

LAZARD GLOBAL TOTAL RETURN & INCOME FUND INC
Form N-CSR
March 09, 2018
UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM N-CSR

CERTIFIED SHAREHOLDER REPORT OF REGISTERED MANAGEMENT INVESTMENT COMPANIES

Investment Company Act file number 811-21511

Lazard Global Total Return and Income Fund, Inc.

(Exact name of registrant as specified in charter)

30 Rockefeller Plaza

New York, New York 10112

(Address of principal executive offices) (Zip code)

Mark R. Anderson, Esq.

Lazard Asset Management LLC

30 Rockefeller Plaza

New York, New York 10112

(Name and address of agent for service)

Registrant's telephone number, including area code: (212) 632-6000

Date of fiscal year end: 12/31

Date of reporting period: 12/31/17

ITEM 1. REPORTS TO STOCKHOLDERS.

Lazard Global Total Return
and Income Fund, Inc.

Annual Report

December 31, 2017

PRIVACY NOTICE

FACTS What does Lazard do with your personal information?

Financial companies choose how they share your personal information. Federal law gives consumers the right to limit some but not all sharing. Federal law also requires us to tell you how we collect, share, and protect your personal information. Please read this notice carefully to understand what we do.

Why?

The types of personal information we collect and share depend on the product or service you have with us.

What?

This information can include:

- Social Security number
- Assets and income
- Account transactions
- Credit history
- Transaction history

When you are *no longer* our customer, we continue to share your information as described in this notice.

How?

All financial companies need to share customers' personal information to run their everyday business. In the section below, we list the reasons financial companies can share their customers' personal information; the reasons Lazard chooses to share, and whether you can limit this sharing.

Reasons we can share your personal information	Does Lazard share?	Can you limit this sharing?
For our everyday business purposes — such as to process your transactions, maintain your account(s), respond to court orders and legal investigations, or report to credit bureaus	Yes	No
For our marketing purposes — to offer our products and services to you	No	We do not share
For joint marketing with other financial companies	No	We do not share
For our affiliates' everyday business purposes — information about your transactions and experiences	Yes	No
For our affiliates' everyday business purposes — information about your creditworthiness	No	We do not share
For nonaffiliates to market to you	No	We do not share

Questions? Call 800-823-6300 or go to <https://www.lazardassetmanagement.com>

Who we are

Who is providing this notice? Lazard Asset Management LLC, Lazard Asset Management (Canada), Inc. and Lazard Asset Management Securities LLC on their own behalf and on behalf of the funds they manage.

What we do

How does Lazard protect my personal information? To protect your personal information from unauthorized access and use, we use security measures that comply with federal law. These measures include computer safeguards and secured files and buildings. We believe the measures also comply with applicable state laws.

How does Lazard collect my personal information? We collect your personal information, for example, when you:

- Open an account
- Seek advice about your investments
- Direct us to buy securities
- Direct us to sell your securities
- Enter into an investment advisory contract

We also collect your personal information from others, such as credit bureaus, affiliates, or other companies.

Why can't I limit all sharing? Federal law gives you the right to limit only:

- Sharing for affiliates' everyday business purposes – information about your creditworthiness
- Affiliates from using your information to market to you
- Sharing for nonaffiliates to market to you

State laws and individual companies may give you additional rights to limit sharing.

Definitions

Affiliates Companies related by common ownership or control. They can be financial and nonfinancial companies.

Our affiliates include financial companies whose names include "Lazard".

Nonaffiliates Companies not related by common ownership or control. They can be financial and nonfinancial companies.

Lazard does not share information with nonaffiliates so they can market to you.

Joint marketing A formal agreement between nonaffiliated financial companies that together market financial products or services to you.

Lazard does not jointly market.

Lazard Global Total Return and Income Fund, Inc.

