

# Lazard

## Defensive Australian Equity Fund

Dec 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

### Performance <sup>1</sup> (%)

	Lazard	Cash Rate	S&P/ASX
1 Month	-1.2	0.3	-3.2
3 Months	5.8	0.7	9.4
1 Year	18.7	1.3	-1.1
3 Years (pa)	12.1	0.6	5.5
5 Years (pa)	8.2	0.9	7.1
10 Years (pa)	10.3	1.5	8.7
Since Inception (pa)	11.5	1.6	9.7



### Investment Characteristics

	Lazard	S&P/ASX
Volatility	10.7	13.7
Sharpe Ratio (Since Inception)	0.9	0.6
Net Yield (%)	4.7	4.6
Gross Yield (%)	6.3	6.2
3 Year Turnover (% pa)	54.9	-

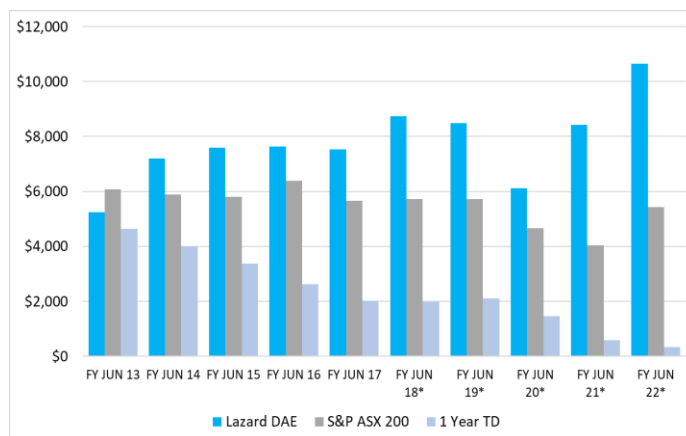
### Fund Facts

Number of stocks	31
Total Fund Size	\$18.8m
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>2</sup>

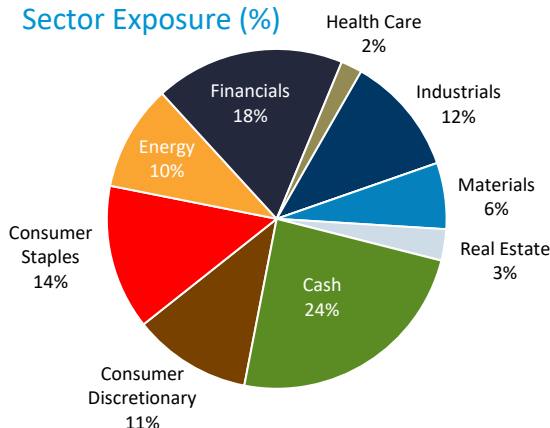
\* Total reduces to 0.47% p.a. of the net asset value when the proportion of the Fund in Cash investments is greater than 50%. Total Management Costs include an estimated Indirect Costs of 0.02% p.a. of the NAV

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

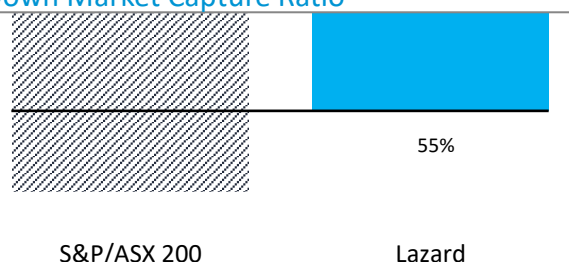
Based on \$100,000 Capital Invested at Fund Inception



### 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> 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>2</sup> Distributions are made quarterly if of an economic size.

<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.

The 1 Year Term Deposit returns are based on rates calculated on a financial year average basis based on month end RBA retail deposit rates for bonus savings account.

<sup>4</sup> Down Market Capture Ratio is calculated since inception and based on performance net 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 31 December 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 75.9% of assets and 24.1% of Fund assets were invested in cash deposits.

As at 31 December 2022, the Fund's aggregate forward yield continued to look attractive at 5.6%, or 7.3% when "grossed-up" for franking credits and tax deferral benefits\*. This can be compared to the RBA annual cash rate at month end of 3.10%. 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 2.10% and 2.65%, respectively.

December 2022 saw three ex-dates and six dividend payments.

The Fund holds a position in Aristocrat Leisure (ALL). ALL was significantly de-rated early in the year with the share price falling from A\$50 at the start 2022 to a low of A\$30 in May 2022. The multiple has fallen with the growth selloff and some in the market were expecting a downgrade from the digital business which was backed by a strong COVID-19 induced performance. The actual FY22 results released in November were largely in line with market expectations, underpinned by a strong land-based gaming slot business in the US. Gaming (slot machine) revenue and earnings from the Americas region are up about 30% and 40% respectively, significantly above its pre-COVID-19 levels. This reflected in record market share in the US. Digital results were not as bad as market feared and revenue was largely flat from a record year in 2021, but still achieving a mid-single digit growth in earnings. At the group level about 75% of revenue is from recurring sources making the business less cyclical than was the case historically. ALL is trading on a dividend yield over 2% on a modest payout ratio and is likely to grow along with its earnings. Shareholder returns have also been topped up with a A\$500m on market share buyback. The business is currently generating very strong cashflow and is in a strong net cash position. This cash position provides optionality to either grow the business or return more capital to shareholders.

Looking ahead, January 2023 will be a quiet month on the dividend front with one dividend receipt expected.

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\*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.

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