

Lazard

Rathmore Alternative Fund (UCITS)

December
2019
Fact Sheet

A Acc EUR Hedged Share Class

Performance Data

(%; net of fees; through 31 December 2019)

	1 Month	YTD
Lazard Rathmore Alternative Fund (A Acc EUR Hedged Share class)	0.2	2.8

The performance quoted represents past performance. Past performance is not a reliable indicator of future results. Source: Lazard Asset Management

Monthly Performance Data

(%; net of fees; since inception, A Acc EUR Hedged share class)

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
2019	0.8	0.4	0.8	0.1	0.7	0.2	-0.1	0.6	-0.3	-0.6	-0.2	0.2	2.8
2018					-0.2	-0.2	-0.2	0.0	0.1	-0.9	0.2	-0.7	-1.8

The performance quoted represents past performance. Past performance is not a reliable indicator of future results. Source: Lazard Asset Management

Portfolio Statistics

Long Market Value (LMV)	130.9%
Short Market Value (SMV)	-72.0%
Leverage (LMV/NAV)	1.3
NMV Leverage (NMV/NAV)	0.6

Additional Portfolio Statistics²

Vega ³	0.4%
Rho ⁴	-0.2%
CS01 ⁵	-0.9 bps
Portfolio Duration ⁶	1.2 years
Number of Trading Strategies ⁷	71
Average YTP/YTM ⁸	4.0%
Carry ⁹	2.0%
Average Credit Spread of Portfolio	466 bps
Average Implied Credit Spread of Convertibles ¹⁰	466 bps
Gamma ¹¹	0.42%
Delta ¹²	72.1%
Hedge	-68.8%
Portfolio Credit Hedges as a % of LMV	0.0%
Rho Hedge as a % of LMV	0.0%

Credit Breakdown by Rating (%)²

	Net Market Value (NMV)
AAA to BBB	0.0
BB to B	4.1
CCC to C	0.0
NR	95.9

Portfolio Composition by Substrategy (%)^{2, 13}

	Long Market Value (LMV/NAV)	Net Market Value (NMV/NAV)
Credit	33.1	50.4
Special Situations	18.6	14.7
Volatility	48.3	35.0
Total	100.0	100.0

Portfolio Composition by Security Type (%)^{2, 13}

	Long Market Value (LMV/NAV)	Short Market Value (SMV/NAV)
Bonds	129.5	-0.3
Equity	1.4	-71.6
Preferreds	0.0	0.0

Portfolio Composition by Market Cap (%)

	Net Market Value (NMV)
Small Cap (<\$2bn)	44.4
Mid Cap (\$2bn – \$10bn)	45.9
Large Cap (\$10bn – \$50bn)	8.7
Mega Cap (> \$50bn)	1.0

Top Five Positions (%)^{2,13,14}

	Long Market Value (LMV)
Sea Ltd 2.25%	4.3
MongoDB Inc 0.75%	3.6
Twilio 0.25%	3.1
Nuvasive 2.25%	2.9
Wayfair 0.375%	2.6

Top Five Positions (%)^{2,13,14}

	Net Market Value (NMV)
Allscripts Healthcare 1.25%	4.1
Cardtronics 1.0%	3.2
Wayfair 0.375%	2.8
Tricon Capital Group 5.75%	2.7
Cemex 3.72%	2.7

Geographic Composition (%)¹⁵

	Net Market Value (NMV)
North America	91.5
Rest of the World	8.5

Commentary

Market Review

Improving economic data and progress on a U.S./China trade deal, led equities higher this month, as the S&P 500 Index rose +2.86%, paced largely by trade sensitive sectors, including semiconductors, energy as well as healthcare. Defensive stocks, including real estate, lagged the broader market. Economic data was again mixed and was not a driver of asset returns. US nonfarm payrolls rose a greater than expected +266k, highlighting the resiliency of the US economy. European manufacturing PMIs fell in December, but continued to suggest a bottoming of economic activity. Central bank meetings, both in the US and Europe, were uneventful, with both the US Federal Reserve Bank (the “Fed”) and the European Central Bank keeping benchmark interest rates unchanged. Commentary from Fed Chairman Powell skewed dovish however, as he suggested the Fed would keep interest rates lower for longer to boost inflation above its 2% target.

