

# Lazard

## Defensive Australian Equity Fund

Mar 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	\$12.8m
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

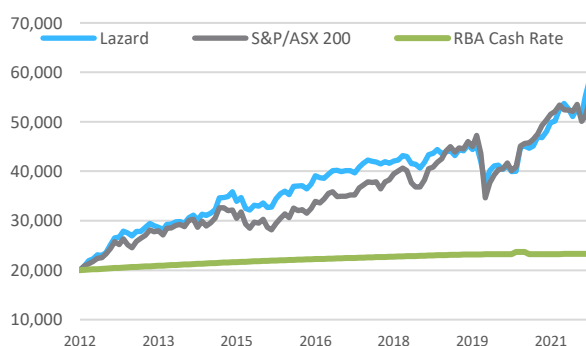
### Investment Characteristics

	Lazard	S&P/ASX
Volatility	10.6	13.3
Sharpe Ratio (Since Inception)	1.0	0.7
Net Yield (%)	4.2	4.7
Gross Yield (%)	5.4	6.4
3 Year Turnover (% pa)	56.0	-

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

	Lazard	Cash Rate	S&P/ASX
1 Month	6.3	0.0	6.9
3 Months	11.4	0.0	2.2
1 Year	25.0	0.1	15.0
3 Years (pa)	10.4	0.4	10.6
5 Years (pa)	8.3	0.8	9.2
Since Inception (pa)	11.7	1.6	10.9

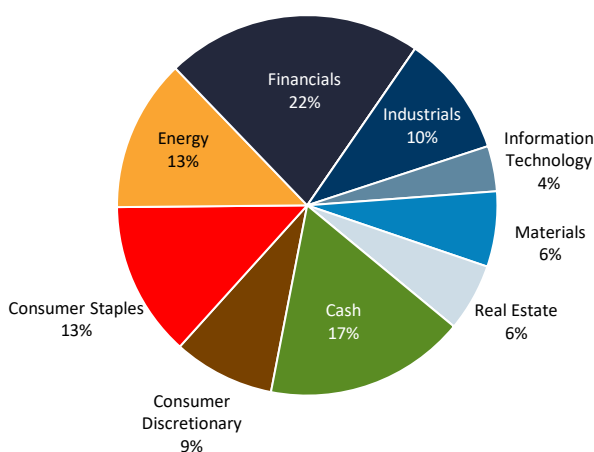
### Growth of \$20,000 <sup>2</sup>



### Asset Allocation (%)

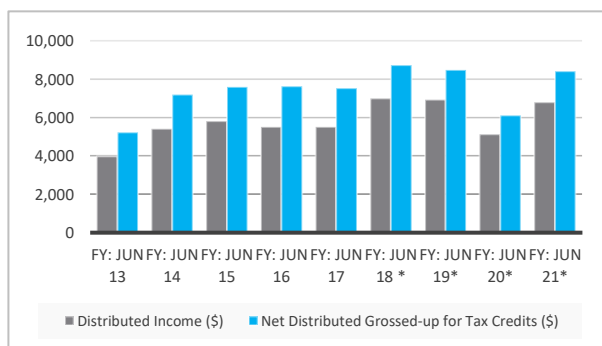
	Lazard	S&P/ASX
Equity	82.9	100
Cash Deposits	17.1	-

### Sector Exposure (%)

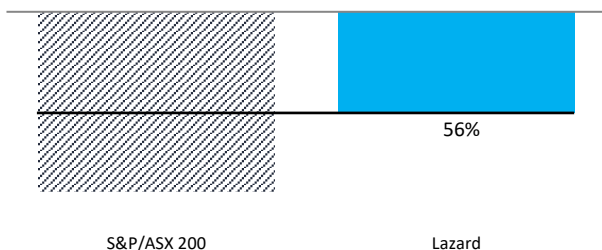


### Fund Distributions <sup>3</sup>

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.

**LAZARD**  
ASSET MANAGEMENT

## Commentary

As at 31 March 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 82.9% of assets and 17.1% of Fund assets were invested in cash deposits.

As at 31 March 2022, the Fund's aggregate forward yield continued to look attractive at 4.4%, or 5.8% 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 4.3% above the month-end RBA cash rate and at a 5.7% premium on a "grossed-up" basis. The Fund's expected excess yield over the RBA "Special Rate (all terms)" index is 4.2% and 5.6% on a "grossed-up" basis (with the Fund's yield premium over the RBA "Average Rate" obviously higher).

March 2022 saw twelve ex-dates and fourteen dividend payments.

Woodside Petroleum (WPL) paid a dividend in March 2022. WPL's share price rebounded strongly in the quarter ended March 2022, up by 43% and well ahead of the market. The broader spectrum of energy prices has risen significantly, triggered by Russia's invasion of Ukraine. Russia accounts for about 10% of global oil supply and 40% of gas importation into Europe. The market appeared to be concerned about the potential full embargo of Russian energy supply, which could be catastrophic for global energy costs which could result in a global economic recession. There is almost no alternative source of supply available today to completely replace the Russian volume. WPL has 80/20 exposure between LNG (gas) and oil, with the highest spot LNG exposure among domestic E&P companies, which should benefit from near-term strengthen in seaborne gas prices, currently sitting over US\$30/mmbtu. The medium to long term impact to the energy market from the conflict is still unclear at the moment, but energy securities have suddenly come to the forefront of national security concerns for many western countries. In our view, this could help WPL in the medium term as they have uncontracted gas in their portfolio as well as undeveloped resource that could be expediated under the current backdrop. The company is also making solid ESG related progress with new developments to some of the lowest CO2 projects globally. We continue to see strong fundamentals for WPL which we believe are not recognized at current share price levels. High commodity prices are also enabling WPL to pay strong dividends despite investing in growth (eg. Scarborough and Senegal). For FY22, the market is expecting WPL to pay a dividend yield of just under 9% before franking. The board has issued a minimum payout ratio of at least 50% of NPAT which will continue to reward shareholders over the medium term. The excellent condition of the balance sheet could see the actual dividend payout meaningfully above the articulated minimum.

Looking ahead, April 2022 will be a busy month with seven dividend receipts expected.

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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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