

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	1.2	1.2	1.8
3 Months	-1.8	-1.8	-0.8
1 Year	4.4	4.5	2.8
3 Years (pa)	15.9	16.1	14.0
5 Years (pa)	6.9	7.0	8.3
10 Years (pa)	7.3	7.5	7.9
Since Inception (pa)	8.6		9.1
Since Inception (pa)		9.2	8.1

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

Allocations (%)

Sector	Lazard	Index	Overweight/ Underweight
Communication Services	0.5	4.1	-3.6
Consumer Discretionary	10.6	6.7	3.9
Consumer Staples	10.7	5.0	5.7
Energy	11.2	5.5	5.7
Financials	29.8	27.5	2.3
Health Care	5.5	10.3	-4.8
Industrials	10.0	6.4	3.6
Information Technology	0.8	2.8	-2.0
Materials	16.9	24.2	-7.3
Real Estate	3.0	6.2	-3.2
Utilities	-	1.5	-1.5
Cash	1.0	-	1.0

Investment Characteristics

	Lazard	Index
Price/Cash Flow	6.6	9.4
Price/Book Value	1.6	2.1
Dividend Yield (%)	5.2	4.4
Forward Price/Earnings	12.8	15.0
Active Share (%)	63.1	-
3 Year Turnover (%pa)	35.2	-

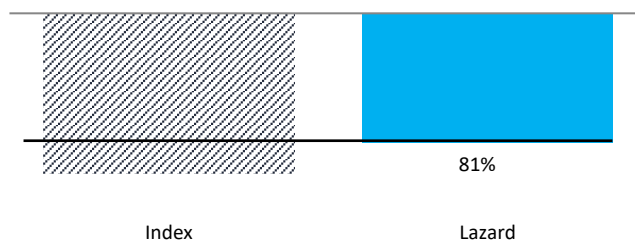
Top 5 Holdings (%)

	Lazard	Index
BHP Group	8.4	10.4
Woodside Energy	5.5	3.0
QBE Insurance	4.4	1.1
Santos	4.2	1.1
Rio Tinto	4.1	1.9

Fund Facts

Number of stocks	35
Total Fund Size	\$164.6m
Inception Date	16 December 2002
Total Management Costs	W Class: 0.70% p.a.
Index	S&P/ASX 200
Minimum Investment	\$20,000
Buy/Sell Spread	0.20%/0.20%
Distributions	Quarterly ¹
APIR Code	LAZ0010AU

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

Australian equities rallied over April 2023, as a slowing inflation rate (Q1-23 headline 7.0% y/y vs 7.8% previously) prompted a reassessment on the need for any further rate hikes from the RBA at that time. The S&P/ASX 200 Index rose +1.9% during the month outperforming the DM World Index, on the back off with strong Australian consumer sentiment underpinned by an RBA interest rate hike pause to 3.60% in April. Australian 10-year bond yields tracked sideways as the cash rate remained unchanged, rallying 4bps to 3.34%. On a sector basis, REITs were the strongest performer, while Information Technology, and Industrials sectors also outperformed on a relative basis. The Energy, Utilities and Materials sectors were the relative worst performing sectors.

During the month ended April 2023, the Lazard Australian Equity Fund returned 1.2% (net of W Class fees), underperforming the S&P/ASX 200 Accumulation Index which rose 1.8%.

Contributors to Performance

- AMP's stock price rose 8% over April, mostly reflecting the continued recovery from February's decline. The operational results announced in February were soft, but broadly in line with the lower market expectations - the market appeared disappointed, however, with the lack of any commentary or plans to deal with some of AMP's outstanding issues. These issues include the drag from three loss-making businesses within the wider group, the high employee numbers and costs post-AMP Capital divestment and additional capital returns. Commentary at the company's AGM and in the press since the result suggests that AMP's focus post-transactions is now moving to address the large legacy cost base. In our view, there are several cost reduction opportunities – for example, AMP employs more people at their head office than the entire corporate entities of Australian wealth managers, Netwealth and Hub24 combined. At A\$1.13ps, AMP was trading at a 10% discount to that NTA at end April.
- QBE's share price rose 5% over April, reversing the price declines in March. The prior month's decline was marked by the banking sector issues in the US, which resulted in lower US bond yields and the US market's view of future yields – we understand that the market viewed this as a possible negative for the future yield on QBE's technical reserves and thus earnings. Such concerns eased over April, and performance was further assisted by evidence of a re-acceleration of US commercial premium rates and positive commentary of US and global peers. Given this supportive backdrop, the 9.2x f24 consensus P/E remains undemanding and we continue to view QBE as undervalued at current prices. In our view, the major balance sheet risks to QBE remain: (1) the possibility of sustained high rates of inflation that would necessitate provision increases on long-tailed liability classes; and (2) the Australian LMI business, which we understand is exposed to mortgage defaults.

