

Lazard

Global Equity Franchise Fund

May 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	27
Total Fund Size	\$148.3m
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

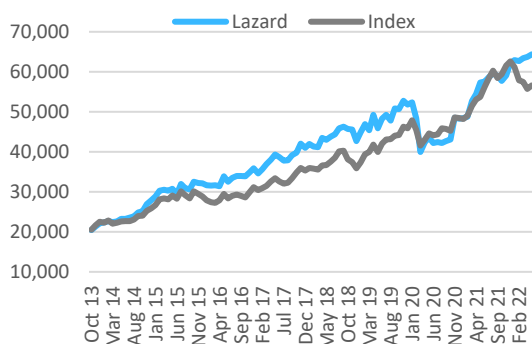
Investment Characteristics

	Lazard	Index
Forward Price/Earnings	15.1	16.5
Forward Return on Equity (%)	15.9	16.0
Sharpe Ratio (Since Inception)	1.08	1.01
Dividend Yield (%)	2.3	2.0
Active Share (%)	97.1	-

Performance (%)

	Lazard	Index	Excess Return
1 Month	1.0	-0.9	1.9
3 Months	2.7	-4.6	7.3
1 Year	12.3	2.7	9.6
3 Years (pa)	12.0	11.4	0.6
5 Years (pa)	10.3	10.5	-0.2
Since Inception (pa)	14.4	12.4	2.0

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.

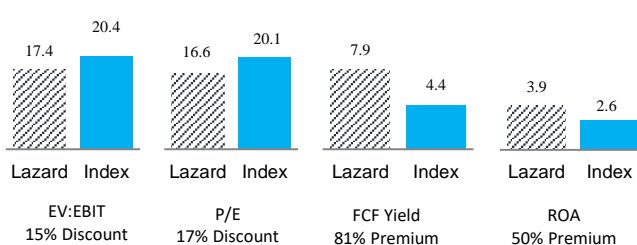
Allocations (%)

Sector	Lazard	Index	Overweight/Underweight
Consumer Staples	2.0	7.4	-5.4
Financials	0.0	13.9	-13.9
Communication Services	10.3	7.5	2.8
Energy	0.0	5.2	-5.2
Real Estate	0.0	2.8	-2.8
Materials	0.0	4.6	-4.6
Health Care	22.3	13.4	8.9
Industrials	17.2	9.9	7.3
Information Technology	20.6	21.4	-0.8
Consumer Discretionary	24.4	10.7	13.7
Utilities	0.0	3.1	-3.1
Cash	3.1	0.0	3.1
Region			
North America	63.6	72.0	-8.4
Continental Europe	27.1	13.6	13.5
United Kingdom	2.1	4.4	-2.4
Asia Pacific ex-Japan	0.0	3.5	-3.5
Japan	4.0	6.2	-2.2
Middle East	0.0	0.2	-0.2
Cash	3.1	0.0	3.1

Top 5 Holdings (%)

	Lazard
Tapestry	6.7
International Game Technology	6.4
CVS Health	6.0
Omnicom	6.0
Ferrovial	5.3

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

Volatility remained elevated in global equity markets in May 2022. Central bank policies continued to dominate investor sentiment as the banks attempted to control inflationary pressures through tighter monetary policies. The US Federal Reserve has remained a focal point as the US economy has been healthy and appears capable of withstanding higher interest rates without falling into a recession while ongoing supply chain issues continued to hinder global growth. The war in Ukraine continued to drag on, with neither side showing any meaningful progress. Russia was increasingly ostracised as Finland and Sweden both submitted applications to join NATO, and several countries, including the United Kingdom, looked for ways to cease buying Russian oil and gas.

The Lazard Global Equity Franchise Fund rose 1.03% (net of fees) during the month ending 31 May 2022, outperforming the MSCI World Index which fell 0.86%.

World leading tax agent, H&R Block (HRB) rose strongly after resetting full-year guidance following a solid pre-tax season period. Third quarter 2022 revenue was US\$2.1 billion, an increase of 4% over the prior year. This was unexpected, given 2021 had many one-time tax filers. Importantly, the Assisted return numbers are now expected to be flat on pre COVID-19 levels, bucking the multi-year decline trend. HRB are confident the downward trend in Assisted is behind them. Although we remain more cautious than management, we do acknowledge the recent numbers provide a new starting level and modest upgrade to our value. We took advantage of the strong price rise to trim our position, but we still regard HRB as attractively priced, trading on around 10x PE.

Luxury fashion holding company Tapestry was lifted by an upbeat earnings release where the company announced a new US\$1.5 billion buyback. This was justified by the continued high level of cash generation and the quantification of the disruption to the business due to the COVID-19 lockdowns in China, largely offset by better underlying business performance. Given the sharp fall in the shares since the start of 2022, we increased our position.

Inditex, Spanish owner of Zara and other brands, performed well in anticipation of a strong reported 1Q result in June. The first six weeks of the quarter saw revenues up roughly 33% yoy, and despite headwinds from closure of Russian stores and continued Chinese lockdowns, is expected to report similar growth for the full quarter on the back of re-opening dynamics in Europe and market share increase in the US.

Leading satellite operator SES added to performance after it announced Q1 headline adjusted EBITDA ahead of consensus. SES management reiterated 2022 guidance and the \$586m tranche 1 C-band payment received in early January has now been booked, reducing net debt, with everything on track for the second tranche expected in December 2023.

Off-price retailer Ross Stores fell in May after performing well in April. Shares fell as Q1 EPS missed market expectations. Margins were in-line, but comparable growth was weak and yearly guidance was revised downwards from +0-3% to -2-4%. Management attributed the revised revenue target to a combination of execution buying issues and inflationary pressures on low-income households. Execution buying issues are expected to be resolved and management re-affirmed their store target of opening net new 90 stores this year. We believe Ross Stores remains attractively priced, even after excluding any long-term impacts of COVID-19-related stimulus.

Secom, the leading provider of residential and commercial security services in Japan, lost ground despite reporting a 4.8% increase in operating profit for the year. The company guided for reduced profits in 2023 due to an increase in personnel and product development costs, while also increasing the dividend. Despite the reduced guidance we see no material impact to our long run assessment of intrinsic value for Secom, which remains attractive, trading on just over 7x EBITDA.

Medtronic, the world's leading manufacturer of medical devices, detracted after reporting full year earnings and 2023 guidance below expectations. Revenues and earnings are being impacted by supply chain issues, the COVID-19 pandemic lockdowns in China and foreign exchange, all of which we expect will resolve in time.

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.