

Lazard

Defensive Australian Equity Fund

Apr 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	\$13.1m
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

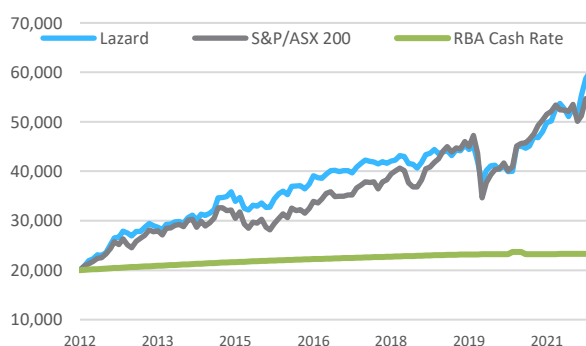
Investment Characteristics

	Lazard	S&P/ASX
Volatility	10.6	13.2
Sharpe Ratio (Since Inception)	1.0	0.7
Net Yield (%)	4.1	4.1
Gross Yield (%)	5.3	5.6
3 Year Turnover (% pa)	55.7	-

Performance ² (%)

	Lazard	Cash Rate	S&P/ASX
1 Month	2.3	0.0	-0.9
3 Months	17.0	0.0	8.2
1 Year	28.5	0.1	10.2
3 Years (pa)	10.6	0.4	9.4
5 Years (pa)	8.4	0.8	8.8
Since Inception (pa)	11.8	1.6	10.7

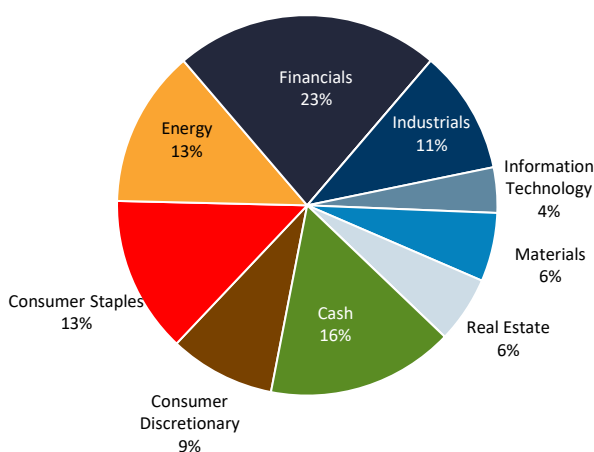
Growth of \$20,000 ²



Asset Allocation (%)

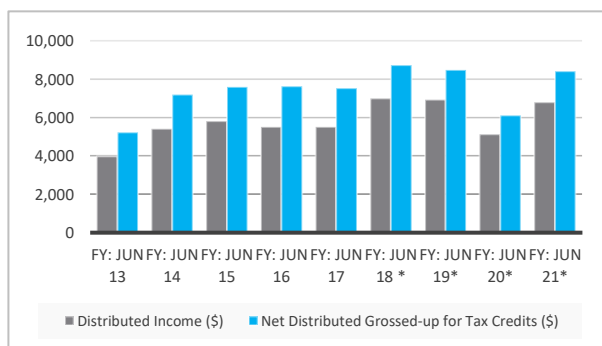
	Lazard	S&P/ASX
Equity	84.1	100
Cash Deposits	15.9	-

Sector Exposure (%)

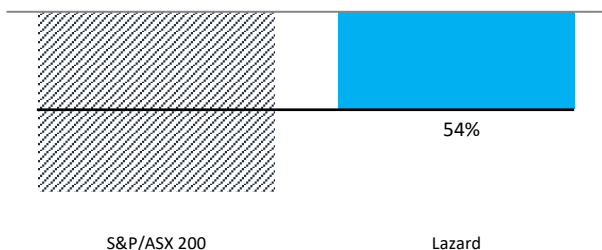


Fund Distributions ³

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 30 April 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 84.1% of assets and 15.9% of Fund assets were invested in cash deposits.

As at 30 April 2022, the Fund's aggregate forward yield continued to look attractive at 4.0%, or 5.4% 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 5.3% premium on a "grossed-up" basis. The Fund's expected excess yield over the RBA "Special Rate (all terms)" index is 3.8% and 5.2% on a "grossed-up" basis (with the Fund's yield premium over the RBA "Average Rate" obviously higher).

April 2022 saw eight ex-dates and two dividend payments.

Insignia Financial (IFL) underperformed the market by around 6% in April 2022, following some disappointment around the company's 3Q22 business update. In the update, the company reported continued adviser losses, net (albeit modest) outflows in platforms, and lower total funds under administration, on account of declines in broader equity markets. The company has been consolidating two large acquisitions for nearly two years and had well flagged disruption in both the advice and platforms businesses. However, the volatile markets, and what appears to be a long turnaround, unnerved some market participants, who made some near-term downgrades to the stock. We believe the market has overreacted as the company is delivering on its ambitions in cost-out and is showing signs that its platforms and advice businesses are on a path to improvement. As it trades at just over 11x normalised earnings, and under 10x earnings once we consider some cost-out program success, we continue to see value in IFL. IFL is normally a strong free cashflow generator that pays out, on average, 75% of its earnings in dividends. This payout has been temporarily depressed in light of its transformation and commitments to remediation (an outcome of the Royal Commission). However, the payout is likely to move back up to the average over the next two years. In the meantime, we are still able to collect a 6% dividend yield and see the potential for dividend growth as part of the attraction to the stock.

Looking ahead, May 2022 will be a quiet month with one dividend receipt 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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