

Lazard

Global Equity Franchise Fund (Hedged)

Feb 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	\$52.2m
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

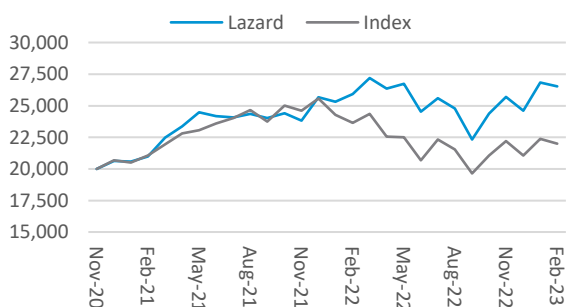
Investment Characteristics

	Lazard	Index
Forward Price/Earnings	15.0	16.4
Forward Return on Equity (%)	13.2	15.5
Sharpe Ratio (Since Inception)	0.78	0.22
Dividend Yield (%)	2.5	2.1
Active Share (%)	96.1	-

Performance (%)

	Lazard	Index	Excess Return
1 Month	-1.1	-1.7	0.5
3 Months	3.3	-0.9	4.2
1 Year	2.4	-6.9	9.3
3 Years (pa)	-	-	-
5 Years (pa)	-	-	-
Since Inception (pa)	13.0	6.5	6.5

Growth of \$20,000



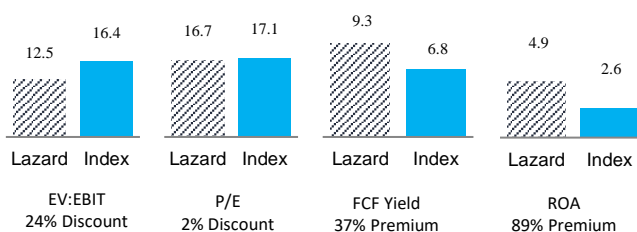
Allocations (%)

Sector	Lazard	Index	Overweight/Underweight
Consumer Staples	2.1	7.8	-5.6
Financials	-	15.1	-15.1
Communication Services	9.8	6.8	3.0
Energy	-	5.5	-5.5
Real Estate	-	2.7	-2.7
Materials	-	4.7	-4.7
Health Care	26.5	13.8	12.7
Industrials	19.5	11.1	8.5
Information Technology	12.2	22.0	-9.8
Consumer Discretionary	22.7	11.1	11.6
Utilities	4.9	3.0	1.9
Cash	2.1	-3.7	5.8
Region			
North America	56.1	73.7	-17.6
Continental Europe	28.3	15.2	13.2
United Kingdom	8.1	4.6	3.5
Asia Pacific ex-Japan	-	3.6	-3.6
Japan	5.3	6.4	-1.1
Middle East	-	0.2	-0.2
Cash	2.1	-3.7	5.8

Top 5 Holdings (%)

	Lazard
International Game Technology	6.3
Tapestry	6.3
Cognizant	6.0
Fresenius Medical Care	5.8
CVS Health	5.4

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 retreated in February, as investors were forced to re-set their expectations for the current global rate-hiking cycle. The optimism that fueled last month's market rally evaporated and was replaced by concerns that persistent inflationary pressures and a resilient global economy would force central banks to press on with their monetary tightening campaigns. The European Central Bank lifted interest rates by 50 bps and vowed that there would be no let-up in its aggressive efforts to wring high inflation out of the eurozone. The Bank of England also increased interest rates by 50 bps as inflation in the UK slowed for a third consecutive month in January, though it remained in double digits. Investors cheered the US Federal Reserve's announcement that it was raising its benchmark interest rate by 25 bps, its smallest increase since March 2022, and that it was seeing improvements in inflation.

The Lazard Global Equity Franchise (Hedged) Fund returned -1.12% (net of fees) during the month, outperforming the MSCI World 100% Hedged to AUD Index which returned -1.65%.

Omnicom shares rose after reporting strong FY22 results. Organic revenue growth was 9.4% for the year, following on from 10% in 2021, and the company recorded record high operating margins. Management expects solid organic growth to continue in 2023, albeit at a slower pace than last year.

Dialysis provider Fresenius Medical Care (FMC) was a contributor to performance after announcing better than expected 4Q22 earnings, with slightly better growth and margin, and an easing of COVID-19 related excess mortality. Guidance for 2023 was lowered as staffing cost pressures are expected to continue, but they also guided towards increasing margins in 2023 as wage cost pressures ease, reimbursement picks up and cost reductions kick in. Fresenius SE, which owns 32% of FMC also announced it would deconsolidate FMC but would not be selling stock given that would be 'value destructive' at current prices.

Fiserv, one of the world's leading payment processors, rose after reporting strong fourth quarter and FY22 results. Revenues grew 12% organically, while operating margins rose 1.2%. Importantly, there was little sign of any impact from new entrants in the payments space, with Clover, Fiserv's new payment offering for smaller businesses, growing 23% in the fourth quarter and already a larger business than competitor Square in this category.

Knorr Bremse shares continued to perform well in February. Incoming CEO Mr Llistosella presented the company's results for the 2022 fiscal year and his initial views on the business. This reassured the market as he placed emphasis on the improvement of the operating performance of the existing business, rather than external growth. In addition, he stressed that all options were on the table for poorly performing units, including disposals.

International Game Technology (IGT) beat consensus expectations in 4Q22, the 19th such occurrence in the past 22 quarters, while also meeting all of its financial goals in 2022. As the largest lottery company in the world, IGT continues to benefit from solid underlying demand. Its Digital Platform continues to be stable and will improve with the recent acquisition of iSoftbet, generating EBIT margins of 26% in 4Q22. From a capital allocation standpoint, IGT returned US\$276m to shareholders in 2022 through both dividends and buybacks. With Lottery now comprising ~70% of EBITDA, combined with a stronger balance sheet streamlined operations, a margin improvement story and capital return program, we believe IGT continues to demonstrate a convincing case for a multiple re-rating over the medium term. IGT currently trades 7x EBITDA while its listed peers and recent Private Equity acquisitions trade on multiples 50-100% higher.

SES fell as the market trimmed expectations for 2023, reflecting revised lower guidance from the company as the launch of the final mPower satellites and ramp of mPower MEO constellation has been delayed again. This is due to the continued launch delays that the satellite industry has been facing since the war in Ukraine began, limiting access to Ukrainian and Russian launch sites, reducing launch availability globally.

The world's leading tax agent H&R Block (HRB) fell modestly in February despite reporting better than expected fiscal 2023 second quarter results. Revenue grew 5% and the company saw a strong ending to the 2022 tax season. Management reaffirmed FY23 outlook and continue to expect topline growth, EBITDA that outpaces revenue, and EPS that grows even faster. HRB continues to be excellent stewards of capital having repurchased US\$130M of shares in the quarter, reducing shares outstanding by another 2%; and announced a US\$0.29 quarterly dividend, continuing its 60 years of paid quarterly dividends. Since 2016, HRB have grown dividend per share by more than 45% and have returned approximately US\$3B to shareholders through dividends and share repurchases.

eBay detracted from performance after reporting lower than expected 4Q22 earnings. The focus categories strategy remains intact, and the shares continue to represent good value on a relatively dim macroeconomic forecast.

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

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