

LAZARD GLOBAL TOTAL RETURN & INCOME FUND INC
Form N-CSR
March 11, 2014
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)

Nathan A. Paul, 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: 12/31/13

ITEM 1. REPORTS TO STOCKHOLDERS.

Lazard Global Total
Return and Income
Fund, Inc.
Annual Report

DECEMBER 31, 2013

Lazard Global Total Return and Income Fund, Inc.

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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, 2013. 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.”

For the fourth quarter 2013, and the year as a whole, the Fund’s net asset value (“NAV”) performance under-performed its benchmark, the Morgan Stanley Capital International (MSCI®) World® Index (the “Index”). However, we are pleased with LGI’s favorable NAV performance over the three-year period and since inception. We believe that the Fund has provided investors with an attractive yield 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, 2013)

For the fourth quarter of 2013, the Fund’s NAV returned 7.2%, underperforming the Index return of 8.0%. Similarly, the calendar year NAV return of 21.3% underperformed the Index gain of 26.7%. The Fund’s NAV performance outperformed the Index for the three-year period (12.9% versus the benchmark’s 11.5% return), on an annualized basis, as well as since inception, returning on an annualized basis, 7.6% versus 6.9% for the Index. Shares of LGI ended 2013 with a market price of \$17.62, representing an 11.6% discount to the Fund’s NAV.

The Fund’s net assets were \$191.6 million as of December 31, 2013, with total leveraged assets of \$254.7 million, representing a 24.8% leverage rate. This leverage rate is higher than that at the end of the third quarter of 2013 (21.6%), but below the maximum permitted leverage rate of 33 %.

Within the global equity portfolio, stock selection in the consumer discretionary sector and in Japan contributed to performance in the fourth quarter. In contrast, stock selection in the health care sector detracted from performance for the quarter.

Performance for the smaller, short duration¹ emerging market currency and debt portion of the Fund was rel-

atively weak in the fourth quarter, and detracted from performance for the year. However, it has contributed positively to performance since inception.

As of December 31, 2013, 74.1% of the Fund's total leveraged assets consisted of global equities, 25.6% consisted of emerging market currency and debt instruments, and 0.3% consisted of cash and other net assets.

Declaration of Distributions

Pursuant to LGI's Level Distribution Policy, the Fund declares, monthly, a distribution equal to 6.25% (on an annualized basis) of the Fund's NAV on the last business day of the previous year. Throughout 2013, the monthly distribution was \$0.09073 per share. Total distributions in 2013 represented a distribution yield of 6.2% based on the Fund's \$17.62 market price as of the close of trading on the NYSE on December 31, 2013. The 2014 monthly distribution rate per share will be \$0.10386, a 14.5% increase from the 2013 monthly distribution, representing a distribution yield of 7.1% based on the Fund's market price of \$17.62 as of close of trading on the NYSE on December 31, 2013. \$0.03084 of the \$1.08876 distributed per share in the 2013 calendar year was a return of capital.

Additional Information

Please note that, available on www.LazardNet.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 required by Section 19(a) of the Investment Company Act of 1940, as amended. You may also reach Lazard by phone at 1-800-823-6300.

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

(74.1% of total leveraged assets)

The Fund's global equity portfolio is invested primarily in equity securities of large, well-known global com-

Lazard Global Total Return and Income Fund, Inc.

Investment Overview (continued)

panies with, we believe, strong financial productivity at attractive valuations. Examples include GlaxoSmithKline, a global research-based pharmaceutical company based in the United Kingdom; Citigroup, a US-based financial services company; Canon, a Japanese manufacturer and distributor of network digital multifunction devices, copying machines, printers and cameras; and Total, a French energy supplier that explores for, produces, refines, transports, and markets oil and natural gas.

