Lazard Select Australian Equity Fund

May 2025

The **Lazard Select Australian Equity Fund** is a highly concentrated portfolio that will hold our "best ideas." It is an actively managed portfolio that typically invests in Australian equities that we believe are trading below their intrinsic value. It is a high conviction portfolio with high active share and low beta characteristics over time. The Fund's objective is to achieve total returns (including income and capital appreciation and before the deduction of fees and taxes) that exceed those of the S&P/ASX 200 Accumulation Index over the long term.

Fund Facts

Inception Date	22 Aug 2002
Total Fund Size	A$72.2m
Total Management Costs (W class)	0.90% p.a.
Minimum Investment	A$20,000
Buy/Sell Spread	+0.20%/-0.20%
Distributions	Quarterly[1]
APIR Code	LAZ0013AU
Benchmark	S&P ASX 200 Accumulation Index

Strategy Highlights

High Conviction

Benchmark unconstrained, with high active share and best ideas

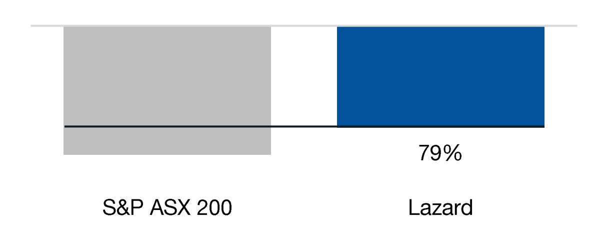
Disciplined 'Value' Investment Approach

Longer-term independent thinking

Stability and Experience

Team together at Lazard for more than 20 years

Down Market Capture Ratio



Down Market Capture Ratio is calculated since inception and based on performance net of fees. Down Market Capture is a statistical measure of an investment manager's overall performance in down markets, defined as the number of calendar months where the Index experiences negative performance. A Down Market Capture Ratio (or percentage) of less than 100 (or 100%) reflects that the manager has outperformed the Index during periods of negative index returns.

Performance[2]

(%; net of fees. As of May 31, 2025)

				Annualised			
	1M	3M	1Y	3Y	5Y	10Y	Since Inception
Lazard (W Class)	1.6	-1.0	-2.1	5.1	11.9	6.0	8.7
Benchmark	4.2	4.3	13.4	9.6	12.1	8.1	8.9
Excess Return	-2.6	-5.3	-15.5	-4.5	-0.2	-2.1	-0.2

[1] Distributions are made quarterly if of an economic size.
Performance is presented net of W Class fees, please refer to www.lazardassetmanagement.com for performance of the I Class.
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.

Allocations (%)

Sector

	Lazard	Index	Over/Underweight
Communication Services	-	4.0	-4.0
Consumer Discretionary	13.0	7.8	5.2
Consumer Staples	12.6	3.8	8.8
Energy	16.7	3.5	13.2
Financials	17.0	34.2	-17.2
Health Care	1.9	9.4	-7.5
Industrials	15.4	7.4	8.0
Information Technology	-	3.3	-3.3
Materials	17.0	18.3	-1.3
Real Estate	4.5	6.9	-2.4
Utilities	-	1.4	-1.4
Cash	1.9	-	1.9

Top Holdings (%)

	Lazard	Index
Rio Tinto	7.8	1.7
Woodside Energy	7.4	1.7
QBE Insurance	5.9	1.4
Waypoint REIT	4.7	0.2
Aurizon Holdings	4.5	0.2

Portfolio Characteristics (%)

	Lazard	Index
Number of Holdings	34	200
Price/Cash Flow	6.6	11.3
Price/Book Value	1.4	2.4
Dividend Yield (%)	4.8	3.3
Forward Price/Earnings	15.5	19.8
Active Share (%)	79.9	-
3 Year Turnover (%pa)	46.1	-

Commentary

Through the month of May, we saw global equity markets continue to recover as tensions surrounding Trump's trade and tariff policies continued to ease. The Global Developed Markets index rose by 6.0% and the S&P 500 by 6.3%, whilst the S&P ASX 200 increased by 4.2%. Markets surged after the US and China announced a truce while negotiations continued, and the postponement of proposed tariffs on European Union goods further boosted sentiment. Later in the month, a US trade court blocked most tariffs, sparking a brief relief rally, though an appeals court later upheld the tariffs temporarily, maintaining uncertainty. Meanwhile, the Reserve Bank of Australia cut the cash rate by 25 bps to 3.85% during the month, and the Australian 10-year government bond yield shifted higher, finishing at 4.27%. On a sectoral basis within the S&P/ASX200 index, the Information Technology and Energy sectors outperformed, whereas the Health Care and Utilities sectors were underperformers.

