

Lazard

Defensive Australian Equity Fund

Aug 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	33
Total Fund Size	\$12.2m
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 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

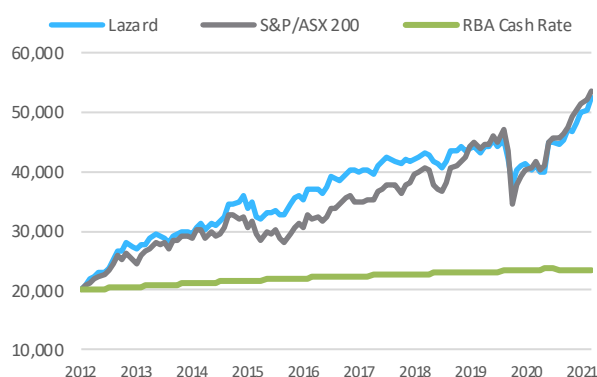
Investment Characteristics

	Lazard	S&P/ASX
Volatility	10.3	13.3
Sharpe Ratio (Since Inception)	1.0	0.7
Net Yield (%)	3.8	3.1
Gross Yield (%)	4.7	4.0
3 Year Turnover (% pa)	59.2	-

Performance ² (%)

	Lazard	Cash Rate	S&P/ASX
1 Month	4.8	0.0	2.5
3 Months	9.6	0.0	6.0
1 Year	28.0	0.1	28.1
3 Years (pa)	6.8	0.7	9.9
5 Years (pa)	7.3	1.0	10.9
Since Inception (pa)	11.1	1.7	11.3

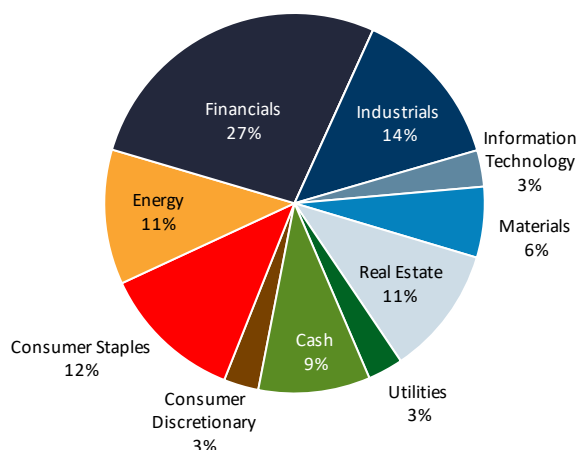
Growth of \$20,000 ²



Asset Allocation (%)

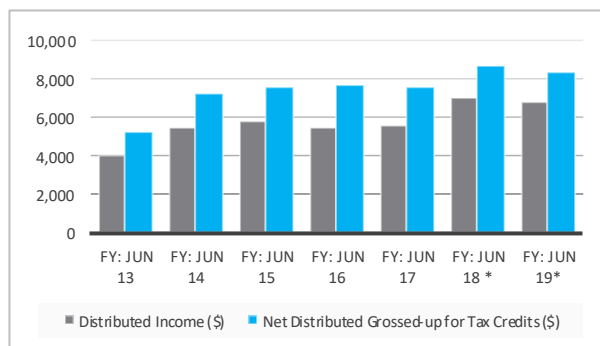
	Lazard	S&P/ASX
Equity	90.5	100
Cash Deposits	9.5	-

Sector Exposure (%)

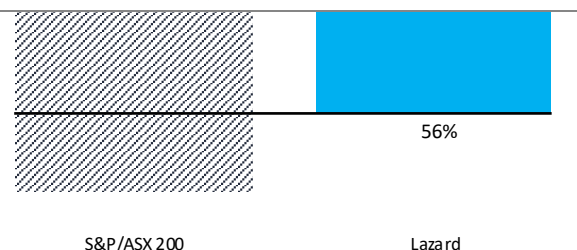


Fund Distributions ³

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



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.

LAZARD
ASSET MANAGEMENT

Commentary

As at 31 Aug 2021, the Fund is invested in 33 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 90.5% of assets and 9.5% of Fund assets were invested in cash deposits.

As at 31 Aug 2021, the Fund's aggregate forward yield continued to look attractive at 4.0%, or 5.3% 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 0.15% and 0.25%, respectively.

This means the expected annual yield from the Fund is 3.9% above the month-end RBA cash rate and at a 5.2% premium on a "grossed-up" basis. The Fund's expected excess yield over the RBA "Special Rate (all terms)" index is 3.75% and 5.05% on a "grossed-up" basis (with the Fund's yield premium over the RBA "Average Rate" obviously higher).

August saw twelve ex-dates and six dividend payments.

Alumina (AWC) went ex-dividend in August 2021. AWC holds a 40% equity interest in the world's largest alumina and bauxite producer, Alcoa World Alumina & Chemicals (AWAC), a joint venture with Alcoa Inc. AWC's share price outperformed the market in August 2021 mostly driven by an increase in seaborne alumina price towards the end of the month to around US\$320/t. Dividend returns at its current share price continues to be attractive and is above the general market. With the commodity (alumina) price starting to play a catch up with aluminum price, we expect dividend to grow in the near to medium term, helped by better profitability. Spot prices are now much higher than the average realised price of US\$290/t AWC reported in their 1H21 result during the month. Freight rates into China continue to be the big impediment to narrow the price difference between higher Chinese domestic alumina price and import parity price. Recent increases in the Chinese domestic alumina price, now sitting at above US\$400/t, are supporting seaborne alumina prices. In addition, supply from Chinese domestic refineries is likely to get very tight in 2H21 as many local governments, due to power shortages, are introducing production caps for higher energy intensity business such as alumina refineries. This is despite demand for aluminum remaining very strong in China which forces many smelters to buy alumina from the seaborne market tightening up RoW supply. AWAC is also among the lowest cost and CO2 emitters amongst major alumina producers globally. We continue to believe that AWC's current share price looks attractive.

Looking ahead, September will be a busy month on the dividend front with twelve dividend receipts expected.

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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