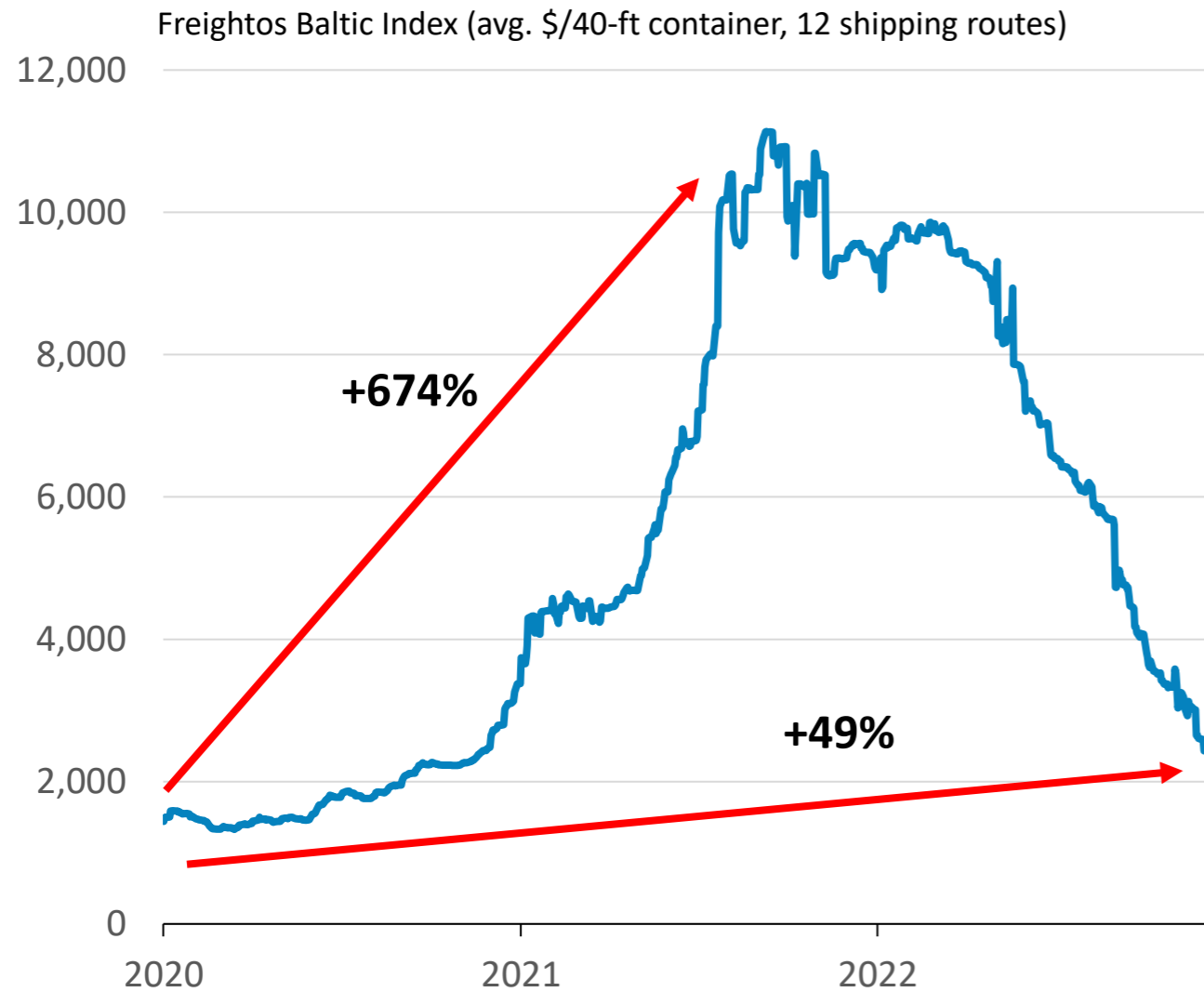
Source: OECD, National Sources, Haver Analytics

DRIVERS OF RECENT US INFLATION

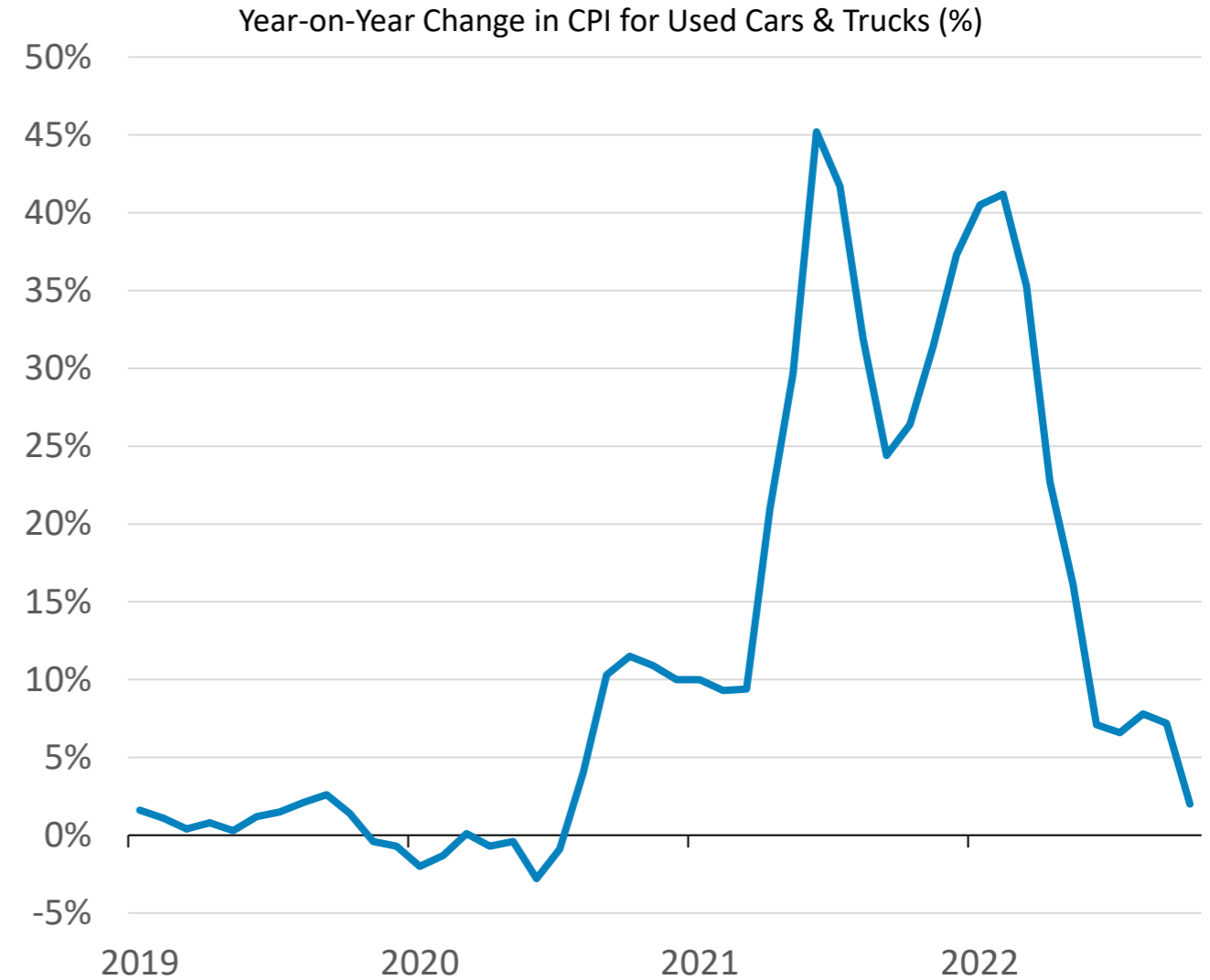
- Pandemic-Related Factors, including:
 - Supply Chain Disruptions
 - Rapid Re-opening
- Commodity Prices and the Russia / Ukraine War
- Housing Prices and Rents
- Strong Economic Recovery

