

# Lazard

## Defensive Australian Equity Fund

Jan 2022  
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	0.77% p.a.*
Benchmark	RBA Cash Rate
Minimum Investment	\$20,000
Buy/Sell Spread	+0.20%/-0.20%
Distributions	Quarterly <sup>1</sup>

\* Total reduces to 0.47% 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 0.02% p.a. of the NAV

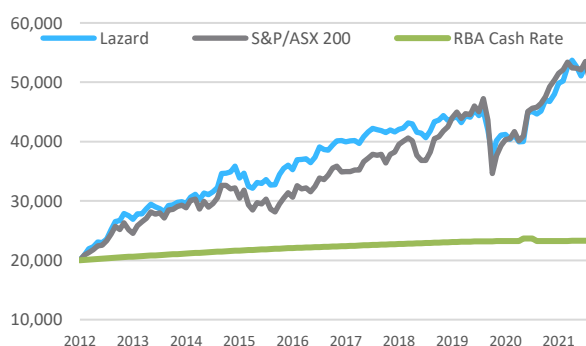
### Investment Characteristics

	Lazard	S&P/ASX
Volatility	10.3	13.3
Sharpe Ratio (Since Inception)	0.9	0.6
Net Yield (%)	4.0	4.0
Gross Yield (%)	5.1	5.3
3 Year Turnover (% pa)	59.2	-

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

	Lazard	Cash Rate	S&P/ASX
1 Month	-2.5	0.0	-6.4
3 Months	-2.3	0.0	-4.3
1 Year	15.1	0.1	9.4
3 Years (pa)	7.1	0.5	9.8
5 Years (pa)	5.8	0.9	8.5
Since Inception (pa)	10.3	1.6	10.1

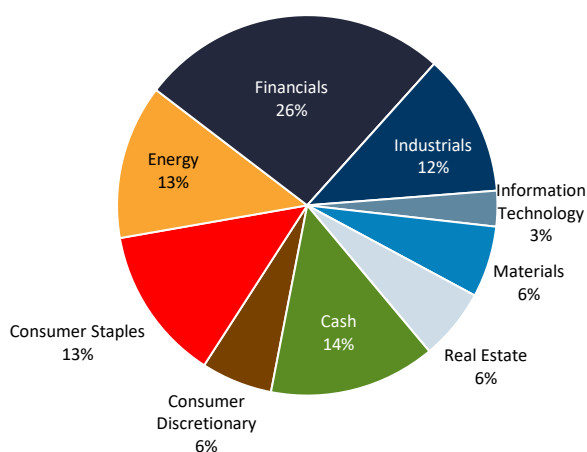
### Growth of \$20,000 <sup>2</sup>



### Asset Allocation (%)

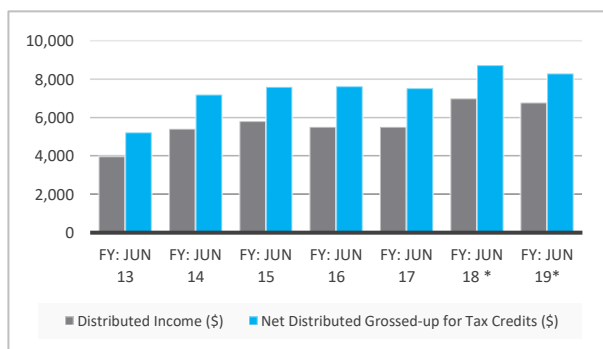
	Lazard	S&P/ASX
Equity	86.0	100
Cash Deposits	14.0	-

### Sector Exposure (%)

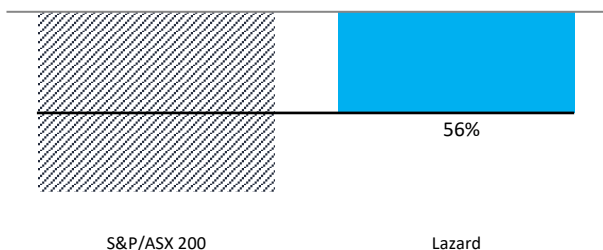


### Fund Distributions <sup>3</sup>

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



### Down Market Capture Ratio <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> 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 January 2022, 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 86.0% of assets and 14.0% of Fund assets were invested in cash deposits.

As at 31 January 2022, the Fund's aggregate forward yield continued to look attractive at 3.9%, or 5.1% 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 3.8% above the month-end RBA cash rate and at a 5.0% premium on a "grossed-up" basis. The Fund's expected excess yield over the RBA "Special Rate (all terms)" index is 3.65% and 4.85% on a "grossed-up" basis (with the Fund's yield premium over the RBA "Average Rate" obviously higher).

January 2022 saw one dividend payment.

We recently added Bapcor (BAP) to the fund. BAP is an automotive aftermarket supplier with a national presence in the trade, retail and specialist wholesale segments in Australia and New Zealand. The company also has early stage investments in South East Asia. Auto-parts are a low beta industry with favorable margins and pricing power. This provides a good backdrop for dividend sustainability. BAP is pursuing network growth which will support growth over the next five years. This growth will require investment in working capital, which all else equal will result in cash flows lagging profit growth. The company is also increasing the penetration of private label products which will support margin expansion. International peers suggest BAP has further margin upside as this program matures. BAP's yield today is about 3% on a payout ratio in the 50-60% range. We see the company's network expansion and private label program producing high-single digit dividend growth over the medium term, making the company an attractive addition to the portfolio.

Looking ahead, February 2022 will be a quiet month for dividend receipts.

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

\*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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