

Lazard

Global Equity Franchise Fund

Aug 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	28
Total Fund Size	\$187.9m
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

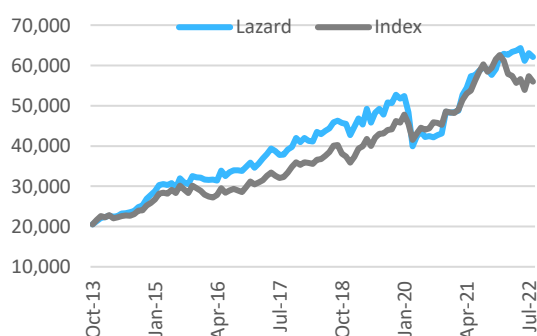
Investment Characteristics

	Lazard	Index
Forward Price/Earnings	13.5	15.8
Forward Return on Equity (%)	14.7	16.2
Sharpe Ratio (Since Inception)	1.01	0.94
Dividend Yield (%)	2.6	2.1
Active Share (%)	97.3	-

Performance (%)

	Lazard	Index	Excess Return
1 Month	-1.5	-2.5	1.0
3 Months	-3.5	-1.2	-2.3
1 Year	4.4	-9.5	13.9
3 Years (pa)	9.1	8.1	1.0
5 Years (pa)	10.4	11.0	-0.6
Since Inception (pa)	13.5	11.9	1.7

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.

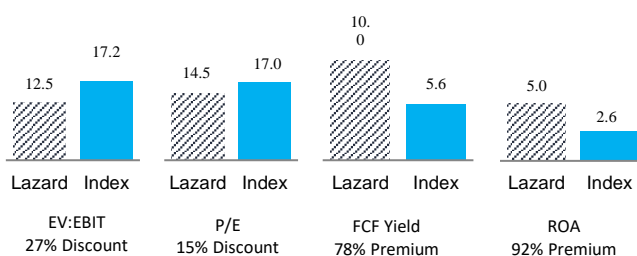
Allocations (%)

Sector	Lazard	Index	Overweight/Underweight
Consumer Staples	1.8	7.7	-5.9
Financials	0.0	13.4	-13.4
Communication Services	9.8	7.2	2.6
Energy	0.0	5.2	-5.2
Real Estate	0.0	2.9	-2.9
Materials	0.0	4.2	-4.2
Health Care	22.6	13.2	9.4
Industrials	17.6	10.1	7.5
Information Technology	22.6	21.7	0.9
Consumer Discretionary	21.6	11.3	10.3
Utilities	0.0	3.2	-3.2
Cash	4.0	0.0	4.0
Region			
North America	66.1	73.2	-7.1
Continental Europe	26.5	12.8	13.7
United Kingdom	0.3	4.1	-3.8
Asia Pacific ex-Japan	0.0	3.5	-3.5
Japan	3.0	6.2	-3.1
Middle East	0.0	0.2	-0.2
Cash	4.0	0.0	4.0

Top 5 Holdings (%)

	Lazard
Tapestry	6.5
Omnicom	5.8
CVS Health	5.8
International Game Technology	5.6
Fresenius Medical Care	5.0

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

Volatility in global equities continued in August as hopes that inflation had crested and central banks would modify their hawkish stance were all but dashed. Escalating inflation in Europe and tight labour conditions in the United States began to erode optimism over any slowdown in tightening. US Federal Reserve Chair Jerome Powell's statement that the Fed "must keep at it until the job is done" erased any ambiguity over a softening in the Fed's position. This clear priority for fighting inflation over supporting global economic growth triggered a sharp sell-off in the last days of the month. This theme was reinforced by the European Central Bank as officials reaffirmed their anti-inflation priority.

The Lazard Global Equity Franchise Fund fell 1.50% (net of fees) during the month ending 31 August 2022, outperforming the MSCI World Index which fell 2.47%.

Nielsen, the monopoly provider of TV ratings in the US, rose in August after it was announced that major shareholder Windacre had reached agreement with the private equity bidders for the company at the existing offer of US\$28 per share. Windacre had previously opposed the deal. Instead, they have agreed to sell some of their shares into the deal while rolling the remainder into the private equity consortium acquiring the company. The deal has subsequently been approved by shareholders and is expected to close in October 2022.

The world's leading tax services firm, H&R Block (HRB), was one of the key contributors in August after reporting better-than-expected Q4FY22 results. HRB management also provided FY22 guidance which was ahead of broker expectations, announced an expansion to its share buyback program and expects to grow the top line by 3-6% per year going forward. Our value is based on much more conservative forecasts. HRB still offers reasonable value trading on 12x forward EPS.

Luxury retailer Tapestry's shares were underpinned by a strong set of FY results, highlighting that the underlying performance of the group remained on track with the successful implementation of the performance improvement plan. Indeed, the group was able to largely offset the disruption in the Chinese market and navigate logistics challenges. The continued focus on pricing and getting the right product at the right time to the consumer suggests that the high level of cash generation is likely to keep improving, paving the way for further substantial cash returns to shareholders.

Pediatrix Medical Group is a US physician staffing company focused on neonatal, maternal-fetal and pediatric physician subspecialty services. The company's share price declined in August after reporting its Q2 2022 result, where it lowered its full year guidance to adjusted EBITDA of US\$260-270M (previously "at least US\$270m"). The Q2 result delivered adjusted EBITDA approximately 1.5% below consensus estimates. The number of births, a key driver number of the business, remained flat over the quarter.

Intel, the leading manufacturer of microprocessors for PC's and data centers, fell in August after releasing disappointing second quarter results. Earnings fell as a result of a weaker PC market and a combination of weaker demand and share losses in the data center segment. Intel also disappointed the market by announcing another delay to the launch of their Sapphire Rapids product for the data center. Importantly, the company believes it is at or ahead of schedule on the development of their 'advanced node' products, which are the key to the company regaining parity and ultimately leadership against TSMC, which they anticipate will occur by 2024. Given Intel's still dominant market share position and substantial resource advantage (R&D spend of US\$18 billion compared to US\$10 bn at TSMC and AMD combined) the company's plan appears achievable, and implies earnings well above current levels.

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.