

Lazard

Global Equity Franchise Fund (Hedged)

Aug 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	\$68.7m
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

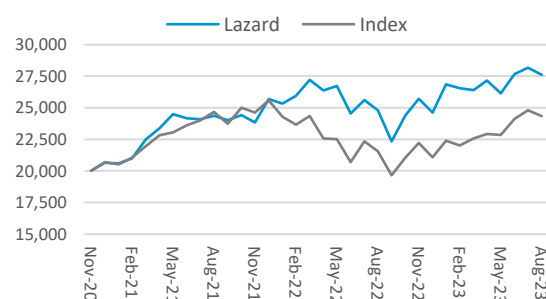
Investment Characteristics

	Lazard	Index
Forward Price/Earnings	14.1	18.0
Forward Return on Equity (%)	13.8	15.6
Sharpe Ratio (Since Inception)	0.72	0.40
Dividend Yield (%)	2.8	2.0
Active Share (%)	96.3	-

Performance (%)

	Lazard	Index	Excess Return
1 Month	-2.0	-1.8	-0.2
3 Months	5.7	6.5	-0.9
1 Year	11.4	13.0	-1.6
3 Years (pa)	-	-	-
5 Years (pa)	-	-	-
Since Inception (pa)	12.1	9.2	3.0

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.

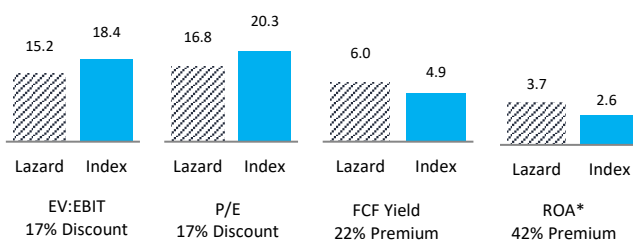
Allocations (%)

Sector	Lazard	Index	Overweight/Underweight
Consumer Staples	2.0	7.5	-5.5
Financials	11.3	15.2	-3.9
Communication Services	13.1	7.5	5.6
Energy	-	5.0	-5.0
Real Estate	-	2.5	-2.5
Materials	-	4.2	-4.2
Health Care	27.1	13.1	14.0
Industrials	9.7	11.3	-1.6
Information Technology	4.7	23.0	-18.3
Consumer Discretionary	21.8	11.4	10.4
Utilities	11.4	2.7	8.7
Cash	-1.1	-3.4	2.3
Region			
North America	58.7	75.6	-16.9
Continental Europe	29.7	14.1	15.6
United Kingdom	11.9	4.1	7.8
Asia Pacific ex-Japan	-	3.1	-3.1
Japan	0.8	6.3	-5.5
Middle East	-	0.2	-0.2
Cash	-1.1	-3.4	2.3

Top 5 Holdings (%)

	Lazard
H&R Block	6.8
eBay	6.3
Fresenius Medical Care	6.2
CVS Health	6.1
Omnicom	5.7

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

Global equity markets finished lower in August as investors continued to deal with global inflation and high interest rates. Core inflation, despite a meaningful decline, remained well above central bank targets. The ability of the central banks, notably the US Federal Reserve, to avoid a recession and engineer a soft landing remains a critical question heading into the fourth quarter of 2023.

The Lazard Global Equity Franchise Fund (Hedged) returned -1.98% (net of fees) during the month ending 31 August 2023, underperforming the MSCI World Index which returned -1.83%.

One of the top performers for the month was the world's largest tax agent, H&R Block (HRB), following the release of its Q4 results. HRB generates all its annual profit in the six weeks of the US tax return season, which ends 30 June, consequently its earnings are highly seasonal and Q4 sets both the quarterly and annual result for the company. Its earnings beat consensus estimates by 10% and the company lifted its annual dividend by 10%. HRB reiterated its goal to return 100% of free cash flow, estimated to be greater than US\$700m, to shareholders through dividends and share buybacks. At the current share price this represents a free cash flow yield of more than 16%. In spite of the strong share price performance as at 31 August 2023, HRB still only traded on 9x FY24 EPS.

Leading geostationary satellite owner and operator SES, performed strongly on the back of reporting a solid 1H2023 result, with both major verticals Video and Connectivity exceeding market expectations; and EBITDA beating consensus estimates by 5%. There is US\$3 billion of pre-tax compensation relating to C-band US spectrum assets proceeds that are set to be paid by the end of 2023; the equivalent of €5.40 per share or around 80% of the market capitalization as at 31 August 2023. In anticipation of this windfall gain, the company has launched a €150 million share buyback program. Its Middle Earth Orbit satellite constellation, O3b mPOWER, is set to be commercialised from the end of 2023, which should see an acceleration in revenue and earnings growth. Finally, the guidance for 2023 was reconfirmed. As at 31 August 2023, SES traded on less than 6x EBITDA.

IT outsourcer Cognizant reported solid results during the month, and maintained guidance for the year, unlike several of its IT outsourcing peers. New CEO Ravi Kumar has been working hard to articulate a plan to return the company to growth, and appears to be gaining some early traction with clients from those efforts.

Tapestry shares fell after the luxury retailer announced the acquisition of Capri Holdings, the parent to Michael Kors, Versace and Jimmy Choo. This deal came as a surprise given the retailer's momentum with their current strategy. We believe there may be challenges in terms of the debt burden and integration.

Shares in Nexi, Europe's largest merchant acquirer, card issuer and payment processing business, fell despite a strong set of 1H results that saw margins improve as the cost reduction program linked to the integration of SIA and Nets is starting to feed through. The group decommissioned 5 of 25 IT systems, and are expecting to decommission another 5 by the end of the year. The company also announced that its rationalisation exercise would extend beyond the 2025 strategic plan.

US healthcare company CVS Health shares fell as one of its PBM clients, Blue Shield, decided to leave part of its contract and move across to an Amazon-led consortium, claiming US\$500m in potential savings. We note that CVS retains the higher margin specialty drug contracts. While the shares may be impacted by news flow on PBM legislation, we believe they will likely benefit from the ongoing execution of the strategic plan to anchor the group as an integrated healthcare provider.

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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