

Lazard Australian Equity Fund

FACTSHEET / DECEMBER 2011

FUND OBJECTIVE

The Australian Equity Fund seeks to achieve total returns (includes income and capital appreciation and before the deduction of fees and taxes) that exceed those on the S&P/ASX 200 Accumulation Index by 3% per annum over rolling three-year periods.

PERFORMANCE*

<i>Fund</i>	<i>1 Month (%)</i>	<i>3 Months (%)</i>	<i>1 Year (%)</i>	<i>3 Years (% p.a.)</i>	<i>5 Years (% p.a.)</i>	<i>10 Years (% p.a.)</i>
Australian Equity (gross of fees)	-0.7	2.2	-5.3	7.4	-2.7	7.0
Australian Equity (net of I class fees)	-0.7	2.0	-6.0	6.6	-3.4	6.2
Australian Equity (net of W class fees)	-0.8	2.0	-6.2	6.4	-3.6	N/A
S&P/ASX 200 Accumulation Index	-1.4	2.1	-10.5	7.6	-2.3	6.2

*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 31 December 2011

<i>Largest Holdings</i>	<i>Fund (%)</i>	<i>S&P/ASX 200 (%)</i>	<i>Sector Allocation*</i>	<i>Fund (%)</i>	<i>S&P/ASX 200 (%)</i>
BHP Billiton	8.5	11.4	Consumer Discretionary	18.4	3.7
Telstra	6.4	4.3	Consumer Staples	6.8	8.1
ANZ Banking	6.3	5.7	Energy	1.5	7.1
Commonwealth Bank of Australia	5.0	8.0	Financials	27.3	39.0
Westpac Banking	4.4	6.3	Health Care	4.5	3.6
News Corp	3.8	0.9	Industrials	15.3	6.9
Brambles	3.7	1.1	Information Technology	--	0.6
National Australia Bank	3.6	5.4	Materials	14.1	24.9
Aristocrat Leisure	3.4	0.1	Telecommunication Services	8.4	4.5
Transurban	3.2	0.8	Utilities	3.3	1.6
			Cash	0.4	--

*Total may not add to 100 due to rounding.



SELECTED PORTFOLIO STATISTICS as at 31 December 2011

Number of stocks	40	Buy/Sell Margin	+0.20%/-0.20%
Unit Price – CUM Withdrawal (I class)	\$0.8301	Capped ICR (I class)	0.75%
Unit Price – CUM Withdrawal (W class)	\$0.7047	Capped ICR (W class)	0.90%
Inception Date	17 Oct 2000	Alpha (3-year)*	1.11%
Fund Size Total	\$103.0m	Beta (3-year)*	0.98
Fund Size (I class)	\$ 84.8m	Information Ratio (3-year)*	0.12
Fund Size (W class)	\$18.2m	Sharpe Ratio (3-year)*	0.28

*As at 30 November 2011.

COMMENTARY

The Reserve Bank of Australia cut the official cash rate in both November and December, taking it to 4.25%, citing the risks posed by the European sovereign debt crisis and uncertainty in the global economy. Within the Australian share market, the resources sector came under pressure from weaker commodity prices while banks held up as wholesale funding spreads eased from 3Q highs.

During the quarter, the Lazard Australian Equity Fund rose 2.0% (net of I Class fees), slightly underperforming the S&P/ASX 200 Accumulation Index, which returned 2.1%.

James Hardie outperformed amidst signs that US housing construction activity was bottoming out. The company also reported a strong September quarter with profit margins exceeding expectations and market share gains in the US and Australia.

In November, **Spotless** (SPT) soared on an A\$698m million takeover bid from a private equity firm, **Pacific Equity Partners** (PEP). The offer was subsequently rejected by the SPT directors who believed that it didn't reflect the fundamental value of the company. Following discussions between SPT and PEP, SPT received a revised proposal from PEP at an indicative price of up to \$2.68 per share on 30 November 2011. During December, the SPT Board and management team made a formal 55-page presentation to PEP, the key conclusion of which was that the expected group EBIT of \$140-150m in 3-4 years time suggests a higher fundamental value per share. There was no response from PEP at the time of writing.

Brambles outperformed as its trading update indicated solid 1Q FY12 revenue growth across all regions. The market was also comforted by the win-back of significant customer **PepsiCo** from its rival **iGPS**.

On a less positive note, in late October **Resmed** (RMD) reported a disappointing 1Q FY12 result with RMD walking away from a couple of large contracts on price and US flow generator sales down 2% due to timing issues. Flow generator sales in the rest of the world (apart from US) were also soft, impacted by continued volume falls in Japan since the tsunami in March 2011. Nonetheless, mask sales continue to grow strongly with solid (circa 20%) volume growth globally. As masks produce significantly higher margins than flow generators, RMD's EPS still grew at 14% in constant currency terms. Regarding currency, we note RMD is largely an export business which has both translation and manufacturing risk with the AUD. A strong AUD reduces RMD's profits, as approximately 40% of its production costs are AUD based, compared to only 2% of its sales coming from Australia.

Goodman Fiddler (GFF) continued to perform poorly as the market remains wary of the difficulty the company will have in implementing its plans outlined at an investor day in November. The market is not yet willing to factor in any improvement from the poor trading conditions GFF has experienced since April 2011. While we agree that GFF's near term prospects are challenged, expectations for the company are low and there have been some 'green shoots' for the company, namely improved commodity costs and some initial improvements in bread pricing at major retailers **Coles** and **Woolworths**.

PMP detracted from returns as its 1H FY12 EBIT is currently tracking below that for the prior year and the NZ transformation plan has been delayed (the plan is now expected to benefit 2H FY12 EBIT). The failure to renew a significant contract with **Pacific Magazines** also weighed on the share price.

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