Table of Contents	Page
<u>Investment Overview</u>	2
<u>Portfolio of Investments</u>	8
<u>Notes to Portfolio of Investments</u>	12
Statements of:	
<u>Assets and Liabilities</u>	13
<u>Operations</u>	14
<u>Changes in Net Assets</u>	15
<u>Cash Flows</u>	16
<u>Financial Highlights</u>	17
<u>Notes to Financial Statements</u>	18
<u>Report of Independent Registered Public Accounting Firm</u>	28
<u>Dividend Reinvestment Plan</u>	29
<u>Board of Directors and Officers Information</u>	30
<u>Tax and Other Information</u>	32

Lazard Global Total Return and Income Fund, Inc.

Investment Overview

Dear Stockholders,

We are pleased to present this report for Lazard Global Total Return and Income Fund, Inc. (“LGI” or the “Fund”), for the year ended December 31, 2017. LGI is a diversified, closed-end management investment company that began trading on the New York Stock Exchange (“NYSE”) on April 28, 2004. Its ticker symbol is “LGI.”

We believe that the Fund has provided investors with an attractive distribution return and diversification, backed by the extensive experience, commitment, and professional management of Lazard Asset Management LLC (the “Investment Manager” or “Lazard”).

Portfolio Update (as of December 31, 2017)

For the year ended December 31, 2017, the Fund’s net asset value (“NAV”) returned 33.2%, outperforming the 24.0% return of its benchmark, a linked index comprised of the MSCI World[®] Index, from inception through August 31, 2016, and the MSCI All Country World[®] Index (the “MSCI ACWI”) for all periods after August 31, 2016 (the “MSCI World/ACWI Linked Index”). While the three-year performance is similarly outperforming the benchmark, due to weaker performance during the years 2013 through 2015, the Fund’s NAV performance over longer time periods has lagged the benchmark. The since inception annualized return through December 31, 2017 was 7.2%, slightly behind the 7.3% return for the MSCI World/ACWI Linked Index for the same period. Shares of LGI ended 2017 with a market price of \$18.00, representing a 9.1% discount to the Fund’s NAV per share of \$19.81.

The Fund’s net assets were \$190.3 million as of December 31, 2017, with total leveraged assets (net assets plus line of credit outstanding and net notional value of forward currency contracts) of \$267.7 million, representing a 28.9% leverage rate. This leverage rate was higher than that at the end of 2016 (24.5%), but below the maximum permitted leverage rate of 33 %.

Within the global equity portfolio, stock selection within the financials, industrials and consumer staples sectors, and within the United States and Japan, contributed to performance. A higher-than-benchmark exposure to the information technology sector also added value. However, a higher-than-benchmark exposure to the US detracted from performance in the year.

The smaller, short duration¹ emerging markets currency and debt portion of the Fund rallied strongly in 2017, but was a meaningful negative contributor to performance in the years 2013 to 2015. However, it has still contributed positively to performance since the Fund's inception.

As of December 31, 2017, 68.5% of the Fund's total leveraged assets consisted of global equities, 30.8% consisted of emerging market currency and debt instruments, and 0.7% consisted of cash and other assets.

Declaration of Distributions

Pursuant to LGI's Level Distribution Policy, through 2017, the Fund has been declaring, monthly, a distribution equal to 6.25% (on an annualized basis) of the Fund's published NAV per share on the last business day of the previous year. This published NAV per share may differ from the NAV per share as of year-end shown elsewhere in this shareholder report, generally as the result of post year-end accounting and tax adjustments to the published NAV per share. Throughout 2017, the monthly distribution rate per share was \$0.08183. Total distributions in 2017 represented a distribution rate of 5.5% based on the Fund's market price of \$18.00 as of the close of trading on the NYSE on December 29, 2017. Of the \$0.98196 per share distributed in 2017, none was a return of capital.

In November 2017, the Board of Directors (the "Board") of LGI authorized an increase in the monthly distribution rate from 6.25% to 7.0% (on an annualized basis) of the NAV per share on the last business day of the previous year. The 2018 monthly distribution rate per share will, therefore, be \$0.11556, reflecting this new 7.0% distribution rate.

