

Lazard

Global Equity Franchise Fund

Feb 2021
Factsheet

Concentrated and Active

High conviction global equity portfolio

Companies with an Economic Franchise

Large economic moats with a history of stable forecastable earnings

Strict Valuation Discipline

Benefits of franchises at a Discount to Intrinsic Value

Fund Facts

Number of stocks	25
Total Fund Size	\$113.0m
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

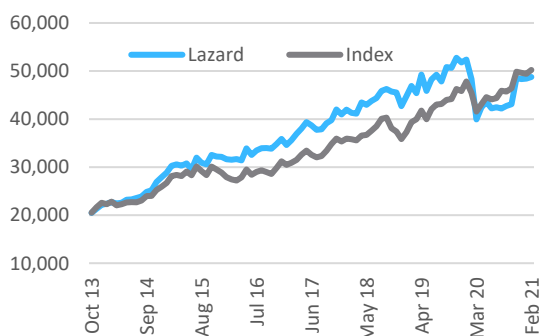
Investment Characteristics

	Lazard	Index
Forward Price/Earnings	15.6	21.2
Forward Return on Equity (%)	15.0	13.2
Sharpe Ratio (Since Inception)	0.9	1.1
Dividend Yield (%)	2.5	1.8
Active Share (%)	98.3	-
3 Year Turnover (% pa)	112.6	-

Performance (%)

	Lazard	Index	Excess Return
1 Month	0.7	1.6	-0.9
3 Months	0.5	0.7	-0.2
1 Year	0.9	7.7	-6.8
3 Years (pa)	5.7	11.0	-5.3
5 Years (pa)	9.1	12.3	-3.2
Since Inception (pa)	12.8	12.8	-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.

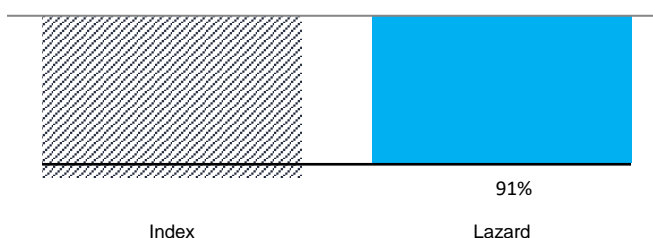
Allocations (%)

Sector	Lazard	Index	Overweight/Underweight
Consumer Staples	1.9	7.0	-5.1
Financials	0.0	13.6	-13.6
Communication Services	9.3	9.2	0.2
Energy	0.0	3.2	-3.2
Real Estate	0.0	2.7	-2.7
Materials	0.0	4.6	-4.6
Health Care	24.4	12.5	11.9
Industrials	23.2	10.5	12.7
Information Technology	10.0	21.9	-11.9
Consumer Discretionary	16.4	12.0	4.4
Utilities	9.8	2.9	7.0
Cash	5.0	0.0	5.0
Region			
North America	53.9	69.3	-15.4
Continental Europe	34.4	14.7	19.6
United Kingdom	6.8	4.4	2.4
Asia Pacific ex-Japan	0.0	3.7	-3.7
Japan	0.0	7.7	-7.7
Middle East	0.0	0.2	-0.2
Cash	5.0	0.0	5.0

Top 5 Holdings (%)

	Lazard
H&R Block	7.2
Nielsen	6.0
Fresenius Medical Care	5.9
CVS Health	5.8
Omnicom	5.3

Down Market Capture Ratio



Down Market Capture Ratio is calculated since inception and based on performance gross of all fees. Down Market capture is a statistical measure of an investment manager's overall performance in down markets, being calendar months where the Index experiences negative performance. A Down Market Capture ratio (or percentage) of less than 100 (or 100%) reflects that the manager, on average, has outperformed the Index during such down markets

Commentary

Global equity markets continued their rally in February 2021, with many indices reaching all-time highs in the month. Global equities are now trading more than 25% above their March 2020 low. The global rollout of more than half a dozen COVID-19 vaccines has appeared to stem the virus surge despite the ongoing emergence of newer variants. This coupled with a commitment of most of the central banks to ongoing stimulative measures continues to provide support to global equity markets. Interest rates pushed higher at the end of the month as investors began to worry about inflationary pressures.