SUPPLY CHAIN DISRUPTIONS CONTRIBUTED TO RAPID GOODS INFLATION

SHIPPING COSTS



USED CAR & TRUCK PRICES

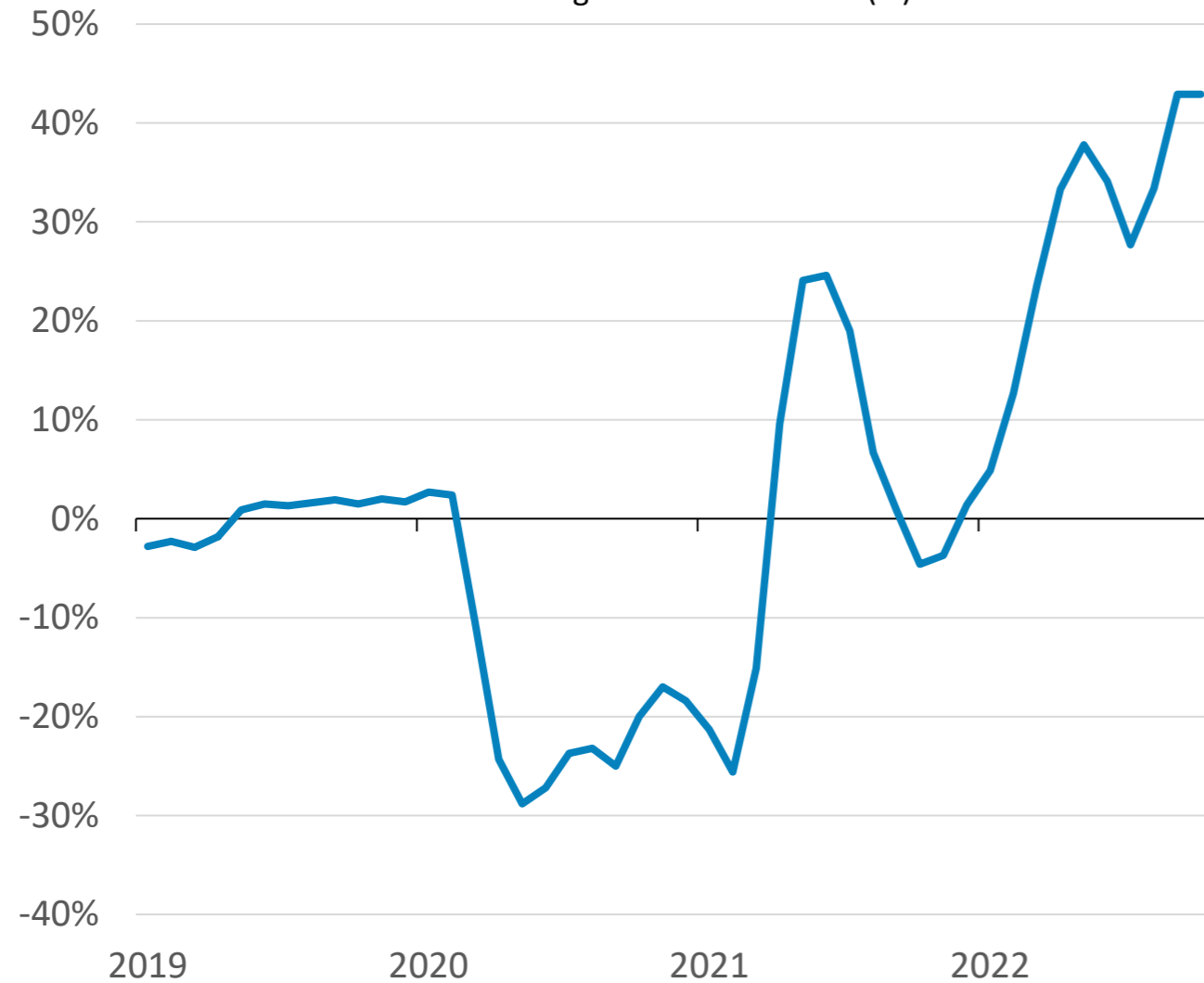


Shipping costs as of 9 December 2022. Used auto prices as of 31 October 2022
Source: The Baltic Exchange, US Bureau of Labor Statistics, Haver Analytics

