

Lazard

Global Equity Franchise Fund

May 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	30
Total Fund Size	\$127.6m
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

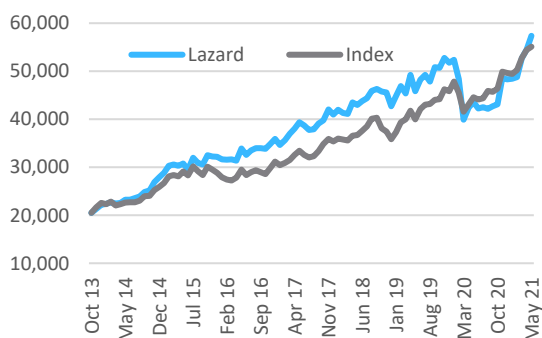
Investment Characteristics

	Lazard	Index
Forward Price/Earnings	16.9	20.6
Forward Return on Equity (%)	15.5	14.1
Sharpe Ratio (Since Inception)	1.1	1.1
Dividend Yield (%)	2.3	1.7
Active Share (%)	98.0	-

Performance (%)

	Lazard	Index	Excess Return
1 Month	5.2	1.2	4.0
3 Months	17.5	9.7	7.8
1 Year	31.5	20.6	10.9
3 Years (pa)	10.1	13.5	-3.5
5 Years (pa)	11.1	12.7	-1.7
Since Inception (pa)	14.7	13.8	1.0

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.

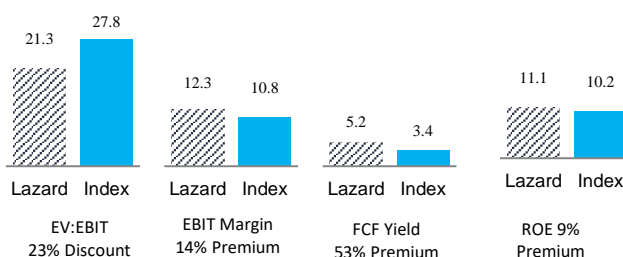
Allocations (%)

Sector	Lazard	Index	Overweight/Underweight
Consumer Staples	2.4	7.2	-4.7
Financials	0.0	14.2	-14.2
Communication Services	9.3	9.0	0.3
Energy	0.0	3.1	-3.1
Real Estate	0.0	2.7	-2.7
Materials	0.0	4.7	-4.7
Health Care	27.3	12.4	14.9
Industrials	22.3	10.9	11.4
Information Technology	6.5	21.0	-14.5
Consumer Discretionary	15.3	11.9	3.3
Utilities	15.4	2.9	12.5
Cash	1.4	0.0	1.4
Region			
North America	50.8	70.0	-19.2
Continental Europe	36.5	15.0	21.5
United Kingdom	9.3	4.4	4.9
Asia Pacific ex-Japan	2.0	3.6	-1.6
Japan	0.0	6.9	-6.9
Middle East	0.0	0.2	-0.2
Cash	1.4	0.0	1.4

Top 5 Holdings (%)

	Lazard
CVS Health	6.7
H&R Block	6.6
Nielsen	6.2
Omnicom	5.4
Fresenius Medical Care	5.2

Investment Characteristics



As at 31 March 2021. 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

Global equity markets posted a positive return for the fourth straight month in May 2021. Progress on vaccinations, particularly in Europe, has been reopening the global economy, which, in turn, has boosted the shares of economically sensitive cyclical companies. Inflation fears surfaced in the month of May 2021, with labour shortages beginning to appear in many service industries and commodity prices showing hefty year-over-year increases.

The Lazard Global Equity Franchise Fund returned 5.23% (net of fees) during the month of May 2021, outperforming the MSCI World Index which returned 1.23%.

World leading lottery and gaming business, International Gaming Technology (IGT) was our best performer in May 2021 rising 40% for the month. IGT's 1Q21 revenues of US\$1,015m (+25%YoY) came in 16% ahead of consensus, while adjusted EBITDA of US\$450m (+72% YoY) was 46% ahead of consensus. Results were primarily driven by Lottery outperformance, which achieved record same-store-sales levels during the quarter, and cost savings measures. The sale of lowest financially productive business within IGT, Italian B2C Gaming, was concluded for €950m, post-sale IGT will have Net Debt to EBITDA approaching 4x. Management expects to return to 2019 levels for key financial metrics this year, well ahead of our expectations. Assuming this level of accelerated earnings growth implies as at 31 May 2021, IGT is trading on less than 12x PE and 8x EBITDA.

CVS Health performed strongly as the company's Q1 results lead to an upgrade to FY guidance. Of particular importance was the continued improvement in the Pharmacy Benefit Management (PBM) segment. Moreover, the company's new CEO is making her first important management team change by appointing former Aetna executive, Mr Shawn Guertin as CFO. We believe that a cohesive management team will be crucial to the execution of the group performance improvement programme, especially in the retail segment that although challenged, is an integral part of the roll-out of the Health Hubs the group intends to use to deliver medical care at lower costs.

The world largest tax agent, H&R Block (HRB) released its preliminary results for the 2021 U.S. tax season, reflecting strong growth in tax return volume and estimated market share gains both overall and critically in the Assisted category. We estimate Assisted volumes up circa 7% relative to the full 2020 tax season on a COVID-19 impacted, normalized basis, reversing the downward trend seen since 2013. Pricing seems to more aggressive in the Assisted segment to achieve these share gains but DIY or on-line pricing has been better than we anticipated. Overall, the upgrade announced sees consensus estimates raising revenue by around 3%, EBITDA by 10% and EPS by 20%, assisted by a lower expected tax rate. This implies less than 8x PE and less than 7x EBITDA based on HRB's share price on 31 May 2021.

IT outsourcer Cognizant underperformed during the month of May 2021 as higher staff attrition and the resulting mitigation measures saw a modest decline in margin guidance for the year. Bookings in digital and healthcare continue to show positive signs, whilst the decline in financial services is abating. The recent COVID-19 spike in India has had only a small effect on workflows, with only 50 out of 20,000+ client projects affected in mid-May 2021, and only 20 of those requiring extra staffing in response.

Tapestry fell in May 2021, as the company's Q3 results demonstrated that the turnaround of its secondary brand Kate Spade will be difficult, while shoe brand Stuart Weitzman remains highly challenged. On the other hand, its main brand, Coach, reached peak gross margin, underscoring the progress made by the group to lower discounting, and improve unit price. After an impressive performance over the past 6-months, we think that the stock's risk-reward is more balanced and warrants a smaller position.

U.S. medical devices company Medtronic fell in May 2021 despite delivering strong fourth quarter results at the end of the month. Revenues were up 32% compared to the same period in 2020, driven by a significant rebound in surgical procedures in the U.S., which had been severely curtailed due to the COVID-19 pandemic. Importantly, the company provided strong revenue guidance of 9% growth for fiscal year 2022, materially above management's prior medium-term target of organic growth in excess of 5%.

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 broadly in-line with intrinsic value but at a sizable discount to the broader MSCI World Index on a number of measures, most notably the EBIT multiple where the portfolio trades on a 40% discount. In spite of a sizable value discount, the financial productivity of the portfolio on a range of measures is a sizable premium to the MSCI World Index. We believe the economic franchise characteristics that 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.