

Lazard Select Australian Equity Fund

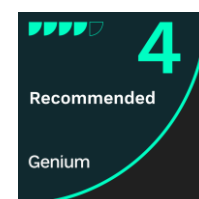
LAZARD
ASSET MANAGEMENT

September 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\$67.8m
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

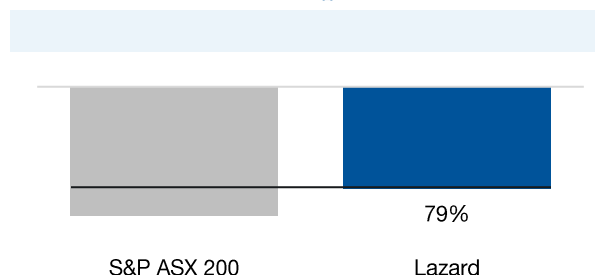
Disciplined 'Value' Investment Approach

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.

Performance²

(%; net of fees. As of September 30 2025)

	Annualised						
	1M	3M	1Y	3Y	5Y	10Y	Since Inception
Lazard (W Class)	-3.2	3.2	-1.4	7.3	14.8	8.5	8.7
Benchmark	-0.8	4.7	10.6	15.2	13.0	10.1	9.1
Excess Return	-2.4	-1.5	-12.0	-7.9	1.8	-1.6	-0.4

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	19.4	8.1	11.3
Consumer Staples	12.6	3.4	9.2
Energy	16.1	3.5	12.6
Financials	13.6	34.0	-20.4
Health Care	4.9	7.8	-2.9
Industrials	11.0	7.3	3.7
Information Technology	-	3.5	-3.5
Materials	17.1	20.3	-3.2
Real Estate	4.4	6.8	-2.4
Utilities	-	1.4	-1.4
Cash	0.9	-	0.9

Top Holdings (%)

	Lazard	Index
Rio Tinto	8.0	1.7
Woodside Energy	7.1	1.6
Domino's Pizza Enterprises	4.8	0.0
Whitehaven Coal	4.8	0.2
Aurizon Holdings	4.5	0.2

Portfolio Characteristics (%)

	Lazard	Index
Number of Holdings	35	200
Price/Cash Flow	7.4	11.8
Price/Book Value	1.4	2.5
Dividend Yield (%)	4.1	3.3
Forward Price/Earnings	16.0	20.3
Active Share (%)	76.9	-
3 Year Turnover (%pa)	49.7	-

Commentary

The S&P ASX200 declined by 0.8% in September 2025, sharply underperforming global markets, compared to the MSCI Developed Markets that rose 3.3% during the month. Australia recorded its second-worst month of relative underperformance against Developed Markets since COVID-19. For the quarter ended September 2025, the S&P ASX200 returned 4.7%. Negative earnings trends and valuations well above historical averages continue to weigh on sentiment. The Reserve Bank of Australia held the cash rate at 3.60% as inflation eased and consumption strengthened, offering potential support for stocks that have struggled in recent years. Global gold prices surged sharply during the quarter amid fiscal imbalances and geopolitical tensions. On a sectoral basis within the S&P/ASX200 index, the Materials and Utilities sectors outperformed, whereas the Energy and Health Care sectors were underperformers during the month.

During the quarter ended September 2025, the Lazard Select Australian Equity Fund returned 3.2% (net of W Class fees), underperforming the S&P/ASX 200 Accumulation Index which returned 4.7%.

Contributors to Performance

Eagers Automotive (APE) reported a strong H1'25 result during the quarter, beating expectations and showing growth when competitors were reporting double digit profit declines. APE's share price responded strongly following its results announcement. Shortly after the quarter closed, Eagers raised A\$452 million to partially finance the acquisition of a 65% equity stake in CanadaOne Auto Group, one of Canada's top three auto dealerships. This marks Eagers' first international acquisition and is expected to establish a major foothold in the Canadian market. Backed by Eagers' proven track record in mergers and acquisitions, the market responded favorably, sending the share price above A\$30—significantly higher than the capital raising price of A\$21. Management anticipates double-digit earnings accretion from this deal.

Whitehaven Coal's (WHC) share price performed strongly, closing 20% higher during Q3 2025, outperforming the market. The share price performance was supported by a robust full year result and modest growth in thermal coal prices. Speculation about potential production cuts in China earlier in the quarter, amid heightened government safety inspections, has driven a sharp rise in domestic metallurgical coal prices. As China is the largest coal importer in the seaborne market, we are yet to see any material impact on seaborne coal prices.

Detractors from Performance

Bapcor (BAP) underperformed significantly in Q3 2025 on the back of a large earnings downgrade. We had anticipated the performance to stabilize post Angus McKay's appointment as Executive Chair in August 2024. The central issue remains whether the recent disappointment reflects a longer-than-expected turnaround or signals a more fundamental weakening of the business, especially concerning the resilience of the crucial Trade division. Ongoing assessment and scrutiny of management's stance continue, as they maintain there are no structural issues affecting the long-term prospects of the trade segment.

Viva Energy (VEA) underperformed in the current quarter. Whilst the 1H25 result, announced in August, was in line with market expectations, the surprising news came a month later in late September. VEA announced that Jevan Bouzo, the CEO of the Convenience & Mobility division, had resigned due to personal reasons. The market's reaction, and that of ours, was initially one of disappointment given that Jevan was overseeing the significant multi-year conversion of Viva's tired Reddy Express network to OTR (On-The-Run). However, after conversations with Group CEO Scott Wyatt, we are reassured that the Board and executive team still stands by their targeted earnings uplift from the OTR conversion. As such, we maintain our investment in VEA with no significant changes to our thesis.

Outlook

In Q2 and Q3 2025, stock markets rebounded strongly from their post "Liberation Day" declines, as it became less likely that the 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 on energy security, defense, and self-sufficiency. Overall, we believe such an environment would be more inflationary. The USA market equity prices have now broadly doubled over the last three years and the S&P500 now trades at 40x cycle adjusted P/E, a 99% percentile observation only exceeded previously in 1999/2000.

The August reporting season in Australia was overall favourable for us. As observed in prior periods, reporting day volatility continued to rise, which may be due to lower market liquidity as the share of passive investment rises.

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

- **High Aggregate Multiples:** The ASX 200 price index rose over 37% over the last three years, while consensus forward earnings have declined over 10%. Consequently, the forward price to earnings (P/E) multiple has risen 55% over this period. Consequently, the ASX 200 currently trades on 20x forward earnings and about 21x actual trailing earnings. The forward multiple is the highest in 33 years and may be the highest since the 1960s or indeed ever. 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 55% 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 56x at the end of September 2025, a multiple only matched for one month (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 to end June, 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 value strategies are likely to be similar to those following those earlier peaks in valuation dispersion.

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or visit www.lazardassetmanagement.com**

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