RE-OPENING SERVICES ALSO EXPERIENCED RAPID PRICE INCREASES

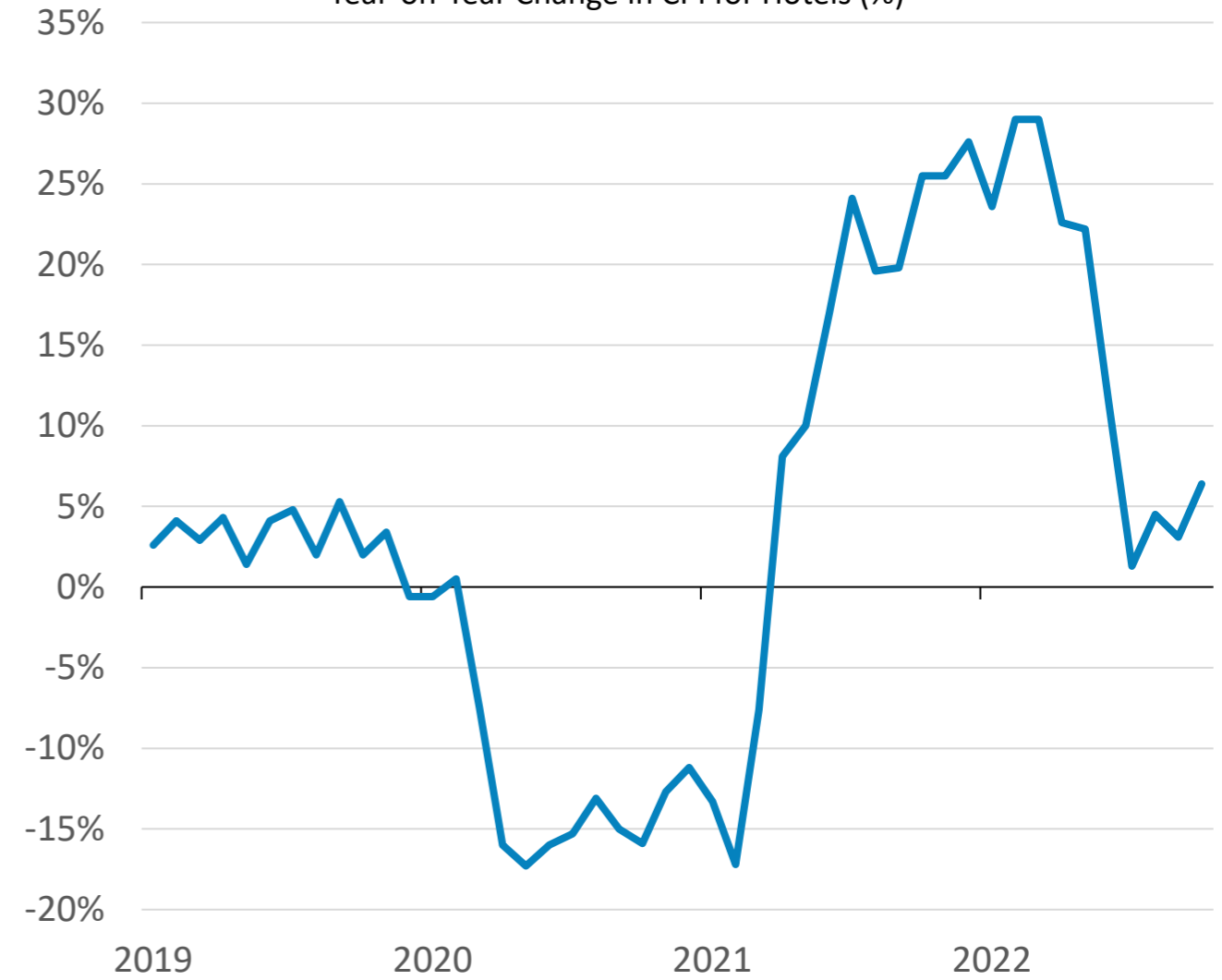
AIRFARES

Year-on-Year Change in CPI for Airfares (%)



HOTEL PRICES

Year-on-Year Change in CPI for Hotels (%)

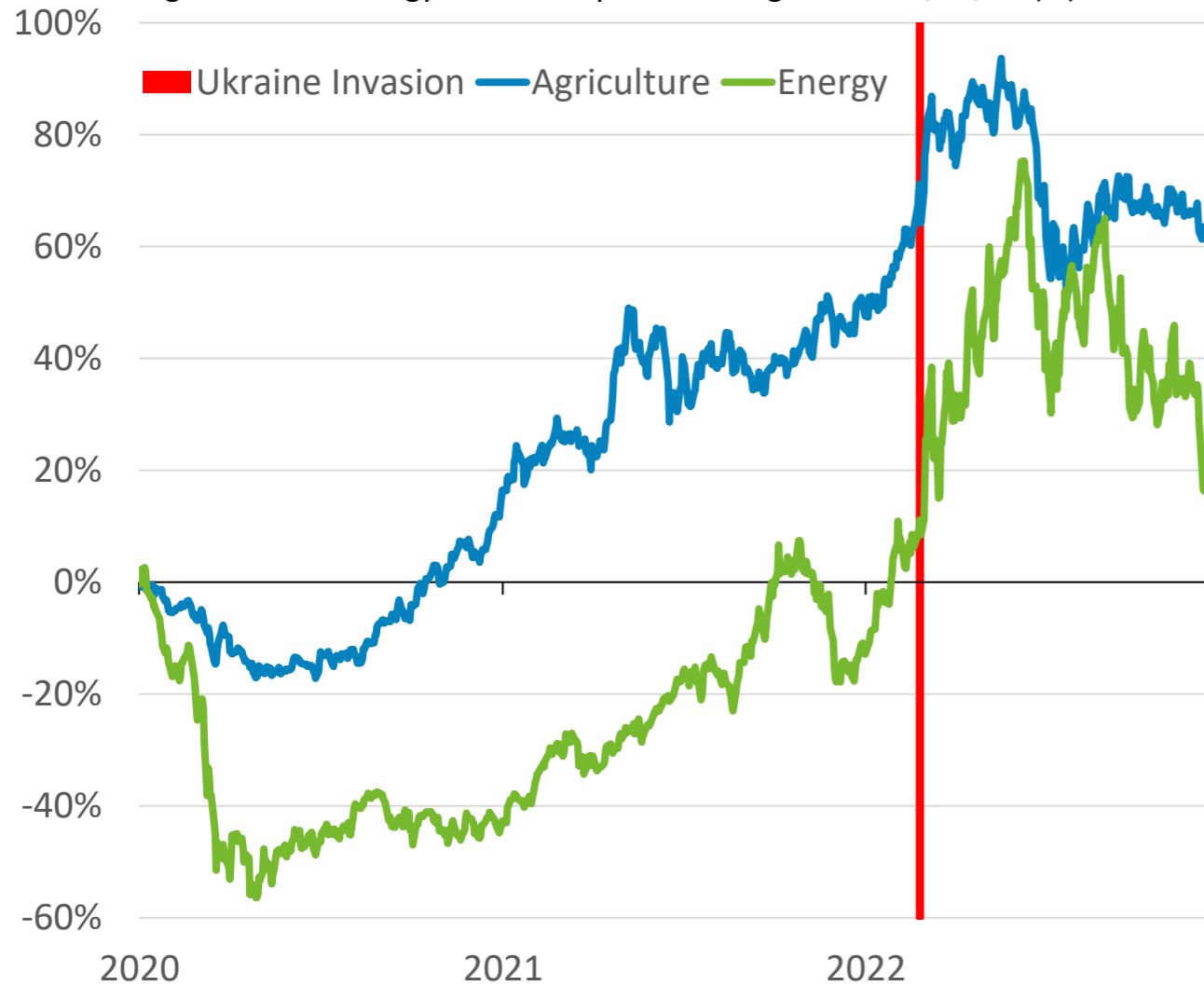


Data as of 31 October 2022
Source: US Bureau of Labor Statistics, Haver Analytics

