Q2 2025 STRATEGY REVIEW

Lazard Global Equity Franchise

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ASSET MANAGEMENT

Market Summary

Global equity markets rose in the second quarter, in a volatile period marked by a steep sell-off after the rollout of US tariffs in early April, which was then followed by a recovery through May and June. US trade policy remained a focal point for investors, as negotiations between the US and its major trading partners continued amid hopes that the US will adopt a more accommodating stance on import taxes. The US stock market ended the quarter at a new record high despite uncertainty about tariffs and the Federal Reserve's decision to hold interest rates steady because of it. The strong rally staged by European equity markets in the first two months of the quarter fizzled in June, with most major markets posting minor losses in local terms. Inflation numbers picked up in June, fueling speculation that the European Central Bank might pause its rate-cutting campaign.

Performance

The Lazard Global Equity Franchise strategy ("the strategy") delivered a positive absolute return over the quarter ended 30 June 2025. Despite this gain, the strategy underperformed the MSCI World Index during the same period.

Exhibit 1
Q2 2025 Contributors and Detractors

Contributors	Explanation
Nexi	Shares in Nexi, Europe's largest merchant acquirer, card issuer and payment processor, rallied as its Q1 results reaffirmed strong operational performance, driven by sustained organic growth and improving margins. The company's ability to effectively extract synergies from past consolidations and its preparedness to navigate the evolving payment landscape will be pivotal in supporting a further share price rerating.
United Utilities	UK utility United Utilities delivered a strong performance during the period, with its FY results highlighting the company's robust conclusion to the 2020-2025 regulatory period. Its investor day also bolstered market confidence that the company had efficiently prepared for the step-up in investment for the 2025-2030 period. Looking ahead, we believe that improved returns combined with the scale of the upcoming investment program will drive significant earnings growth over the next five years.
FDJ United	The shares of leading European gaming and betting operator FDJ United responded positively to the financial targets disclosed at its investor day. With a target of 5% organic growth and an EBITDA margin exceeding 26% by 2028, the company's financial plan is significantly above our forecasts, giving us confidence in the potential upside for the stock.

Detractors	Explanation
Omnicom	Shares in Omnicom, the second-largest advertising and marketing services company globally, declined following a sell-side downgrade of the agency industry, driven by macroeconomic risks and concerns that AI could disintermediate advertising agencies. While the potential impact of AI remains uncertain, Omnicom has a strong track record of successfully navigating technological changes in the advertising industry. Over the past 15 years, the company has grown free cash flow per share at an annual rate of 8%, during a period of significant technological disruption. This era saw the rise of the internet, search engines, mobile technology, and social media, which transformed the media and advertising landscape, with digital advertising increasing from 20% to 65% of total ad spending. Historically, clients have tended to reinvest savings generated by technology into additional advertising due to competitive pressures, relying on Omnicom's expertise to manage the added complexity of fragmented media channels. At 8.3x earnings, Omnicom is currently trading at its lowest stock market valuation in 30 years. Our analysis indicates that the current share price implies a ~30% decline in earnings over the next decade—a scenario we believe is not supported by the available evidence.

Detractors	Explanation
Fiserv	Fiserv, the largest payment processor for merchants in the US, saw its share price decline after reporting Q1 2025 results. The results were solid, with 7% organic growth, 200 bps of margin expansion and 14% EPS growth. However, the market appeared concerned that growth in gross payment volumes at Clover, their fast growing point of sale and software product for SMB's, slowed from the previous quarter. Nonetheless, Clover revenues grew 27%, due to strong mix improvement from value added services, and the company has not changed its medium or long run revenue targets for this segment. Our valuation for the business has not materially changed, and we believe the share price fall represents an attractive entry point for long term investors.
Baxter International	Baxter International, a leading US provider of essential hospital supplies, fell in the wake of the Trump administration's tariff announcement. As a manufacturer in the US and offshore, the tariffs could in theory impact profit margins. However, Baxter has located its manufacturing facilities in the same countries where it sells its products, minimizing the potential impact from tariffed imports. The company has subsequently released guidance for FY 25 consistent with this, implying a modest impact from the proposed tariffs.

As of 30 June 2025
Source: Lazard

Our Approach in Momentum Led Markets

The return of momentum and growth markets in May and June provided a challenging backdrop for valuation focused investors. Since the inception of our strategy, we have navigated long-periods of momentum-driven markets dominated by mega-cap names. Our value strategy has performed relatively well, guided by a disciplined investment process that led us to uncover opportunities and identify value within the mid-cap segment of the market.

This mid-cap focus was not a predefined strategic decision but an outcome of our process, which consistently seeks undervalued opportunities regardless of market cap. This approach has enabled us to capitalize on overlooked stocks in a market heavily concentrated on large-cap growth stories.

