Lazard Global Equity Franchise Fund

LAZARD ASSET MANAGEMENT

March 2025

The **Lazard Global Equity Franchise Fund** is an actively managed portfolio, generally ranging from 25 to 50 securities, that seeks long-term, defensive returns by investing globally in a range of franchise companies. The Fund invests in listed companies which we consider have an "economic franchise", meaning companies which possess a combination of high degree of earnings forecastability and large competitive advantages. The Fund's objective is to achieve total returns (including income and capital appreciation and before the deduction of fees and taxes) in excess of the MSCI World Index with lower risk over the long term.

Fund Facts

Inception Date	1 Oct 2013
Total Fund Size (AUD)	A$357.2m
Total Management Costs	1.25% p.a.
Minimum Investment	A$20,000
Buy/Sell Spread	+0.20%/-0.20%
Distributions	Annually
APIR Code	LAZ0025AU
Benchmark	MSCI World Index

Strategy Highlights

Concentrated and Active

High conviction global equity portfolio

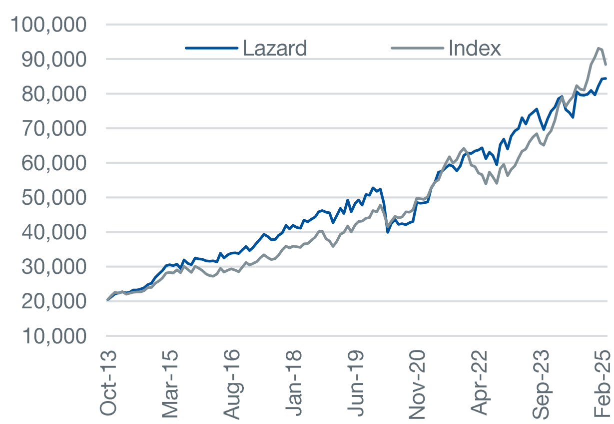
Companies with an Economic Franchise

Large economic moats with a history of stable forecastable earnings

Strict Valuation Discipline

Benefits of Economic Franchises at a Discount to Intrinsic Value

Growth of $20,000[1]



Performance[1]

(%; net of fees. As of 31 March 2025)

				Annualised			
	1M	3M	1Y	3Y	5Y	10Y	Since Inception
Fund	0.1	5.9	6.5	10.0	16.1	10.7	13.3
Benchmark	-4.7	-2.4	12.1	14.5	15.7	11.8	13.5
Excess Return	4.8	8.3	-5.5	-4.5	0.4	-1.1	-0.2

[1]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

Region

	Lazard (%)	Benchmark (%)	Over/Underweight (%)
North America	41.4	75.1	-33.7
Continental Europe	28.1	12.9	15.2
United Kingdom	20.3	3.8	16.5
Asia Pacific ex-Japan	-	2.6	-2.6
Japan	3.9	5.4	-1.5
Middle East	1.3	0.2	1.1
Cash	5.0	-	5.0

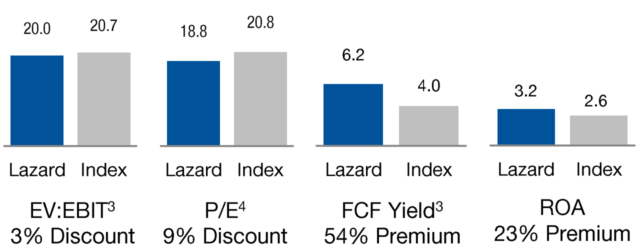
Sector

	Lazard (%)	Benchmark (%)	Over/Underweight (%)
Communication Services	9.1	7.9	1.2
Consumer Discretionary	12.8	10.2	2.6
Consumer Staples	-	6.5	-6.5
Energy	-	4.1	-4.1
Financials	15.8	17.3	-1.5
Health Care	15.1	11.1	4.0
Industrials	14.8	11.1	3.7
Information Technology	3.9	23.6	-19.6
Materials	1.9	3.4	-1.5
Real Estate	-	2.2	-2.2
Utilities	21.7	2.7	19.0
Cash	5.0	-	5.0