RUSSIA / UKRAINE WAR CONTRIBUTED TO RISING COMMODITY PRICES

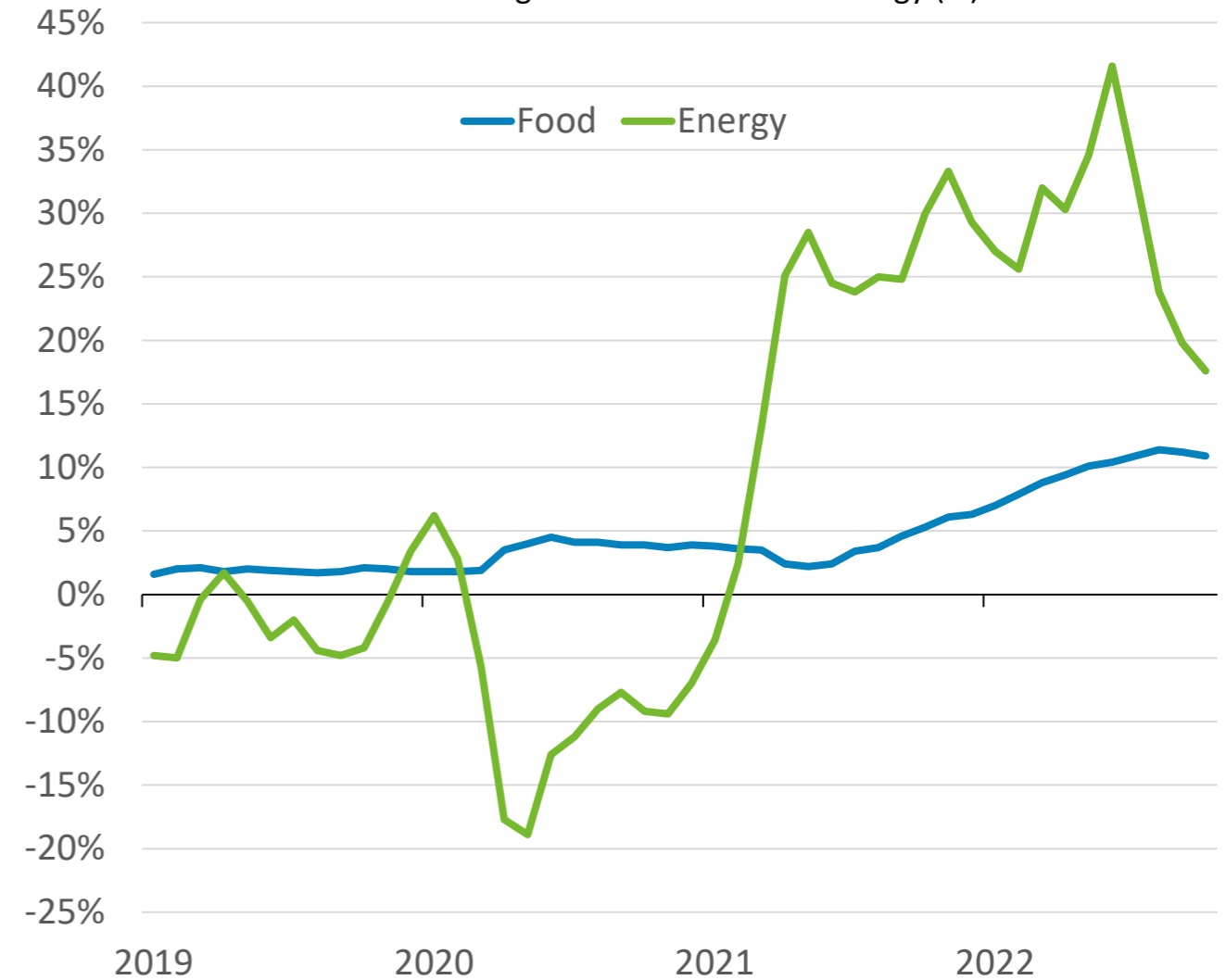
AGRICULTURE & ENERGY PRICES

Agriculture & Energy Commodity Price Change Since 12/31/19 (%)



FOOD & ENERGY PRICES

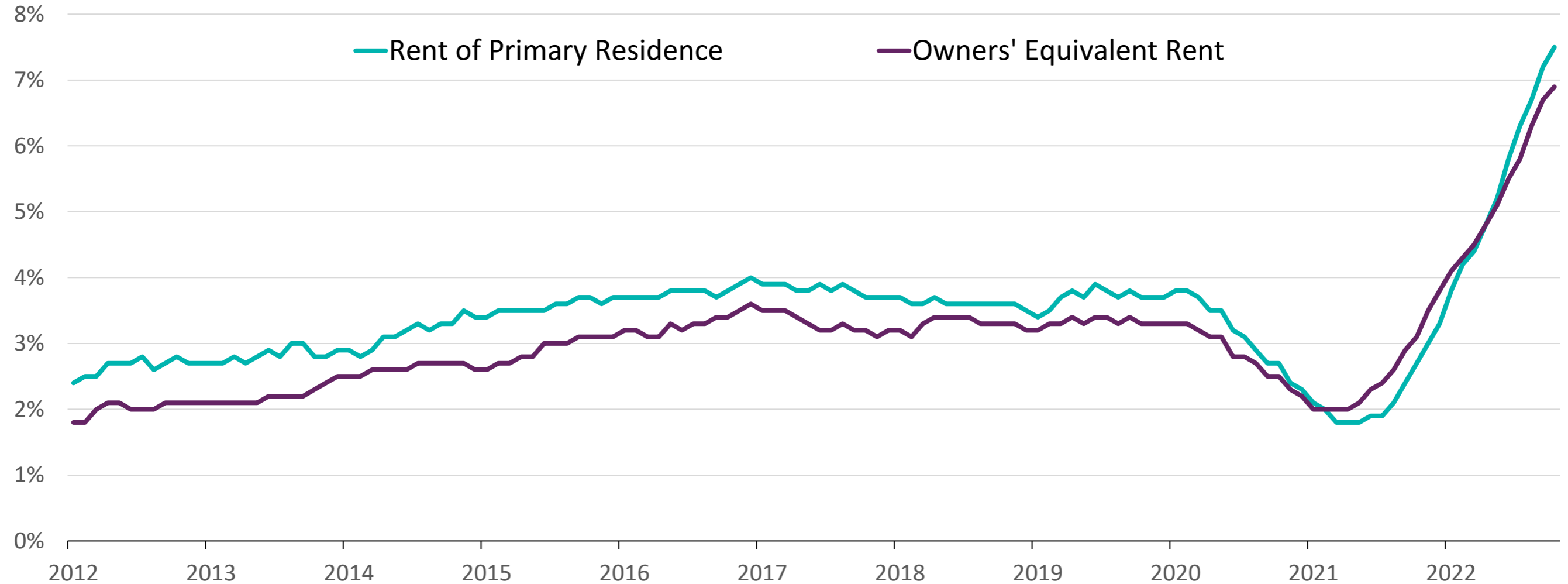
Year-on-Year Change in CPI for Food and Energy (%)



BCOM Indices as of 15 December 2022. Food and energy CPI as of 31 October 2022
Commodity prices are the BCOM Agriculture and BCOM Energy Total Return Indices.
Source: Bloomberg, US Bureau of Labor Statistics, Haver Analytics

“RENTS” REFLECT (PREVIOUSLY) STRONG HOUSING MARKETS & ECONOMY

Year-on Year Change in the Consumer Price Index for Rents (%)