Patience is a cornerstone of any successful investment process. Confidence in the ability to identify good investments must be paired with the discipline to wait for those investment cases to fully materialize. However, patience does not mean simply buying and holding indefinitely. While we may own certain names for many years, we actively manage portfolio weights during this time, adjusting positions as market conditions evolve. This dynamic approach to trading is driven by our Value Rank process, which aims to identify the most attractively priced stocks on a comparable basis within the Franchise Universe. Portfolio adjustments—whether buying or selling—are driven by changes in a stock's position within the Value Rank.

When constructing a portfolio, long-term earnings growth is achieved through three key avenues: reinvesting dividends, companies retaining capital to reinvest in their own businesses, and strategically buying low and selling high. Patience, paired with active management and strategic reinvestment, is fundamental to building long-term portfolio value. By adhering to a disciplined process and leveraging opportunities to rotate capital efficiently, we ensure consistent earnings growth while maximizing returns for our clients.

Q2 Portfolio Changes

We continue to actively trade the portfolio given the attractive valuation opportunities this market volatility is offering. During the June quarter, we have purchased a number of great businesses, all of which are currently trading below their intrinsic valuations, including:

- **BECTON DICKINSON (BDX)** – BDX supplies critical consumable items for hospitals such as needles, syringes, stents, medication dispensers and catheters. The nature of these products - 'small, critical and frequently replaced,' generate stable demand, recurring revenue, and high returns on capital due to its global manufacturing scale and large customer base. We initiated our position in BDX following a share price drop since early 2025, driven by weak Q2 organic growth due to lower global research instrument demand and competition in China, as well as the Trump Administration tariffs. Despite short-term challenges, our long-term outlook remains intact. As of the end of June 2025, BDX traded at its lowest forward multiples and highest dividend yield in over a decade.
- **BUNZL (BNZL)** – BNZL is a UK-based world leading distributor in non-food consumables, such as toilet paper, coffee cups, mops and work boots. Bunzl's recent trading update reported a significant Q1 operating profit decline due to margin drops in the US and Europe. The main issue is a margin squeeze in their largest US segment, foodservice and grocery, caused by higher costs from an expanded private label offering, a customer loss, and market share losses in food redistribution. We view these issues as largely management-related rather than structural, and therefore fixable. The share price was down and we have

initiated a position in the stock during the period.

- **HENKEL (HEN3)** – the German consumer group with key market-leading products in Adhesives and Consumer beauty and laundry products. In Q2, we reinitiated a position in Henkel, seeing the current share price as overly pessimistic. The company second share buyback program totalling EUR 1 billion signals strong financial discipline, supported by Henkel's robust balance sheet with minimal net debt, though capital allocation remains one of the key risks to the investment thesis. We believe the stock currently trades at a notable discount to peers.
- **PAYPAL (PYPL)** – a leading US online payment platform in the growing e-commerce market, meets our criteria for forecastability with stable margins, minimal debt, and strong governance. Despite a decline in digital wallet market share, PayPal continues to grow, supported by strong merchant and customer relationships. While growth has slowed, profitability remains strong. Our earnings forecasts are below company guidance and sell-side brokers, however we see significant upside potential at current prices.
- **UNICHARM (8113)** - a global leader in personal and pet care with flagship brands like Moony and Sofy, dominates Asia and is expanding globally. Unicharm missed its Q1 earnings due to a combination of declining baby care product sales in Southeast Asia and weak feminine care sales in China, driven by negative publicity, prompting management to make aggressive strategic marketing investments. They have introduced new premium products in China and value options in Indonesia. Japanese sales hit record highs, driven by wellness and feminine care. Despite recent volatility, Unicharm trades at its lowest in over a decade, presenting an attractive opportunity.

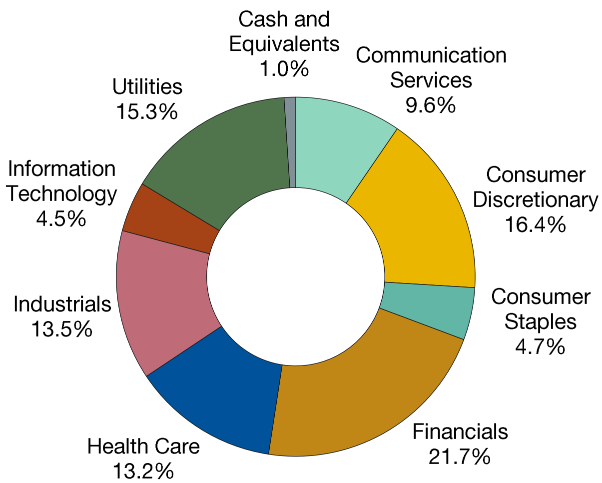
We exited Scotts Miracle-Gro, Terna and Fresenius as we believe these stocks had reached their intrinsic value and there were better opportunities elsewhere

