

# Lazard

## Defensive Australian Equity Fund

Sep 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	\$15.7m
Inception Date	03-Jul-12
Total Management Costs	0.77% p.a.*
Benchmark	RBA Cash Rate S&P ASX 200
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

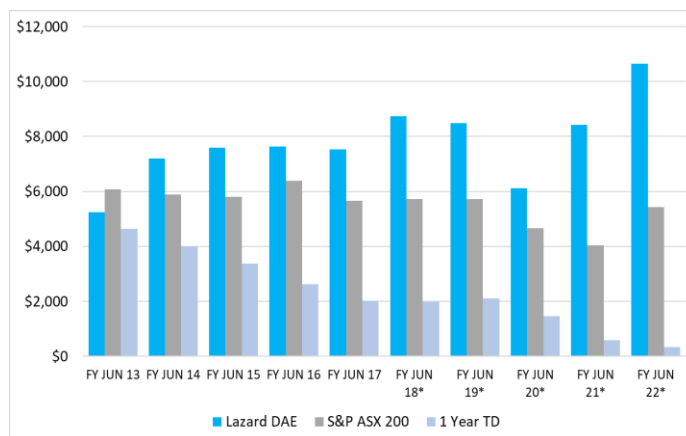
	Lazard	S&P/ASX
Volatility	10.7	13.7
Sharpe Ratio (Since Inception)	0.9	0.5
Net Yield (%)	4.8	4.9
Gross Yield (%)	6.4	6.6
3 Year Turnover (% pa)	55.9	-

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

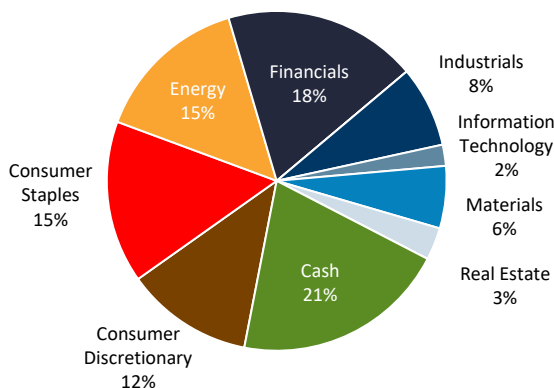
	Lazard	Cash Rate	S&P/ASX
1 Month	-3.7	0.2	-6.2
3 Months	4.4	0.5	0.4
1 Year	10.1	0.6	-7.7
3 Years (pa)	10.1	0.4	2.7
5 Years (pa)	8.3	0.8	6.8
10 Years (pa)	10.3	1.5	8.4
Since Inception (pa)	11.2	1.5	9.0

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

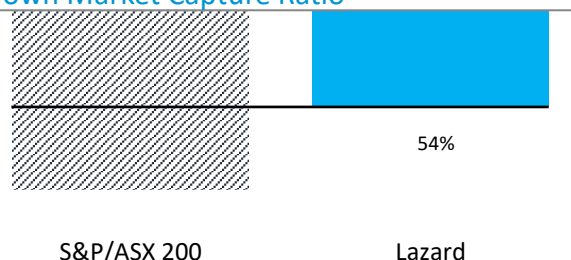
Based on \$100,000 Capital Invested at Fund Inception



### Sector Exposure (%)



### Down Market Capture Ratio<sup>4</sup>



LAZARD  
ASSET MANAGEMENT

\* 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 is based on the Net Distributed grossed-up for Tax Credits. It assumes income is distributed and all distributed capital gains are immediately re-invested in the Fund. Distribution calculation is for illustrative purposes only. Distributions can go up and down. Past distributions are not necessarily indicative of future distributions. The ASX 200 index distributions are based on the index yearly total dividend i.e dividend yield plus the franking credit yield for every financial year.

<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.

## Commentary

As at 30 September 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 79.5% of assets and 20.5% of Fund assets were invested in cash deposits.

As at 30 September 2022, the Fund's aggregate forward yield continued to look attractive at 5.1%, or 6.7% when "grossed-up" for franking credits and tax deferral benefits\*. This can be compared to the RBA annual cash rate at month end of 2.35%. 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 1.00% and 1.35%, respectively.

September 2022 saw ten ex-dates and fifteen dividend payments.