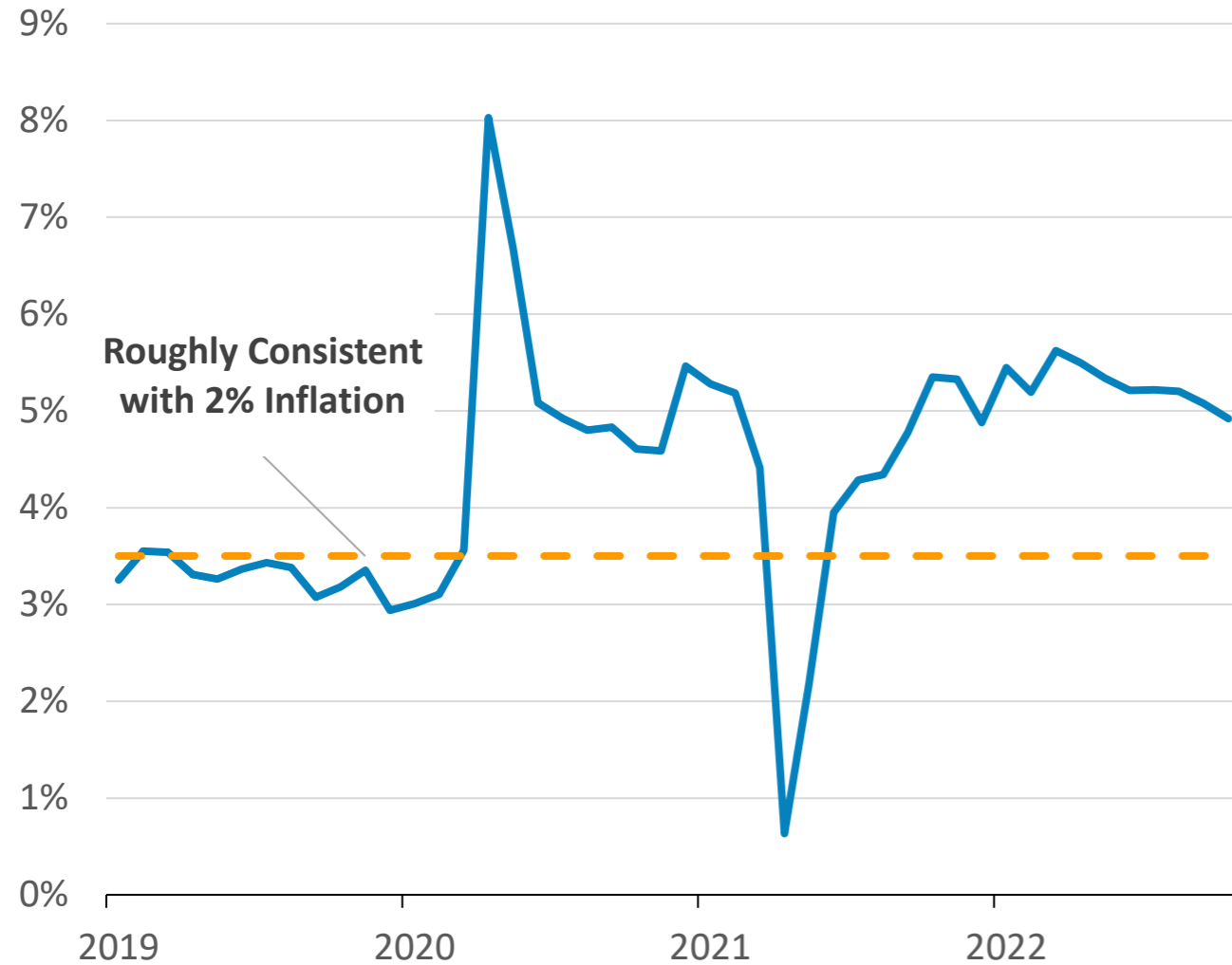


Data as of 31 October 2022
Source: US Bureau of Labor Statistics, Haver Analytics

WAGE GROWTH MAY BE CONTRIBUTING TO SERVICE PRICE INFLATION

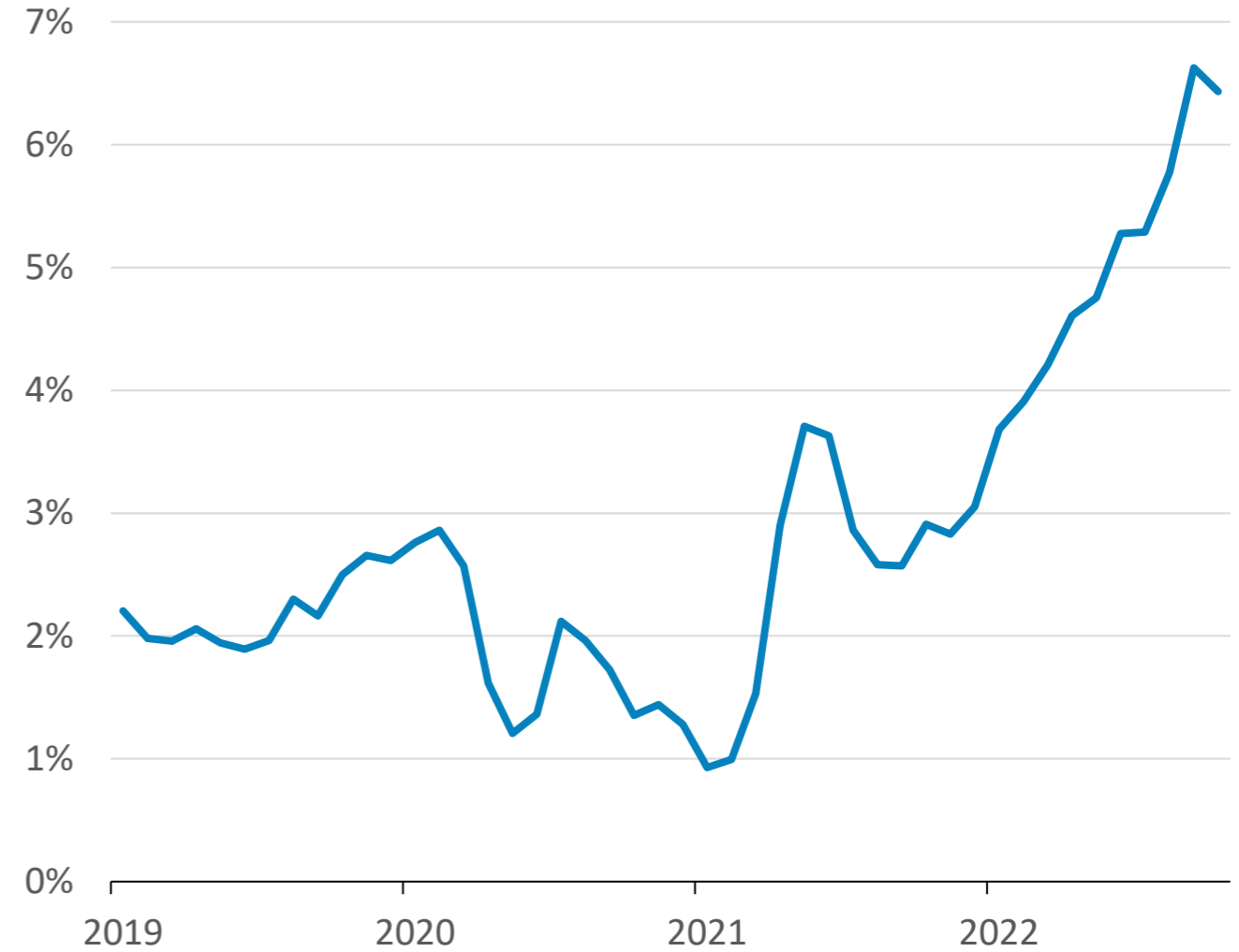
AVERAGE HOURLY EARNINGS

Year-on-Year Change in Average Hourly Earnings (%)



