

Lazard

Select Australian Equity Fund

Jan 2023
Factsheet

High Conviction

Benchmark unconstrained, with high active share and best ideas

Disciplined 'Value' Investment Approach

Longer-term Independent thinking

Stability and Experience

Team together at Lazard for more than 20 years

Performance² (%)

	Lazard	Index	Excess Return
1 Month	3.8	6.2	-2.4
3 Months	7.0	9.6	-2.6
1 Year	32.2	12.2	20.0
3 Years (pa)	10.6	6.0	4.6
5 Years (pa)	7.7	8.5	-0.8
10 Years (pa)	10.0	8.8	1.2
Since Inception (pa)	9.5	8.8	0.7

Investment Characteristics

	Lazard	Index
Price/Cash Flow	6.3	9.3
Price/Book Value	1.6	2.2
Dividend Yield (%)	4.5	4.3
Forward Price/Earnings	11.8	14.9
Active Share (%)	76.5	-
3 Year Turnover (%pa)	79.1	-

Fund Facts

Number of stocks	31
Total Fund Size	\$72.1m
Inception Date	22 August 2002
Total Management Costs	W Class: 1.15% p.a.
Index	S&P/ASX 200
Minimum Investment	\$20,000
Buy/Sell Spread	0.20%/0.20%
Distributions	Quarterly ¹
APIR Code	LAZ0013AU

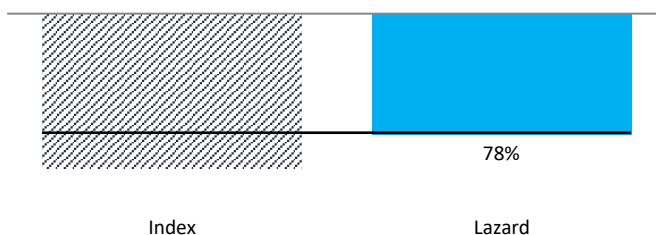
Allocations (%)

Sector	Lazard	Index	Overweight/ Underweight
Communication Services	1.6	3.8	-2.2
Consumer Discretionary	10.6	6.3	4.3
Consumer Staples	11.4	4.8	6.6
Energy	16.4	5.9	10.5
Financials	29.6	28.4	1.2
Health Care	2.6	9.7	-7.1
Industrials	7.2	5.7	1.5
Information Technology	0.0	2.6	-2.6
Materials	15.0	25.4	-10.4
Real Estate	2.8	6.2	-3.4
Utilities	0.0	1.4	-1.4
Cash	2.7	0.0	2.7

Top 5 Holdings (%)

	Lazard	Index
QBE Insurance	10.0	0.9
Woodside Energy	8.9	3.1
Rio Tinto	7.7	2.1
AMP	7.1	0.2
Santos	5.3	1.1

Down Market Capture Ratio



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

Equities rallied over January 2023 off the back of stabilising recessionary expectations and easing rate hike fears after a soft US GDP print. The S&P/ ASX 200 performed strongly rising +6.2% over January, as investors improved their outlook. This was also reflected in bond markets, as the Australian 10-year yield fell by 50bps to 3.55%. On a sector basis, Consumer Discretionary was the strongest performer, while Materials and REITs also outperformed in Australia. The Utilities, Energy and Health Care sectors were the relative underperformers.

During the month ended January 2023, the Lazard Select Australian Equity Fund returned 3.8% (net of W Class fees), underperforming the S&P/ASX 200 Accumulation Index which returned 6.2%.

Contributors to Performance

- Collin's Foods (CKF) had a strong January as the share price rose approximately 11.5%. The strong share market bounce has been led by companies that fell the most in 2022. While we believe CKF is undervalued and expect good returns in the years ahead, the near-term bounce in the CKF share price seems to be consistent with this broader market dynamic.
- ANZ Group (ANZ) outperformed over the month of January, despite no material company news. ANZ was the worst performing major bank over 2022, and the rise in January may have been part of the general reversal of prices during the month, which saw the prices of many stocks that had fallen the most of 2022 recover. Some improvement in the perceptions of the economic outlook may also have assisted the upward price movement.

Detractors from Performance

- AMP underperformed during the strong market upside over January 2023, after significant price gains over 2022. AMP announced that Chinese regulatory approval for the transfer of their stake in China Life from Collimate (sold to Dexus) to AMP has been delayed beyond 28 January 2023 and the company thus loses AU\$25m (0.8cps) payment from Dexus. AMP is now instead transferring the Collimate assets to Dexus and will retain the legal entity that owns China Life, thus avoiding the need for regulatory approval from China. The company also announced a non-cash (non-NTA) write-down of AU\$68m to be taken at the full year 2022 result.
- Aurizon's (AZJ) share price closed modestly negative in January while the S&P ASX 200 index rose strongly during the month. There was no company specific news during the month, and we look forward to the H1 result in February 2023 to further assess the company's growth plan for the recently acquitted One Rail asset.

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 normalization 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 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 normalization 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 fare well, 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.

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