Top Holdings

	Lazard (%)
H&R Block	6.2
Omnicom	6.0
Nexi	5.9
Rentokil Initial	5.9
International Game Technology	5.8

Portfolio Characteristics[2]



	Lazard	Benchmark
Number of Holdings	25	1351
Forward Price/Earnings	13.7	19.0
Forward Return on Equity (%)	14.9	16.2
Sharpe Ratio (Since Inception)	0.86	1.0
Dividend Yield (%)	3.1	1.8
Active Share (%)	98.5	-

Allocations and securities mentioned are based upon a portfolio which represents the proposed investments for a fully discretionary account. Allocations and security selection are subject to change. Please note that cash is not viewed as a strategic asset class. The information provided in this material should not be considered a recommendation or solicitation to purchase or sell any security. There is no assurance that any securities referenced herein will remain in the account's portfolio or that securities sold have not been repurchased. The securities discussed may not represent the account's entire portfolio.

[2] As at 31 March 2025. 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.
[3] including financials
[4] Price/Earnings (x, Ex. Negative Earnings)

Source: Lazard, Factset, MSCI

Commentary

Equity markets worldwide receded in the first quarter, as investors trod cautiously amid growing risks and mounting uncertainty about the global economic outlook. All eyes were on the US, where market enthusiasm for the newly installed Trump administration's anticipated business-friendly policies gave way to anxiety after a barrage of on-again, off-again tariff announcements sowed uncertainty and confusion about the scope of these import taxes. The European Central Bank reduced interest rates at its policy meetings in January and March and noted that the "disinflation process remained on track" in the eurozone.

The Lazard Global Equity Franchise Fund ("Fund") returned 5.91% (net of fees) during the quarter ending 31 March 2025, outperforming the MSCI World Index which returned -2.42%.

Our investment strategy is grounded in fundamental analysis, focused on long-term company earnings and a disciplined approach to valuation. Unlike thematic or momentum-driven market participants, the current market's buoyant nature—largely fueled by multiple expansion rather than underlying earnings—does not suit our investment approach. Our returns are driven primarily by the compounding of earnings growth over time. While changes in multiples, such as price-to-earnings (PE) ratios, may create short-term gains, they are one-off events and do not provide lasting value. By prioritizing companies with consistent earnings growth and acquiring them at attractive valuations, we aim to deliver solid returns without relying on market sentiment or temporary valuation boosts.

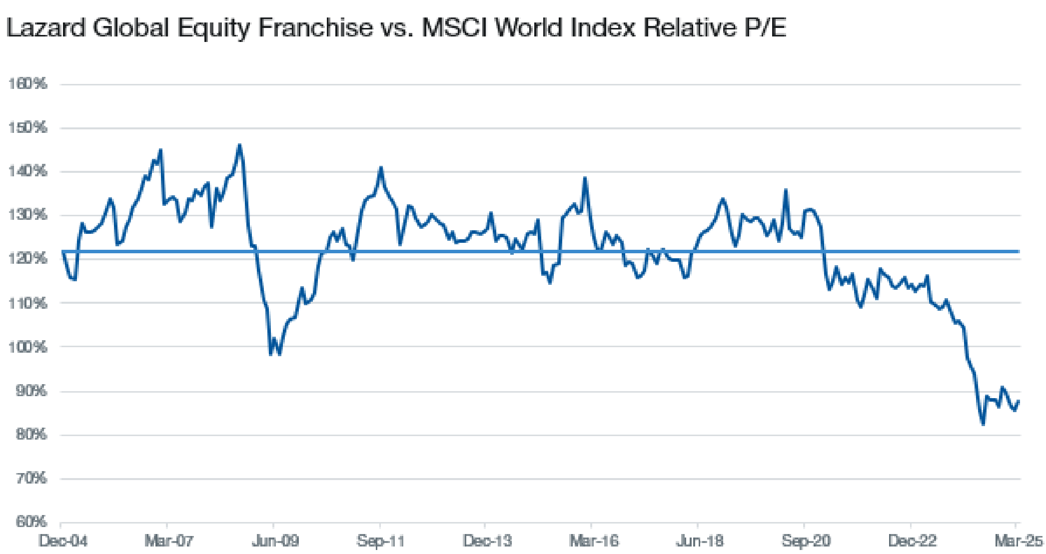
Exhibit 1 below illustrates that the stocks we currently own as at 31 March 2025 are trading at a 34% discount compared to their average trading levels over the past 20 years.