Whitehaven Coal's (WHC) share price continued to outperform the market during the Q3 2022, underpinned by elevated global coal prices and a record full year result. Benchmark Newcastle (NEWC NAR 6,000 kcal/kg) coal was average over US\$420/t during the quarter, more than doubled compared to 12 months ago and was 15% higher compared to June quarter. There is typically a 6 to 9 months lag between spot price and the realised price achieved by WHC, meaning the high prices will likely continue to flow through into WHC's earnings over the next 12 months. The backdrop for the global coal market continues to be very supportive in the short to medium term. Europe's embargo of Russia coal imports commenced on August 10 and supply from the two largest seaborne exporters, Australia and Indonesia, remains very tight as 'La Nina' brought an extended period of rainfall which has impacted coal production and logistics. At current spot coal prices, the stock is trading on over 50% FCF yield and is sitting on a net cash position. Strong capital management is underway with management looking to finish the current A\$550m buyback before the end of the year and will seek shareholder approval for further buyback of 25% of its outstanding shares. Our valuation captures the near-term strength in coal prices but remains anchored to our long-term coal price assumptions of US\$85/t for NEWC 6,000kcal/kg. On this basis, WHC is still looking relatively attractive. We continue to believe shareholders will be increasingly rewarded with higher dividend payments and share buybacks in the near term. WHC is trading on a dividend yield of almost 9% based on latest market forecast. Shareholder returns have also been topped up with a on market share buyback of 10% of its total issued shares, which is expected to finish before its AGM later in the month. The board has put through an AGM resolution looking for shareholder approval to buyback another 25% of its remaining shares on issues. All these initiatives should, we believe, continue to support the share price and increase the dividend per share on remaining shares assuming stable earnings in the near-term.

Looking ahead, October 2022 will be a quiet month on the dividend front with three dividend receipts expected.

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

The information in this Fact Sheet was prepared by Lazard Asset Management Pacific Co ABN 13 064 523 619, AFS License 238432, and should not be considered a recommendation to purchase, sell or hold any particular security. Securities and sectors mentioned in this Fact Sheet are presented to illustrate companies and sectors in which the Fund may invest. Holdings are subject to change daily. This Factsheet has been prepared without taking account of any investor's objectives, financial situation or needs. Investors should get professional advice as to whether investment in the strategy is appropriate having regard to their particular investment needs, objectives and financial circumstances before investing. Lazard has prepared a target market determination (TMD) for the Lazard Defensive Australian Equity Fund ('Fund') which sets out the class of consumers for whom the Fund, including the Fund's key attributes, would likely be consistent with their likely objectives, financial situation and needs. A copy of the TMD is available at [www.lazardassetmanagement.com](http://www.lazardassetmanagement.com), by contacting [investorqueries@lazard.com](mailto:investorqueries@lazard.com), or from their IDPS operator. It is recommended that investors consider whether their objectives, financial situation and needs are consistent with the target market of the Fund. Investors should obtain a copy of the current Product Disclosure Statement (PDS) for the Fund, available at [www.lazardassetmanagement.com](http://www.lazardassetmanagement.com), by contacting [investorqueries@lazard.com](mailto:investorqueries@lazard.com), or from their IDPS operator and should consider the PDS before making any decision about whether to acquire or to continue to hold the Fund. Neither Lazard nor any member of the Lazard Group, including Lazard Asset Management LLC and its affiliates guarantees in any way the performance of the strategy, repayment of capital from the strategy, any particular return from or any increase in the value of the strategy.

The Lonsec Rating (assigned September 2021) presented in this document is published by Lonsec Research Pty Ltd ABN 11 151 658 561 AFSL 421 445. The Rating is limited to "General Advice" (as defined in the Corporations Act 2001 (Cth)) and based solely on consideration of the investment merits of the financial product(s). Past performance information is for illustrative purposes only and is not indicative of future performance. It is not a recommendation to purchase, sell or hold Lazard Asset Management Pacific Co. product(s), and you should seek independent financial advice before investing in this product(s). The Rating is subject to change without notice and Lonsec assumes no obligation to update the relevant document(s) following publication. Lonsec receives a fee from the Fund Manager for researching the product(s) using comprehensive and objective criteria. For further information regarding Lonsec's Ratings methodology, please refer to our website at: <https://irate.lonsec.com.au/page/ResearchMethodology>

The Zenith Investment Partners ("Zenith") ABN 27 103 132 672 rating (assigned June 2022) referred to in this document is limited to "General Advice" (as defined by the Corporations Act 2001) for Wholesale clients only. This advice has been prepared without taking into account the objectives, financial situation or needs of any individual. It is not a specific recommendation to purchase, sell or hold the relevant product(s). Investors should seek independent financial advice before making an investment decision and should consider the appropriateness of this advice in light of their own objectives, financial situation and needs. Investors should obtain a copy of and consider the PDS or offer document before making any decision and refer to the full Zenith Product Assessment available on the Zenith website. Zenith usually charges the product issuer, fund manager or a related party to conduct Product Assessments. Full details regarding Zenith's methodology, ratings definitions and regulatory compliance are available on our Product Assessment's and at: <http://www.zenithpartners.com.au/RegulatoryGuidelines>