SERVICE PRICES

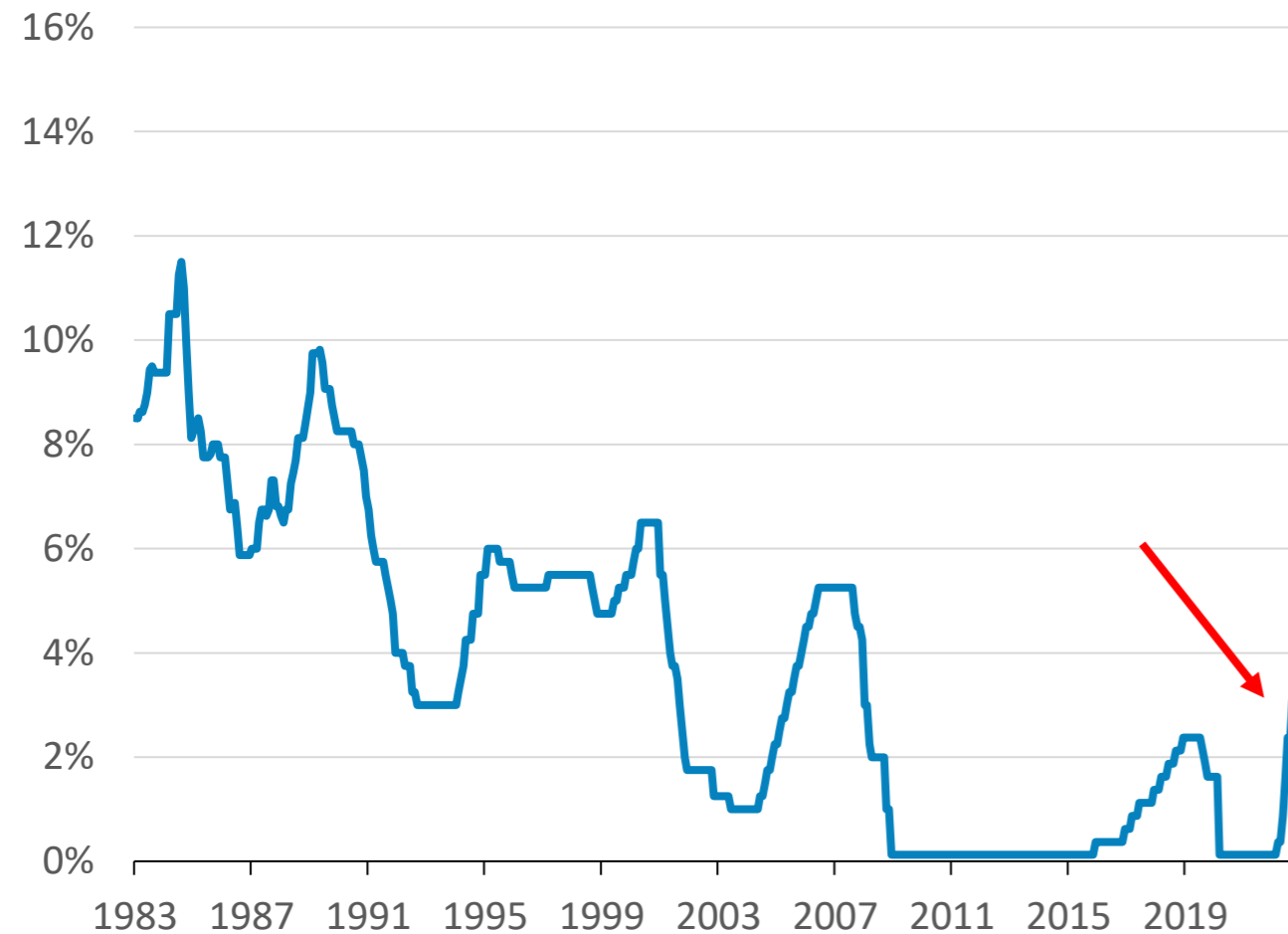
Year-on-Year Change in CPI for Services ex-Energy & Rents (%)



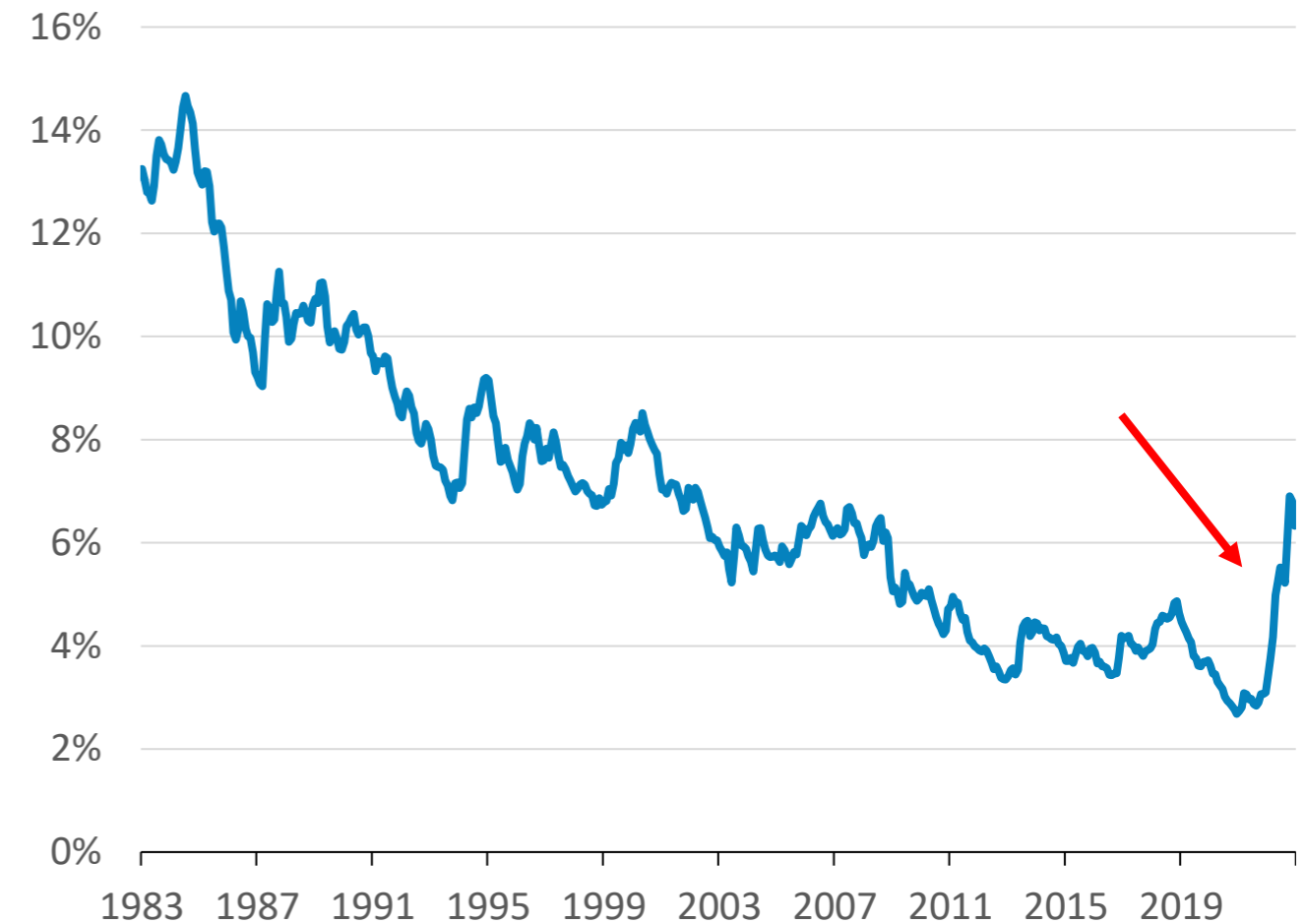
Data as of 31 October 2022
Source: US Bureau of Labor Statistics, Haver Analytics

