

# Lazard

## Defensive Australian Equity Fund

Dec 2020  
Factsheet

### Reduce Drawdowns

Emphasis on avoiding large drawdowns compared to the S&P ASX 200 Accumulation Index

### Total Return

Securities selected for both income and long-term growth opportunities

### Sustainable Income

Exposure to companies with sustainable income streams

## Fund Facts

Number of stocks	31
Total Fund Size	\$11.8m
Inception Date	03-Jul-12
Total Management Costs	0.81% p.a. *
Benchmark	RBA Cash Rate S&P ASX 200
Minimum Investment	\$20,000
Buy/Sell Spread	+0.20%/-0.20%
Distributions	Quarterly <sup>1</sup>

\* Total reduces to 0.51% p.a. of the net asset value when the proportion of the Fund in Cash investments is greater than 50%. Total Management Costs include an estimated Indirect Costs of 0.06% p.a. of the NAV

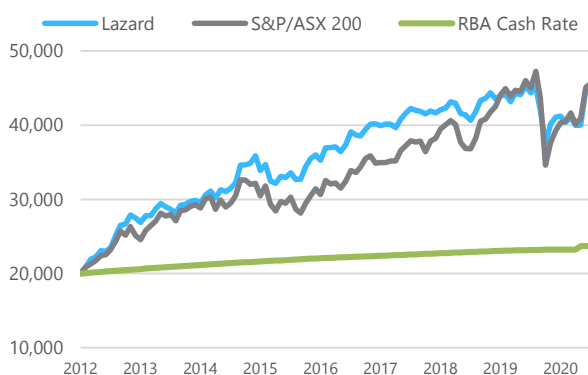
## Investment Characteristics

	Lazard	S&P/ASX
Volatility	10.5	13.7
Sharpe Ratio (Since Inception)	0.8	0.6
Net Yield (%)	3.7	2.8
Gross Yield (%)	4.6	3.7
3 Year Turnover (% pa)	58.7	-

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

	Lazard	Cash Rate	S&P/ASX
1 Month	0.4	0.0	1.2
3 Months	12.8	0.0	13.7
1 Year	1.6	0.3	1.4
3 Years (pa)	2.2	1.0	6.7
5 Years (pa)	6.1	1.2	8.7
Since Inception (pa)	10.0	1.8	10.2

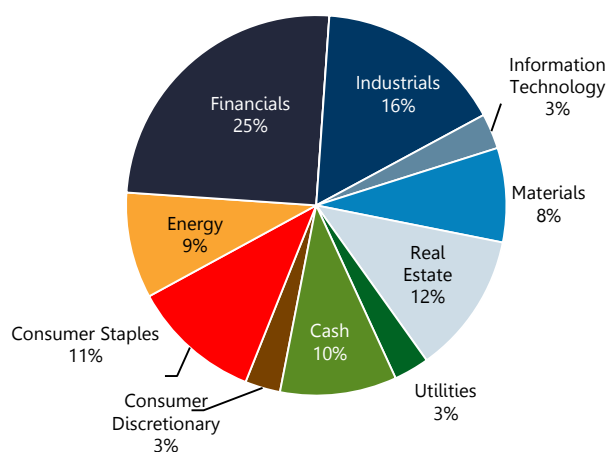
## Growth of \$20,000 <sup>2</sup>



## Asset Allocation (%)

	Lazard	S&P/ASX
Equity	90.1	100
Cash Deposits	9.9	-

## Sector Exposure (%)

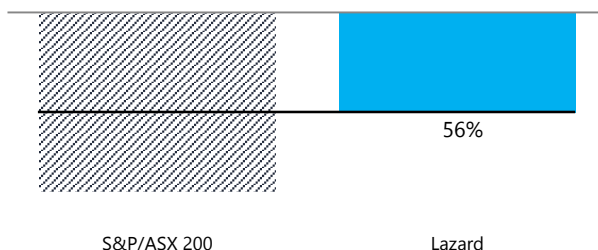


## Fund Distributions <sup>3</sup>

Based on \$100,000 Capital Invested at Fund Inception

	Distributed Income (\$)	Net Distributed Grossed-up for Tax Credits (\$)
Financial Year End 30 June 2013	3,982	5,234
Financial Year End 30 June 2014	5,412	7,199
Financial Year End 30 June 2015	5,814	7,596
Financial Year End 30 June 2016	5,505	7,633
Financial Year End 30 June 2017	5,516	7,527
Financial Year End 30 June 2018 *	6,996	8,735
Financial Year End 30 June 2019 *	6,774	8,298

## Historical Drawdown <sup>4</sup>



\* The Fund opted into the Attribution Managed Investment Trust (AMIT) regime from 1 July 2017. The cash distribution policy of the Fund following the election is a gross income cash distribution policy. That is, the expenses of the Fund will be funded from remaining capital in the Fund. The payment of income before expenses will mean that part of the cash distribution will represent a non-taxable amount. This will appear on AMMA statement as a non-assessable non-exempt amount.

