

Lazard

Global Equity Franchise Fund

Jan 2021
Factsheet

Concentrated and
Active
High conviction global
equity portfolio

Quality at a Discount
to Intrinsic Value
Benefits of franchises with a
strict valuation discipline

Historically Lower
Drawdowns
Strong defensive traits
in negative months

Fund Facts

Number of stocks	25
Total Fund Size	\$159.1m
Inception Date	1 October 2013
Total Management Costs	1.25% p.a.
Index	MSCI World
Minimum Investment	\$20,000
Buy/Sell Spread	+0.20%/-0.20%
Distributions	Annually
APIR Code	LAZ0025AU

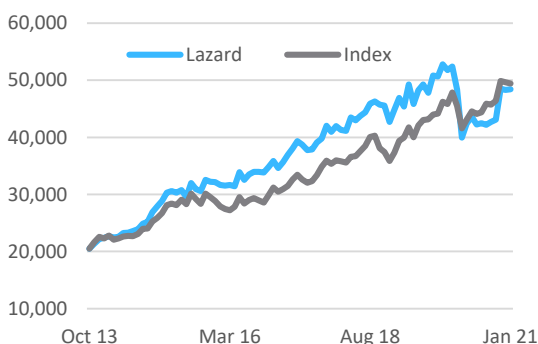
Investment Characteristics

	Lazard	Index
Forward Price/Earnings	16.1	23.5
Forward Return on Equity (%)	15.6	12.7
Sharpe Ratio (Since Inception)	0.9	1.0
Dividend Yield (%)	2.4	1.8
Active Share (%)	98.2	-
3 Year Turnover (% pa)	107.5	-

Performance (%)

	Lazard	Index	Excess Return
1 Month	0.2	-0.4	0.7
3 Months	12.4	6.5	5.8
1 Year	-7.6	0.7	-8.3
3 Years (pa)	4.9	10.3	-5.4
5 Years (pa)	8.9	11.5	-2.7
Since Inception (pa)	12.8	12.7	0.1

Growth of \$20,000



Investments can go up and down. Past performance is not necessarily indicative of future performance. Fund returns are quoted after the deduction of Management Costs. Performance assumes reinvestment of all distributions.

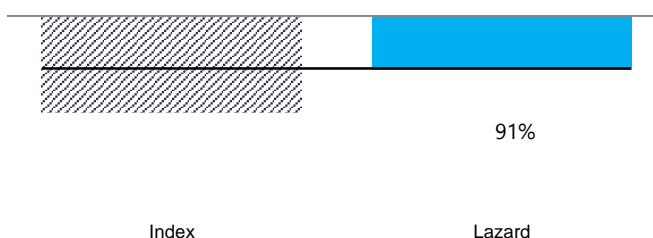
Allocations (%)

Sector	Lazard	Index	Overweight/ Underweight
Consumer Staples	1.8	7.4	-5.5
Financials	0.0	12.7	-12.7
Communication Services	9.1	8.9	0.2
Energy	0.0	2.9	-2.9
Real Estate	0.0	2.7	-2.7
Materials	0.0	4.5	-4.5
Health Care	23.2	13.2	10.0
Industrials	23.1	10.3	12.8
Information Technology	9.5	22.2	-12.7
Consumer Discretionary	15.2	12.2	3.0
Utilities	9.7	3.1	6.6
Cash	8.3	0.0	8.3
Region			
North America	53.9	69.2	-15.3
Continental Europe	31.1	14.8	16.4
United Kingdom	6.7	4.4	2.3
Asia Pacific ex-Japan	0.0	3.7	-3.7
Japan	0.0	7.8	-7.8
Middle East	0.0	0.2	-0.2
Cash	8.3	0.0	8.3

Top 5 Holdings (%)

	Lazard
Nielsen	6.5
H&R Block	6.5
CVS Health	6.0
Omnicom	5.3
McKesson	5.0

Historical Drawdown



Historical Drawdown is calculated since inception and based on performance gross of all fees. Drawdown capture is a statistical measure of an investment manager's overall performance in down markets. A drawdown ratio of less than 100 reflects that the manager has outperformed the Index during down markets.

Commentary

Global equity markets began January 2021 with the same momentum that characterised the final months of 2020, only to see it dissipate in the final week pushing the broad developed market indices to a small loss for the month. COVID-19 news continued to dominate investor behaviour as a slow rollout of the new vaccines coupled with the emergence of several new, more infectious strains added to anxiety and locked down the United Kingdom. The United States saw a transition in Presidency, but only after a riot and a second impeachment of former President Trump highlighted the sharp divide in the country.

The Lazard Global Equity Franchise Fund returned 0.23% (net of fees) during the month, outperforming the MSCI World Index which returned -0.43% during the same period.

Intel shares rose in January 2021 after better-than-expected data on PC volumes was released for the month of December 2020. The company also released more information about its upcoming product launches at the annual CES conference, which indicated a strong line up to compete with emerging rival AMD. Finally, the company announced that Pat Gelsinger would become CEO from February 2021. Given Intel's problems with leading edge process node development and Gelsinger's status as Intel's former CTO, the market took this as a positive sign that these issues could be resolved over time.

