

Lazard

Global Equity Franchise Fund (Hedged)

Sep 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	28
Total Fund Size	\$68.5m
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

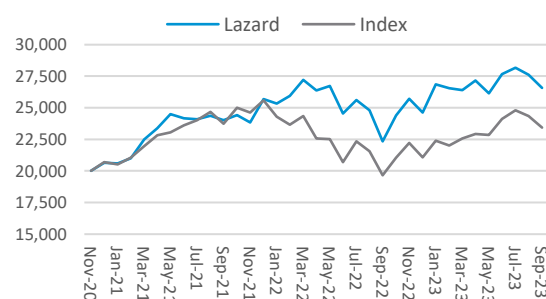
Investment Characteristics

	Lazard	Index
Forward Price/Earnings	13.7	17.3
Forward Return on Equity (%)	13.6	15.7
Sharpe Ratio (Since Inception)	0.58	0.29
Dividend Yield (%)	2.8	2.1
Active Share (%)	95.6	-

Performance (%)

	Lazard	Index	Excess Return
1 Month	-3.8	-3.7	-0.1
3 Months	-3.9	-2.8	-1.1
1 Year	19.1	19.3	-0.2
3 Years (pa)	-	-	-
5 Years (pa)	-	-	-
Since Inception (pa)	10.3	7.5	2.8

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.

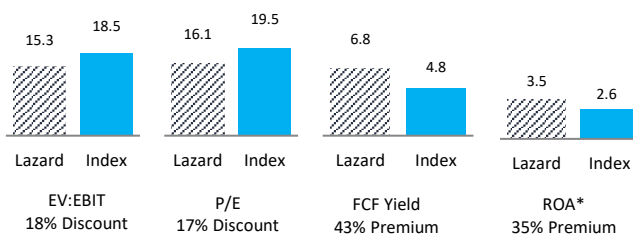
Allocations (%)

Sector	Lazard	Index	Overweight/Underweight
Consumer Staples	3.8	7.2	-3.4
Financials	10.8	14.9	-4.1
Communication Services	13.0	7.3	5.7
Energy	-	5.2	-5.2
Real Estate	-	2.3	-2.3
Materials	0.5	4.1	-3.6
Health Care	20.3	12.8	7.5
Industrials	11.3	10.8	0.5
Information Technology	4.0	21.7	-17.7
Consumer Discretionary	19.9	10.8	9.1
Utilities	12.0	2.6	9.4
Cash	4.4	0.3	4.1
Region			
North America	53.9	72.7	-18.8
Continental Europe	31.7	13.4	18.3
United Kingdom	10.0	4.1	5.9
Asia Pacific ex-Japan	-	3.1	-3.1
Japan	-	6.2	-6.2
Middle East	-	0.2	-0.2
Cash	4.4	0.3	4.1

Top 5 Holdings (%)

	Lazard
H&R Block	7.4
CVS Health	6.6
eBay	6.4
Fresenius Medical Care	6.3
Omnicom	6.2

Investment Characteristics



As at 30 September 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

Equity markets worldwide retreated in the third quarter of 2023, as investors were forced to reset their expectations for the global interest rate outlook. News of the US Federal Reserve's ('the Fed') "hawkish pause" overshadowed an unexpectedly dovish interest rate-policy environment in the rest of the world. In the eurozone, the European Central Bank lifted interest rates for the 10th consecutive time in September 2023 with a 25-basis point hike but hinted that rates had reached their peak amid signs that the economic outlook for the common currency bloc was dimming. The Bank of England surprised markets by holding interest rates steady during the month, though left the door open for further hikes.

The Lazard Global Equity Franchise Fund (Hedged) returned -3.88% (net of fees) during the quarter ending 31 September 2023, underperforming the MSCI World Index which returned -2.82%.

Despite no specific company news during the quarter, the Strategy's top performer was the world's largest tax agent, H&R Block (HRB). This followed the release of its Q4 results in August 2023 which beat consensus estimates by 10% and lifted its annual dividend by 10%. 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. HRB restated 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 around 15%. Notwithstanding the strong share price performance as at 30 September 2023, HRB still only traded on 10x 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%. UKTV has expanded its long-standing partnership with the company in a multi-year video (Pay-TV) agreement. Additionally, SES announced a deal with Starlink to jointly offer the cruise industry's first integrated MEO-LEO service. For the first time, cruise operators can now rely on a single managed solution to reap the benefits of low-latency, high-throughput satellite connectivity services enabled by integrating Starlink's low-earth orbit (LEO) and SES's medium earth orbit (MEO) services. The joint offering – SES Cruise mPOWERED + Starlink – seamlessly integrated, sold, and delivered by SES – will combine the best of both MEO and LEO orbits to provide high-speed and secure connectivity 24/7 to cruise ships and their guests, regardless of their route and location. As of 30 September 2023, SES traded at less than 6x EBITDA and is within a month of receiving US\$3 billion in pre-tax compensation relating to C-band US spectrum assets; the equivalent of €5.40 per share or around 90% of the market share price as of 30 September 2023.

IT outsourcer Cognizant reported solid results and maintained guidance for the year, unlike several of its IT outsourcing peers. New CEO Ravi Kumar has been working 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. There are also considerable execution risks in this acquisition, given that consumers in developed markets and China are facing significant pressure.

Europe's largest merchant acquirer, card issuer and payment processing business Nexi continued to slide as consumer spending data remained weak, particularly in Europe. We believe the crux of the investment thesis for the company lies in the continued increase in electronic payment penetration and the realization of synergies related to consolidation within Italy and the acquisition of Nets in the Nordic countries.

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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