

# Lazard

## Global Equity Franchise Fund

Mar 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	\$147.3m
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

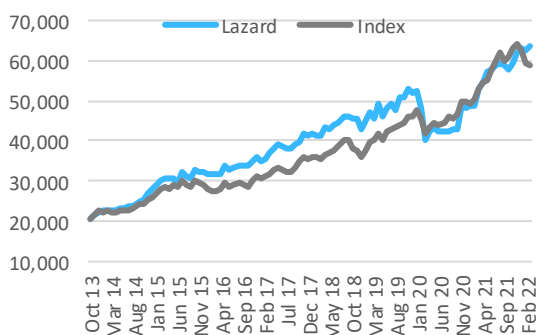
## Investment Characteristics

	Lazard	Index
Forward Price/Earnings	16.6	18.1
Forward Return on Equity (%)	15.8	15.7
Sharpe Ratio (Since Inception)	1.08	1.08
Dividend Yield (%)	2.4	1.8
Active Share (%)	97.5	-

## Performance (%)

	Lazard	Index	Excess Return
1 Month	1.2	-0.7	1.9
3 Months	2.0	-8.2	10.2
1 Year	20.3	11.7	8.6
3 Years (pa)	11.8	12.9	-1.1
5 Years (pa)	11.4	12.8	-1.4
Since Inception (pa)	14.5	13.2	1.4

## 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.

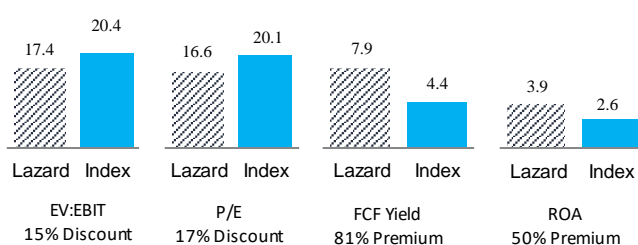
## Allocations (%)

Sector	Lazard	Index	Overweight/ Underweight
Consumer Staples	1.8	7.0	-5.3
Financials	0.0	13.7	-13.7
Communication Services	10.4	7.9	2.5
Energy	0.0	4.3	-4.3
Real Estate	0.0	2.8	-2.8
Materials	0.0	4.5	-4.5
Health Care	23.0	12.9	10.2
Industrials	20.0	10.0	10.0
Information Technology	12.2	22.5	-10.3
Consumer Discretionary	19.5	11.6	7.9
Utilities	6.7	2.9	3.8
Cash	6.5	0.0	6.5
Region			
North America	54.3	72.6	-18.3
Continental Europe	29.2	13.4	15.8
United Kingdom	4.9	4.2	0.7
Asia Pacific ex-Japan	0.0	3.5	-3.5
Japan	5.2	6.1	-1.0
Middle East	0.0	0.2	-0.2
Cash	6.5	0.0	6.5

## Top 5 Holdings (%)

	Lazard
Nielsen	6.8
H&R Block	6.3
International Game Technology	6.1
Omnicom	6.0
CVS Health	5.8

## Investment Characteristics



As at 31 March 2022. 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 rebounded in March 2022 but nevertheless finished their worst quarter since the onset of the COVID-19 pandemic. The conflict in Eastern Europe raged into its second month with no sign of resolution. Russia faced nearly worldwide condemnation, its stocks were removed from the major indices, and the country enacted capital controls to rescue the ruble. Inflation continued to be the major worry as it escalated globally. The Federal Reserve raised its discount rate by 25 basis points in March and assumed a hawkish stance, telegraphing six more hikes for 2022. Europe also experienced the highest inflation in more than 40 years as higher energy prices and natural gas rationing took hold. The European Central Bank is also expected to raise rates this year.

The Lazard Global Equity Franchise Fund returned 2.01% (net of fees) during the quarter to 31 March 2022, outperforming the MSCI World Index which fell 8.17%.