The risk-on sentiment was reflected in other variables, as interest rates rose with the 10-year US treasury yield rising to 1.92%. Oil hit a 3-month high (above \$61), while copper hit a 7-month high of \$286.45. Credit tightened with the ICE BofA US High Yield Index falling from 406 basis points (“bps”) to 354 bps. Even with stocks higher, the CBOE Volatility Index moved higher, as did gold. Given supportive monetary policy, the initial US/China agreement (details were lacking but new tariffs were not imposed on Dec 15th), and a now definitive UK general election vote, the potential for negative macro shocks appears to have fallen in the near term. However, the recent appreciation of equities, to ~18.5x 2020 estimates, leaves little room for error. Escalating geopolitical risks will certainly test investor’s confidence, just a few days into the new year. We believe the portfolio remains well hedged from an equity perspective.

Convertible bonds were generally better to buy on the month with outperformance in higher-beta paper, particularly distressed names and those in the energy sector. As it relates to the primary market, twelve new deals priced in December, yielding \$3.59 billion in proceeds. For the year, US issuance hit a record with more than \$58 billion of new paper. Deals of note this month included a GBP 600 million offering from UK internet retailer Ocado PLC (OCDO LN). The OCDO bond priced with a 0.875% coupon and 45% premium, and was well received by investors initially, given the high growth prospects for the company, and relative value of the notes, as compared to other European convertibles. A \$900 million offering from optical component firm Lumentum Holdings (LITE) also came to market and priced with a 0.5% coupon and 42.5% premium. Given the 7-year tenor of and marginal terms, the offering traded near the offering price in the secondary market. Channel checks continue to suggest to us that the primary market will remain active into 2020.

Portfolio Composition by Sector (%)

	Long Market Value (LMV/NAV)	Short Market Value (SMV/NAV)	Net Market Value (NMV/NAV)
Health Care	34.9	-17.6	17.3
Information Technology	42.5	-26.8	15.7
Consumer Discretionary	16.7	-5.7	11.0
Financials	7.2	-3.1	4.1
Industrials	5.3	-2.6	2.7
Materials	6.0	-3.5	2.5
Real Estate	3.7	-1.4	2.3
Consumer Staples	3.2	-1.3	1.9
Communication Services	10.6	-9.9	0.7
Energy	0.8	-0.1	0.7
Macro Equity Risk Hedge	0.0	0.0	0.0
Total	130.9	-72.0	58.9

Portfolio Review

Performance

Pacing returns in December were the credit and volatility basis, the latter of which rebounded after several weeks of underperformance. Special situations contributed positively as well, as selected issuers took advantage of a significant appreciation in their respective market caps and addresses their funding needs. PDL BioPharma Inc (PDLI), for example, paid bondholders, including the strategy, an 8.5 point premium to redeem their 2.75% convertible notes due 2024, as part of a \$200 million buyback of stock and convertibles. Also benefiting the special situations category was Caesars (CZR), which revised the terms of its initial consent offer, by effectively increasing it 10-fold from the original 1/4 point offering initially made to holders. Offsetting some of the gains were macro hedges, that were a modest detractor again, largely owing to theta decay and cannabis names were also heavy into year-end as investors repositioned for 2020.

In Closing

Overall, the portfolio remains largely delta-neutral. Recognizing certain risk/return sets have improved as of late, financing terms have improved, and volatility is at its lowest levels in many instances, we have added to positions selectively, and are likely to continue to do so in coming weeks. Earnings season kicks off in approximately three weeks, which should likely be accompanied by an uptick in equity volatility broadly, as has been the case in recent periods.

Share Classes Information

Share Classes	Management Fee (%)	Performance Fee (%)	ISIN	Bloomberg Ticker	SEDOL
A Acc CHF Hedged	1.25	20	IE00BG1V1550	LAZAACH ID	BG1V155
A Acc EUR Hedged	1.25	20	IE00BG1V1C27	LAZAAEH ID	BG1V1C2
A Acc GBP Hedged	1.25	20	IE00BG1V1B10	LAZAAGH ID	BG1V1B1
A Acc USD	1.25	20	IE00BG1V1444	LAZAAUH ID	BG1V144
BP Acc USD	2.50	20	IE00BFZ4RZ57	LAZRBPU ID	BFZ4RZ5
BP Acc EUR Hedged	2.50	20	IE00BFZ4RX34	LAZRBPE ID	BFZ4RX3
C Acc EUR Hedged	1.25	20	IE00BFZ4RW27	LAZRCEH ID	BFZ4RW2
C Acc USD	1.25	20	IE00BFZ4RY41	LAZRCAU ID	BFZ4RY4
S Acc USD	1.00	20	IE00BJXC5N38	LAZRASU ID	BJXC5N3
S Acc GBP Hedged	1.00	20	IE00BKF2RX20	LAZRASH ID	BKF2RX2
S Acc EUR Hedged	1.00	20	n/a	n/a	n/a
S Acc CHF Hedged	1.00	20	n/a	n/a	n/a
S Acc JPY Hedged	1.00	20	n/a	n/a	n/a

Investment Profile

The Lazard Rathmore Alternative Fund seeks absolute returns through convertible arbitrage and event-driven investing. The Fund aims to identify opportunities through proprietary screening tools, quantitative analysis, and robust fundamental research.

