

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 20 Years

Performance² (%)

	Lazard (W Class)	Lazard (I Class)	Index
1 Month	-0.4	-0.4	-0.2
3 Months	1.1	1.1	3.5
1 Year	4.4	4.5	0.1
3 Years (pa)	18.0	18.2	16.5
5 Years (pa)	7.1	7.3	8.7
10 Years (pa)	7.7	7.8	8.2
Since Inception (pa)	8.6		9.0
Since Inception (pa)		9.2	8.0

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

Investment Characteristics

	Lazard	Index
Price/Cash Flow	6.6	9.3
Price/Book Value	1.6	2.1
Dividend Yield (%)	5.1	4.4
Forward Price/Earnings	12.5	14.7
Active Share (%)	62.4	-
3 Year Turnover (%pa)	35.8	-

Fund Facts

Number of stocks	35
Total Fund Size	\$162.4m
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 ¹
APIR Code	LAZ0010AU

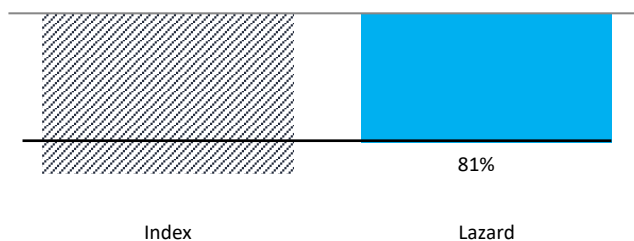
Allocations (%)

Sector	Lazard	Index	Overweight/ Underweight
Communication Services	0.7	4.0	3.3
Consumer Discretionary	11.8	6.6	5.2
Consumer Staples	10.6	5.0	5.6
Energy	11.1	5.8	5.3
Financials	28.7	27.0	1.7
Health Care	5.5	10.0	4.5
Industrials	7.9	5.9	2.0
Information Technology	0.8	2.7	1.9
Materials	17.3	25.6	8.3
Real Estate	2.9	6.0	3.1
Utilities	-	1.5	1.5
Cash	2.8	-	2.8

Top 5 Holdings (%)

	Lazard	Index
BHP Group	8.7	11.2
Woodside Energy	5.4	3.0
Rio Tinto	4.4	2.1
QBE Insurance	4.2	1.0
Santos	4.1	1.1

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.



¹ Distributions are made quarterly if of an economic size.

Performance is presented net of W Class fees, please refer to 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.

Commentary

The S&P/ASX 200 fell -0.2% during the month of March 2023 and closed Q1 2023 returning 3.5% for the quarter on the back of slowing earnings momentum and continued rate hikes by the Reserve Bank of Australia, raising another +0.25bps to 3.60% during the month of March. Australian 10-year bond yields moved in reaction to slowing inflation, rallying 56bps to 3.30%. During the month, the Materials was the strongest performer, while Communication Services and Consumer Discretionary sectors also outperformed in Australia. The Energy, Financials and REITs sectors were the relative worst performers.

During the quarter ended March 2023, the Lazard Australian Equity Fund returned 1.1% (net of W Class fees), underperforming the S&P/ASX 200 Accumulation Index which rose 3.5%.

Contributors to Performance

- Eagers Automotive (APE) shares rose 24% during Q1 2023 outperforming the market, on the back of a strong CY22 result. The key driver of the positive share price response was the above consensus turnover guidance for CY23. With conservative assumptions, APE expect to earn A\$9.5-10 billion of turnover which was 4-10% above prior consensus expectations. Management further detailed their expectations that margins will be 'stronger for longer' resulting in much larger increases in profit forecasts than the increase in turnover. Beyond 2023, we believe APE is well positioned to prosper in the transition to (EV) and the company has a balance sheet that provides flexibility to capitalize on opportunities.
- oOh!Media (OML) outperformed the market by more than 24 percent in Q1 2023. In our view, the out-of-home (OOH) advertising medium that was temporarily affected during COVID-19 has been the best performing advertising segment in the last two years and continues to gain share. What gave us conviction in the name was the position it occupies in OOH (>40% market share), the industry structure (cooperative competition), its strong balance sheet and its better-than-average ability to reduce capex during a down cycle. OML trades at only 13x sustainable earnings, however, as it approached our robust view of fair value, we decided to trim our positions across the portfolios during the quarter.

Detractors from Performance

- Aurizon (AZJ) underperformed during the March 2023 quarter on the back of a weak H1'23 profit result which was released in February 2023. Heavier than normal rainfall lowered volumes in both the Coal and bulk divisions, which impacted revenues. We view weather related impacts as random and expect a strong recovery in profits as has occurred historically. During the quarter the divestment of East Coast Rail was finalized, improving AZJ's balance sheet, and additional contract wins in the Bulk business were announced. We believe that the market remains highly skeptical of AZJ's Bulk growth strategy, and no benefit of success is reflected in the share price. We have modest assumptions for AZJ and believe the company stacks up well on a risk, reward basis. We also note that the company is a clear beneficiary from higher inflation providing attractive diversification benefits and hence we continue to hold our positions.
- Waypoint REIT (WPR), along with the broader REIT sector, lagged the overall market modestly during the quarter. The bulk of the underperformance occurred during the latter half as reporting season revealed modest earnings growth guidance amidst concerns regarding rising rates. WPR reported FY22 results in-line with expectations of 4% earnings growth, however, guided for flat earnings over the year ahead.

Outlook

2022 saw a dramatic change in market leadership with high multiple stocks falling sharply and modestly priced, strong cash flow businesses performing well. Given the extreme valuation starting point in the second half of 2021 - with valuation dispersions exceeding the TMT bubble peak in early 2000 – we believe the normalisation of valuations appears to be only one third to halfway complete. This process should, in our view, continue in 2023 and beyond, providing a potential tailwind for our portfolios, although history suggests that as inevitable as this normalisation may be, it might not follow a straight-line path. In response to high inflation, 2022 saw the fastest interest rate increases in living memory, which we expect to impact economies progressively through 2023. These two forces, valuation normalisation and a slowing economy, are likely to dominate equity markets in the year ahead. From a sector perspective we continue to view energy positively, given the underinvestment in supply which is likely to result in higher prices and cashflows for producers for an extended period. Insurance companies should also farewell, given earnings tailwinds from strong premium growth and higher bond yields. We remain generally cautious of cyclical exposures, given economic risks for the year ahead, but we will as always be looking for attractive entry points.

What has become increasingly clear is how unusual the investment regime was in the 2010s. The key features of that period, low inflation, zero bound interest rates, perpetual quantitative easing and negative yielding bonds today already appear as extreme and unusual as long-run history suggests they indeed were. The early 2020s is seeing the establishment of a new investment regime which will likely require a different approach. As with all secular changes, the market has only begun to adjust to the new environment. This delayed market recognition is providing significant opportunities and in a relative sense, we look forward to the year ahead with high expectations.

For more information, call us on 1800 825 287
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