Lazard Emerging Markets Total Return Debt Fund

Mar 2023 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)	1.40	2.49	-6.96	1.39	-0.40	1.55
Lazard Emerging Markets Total Return Debt (net of fees, costs & taxes)	1.34	2.27	-7.79	0.49	-1.29	0.55

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$57.9m
Total Management Costs*	0.83% p.a.
Minimum Investment	$20,000
Buy/Sell Spread	+0.30%/-0.30%
Distributions	Annually
Unit Price ($) – Redemption Value	$0.7630
APIR Code	LAZ0023AU

* Includes Indirect Costs: Estimated at 0.03% p.a. of the NAV[1].

Quality Distribution	(%)
Investment Grade	41.6
BB	42.5
B	13.4
CCC & below	2.6
Not Rated	-

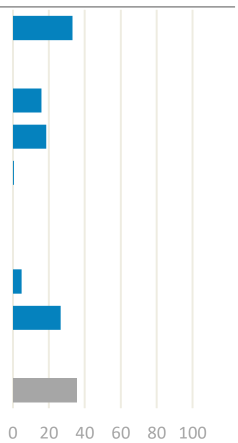
Fund Characteristics

Yield to Maturity (%)	6.2
Average Duration (yrs)	3.9
Average Coupon (%)	6.0
Average Maturity (yrs)	7.9
Long positions (%)	82.0
Short positions (%)	17.5
Net Exposure (%)	64.5
Gross Exposure (%)	99.5
Cash (%)	35.5

Asset Class Breakdown	Duration (yrs)	Yield [2] (%)
Sovereign Credit	7.4	7.3
Corporate Credit	3.4	8.4
Local Debt	4.6	9.4

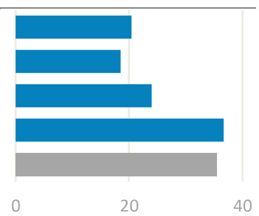
Fund Gross Allocations[3]

Asset Type	(%)
Hard Currency Sovereign	33.1
Hard Currency Quasi Sovereign	-
Hard Currency Corporate	15.9
Local Nominal Sovereign Bonds	18.6
Local Inflation Linked Bonds	0.5
Local Quasi Sovereign Bonds	-
Local Corporate Bonds	-
CDS/CDX	4.9
FX/NDFs/Options[4]	26.6
IRS	-
Cash & Equivalents	35.5



Fund Gross Allocations[3]

Region	(%)
Asia	20.4
Middle East & Africa	18.5
Eastern Europe	24.0
Latin America	36.7
Cash & Equivalents	35.5



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.

LAZARD ASSET MANAGEMENT

Commentary

Market Overview

Blended emerging markets debt notched a second consecutive quarter of positive returns despite significant volatility across global markets. The 50% JPMorgan EMBI Global Diversified/50% JPMorgan GBI-EM Global Diversified Blended Index gained 3.51% (in USD terms) in the first quarter, driven by gains across both hard currency (1.9%) and local currency debt (5.2%). Sovereign credit spreads widened just over 30 bps to end the quarter at 484 bps, but losses were offset by the roughly 40 bps decline in the 10-year US Treasury yield. Consistent with this market environment, investment grade countries outperformed high yield. Local yields fell 27 basis points (bps) to 6.59%, while emerging markets currencies appreciated just over 2% against the US dollar amid a backdrop of broad dollar weakness. Interest rate differentials between the US and other global markets tightened, driving the broad US dollar index (DXY) roughly 1% weaker during the quarter.

Portfolio Review

In the first quarter of 2023, the Lazard Emerging Markets Total Return Debt Fund advanced 2.27% (net of fees and in AUD terms).

Over the course of the first quarter, we pared the strategy’s risk budget usage from around 90% to 65% primarily by reducing sovereign credit and local currency exposure in markets that may be vulnerable to tighter financial conditions.

Sovereign credit and local debt positions were the main contributors to absolute returns during the first quarter. In sovereign credit, long positions in borderline investment grade countries that offered attractive yields and balance sheet strength to withstand a slowdown in global growth such as Romania and Serbia were notable contributors. These gains were partly offset by Egypt, which underperformed on concerns over the country’s ability to continue to tap capital markets to meet financing needs. We eliminated the portfolio’s position in Egypt during the quarter because the government has failed to make progress on much needed policy reforms. Throughout the quarter, we maintained a roughly 25%–35% allocation to local currencies, which also contributed as EM currencies appreciated by over 2% against the dollar. Within this allocation, long positions in high yielders (e.g., Mexican peso and Brazilian real) and Central and Eastern European (CEE) currencies (e.g., Hungarian forint and Czech koruna) were beneficial. In local rates, key positions in South Africa, Mexico, Colombia, and Brazil all contributed meaningfully to absolute returns, as local yields followed the decline in core rates. Portfolio hedges implemented through foreign exchange options detracted marginally in the quarter.

Outlook

We maintain a constructive medium-term outlook on emerging markets debt, supported by global growth differentials shifting in favour of emerging markets, peak inflation in the past and scope for monetary easing in both emerging and developed markets. Importantly, we expect dispersion to remain heightened as regional variations are likely to create differentiation and select opportunities. In sovereign credit, we see value in quality sovereign credits that offer attractive carry relative to fundamentals. In local debt, we see a number of attractive opportunities, primarily in the high yielders such as South Africa, Mexico, and Brazil. In currencies, we see select value primarily in CEE currencies (Polish zloty, Hungarian forint, and Czech koruna), in which we expect hawkish policy stances to support currencies, as well as select high yielders such as the Mexican peso and Brazilian real.