

Lazard

Defensive Australian Equity Fund

Mar 2021
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 | 32 |
| Total Fund Size | \$11.8m |
| Inception Date | 03-Jul-12 |
| Total Management Costs | 0.81% p.a. * |
| Benchmark | RBA Cash Rate |
| Minimum Investment | \$20,000 |
| Buy/Sell Spread | +0.20%/-0.20% |
| Distributions | Quarterly ¹ |

* 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

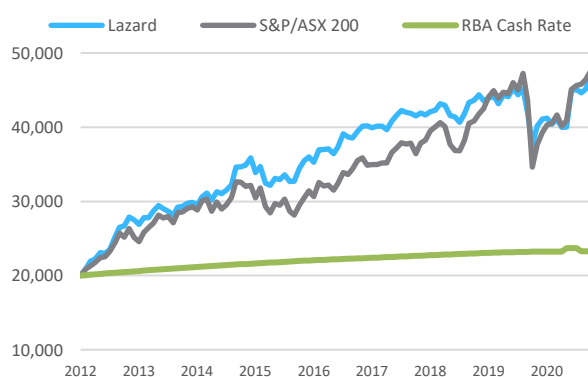
Investment Characteristics

| | Lazard | S&P/ASX |
|--------------------------------|--------|---------|
| Volatility | 10.4 | 13.5 |
| Sharpe Ratio (Since Inception) | 0.8 | 0.6 |
| Net Yield (%) | 3.3 | 2.6 |
| Gross Yield (%) | 4.2 | 3.5 |
| 3 Year Turnover (% pa) | 57.2 | - |

Performance ² (%)

| | Lazard | Cash Rate | S&P/ASX |
|----------------------|--------|-----------|---------|
| 1 Month | 4.1 | 0.0 | 2.4 |
| 3 Months | 4.2 | 0.0 | 4.3 |
| 1 Year | 25.0 | 0.2 | 37.5 |
| 3 Years (pa) | 4.2 | 0.9 | 9.7 |
| 5 Years (pa) | 6.4 | 1.1 | 10.2 |
| Since Inception (pa) | 10.2 | 1.7 | 10.4 |

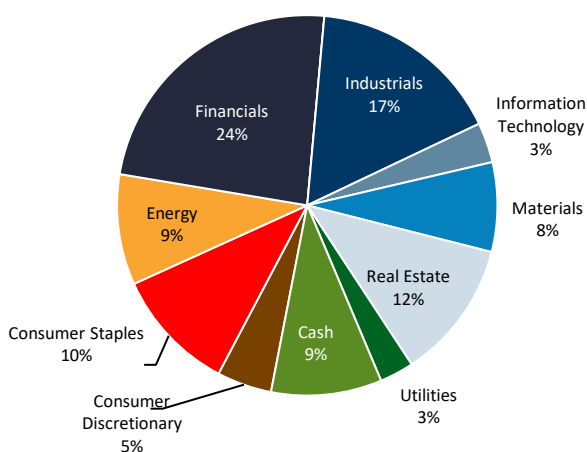
Growth of \$20,000 ²



Asset Allocation (%)

| | Lazard | S&P/ASX |
|---------------|--------|---------|
| Equity | 90.6 | 100 |
| Cash Deposits | 9.4 | - |

Sector Exposure (%)

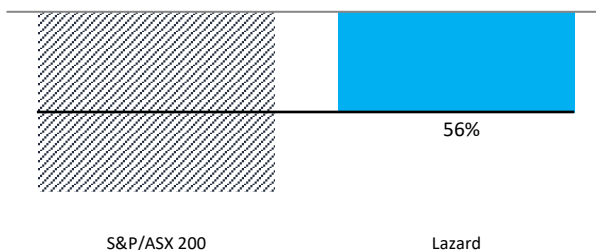


Fund Distributions ³

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 |

Down Market Capture Ratio ⁴



* 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.

¹ Distributions are made quarterly if of an economic size.

² 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.

³ 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.

⁴ 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 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.

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ASSET MANAGEMENT

Commentary

As at 31 March 2021, the Fund is invested in 32 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 90.6% of assets and 9.4% of Fund assets were invested in cash deposits.

As at 31 March 2021, the Fund's aggregate forward yield continued to look attractive at 3.8%, or 4.5% 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 0.20% and 0.30%, respectively.

This means the expected annual yield from the Fund is 3.7% above the month-end RBA cash rate and at a 4.4% premium on a "grossed-up" basis. The Fund's expected excess yield over the RBA "Special Rate (all terms)" index is 3.5% and 4.2% on a "grossed-up" basis (with the Fund's yield premium over the RBA "Average Rate" obviously higher).

March saw nine ex-dates and ten dividend payments.

Reliance Worldwide (RWC) is a leading manufacturer of plumbing & heating products and technologies, with operations spanning across North America, the UK and Asia Pacific. RWC's core products are its brass and plastic behind-the-wall push-to-connect plumbing fittings, manufactured in Australia, the US and the UK. RWC has been a 'COVID-19 beneficiary' over the past twelve months, particularly in the US, where home repair and maintenance activity has benefitted strongly from stay-at-home orders, travel restrictions, and Government stimulus. Whilst this short-term demand theme is not central to our investment thesis, it does support RWC's non-discretionary defensive characteristics. RWC's distribution partners in key markets have generally been considered 'essential service'. As at 1H21, RWC has generated constant currency sales growth of 20%+ in the Americas, 10%+ in Asia Pacific, and 10%+ in EMEA. Meanwhile, we believe the harsh US winter freeze in January /February 2021 should further support demand for RWC's products.

Prior to the FY20 result release, consensus FY22 EPS was 18c and this has increased to 22c following a revision of sell-side analyst estimates. The P/E multiple on FY22 earnings, meanwhile, has expanded from ca. 15.5x to ca. 21.0x on the market's higher level of confidence regarding RWC's defensive characteristics and growth profile. RWC is projected to pay a full year dividend of 11.0cps (consensus average), which is within its target payout policy of 40-60% of NPAT.

Looking ahead, April will be a busy month on the dividend front with six dividend receipts 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

*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

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