Detractors from Performance

- Rio Tinto (RIO) underperformed the market in April due to a significant pull back in the iron ore price. The China reopening trade is running out of steam and steel mills in China are cutting back production, lowering demand for iron ore. We have been skeptical of the recent bounce in iron ore prices as consumer confidence in China remains low and property data continues to be very weak. We believe that the resurgence of recession fears globally will weigh on the broader demand for metals in the near-term. For our RIO valuation, we factor in headwinds for near-term recession risk. In the medium to long -term we have a conservative view on iron ore and capitalise earnings on our long-term price of US\$60/tonnes, which is lower than the current spot price of over US\$100/tonnes. In contrast, we have a more bullish view on RIO's aluminum business and the recent decline in the aluminium price has already cut into the marginal producer on the global cost curve. We view this business as structurally more profitable in the medium to long-term as demand accelerates, driven by the global energy transition, combined with an underinvestment in supply. RIO is one of the lowest cost aluminum producers with the lowest CO2 intensity globally. Despite near-term earnings headwinds, we view RIO's current share price as relatively attractive.
- Sky City Entertainment's (SKC) stock price underperformed the market during the month of April despite no material news that we were aware of. The company is now looking more attractive and is trading at close to its book value. The last time that SKC was trading at book value was in March 2020, the height of the COVID-19 "bear" market. We suspect the continued weak price performance was due to a recent NSW regulatory inquiry into its Australian competitor Star Entertainment. This regulatory enquiry unveiled some questionable industry behaviour primarily in the international business. In early July 2022, the South Australian gaming regulator notified SKC that they intend to undertake an independent review of SKC's Adelaide operation. Additionally in early December 2022, AUSTRAC commenced civil penalty proceedings in the Federal Court against SKC's Adelaide property for alleged non-compliance with anti-money

laundry laws. Minimal detail has been released to the market on these proceedings, but proceedings are expected to last for at least the next 6-8 months. SKC has a very small international business in Adelaide that is an immaterial contributor to the wider group. SKC's total international business contributed 10% of earnings pre-COVID-19, which is much smaller in comparison with competitors Star Entertainment and Crown Resorts at 25%. We expect SKC's performance to continue to improve post the easing of COVID-19 restrictions, which we expect to drive the company's earnings growth. We believe casinos are a relatively defensive businesses and we have observed that casinos globally are performing strongly. We continue to be mindful of the regulation risk for SKC, testing potential negative scenarios whilst acknowledging these outcomes cannot be predicted.

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
or visit 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, by contacting 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, by contacting 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

The Lonsec (assigned September 2022) presented in this document is published by Lonsec Research Pty Ltd ABN 11 151 658 561 AFSL 421 445. The Rating is limited to "General Advice" (as defined in the Corporations Act 2001 (Cth)) and based solely on consideration of the investment merits of the financial product(s). Past performance information is for illustrative purposes only and is not indicative of future performance. It is not a recommendation to purchase, sell or hold Lazard Asset Management Pacific Co. product(s), and you should seek independent financial advice before investing in this product(s). The Rating is subject to change without notice and Lonsec assumes no obligation to update the relevant document(s) following publication. Lonsec receives a fee from the Fund Manager for researching the product(s) using comprehensive and objective criteria. For further information regarding Lonsec's Ratings methodology, please refer to our website at: <https://irate.lonsec.com.au/page/ResearchMethodology>

The Zenith Investment Partners ("Zenith") ABN 27 103 132 672 rating (assigned June 2022) referred to in this document is limited to "General Advice" (as defined by the Corporations Act 2001) for Wholesale clients only. This advice has been prepared without taking into account the objectives, financial situation or needs of any individual. It is not a specific recommendation to purchase, sell or hold the relevant product(s). Investors should seek independent financial advice before making an investment decision and should consider the appropriateness of this advice in light of their own objectives, financial situation and needs. Investors should obtain a copy of and consider the PDS or offer document before making any decision and refer to the full Zenith Product Assessment available on the Zenith website. Zenith usually charges the product issuer, fund manager or a related party to conduct Product Assessments. Full details regarding Zenith's methodology, ratings definitions and regulatory compliance are available on our Product Assessment's and at <http://www.zenithpartners.com.au/RegulatoryGuidelines>