THE FED IS RAISING INTEREST RATES TO COOL THE ECONOMY

Federal Funds Target Rate (%)



30-Year Fixed Rate Mortgage Rate (%)



Fed Funds Target Rate as of 14 December 2022. Mortgage rate as of 8 December 2022

The Freddie Mac Primary Mortgage Survey is based on first-lien prime conventional conforming mortgages with a loan-to-value of 80 percent. About 125 lenders are surveyed each week (25 lenders from each of Freddie Mac's five regions) with a mix of lender types - thrifts, credit unions, commercial banks and mortgage lending companies.

Source: US Federal Reserve Board, Freddie Mac, Haver Analytics

INFLATION'S IMPACT ON STOCK & BOND RETURNS

YTD Returns as of 30 November 2022	
Global Equity	-15.0%
US Equity	-13.1%
Global Bonds	-16.7%
Real Estate	-22.6%
Commodities	19.0%
Infrastructure	-3.5%

Data as of 30 November 2022. Source: Bloomberg, MSCI, S&P, Dow Jones

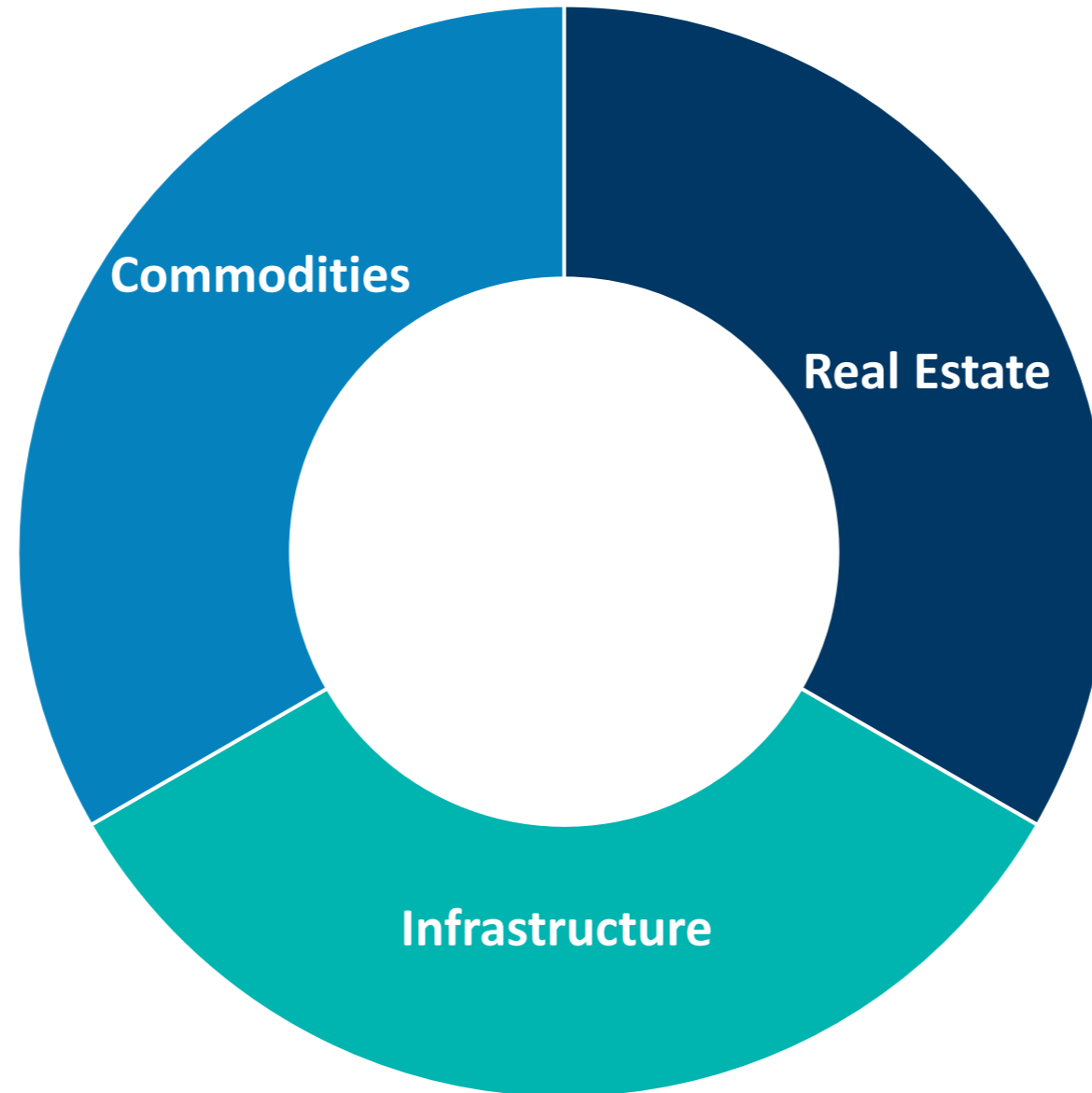
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Global Equity: MSCI AC World; US Equity: S&P 500; Global Bonds: Bloomberg Global Aggregate; Real Estate: MSCI ACWI IMI Core RE; Commodities: Bloomberg Commodity; Infrastructure: Dow Jones Brookfield Global Infrastructure.

B

How to Protect Against Inflation in an
Investment Portfolio:
Real Assets

REAL ASSET CATEGORIES



For illustrative purposes only.

THE LINK BETWEEN INFLATION AND REAL ASSETS

Real Estate



- Rising property values
- Potential for rent increases

Infrastructure



- Relatively predictable revenue streams
- Contracts often linked to inflation

Commodities



- Major contributor to consumer price inflation

A CLOSER LOOK: INFRASTRUCTURE

Features

Investable universe

- Publicly-listed companies in infrastructure-related sectors including Utilities, Transportation, Energy

Rationale

- Companies with defensive asset bases and businesses designed to earn positive real returns

Differentiators

- Relatively predictable revenue streams derived from high fixed-cost assets with low competition
- Regulated returns or contractual pricing often linked to inflation (explicitly or implicitly)

Types of Companies

Electric Utilities

Communications
Infrastructure

Oil & Gas Storage &
Transportation

Railroads

Multi-Utilities

As of 30 September 2022 and are subject to change.
Not indicative of any present, future or preferred portfolio weighting.
1. Calculated as a percentage of the total portfolio.

