

Lazard

Global Equity Franchise Fund

Jun 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	\$139.5m
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

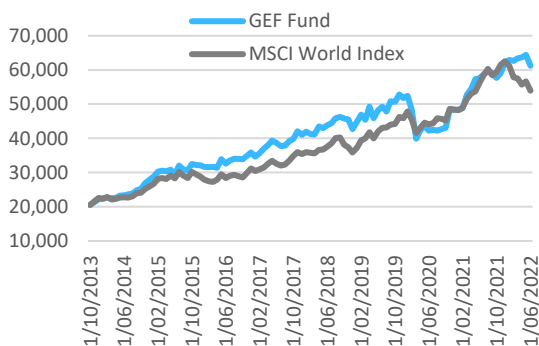
Investment Characteristics

	Lazard	Index
Forward Price/Earnings	13.6	15.1
Forward Return on Equity (%)	15.5	16.3
Sharpe Ratio (Since Inception)	1.01	0.93
Dividend Yield (%)	2.4	2.2
Active Share (%)	97.2	-

Performance (%)

	Lazard	Index	Excess Return
1 Month	-4.9	-4.7	-0.2
3 Months	-3.5	-8.5	5.0
1 Year	6.3	-6.5	12.7
3 Years (pa)	8.2	7.7	0.5
5 Years (pa)	9.6	10.0	-0.5
Since Inception (pa)	13.6	11.6	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.

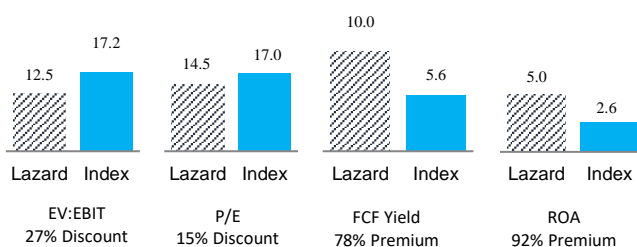
Allocations (%)

Sector	Lazard	Index	Overweight/Underweight
Consumer Staples	2.1	7.8	-5.7
Financials	0.0	13.6	-13.6
Communication Services	9.7	7.6	2.1
Energy	0.0	5.0	-5.0
Real Estate	0.0	2.9	-2.9
Materials	0.0	4.3	-4.3
Health Care	24.1	14.1	9.9
Industrials	17.1	9.9	7.2
Information Technology	23.9	21.1	2.9
Consumer Discretionary	20.8	10.6	10.2
Utilities	0.0	3.2	-3.2
Cash	2.3	0.0	2.3
Region			
North America	69.2	72.3	-3.0
Continental Europe	24.3	13.4	10.9
United Kingdom	0.0	4.4	-4.4
Asia Pacific ex-Japan	0.0	3.5	-3.5
Japan	4.2	6.2	-2.0
Middle East	0.0	0.2	-0.2
Cash	2.3	0.0	2.3

Top 5 Holdings (%)

	Lazard
CVS Health	6.4
International Game Technology	5.9
Tapestry	5.7
Omnicom	5.6
Fresenius Medical Care	5.2

Investment Characteristics



As at 30 June 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

After May's brief relief rally, global equity markets resumed their plunge, falling another 8.5% (in USD terms) in June ending the quarter in negative territory. Inflation levels have continued to surprise to the upside, fuelled by ever higher oil and commodity prices, labour shortages, and ongoing supply chain disruptions. Central banks have broadly acted in a coordinated fashion to fight inflation, with 45 banks raising rates thus far in 2022. The Peoples Bank of China and Bank of Japan are two notable exceptions. The US Federal Reserve has remained a focal point as it has maintained an increasingly hawkish tone in the face of stubbornly high inflation numbers. The European Central Bank warned that the era of low interest rates and low inflation has ended, aggravated by the conflict in Ukraine and global COVID-19 pandemic, and forecasted a larger interest rate hike in September following a 25-basis-point (bp) increase in July. Consumer confidence continued to wane, and recessionary fears in Europe and the United States were a primary concern.

The Lazard Global Equity Franchise Fund fell 3.5% (net of fees) during the quarter ending 30 June 2022, outperforming the MSCI World Index which fell 8.5%.

Although there was no significant company news flow during the June 2022 quarter, leading tax agent H&R Block (HRB) rose strongly, continuing the performance in March following the Company's Investor Day. HRB set a medium-term target goal of up to 6% revenue growth based on consumer tax return volumes of 1%, pricing of 1% to 3%, franchise acquisitions of 1% and other activities including payment system Wave of 1%. We can only speculate that the market is growing in confidence that HRB can deliver on these expectations. Our value is based on much lower sustainable revenue growth.

Atlantia shares were strong over the quarter as various regulatory hurdles to the takeover offer were overcome. We expect the transaction to complete late Q3, early Q4 2022. Nevertheless, with only a small differential between the bid and market prices we exited our position in Atlantia.

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 lottery concession operator IGT fell during the quarter, despite delivering better than expected quarterly results which beat consensus estimates both on revenue and Adjusted EBITDA. It appears the market is questioning the acquisition of iSoftBet, an iGaming content provider and third-party game aggregator. iSoftBet's portfolio contains 125 proprietary games and 4,600 third-party games. Although strategically sound, IGT paid €160 mm in cash for iSoftBet, which generated €30 mm in revenue and €8 mm in EBITDA in 2021. As such, the deal represents valuation multiples of around 5x revenue and 20x EBITDA. At the time, IGT was trading on less than 8x EBITDA. Although largely immaterial to IGT's value, we do query the acquisition discipline of this deal.

Dialysis providers Fresenius and DaVita fell during the quarter after the US Supreme Court found in favour of a small health fund that had reduced the amount it paid for dialysis services, in apparent contravention of the Medicare Secondary Payor Act 1980. Private health insurance pays a much higher price for dialysis for the first 2 years of treatment, before all payments switch to Medicare; and that higher price accounts for the majority of industry profits. Treatment for the majority of patients are currently covered by contracts with the larger health funds so this is not an immediate threat to profits. Longer-term we expect legislation will address the issue, as severely curtailing industry profitability will result in upwards pressure on Medicare budgets and potentially reduced access to treatment.

Tapestry shares fell as the market is concerned about the impact of the looming recession on luxury companies. We continue to see Tapestry as one of the cheapest companies in our investable universe, with an underlying improvement in value chain management likely to continue to increase margins. We believe that Tapestry's "affordable luxury" positioning helps the company in the current context, both in developed markets and in Mainland China.

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 sizeable discount to intrinsic value as well as 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.