

Lazard

Global Equity Franchise Fund (Hedged)

Apr 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	25
Total Fund Size	\$53.5m
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

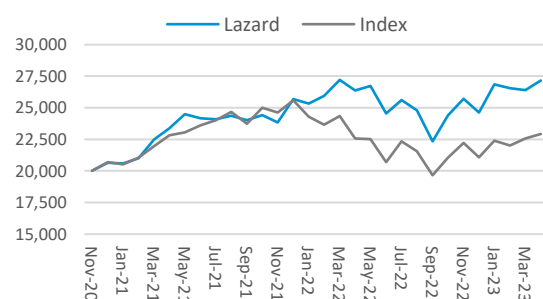
Investment Characteristics

	Lazard	Index
Forward Price/Earnings	15.0	17.2
Forward Return on Equity (%)	13.3	15.3
Sharpe Ratio (Since Inception)	0.80	0.31
Dividend Yield (%)	2.6	2.1
Active Share (%)	95.8	-

Performance (%)

	Lazard	Index	Excess Return
1 Month	2.9	1.6	1.3
3 Months	1.2	2.4	-1.2
1 Year	3.0	1.5	1.5
3 Years (pa)	-	-	-
5 Years (pa)	-	-	-
Since Inception (pa)	13.1	7.8	5.3

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.

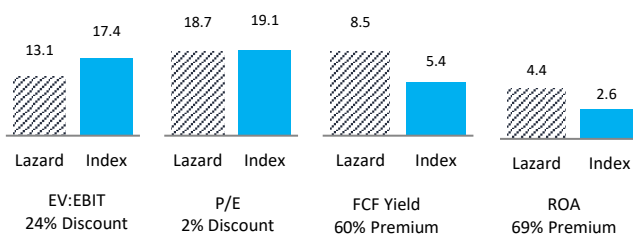
Allocations (%)

Sector	Lazard	Index	Overweight/Underweight
Consumer Staples	2.0	7.9	-5.9
Financials	-	13.4	-13.4
Communication Services	10.6	7.1	3.5
Energy	-	5.2	-5.2
Real Estate	-	2.5	-2.5
Materials	-	4.4	-4.4
Health Care	27.8	13.8	14.0
Industrials	16.4	10.7	5.7
Information Technology	12.3	22.6	-10.3
Consumer Discretionary	19.3	10.8	8.5
Utilities	7.2	3.1	4.2
Cash	4.3	-1.4	5.7
Region			
North America	54.4	72.1	-17.7
Continental Europe	26.8	15.1	11.7
United Kingdom	10.4	4.4	6.0
Asia Pacific ex-Japan	-	3.4	-3.4
Japan	4.1	6.2	-2.1
Middle East	-	0.2	-0.2
Cash	4.3	-1.4	5.7

Top 5 Holdings (%)

	Lazard
Fresenius Medical Care	6.8
CVS Health	6.1
Cognizant	5.9
eBay	5.4
H&R Block	5.0

Investment Characteristics



As at 31 March 2023. 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

Global equity markets recorded a modest gain in April, as investors adopted a cautious approach amid growing uncertainty about the global economic outlook. In the US, economic news continued to be mixed as corporate earnings remained above already low expectations halfway through the reporting season. Economic growth eased but inflation, particularly wage pressures, remained stubbornly high as US unemployment claims declined in April. Meanwhile, high inflation led to stagnant consumer spending in the eurozone economy. The European Central Bank matched the rate increases of the US Federal Reserve and investors expect it will raise rates for the seventh consecutive time in May.

The Lazard Global Equity Franchise Fund (Hedged) returned 2.92% (net of fees) during the month ending 30 April 2023, outperforming the MSCI World Index which returned 1.61%.

Dialysis provider Fresenius contributed to performance in April 2023 after outlining improved 2025 margin targets at their Capital Markets Day and the likelihood of beating budget for 1Q23 results to be reported early May.

Global medical device company Smith & Nephew performed strongly in the month on the back of the recovery of its core orthopedic business. The company reported Q1 results in April 2023 where they re-affirmed full year organic growth and trading margin guidance. Management also notes good progress made on their 12-Point Plan, most of which aims to fix the underperforming Orthopedics division.

Medtronic, the largest medical devices manufacturer in the world, rose after the FDA approved its MiniMed 780G diabetes product, an important milestone for the company's Diabetes segment, which has lost market share in recent years. Subsequently, the FDA also lifted the warning letter it had issued in December 2021 for the company's diabetes manufacturing facilities.

Tapestry detracted from performance, as the company, and peers in the mid-range luxury sector, suffered from concerns surrounding consumer spending. This is in sharp contrast to the higher-end luxury groups that are driven largely by the recovery in the Chinese market. However, we believe that the commercial and operating performance of Tapestry may continue to be above peers, has an attractive valuation and high cash flow generation.

The world's leading tax agent H&R Block (HRB) fell modestly in the month in spite of better-than-expected quarterly results the prior month. Revenue grew 5% as HRB had 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. In addition, HRB remains confident of achieving adjusted EPS growing double digits annually through fiscal year 2025. HRB continue 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 the 60 years of continuously paid quarterly dividends. Since 2016, HRB have grown the dividend per share over 45% and have returned US\$3B to shareholders through dividends and share repurchases.

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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