Lazard Select Australian Equity Fund

January 2026

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$56.7m
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

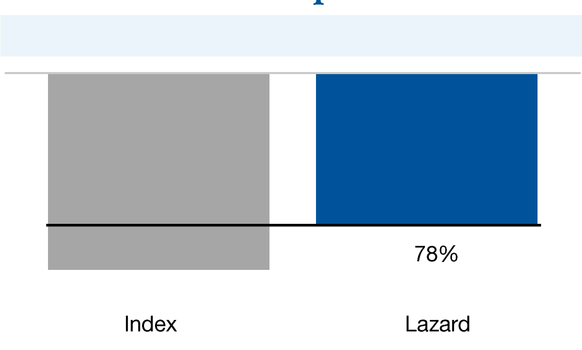
Disciplined 'Value' Investment Approach

Longer-term independent thinking

Stability and Experience

Team together at Lazard for more than 20 years

Down Market Capture Ratio



Performance[2]

(%; net of fees. As of 31 January 2026)

	1M	3M	1Y	Annualised 3Y	Annualised 5Y	Annualised 10Y	Annualised Since Inception
Lazard (W Class)	3.8	8.3	12.3	6.3	13.3	10.0	9.1
Benchmark	1.8	0.4	7.4	9.8	10.2	10.1	9.0
Excess Return	2.0	7.9	4.9	-3.5	3.1	-0.1	0.1

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.

[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	-	3.6	-3.6
Consumer Discretionary	21.7	7.3	14.4
Consumer Staples	15.2	3.4	11.8
Energy	15.2	3.9	11.3
Financials	11.7	32.4	-20.7
Health Care	6.6	7.2	-0.6
Industrials	8.1	7.3	0.8
Information Technology	-	2.2	-2.2
Materials	16.3	24.9	-8.6
Real Estate	4.5	6.4	-1.9
Utilities	-	1.4	-1.4
Cash	0.7	-	0.7

Top Holdings (%)

	Lazard	Index
Rio Tinto	7.7	2.1
Woodside Energy	7.6	1.8
CSL	5.7	3.3
Domino's Pizza Enterprises	5.1	0.1
Waypoint REIT	4.5	0.1

Portfolio Characteristics (%)

	Lazard	Index
Number of Holdings	35	200
Price/Cash Flow	8.5	12.1
Price/Book Value	1.6	2.5
Dividend Yield (%)	3.8	3.1
Forward Price/Earnings	17.7	19.3
Active Share (%)	75.8	-
3 Year Turnover (%pa)	52.0	-

Commentary

Global equity markets began 2026 on a strong note, with the S&P ASX200 Index rising by 1.8%, S&P 500 Index gaining 1.5% and Developed Markets Index up 1.7% during January. Notably, the Australian Dollar appreciated sharply by 3.4c to crack 70c for the first time since February 2023. This currency strength supported the Australian stock market's outperformance against global equities in US-dollar terms and fueled strong outperformance from local Mining stocks which have historically shown a high correlation to A$ movements. Precious metals were also strong, with gold and silver advancing despite heightened volatility and a late-month pullback. Within the S&P/ASX 200 Index, the Energy, Materials and Health Care sectors outperformed, while Information Technology, Real Estate and Communication Services underperformed.

During the month ended January 2026, the Lazard Select Australian Equity Fund returned 3.8% (net of W Class fees), outperforming the S&P/ASX 200 Accumulation Index which returned 1.8%.

Contributors to Performance

South32 (S32) has been a strong performer in January 2026, with its share price soaring over 30%. This impressive surge is largely attributed to the strong rally in commodity prices, particularly aluminum, copper, zinc, and silver, which have seen significant increases of 30%, 10%, and a remarkable 80%, respectively. Additionally, South32 delivered solid operational performance in Q4 2025. We took the opportunity to book some profits on our holdings during the month. Given the high near-term commodity prices, we believe the share price to be relatively attractive at current levels.

Woodside Energy (WDS) also outperformed the broader market in January, mainly driven by the strong recovery in oil prices, which rose 17% to close at US$70/bbl at the end of the month. Geopolitical risks continue to dominate the energy market, and the cold snap in North America led to a significant rise in gas prices, with some spillover into the LNG market. Additionally, WDS delivered a strong Q4 result and announced that they will have a new CEO in place in Q1 this year. Our outlook on the energy sector remains positive in the medium to longer term, particularly with the substantial data center capital expenditures announced by hyperscalers. We believe this will drive strong demand for all forms of energy and narrow the demand-supply imbalance that many market commentators have been forecasting. In our view at the current share price level, we continue to find WDS very attractive.

Detractors from Performance

Viva Energy (VEA) underperformed the broader market in January. The company released its fourth quarter trading update, which fell short of expectations due to weaker refining margins and underperformance at the Geelong refinery caused by maintenance and commissioning delays. Whilst the Geelong Refining Margin improved to US$12.1 per barrel, from US$6.7 per barrel in the pcp, this was lower than the regional refiner margin and what Ampol recorded. The Convenience & Mobility division also faced a 1.5% decline in fuel volumes and an 11.4% drop in convenience sales, driven by a 33.6% decline in tobacco sales due to the illicit trade. The lack of earnings guidance further disappointed the market, but this indicates Group EBITDA is not too far from consensus. Though there are numerous headwinds currently impacting Viva Energy, some of which are transient, we believe that this is already reflected in the share price.

GQG Partners (GQG) underperformed during the month as it reported group net outflows of US$2.1 billion in Dec 2025, bringing the outflow streak to six consecutive months. Group FUM stands at US$163.9bn as at end of Dec 2025. Fund investment performance remains weak due to positioning towards defensive, consumer staples, energy and financials which lag underweight sectors, particularly technology and consumer discretionary. Assuming outflows persist in the near-term, we view that the current share price implies a conservative valuation relative to peers and history.

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, if not 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 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 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 positive relative returns as market valuations normalise.

Important Information