

Lazard

Defensive Australian Equity Fund

Feb 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	\$12.0m
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 ¹

* 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

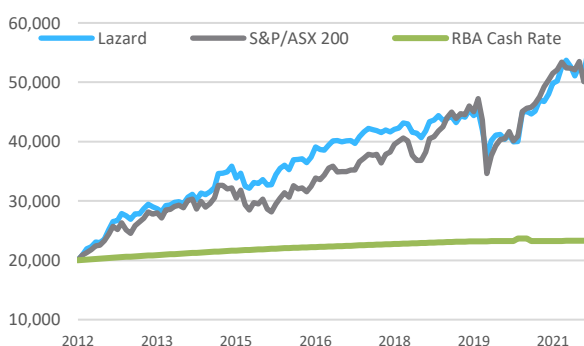
Investment Characteristics

	Lazard	S&P/ASX
Volatility	10.5	13.2
Sharpe Ratio (Since Inception)	0.9	0.6
Net Yield (%)	4.4	4.3
Gross Yield (%)	5.5	5.9
3 Year Turnover (% pa)	54.8	-

Performance ² (%)

	Lazard	Cash Rate	S&P/ASX
1 Month	7.5	0.0	2.1
3 Months	8.3	0.0	-1.7
1 Year	22.4	0.1	10.2
3 Years (pa)	8.4	0.5	8.4
5 Years (pa)	7.5	0.9	8.5
Since Inception (pa)	11.1	1.6	10.2

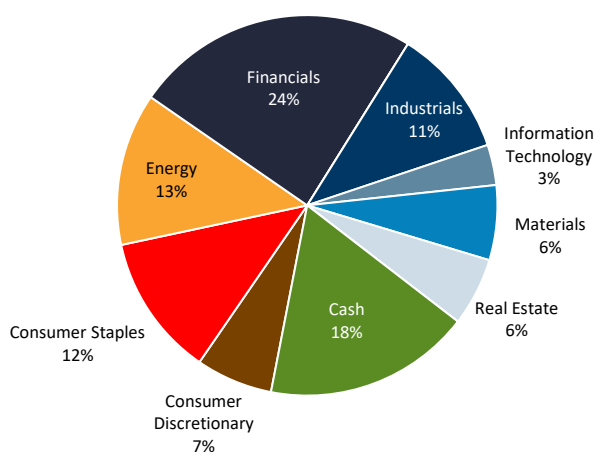
Growth of \$20,000 ²



Asset Allocation (%)

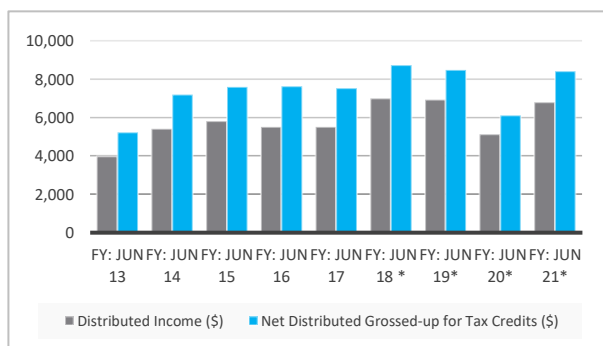
	Lazard	S&P/ASX
Equity	82.4	100
Cash Deposits	17.6	-

Sector Exposure (%)

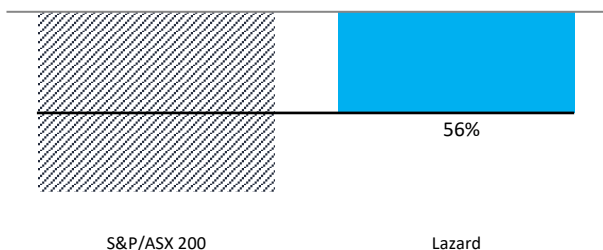


Fund Distributions ³

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.

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ASSET MANAGEMENT

Commentary

As at 28 February 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 82.0% of assets and 18.0% of Fund assets were invested in cash deposits.

As at 28 February 2022, the Fund's aggregate forward yield continued to look attractive at 4.0%, or 5.0% 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 0.20%, respectively.

This means the expected annual yield from the Fund is 3.9% above the month-end RBA cash rate and at a 4.9% premium on a "grossed-up" basis. The Fund's expected excess yield over the RBA "Special Rate (all terms)" index is 3.85% and 4.80% on a "grossed-up" basis (with the Fund's yield premium over the RBA "Average Rate" obviously higher).

February 2022 saw eleven ex-dates and one dividend payment.

Computershare (CPU) outperformed the market on account of its better-than-expected results in February 2022. The main factor was the larger-than-expected client balances on its newly acquired corporate trust business, CCT. This signaled that CPU could benefit from rises in interest rates to a greater extent than the market previously thought and allowed the company to lift its FY22 guidance. The increased leverage to rates, and greater expectations for U.S. monetary tightening, compounded the support for the stock. The consensus view now is that the Fed's tightening cycle will begin in March 2022 and extend into next year, allowing for a more normal, albeit still modest, interest rate level. With the market cautious on factoring in these rises into CPU earnings forecasts, we think there is still upside to earnings, and therefore, to the stock price. CPU pays out 45-70% of earnings as dividends and has sustainably grown dividends for over a decade. Given the strong contribution from CCT and broadly higher rates, we believe further growth in dividends is on track. At the current price, CPU yields approximately 2.3%.

Looking ahead, March 2022 will be a busy month with ten dividend receipts expected.

For more information, call us on 1800 825 287
or visit 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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