During the month ended May 2025, the Lazard Select Australian Equity Fund returned 1.6% (net of W Class fees), underperforming the S&P/ASX 200 Accumulation Index which returned 4.2%.

Contributors to Performance

Whitehaven Coal's (WHC) share price rebounded in May, after the company reaffirmed its full-year guidance, with production expected at the upper end and unit costs at the lower end of the forecast range. They have since resumed on-market share buyback, which was paused for most of April due to the blackout period.

Ridley (RIC) outperformed the market in May following the announcement of its highly EPS accretive acquisition of the Incitec Pivot fertilizer distribution business from Dyno Nobel. While the deal adds immediate earnings accretion, we also expect further optimization and efficiency benefits to be realized over time.

Detractors from Performance

SkyCity Entertainment (SKC) underperformed in May after another FY25 earnings downgrade, citing weak NZ economic conditions. While visitor numbers are steady, spend per visit is falling. The weak economic environment remains a near-term headwind, though recent interest rate cuts in New Zealand may eventually support consumer spending as mortgage payments ease. An upcoming decision on its Adelaide casino license should reduce regulatory uncertainty. SKC now trades about half of its book value, suggesting much of the bad news is already priced in.

Domino’s (DMP) continued to experience weak share price performance in the second half of May. On May 19, it was announced that the CEO of Australia and New Zealand would be leaving the company. This could have been perceived negatively by the market, as the ANZ region has been one of the company’s better performing areas in recent periods. There has also been press commentary regarding potential mandate changes at firms known to be significant shareholders of DMP, which may also be contributing to share price weakness.

Outlook

Based on the headline global trade tariffs imposed by the United States of America in early April 2024, economic models suggest a 1-2% reduction in US GDP and a 1-2% rise in US inflation over the next year, but we believe such models should not be relied upon, as these are completely out-of-sample events. Furthermore, it remains unclear what policies will eventually be implemented, as discussions between countries are ongoing. Over the next year, possible fiscal responses in China and the EU will also be important to the global outcomes that are most relevant for Australia, and we have already seen some stimulatory policy announcements in China.

While much remains uncertain, we may be entering a period of increased military expenditure, lower growth, and a focus on military and energy security and self-sufficiency, where such an environment would be more overall inflationary. In the shorter term, for the US, tariffs are a supply shock, so an analogy with the 1970s may be somewhat relevant, as such events are strongly inflationary. For most of the rest of the world, tariffs are a demand shock, with possible disinflationary short-term consequences. We believe the direct economic impact from US tariffs on Australia exports will be modest, but the indirect consequences of a US or even global recession and the need to address the deterioration of our security position could be costly.

The Lazard Australian Equity Funds outperformed during Q1 2025, with this outperformance generated in the final six weeks of the quarter as the market began to rotate away from the most expensive segments in the market. There are concerns about US and global stagflation or at least an unfavourable combination of growth and inflation. Historically, under such conditions, the Energy, Health care, and Food staples outperformed, while REITS, Media, and Financial Services underperformed. We currently hold overweight positions in Energy and Food Staples, and significant underweights in REITS and Banks.

We remain focused on assessing long-term, reliable earnings streams – what we refer to as ‘core’ earnings. Focusing on core or mid-cycle earnings helps mitigate the risks of capitalising inflated or trough earnings. Valuations dispersions remain very wide against historical benchmarks, suggesting better than average returns to a valuation-based approach to investing.

For more information, call us on 1800 825 287
or visit www.lazardassetmanagement.com