

Lazard Emerging Markets Total Return Debt Fund

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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)	3.88	9.97	-10.21	-0.39	-0.34	1.71
Lazard Emerging Markets Total Return Debt (net of fees, costs & taxes)	3.81	9.73	-11.02	-1.28	-1.23	0.72

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\$53.7m
Total Management Costs	0.83%* p.a.
Minimum Investment	\$20,000
Buy/Sell Spread	+0.30%/-0.30%
Distributions	Annually
Unit Price (\$) – Redemption Value	\$0.7744
APIR Code	LAZ0023AU

* Includes Indirect Costs: Estimated at 0.03% p.a. of the NAV¹.

Fund Characteristics

Yield to Maturity (%)	6.8
Average Duration (yrs)	4.8
Average Coupon (%)	6.2
Average Maturity (yrs)	9.7
Long positions (%)	104.4
Short positions (%)	15.0
Net Exposure (%)	89.4
Gross Exposure (%)	119.4
Cash (%)	-

Quality Distribution	(%)
Investment Grade	34.9
BB	43.3
B	16.0
CCC & below	5.8
Not Rated	-

Asset Class Breakdown	Duration (yrs)	Yield ² (%)
Sovereign Credit	7.0	9.4
Corporate Credit	3.7	7.6
Local Debt	4.3	9.1

Fund Gross Allocations³

Asset Type	(%)
Hard Currency Sovereign	45.0
Hard Currency Quasi Sovereign	-
Hard Currency Corporate	15.4
Local Nominal Sovereign Bonds	24.2
Local Inflation Linked Bonds	0.2
Local Quasi Sovereign Bonds	-
Local Corporate Bonds	-
CDS/CDX	6.1
FX/NDFs/Options ⁴	28.4
IRS	-
Cash & Equivalents	-

Fund Gross Allocations³

Region	(%)
Asia	20.0
Middle East & Africa	30.6
Eastern Europe	18.6
Latin America	50.2
Cash & Equivalents	-

Key Service Providers of the Fund

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

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

² Yield to maturity.

³ The Fund's Gross Asset Type and Region allocations reported are the sum of total long and total short positions, respectively.

⁴ 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

Emerging markets debt began 2023 much where it left off 2022—in the midst of one of its strongest rallies in recent years. The 50% JPMorgan EMBI Global Diversified/50% JPMorgan GBI-EM Global Diversified gained 3.73% in January and has climbed about 15% since bottoming in late October. Both fixed income and equities have rallied strongly as investors have grown increasingly optimistic that a sharp slowdown in inflation will spur central banks to turn more dovish. Additionally, the faster than expected re-opening of the Chinese economy has provided a further significant boost to risk sentiment. Gains in emerging markets debt were broad-based in January as yields declined, spreads compressed, and currencies appreciated versus the US dollar. Since yields peaked in late October, the yield on the benchmark 10-year US Treasury note has declined by around 75 basis points (bps) and local yields have performed even better, rallying close to 100 bps. Meanwhile, spreads have also compressed significantly, tightening around 130 bps over the same time period but remain well above historical averages. Most of the tightening has been in the riskiest part of the dollar-debt universe—high yield, where spreads have fallen from over 1,000 bps to less than 800 bps. Currencies, too, have notched strong gains, appreciating almost 8% versus the US dollar since the rally began. After suffering record outflows in 2022, emerging markets debt fund flows reversed in December and have been gaining momentum since the start of the year. January fund flows were the highest monthly total in two years, and we expect the recent trend to continue as investors are now under-invested in the asset class.

Portfolio Review

The Lazard Emerging Markets Total Return Debt Fund advanced 3.81% (net of fees in AUD) in January and slightly outperformed the broader asset class. Early in the fourth quarter, we began adding risk to the Fund, primarily in the most cyclical parts of the market—high yield sovereign credit and local currencies – increasing the Fund’s risk budget usage from around 40% to 90% in the process. This decision was beneficial in late 2022 and continued to bear fruit as the broad-based risk rally picked up the new year where it left off.

All of the Fund’s major risk buckets—sovereign credit, corporate credit, local rates and local currency—contributed to the strong January, with the Fund’s sovereign credit and local currency exposures contributing the most. Throughout the month, we maintained a roughly 35% allocation to local currencies, which is near the highest allocation since the inception of the Fund in 2010. All of the Fund’s local currency positions contributed to performance, with Asian currencies including the Thai baht, Indonesian rupiah and Malaysian ringgit contributing the most. We chose to focus on these currencies because we expected them to be the biggest beneficiaries of China’s re-opening due to their sensitivity to Chinese growth. Within the Fund’s roughly 20% allocation to corporates, the Chinese real estate company Country Garden was a key contributor as the bonds continued their strong recovery, reaching \$70 on positive developments around government support and China’s re-opening. Despite the strong rally, we have maintained the position as we believe the company will receive additional government support, and thus we see significant additional upside potential from current levels.

Outlook

We maintain a constructive medium-term outlook and are still running relatively high levels of risk. After adding risk late last year, we have been paring risk and consolidating gains in areas of the market that have rallied the most and where valuations have converged with our targets (e.g., high yield sovereign credit, Asia foreign exchange). Importantly, we expect dispersion to remain heightened as regional variations are likely to create differentiation and select opportunities.

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