

**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

### Performance<sup>2</sup> (%)

	Lazard (W Class)	Lazard (I Class)	Index
1 Month	-1.5	-1.5	-0.7
3 Months	6.6	6.6	3.9
1 Year	10.0	10.1	9.6
3 Years (pa)	16.2	16.4	10.7
5 Years (pa)	6.3	6.4	7.0
10 Years (pa)	7.4	7.5	8.0
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	8.7	10.2
Price/Book Value	1.5	2.1
Dividend Yield (%)	5.0	4.1
Forward Price/Earnings	13.8	15.7
Active Share (%)	62.7	-
3 Year Turnover (%pa)	34.7	-

### Fund Facts

Number of stocks	37
Total Fund Size	\$175.3m
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 <sup>1</sup>
APIR Code	LAZ0010AU

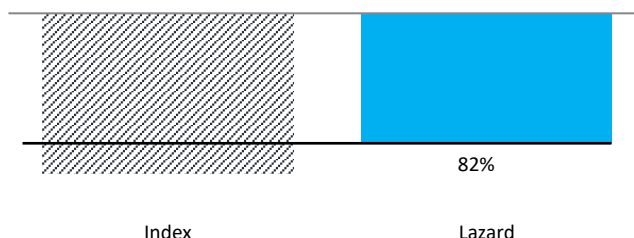
### Allocations (%)

Sector	Lazard	Index	Overweight/ Underweight
Communication Services	0.4	4.0	-3.6
Consumer Discretionary	10.7	6.9	3.8
Consumer Staples	10.5	4.6	5.9
Energy	10.8	5.6	5.2
Financials	28.2	28.4	-0.2
Health Care	5.5	9.3	-3.8
Industrials	10.5	7.0	3.5
Information Technology	-	2.4	-2.4
Materials	17.7	24.0	-6.3
Real Estate	4.1	6.3	-2.2
Utilities	-	1.5	-1.5
Cash	1.6	-	1.6

### Top 5 Holdings (%)

	Lazard	Index
BHP Group	7.9	10.5
Woodside Energy	5.2	3.3
Rio Tinto	4.3	1.9
Santos	4.2	1.2
QBE Insurance	4.0	1.0

### Down Market Capture Ratio



Down Market Capture Ratio is calculated since inception and based on performance net 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.



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

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.

## Commentary

The S&P/ASX 200 outperformed the Developed World markets performance, falling -0.7% in August 2023. Weakness in Australian equities was mainly on the back of dull guidance from companies through the earnings season. The Australian 10-year bond yields sold off by 2bps to 4.03%, trading relatively unchanged as the Reserve Bank of Australia (RBA) remained unmoved on the cash rate, however still retained a tightening bias. On a sector basis, Consumer Discretionary, REITs, and Energy outperformed, while Utilities and Consumer Staples sectors were the relative worst performers.

During the month ended August 2023, the Lazard Australian Equity Fund returned -1.5% (net of W Class fees), underperforming the S&P/ASX 200 Accumulation Index which returned -0.7%.

### Contributors to Performance

- Bapcor (BAP) announced their results on August 16, 2023 which were in-line with expectations. BAP shares rose 6% over the month, outperforming the ASX200 which declined in August as the market had concerns that BAP may be impacted by the slowing consumer demand in Australia. The largest value driver for BAP remains the 'Better Than Before' program, for which management has announced aggressive cost saving targets. If these are mostly realized, we believe there might be a meaningful upside for BAP shares. We remain attracted to BAP's resilient top line and rational competitive dynamics in key markets with minimal 'Better Than Before' upside included in our valuation. We continue to hold BAP shares.
- Ridley (RIC) posted another solid result in August with NPAT increasing 15.5% for FY23. The shares were weak in the last quarter of the financial year as the market was concerned that weaker tallow pricing would derail the company's earnings growth. We used this share price weakness to add to our RIC positions. While commodity price tailwinds have undoubtedly assisted in previous periods, RIC has numerous growth drivers to depend on, as detailed in management's "Growth Plan 2" initiative. Confirmation of these growth options across the stockfeed, packaged products and rendering business units saw the shares rise through August and outperform the broader index. We continue to hold RIC shares as we believe that the market is factoring in less than the full upside we believe "Growth Plan 2" provides.

### Detractors from Performance

- Towards the end of August 2023, Costa Group (CGC) reported a very disappointing earnings downgrade, with a deterioration in the quality of the citrus harvest. The shares fell 14% as the market was concerned the downgrade could impact the indicative takeover offer Paine Partners made to the CGC board for \$3.50 per share from progressing to a binding acquisition proposal. We expect an update on the status of the proposal from the CGC board in mid-late September 2023.
- South32 (S32) underperformed the market in August 2023 as concerns about a slower than expected Chinese economic recovery continued to weigh on sentiment. S32 reported its FY23 result during the month, and while it was broadly in line with consensus, we believe the guidance for FY24 was disappointing. Costs guidance was significantly higher than expected and production growth guidance was also soft. While S32 is investing in growth, these benefits won't be seen until post FY25. S32 continues to transform its portfolio with 71% of FY23 revenue related to base metals, up from 45% when the business was demerged from BHP almost 10 years ago. In our view, S32 is well positioned to benefit from the significant energy transition demand for base metals in the medium to long term. Despite some near-term headwinds we continue to see S32 as attractively priced.

## Outlook

The first half of 2023 saw a strong recovery in the stock prices of companies that underperformed dramatically in 2022. These price movements were centered on the NASDAQ while the ASX200 was up modestly. This has partly 'reinflated' the large valuation gap between various stocks and sectors in the equity market. Despite this headwind, our portfolios have performed satisfactorily largely due to stock picking as opposed to significant thematic moves. Valuation dispersion remains very elevated relative to historic levels, and we view this as highly prospective for our strategies' relative performance over the medium term. While economies and company profits have generally been resilient, there are signs that the large and fast monetary tightening is beginning to bite with several local consumer companies downgrading profits in their recent announcements. We expect the impact of monetary policy to be increasingly felt through the rest of 2023. We are closely watching wage growth and core inflation as we believe this will be a key factor allowing or preventing central banks from lowering interest rates in the face of weakening economic activity.

Our large holding of insurance stocks has performed well as our thesis of strong premium growth plays out. We continue to favor our LNG stocks despite weaker commodity prices due to robust cash flows, potential upside versus long term market assumptions and high returning growth options of which Woodside's recent Trion's Final Investment Decision (FID) is a prime example.

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 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, it appears that the markets have only begun to adjust to the new environment. We believe that 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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