Fund Information

Fund Manager	Sean H. Reynolds
Launch Date	1 May 2018
NAV Calculation	Daily
Fund Size	US\$297.2m

Contacts Details

Lazard Asset Management Limited
50 Stratton Street, London W1J 8LL
Client Service Desk: 0800 374 810

UK Support Desk
UK Telephone: 0800 374 810
Outside UK Telephone:
+44 20 7448 2019
Email: contactuk@lazard.com

Website
lazardassetmanagement.com

Belgium and Luxembourg Support Desk
Telephone + 32 2 626 15 30 /
+ 32 2 626 15 31

Email: lfm_belgium@lazard.com

Italian Support Desk
Telephone: + 39-02-8699-8611
Email: fondi@lazard.com

Germany and Austria Support Desk
Telephone: +49 69 5060 60
Email: fondsmarketing@lazard.com

Switzerland Support Desk
Telephone: +41 43 / 88 86 480
Email: fondsmarketing@lazard.com

Dealing and Administration
Telephone: +353 1 242 5421
Email: LazardTA@statestreet.com

Notes

- Annualized volatility is calculated based on daily returns since inception.
- Statistics are based on unaudited and unreconciled information calculated by the risk team as of 31 December 2019, taking into account month-end redemptions. Allocations are subject to change.
- Vega exposure is measured as a 1 volatility point change in the implied volatility of the investments. The result is quoted as a percentage of NAV.
- Rho is measured as the percentage change in NAV for a 10 bp change in interest rates.
- CS01 is calculated as loss/gain for the strategy if the credit spreads widen by one basis point. The strategy's position in every issuer is considered net of the long and short positions in that issuer and aggregated across the entire portfolio.
- Duration is the sensitivity of the bond price to a change in interest rates.
- A trading strategy reflects a particular investment thesis. For example, a "credit short dated gamma" strategy is one in which the strategy is long a short-dated convertible bond with a positive gamma profile and simultaneously short the underlying equity of the same issuer. The number of trading strategies shown represent 90% of the strategy's Long Market Value. Incubated strategies account for the remaining 10% of the strategy's Long Market Value.
- YTP/YTM refers to Yield to Put or Yield to Maturity, excluding securities with default/distressed status, imminent corporate actions, and bonds trading with negative yields (otherwise defined as volatility trades).
- Carry is the current yield of the strategy net of financing and stock rebates represented % of capital.
- Average Implied Credit Spread is the credit spread of a bond over LIBOR, taking into account the value of the embedded option.
- Gamma represents the rate of change in a convertible's delta per 1% move in the underlying stock. Options used for hedging purposes are not included in the gamma calculation.
- Delta represents the sensitivity of convertible bonds held in the portfolio to a change in the underlying stock price.
- Based on LMV of each position as a % of total LMV, and absolute NMV of each position as a % of total NMV.
- The securities identified should not be considered a recommendation or solicitation to purchase or sell these securities. It should not be assumed that any investment in these securities was, or will be, profitable. There is no assurance that any securities discussed herein will remain in the portfolio. These securities do not represent the entire portfolio of an account managed pursuant to the strategy and in the aggregate may represent only a small percentage of an account's portfolio holdings.
- Geographic compositions is calculated as % of NMV and is based on issuer/parent country exposure. North America includes USA and Canada.

Important Information

Published on 13 January 2020.