Companies held in the global equity portfolio are all based in developed-market regions around the world. As of December 31, 2013, 49.1% of these stocks were based in North America, 25.7% were based in continental Europe (not including the United Kingdom), 14.2% were from the United Kingdom, 6.7% were from Japan, 3.7% were from the rest of Asia (not including Japan), and 0.6% were from the Middle East. The global equity portfolio is similarly well diversified across a number of industry sectors. The top two sectors, by weight, at December 31, 2013, were financials (18.9%), which includes banks, diversified financials, insurance, and real estate; and information technology (15.8%), which includes semiconductors & semiconductor equipment, software & services, and technology hardware & equipment. Other sectors in the portfolio include consumer discretionary, consumer staples, energy, health care, industrials, materials, and telecom services. The average dividend yield on the securities held in the global equity portfolio was approximately 2.7% as of December 31, 2013.

Global Equity Markets Review

Global markets rose in the fourth quarter as investors weighed the prospects of improving economic conditions against the likelihood that the US Federal Reserve (the Fed) would begin tapering its bond-buying program in the coming months. Ultimately, investors cheered the Fed's December announcement that it would reduce its monthly bond purchases by \$10 billion, as the decision underscored Fed officials' belief that the country's economic recovery was sustainable. US economic data was also largely positive during the quarter, as the unemployment rate fell, strength in housing continued, and third-quarter GDP growth was revised upward to 4.1%. European markets rose on strong manufacturing data and an agreement by euro zone finance ministers on a common "backstop" for

failing banks, seen by many as a key step in the establishment of a banking union for the currency bloc. Japanese markets were largely flat after third-quarter GDP growth marked a sharp decline from the prior period, raising concerns about the effectiveness of the government's efforts to spur economic growth. Investors in China were encouraged that the government announced plans for economic and social reforms.

What Helped and What Hurt LGI

Stock selection in the consumer discretionary sector contributed to performance. Shares of mass media company Comcast rose after the company reported quarterly earnings that exceeded expectations, driven by stronger-than-expected customer growth in its High Speed Data and Voice segments. Stock selection in the energy sector also helped returns. Shares of oil and petrochemicals company BP rose after the company reported quarterly earnings that surpassed expectations. Investors were also encouraged by management's commentary, which included plans to raise its dividend and sell assets by the end of 2015, using the proceeds from these sales to fund further returns of capital to shareholders.

In contrast, stock selection in the health care and telecom services sectors hurt returns. Shares of Singapore Telecommunications fell after the company reported disappointing earnings, as revenues were weaker than expected. In the information technology sector, a position in networking technology provider Cisco Systems hurt returns, as shares fell after management issued a disappointing revenue outlook for the upcoming January quarter, citing weakness in the emerging markets and in its service provider segments.

Emerging Market Currency and Debt Portfolio

(25.6% of total leveraged assets)

The Fund also seeks enhanced income through investing in primarily high-yielding, short-duration emerging market forward currency contracts and local currency debt instruments. As of December 31, 2013, this portfolio consisted of forward currency contracts (83.3%) and sovereign debt obligations (16.7%). The average duration of the emerging market currency and debt portfolio decreased from approximately 10 months to approximately 8 months during the fourth quarter, while the average yield declined from 6.2%² at the end of September 2013 to 5.8% on December 31, 2013.

Lazard Global Total Return and Income Fund, Inc.

Investment Overview (continued)

Emerging Market Currency and Debt Market Review

Emerging-market local currency and debt markets were mixed during the fourth quarter, with total emerging money-market returns between 4% and -4.5% in US dollar terms. The continuation of better-than-expected data in developed markets leading to the announcement that the Fed would begin to taper, while improving emerging-market data points have not yet triggered a rebound in asset class returns or portfolio flow.

While the US dollar gained sharply versus most emerging market currencies in 2013 (due to soft economic data in the regions, capital outflows, incremental monetary easing, and asset markets' heightened sensitivity to Chinese hard landing fears and Fed taper), the focus of US dollar strength is likely to be felt versus other developing markets in the coming year(s) as the Fed exits quantitative easing well ahead of other developed nations. Emerging local currency exposure should benefit from widening short term yield differentials, much-improved valuation, broadening global demand expansion, and central bank rate normalization as incremental monetary easing in the emerging markets is now the exception, rather than the norm.