Key contributors

U.S. healthcare company CVS Health was a strong contributor during the period. The 2024 FY results highlighted an earnings recovery for AETNA, its health insurance business, driven by management's measures on pricing and benefit adjustments to restore profitability. The dramatic share price rebound indicates the prior sell-off was likely excessive. There has been considerable political noise from the US government regarding the potential breakup of the Pharmacy Benefits Management (PBM) business from health insurers. This issue was first raised in late 2024, but the likelihood increased in mid-February 2025 with the confirmed appointment of Robert Kennedy Jr. as the Health and Human Services Secretary, a candidate we believe will support this separation. Following the share price surge, we decided to exit our position in late February 2024. While some valuation upside remains, the added risks of potential structural change led us to conclude that exiting was the best decision based on likely risk-adjusted returns and our strict franchise criteria.

Satellite operator SES saw a significant rise, driven by shifting sentiment toward European satellite operators and potential changes in European defense strategies. Its involvement in IRIS[2] ("Infrastructure for Resilience, Interconnectivity and Security by Satellite"), a multi-orbit satellite constellation providing secure communication and broadband for EU member states, has highlighted its strategic importance. Despite the share price increase, SES remains attractively valued, with the Intelsat transaction on track and management reaffirming annual cash synergies.

Exhibit 1



Data as of 31 March 2025.
Investment characteristics are based upon a representative account. The P/E is a forward-looking P/E (NTM). The time series is the equally weighted average P/E of stocks that are currently owned in the Portfolio as of 31 March 2025, excluding one stock, Ferrovial. Ferrovial has been excluded because it is an infrastructure stock where the earnings per share metric is often not meaningful due to the unique financial characteristics of infrastructure investments. This information is for illustrative purposes only. Lazard estimates are based on historical financial accounts of companies held in the Portfolio. All estimates are based on current information and are subject to change. The index is unmanaged and has no fees. One cannot invest directly in an index. Source: Factset, Lazard.

Italian gas utility Snam gained during the period following the release of its updated 2025–2029 investment plan. The plan outlines substantial investments to transition the network for hydrogen and biogas blending, as well as enhancements to improve Europe's energy security by increasing network flexibility to handle shifting gas flows. Given its strong and stable regulatory framework, we see Snam as an attractive opportunity at current valuation levels.

Key detractors

Shares in Rentokil Initial, the world's leading pest control company, declined due to several factors, including a challenging North American market. Rentokil's North American business, which accounts for about 60% of its revenue, has been struggling with economic headwinds and integration challenges following the 2022 acquisition of Terminix. As of 31 March 2025, Rentokil traded at its lowest earnings multiple in over a decade.

Dentsply Sirona (XRAY), the world's largest manufacturer of professional dental products, faced challenges following disappointing Q4 earnings, with most of the miss stemming from its Implant & Orthopedic segment. Despite a challenging 2024, market expectations for XRAY are now very low, with the stock trading at a significantly reduced forward price-to-earnings ratio. This is in stark contrast to its projected earnings per share growth for the coming years. If these growth projections are met, XRAY's valuation would be considerably lower compared to its future earnings potential.

International Game Technology (IGT), the world's largest lottery concession holder, saw its shares decline in March despite slightly exceeding expectations for its 4Q results. Following the sale of its Gaming & Digital business, IGT plans to reduce debt, bringing its pro forma leverage to a more manageable level. Management also anticipates making consolidated payments in 2025 for upfront license fees related to its Italy Lotto joint venture. Consensus estimates for 2025 EBITDA suggest that IGT is significantly undervalued, trading at a multiple much lower than its global peers.

Outlook

The Global Equity Franchise portfolio currently holds market leaders and monopolies with higher long run earnings predictability than those of the market and that are trading at reasonable valuations. Our portfolio is now trading at a sizable 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