All data contained herein are sourced by Lazard Asset Management as at 31 December 2019 unless otherwise noted. This is a financial promotion and is not intended to constitute investment advice. For distribution to professional investors only and advisers authorised to carry out business under the Financial Services and Markets Act 2000. Past performance is not a reliable indicator of future results. The value of investments and the income from them can fall as well as rise and you may not get back the amount you invested. Investing in equities may lead towards higher returns in the long term. However considerable fluctuations can apply to equity prices resulting in a greater risk that you may not get your money back. Fluctuations in the rate of exchange between the Fund's base currency, the currency of the Fund's investments, your share class and the currency of the country in which you live may have the effect of causing the value of your investment to diminish or increase. The securities markets may be less developed in emerging markets and there is a greater risk that the fund may experience delays in buying, selling and claiming ownership of its investments. Emerging markets may also have less developed political, economic and legal systems and there is a higher risk that the Fund may not get back its money back. The fund may invest in financial derivative instruments ("FDIs") for the purposes of both reducing exposure (hedging) and also to gain greater exposure to underlying investments. The use of FDIs to gain greater exposure to underlying investments than by a direct investment, increases the possibility for profit but also increases the risk of loss. The fund is subject to the risk of the insolvency or default of its counterparties to FDI investments. In such events there may be limited recourse against the counterparty and the fund may experience losses. The Lazard Rathmore Alternative Fund is a sub-fund of Lazard Global Investment Funds plc, an open-ended investment company with variable capital structured as an umbrella fund with segregated liability between sub-funds incorporated with limited liability and is authorised by the Central Bank of Ireland. Lazard Global Investment Funds plc is recognised by the Financial Conduct Authority under section 264 of the Financial Services & Markets Act 2000 ("FSMA") and therefore regulates the marketing of the Fund within the UK. The Central Bank of Ireland regulates all other aspects of the Funds operations. Subscriptions may only be based on the current Prospectus. There will be no right to cancel any agreement under the Financial Conduct Authority's cancellation rules. Compensation under the Financial Services Compensation Scheme will not be available. Copies of the Prospectus, Key Investor Information Document (KIID), and Report & Accounts are available in English and other languages where appropriate on request from the address below or on this website. Investors and potential investors should read and note the risk warnings in the Prospectus and relevant KIID. The securities markets may be less developed in emerging/developing markets and there is a greater risk that the Fund may experience delays in buying, selling and claiming ownership of its investments. In addition, emerging/developing markets may also face more political, economic or structural challenges and there is a higher risk that the Fund may not get back the money invested. There can be no assurance that the Fund's objectives or performance target will be achieved. Not all share classes of the relevant sub-fund are registered for marketing in Italy, Spain, Austria and Germany and target institutional investors only. The performance or the fees may be different between the relevant share classes of the sub-fund. The applicable fees are indicated in the KIID related to the relevant share class which the investor intends to subscribe. Please consult your independent financial advisor or the Support Desk if you require further information. This information is provided by the Italian branch of the Lazard Asset Management (Deutschland) GmbH and it is aimed solely at professional and institutional investors. Lazard Asset Management (Deutschland) GmbH, Via Dell'Orso 2 - 20121 Milan is authorized and regulated in Germany by the BaFin. Shares of this fund are not allowed to be distributed or sold neither within the United States of America nor to or for the account for US citizens or US-based US citizens.

Distribution in Belgium and Luxembourg:

This information is provided by the Belgian Branch of Lazard Fund Managers Ireland Limited, at Blue Tower Louise, Avenue Louise 326, Brussels, 1050 Belgium. The Paying Agent and the Representative in Belgium for the registration and the receipt of requests for issuance or repurchase of units or for switching sub-funds is Societe Generale Private Banking NV, Kortrijksesteenweg 302, 9000 Gent, Belgium. Complaints service: Lazard Fund Managers (Ireland) Limited, Belgian Branch (Brussels), Blue Tower Louise, Avenue Louise 326, Brussels, 1050 Belgium. For use by Professional Investors only. Retail investors with Belgian residence should pay particular regard to yields which are presented gross of fees and charges. Investors will receive less than the gross yield.

Distribution in Germany and Austria:

Lazard Asset Management (Deutschland) GmbH, Neue Mainzer Strasse 75, 60311 Frankfurt am Main is authorized and regulated in Germany by the BaFin. The Paying Agent in Germany is Landesbank Baden-Württemberg, Am Hauptbahnhof 2, 70173 Stuttgart, the Paying Agent in Austria is UniCredit Bank Austria AG, Rothschildplatz 1, 1020 Vienna.

Distribution in Switzerland:

The domicile of the Fund is Ireland. The Representative in Switzerland is ACOLIN Fund Services AG, Leutschenbachstrasse 50, CH - 8050 Zürich, whilst the Paying Agent is NPB Neue Privat Bank AG, Limmatquai 1, P.O. Box, CH-8024 Zurich. The Prospectus, the Constitution, the Key Investor Information Document (KIID) as well as the semi-annual and annual reports may be obtained free of charge at the registered office of the Swiss Representative. The current document is intended for information purposes only and shall not to be used as an offer to buy and/or sell shares. The performance shown does not take account of any commissions and costs charged when subscribing to and redeeming shares. Past performance may not be reliable guide to future performance.

Issued and approved by Lazard Asset Management Limited, 50 Stratton Street, London W1J 8LL. Incorporated in England and Wales, registered number 525667. Authorised and regulated by the Financial Conduct Authority.