Lazard Select Australian Equity Fund

LAZARD
ASSET MANAGEMENT

March 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$53.8m
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

5 Highly Recommended Lonsec Research

Zenith HIGHLY RECOMMENDED

4 Recommended Genium

Strategy Highlights

High Conviction

Benchmark unconstrained, with high active share and best ideas

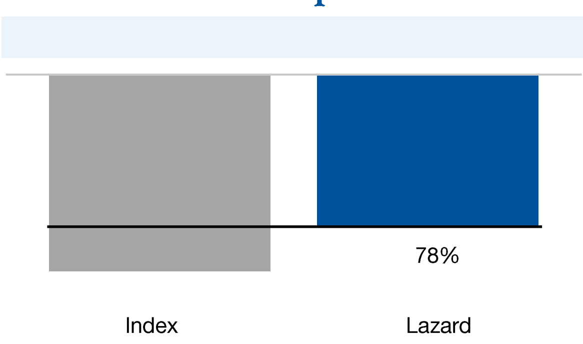
Disciplined 'Value' Investment Approach

Longer-term independent thinking

Stability and Experience

Team together at Lazard for more than 20 years

Down Market Capture Ratio



Performance[2]

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

	1M	3M	1Y	3Y (Annualised)	5Y (Annualised)	10Y (Annualised)	Since Inception (Annualised)
Lazard (W Class)	-3.8	-2.4	10.3	5.1	10.2	8.4	8.7
Benchmark	-7.1	-1.6	11.7	9.5	8.6	9.4	8.7
Excess Return	3.3	-0.8	-1.4	-4.4	1.6	-1.0	0.0

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	-	3.7	-3.7
Consumer Discretionary	21.8	6.5	15.3
Consumer Staples	17.1	3.7	13.3
Energy	10.6	5.0	5.6
Financials	13.1	34.4	-21.3
Health Care	6.7	6.0	0.7
Industrials	8.1	7.2	0.9
Information Technology	-	1.8	-1.8
Materials	16.5	24.4	-7.9
Real Estate	4.3	5.7	-1.4
Utilities	-	1.6	-1.6
Cash	1.9	-	1.9

Top Holdings (%)

	Lazard	Index
Rio Tinto	8.1	2.3
CSL	6.1	2.6
Woodside Energy	6.0	2.6
Domino's Pizza Enterprises	4.8	0.0
Treasury Wine Estates	4.7	0.1

Portfolio Characteristics (%)

	Lazard	Index
Number of Holdings	36	200
Price/Cash Flow	7.8	10.6
Price/Book Value	1.6	2.4
Dividend Yield (%)	3.8	3.4
Forward Price/Earnings	14.8	17.6
Active Share (%)	75.6	-
3 Year Turnover (%pa)	53.7	-

Commentary

March 2026 was a volatile and difficult month for the Australian share market. The S&P/ASX 200 index recorded its worst monthly performance since 2022, primarily driven by escalating geopolitical tensions in the Middle East, rising energy prices, and concerns over increased RBA interest rate hikes. The ASX 200 fell approximately 7.8% in March 2026, marking a significant drop of close to 10% from the record highs established in late February. The war involving the US and Iran (which began late February 2026) saw crude oil prices spike, putting immense pressure on inflationary expectations and global supply chains. The Reserve Bank of Australia increased interest rates by 25bps to 4.1% in March, following a similar move in February, marking a return to tightening policy. These developments, combined with high inflation expectations, heavily impacted consumer discretionary and interest-rate-sensitive sectors. The near-term market outlook remains fragile, heavily reliant on geopolitical developments in the Strait of Hormuz, Middle East region and their impact on energy prices and central bank actions.

During the quarter ended March 2026, the Lazard Select Australian Equity Fund returned -2.4% (net of W Class fees), underperforming the S&P/ASX 200 Accumulation Index which returned -1.6%.