Additional Information

Please note that available on www.lazardassetmanagement.com are frequent updates on the Fund's performance, press releases, distribution information, and a monthly fact sheet that provides information about the Fund's major holdings, sector weightings, regional exposures, and other characteristics, including the notices regarding the composition of monthly (and any additional) distributions required by Section 19(a) of the Investment Company Act of 1940, as amended (the "1940 Act"). You may also reach Lazard by phone at 1-800-823-6300.

Lazard Global Total Return and Income Fund, Inc.

Investment Overview (continued)

On behalf of Lazard, we thank you for your investment in Lazard Global Total Return and Income Fund, Inc. and look forward to continuing to serve your investment needs in the future.

Message from the Portfolio Managers

Global Equity Portfolio

(68.5% of total leveraged assets)

The Fund's global equity portfolio is invested in approximately 60 to 80 US and non-US equity securities of companies (including those in emerging markets) with market capitalizations greater than \$2 billion. Examples include Alphabet, a US-based multinational technology company; Zoetis, the world's largest producer of medicine and vaccinations for pets and livestock; Ryohin Keikaku, a Japanese retail company which sells a wide variety of household and consumer goods; and Sanlam, a South African provider of financial services.

Companies held in the global equity portfolio are all based in both developed and emerging market regions around the world. As of December 31, 2017, 56.7% of the portfolio's stocks were based in North America, 13.6% were based in continental Europe (not including the United Kingdom), 11.1% were from the United Kingdom, 7.8% were from Japan, 7.1% were from the rest of Asia (not including Japan) and Australia, 1.8% were from Africa and the Middle East, and 1.9% were from Latin America.

The global equity portfolio is well-diversified across a number of industry sectors. The top two sectors, by weight, as of December 31, 2017, were information technology (23.3% of the portfolio) and financials (21.7% of the portfolio). Other sectors in the portfolio included industrials, consumer staples, healthcare, consumer discretionary, materials, real estate and energy. The average dividend yield on the securities held in the global equity portfolio was approximately 1.7% as of December 31, 2017.

Global Equity Markets Review

Global equity markets rose strongly in 2017, closing positive in all four quarters. Globally, economic and corporate growth accelerated and — though at different stages — developed market central banks continued to move towards tighter

policy while not stunting the recovery. Crude oil rose, while the dollar index declined. While sliding through mid-year, the yield on

the US 10-year bond rose to close out the year flat. Emerging markets benefited from the continued acceleration in global growth, and as their currencies moved higher. Additionally, economic data from China remained largely positive. US stocks outperformed as the Federal Reserve continued to raise rates at a measured pace and laid out plans to reduce its balance sheet, all while continuing to express confidence in the economy. President Trump took office and with the Republican-controlled Congress began to push their trade, tax, fiscal and regulatory agendas — though at a slower pace than anticipated. Notable was corporate tax reform, which was passed in the closing month of the year. Equities in the United Kingdom were laggards as leadership made some progress towards negotiating an exit from the European Union and economic data showed some signs of softening. While showing signs of sluggishness throughout the year, Europe closed out the year outperforming the MSCI ACWI benchmark. Economic conditions continued to improve and the European Central Bank (ECB) kept policy unchanged, but the ECB began to mull tapering of stimulus. While concerns of rising populism subsided early in the year, politics remained a concern. Secessionist tensions continued to simmer in the Catalonia region of Spain, Merkel's ability to form a coalition in Germany was questioned and investors also began to look towards Italian elections. Japan ended the year in line with the MSCI ACWI benchmark as the Bank of Japan maintained its outlook, economic reports remained solid and Abe's ruling coalition delivered an assertive election victory.

What Helped and Hurt LGI

Stock selection in the financials sector contributed to performance in 2017. Shares of AIA Group, an Asian insurer and financial services company, rose on strong new business metrics and increasing potential for growth. We continue to like AIA Group as shares remain attractively valued, and AIA has a dominant market position as the company's focus on health insurance is a distinguishing feature relative to its Chinese peers. Stock selection within the US and an overweight position in the information technology sector helped performance. Shares of Tencent Holdings, a Chinese internet company, climbed on continued strong fundamental results. We like Tencent Holdings' dominant platform and growth in advertising and

Lazard Global Total Return and Income Fund, Inc.