After being a key detractor for the December 2020 quarter, the world's leading tax agent H&R Block Inc. (HRB) bounced back in terms of stock price performance in January 2021 and added significantly to performance. As we noted last month, we were perplexed by the poor performance given HRB reported strong revenue growth in the second quarter but reported a wider loss compared to a year ago. The wider loss was due to a smaller income-tax benefit compared with a year earlier, hurting its year-over-year comparison on its bottom line. However, as we noted the core business demonstrated excellent performance with revenue rose just under 10% pcp, to US\$176.6 million, ahead of expectations of US\$163.7 million, with the EBITDA for the quarter approximately US\$30 million better than consensus. HRB continued to repurchase stock, retiring 9.5 million shares at an aggregate price of US\$150 million during the quarter; and paid its 26cps quarterly dividend, which represents a better than 6% annualized dividend yield as at 31 January 2021.

Nielsen continued its strong share price performance in January. While no new financial information was released, a number of announcements reinforced the company's updated strategy and guidance which was presented at their investor day in December 2020. These included the renewal of a multi-year agreement for TV ratings and insights with local TV network Tegna; the release of a new product called Gracenote Sports Data, enabling dynamic insertion of statistics and results into live sports programs and a new Theatrical Video On-Demand measurement service which measures viewing of new movies watched at home via streaming rather than in theatres. The share price performance may also reflect investors' recognition of the underlying value in Nielsen's shares, given it still trades at a valuation discount of over 50% compared to other listed information services companies.

Ferrovial's roller-coaster share price ride of the past three months continued in January 2021. As we noted in October 2020, given our interpretation of the strength of the Ferrovial September 2020 quarter result we were perplexed by its share price decline. In November 2020, the market must have reinterpreted the numbers, where revenue, earnings and cash flow generation all beat expectations, and drew the same conclusion of the strength of its key toll road assets, as the stock rose more than 25% in the month. In mid-December 2020, the stock fell after Heathrow Airport (25% owned by Ferrovial) updated its 2020/21 earnings and 2020-26 traffic forecast with a weaker rebound from the COVID-19 pandemic than previously anticipated. This is irrelevant to our value of Ferrovial as we place no value on its interest in Heathrow, and were pleased to see Ferrovial did not participate in the recent refinancing. Heathrow continues to push for a £2.7bn COVID-19 related earnings compensation from the CAA (UK's Civil Aviation Authority) to be included in the Regulated Asset Base in 2021. We exclude this compensation, as we are of the view it is unlikely to be granted. On the flipside, Ferrovial continues to use its surplus cash balance well, buying back stock at what we consider to be very attractive prices and it announced an agreement to acquire an additional 15% minority stake in its toll road asset I-77 Mobility Partners for US\$80.4 million, taking its ownership from 50.1% to 65.1%. Although a relatively small transaction, the deal was undertaken below our intrinsic value for I-77 and thus is value accretive to Ferrovial. The US and Canadian based toll roads make up more than 80% of our value of Ferrovial.

EssilorLuxottica's shares were held back by both continued restrictions in France, and the uncertainty surrounding the future of the GrandVision acquisition. Over the last few months, a bitter relationship has developed with the management of GrandVision, and we think that EssilorLuxottica would be well advised to seek a substantial reduction in the acquisition price by pulling out of the transaction. We view the current terms as highly value destructive, but believe that clarity will provide a path for the shares to perform.

Atlantia continued to suffer from different stages of travel restriction across their motorways and airport operations. With the EU vaccination roll out experiencing delivery issues, the market had to reset its expectation for a return to normal. Our forecasts include a very conservative scenario of 2019 motorway traffic level only resuming in 2023 and 2025 for airports.

The Global Equity Franchise portfolio currently holds high-quality franchise companies with higher financial productivity than the market and that are trading at reasonable valuations. Our portfolio is now trading at a modest discount to intrinsic value and at a sizable discount to the broader MSCI world Index on a number of measures, most notably EBIT multiple where the portfolio trades on an approximately 40% discount. We believe the economic franchise characteristics we seek for all our investments will continue to serve our investors well over the long run.

For more information, call us on 1800 825 287
or visit www.lazardassetmanagement.com.au

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As notified to unitholders in the 'Updated Information' page on our website, from the financial year commencing 1 July 2020, the Fund will operate as an attribution management investment trust (AMIT). Generally, it is expected that the tax position of unitholders will not substantially change as a result of the Fund becoming an AMIT. For the financial year commencing 1 July 2020, and for each financial year thereafter, instead of receiving an annual tax statement, unitholders will receive an AMIT Member Annual Statement (AMMA statement), and will be required to include information from the AMMA statement, including any income attributed to them, when preparing their tax return for that financial year and thereafter. To be clear, annual tax statements will be sent to unitholders for the financial year ended 30 June 2020. For further information please refer to our website: https://www.lazardassetmanagement.com/au/en_us/funds/updated-information. You can also contact our Client Services Team on 1800 825 287 or by email at investorqueries@lazard.com.