Lazard Select Australian Equity Fund

LAZARD
ASSET MANAGEMENT

June 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$53.1m
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

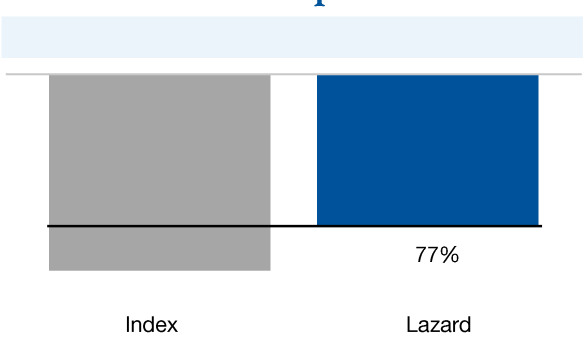
Disciplined 'Value' Investment Approach

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 30 June 2026)

	1M	3M	1Y	Annualised 3Y	5Y	10Y	Since Inception
Lazard (W Class)	1.1	1.3	9.4	4.4	9.9	8.1	8.7
Benchmark	0.7	4.0	6.1	10.6	7.8	9.4	8.8
Excess Return	0.4	-2.7	3.3	-6.2	2.1	-1.3	-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	-	3.4	-3.4
Consumer Discretionary	22.6	7.2	15.4
Consumer Staples	15.8	3.9	12.0
Energy	9.0	4.1	4.9
Financials	12.6	33.3	-20.7
Health Care	9.2	5.5	3.6
Industrials	9.8	7.4	2.4
Information Technology	-	2.1	-2.1
Materials	14.3	25.6	-11.3
Real Estate	6.0	6.0	0.0
Utilities	-	1.4	-1.4
Cash	0.7	-	0.7

Top Holdings (%)

	Lazard	Index
CSL	7.6	2.1
Rio Tinto	6.8	2.4
Treasury Wine	5.8	0.1
Woodside Energy	5.0	2.0
Light & Wonder	4.7	0.3

Portfolio Characteristics (%)

	Lazard	Index
Number of Holdings	34	200
Price/Cash Flow	8.0	11.4
Price/Book Value	1.5	2.5
Dividend Yield (%)	3.8	3.2
Forward Price/Earnings	14.6	18.2
Active Share (%)	80.0	-
3 Year Turnover (%pa)	57.0	-

Commentary

The S&P/ASX 200 Accumulation index gained 0.7% in June 2026 bringing its Q2 2026 return to 4.0%. For the financial year ending June 2026, the index delivered a return of 6.1%. While markets were volatile during 2026, the broader financial year once again demonstrated the resilience of investment markets. Despite ongoing geopolitical tensions, trade policy uncertainty and concerns surrounding global economic growth, equity markets generally continued to generate positive returns for investors. The Reserve Bank of Australia (RBA) kept the target cash rate unchanged at 4.35% at its Jun-26 meeting. On a sectoral basis within the S&P/ASX 200 index, the Health Care, Consumer Discretionary and Consumer Staples sectors outperformed, while Energy and Materials underperformed during the month.

During the quarter ended June 2026, the Lazard Select Australian Equity Fund returned 1.3% (net of W Class fees), underperforming the S&P/ASX 200 Accumulation Index which returned 4.0%.

Contributors to Performance

We initiated a position in Cochlear (COH) after investor confidence waned in the company when it reported a delay in the sales of its new processor at 1H26 results and later announced that growth and margins would be impacted in the near term by budget constraints in key customer groups. The fall in COH's valuation to decade-low earnings multiples created an attractive entry point for us, and the stock likely outperformed over the quarter as investors realised some of the value in the name.

On 6 April 2026, Treasury Wine (TWE) held an investor day during which the company modestly upgraded earnings expectations for FY26. TWE shares have been very weak prior to this update as new CEO Sam Fisher held back sales to rebalance inventory in the US and Chinese markets. Importantly, the company stated that FY27 should be at least in line with FY26 levels. This indicates that the earnings rebasing process will soon be complete and that investors have less reason to worry about further downside, which has driven the recent share price bounce.

Detractors from Performance

IDP Education (IEL) continues to face share price pressure as investors grapple with ongoing policy uncertainty around international students, reflected in higher visa rejection trends across Australia, the UK and Canada. While near-term student placement volumes remain challenging, management is focused on cost rationalisation initiatives, with tuition fee increases, greater service penetration and an underappreciated IELTS growth opportunity in China providing potential offsets. IEL's share price has fallen to its lowest level since its 2015 IPO. Historically a premium-rated business, the stock now trades at approximately half the broader market multiple, presenting potential upside should regulatory conditions stabilise and student mobility trends recover. Management has also announced a $50 million on-market share buyback, signalling confidence in the company's balance sheet strength and cash generation despite the current cyclical downturn in global immigration and international education markets.

CSL underperformed the index by 22 per cent during Q2 2026 when the company announced another negative update in which it identified an inventory channel issue which would dent immunoglobulin sales this year, the further impairment of Vifor, and key management changes. We looked at the derating to 10x forward P/E as a particularly attractive point to add to our positions. We think CSL's earnings ability and the value of those earnings are being overlooked by the market. While CSL's share price has since rebounded off the low rating, at a 13x forward P/E, we believe there is further value to be realised.

Outlook

The global geopolitical and economic environment is more unsettled than in the past, with major military conflicts, 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 almost 40x cycle adjusted P/E, a 99th 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 34% since mid-2022, while consensus forward earnings rose less than 1%. Consequently, the forward price to earnings (P/E) multiple has risen 33% over this period. The ASX 200 trades on 20x actual trailing earnings as of end March 2026, and about 17x forward estimates. These are high valuations 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 in absolute terms since the peak in Q3 of 2025. Dispersion of valuations across ASX 200 remains very high, however. Forward multiples for the top quintile of the ASX200 were 5.6x multiples in the bottom quintile, 99.4 percentile monthly observations, which have only previously been exceeded once in 2025 and twice in early 2000.

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.

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

Important Information