

Lazard

Global Equity Franchise Fund

Feb 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	26
Total Fund Size	\$147.7m
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

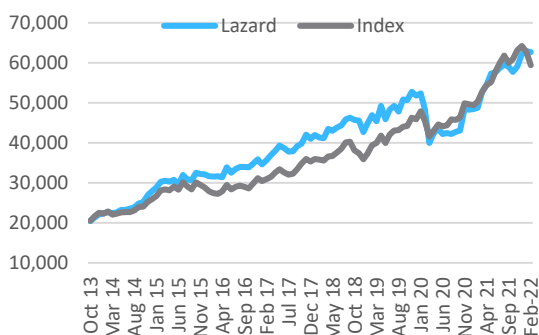
Investment Characteristics

	Lazard	Index
Forward Price/Earnings	15.6	18.0
Forward Return on Equity (%)	15.6	15.4
Sharpe Ratio (Since Inception)	1.07	1.10
Dividend Yield (%)	2.2	1.9
Active Share (%)	97.4	-

Performance (%)

	Lazard	Index	Excess Return
1 Month	-0.4	-5.4	4.9
3 Months	6.0	-5.9	12.0
1 Year	28.5	18.2	10.3
3 Years (pa)	10.2	13.7	-3.5
5 Years (pa)	12.0	13.4	-1.4
Since Inception (pa)	14.5	13.4	1.1

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.

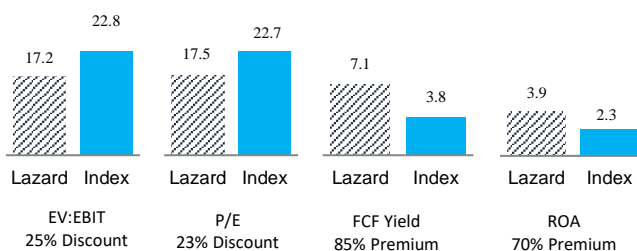
Allocations (%)

Sector	Lazard	Index	Overweight/Underweight
Consumer Staples	1.8	7.2	-5.4
Financials	0.0	14.0	-14.0
Communication Services	9.8	8.0	1.8
Energy	0.0	4.1	-4.1
Real Estate	0.0	2.7	-2.7
Materials	0.0	4.4	-4.4
Health Care	26.0	12.6	13.4
Industrials	20.5	10.1	10.4
Information Technology	11.3	22.4	-11.1
Consumer Discretionary	17.6	11.6	5.9
Utilities	6.7	2.8	3.8
Cash	6.4	0.0	6.4
Region			
North America	57.2	72.0	-14.8
Continental Europe	27.2	13.8	13.4
United Kingdom	4.0	4.3	-0.3
Asia Pacific ex-Japan	0.0	3.3	-3.3
Japan	5.2	6.4	-1.2
Middle East	0.0	0.2	-0.2
Cash	6.4	0.0	6.4

Top 5 Holdings (%)

	Lazard
H&R Block	6.4
International Game Technology	6.2
CVS Health	6.0
Omnicom	5.9
Nielsen	5.8

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

The sell-off in the global equity markets continued in February 2022, driven in large part by Russia's invasion of Ukraine. The Russian invasion beginning on 24 February 2022 and the increasingly aggressive actions and rhetoric from President Vladimir Putin, including placing Russian deterrent nuclear forces on high alert, drew a loud chorus of condemnation and reprisals from around the world. The markets had become increasingly apprehensive over the possibility of an invasion, and the actual outbreak did send volatility measures higher, but they remain well below levels seen during the COVID-19 outbreak and Global Financial Crisis.

The Lazard Global Equity Franchise Fund fell 0.4% (net of fees) during the month of February 2022, outperforming the MSCI World Index which fell 5.4%.

World leading lottery and gaming business IGT performed strongly in February 2022 after a number of lottery concession extensions including Rhode Island (U.S.) for 20-years, a five-year central systems contract extension with Manitoba Liquor and Lotteries Corporation and a three-year contract extension with long-time partner, the Missouri Lottery which will expand Lottery's retailer base with 175 cashless GameTouch 28 machines and support its launch of the highly successful Cash Pop game. In addition, later in the month IGT announced the sale of its payments business, LISPAY S.p.A., to PostePay S.p.A., for €700m, or ~USD780m. LISPAY is a payment technology platform that allows consumers to pay bills such as utilities, buy prepaid phone sim cards, pay taxes, among other services, through 54,000 point of sale locations. The transaction represents a ~16x EBITDA multiple, compared to IGT which based on consensus CY22 forecasts trades on 7.5x EBITDA, highlighting yet another area of valuation upside.

Omnicom, the second largest global advertising and marketing services business, performed strongly in February 2022 upon publishing its Q4 2021 result. The result was strong, with Q4 organic revenue growth of 10.2% (calendar year growth was 9.5%). In 2022, Omnicom generated its highest operating margin since 2000. While organic revenue growth was very strong, we note that it reflects catch-up in demand following some weaker revenues during the pandemic. The company guided revenue growth of 5-6% in 2022, and an even higher operating profit margin (15.4%). This business is currently trading on approximately 13x P/E and 8x EBITDA.

Henry Schein, the world's largest dental distributor, performed strongly in February upon releasing its Q4FY21 results. Results were above expectations as dental and medical patient traffic continue to recover. This was aided by strengths in the faster growing and higher margin Dental Specialty and Technology and value-added Services businesses. Patient traffic was impacted in Jan due to the Omicron variant however management expects patients to reschedule and the impact to be temporary. Factoring this in, management has reiterated its FY22 GAAP EPS growth guidance of 7-10%, implying sales growth of 6-8%.

Nielsen, the leading provider of TV and premium video measurement services to media and advertisers, fell in February. The only significant information published by Nielsen during February was on the last day of the month, when Nielsen published its Q4 2021 result on 28 February. Therefore, we assume that the share price movement over February reflects ongoing concerns about potential alternative measurement providers. We expect Nielsen to remain the primary currency for linear TV advertising transactions, given the need for real world audience validation through Nielsen's panel system, and the substantial switching cost for buyers and sellers. In the Q4 result, CEO David Kenny highlighted that spending by national media clients had increased by "double digits" in Q4 2021, and that Nielsen has had 100% renewal of its top 10 clients over the past 3 years. The Q4 2021 result showed organic revenue growth of 4.7%, with a slightly lower operating margin due to additional expenses for key growth initiatives and the return of temporary COVID-related expenses. Nielsen confirmed that the Nielsen ONE Alpha product remains on track to be launched in Q4 2022. The company also announced a \$1bn share repurchase authorization, equivalent to approximately 16% of the current market value of the company.

US dialysis provider Fresenius was down slightly after reporting 4Q'21 results that were in-line with the market's expectation. FY21 has seen a slight decline in revenues on the back of increased patient mortality due to COVID, but around a 20% fall in EBIT on the back of increased staffing costs. FY22 is expected to see a return to growth as the COVID situation normalizes. The shares remain attractively priced

Fiserv, the leading US account and electronic transaction processor for small banks and credit unions, holds approximately 53% market share. It is also the largest global merchant acquirer. Fiserv published its Q4 2021 profit result in early February, showing that it generated organic revenue growth of 11% for both the quarter and the full year, which was in line with market expectations. The profit margin was slightly lower than expected (34% vs 35% expected). The market seemed to focus on the lower-than-expected 6% and 4% revenue growth for the Payments (card issuer processing) and Fintech (technology for banks) segments, respectively. Fiserv guided an organic revenue growth range for 2022 of 7% to 9%, and an EPS growth range of a very strong 15% to 17%.

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.