Lazard Select Australian Equity Fund

LAZARD
ASSET MANAGEMENT

July 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$69.5m
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

5 Highly Recommended Lonsec Research

Zenith HIGHLY RECOMMENDED

4 Recommended Genium

Strategy Highlights

High Conviction

Benchmark unconstrained, with high active share and best ideas

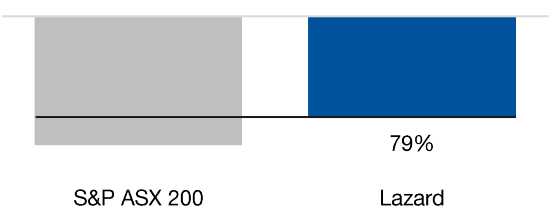
Disciplined 'Value' Investment Approach

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 July 31, 2025)

				Annualised			
	1M	3M	1Y	3Y	5Y	10Y	Since Inception
Lazard (W Class)	3.4	5.9	0.7	7.4	13.5	7.1	8.8
Benchmark	2.4	8.2	11.8	12.3	12.3	8.6	9.0
Excess Return	1.0	-2.3	-11.1	-4.9	1.2	-1.5	-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	16.0	7.9	8.1
Consumer Staples	12.8	3.6	9.2
Energy	16.1	3.9	12.2
Financials	16.8	34.0	-17.2
Health Care	1.9	9.7	-7.8
Industrials	14.6	7.3	7.3
Information Technology	-	3.5	-3.5
Materials	15.7	17.9	-2.2
Real Estate	4.7	6.8	-2.1
Utilities	-	1.4	-1.4
Cash	1.4	-	1.4

Top Holdings (%)

	Lazard	Index
Woodside Energy	7.4	1.9
Rio Tinto	7.1	1.6
QBE Insurance	5.4	1.3
Aurizon Holdings	5.2	0.2
Domino's Pizza Enterprises	4.7	0.0

Portfolio Characteristics (%)

	Lazard	Index
Number of Holdings	34	200
Price/Cash Flow	6.9	11.8
Price/Book Value	1.4	2.4
Dividend Yield (%)	4.6	3.2
Forward Price/Earnings	15.9	20.6
Active Share (%)	79.2	-
3 Year Turnover (%pa)	48.4	-

Commentary

The S&P ASX 200 continued to rise during July 2025, closing the month higher by 2.4%. Equity markets around the world also closed higher in July amid guarded optimism that the US would strike deals with its trading partners to lower proposed tariffs, which might help mitigate concerns of downside risks to the global economy. After the Reserve Bank of Australia decided to hold the cash rate at 3.85% during their recent July meeting, the Australian dollar depreciated sharply by 1.2c whilst the 10-year bond yield shifted higher by 10 basis points.

During the month ended July 2025, the Lazard Select Australian Equity Fund returned 3.4% (net of W Class fees), outperforming the S&P/ASX 200 Accumulation Index which returned 2.4%.

Contributors to Performance

SkyCity Entertainment's (SKC) share price rebounded strongly in July, despite the absence of any significant news. While the challenging economic environment remains a near-term obstacle, recent interest rate cuts in New Zealand may eventually bolster consumer spending as mortgage repayments ease. At current levels, we believe much of the negative sentiment is already reflected in the share price.

Woodside Energy's (WDS) share price continued its strong recovery in July, aided by a modest rebound in global oil prices as strong summer demand offset the effects of ongoing OPEC capacity increases. Continued easing of trade tensions between the US and other countries also contributed to improved market sentiment, with the stock rising 40% from its April low. Operationally, WDS delivered another strong June quarter performance in both production and costs.

Detractors from Performance

Bapcor (BAP) underperformed significantly in July on the back of a large earnings downgrade. We had anticipated the company was stabilizing performance post Angus McKay's appointment as Executive Chair in August of 2024. The key question for shareholders is how much of this disappointing announcement is due to an elongation of the turnaround versus a structural weakening of the business. This will be a key area of focus at the company's upcoming FY25 result presentation

GQG Partners (GQG) underperformed during the month as their underlying funds' defensive positioning were speculated to have led to further relative underperformance. The company reported a June monthly update which showed continued positive inflows, albeit moderating. Of concern is their funds' recent substantial underperformance versus strong global equity markets. However, their long-term outperformance remains intact, and their current share prices implies a conservative valuation relative to peers and history.

Outlook

In Q2 2025, stock markets rebounded strongly from their post "Liberation Day" declines, early in the period, as it became less likely that US administration would proceed with the initial "worst case" tariff policy. However, there is still significant uncertainty regarding the impact of current policy on US economic growth, inflation and future policy changes. What appears relatively likely is that US tariff rates will remain significantly higher than pre-2025 levels, and that the western world may be entering an era of increased military expenditure, slower economic growth, and a focus energy security, defense and self-sufficiency. Overall, such an environment would be more inflationary.

Over February and March 2025, the market began to rotate away from the most expensive segments of the ASX. This normalization was interrupted by "Liberation Day", which caused the market to revert to the momentum driven stock and sectors that were prominent in 2024. After having outperformed in Q1 2025, the Lazard Australian Equity Funds thus lagged over the second quarter.

We believe that the market outlook is dominated by two factors:

• High Aggregate Multiples: The ASX 200 price index rose over 30% over the last three years, while consensus forward earnings have declined over 12%. Consequently, the forward price to earnings (P/E) multiple has risen 48% over this period. The ASX 200 currently trades on over 19x forward earnings and over 21x actual trailing earnings. These multiples and consideration of other valuation benchmarks lead to the conclusion that the market is expensive based on 21st century benchmark trends.

• High Valuation Dispersion: The 48% rise in the market's forward multiple was not uniform but was instead concentrated in the highest multiple quintiles of the market and a selection of large-cap stocks. Thus, the top quintile of forward P/Es across the ASX traded on 47x at the end of June 2025, a multiple only exceeded once (in 2021) over the last 33 years. Similarly, Commonwealth Bank's (CBA) NTM forward multiple rose 81% (to 30x) and Wesfarmers' increased by 66% (to 33x) over the last three years, both to all-time records by wide margins.

In summary, the market appears both expensive and distorted relative to long-term valuations, following an extended period of multiple-based and momentum-dominated returns. While it is impossible to predict short-term market sentiments and dynamics, we believe the current market environment looks like prior periods of extreme valuation dispersion, such as 1999/2000 and 2020/2021. If market valuations were to normalize, relative returns for our value strategies are likely to be similar to those following those earlier peaks in valuation dispersion.

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