

# Lazard Emerging Markets Total Return Debt Fund

Jul  
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Factsheet

## Fund Strategy

The Lazard Emerging Markets Total Return Debt Fund (the "Fund") seeks to provide a risk-adjusted total return from income and capital growth. It is a benchmark unaware fund with the ability to invest across the emerging market debt universe.

## Fund Performance

	1 Month (%)	3 Month (%)	1 Year (%)	3 Years (% p.a.)	5 Years (% p.a.)	Since Inception (% p.a.)
Lazard Emerging Markets Total Return Debt (gross of fees, costs & taxes)	1.52	-5.50	-18.32	-1.45	-0.54	1.19
Lazard Emerging Markets Total Return Debt (net of fees, costs & taxes)	1.45	-5.71	-19.07	-2.33	-1.43	0.19

Investments can go up and down. Past performance is not necessarily indicative of future performance. Performance assumes reinvestment of all distributions. The inception date is 22 March 2013.

## Fund Facts

Inception Date	22-Mar-13
Total Fund Size (AUD)	A\$61.9m
Total Management Costs	0.84%* p.a.
Minimum Investment	\$20,000
Buy/Sell Spread	+0.30%/-0.30%
Distributions	Annually
Unit Price (\$) – Redemption Value	\$0.7526
APIR Code	LAZ0023AU

\* Includes Indirect Costs: Estimated at 0.04% p.a. of the NAV.

## Fund Characteristics

Yield to Maturity (%)	5.1
Average Duration (yrs)	4.4
Average Coupon (%)	5.1
Average Maturity (yrs)	9.5
Long positions (%)	65.2
Short positions (%)	6.5
Net Exposure (%)	58.8
Gross Exposure (%)	71.7
Cash (%)	36.5

Quality Distribution	(%)
Investment Grade	45.5
BB	40.5
B	14.0
CCC & below	0.0
Not Rated	0.0

Asset Class Breakdown	Duration (yrs)	Yield <sup>2</sup> (%)
Sovereign Credit	9.0	6.7
Corporate Credit	4.0	8.3
Local Debt	5.1	11.5

## Fund Gross Allocations

Asset Type	(%)
Hard Currency Sovereign	32.7
Hard Currency Quasi Sovereign	0.0
Hard Currency Corporate	16.8
Local Nominal Sovereign Bonds	4.0
Local Inflation Linked Bonds	0.0
Local Quasi Sovereign Bonds	0.0
Local Corporate Bonds	0.0
CDS/CDX	3.7
FX/NDFs/Options <sup>3</sup>	6.3
IRS	0.0
Cash & Equivalents	36.5

Region	(%)
Asia	9.3
Middle East & Africa	18.9
Eastern Europe	6.7
Latin America	28.6
Cash & Equivalents	36.5

## Key Service Providers of the Fund

Investment Manager	Lazard Asset Management LLC
Fund Administrator	State Street Australia Limited
Custodian	State Street Australia Limited

<sup>1</sup> Please refer to the Fund's Product Disclosure Statement for information on the method used for calculating the Net Asset Value.

<sup>2</sup> Yield to maturity.

<sup>3</sup> FX/NDFs/Options includes forwards and/or non-deliverable forwards for currency positioning as well as options on swaps or foreign exchange.

## Commentary

### Market Overview

The Total Return strategy gained 1.52% in July, bringing the year-to-date loss to 14.58% compared to a decline of 16.14% for the broader asset class, as measured by the 50% JPM EMBI Global Diversified/50% JPM GBI-EM Global Diversified. The market environment since the start of 2020 has been particularly challenging with the broader asset class suffering an annualized loss of over 7%. Through this market, the strategy has delivered on its objective of outperformance with significantly less volatility by preserving capital with a much smaller loss of 2.1% while realizing a volatility that is around 20% lower than that of the index. The main driver of absolute returns during the month was the fund's roughly 40% allocation to hard currency sovereign debt with an emphasis on BB and investment grade rated countries. Among the largest contributors were fundamentally sound BB credits, including South Africa, Paraguay, and Brazil as well as higher quality countries including Peru, Uruguay, and the Philippines. These gains were partly offset by modest distressed positions such as Lebanon and Zambia, which continued to underperform along with weaker credits and smaller countries in the investment universe. The fund's corporate credit allocation and modest local debt exposure did not materially impact absolute returns during the month.

### Portfolio Review

The Lazard Emerging Markets Total Return Debt Fund gained 1.45% (net of fees and in AU dollar terms) in July.

The market environment since the start of 2020 has been particularly challenging with the broader asset class suffering an annualized loss of over 7%. Through this market, the strategy has delivered on its objective of outperformance with significantly less volatility by preserving capital with a much smaller loss of 2.9% while realizing a volatility that is around 20% lower than that of the index. The main driver of absolute returns during the month was the fund's roughly 40% allocation to hard currency sovereign debt with an emphasis on BB and investment grade rated countries. Among the largest contributors were fundamentally sound BB credits, including South Africa, Paraguay, and Brazil as well as higher quality countries including Peru, Uruguay, and the Philippines. The fund's corporate credit allocation and modest local debt exposure did not materially impact absolute returns during the month.

### Outlook

Given the heightened risk of recession, we continued to rotate the fund's risk allocation in favour of higher quality as we have over the past couple of months, as we believe these areas of the market offer pockets of opportunity even in a recession scenario. We continue to focus on hard currency debt with a focus on investment grade and BB credits with the balance sheet strength to withstand a slowdown. Meanwhile, we have eliminated positions in the more vulnerable B rated credits and added fund hedges. We have also maintained a roughly 15% allocation to corporate credit, which we expect to exhibit resilience given strong balance sheets and relatively higher spreads. We are focused on idiosyncratic stories with strong balance sheet fundamentals and attractive spread pick-up, emphasizing companies in the financials, utilities, and oil-and-gas sectors. Lastly, we have maintained very limited exposure to local currency as we believe valuations may need to further correct in the near-term. In the current environment, we believe being selective among both the different segments of the market and individual countries will be key to capturing opportunities and mitigating risk.

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