Lazard Select Australian Equity Fund

April 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$74.2m
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

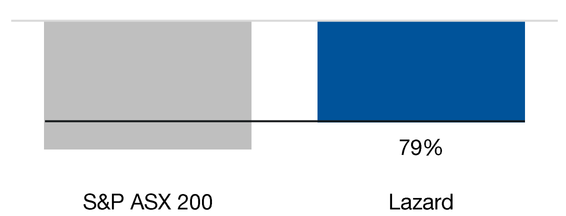
Disciplined 'Value' Investment Approach

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 April 30, 2025)

				Annualised			
	1M	3M	1Y	3Y	5Y	10Y	Since Inception
Lazard (W Class)	-0.3	-4.6	-6.3	3.9	12.2	6.3	8.6
Benchmark	3.6	-3.7	9.8	7.2	12.1	7.7	8.7
Excess Return	-3.9	-0.9	-16.1	-3.3	0.1	-1.4	-0.1

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

Allocations (%)

Sector

	Lazard	Index	Over/Underweight
Communication Services	-	3.9	-3.9
Consumer Discretionary	14.0	7.9	6.1
Consumer Staples	11.8	3.9	7.9
Energy	17.6	3.4	14.2
Financials	16.6	34.2	-17.6
Health Care	2.5	9.6	-7.1
Industrials	15.6	7.4	8.2
Information Technology	-	2.9	-2.9
Materials	16.6	18.6	-2.0
Real Estate	4.9	6.8	-1.9
Utilities	-	1.4	-1.4
Cash	0.4	-	0.4

Top Holdings (%)

	Lazard	Index
Rio Tinto	8.3	1.8
Woodside Energy	7.9	1.6
QBE Insurance	5.4	1.3
Waypoint REIT	4.9	0.1
Aurizon Holdings	4.7	0.2

Portfolio Characteristics (%)

	Lazard	Index
Number of Holdings	35	200
Price/Cash Flow	6.6	11.0
Price/Book Value	1.3	2.3
Dividend Yield (%)	5.0	3.4
Forward Price/Earnings	15.8	19.1
Active Share (%)	80.0	-
3 Year Turnover (%pa)	46.0	-

Commentary

The Australian equity market rebounded sharply during April 2025 as the S&P ASX 200 index closed the month returning 3.6%, even as Global Developed Markets and Emerging Markets fell modestly. This performance from Australian equities was particularly impressive against the US indices, outperforming the S&P500 by 4.3% over the month, marking the largest monthly outperformance seen since August 2022. Global equity markets recorded a modest loss in April, as risk appetites waxed and waned amid growing uncertainty about the US's new tariff regime. The Trump administration's mixed signals about tariffs continued to contribute to volatile markets and increased sentiment that a global economic recession loomed. A ninety-day pause and the promise of an individually negotiated set of tariffs calmed investor fears, and the markets rebounded to finish in positive territory as volatility remained elevated. On a sectoral basis within the S&P/ASX200 index, the Utilities and Materials sectors outperformed, whereas the Consumer Discretionary and Information Technology sectors were underperformers.

During the month ended April 2025, the Lazard Select Australian Equity Fund returned -0.3% (net of W Class fees), outperforming the S&P/ASX 200 Accumulation Index which returned 3.6%.

Contributors to Performance

Bapcor (BAP) held an Investor Day that seemingly helped the share price rally towards the end of month. While there was no update on current financial performance, the initiatives outlined were sensible and added to confidence that management execution which was the company's key weakness in recent years, appears to be improving.

Eagers Automotive's (APE) share price rose approximately 25% in April 2025. The main catalyst was the strong sales data for BYD during March. APE is the key distribution partner for BYD in Australia and the success of BYD year to date suggests upside relative to current expectations for the 2025 year.

Detractors from Performance

Woodside's (WDS) share price underperformed the market this month. Since April 2 2025, higher-than-expected US tariffs and increased OPEC supply have weighed heavily on energy stocks, leading to a 20% decline in oil prices, although gas prices remained resilient. Our domestic energy holdings are more focused on gas than oil. WDS is expected to increase its gas/LNG production from 60% to over 70% of total output by the end of the decade, with over 50% of production occurring outside Australia, primarily in North America. Operationally, WDS had a strong first quarter and continues to advance its Louisiana LNG project. They sold a 40% interest to Stonepeak, signed a long-term gas offtake agreement with Uniper, and reached the final investment decision on the project. Management is optimizing the funding structure, with potential further sell-downs in the coming months. The project targets an internal rate of return (IRR) of over 13%, with potential for higher returns through trading opportunities in US and international gas markets. The stock is currently trading at a 30% discount to book value, a level last seen during the COVID-19 period.

Treasury Wine (TWE) underperformed in April due to continued weak wine industry data from the US, the company's second most important market. This has prompted some sell-side analysts to forecast the company to miss FY25 earnings guidance of approximately A$780 million in EBITS.

Outlook

Based on the headline global trade tariffs imposed by the United States of America in early April 2024, economic models suggest a 1-2% reduction in US GDP and a 1-2% rise in US inflation over the next year, but we believe such models should not be relied on, as these are completely out-of-sample events. Furthermore, it remains unclear what policies will eventually be implemented, as discussion between countries are ongoing. Over the next year, possible fiscal responses in China and the EU will also be important to the global outcomes that are most relevant for Australia, and we have already seen some stimulatory policy announcements in China.

While much remains unclear, we may be entering a world of more military expenditure, lower growth and a focus on military and energy security and self-sufficiency, where such an environment would be more overall inflationary. In the shorter term, for the US, tariffs are a supply shock, so an analogy with the 1970s may be somewhat relevant, as such events are strongly inflationary. For most of the remainder of the world, tariffs are a demand shock, with possible disinflationary short-term consequences. The direct economic impact from US tariffs on Australia exports will be modest, but the indirect consequences of a US or even global recession and the need to address the deterioration of our security position could be costly.

The Lazard Australian Equity funds outperformed during Q1 2025, with this outperformance being generated in the final six weeks of the quarter as the market began to rotate away from the most expensive segments in the market. There are concerns of US and global stagflation or at least an unfavourable combination of growth and inflation. Historically, under these conditions, the Energy, Health care and Food staples outperformed, while REITS, Media and Financial Services underperformed. We currently hold overweight in Energy names and Food Staples, and significant underweights in REITS and Banks.

We remain focused on assessing long-term, reliable earnings streams – what we refer to as 'core' earnings. Focusing on core or mid-cycle earnings helps mitigate the risks of capitalising inflated or trough earnings. Valuations dispersions remain very wide against historical benchmarks, which suggests better than average returns to a valuation-based approach to investing.

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