

Lazard

Global Equity Franchise Fund

Mar 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 Economic Franchises at a Discount to Intrinsic Value

Fund Facts

Number of stocks	29
Total Fund Size	\$121.4m
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

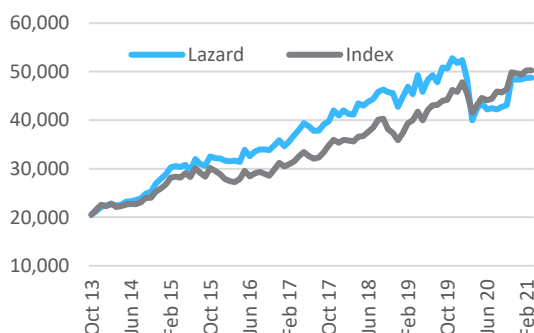
Investment Characteristics

	Lazard	Index
Forward Price/Earnings	16.2	21.4
Forward Return on Equity (%)	15.2	13.4
Sharpe Ratio (Since Inception)	1.0	1.1
Dividend Yield (%)	2.4	1.7
Active Share (%)	98.0	-

Performance (%)

	Lazard	Index	Excess Return
1 Month	8.1	5.0	3.0
3 Months	9.1	6.3	2.8
1 Year	32.0	23.8	8.2
3 Years (pa)	8.6	13.1	-4.5
5 Years (pa)	10.7	13.6	-2.9
Since Inception (pa)	13.8	13.4	0.4

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.

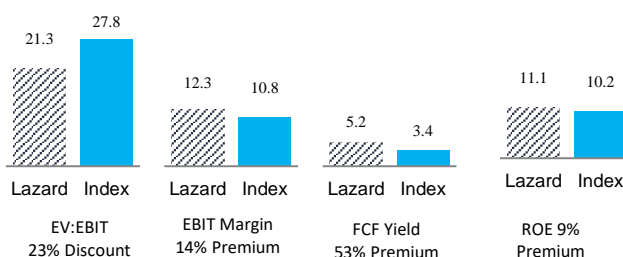
Allocations (%)

Sector	Lazard	Index	Overweight/ Underweight
Consumer Staples	3.0	7.2	-4.2
Financials	0.0	13.7	-13.7
Communication Services	9.1	9.0	0.0
Energy	0.0	3.2	-3.2
Real Estate	0.0	2.7	-2.7
Materials	0.0	4.5	-4.5
Health Care	26.5	12.4	14.1
Industrials	22.3	10.9	11.4
Information Technology	6.8	21.3	-14.5
Consumer Discretionary	14.0	12.1	1.9
Utilities	14.3	3.0	11.3
Cash	4.1	0.0	4.1
Region			
North America	50.1	69.7	-19.6
Continental Europe	34.9	14.7	20.2
United Kingdom	8.9	4.3	4.6
Asia Pacific ex-Japan	2.0	3.6	-1.6
Japan	0.0	7.5	-7.5
Middle East	0.0	0.2	-0.2
Cash	4.1	0.0	4.1

Top 5 Holdings (%)

	Lazard
H&R Block	6.5
CVS Health	6.2
Nielsen	6.2
McKesson	5.4
Omnicom	5.2

Investment Characteristics



Lazard estimates based on historical financial accounts of companies held in the Lazard Global Equity Franchise strategy. All estimates are based on current information and are subject to change.*

Source: Lazard, Factset, MSCI

Commentary

The global equity markets posted another gain in March 2021 rallying 6.3%. The accelerating global rollout of the COVID-19 vaccines and passage of US\$1.9 trillion stimulus bill in the United States provided hope that the global recovery would pick-up speed despite weaker-than-expected employment growth. The vaccination process, while gaining in efficiency, continues to be uneven with significant inoculation differences across markets causing country lockdowns and surges in certain areas.

The Lazard Global Equity Franchise Fund returned 9.1% (net of fees) during the quarter, outperforming the MSCI World Index, which returned 6.3% during the same period.

