

Lazard Select Australian Equity Fund

FACTSHEET / FEBRUARY 2010

FUND OBJECTIVE

The Select Australian Equity Fund seeks to achieve total returns (includes income and capital appreciation and before the deduction of fees and taxes) that exceed those of the S&P/ASX 200 Accumulation Index by 5% per annum over rolling five-year periods.

PERFORMANCE*

Fund	1 Month (%)	3 Months (%)	1 Year (%)	3 Years (% p.a.)	5 Years (% p.a.)
Select Australian Equity (gross of fees)	-0.1	0.1	46.5	-6.4	4.4
Select Australian Equity (net of I class fees)	-0.2	-0.1	45.1	-7.3	3.4
Select Australian Equity (net of W class fees)	-0.2	-0.2	44.9	-7.5	3.2
S&P/ASX 200 Accumulation Index	2.2	-0.6	44.7	-3.2	6.7

* Investments can go up and down. Past performance is not necessarily indicative of future performance. The net returns are calculated using the Fund's Net Asset Value unit price. Performance assumes reinvestment of all distributions.

THE FACTS as at 28 February 2010

Largest Holdings	Fund		Sector Allocation	Fund	
	(%)	S&P/ASX 200 (%)		(%)	S&P/ASX 200 (%)
National Australia Bank	8.6	5.0	Consumer Discretionary	21.7	3.9
Telstra	8.2	3.1	Consumer Staples	8.1	8.7
Brambles	6.9	0.9	Energy	2.0	6.9
Telecom New Zealand (AUST Listing)	6.0	0.3	Financials	14.3	40.4
News Corp (Prefd)	5.9	0.5	Health Care	5.1	3.5
TABCorp	5.9	0.4	Industrials	18.2	6.4
Transurban Group	3.6	0.6	Information Technology	--	0.7
James Hardie	3.6	0.3	Materials	10.7	24.6
Fairfax Media	3.6	0.3	Telecommunication Services	14.2	3.5
Suncorp-Metway	3.5	1.0	Utilities	2.5	1.3
			Cash	3.2	--

*Total may not add to 100% due to rounding.


SELECTED PORTFOLIO STATISTICS as at 28 February 2010

Number of stocks	33	Fund Size Total	\$38.48m
Unit Price – Withdrawal (I class)	\$0.9310	Fund Size (I class)	\$5.77m
Unit Price – Withdrawal (W class)	\$0.9306	Fund Size (W class)	\$32.71m
Inception Date	7 June 2002	ICR (Financial Year 2008 I class)	1.00%
Buy/Sell Margin	+0.20%/-0.20%	ICR (Financial Year 2008 W class)	1.15%

COMMENTARY

World equity markets finished higher in February. The overarching themes appear to be uncertainties surrounding the timing and extent of economic recovery globally, the possibility of higher interest rates and the debt concerns of Greece within the European Monetary Union. Economic activity might be stronger (off a low base), but employment data is not so promising. US housing data continues to be a concern and shows little signs that the housing market is improving. Reporting from US companies was generally quite good overall. The prospect for a consumer led recovery is uncertain and an investment-led one looks unlikely given very high public and private debt levels.

The Australian equity market was preoccupied with company reporting season, which was mixed overall. Outlook statements were generally guarded. Bank results pointed to a rosier outlook for loan loss charges.

The Lazard Select Australian Equity Fund fell 0.1% (net of I Class fees) in February. The S&P/ASX 200 Accumulation Index rose 2.2%.

News Corp contributed most to performance after raising its FY2010 guidance on the back of strong performance from its film and cyber channel business.

Brambles also performed well after the market reacted favourably to a positive first half of financial year (FY) 2010 report, particularly the strong cash flow. The market also views the company's new management team positively.

Not holding *QBE Insurance* assisted relative performance. *QBE* disappointed the market with an earnings report that came in below expectations. The result was influenced by the strong Australian dollar over the six-month period to December 2009. Revenue growth prospects are subdued in the absence of future acquisitions. Claims outpaced premium increases in the last six months. Similarly,

not holding *Macquarie Group* helped, as it forecast weak earnings for the second half of FY 2010.

Aristocrat Leisure's (ALL) share price finished higher after it upgraded financial year 2010 earnings on the back of greater market share in Australia and the US, and an increase in its participation rate (revenues) from US poker machines. *ALL's* share price had remained subdued over the 12 months until February, owing to a depressed US replacement cycle, the translation impact of a stronger Australian dollar and the market's general impatience with the lumpy revenue and profit profile of the company. While there have been some management changes, *ALL* retains a strong focus on its important R&D capability and we expect the company to maintain its share in a growing global market for gambling.

Telstra fell despite maintaining its FY2010 cash flow and earnings target. Management indicated the overall revenue is likely to fall, due to weak performance in *Telstra's* fixed line, advertising and Hong Kong mobile businesses. Our investment thesis is that the market currently assumes a worse case scenario with regards to *Telstra's* competitive position in Australia, given the Federal Government's proposed fibre network rollout as well as separation of the company's retail and wholesale operations. The company's disappointing 1H10 result did little to assuage these concerns. However, the reasons why we own the stock remain unchanged - the company's relatively stable earnings, its cost out performance on the back of its transformation program, continued market dominance, strong cash flow, and high dividend payout.

We will continue to search for opportunities to invest in companies that, subject to a strict valuation process, look cheap for the "normal long run". We believe that this approach should add value for our investors over the medium to long-term.

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