

**Risk Aware**  
Focus on benchmark  
and absolute risk

**Disciplined 'Value'  
Investment Approach**  
Longer-term independent  
thinking

**Stability and Experience**  
Team together at Lazard for  
more than 19 Years

### Fund Facts

Number of stocks	37
Total Fund Size	\$139m
Inception Date	16 December 2002
Total Management Costs	W Class: 0.90% p.a.
Index	S&P/ASX 200
Minimum Investment	\$20,000
Buy/Sell Spread	0.20%/0.20%
Distributions	Quarterly <sup>1</sup>
APIR Code	LAZ0010AU

### Investment Characteristics

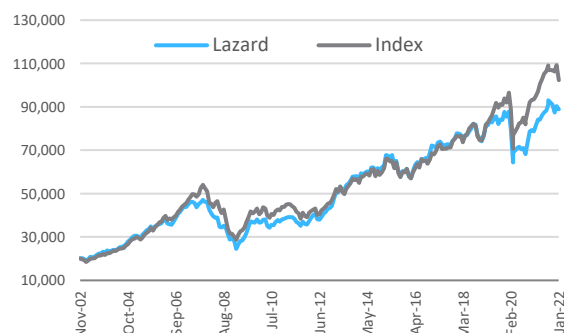
	Lazard	Index
Price/Cash Flow	9.7	10.8
Price/Book Value	1.5	2.3
Dividend Yield (%)	4.1	4.0
Forward Price/Earnings	11.7	16.5
Active Share (%)	61.8	-
3 Year Turnover (%pa)	28.0	-

### Performance (%)

	Lazard (W Class)	Lazard (I Class)	Index
1 Month	-1.7	-1.7	-6.4
3 Months	-2.4	-2.3	-4.3
1 Year	12.9	13.1	9.4
3 Years (pa)	5.0	5.1	9.8
5 Years (pa)	4.4	4.5	8.5
10 Years (pa)	9.0	9.2	9.5
Since Inception (pa)	8.1		9.1
Since Inception (pa)		8.8	8.0

Inception Date (W Class): 16 December 2002  
Inception Date (I Class): 17 October 2000

### Growth of \$20,000<sup>2</sup>



<sup>1</sup> Distributions are made quarterly if of an economic size.

<sup>2</sup> Performance is presented net of W Class fees, please refer to [www.lazardassetmanagement.com](http://www.lazardassetmanagement.com) for performance of the I Class. Investments can go up and down. Past performance is not necessarily indicative of future performance. Net returns are quoted after the deduction of Management Costs. Performance assumes reinvestment of all distributions.

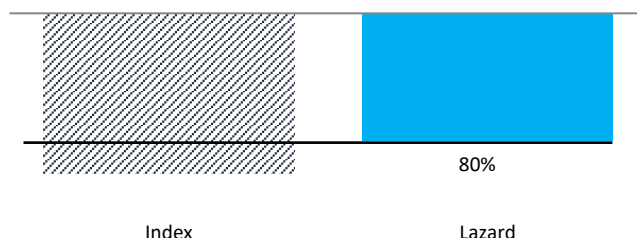
### Allocations (%)

Sector	Lazard	Index	Overweight/ Underweight
Communication Services	1.0	4.2	-3.2
Consumer Discretionary	3.9	7.4	-3.5
Consumer Staples	9.7	4.6	5.1
Energy	13.7	3.5	10.2
Financials	35.3	27.8	7.5
Health Care	3.3	9.4	-6.1
Industrials	8.9	6.7	2.2
Information Technology	2.6	3.6	-1.0
Materials	17.7	24.4	-6.7
Real Estate	3.7	6.9	-3.2
Utilities	0.0	1.5	-1.5
Cash	0.1	0.0	0.1

### Top 5 Holdings (%)

	Lazard	Index
BHP Group	7.6	11.3
ANZ Banking	5.3	3.6
Westpac Banking	4.9	3.6
Woodside Petroleum	4.9	1.2
Rio Tinto	4.8	2.0

### Down Market Capture Ratio



Down Market Capture Ratio is calculated since inception and based on performance gross of all fees. Down Market Capture is a statistical measure of an investment manager's overall performance in down markets, being calendar months where the Index experiences negative performance. A drawdown ratio (or percentage) of less than 100 (or 100%) reflects that the manager has outperformed the Index during such down markets.