The Lazard Global Equity Franchise Fund returned 0.72% (net of fees) during the month, underperforming the MSCI World Index, which returned 1.64% during the same period.

Tapestry continued its strong performance over February 2021, as the company demonstrated that the performance improvement plan should yield sustainable margin benefits going forward. Additionally, the company is also doing very well in its digital transformation from a revenue standpoint and in terms of securing higher margins compared to brick and mortar sales.

Omnicom rose after reporting strong fourth quarter results, with revenue growth falling less than expected and operating margin actually higher than the comparable period in 2019. Given its leverage to advertising and marketing expenditures, Omnicom is likely to benefit should developed economies rebound from the COVID-19 pandemic in 2021.

Essilor Luxottica performed well while the company has yet to release its FY results for 2020. We think that the market sees Essilor Luxottica as a recovery play, and therefore has bought into the shares despite the lack of stock specific items.

Dialysis provider Fresenius' share price fell during the month after providing guidance that they won't be reimbursed for extra COVID-19 related personal protection equipment costs in 2021, whereas these costs were reimbursed in 2020. We estimate that this will result in a fall in 2021 net income of around 25%. These costs are expected to reduce along with indications of COVID-19, although some extra costs are likely to remain, due to the higher mortality (~3%) of end-stage renal disease patients with COVID-19.

Mednax provides staffing services for specialist physicians in the US, in prenatal, neonatal, and paediatrics. In many locations, the demand for specialists exceeds supply and in addition, Mednax's localised market share is quite high. In February 2021, the Mednax share price was weaker after the company reported a weak Q4 2020 result, reflecting a larger than expected COVID-19 impact on the birth rate. In addition, there was a lower NICU admittance rate (neonatal intensive care unit), which is otherwise usually stable. Mednax is continuing to reduce corporate personnel and other costs, however most of the cost reduction has now occurred. The CEO affirmed that US\$270m EBITDA pa should be the run-rate in normal times when there is not a pandemic (guidance unchanged). While the share price has more than doubled since the lows one year ago, it still trades below our intrinsic value estimate.

CVS Health's FY2021 guidance disappointed the market, as the company's Healthcare Benefit unit is likely to face COVID-19 costs headwinds while other procedure levels return to normal. This overshadowed a strong Q4 2020 operational performance. We note though, that this was the first results presentation of new CEO Karen Lynch, and we therefore consider a cautious tone unsurprising. We think that there is headroom for the company to benefit from the acceleration of the vaccine roll out in the US, as the administration now expects all adults to be vaccinated by end of May 2021. Moreover, the continued successful roll-out of the Health Hubs could positively surprise if the trend observed on the initial hubs is confirmed.

Leading satellite provider SES fell in February 2021, in spite of releasing annual 2020 results broadly in line with consensus; less than 1% light on revenue, adjusted EBITDA and reported EBITDA (including C-band costs and restructuring). Their Mobility division fell, where there has been a €10m one-off related to contract renegotiations related to the aviation business. Adjusting for this one-off charge the result was ahead of expectations. Net debt was lower than expectations due to better operating cash flow generation and lower capex. There was a €277m non-cash impairment related to some GEO satellites which pushed EPS negative in 2020. Our intrinsic value of SES's GEO satellite assets remains around half of book value. SES's 2021 guidance is a little light with consensus at the very top end of the range, hence, we believe sell-side downgrades are likely. Our 2021 forecasts remain unchanged and are in-line with new guidance. However capex guidance has been lowered a cumulative €290m over the 2021-2024 period, and the €40c dividend was in-line with consensus. Overall, there is minimal impact to our value from the result.

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 a small 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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