Nielsen shares rose in late March 2022 after agreeing to be acquired by a private equity consortium, at a price representing a 60% premium to the share price prior to the initial offer. The offer clearly reflects confidence from the investor consortium that Nielsen will retain its position as the dominant cross-media measurement currency going forward, a view that we share despite the company's volatile share price performance over the past two years. We have used this volatility to acquire more shares at lower prices and reduce our average cost to well below the current offer. While the price is not unattractive assuming Nielsen does lose some share to new competitors, it is lower than the value implied by management's own medium-term revenue and earnings targets.

US drug distributor McKesson has performed well recently, largely due to better-than-expected earnings from COVID-19 vaccines and personal protection equipment. Margins have also held up well, possibly reflecting greater generic contribution, as well as the impact of the new oncology and data analytics businesses.

Leading satellite operator SES released its FY21 annual results during the quarter ended 31 March 2022, announcing revenues were 1.3% ahead of consensus, (importantly led by video) with EBITDA is in-line. FY22 guidance was softer than market expectations by around 3% at both the revenue and EBITDA line. SES attributed the downgrade to delays in the launches of its new SES-17 geostationary satellite and the final tranche of its medium earth orbit (MEO), O3b mPOWER constellation which are expected to be important drivers of low- to mid-single digit average growth in group revenue and adjusted EBITDA from 2023 onwards. Finally, as a sign of confidence in the medium-term SES has also announced a dividend of €0.50/share for 2021, implying a 25% increase vs 2020 (€0.4), as well as 25% ahead of consensus. SES reaffirmed its previously announced first instalment of the proceeds from the US C-Band spectrum were received in early January 2023. In addition SES has announced that it will earn an additional USD170m gross C band payment from a bilateral agreement with Verizon to deliver spectrum ahead of the FCC timeline. Accounting for an extra USD20m of clearing cost, that is a net USD150m pretax or an estimated 27c per share or 3.5% of the closing price as at 31 March 2022.

Early in the quarter ended 31 March 2022, the world's largest tax agent, H&R Block (HRB) released its Q2 22 results. HRB reported a narrower than anticipated loss, on the back of higher-than-expected revenues, with its Wave Software business growing 31% year-on-year and reiterated full year guidance. HRB also continued its share buyback program, repurchasing US\$159m of shares during FQ2 bringing total repurchases to more than 7% of shares outstanding in the past six months. We still believe HRB offers compelling value today in spite of its strong share price run.

World leading lottery concession holder and gaming company International Game Technology (IGT) was a detractor in the quarter ended 31 March 2022, reporting adj. EBITDA of \$387M, a -2% miss to our own and broker estimates. Net revenues of \$1,050M were +3% ahead of consensus, with adjusted EBITDA margins of 37% (200bps) below. Importantly, the key Lottery business recorded EBITDA 3% ahead, but Gaming and Digital were -9% below. We believe a portion of the miss may have been related to supply chain delays, and could potentially benefit Q1. IGT generated \$326M of FCF in Q4 well ahead of expectations of \$165M. Longer term, IGT continues to expect double-digit revenue and profit growth though 2025 driven by market share gains and strong structural cost savings. IGT's Digital & Betting segment grew at a 29% CAGR in 2019-2021 as management continues to invest in talent and R&D to drive these businesses.

Ferrovial (FER), a Spanish infrastructure owner and operator fell during the quarter ended 31 March 2022 as investors shied away from stocks seen as negatively impacted by the COVID-19-19 'Omicron' wave. 'Omicron' has impacted motorway and airport traffic since the middle of Dec-21, exacerbated by the Christmas holiday. That said, when looking at South African traffic and mobility experience, the impact seems to be much steeper and shorter than previous ones. 'Omicron' cases are now falling quickly in Toronto, Canada, with traffic rebounding sharply back to pre-Christmas levels. FER's stake in the 407ETR toll road in Ontario, Canada, represents more than half of our value for the stock. Dallas Fort-Worth, Texas, US, seems to be lagging somewhat, but cases are now reversing sharply, while traffic is now starting to rebound quickly. FER's three Texan Managed Lane Projects constitute around one-third of our value for FER. Late in the quarter ended 31 March 2022, we added to our FER positions on price weakness.

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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