Portfolio Composition

As of 30 June 2025, we have 27 holdings in the portfolio. Although we are a benchmark-unaware strategy, our top overweight sectors compared to the Index are Utilities, Financials, and Consumer Discretionary, while our top underweight sectors are Information Technology, Materials, and Energy. The stock holdings within the Financials sector include payment processors, payment platform and specific-purpose payment solution, such as food vouchers. The strategy does not invest in banks and insurance companies as it screens out industries that we consider to have low visibility on long-term earnings.

Our portfolio maintains a structural underweight in both Materials and Energy, as only a limited number of companies within these sectors meet our definition of an “Economic Franchise”. Our sector weightings are an outcome of our process rather than a strategic decision. The strategy will generally be exposed to those sectors where we find attractive opportunities to invest.

Exhibit 2
Portfolio by Sector



As of 30 June 2025

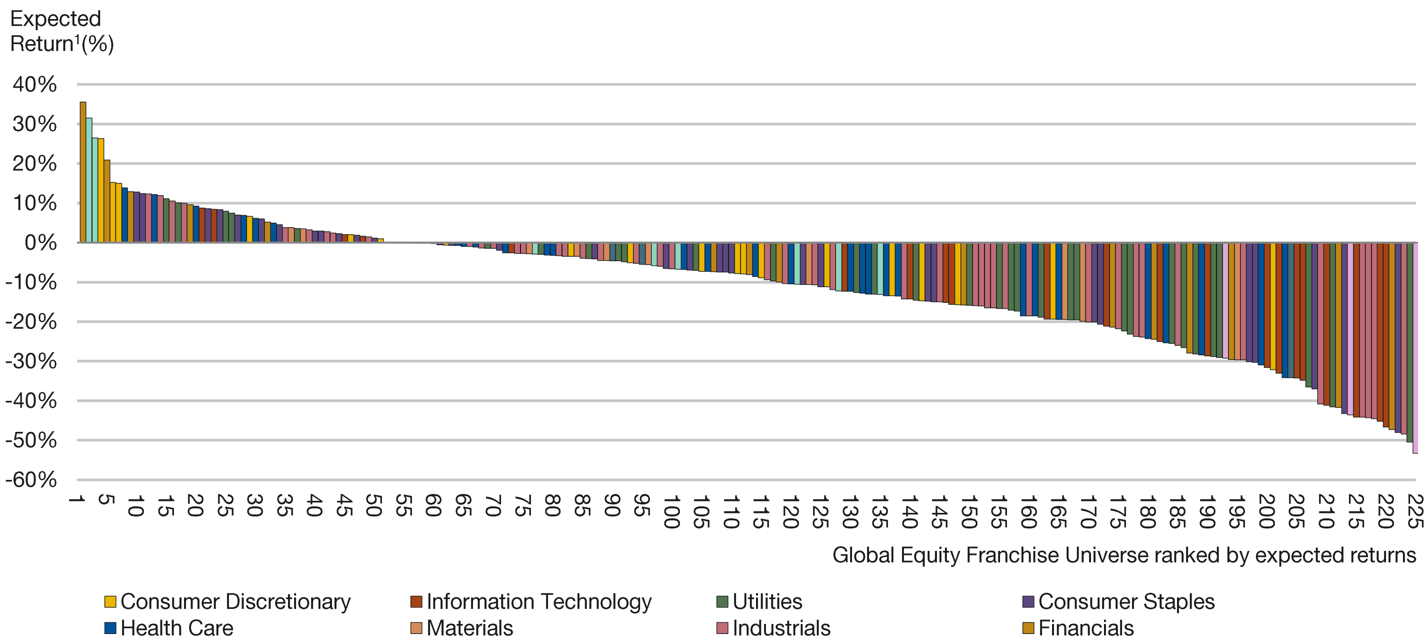
Allocations and securities mentioned are based upon a Portfolio. Allocations and security selection are subject to change. Please note that cash is not viewed as a strategic asset class. The information provided in this material should not be considered a recommendation or solicitation to purchase or sell any security. There is no assurance that any securities referenced herein will remain in the account's portfolio or that securities sold have not been repurchased. The securities discussed may not represent the account's entire portfolio. It should not be assumed that any of the referenced securities were or will prove to be profitable, or that the investment decisions we make in the future will be profitable. This information is for illustrative purposes only and is supplemental to the "GIPS® Composite Information." Source: Lazard, MSCI.