## Commentary

After starting the year on the front foot, the ASX 200 lost ground over January 2022, falling a significant -6.4% in AUD terms as rapid bond yields prompted rapid rotations. Global equities fell sharply through January 2022 as investors braced themselves for tighter monetary policy from central banks. The ASX 200 also underperformed against the S&P 500 which dropped -5.2% during the month. On a sector basis, Energy was the strongest performer, while Utilities and Materials also outperformed. The IT sector underperformed the most, Health Care and Consumer Staples also relatively underperformed.

During the month ended January 2022, the Lazard Australian Equity Fund returned -1.7% (net of W Class fees), underperforming the S&P/ASX 200 Accumulation Index which returned -6.4%.

### Contributors to Performance

- Woodside's (WPL) share price performed strongly, up 14% in January 2022, underpinned by continued strengthening in both oil and LNG prices. Oil prices have quickly rebounded from the dip in late November 2021 and are now sitting above US\$90/bbl whilst the spot LNG remains at very high levels above US\$20/mmbtu. Initial concerns about the 'Omicron' wave of COVID-19 have dissipated as this variant appears less severe than previous strains. We have recently seen countries like the UK and Denmark remove COVID-19 restrictions which provides positive backdrop for demand and energy stocks in the near term. The company reported the December 2021 quarterly results during the month of January 2022 which saw record revenue and production guidance for 2022 in line with market expectations. WPL continues to progress the merger with BHP petroleum which is expected to complete in the 2nd quarter of 2022. The merged entity will have one of the strongest balance sheets amongst the global peer group with quality growth projects in both Australia and the Gulf of Mexico. Overall, we see the fundamentals for WPL as strong and are not fully recognized at current share price levels.
- Rio Tinto's (RIO) share price rose on the back of a stronger iron ore price with gains from around US\$120/t at the beginning of the year to US\$145/t today. The combination of Chinese steel mills restocking leading into Chinese New Year 2022 and market speculation that the Chinese government will provide stimulus to the domestic economy through fixed asset investment underpinned the rally. For our RIO valuation, we capitalize earnings based on a long-term iron ore price of US\$60/t on which basis we see RIO's current share price as attractive. RIO is also one of the lowest cost producer of aluminum and lowest CO2 emitters globally. We expect significant upside in earnings for the aluminum business in the medium to long-term as demand for aluminum accelerates driven by the global energy transition.

### Detractors from Performance

- AMP underperformed during January 2022, due to the sharp decline in the stock and bond markets. Part of AMP's value, such as the wealth/platform business and AMP Capital, is directly linked to the level of markets and unlisted asset prices. All such market-linked businesses performed poorly in January 2022. It is worth noting that about half of AMP's value lies with the bank and the investments such as China Life, which are not directly exposed to listed markets. In addition, AMP's transaction-adjusted pro-forma NTA of ~\$1.20 should provide some support in a significant market downturn, relative to asset managers without a balance sheet.
- Sky City's (SKC) share price trended lower in January 2022 and underperformed the market. Concerns about the spread of 'Omicron' in New Zealand led to the NZ government imposing restrictions. SKC's largest property in Auckland, which contributes 80% of group earnings, only resumed trading in December 2021 after lengthy period of closure in the first half of the year. The increased restrictions will see that property going back to operating at 50% capacity with social distancing rules in place. Recovery from previous restrictions indicate that the business can recover quickly once operating conditions normalize. We now assume the business will return to the pre-COVID-19 level of earnings by FY 2023. At the current share price, we believe that the stock is still attractively valued.

