

Lazard

Global Equity Franchise Fund (Hedged)

Jul 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	27
Total Fund Size	\$65.2m
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

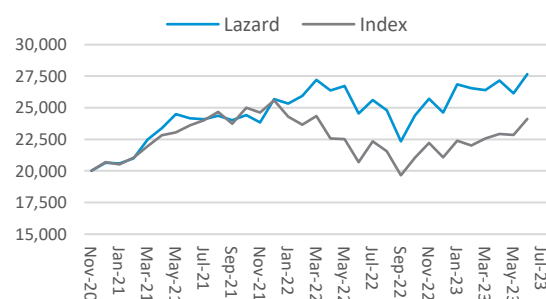
Investment Characteristics

	Lazard	Index
Forward Price/Earnings	14.9	18.5
Forward Return on Equity (%)	13.3	15.3
Sharpe Ratio (Since Inception)	0.80	0.47
Dividend Yield (%)	2.6	2.0
Active Share (%)	95.4	-

Performance (%)

	Lazard	Index	Excess Return
1 Month	1.9	2.8	-1.0
3 Months	3.8	8.2	-4.4
1 Year	10.1	11.1	-1.0
3 Years (pa)	-	-	-
5 Years (pa)	-	-	-
Since Inception (pa)	13.4	10.2	3.2

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.

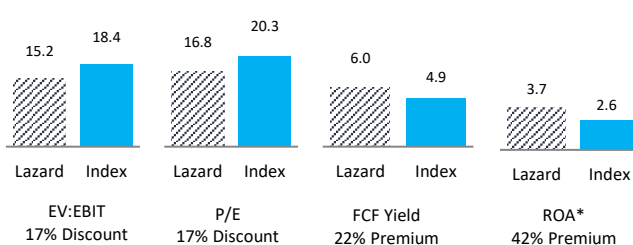
Allocations (%)

Sector	Lazard	Index	Overweight/Underweight
Consumer Staples	1.8	7.2	-5.4
Financials	10.9	14.8	-3.9
Communication Services	10.6	7.1	3.5
Energy	-	4.6	-4.6
Real Estate	-	2.4	-2.4
Materials	-	4.2	-4.2
Health Care	25.2	12.4	12.8
Industrials	10.5	10.9	-0.4
Information Technology	5.9	21.9	-16.0
Consumer Discretionary	19.9	11.0	8.9
Utilities	9.5	2.7	6.8
Cash	5.7	0.8	4.9
Region			
North America	53.2	72.0	-18.8
Continental Europe	28.3	13.8	14.5
United Kingdom	10.9	4.0	6.9
Asia Pacific ex-Japan	-	3.1	-3.1
Japan	1.9	6.1	-4.2
Middle East	-	0.2	-0.2
Cash	5.7	0.8	4.9

Top 5 Holdings (%)

	Lazard
H&R Block	6.0
CVS Health	6.0
Fresenius Medical Care	5.8
eBay	5.3
Visa	5.0

Investment Characteristics



As at 30 June 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.

*including Financials
Source: Lazard, Factset, MSCI

Commentary

The global equity markets' 2023 rally continued in July. With the start of a new corporate earnings season and inflationary pressures continuing to exert themselves, the focus during the month was squarely on the two levers that set stock prices—interest rates and company profits. In the US, the Federal Reserve, as expected, resumed its rate-hiking campaign in July. In Europe, where economic uncertainty has gripped the eurozone, the European Central Bank (ECB) lifted interest rates for a ninth consecutive time. While the ECB reported progress in its efforts to rein in price growth, it also acknowledged that inflation in the common currency bloc was expected to remain “too high for too long.”

The Lazard Global Equity Franchise Fund (Hedged) returned 1.89% (net of fees) during the month ending 31 July 2023, underperforming the MSCI World Index which returned 2.84%.

Dialysis provider Fresenius contributed during July in the lead up to reporting a better-than-expected 2Q23 set of results, with margin growth in Care Delivery as the key driver.

US healthcare company CVS Health shares rose after the company posted strong earnings and revenue for the second quarter. We believe CVS offers compelling value today, however we are cautious around their capital allocation strategy.

Leading satellite firm SES rose during July on little company news. SES is due to receive around US\$3bn (pre-tax) of Phase 2 cash from the FCC in December 2023 as part of its C-band clearing process and part of the proceeds may be returned to shareholders. The company also confirmed that discussions regarding a possible combination with Intelsat have ceased and this supports the case for additional shareholder returns. Whilst there could still be small inorganic or organic growth opportunities, if the value of the post-tax proceeds were returned to shareholders, we expect it would be around €5 per share. As at 31 July SES shares traded at €5.89.

Nexi, Europe's largest merchant acquirer, card issuer and payment processing business, performed well as the expectations for 1H results continued to bottom out. The benefits of synergies have resulted in improvement in margins resulting in higher cash generation which we believe is important to reduce leverage and leave room for returns to shareholders.

Omnicom, the world's second largest advertising and marketing services company, fell after reporting second quarter earnings, despite reporting organic growth of 3.4%, EPS growth of 8% and a very solid 15.3% operating margin. The market appeared to be disappointed in the organic growth, which while lower than recent history, was only 50 bps shy of consensus forecasts. Management made no changes to their 2023 outlook other than raising the lower end of their organic growth guidance range.

Shares in advanced braking systems manufacturer Knorr Bremse suffered in July as the new CEO presented an update to the group strategy. Given the strong share price performance year to date, this update, albeit solid, failed to convince the market. The company's targets of €8-9 bn in 2026 revenues and 14% operating margins are meaningfully above the numbers incorporated into our valuation.

After performing strongly in Q2, global medical device company Smith & Nephew detracted in July on little news. Some brokers note a positive read-through from orthopedic peers that have already reported whilst others remain skeptical going into Q2 results. We remain constructive of management's 12-Point Plan, most of which aims to fix the underperforming Orthopedics division. The remaining 60% of the business comprising of Sports Medicine and Wound Management continues to perform well, matching or outperforming market growth since COVID-19.

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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