

# Lazard

## Global Equity Franchise Fund

Jan 2022  
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	\$150.9m
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

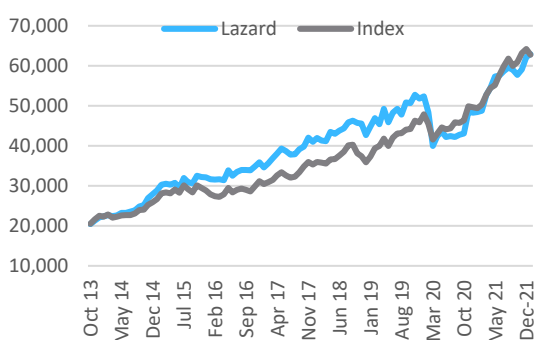
## Investment Characteristics

	Lazard	Index
Forward Price/Earnings	16.3	19.3
Forward Return on Equity (%)	15.4	15.4
Sharpe Ratio (Since Inception)	1.08	1.20
Dividend Yield (%)	2.2	1.8
Active Share (%)	97.8	-

## Performance (%)

	Lazard	Index	Excess Return
1 Month	1.3	-2.3	3.5
3 Months	9.1	3.0	6.1
1 Year	30.0	26.9	3.1
3 Years (pa)	12.0	17.9	-5.9
5 Years (pa)	12.7	14.9	-2.3
Since Inception (pa)	14.7	14.3	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.

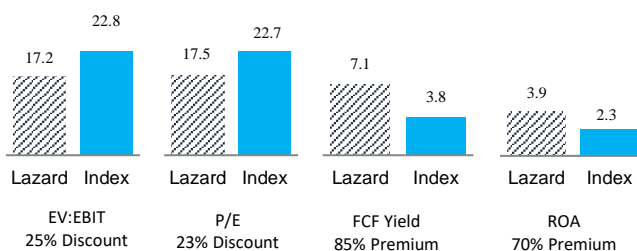
## Allocations (%)

Sector	Lazard	Index	Overweight/Underweight
Consumer Staples	1.9	7.1	-5.2
Financials	0.0	14.0	-14.0
Communication Services	10.2	8.2	1.9
Energy	0.0	3.8	-3.8
Real Estate	0.0	2.7	-2.7
Materials	0.0	4.2	-4.2
Health Care	27.0	12.3	14.7
Industrials	21.0	10.1	11.0
Information Technology	9.9	22.9	-13.0
Consumer Discretionary	17.2	11.9	5.4
Utilities	6.7	2.8	3.9
Cash	6.0	0.0	6.0
Region			
North America	56.9	72.2	-15.3
Continental Europe	28.0	14.0	14.0
United Kingdom	3.9	4.2	-0.3
Asia Pacific ex-Japan	0.0	3.2	-3.2
Japan	5.1	6.3	-1.1
Middle East	0.0	0.2	-0.2
Cash	6.0	0.0	6.0

## Top 5 Holdings (%)

	Lazard
International Game Technology	6.4
Omnicom	6.4
Nielsen	6.2
H&R Block	6.1
McKesson	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

Amid heightened volatility, world stocks prices slid in January 2022 as markets reset in nervous anticipation of changes in the global monetary landscape. U.S. Federal Reserve officials pointed to a path of steady interest rate increases in 2022 and the increasingly hawkish tone unnerved investors. High inflation and a tight labour market continue to be focal points for the Fed as it tries to achieve a balance between moderate economic growth and lower inflation. Increasing tensions over the potential for Russia to invade Ukraine and an escalation in infections from the 'Omicron' variant of COVID-19 also contributed to a difficult month. Investors took little solace in January 2022 earnings reports even as 70% of the corporations that reported exceeded consensus expectations.

The Lazard Global Equity Franchise Fund returned 1.25% (net of fees) during the month of January 2022, outperforming the MSCI World Index which fell 2.27%.

CVS Health performed strongly as the company pre-announced FY21 results above its previous guidance. While FY22 guidance was left unchanged, it confirmed the strength of the business. The company continues to generate significant amounts of cash, a trend that is likely to continue through increases to dividends and buy-backs.

US drug distributor McKesson rose during the month in anticipation of a very strong reported quarterly result. Revenues and gross margin were well ahead of street estimates, and FY21 guidance was narrowed and raised ~5%.

Visa, the world's largest processor of electronic payments, rose in January after reporting strong first quarter results. Net revenues increased 24% compared to the comparable period last year and management raised its guidance for the full year. Importantly, cross-border volumes, which have been impacted by the pandemic and attract higher fees for Visa, were up 51%. Management now expect cross-border volumes to reach 90% of 2019 levels over the 2022 fiscal year.

Nielsen, the leading provider of TV and premium video measurement services to media and advertisers, fell in January. The share price movement likely reflects concerns about potential alternative measurement providers announced by traditional media companies such as NBC and Warner Media. Notably absent were any announcements from advertisers, who decide which measurement products are actually used. We believe Nielsen's status as the primary currency for linear TV advertising transactions remains unlikely to be challenged, given the need for real world audience validation through their panel system and the substantial switching costs for buyers and sellers. In the meantime, Nielsen announced that its new Nielsen One cross-media measurement product is being trialled by clients including Disney and Magna One; a number of new contracts with local TV networks, and a range of new products in their content and audience measurement segments.

The world largest gaming company International Game Technology (IGT) fell modestly in January. The only announcement of note, we considered to be net neutral to positive for IGT. The company announced their Chairperson of the Board, Lorenzo Pellicoli, is retiring from his role as Chairperson of IGT's Board and CEO of majority shareholder De Agostini. Long-time IGT CEO, Marco Sala, will replace Mr. Pellicoli as Chairperson of the Board, as well as likely CEO of De Agostini following a vote in June. Current Board member and media industry veteran, Vincent Sadusky, will replace Mr. Sala as CEO of IGT. We expect the transition at CEO and Chairperson was likely a planned and deliberate one, given we understand Mr. Pellicoli has contemplated retirement for some time. With Marco Sala serving on the De Agostini Board for the past two years, he appears to be the clear targeted successor which is logical given the importance of IGT to the De Agostini portfolio. We also view the Board's selection of Mr. Sadusky as prudent, given his 10 years spent on IGT's Board of Directors and 15 years of CEO experience. We also expect his time spent navigating media companies into the modern digital landscape will prove useful as the global gambling industry shifts increasingly online/omni-channel.

Infrastructure owner and toll road operator Ferrovial fell as investors shied away from stocks seen as negatively impacted by the COVID-19 'Omicron' wave. 'Omicron' has impacted motorway and airport traffic since the middle of December 2021, exacerbated by the Christmas holiday. That said, when looking at South African traffic and mobility experience, this curve seems to be much steeper and shorter than previous waves. 'Omicron' cases are now falling quickly in Toronto, with traffic rebounding sharply back to pre-Christmas levels. Ferrovial's stake in the 407ETR toll road in Ontario, Canada represents more than 60% of our value for the stock. Dallas Fort-Worth seems to be lagging somewhat, but cases are now reversing sharply, while traffic is now starting to rebound quickly. Ferrovial's three Texan Managed Lane Projects constitute approximately 20% of our value for Ferrovial. Our valuation has traffic forecasts which do not see pre-COVID-19 CY19 traffic levels re-achieved until beyond 2025.

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](http://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](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](mailto:investorqueries@lazard.com).