

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	27
Total Fund Size	\$129.8m
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

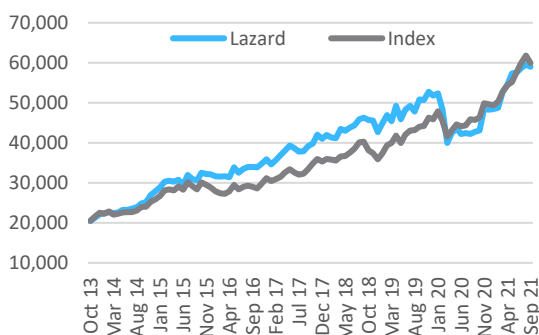
Investment Characteristics

	Lazard	Index
Forward Price/Earnings	16.3	19.6
Forward Return on Equity (%)	15.0	14.9
Sharpe Ratio (Since Inception)	1.0	1.2
Dividend Yield (%)	2.2	1.7
Active Share (%)	97.8	-

Performance (%)

	Lazard	Index	Excess Return
1 Month	-0.9	-3.0	2.1
3 Months	2.4	3.9	-1.5
1 Year	38.1	27.8	10.2
3 Years (pa)	8.4	13.2	-4.8
5 Years (pa)	11.7	15.1	-3.4
Since Inception (pa)	14.5	14.3	0.2

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.

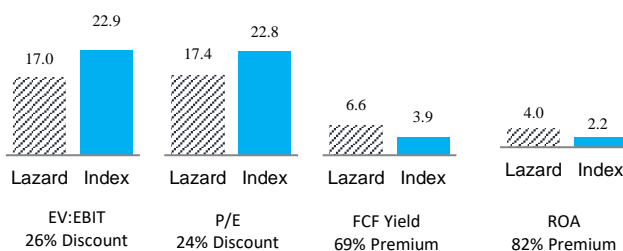
Allocations (%)

Sector	Lazard	Index	Overweight/ Underweight
Consumer Staples	1.9	6.9	-5.0
Financials	0.0	13.7	-13.7
Communication Services	9.3	9.1	0.2
Energy	0.0	3.2	-3.2
Real Estate	0.0	2.7	-2.7
Materials	0.0	4.1	-4.1
Health Care	26.2	12.6	13.6
Industrials	21.1	10.3	10.8
Information Technology	7.8	22.5	-14.7
Consumer Discretionary	20.7	12.1	8.5
Utilities	9.4	2.7	6.7
Cash	3.7	0.0	3.7
Region			
North America	56.3	70.9	-14.6
Continental Europe	29.1	14.4	14.7
United Kingdom	5.8	4.2	1.7
Asia Pacific ex-Japan	0.0	3.3	-3.3
Japan	5.1	7.0	-2.0
Middle East	0.0	0.2	-0.2
Cash	3.7	0.0	3.7

Top 5 Holdings (%)

	Lazard
CVS Health	6.5
International Game Technology	6.1
H&R Block	6.1
McKesson	5.9
Nielsen	5.9

Investment Characteristics



As at 30 September 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

A broad-based decline in September 2021 left the global equity markets relatively flat for the quarter ended 30 September 2021. The U.S. Federal Reserve's stimulus policy path was a focal point as they announced preparations to slow the monthly purchase of government backed bonds, but also to raise interest rates in 2022. In Europe, the European Central Bank (ECB) and the Bank of England (BoE) also signalled they were prepared to retreat from their accommodative monetary policy stances. Broad-based supply chain disruptions continue to hamper the global recovery, creating inflationary pressures on everything from agricultural produce to electronics to medical supplies.

The Lazard Global Equity Franchise Fund returned 2.43% (net of fees) during the quarter to September 2021, underperforming the MSCI World Index which returned 3.92%.

The world's leading lottery concession holder and gaming company International Gaming Technology (IGT) rose strongly during the quarter following the release of its Q2 2021 results which once again exceeded expectations. IGT's 2Q 2021 revenues of USD1,041m (+74% yoy) came in 13% above consensus, while Adjusted EBITDA of US\$442m (+170% yoy) was 25% ahead of consensus. The variance largely stemmed from Lottery outperformance, while Gaming and Digital & Betting were slightly better. As a result, IGT generated FCF of USD176m (+140% yoy) in the quarter. In 1H21, IGT paid down USD1bn of net debt, reduced leverage from 6.4x to 4.3x, reaching its target six months early. Based on the strong 1H21 performance, IGT is raising its guidance for the year and now expects to exceed 2019 financial metrics. IGT expects 2H21 revenue and operating income from continuing operations of USD2bn and USD300m, respectively.

Leading satellite infrastructure company SES produced a solid quarter to 30 September 2021 of results with revenues exceeding consensus by 1.7%, driven by a 2.7% beat in Video after securing important renewals with Sky and Comcast. EBITDA guidance was raised at the lower end of guidance following a +5.1% consensus beat for 2Q 2021 with recurring operating expenses falling 4.6% yoy in 1H21. The market took heart from management's projections of a flattening of the revenue curve. With lower capital expenditure leading to a large increase in recurring free cash flow generation beyond 2023 and the US\$4 billion of C-Band proceeds due within that timeframe, we expect gearing levels will be considerably lower and dividends higher.

CVS Health shares responded positively to yet another strong set of results. Importantly, the strong performance was positive across all three businesses, notably the Pharmacy Benefit Management business that continues to show higher than expected growth and profitability. Health insurance business AETNA also demonstrated encouraging commercial dynamics. This enabled the company to raise its earnings guidance for FY2021. We believe this demonstrates the progress achieved to date and brings additional credibility to our investment thesis that the new CVS group will have earnings and profitability power closer to peers such as United Health, which should lead the way to a significant re-rating of the company.

Nielsen, the dominant U.S. provider of ratings for TV and premium video, fell during the quarter to 30 September 2021 after an outbreak of industry controversy over its ratings product. TV networks including NBC and Discovery complained that their ratings were undercounted during the COVID-19 pandemic in 2020, leading to a suspension in Nielsen's accreditation by the Media Ratings Council. Importantly, none of Nielsen's contracts are likely to be affected, as they are not dependent on MRC accreditation. Further, given the issues were directly related to the COVID-19 pandemic, they appear fixable as the pandemic subsides. As the 'industry referee' Nielsen has rarely been a beloved figure in the TV and Video industry, yet its status as the 'currency' for premium video advertising endures. Nielsen is progressing work with clients on its Nielsen One cross-media measurement product, set to launch in Q4 2022, and still appears in the box seat to retain its dominant position in a more fragmented video viewing landscape.

Dialysis provider Fresenius (FME) declined slightly after reporting in-line 30 September 2021 quarterly results and an unchanged outlook for the year.

Tapestry share continued to fall in September in the aftermath of the announcement by China of the "Common prosperity" policy. Despite considerable uncertainty on what this policy really means, companies selling luxury items have been affected. While we acknowledge the risk to a company such as Tapestry, we highlight the group's positioning as affordable luxury positions it favourably compared to high end luxury brands such as Chanel, Louis Vuitton and Gucci.

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.

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 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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