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

<sup>2</sup> Performance is presented net of fees. 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.

<sup>3</sup> Distribution calculation assumes income is distributed and all distributed capital gains are immediately re-invested. Distribution calculation is for illustrative purposes only. Distributions can go up and down. Past distributions are not necessarily indicative of future distributions.

<sup>4</sup> Historical Drawdown is calculated since inception and based on performance gross of all fees. Drawdown capture is a statistical measure of an investment manager's overall average performance in down markets, being calendar months where the S&P/ASX 200 Accumulation Index ("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.

**LAZARD**  
ASSET MANAGEMENT

## Commentary

As at 31 December 2020, the Fund is invested in 31 companies which meet the criteria of a dividend yield above the cash rate, capital appreciation potential and sustainability of dividend. Given between 1% and 3% of Fund assets will be invested in each qualifying company at month end, listed shares accounted for 90.1% of assets and 9.9% of Fund assets were invested in cash deposits.

As at 31 December 2020, the Fund's aggregate forward yield continued to look attractive at 3.4%, or 4.2% when "grossed-up" for franking credits and tax deferral benefits\*. This can be compared to the RBA annual cash rate at month end of 0.10%. The two RBA measurements of term deposit rates in the Australian market, the "Average Rate (all terms)" and the "Special Rate (all terms)", ended the month at 0.25% and 0.30%, respectively.

This means the expected annual yield from the Fund is 3.30% above the month-end RBA cash rate and at a 4.10% premium on a "grossed-up" basis. The Fund's expected excess yield over the RBA "Special Rate (all terms)" index is 3.10% and 3.90% on a "grossed-up" basis (with the Fund's yield premium over the RBA "Average Rate" obviously higher).

December saw seven ex-dates and four dividend payments.

ANZ, NAB and WBC have significantly de-rated over the last five years relative to the wider Australian market, with the relative multiple P/B multiple falling by between 50% and 60% from early 2015 to end of September 2020 and the relative forward P/E ratio falling from a ca 14% discount over 2000-2015 to a 37% discount by the end of the third quarter of 2020. While significant uncertainty regarding the course of the COVID-19 pandemic remains, prompt and dramatic monetary and fiscal support for the economy over 2020 has reduced the risk of a severe credit cycle and Australian residential prices in particular have remained broadly stable over the year. While low interest rates will exert further downward pressure on net interest margins over the next few years (from the rolling off of replicating portfolios of interest rate futures hedging contracts) and credit growth is expected to remain low, these Australian banks will be able to return to sustainable payout ratios by 2022, delivering an over 6% fully franked yield to shareholders even after the share price recovers over the Q4 of 2020. Accordingly, we see the risks amply compensated by the attractive valuations. In contrast, CBA trades at a 45% FY2 premium P/E ratio to its peers and at 19x f22 EPS remains one of the most expensively priced developed market banks in the world.

Looking ahead, January will be a quiet month on the dividend front with one dividend receipt expected.

The investment strategy of the Fund is to provide investors with access to companies listed on the Australian Securities Exchange that Lazard believes offer sustainably high dividends and capital appreciation potential. The large economic impact from COVID-19 both in Australia and globally, will we believe, impact dividends of many companies in the shorter term, including some of those held in the Fund. In this environment, we will however continue to seek to invest in companies that we believe offer sustainably high dividends and capital appreciation potential over a full market cycle.

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

\*Assumes tax deferred distributions are equivalent to 60% franked, based on an assumed marginal tax rate of 35% and an assumed holding period of 3 years. A higher assumed marginal tax rate, or a longer assumed holding period would have increased the assumed/equivalent franking level. Conversely, a lower assumed marginal tax rate, or a shorter assumed holding period would have decreased the assumed/equivalent franking level.

### 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 Fact Sheet contains general information only and does not take account of your individual objectives, financial situation or needs. Investors should get professional advice as to whether an investment in the Fund is appropriate having regard to their particular investment needs, objectives and financial circumstances before investing. Investors should obtain a copy of the current PDS for the Fund, available at [www.lazardassetmanagement.com.au](http://www.lazardassetmanagement.com.au) or from your IDPS operator, and 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 Fund, repayment of capital from the Fund, any particular return from or any increase in the value of the Fund. An investment in the Fund does not represent deposits or other liabilities of any member of the Lazard Group.