Lazard Select Australian Equity Fund

LAZARD
ASSET MANAGEMENT

December 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$55.5m
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

Strategy Highlights

High Conviction

Benchmark unconstrained, with high active share and best ideas

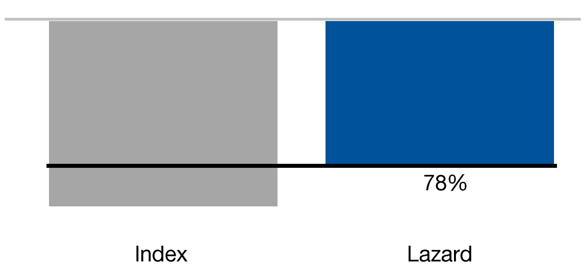
Disciplined 'Value' Investment Approach

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 31 December 2025)

				Annualised			
	1M	3M	1Y	3Y	5Y	10Y	Since Inception
Lazard (W Class)	1.0	7.2	11.2	6.3	12.1	8.9	8.9
Benchmark	1.3	-1.0	10.3	11.4	9.9	9.3	8.9
Excess Return	-0.3	8.2	0.9	-5.1	2.2	-0.4	0.0

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

Allocations (%)

Sector

	Lazard	Benchmark	Over/Underweight
Communication Services	-	3.7	-3.7
Consumer Discretionary	20.9	7.4	13.5
Consumer Staples	15.0	3.4	11.6
Energy	16.1	3.6	12.5
Financials	12.4	33.4	-21.0
Health Care	6.2	7.1	-0.9
Industrials	8.1	7.4	0.7
Information Technology	-	2.5	-2.5
Materials	16.5	23.2	-6.6
Real Estate	4.4	6.7	-2.3
Utilities	-	1.4	-1.4
Cash	0.3	-	0.3

Top Holdings (%)

	Lazard	Index
Woodside Energy	7.7	1.7
Rio Tinto	7.6	2.1
CSL	5.3	3.2
Domino's Pizza Enterprises	4.8	0.1
Light & Wonder	4.6	0.0

Portfolio Characteristics (%)

	Lazard	Index
Number of Holdings	35	200
Price/Cash Flow	8.3	11.7
Price/Book Value	1.6	2.4
Dividend Yield (%)	3.9	3.1
Forward Price/Earnings	17.5	19.1
Active Share (%)	76.7	-
3 Year Turnover (%pa)	51.8	-

Commentary

The S&P/ASX 200 Index ended December 2025 with a positive return of 1.3%, bringing its total return for the calendar year to 10.3%. Global equities rose in the fourth quarter, supported by improving sentiment toward AI-related investments and ongoing uncertainty around global interest-rate policy. In contrast, the Australian equity market softened in Q4 2025, with the S&P/ASX 200 posting a quarterly return of -1.0%. On a sectoral basis within the S&P/ASX200 index, the Materials, Financials and Real Estate sectors outperformed, while the Information Technology, Health Care and Communication Services sectors underperformed during the month.

During the quarter ended December 2025, the Lazard Select Australian Equity Fund returned 7.2% (net of W Class fees), outperforming the S&P/ASX 200 Accumulation Index which returned -1.0%.

Contributors to Performance

Domino's (DMP) share price outperformed the market during Q4 2025, supported largely by media reports during October 2025 suggesting that a private equity firm was a takeover bid for the company. DMP continued to outperform in November following positive commentary at the company's mid-month AGM, where management indicated they expect FY26 NPAT to exceed consensus forecasts. Given that the shares had been widely viewed as priced for a downgrade, this guidance underpinned further strength in the share price.

Rio Tinto (RIO) showed strong performance during the quarter, driven by rising copper and aluminium prices, along with resilience in the iron ore price. Copper prices increased by 16% and aluminium prices by 11% over the last three months. Additionally, the world's top copper producers have cut back their production guidance for the next couple of years, which will likely tighten the market. Aluminium has also benefited from the stronger copper price momentum, as it substitutes some uses of copper.

Detractors from Performance

Metcash (MTS) underperformed in Q4 2025, de-rating to a 12.7x forward P/E after its 1H26 underlying NPAT of $126.7m fell 5.9% YoY, missing consensus by approximately 5%. The result was pressured by a structural 35.1% collapse in tobacco revenue and EBIT contraction in Hardware (-4.2%) and Liquor (-11.4%) as margin compression in owned retail and lower wholesale inflation outweighed a 3.5% earnings lift in the Food division. While a recovery in Australian residential construction remains the primary growth catalyst, a 6.4% drop in dwelling approvals in late 2025 has forced analysts to defer recovery timelines into late 2026, capping near-term upside until macro data confirms a genuine inflection in construction activity.

Treasury Wine Estates' (TWE) share price underperformed over the quarter, primarily driven by downgrades to its earnings guidance. On December 17, 2025, newly appointed CEO Sam Fisher announced to the market a substantial reduction in earnings expectations. The share price declined approximately 8% in December, a smaller move than the roughly 30% downgrade, indicating that much of the weakness had already been priced in. While the downgrade is disappointing, there are indications that earnings may now be stabilising at a more sustainable earnings base level. Management also provided positive commentary suggesting that long-needed restructuring in the Premium Brands segment could be forthcoming. We continue to see value in the Penfolds business, which has delivered positive depletions FYTD, and await further detail on Sam Fisher's strategic priorities.

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. In our view, it seems likely that US tariff rates will remain higher than pre-2025 levels, and that Western economies 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 broadly doubled over the last three years, and the S&P500 trades at 40x cycle adjusted P/E, a 99% percentile observation only exceeded previously in 1999/2000.

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 by 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 approximately 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 within 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 2025, 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 reflects previous periods of extreme valuation dispersion, such as 1999/2000 and 2020/2021. Accordingly, we believe that if market valuations were to normalise, relative returns for value strategies are likely to be like those following prior peaks in valuation dispersion.

This expectation was supported by market pricing over the month of November 2025. After rising 38% since the April 2025 lows to late October 2025, the S&P500 index was flat over the month of November. In our view, even this modest wobble in the risk-on/speculative rally led to very significant outperformance across our funds, despite limited local company news flow. While the November 2025 pause may or may not be start of a valuation adjustment across equity markets, we believe the experience gives us confidence in the expectation of significant positive relative returns as market valuations normalise.

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or visit www.lazardassetmanagement.com

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