Investment Overview (continued)

because it is positioned to benefit from the market shift towards mobile. Stock selection within the industrials and consumer staples sectors also added value.

In contrast, a position in Molson Coors Brewing, a global brewing company, hurt performance. Shares fell following poor communication at the company's investor day, combined with a number of transitory factors. We continue to own Molson Coors as we like the company's stable, high-cash-flow business model, and believe that the MillerCoors acquisition should drive significant cost synergies and financial productivity improvements. A position in oil services company Schlumberger also hurt performance. Shares fell as fundamental results disappointed and the company lowered its capital expenditure forecasts. We like Schlumberger as we believe the company is an industry leader and its financial productivity, strategic sense and technology investment enables it to maintain its distance to other competitors.

Emerging Markets Currency and Debt Portfolio

(30.8% of total leveraged assets)

The Fund also seeks income through investing in primarily high-yielding, short-duration emerging markets forward currency contracts and local currency debt instruments. As of December 31, 2017, this portfolio consisted of forward currency contracts (67.1%) and sovereign debt obligations (32.9%). The average duration of the emerging markets currency and debt portfolio decreased meaningfully during 2017, with the December 31, 2017 duration at approximately 10 months, compared to 27 months at the end of 2016. The average yield decreased from 8.0%² on December 31, 2016 to 6.2% on December 31, 2017.

Emerging Markets Currency and Debt Markets Review

Emerging local currency and debt markets extended their recovery in 2017. Idiosyncratic country developments played a strong role in returns. Otherwise, performance was influenced by a favorable global environment marked by a slow, deliberate policy normalization cycle in the United States, global reflation,

compelling emerging market local market fundamentals (such as basic balance surpluses and record foreign exchange reserves in many countries), positive emerging markets versus developed markets real interest rate and economic growth differentials, and sharply discounted emerging markets currency valuations.

What Helped and What Hurt LGI

A synchronized global recovery, much-improved emerging markets fundamentals, and discounted valuations supported emerging markets currency and local debt markets. Egypt led contributors on sizeable market exposure following the country's International Monetary Fund 3-year program agreement and massive devaluation. Ongoing macro and policy adjustment, central bank foreign exchange reserve rebuild, high yields, and ensuing pound stabilization drove results. Frontier markets (besides Egypt) added value. Sizeable exposure to Malaysia, China, and India benefited returns. Indonesia and South African security selection added material value. Russian ruble and OFZ (ruble-denominated government fixed-income instruments) duration exposure also helped performance, benefiting from the ongoing oil recovery (off the 2015 lows), sharply improving growth/inflation data, high carry, and orthodox monetary policy. Polish and Czech exposure outperformed the European region. European reflation also benefited Hungary, in spite of its unorthodox easy monetary stance, owing to its huge basic balance of payments surplus position.

Amongst detractors, lack of exposure to low-yielding Taiwan and Singapore limited the portfolio's upside from uncharacteristically sharp currency appreciation during the first quarter. Material non-resident inflows into Taiwanese equities, a soft US dollar, and markedly reduced currency intervention in Taiwan (perhaps pre-empting a "currency manipulator" label by the US administration) propelled gains. Modest allocations to Romania, South Africa, Israel, South Korea, Chile, and Mexico limited upside from these top-performing markets.

Lazard Global Total Return and Income Fund, Inc.

Investment Overview (continued)

Notes to Investment Overview:

A measure of the average cash weighted term-to-maturity of the investment holdings. Duration is a measure of the price sensitivity of a bond to interest rate movements. Duration for a forward currency contract is equal to its term-to-maturity.

²The quoted yield does not account for the implicit cost of borrowing on the forward currency contracts, which would reduce the yield shown.

Total returns reflect reinvestment of all dividends and distributions. Past performance is not indicative, or a guarantee, of future results.

