

Lazard Select Australian Equity Fund

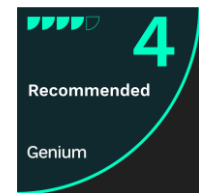
May 2026

LAZARD
ASSET MANAGEMENT

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\$52.9m
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

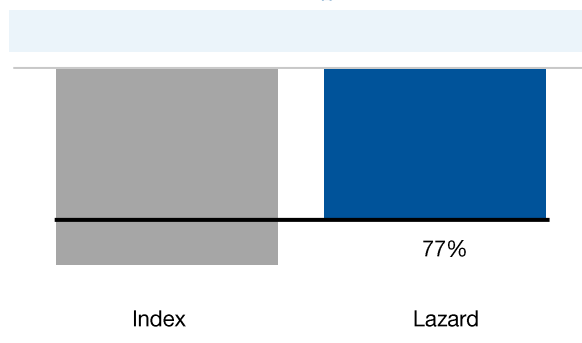
Disciplined 'Value' Investment Approach

Longer-term independent thinking

Stability and Experience

Team together at Lazard for more than 20 years

Down Market Capture Ratio



Performance²

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

	1M	3M	1Y	Annualised			
				3Y	5Y	10Y	Since Inception
Lazard (W Class)	-0.3	-3.7	9.0	5.4	10.2	7.6	8.7
Benchmark	1.1	-4.0	6.9	11.0	8.1	9.1	8.8
Excess Return	-1.4	0.3	2.1	-5.6	2.1	-1.5	-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	-	3.5	-3.5
Consumer Discretionary	22.2	6.6	15.5
Consumer Staples	15.3	3.4	11.9
Energy	9.1	4.5	4.7
Financials	12.5	32.9	-20.4
Health Care	7.7	4.9	2.8
Industrials	9.1	7.2	1.9
Information Technology	-	2.1	-2.1
Materials	17.3	27.4	-10.1
Real Estate	5.9	6.0	-0.1
Utilities	-	1.4	-1.4
Cash	0.8	-	0.8

Top Holdings (%)

	Lazard	Index
Rio Tinto	7.5	2.6
CSL	6.2	1.8
Treasury Wine	5.2	0.1
Light & Wonder	5.2	0.0
Domino's Pizza	5.2	0.0

Portfolio Characteristics (%)

	Lazard	Index
Number of Holdings	34	200
Price/Cash Flow	8.1	11.3
Price/Book Value	1.6	2.5
Dividend Yield (%)	3.7	3.2
Forward Price/Earnings	14.7	18.2
Active Share (%)	79.3	-
3 Year Turnover (%pa)	55.5	-

Commentary

The S&P/ASX 200 index closed the month with a gain of 1.1% as global equities rebounded in May 2026 on improving sentiment around a potential de-escalation of tensions in the Middle East. The Reserve Bank of Australia (RBA) raised the target cash rate by 25 basis points to 4.35% at its May meeting, marking the third consecutive hike in 2026 driven by persistently elevated inflation numbers. There was meaningful intra-month volatility, driven partly by significant policy measures announced in the 2026–27 Australian Federal Budget on 12 May 2026. On a sectoral basis within the S&P/ASX 200 index, the Materials, Consumer Discretionary and Real Estate sectors outperformed, while the Health Care, Utilities and Energy sectors underperformed during the month.

During the month ended May 2026, the Lazard Select Australian Equity Fund returned -0.3% (net of W Class fees), underperforming the S&P/ASX 200 Accumulation Index which returned 1.1%.

Contributors to Performance

Fletcher Building (FBU) outperformed the broader market in May 2026. The company announced the completed divestment of its Construction division for over NZ\$300m, following the sale of surplus Australian property assets, earlier in the month. While market conditions, particularly in New Zealand, remain challenged, FBU management continues to focus on controllable actions including portfolio rationalization and cost out initiatives. Relative to its mid-cycle earnings potential, we continue to see a highly favourable risk reward at FBU's current share price levels.

Metcash (MTS) provided an out-of-cycle trading update in response to the evolving macroeconomic environment and its potential implications for financial performance. Several peers have recently updated the market on similar macroeconomic pressures, prompting increased investor enquiries regarding MTS's performance. In addition, some peer disclosures have led to broader concerns about trading conditions through the independent retail network supplied by MTS. Against this backdrop, the company reaffirmed its FY26 earnings expectations and indicated that market consensus appeared to be trending below these levels. This reassurance supported share price outperformance in May. MTS is scheduled to release its final audited results on 22 June 2026.

Detractors from Performance

CSL underperformed the broader market by 23% in May following an update indicating that current year earnings would fall short of expectations and announcing a further A\$5 billion write-down related to its 2023 acquisition of Vifor. The downgrade appears largely driven by one-off factors, with the company reiterating that demand for its core immunoglobulin franchise continues to grow at a mid- to high-single-digit rate. This supports our view that CSL's core market remains intact as the company works to stabilise performance and maintain market share. At current levels, CSL is trading at approximately 10x forward earnings, which is around historical lows, and offers a dividend yield of ~4%, which we view as an attractive entry point.

Our underweight position in BHP has been a notable detractor from performance during the month. Strong demand has continued to support commodity prices elevated, while high

costs have provided additional support. More recently, a large coal mine accident in China has further reinforced expectations of tight supply in high-quality coking coal markets. With Chinese port coal inventories at very low levels, there is an increased likelihood of increased imports from the seaborne market in the near term—an environment where BHP, as one of the world's largest seaborne metallurgical coal producers, is positioned to benefit.

Outlook

The global geopolitical and economic environment is more unsettled than in the past, influenced by 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&P 500 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 ASX 200 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 such as Wesfarmers, although these extremes have eased since the peak in Q3 of 2025. Dispersion of valuations across the ASX 200 remains high. This measure stood at the 98th percentile at its peak in September 2025 and remained in the top decile of observations over the last third of a century of ASX history as at the of end March 2026.

In summary, we believe that 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 from 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 following prior peaks in valuation dispersion.

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or visit www.lazardassetmanagement.com

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