## Commentary

### Outlook

Looking back over the 18 months since the COVID-19 crisis hit, two major events of consequence have occurred that we believe will impact economies and financial markets in the coming years.

The first of these was the announcement of efficacious COVID-19 vaccines in November 2020. This, together with improved treatment options, should allow the eventual return of close-to 'normal' life and economic activity. While re-openings will occur intermittently as additional COVID-19 waves, new virus mutations and vaccination programs individually wax and wane, the end result seems clear, with timing being the variable up for debate. Even in this respect, locally, the 'Omicron' strain out-breaks and consequent abandonment of suppression strategies and the rapid Australian vaccination roll-out over Q3 21 have reduced the timing uncertainties.

Before COVID-19, equity markets were generally expensive with valuations dispersions between stocks and sectors at levels not seen since the TMT boom in 1999/2000. This bifurcation was pushed to record breaking levels during 2020 due to the peculiar dynamics of lockdowns. Stock market leadership and the portfolio relative performance changed from November 2020, however, coinciding with the vaccine announcements. Although there are only limited precedents, turns in market performance of the speed and size witnessed have typically continued for extended multi-year periods. While definitive market turning points are only clear in hindsight and never linear, gains for value strategies have now accumulated to significant levels and given the still prevailing distortions, our confidence has increased that the ultimately inevitable unravelling of the excess returns has commenced.

The second key development is the fully monetized fiscal stimulus undertaken by governments globally of a scale not seen since World War II. Positively, this has led to significant upgrades to economic growth forecasts and earnings expectations for stocks owned in the portfolio. What is less clear, and continues to be debated, is the potential for stimulus of this size and nature to cause inflationary pressures. While we continue to keep an open mind and assess the incoming evidence on inflation risks, given many asset prices seemingly require 'lower forever' rate expectations, any change could be a major event. To be clear, the emergence of inflation is not a forecast we make, nor that we depend on. However, we do believe that this is an increasing risk, and one that investors should be mindful of when considering broader portfolio positioning. Recent inflation outcomes across the Western nations from New Zealand to the UK, labour market indicators, commodity prices and particularly energy prices have increased the risks of an inflationary dynamic developing.

For more information, call us on 1800 825 287  
or visit [www.lazardassetmanagement.com](http://www.lazardassetmanagement.com)

### Disclaimer

The information in this Fact Sheet was prepared by Lazard Asset Management Pacific Co ABN 13 064 523 619, AFS License 238432, and should not be considered a recommendation to purchase, sell or hold any particular security. Securities and sectors mentioned in this Fact Sheet are presented to illustrate companies and sectors in which the Fund may invest. Holdings are subject to change daily. This Factsheet has been prepared without taking account of any investor's objectives, financial situation or needs. Investors should get professional advice as to whether investment in the strategy is appropriate having regard to their particular investment needs, objectives and financial circumstances before investing. Lazard has prepared a target market determination (TMD) for the Lazard Australian Equity Fund ('Fund') which sets out the class of consumers for whom the Fund, including the Fund's key attributes, would likely be consistent with their likely objectives, financial situation and needs. A copy of the TMD is available at [www.lazardassetmanagement.com](http://www.lazardassetmanagement.com), by contacting [investorqueries@lazard.com](mailto:investorqueries@lazard.com), or from their IDPS operator. It is recommended that investors consider whether their objectives, financial situation and needs are consistent with the target market of the Fund. Investors should obtain a copy of the current Product Disclosure Statement (PDS) for the Fund, available at [www.lazardassetmanagement.com](http://www.lazardassetmanagement.com), by contacting [investorqueries@lazard.com](mailto:investorqueries@lazard.com), or from their IDPS operator and should consider the PDS before making any decision about whether to acquire or to continue to hold the Fund. Neither Lazard nor any member of the Lazard Group, including Lazard Asset Management LLC and its affiliates guarantees in any way the performance of the strategy, repayment of capital from the strategy, any particular return from or any increase in the value of the strategy