

Lazard

Global Equity Franchise Fund

Dec 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	25
Total Fund Size	\$148.7m
Inception Date	1 October 2013
Total Management Costs	1.25%
Index	MSCI World
Minimum Investment	\$20,000
Buy/Sell Spread	+0.20%/-0.20%
Distributions	Annually
APIR Code	LAZ0025AU

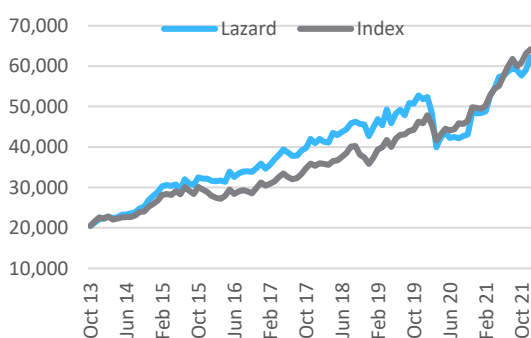
Investment Characteristics

	Lazard	Index
Forward Price/Earnings	16.4	20.4
Forward Return on Equity (%)	15.4	15.3
Sharpe Ratio (Since Inception)	1.0	1.2
Dividend Yield (%)	2.2	1.7
Active Share (%)	97.9	-

Performance (%)

	Lazard	Index	Excess Return
1 Month	5.2	1.7	3.5
3 Months	5.4	7.1	-1.7
1 Year	28.7	29.3	-0.6
3 Years (pa)	13.3	20.4	-7.1
5 Years (pa)	11.6	14.9	-3.3
Since Inception (pa)	14.7	14.8	-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.

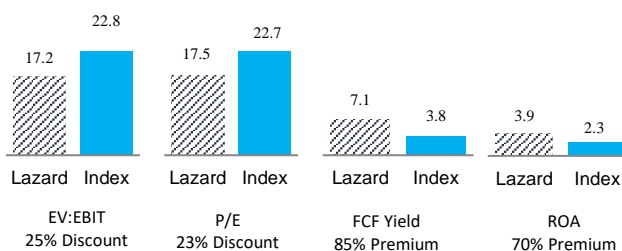
Allocations (%)

Sector	Lazard	Index	Overweight/Underweight
Consumer Staples	1.9	6.9	-5.0
Financials	0.0	13.2	-13.2
Communication Services	10.0	8.3	1.7
Energy	0.0	3.1	-3.1
Real Estate	0.0	2.8	-2.8
Materials	0.0	4.2	-4.2
Health Care	28.0	12.6	15.3
Industrials	20.4	10.2	10.1
Information Technology	10.0	23.7	-13.6
Consumer Discretionary	17.2	12.3	4.9
Utilities	6.9	2.7	4.1
Cash	5.7	0.0	5.7
Region			
North America	57.0	72.3	-15.2
Continental Europe	28.6	14.1	14.4
United Kingdom	3.9	4.1	-0.1
Asia Pacific ex-Japan	0.0	3.1	-3.1
Japan	4.8	6.2	-1.4
Middle East	0.0	0.2	-0.2
Cash	5.7	0.0	5.7

Top 5 Holdings (%)

	Lazard
CVS Health	6.8
International Game Technology	6.8
McKesson	6.1
Omnicom	6.1
Nielsen	5.9

Investment Characteristics



As at 31 December 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

In a volatile period, global equity markets advanced in the fourth quarter ended 31 December 2021, with risk appetites waxing and waning as investors digested the implications of several developments. Although 'Omicron', the COVID-19 variant that surfaced in November 2021, proved to be more infectious than the 'Delta' strain, investors took consolation that it also appeared to be far less virulent. A further signal of the improving U.S. economy came from the Federal Reserve, which announced that it would reduce its bond purchases sooner than expected in 2022 and forecast three interest rate increases in 2022. Both the Bank of England and European Central Bank followed with similar monetary tightening moves. These all helped to alleviate concerns over inflation and an overheating of the global economy.

The Lazard Global Equity Franchise Fund returned 5.40% (net of fees) during the fourth quarter of 2021, underperforming the MSCI World Index which returned 7.07%.

Discount variety store owner Dollar Tree performed strongly over Q4 2021, following a report in the Wall Street Journal that activist fund Mantle Ridge had taken a large stake in Dollar Tree (5.7% of shares directly and call options for 4.2% of outstanding shares). In our view, Dollar Tree's strong share price performance has already factored in the benefits from a successful turnaround, whilst all of the execution is yet to occur. As a result, we have exited our position in the stock.

McKesson's share price rose on the back of a bullish investor day in December 2021, where they outlined a plan to achieve 6-8% p.a. operating profit growth medium-term. Drivers of the plan include increased contribution from oncology, speciality pharmaceuticals, biosimilars and BioPharma Services.

CVS Health combines three increasingly interconnected businesses (CVS Pharmacy, CVS Caremark PBM and Aetna Healthcare Benefits). Its share price performed strongly over Q4 2021. In November 2021, the company announced a drastic overhaul of its retail pharmacy network, with plans to shut 900 stores which don't achieve profitability requirements over the next three years, and to increasingly focus on Health Hubs and providing primary healthcare. In December 2021, the company hosted its first Investor Day in several years, providing detail on its plan to expand primary care, buy back shares, and achieve high single-digit EPS growth in 2022 and 2023, and double-digit EPS growth in 2024. Over the long term, the company believes it can achieve 7-8% core EPS growth. The new CEO also detailed how the interconnected nature of CVS's three businesses is resulting in cost and revenue synergies. 2022 guidance for a 10% dividend increase and a US\$10m buyback highlights the company's expectation for strong continued cash generation.

Medtronic, the world's largest manufacturer of medical devices, fell after receiving a warning letter from the FDA relating to its diabetes pump manufacturing facility. This will delay the approval of Medtronic's new 780G diabetes pump product. While disappointing, Medtronic's diabetes segment represents only 5% of earnings and management expect the impact on revenues and earnings per share to be less than 1% in 2023.

Leading satellite operator, SES, fell in the quarter ended 31 December 2021 in spite of reporting third quarterly results which were better than expected. Revenues were 0.5% ahead (video has beat but networks is light), EBITDA was 2.6% ahead, and although top-end of full year revenue guidance was trimmed, the mid-point was unchanged at €1,780m, with no change to earnings guidance. SES have also altered the phasing of its capex plan, with spend being pushed out from 2021 to 2023 (without any change in the total spending envelope). SES now expects to spend €300m in 2021 (prev. €660m), €950m in 2022 (prev. €880m) and €510m in 2023 (prev. €220m). Overall, there were no changes to near term forecasts or our thesis, leaving the share price decline a mystery.

Leading tax agent H&R Block (HRB) fell modestly during the quarter ended 31 December 2021 on little company specific news. We note the Q1 2022 results were released in the early days of Q2 2022, and although the headline numbers were down significantly, like-for-like comparisons are difficult due to a change of reporting period and COVID-19 interruptions with tax year ends. Total revenue of US\$193 million decreased by 54%, compared to the prior year. The decrease in revenue was entirely due to lower return volume because of the previous year's tax season extension. HRB management noted that the Q1 2022 results demonstrated continued momentum across the business and the company reiterated its previously given fiscal year 2022 outlook. Pleasingly, HRB has repurchased \$300 million of shares, retiring approximately 7% of the shares outstanding during the since July 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

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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.