World leading tax preparation firm, H&R Block (HRB) stock is up more than 40% YTD after having underperformed the market significantly in 2020. The COVID-19 pandemic delayed the US tax end from April 2020 to July 2020 and as HRB earns all its profits in the 6-weeks prior to the lodgment deadline this had a detrimental effect. The resulting 'double tax year', will now be combined in HRB's financial year ending 30 April 2021 in addition to the Reddit revolution, stimulus unemployment tax issues and potential crypto trading. Retail trading exploded in 2020 accounting for more than 23% of volume in December 2020 as opposed to 18% historically. We believe implies more volumes for HRB. Market expectations are that there will be around 10 million new retail investors in the market in 2020 and if we assume HRB gets its current share of the market (14%) that could mean roughly 1.4mm incremental forms, not new returns. Assuming the current split of HRB's Assisted/DIY returns mix with the added complexity this could generate an incremental US\$45mm in revenue and US\$35mm in EBITDA. Our investment thesis does not include any of these incremental benefits. HRB trades on 6x sustainable earnings, paying a 6% dividend yield today.

Nielsen shares had another strong quarter after a number of positive announcements. Firstly the company delivered solid fourth quarter results, with revenues declining only 1% and margins rising 4.4% despite the effects of the pandemic. EBITDA for the company was flat in 2020, underlining the resilient, subscription based nature of their media measurement business as well as strong cost controls by management. Secondly, Nielsen announced a deal to sell advanced video advertising technology to ROKU, the leading TV streaming platform in the US. While financially immaterial, as part of the deal ROKU will provide their user data to Nielsen and commit to using Nielsen One, the company's new cross-media measurement tool, an important validation of Nielsen's audience measurement strategy. Nielsen also announced the closing of the sale of Connect to Advent International, leaving the company as a pure play audience measurement firm with reduced leverage. Subsequently Moody's has upgraded Nielsen's credit outlook to 'positive', noting their dominant position in audience measurement and solid free cash flow profile.

Leading satellite provider SES fell during the quarter, in spite of releasing annual 2020 results broadly in line with Consensus; actually less than 1% light on revenue, adjusted EBITDA and reported EBITDA (including C-band costs and restructuring). The miss is all in Mobility, 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 pushes EPS negative in 2020. An impairment is never great but should not be too surprising given some challenges in the fleet. Our intrinsic value of SES' GEO assets remains around half book value. We believe that SES' 2021 guidance is a little light with consensus at the very top end of the range, hence small 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, however, if anything the changes are modestly positive.

Share price of leading lottery concession holder, International Gaming Technology (IGT), rose in February 2021 on limited company information. IGT did announce it had expanded its position in the growing historical horse racing segment with the company's first historical racing machine deployments in Virginia. IGT also extended its agreement with La Lotería Nacional para la Asistencia Pública ("LOTENAL"), Mexico's national lottery, to continue providing an integrated draw-based/instant ticket system, draw-based lottery terminals, a communications network, and additional lottery products and ongoing service. Finally, within its smaller gaming machines segment, IGT also announced that it is replacing a competitor's system with its state-of-the-art IGT ADVANTAGE Casino Management System (CMS). This will connect all 1,100 machines as well as table games, and will integrate with the property's food and beverage, retail point-of-sale and hotel management systems. IGT currently trades on slightly more than 8x forecast EBITDA, which is less than half the multiple of its global lottery comparables.

The Global Equity Franchise portfolio invests in high-quality economic franchise companies typified by large economic moats, a history of stable forecastable earnings and higher levels of financial productivity. In spite of what we believe are expensive equity markets, our portfolio currently trades broadly in line with its intrinsic value. Additionally, the portfolio offers superior levels of financial productivity at a discount both in terms of EBIT and PE multiple, when compared to the MSCI World Index. In the long run, we believe the economic franchise characteristics we seek for all our investments will continue to serve our investors well.

For more information, call us on 1800 825 287
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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.