

Lazard

Global Equity Franchise Fund

Jul 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 | 28 |
| Total Fund Size | \$124.1m |
| 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 |

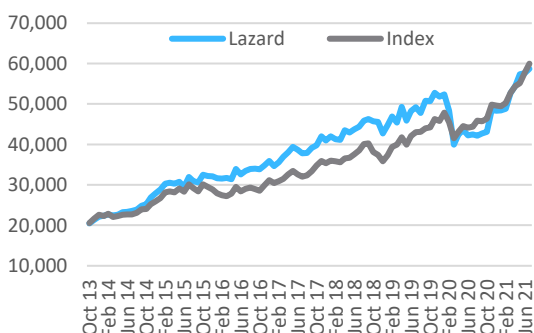
Investment Characteristics

| | Lazard | Index |
|--------------------------------|--------|-------|
| Forward Price/Earnings | 17.3 | 20.3 |
| Forward Return on Equity (%) | 14.9 | 14.7 |
| Sharpe Ratio (Since Inception) | 1.1 | 1.2 |
| Dividend Yield (%) | 2.4 | 1.7 |
| Active Share (%) | 98.4 | - |

Performance (%)

| | Lazard | Index | Excess Return |
|----------------------|--------|-------|---------------|
| 1 Month | 1.9 | 4.0 | -2.1 |
| 3 Months | 7.7 | 10.1 | -2.4 |
| 1 Year | 38.2 | 31.8 | 6.4 |
| 3 Years (pa) | 9.8 | 14.9 | -5.2 |
| 5 Years (pa) | 11.9 | 15.1 | -3.2 |
| Since Inception (pa) | 14.7 | 14.7 | 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.

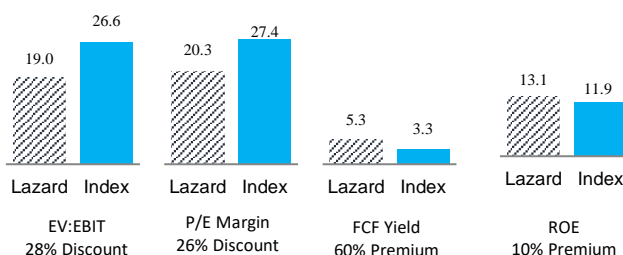
Allocations (%)

| Sector | Lazard | Index | Overweight/Underweight |
|------------------------|--------|-------|------------------------|
| Consumer Staples | 0.0 | 7.0 | -7.0 |
| Financials | 0.0 | 13.3 | -13.3 |
| Communication Services | 8.3 | 9.1 | -0.9 |
| Energy | 0.0 | 2.9 | -2.9 |
| Real Estate | 0.0 | 2.8 | -2.8 |
| Materials | 0.0 | 4.5 | -4.5 |
| Health Care | 27.4 | 12.8 | 14.6 |
| Industrials | 22.3 | 10.6 | 11.7 |
| Information Technology | 6.3 | 22.5 | -16.2 |
| Consumer Discretionary | 14.5 | 11.9 | 2.6 |
| Utilities | 17.6 | 2.8 | 14.8 |
| Cash | 3.7 | 0.0 | 3.7 |
| Region | | | |
| North America | 52.3 | 71.0 | -18.6 |
| Continental Europe | 28.6 | 14.7 | 13.9 |
| United Kingdom | 10.8 | 4.2 | 6.6 |
| Asia Pacific ex-Japan | 1.6 | 3.3 | -1.8 |
| Japan | 3.0 | 6.6 | -3.6 |
| Middle East | 0.0 | 0.2 | -0.2 |
| Cash | 3.7 | 0.0 | 3.7 |

Top 5 Holdings (%)

| | Lazard |
|---------------|--------|
| CVS Health | 6.4 |
| McKesson | 6.4 |
| National Grid | 6.0 |
| H&R Block | 5.9 |
| Nielsen | 5.8 |

Investment Characteristics



As at 30 June 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

The global equity markets notched their sixth consecutive monthly gain in July 2021, boosted by strong corporate earnings and record low interest rates. COVID-19 vaccination rates continued to improve in the developed markets despite the spread of the new Delta variant, which slowed re-openings in some countries. Central banks maintained their accommodative policies to foster economic growth, and interest rates declined to levels only slightly above the pandemic lows of a year ago.

The Lazard Global Equity Franchise Fund returned 1.90% (net of fees) during the month of July 2021, underperforming the MSCI World Index which returned 3.97%.

Drug distributor McKesson (MCK) contributed during the month after announcing the partial divestiture of their European businesses and an intention to fully exit Europe going forward. Financial terms weren't disclosed, but the market appears to be viewing this favourably as it will reduce earnings volatility and provide renewed focus on the growing strength of U.S. oncology.

The world's leading tax agent, H&R Block (HRB) rose in July 2021 on no news. Our conjecture is the strong performance was a rebound from the previous month, when the stock fell in spite of reporting better than expected fourth quarter earnings with total and assisted share gains of around 30bps and 70bps, respectively, (the highest in over a decade). HRB continues to generate strong free cashflow of more than US\$450m per year, or more than US\$2.50 per share and in the past five years has increased its dividend per share 35% and repurchased more than 20% of the shares in issue. As at 31 July 2021 HRB traded on 6.5x EBITDA, an FCF yield of more than 14% and a PE of around 8x FY22 earnings.

United Utilities (UU) share price was supported by the increase in UK inflation to 2.4% in July 2021. Given the company's direct ability to pass on inflation, this is positive for equity holders.

Terna's share performance was driven by strong financial results in Q2 2021. Importantly, Terna displayed a combination of accelerated investments and strong operational performance. Besides, the Italian regulator's initial proposal for the reset of the WACC, while tough at first sight, leaves significant room for improvement to the final decision. Indeed, a number of the new parameters suggest inconsistencies that, if addressed, would result in a much lower reduction in the allowed return.

IT outsourcer Cognizant (CTSH), contributed for the month after reporting double digit YoY revenue growth due to Health Care, Products and Resources. Financial services returned to growth albeit remaining subdued, and the company flagged an upcoming investor briefing to outline competitive strengths and their multi-year outlook. The one negative was an escalating attrition rate which will likely result in margin compression as the company is forced to compete for talent.

World leading lottery and gaming company, International Gaming Technologies (IGT) fell in July 2021, in spite of announcing a raft of new lottery concessions wins including in Western Canada and extensions of its Washington U.S. lottery to include cashless technology. IGT also announced a number of casino betting agreements including in Louisiana and California (U.S.) and announced a strategic partnership with Marker Trax, makers of an advanced digital casino marker system. As at 31 July 2021 IGT traded on less than 8x EBITDA and a FCF yield of more than 10%.

Omnicom (OMC), the second largest advertising and marketing services company in the world, fell despite reporting strong 2Q 21 results, with organic revenue increasing 24%. The results indicate the company is on track for a strong rebound from the COVID-19 pandemic in 2021.

Dialysis provider Fresenius (FME) declined slightly after reporting in-line quarterly results and an unchanged outlook for the year.

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 valuation measures. 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.