

# Lazard

## Global Equity Franchise Fund (Hedged)

Jan 2023  
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	\$52.6m
Inception Date	16 November 2020
Total Management Costs	1.25%
Index	MSCI World 100% Hedged to AUD Index
Minimum Investment	\$20,000
Buy/Sell Spread	+0.20%/-0.20%
Distributions	Annually
APIR Code	LAZ7556AU

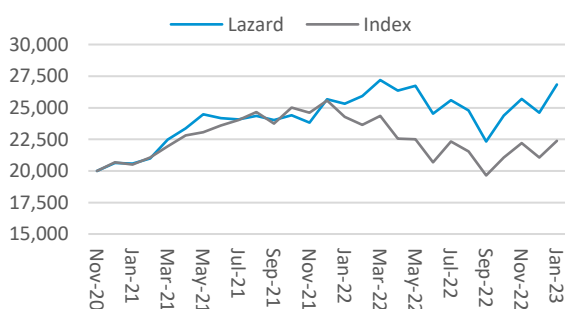
## Investment Characteristics

	Lazard	Index
Forward Price/Earnings	14.5	16.8
Forward Return on Equity (%)	13.1	15.3
Sharpe Ratio (Since Inception)	0.85	0.29
Dividend Yield (%)	2.5	2.1
Active Share (%)	96.1	-

## Performance (%)

	Lazard	Index	Excess Return
1 Month	9.0	6.2	2.8
3 Months	10.0	6.3	3.7
1 Year	6.0	-7.9	13.8
3 Years (pa)	-	-	-
5 Years (pa)	-	-	-
Since Inception (pa)	14.1	7.5	6.6

## Growth of \$20,000



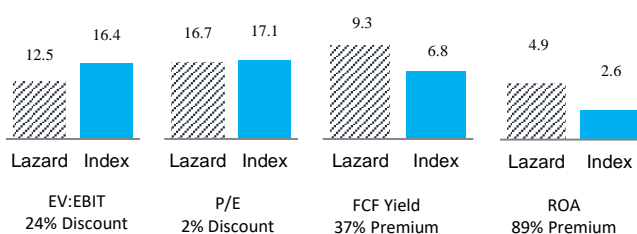
## Allocations (%)

Sector	Lazard	Index	Overweight/Underweight
Consumer Staples	0.9	7.2	-6.3
Financials	-	14.1	-14.1
Communication Services	11.6	6.5	5.1
Energy	-	5.3	-5.3
Real Estate	-	2.6	-2.6
Materials	-	4.5	-4.5
Health Care	26.6	13.1	13.5
Industrials	16.5	10.2	6.3
Information Technology	13.8	20.1	-6.3
Consumer Discretionary	20.2	10.4	9.8
Utilities	3.7	2.9	0.8
Cash	6.8	3.0	3.7
<b>Region</b>			
North America	56.5	69.0	-12.5
Continental Europe	26.2	14.0	12.2
United Kingdom	6.6	4.2	2.4
Asia Pacific ex-Japan	-	3.6	-3.6
Japan	4.0	6.0	-2.0
Middle East	-	0.2	-0.2
Cash	6.8	3.0	3.7

## Top 5 Holdings (%)

	Lazard
Tapestry	6.1
Cognizant	6.0
International Game Technology	5.9
CVS Health	5.9
Omnicom	5.6

## Investment Characteristics



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.

As at 31 December 2022. Lazard estimates based on historical financial accounts of companies held in the Lazard Global Equity Franchise (Hedged) strategy. All estimates are based on current information and are subject to change.  
Source: Lazard, Factset, MSCI

## Commentary

Global equity markets began 2023 with a sharp rally. We believe there have been positive signs of moderating inflation along with better-than-expected corporate earnings and GDP numbers alleviated investor concerns over a deep and prolonged recession. European markets outperformed as the milder winter alleviated energy shortage concerns and inflation numbers showed real signs of abatement.

The Lazard Global Equity Franchise (Hedged) Fund returned 9.02% (net of fees) during the month, outperforming the MSCI World 100% Hedged to AUD Index which returned 6.24%.

Tapestry and Knorr-Bremse performed strongly in January 2023, as both companies are expected to benefit from the reopening of the Chinese economy. Tapestry and Knorr-Bremse's exposure to China is approximately 20% and 30% respectively.

World's largest lottery concession and gaming business, International Game Technology (IGT), performed well during the month. September quarter revenue growth of 14% (Lottery +4%, Gaming +34%, Digital +34%) highlighted not only the resilience of its business segments, but also IGT's market-leading position. We believe these factors continue to make IGT one of the more attractive stocks within our Global Franchise universe. With leverage no longer an issue having reduced to just above 3x Net Debt:EBITDA and mostly fixed-rate debt, and IGT's free equity cash flow easily covering the dividend (US\$0.80 annual), management are judiciously buying back shares with 6% of its float repurchased since November 2021 and US\$156m of the current repurchase plan remaining. As at 31 January 2023, IGT shares traded at 7x EBITDA, approximately half the valuation of its global lottery comparables.

IT outsourcer Cognizant contributed to performance during the month after it announced that Ravi Kumar, ex-president of competitor Infosys, will be the new CEO. Like a lot of outsourcers, Cognizant has experienced high staff turnover and increasing costs, but has set itself apart by passing those costs onto customers to maintain margins and profitability. This has somewhat mitigated growth and resulted in some negative guidance on results, however the CEO announcement has been taken as a sign that these issues are potentially on the way to resolution.

eBay contributed during the month on little news, presumably on a market view that the macro situation may not be as dire as previously expected. eBay is undergoing a successful refocusing towards categories where it has significant strength, such as automotive parts, trading cards and used goods and clothing, as well as value-adding services such as payments and authentication, that are seeing a decline in revenues but an increase in margin. Confounding this is a bleak near-term macroeconomic forecast, resulting in a volatile trading situation. On conservative macro assumptions, we believe the stock remains inexpensive.

CVS Health shares fell during the month as the company was rumoured to be exploring the acquisition of value-based primary care chain Oak Street Health for over US\$10 billion. This potential acquisition, following the purchase of Signify Health would put CVS on acquisition risk after years of focus on cash generation and debt reduction. However, the company continues to deliver with its 2022 revenue close to the top of guidance. In addition, CEO Karen Lynch has continued to reinforce its management team, with a new head of the PBM division, David Joyner, and the appointment of a Chief Product Officer, Amy Bricker to lead product and innovation in the retail division.

The world's largest brewer, Anheuser-Busch (ABI) detracted modestly in late January, after we reduced our holding earlier in the month. Overall, the impact was minimal on the Global Equity Franchise strategy's performance. We acknowledge some investors are nervous about the weakening beer demand in the US. Although we expect 2023 volumes to slow in the US. The combination of China reopening and rebounding volume growth in Mexican and South American markets means ABI is offsetting these headwinds. With expectations ABI management will continue to guide for +4% to +8% organic EBITDA growth in FY23E and net debt/EBITDA reaching 3.0x by year-end. Previous stock-market concerns about the group's ability to deliver consistent growth and financial deleverage have largely been laid to rest. We still find ABI modestly attractive at current market prices and it is currently the only consumer staple business we hold today.

The Global Equity Franchise portfolio currently holds high-quality franchise companies with higher financial productivity than the market, 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](http://www.lazardassetmanagement.com)

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