Lazard Select Australian Equity Fund

August 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$71.4m
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

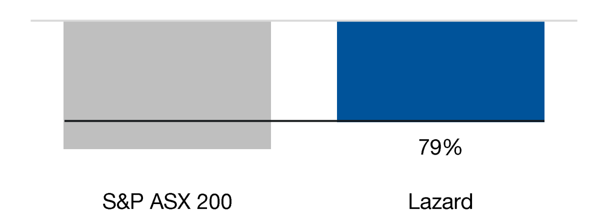
Disciplined 'Value' Investment Approach

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 August 31, 2025)

				Annualised			
	1M	3M	1Y	3Y	5Y	10Y	Since Inception
Lazard (W Class)	3.2	7.5	7.1	6.8	14.5	8.3	8.9
Benchmark	3.1	7.0	14.7	13.0	12.3	9.9	9.1
Excess Return	0.1	0.5	-7.6	-6.2	2.2	-1.6	-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	-	3.9	-3.9
Consumer Discretionary	19.1	8.2	10.9
Consumer Staples	12.1	3.6	8.5
Energy	16.6	3.9	12.7
Financials	14.2	34.1	-19.9
Health Care	2.7	8.2	-5.5
Industrials	13.8	7.3	6.5
Information Technology	-	3.4	-3.4
Materials	15.9	19.1	-3.2
Real Estate	4.7	6.9	-2.2
Utilities	-	1.4	-1.4
Cash	0.9	-	0.9

Top Holdings (%)

	Lazard	Index
Woodside Energy	7.5	1.9
Rio Tinto	7.5	1.6
Domino's Pizza Enterprises	5.0	0.0
Waypoint REIT	4.7	0.1
Whitehaven Coal	4.6	0.2

Portfolio Characteristics (%)

	Lazard	Index
Number of Holdings	35	200
Price/Cash Flow	7.8	11.9
Price/Book Value	1.5	2.5
Dividend Yield (%)	4.1	3.1
Forward Price/Earnings	16.6	20.5
Active Share (%)	79.0	-
3 Year Turnover (%pa)	48.9	-

Commentary

The S&P ASX 200 rallied through the August 2025 reporting season, closing positive by 3.1% over the month. Domestic consumer facing companies delivered constructive updates, with a mix of earnings surprises and sharp share price reactions on earnings disappointments. The Australian market's rise in August was in line with the bullish sentiment in global equity markets. On August 12, 2025, The Reserve Bank of Australia announced a 25-basis point interest rate cut. However, the recent cash rate cut failed to dent the local currency, with the AUD appreciating by 1.1c over the month. In a sign that global economic activity levels may be stabilising despite the ongoing tariff concerns, commodity prices remained firm. On a sectoral basis within the S&P/ASX200 index, the Materials and Consumer Discretionary sectors outperformed, whereas the Health Care and Information Technology sectors were underperformers during the month.

During the month ended August 2025, the Lazard Select Australian Equity Fund returned 3.2% (net of W Class fees), outperforming the S&P/ASX 200 Accumulation Index which returned 3.1%.

Contributors to Performance

Eagers Automotive (APE) reported a strong H1'25 result during the month, beating expectations and showing growth when competitors were reporting double digit profit declines. APE's share price responded strongly following its results announcement.

We initiated a position in IDP Education (IEL) following its earnings downgrade in June 2025. Since then, the stock has risen nearly 60% from its low. The full-year earnings guidance provided in August 2025 was significantly better than market expectations, suggesting that earnings may have bottomed out. However, the macroeconomic environment and policy uncertainties affecting international students are likely to persist in the near term. Management appears confident in their cost rationalization efforts and sees potential to offset weak volume through natural tuition fee increases and upselling opportunities. They also believe that a positive trend in enrollment volume will emerge once there is greater clarity on student policies announced in upcoming budgets for the UK, Canada, and Australia later this year.

Detractors from Performance

Domino's (DMP) reported a slightly weaker FY25 result compared to consensus expectations and saw a sharp 20% drop in its share price in response. Concern around the balance sheet and the potential for an equity raising, a prospect we believe to be as remote, seems a key driver of the recent share price decline. While the company remains in a turnaround phase, we believe the share price is factoring in very bearish prospects, and we expect meaningful long-term upside from current levels for the stock.

SkyCity Entertainment (SKC) downgraded its earnings guidance for FY26 during August 2025 and surprised the market with a heavily discounted equity raising to strengthen its balance sheet. As a result, the stock sold off post these announcements.

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