Contributors to Performance

Viva Energy (VEA), Whitehaven (WHC), and Woodside Energy (WDS) delivered strong performance during Q1 2026. The escalation of conflict in the Middle East during March 2026 led to a significant surge in energy commodity prices, with oil climbing over 40%, and both LNG and Asian refining margins doubling throughout March. These factors fueled notable gains in energy sector share prices. The Middle East is responsible for 20% of global oil supply, 6% of refined oil products, and 25% of global LNG supply. Additionally, thermal coal, used as an alternative to gas in Asia's power mix, experienced a 15% increase in price during the month.

Rio Tinto's (RIO) share price outperformed the broader market in the March quarter as commodity prices remained resilient throughout the quarter, but the conflict in the Middle East caused significant tightening in the aluminum market. This region supplies 7% of global aluminum, and recent missile attacks damaged facilities at EGA and Alba, while gas supply disruptions led to major production curtailments at Qatalum due to the blockade of the Strait of Hormuz. As a result, aluminum prices surged, rising another 10% heading into March, which was a driver for share price strength.

Detractors from Performance

Bapcor (BAP) underperformed the market during Q1 2026 after announcing a disappointing earnings downgrade and a large, dilutive equity raising during February 2026. While the equity raise does remove near term balance sheet risk, there is significant uncertainty about the long-term earnings power of the business. The new CEO expects to demonstrate early gains from his turnaround plans during H2 2026.

Treasury Wine Estates' (TWE) share price remained weak throughout Q1 2026, following the earnings guidance downgrade issued in December. Although the downgrade was disappointing, the actual depletion rate for Penfolds inventory in China was better than anticipated by the market. Signs are emerging that earnings may now be stabilising at a more sustainable level. The suspension of dividend payments has helped ease immediate concerns about the company's balance sheet. We continue to recognise value in the Penfolds business, which has delivered positive depletions year-to-date, and look forward to furthering insights into the new CEO's strategic direction at the upcoming capital markets event in June 2026.

Outlook

The global geopolitical and economic environment is more unsettled than in the past, with several major wars, increases in protectionism, vast fiscal deficits in the US and a global AI capex boom, all major influences. At present, we view 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. Combined with extraordinary fiscal profligacy in the US, the issuer of the reserve currency, we believe such an environment to be more inflationary. In Australia, this may be further amplified by the re-regulation of labour markets since 2022, and a rapid rise in government spending relative to GDP. US market equity prices have broadly doubled over the last three and a half years, and the S&P500 trades at over 39x cycle adjusted P/E, a 99% percentile observation only exceeded previously in 1999/2000. In the past, higher rates of inflation have been associated with lower P/E ratios, due to higher discount rate risk premium and an erosion of the depreciation tax shelter for firms.

We believe the market outlook is dominated by two factors:

- Relatively High Aggregate Multiples: The ASX 200 price index rose about 30% since mid-2022, while consensus forward earnings eased slightly. Consequently, the forward price to earnings (P/E) multiple has risen 30% over this period, even after the market falls in March 2026. The ASX200 trades on 19.2x actual trailing earnings as of end March 2026, and about 16x forward estimates. While off the mid-2025 peak due to recovering mining and energy earnings estimates, they remain high based on 21st century benchmarks.
- High Valuation Dispersion: Higher than usual multiples remain concentrated amongst the top quintile of valuations, banks and a few industrial stocks like Wesfarmers, although these extremes have eased since the peak in Q3 of 2025. Dispersion of valuations across the ASX200 remains high. This measure stood at the 98th percentile at its peak in September 2025 but remains in the top decile of observations over the last third of a century of ASX history at end March 2026.

In summary, the market still appears both expensive and distorted relative to long-term valuations. The pull-back from Q3 2025 extremes in both measures has delivered positive relative performance for our portfolios since that time, but this initial normalisation is still far short of returning the market to the long-term equilibrium state. We believe that, if market valuations were to continue to normalise, relative returns for value strategies are likely to reflect those observed those following prior peaks in valuation dispersion.

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

Important Information