The performance data of the MSCI World/ACWI Linked Index and other market data have been prepared from sources and data that the Investment Manager believes to be reliable, but no representation is made as to their accuracy. The MSCI ACWI is a free-float-adjusted market capitalization weighted index that is designed to measure the equity market performance of developed and emerging markets. The MSCI ACWI consists of 47 country indices comprising 23 developed and 24 emerging markets country indices. The MSCI World/ACWI Linked Index is an unmanaged index created by the Investment Manager, which links the performance of the MSCI World Index for all periods through August 31, 2016 (when the Fund changed the investment strategy in its Global Equity Strategy) and the MSCI ACWI for all periods thereafter. The MSCI World Index is a free-float-adjusted market capitalization index that is designed to measure global developed markets equity performance. The MSCI World Index consists of 23 developed markets country indices. The indices are unmanaged, have no fees or costs and are not available for investment.

The views of the Fund's Investment Manager and the securities described in this report are as of December 31, 2017; these views and portfolio holdings may have changed subsequent to this date. Nothing herein should be construed as a recommendation to buy, sell, or hold a particular security. There is no assurance that the securities discussed herein will remain in the Fund at the time you receive this report, or that securities sold will not have been repurchased. The specific securities discussed may, in aggregate, represent only a small percentage of the Fund's holdings. It should not be assumed that securities identified and discussed were, or will be, profitable, or that the investment decisions made in the future will be profitable, or equal the investment performance of the securities discussed herein.

The views and opinions expressed are provided for general information only, and do not constitute specific tax, legal, or investment advice to, or recommendations for, any person. There can be no guarantee as to the accuracy of any

outlooks for markets, sectors and securities as discussed herein.

*Lazard Global Total Return and Income Fund, Inc.***Investment Overview (continued)****Comparison of Changes in Value of \$10,000 Investment in
LGI, MSCI ACWI and MSCI World/ACWI Linked Index***

	Value at 12/31/17
LGI at Market Price	\$16,258
LGI at Net Asset Value	15,629
MSCI ACWI	15,755
MSCI World/ACWI Linked Index	16,456

Average Annual Total Returns*
Periods Ended December 31, 2017

	One Year	Five Years	Ten Years
Market Price	39.20%	11.01%	4.98%
Net Asset Value	33.16%	9.07%	4.57%
MSCI ACWI	23.97%	10.80%	4.65%
MSCI World/ACWI Linked Index	23.97%	11.79%	5.11%

Total returns reflect reinvestment of all dividends and distributions. The performance quoted represents past performance. Current performance may be lower or higher than the performance quoted. Past performance is not *indicative, or a guarantee, of future results; the investment return, market price and net asset value of the Fund will fluctuate, so that Fund shares, when sold, may be worth more or less than their original cost. The returns do not reflect the deduction of taxes that a stockholder would pay on the Fund's distributions or on the sale of Fund shares.

Performance results do not include adjustments made for financial reporting purposes in accordance with accounting principles generally accepted in the United States of America ("GAAP"), if any, also exclude one-time adjustments related to reimbursed custodian out-of-pocket expenses (Note 4 in the Notes to Financial Statements), and may differ

from amounts reported in the financial highlights.

As of September 1, 2016, the Fund changed the investment strategy in its Global Equity Strategy. The Fund invests in a portfolio of approximately 60 to 80 US and non-US equity securities, including American Depositary Receipts. The Fund generally invests in securities of companies with market capitalizations greater than \$2 billion and may invest in emerging markets.

The performance data of the indices have been prepared from sources and data that the Investment Manager believes to be reliable, but no representation is made as to their accuracy. The MSCI ACWI is a free-float-adjusted market capitalization weighted index that is designed to measure the equity market performance of developed and emerging markets. The MSCI ACWI consists of 47 country indices comprising 23 developed and 24 emerging markets country indices. The MSCI World/ACWI Linked Index is an unmanaged index created by the Investment Manager, which links the performance of the MSCI World Index for all periods through August 31, 2016 (when the Fund changed the investment strategy in its Global Equity Strategy) and the MSCI ACWI for all periods thereafter. The MSCI World Index is a free-float-adjusted market capitalization index that is designed to measure global developed markets equity performance. The MSCI World Index consists of 23 developed markets country indices. The indices are unmanaged, have no fees or costs and are not available for investment.