A CLOSER LOOK: REAL ESTATE

Features

Investable universe

- REITs and related companies with exposure to high quality real estate around the globe

Rationale

- High quality real estate has a strong track record globally of keeping pace with inflation and earning a positive real return

Differentiators

- Can help protect against inflation and generate income
 - Appreciation potential linked to scarcity
-

Types of Companies

Specialized REITs

Office REITs

Residential REITs

Retail REITs

Industrial REITs

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1. Calculated as a percentage of the total portfolio.

A CLOSER LOOK: COMMODITIES

Features

Investable universe

- Commodity futures and stocks of companies with exposure to natural resources

Rationale

- Global resource prices are major components of inflationary baskets worldwide and should exhibit relatively low correlation to other asset classes

Differentiators

- Potentially diversifying asset
- May help defend against USD weakness, imported inflation, monetary/fiscal policy-driven inflation

Types of Commodities

Energy

Industrial Metals













Agriculture

Livestock

Precious Metals

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1. Calculated as a percentage of the total portfolio.

EACH REAL ASSET OFFERS A DIFFERENT LEVEL OF EXPOSURE TO A POTENTIAL BENEFIT

	Diversification	Income	Capital Appreciation	Inflation Protection
Commodities				
Infrastructure				
Real Estate				

Legend: Exposure to Potential Benefit

Total



High



Some



Low



None



For illustrative purposes only. Forecasted or estimated results do not represent a promise or guarantee of future results and are subject to change.
A Full Circle indicates total exposure of the category to its potential benefit. An Empty Circle indicates no exposure of the category to its potential benefit

REAL ASSETS SEEK TO OUTPACE INFLATION

Real assets annual returns vs. inflation

2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	10-Year
				Infrastructure 12.3%			Infrastructure 27.1%		Commodities 27.1%	
Real Estate 30.0%	Infrastructure 19.3%	Infrastructure 22.1%		Commodities 11.8%	Real Estate 15.5%		Real Estate 23.8%		Real Estate 23.4%	Infrastructure 11.3%
Infrastructure 10.8%	Real Estate 3.4%	Real Estate 15.1%	Real Estate 1.1%	Real Estate 4.9%	Infrastructure 15.0%		Commodities 7.7%		Infrastructure 19.7%	Real Estate 9.6%
CPI 1.7%	CPI 1.5%	CPI 0.8%	CPI 0.7%	CPI 2.1%	CPI 2.1%	CPI 1.9%	CPI 2.3%	CPI 1.4%	CPI 7.0%	CPI 2.2%
Commodities -1.1%	Commodities -9.5%	Commodities -17.0%	Infrastructure -5.6%		Commodities 1.7%	Infrastructure 0.5%		Infrastructure -2.7%		Commodities -2.9%
			Commodities -24.7%			Real Estate -6.3%		Commodities -3.1		
						Commodities -11.2%		Real Estate -8.1%		

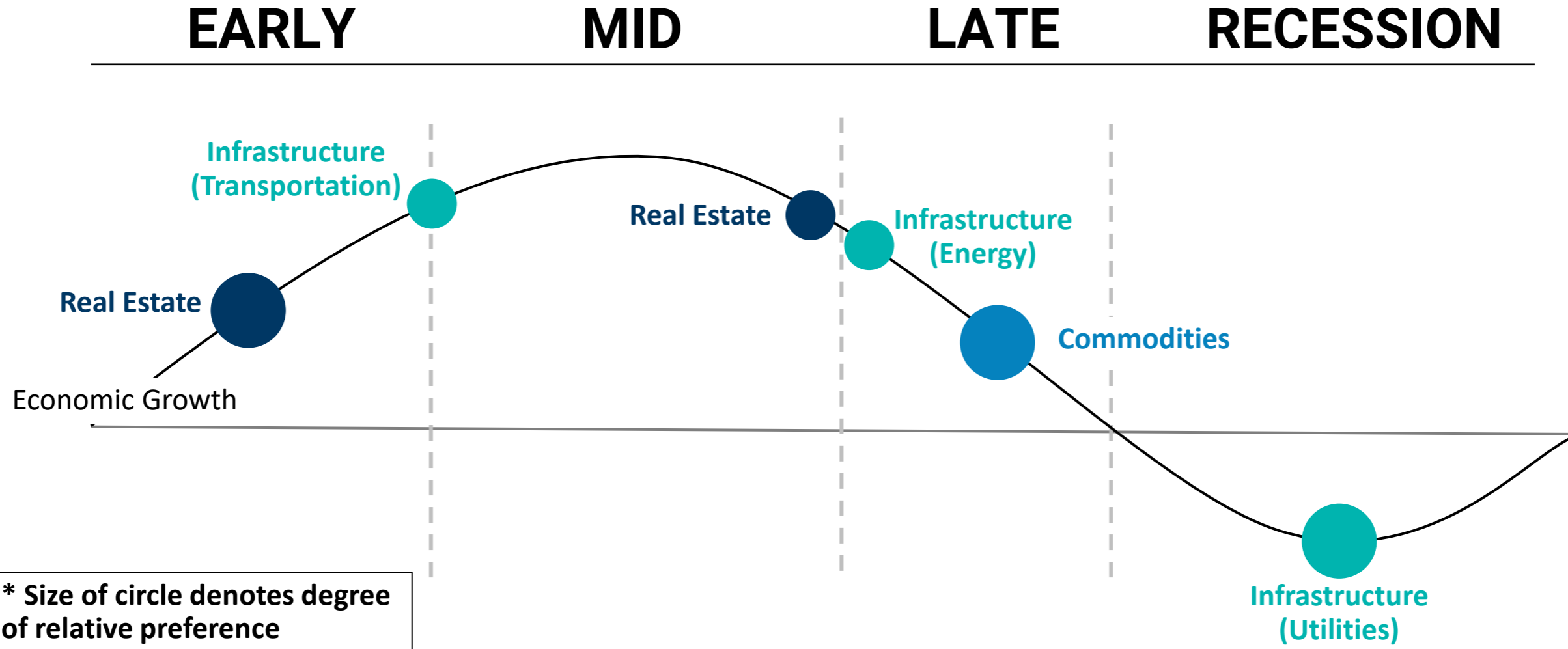
- Over seven of the past 10 years, at least two real assets categories outpaced inflation
- All three categories outpaced inflation in three of the past 10 years

As of December 2021

Commodities = Bloomberg Commodity Index TR. Infrastructure = MSCI World Infrastructure Index USD Hedge. Real Estate = MSCI ACWI IMI Core Real Estate Index.

Source: Bloomberg, Haver Analytics (chart credit Callan Associates)

REAL ASSETS PERFORM INDEPENDENTLY THROUGH THE ECONOMIC CYCLE



For illustrative purposes only.

OBJECTIVES OF REAL ASSETS IN AN INVESTMENT PORTFOLIO



Inflation Protection

- Real Assets protect against a wide range of inflation drivers:
 - Rising commodity import prices
 - Increasing production costs
 - Loosening fiscal and monetary policy
 - Surging demand



Diversification

- Real Assets diversify against a broad investment portfolio
- No single asset effectively protects investors against all potential sources of inflation



Positive Real Return

- Real Assets are designed to generate a potential return that is equal to inflation plus a positive spread
- Current income + capital appreciation