

# Lazard Emerging Markets Total Return Debt Fund

Jul  
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.)	10 Years (% p.a.)	Since Inception (% p.a.)
Lazard Emerging Markets Total Return Debt (gross of fees, costs & taxes)	0.43	0.20	5.24	-2.76	0.57	1.93	1.57
Lazard Emerging Markets Total Return Debt (net of fees, costs & taxes)	0.37	0.00	4.34	-3.62	-0.33	0.94	0.58

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\$63.9m
Total Management Costs*	0.83% p.a.
Minimum Investment	\$20,000
Buy/Sell Spread	+0.30%/-0.30%
Distributions	Annually
Unit Price (\$) – Redemption Value	\$0.7667
APIR Code	LAZ0023AU

\* Includes Indirect Costs: Estimated at 0.03% p.a. of the NAV<sup>1</sup>.

## Quality Distribution

	(%)
Investment Grade	48.7
BB	43.8
B	7.5
CCC & below	-
Not Rated	-

## Fund Characteristics

Yield to Maturity (%)	4.8
Average Duration (yrs)	4.1
Average Coupon (%)	5.0
Average Maturity (yrs)	7.0
Long positions (%)	99.5
Short positions (%)	39.2
Net Exposure (%)	60.2
Gross Exposure (%)	138.7
Cash (%)	39.8

Asset Class Breakdown	Duration (yrs)	Yield <sup>2</sup> (%)
Sovereign Credit	6.5	4.6
Corporate Credit	3.3	8.5
Local Debt	3.9	9.0

## Fund Gross Allocations<sup>3</sup>

Asset Type	(%)
Hard Currency Sovereign	31.1
Hard Currency Quasi Sovereign	-
Hard Currency Corporate	13.0
Local Nominal Sovereign Bonds	37.4
Local Inflation Linked Bonds	2.0
Local Quasi Sovereign Bonds	-
Local Corporate Bonds	-
CDS/CDX	19.4
FX/NDFs/Options <sup>4</sup>	35.8
IRS	-
Cash & Equivalents	39.8

## Fund Gross Allocations<sup>3</sup>

Region	(%)
Asia	23.2
Middle East & Africa	19.9
Eastern Europe	17.7
Latin America	77.8
Cash & Equivalents	39.8

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

<sup>4</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

Emerging markets debt continued to perform well in July as slowing inflation and resilient economic indicators contributed to strong risk sentiment. The 50% JPMorgan EMBI Global Diversified/50% JPMorgan GBI-EM Global Diversified advanced 2.39% (in USD), driven by gains in both hard currency (1.9%) and local currency debt (2.9%). Emerging markets sovereign credit spreads tightened 35 basis points (bps) to 398 bps and are now 55 bps tighter than at the beginning of 2023. The yield on the benchmark 10-year US Treasury note rose just over 10 bps to end the month at 3.96%. Emerging markets currencies appreciated just over 2% against the US dollar, outperforming the decline in the dollar spot index (DXY) which fell 1%. Local yields ended the month 3 basis points (bps) lower at 6.29%, once again diverging from the increase in core rates as policy cycles in emerging markets remain ahead of developed markets peers.

### Portfolio Review

In July, the Lazard Emerging Markets Total Return Debt Fund ("the Fund") gained 0.37% (net of fees), lagging the broader asset class and reflecting defensive positioning.

We deployed just over half of the Fund's risk budget throughout the month with an emphasis on local debt, particularly markets with high nominal and real yields and scope for monetary easing. Consistent with this positioning, local debt was the main contributor to absolute returns in the month. Within this allocation, the Fund's long position in South Africa was a notable contributor as rates rallied after the South African Reserve Bank held rates steady in a split decision, compared to consensus expectations of a 25-bp hike. To a lesser extent, the Fund's sovereign credit allocation with an emphasis on borderline investment grade countries like Colombia contributed to absolute returns. These gains were partly offset by Fund hedges implemented through credit default swaps (CDX) and foreign exchange options, which detracted as emerging markets sovereign credit spreads continued to compress during the month.

### Outlook

While we are currently taking a cautious approach, we maintain a constructive medium-term outlook and currently see the most attractive opportunities in local debt, which we expect to benefit amid a backdrop of peak rates in developed markets, growth differentials increasing in favour of emerging markets, and elevated emerging markets real yields. Importantly, we expect dispersion to remain heightened as regional variations are likely to create differentiation and select opportunities. In local rates, we see a number of attractive opportunities, primarily in the high yielders such as South Africa, Mexico, and Brazil. In currencies, we see value primarily in certain high yielders that offer attractive carry, including the Indonesian rupiah, Brazilian real, Mexican peso, and Indian rupee, as well as Central and Eastern European currencies such as the Polish zloty, Czech koruna, and Hungarian Forint). In sovereign credit, we see value in quality sovereign credits that offer attractive carry relative to fundamentals.

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