*Lazard Global Total Return and Income Fund, Inc.***Investment Overview (concluded)**Ten Largest Equity Holdings
December 31, 2017

Security	Fair Value	Percentage of Net Assets
Alphabet, Inc., Class A	\$4,453,775	2.3 %
The Coca-Cola Co.	4,204,673	2.2
Zoetis, Inc.	4,020,552	2.1
Microsoft Corp.	3,791,560	2.0
Vantiv, Inc., Class A	3,617,189	1.9
Honeywell International, Inc.	3,435,264	1.8
Intercontinental Exchange, Inc.	3,323,376	1.7
Apple, Inc.	3,312,677	1.7
Ryohin Keikaku Co., Ltd.	3,300,366	1.7
National Bank of Canada	3,228,309	1.7

Portfolio Holdings Presented by Sector
December 31, 2017

Sector	Percentage of Total Investments
Consumer Discretionary	6.8 %
Consumer Staples	10.9
Energy	1.2
Financials	18.8
Health Care	7.9
Industrials	15.6
Information Technology	20.2
Materials	3.9
Real Estate	1.3
Sovereign Debt	13.2
Short-Term Investments	0.2
Total Investments	100.0 %

*Lazard Global Total Return and Income Fund, Inc.***Portfolio of Investments****December 31, 2017**

Description	Shares	Fair Value
Common Stocks—96.4%		
Australia—1.0%		
Link Administration Holdings, Ltd.	281,700	\$ 1,848,799
Brazil—1.8%		
Ambev SA	298,500	1,934,693
Cielo SA	211,680	1,494,708
		3,429,401
Canada—4.1%		
CAE, Inc.	83,400	1,549,236
Canadian National Railway Co.	36,800	3,034,463
National Bank of Canada	64,700	3,228,309
		7,812,008
China—2.2%		
Alibaba Group Holding, Ltd. Sponsored ADR (*)	8,815	1,519,970
Tencent Holdings, Ltd.	52,700	2,724,326
		4,244,296
Denmark—1.2%		
Carlsberg A/S, Class B	19,527	2,338,873
Finland—0.9%		
Sampo Oyj, A Shares	32,466	1,783,533
France—1.1%		
Ubisoft Entertainment SA (*)	27,700	2,131,343
Germany—3.0%		
Continental AG	9,854	2,660,334
Symrise AG	36,415	3,122,098
		5,782,432
Hong Kong—1.6%		
AIA Group, Ltd.	359,600	3,066,783
Ireland—1.5%		
Shire PLC	54,636	2,833,880
Israel—0.9%		
Israel Discount Bank, Ltd., Class A (*)	572,600	1,663,243
Japan—7.5%		
AEON Financial Service Co., Ltd.	96,200	2,234,069
Daiwa House Industry Co., Ltd.	74,700	2,869,750
Kao Corp.	29,000	1,961,496
Ryohin Keikaku Co., Ltd.	10,600	3,300,366
TechnoPro Holdings, Inc.	44,400	2,411,973

Edgar Filing: LAZARD GLOBAL TOTAL RETURN & INCOME FUND INC - Form N-CSR

Yamaha Corp.	40,400	1,481,812
		14,259,466
Netherlands—1.7%		
Wolters Kluwer NV	61,932	3,225,029

Description	Shares	Fair Value
Singapore—1.0%		
Oversea-Chinese Banking Corp., Ltd.	209,900	\$ 1,939,259
South Africa—0.8%		
Sanlam, Ltd.	228,696	1,606,881
Sweden—2.8%		
Assa Abloy AB, Class B	81,229	1,685,535
Hexagon AB, B Shares	39,500	1,975,489
Nordea Bank AB	135,600	1,641,104
		5,302,128
Switzerland—0.9%		
Julius Baer Group, Ltd.	27,300	1,669,041
Taiwan—1.0%		