Value Rank

Each bar in the Value Rank represents a stock in our Global Equity Franchise universe and our expected annual return over three years, based on the assumption that all stocks will trade at our assumed valuations in three years.

Exhibit 3

Lazard Global Equity Franchise—Value Rank by Sector



As of 30 June 2025. Currency: AUD

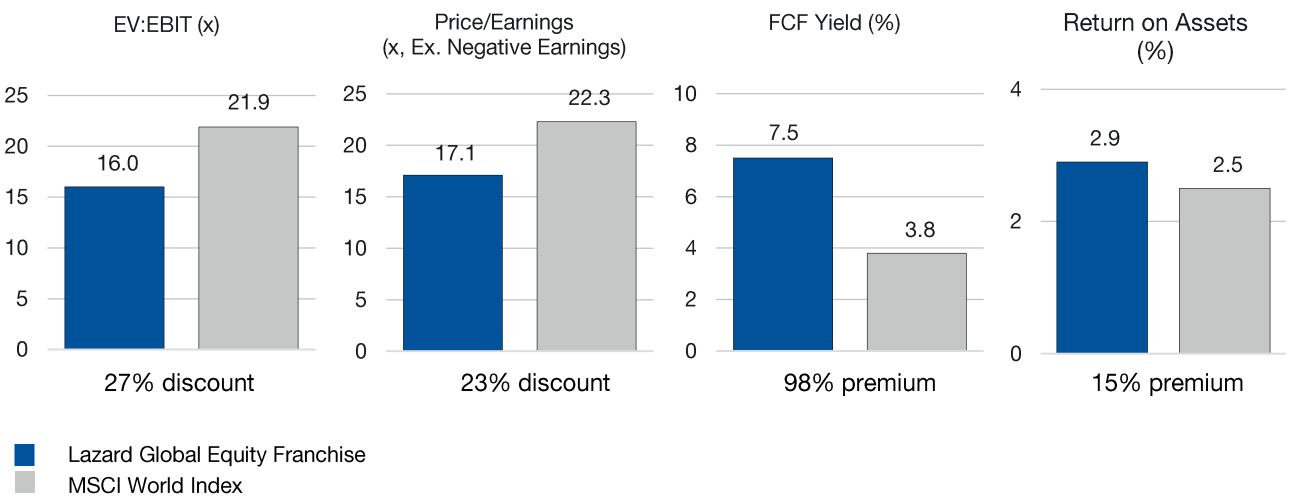
1 Over 3 years, assuming all the stocks trade at our valuation in 3 years time. The opinions and estimates contained in this graph are based on current information and are subject to change. It should not be assumed that any investment was or will be profitable. Expected returns do not represent a promise or guarantee of future results and are subject to change. This is based on a comparison of Lazard's Global Equity Franchise team's intrinsic valuation of the stock three years out, the market price of the stock today and the interim forecast dividends. Shown for illustrative purposes only.

Source: Lazard

We find the current portfolio compelling, especially when compared to market capitalization benchmarks. It is trading at a discount to the broader index based on EV/EBIT and P/E ratios (Exhibit 4). Despite this valuation discount, the portfolio demonstrates significantly higher financial productivity, with a notable return on assets (ROA) premium relative to the Index. Additionally, the strategy is delivering a superior free-cash-flow yield.

Exhibit 4

Lazard Global Equity Franchise—Investment Characteristics



As of 30 June 2025.
All data in AUD. Lazard estimates based on historical financial accounts of companies held in the fully discretionary account. All estimates are based on current information and are subject to change. Investment characteristics are based upon a fully discretionary account. This information is for illustrative purposes only. Please refer to "GIPS® Composite Information" for additional information, including net-of-fee results. The performance quoted represents past performance. Past performance does not guarantee future results. The index is unmanaged and has no fees. One cannot invest directly in an index. For definitions, please refer to appendix.
Benchmark: MSCI World. Source: Lazard, FactSet, MSCI

Outlook

Overall equity markets still look expensive, while geopolitical and macroeconomic risks remain constant. We expect market volatility to continue. Cautious, value-based stock selection remains critical to generating positive returns. Consequently, the portfolio remains relatively concentrated. The Global Equity Franchise portfolio holds an array of market leaders and monopolies which we believe have superior long run earnings predictability compared to the broader market and that are trading at reasonable valuations. The portfolio is currently trading at a discount to both its intrinsic value and the broader MSCI World Index based on various valuation metrics. Although we have recently shown strong relative and absolute performance, we believe the market today presents an excellent opportunity to buy global leaders and monopolies at a significant discount and our portfolio is positioned to capture any re-rating in these names.

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Published on 14 July 2025

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