Most emerging economies are likely to experience improving external balances (i.e., growing surpluses, shrinking deficits) as economic rebalancing unfolds from domestic-led growth to externally-supported GDP contribution. Global policy actions and multi-lateral support provide an important backstop to prevent a recurrence of disorderly market moves while idio-

syncratic, fundamentally based differentiation will explain results in the emerging markets, with rising return dispersion. In this environment, active management can capitalize on a highly diverse opportunity set.

What Helped and What Hurt LGI

Asian exposure (partially funded in yen) helped quarterly performance. Within Asia, South Korea due to its record current account surplus and improved growth momentum, India on a smaller-than-expected current account deficit and rupee-supportive measures by the central bank, and Singapore were the top performers. Frontier markets including Nigeria, Uruguay, and Serbia benefited from high yields and currency resilience. Poland strengthened due to its balanced growth trajectory, prudent monetary policy, and current account fully financed by foreign direct investment and European Union transfers.

Positions that detracted from performance during the quarter included Brazil, Turkey, Russia, and South Africa. In Brazil, the local currency retraced September's sharp gains and bond prices fell on disappointing growth, inflation, and fiscal news flow. Turkey detracted due to sharp lira weakness in December on fears of economic and political instability. In Russia, the ruble weakened due to seasonally high external debt repayments and disappointing domestic data, while local bond prices fell as rates squeezed higher, exacerbated by temporarily tight liquidity (due to banking sector consolidation). South Africa detracted on currency and local debt weakness due to concerns over financing its current account as the Fed begins to taper.

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.

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

The performance data of the 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 Index is a free float-adjusted market capitalization weighted index that is designed to measure the equity market performance of developed markets. The Index is unmanaged, has no fees or costs and is not available for investment.

The views of the Fund's Investment Manager and the securities described in this report are as of December 31, 2013; 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 the 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 and MSCI World Index*

	Value at 12/31/13
LGI at Market Price	\$18,633
LGI at Net Asset Value	20,356
MSCI World Index	19,018

Average Annual Total Returns*

Periods Ended December 31, 2013

	One Year	Five Years	Since Inception**
Market Price	24.61%	16.68%	6.64%
Net Asset Value	21.31%	13.69%	7.62%
MSCI World Index	26.68%	15.02%	6.86%

All 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 an investor's shares in the Fund, 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.

The performance data of the Index has been prepared from sources and data that the Investment Manager believes to be reliable, but no representation is made as to its accuracy. The Index is a free float-adjusted market capitalization weighted index that is designed to measure the equity market performance of developed markets. The Index is unmanaged, has no fees or costs and is not available for investment.

**The Fund's inception date was April 28, 2004.

Lazard Global Total Return and Income Fund, Inc.

Investment Overview (concluded)

**Ten Largest Equity Holdings
December 31, 2013**

Security	Value	Percentage of Net Assets
Mitsubishi UFJ Financial Group, Inc. ADR	\$7,020,012	3.7 %
HSBC Holdings PLC Sponsored ADR	6,729,333	3.5
Novartis AG ADR	6,341,982	3.3
Honeywell International, Inc.	5,911,639	3.1
Chevron Corp.	5,745,860	3.0
Apple, Inc.	5,667,211	3.0
Sanofi SA ADR	5,641,876	2.9
Citigroup, Inc.	5,544,504	2.9
United Technologies Corp.	5,371,360	2.8
Comcast Corp., Class A	5,293,266	2.8

**Portfolio Holdings Presented by Sector
December 31, 2013**

Sector	Percentage of Total Investments
Consumer Discretionary	8.3%
Consumer Staples	8.1
Energy	13.9
Financials	17.6
Health Care	14.0
Industrials	12.2
Information Technology	14.6
Materials	1.9
Telecommunication Services	2.1
Emerging Markets Debt Obligations	6.7
Short-Term Investment	0.6
Total Investments	100.0%

*Lazard Global Total Return and Income Fund, Inc.***Portfolio of Investments****December 31, 2013**

Description	Shares	Value
Common Stocks—98.6%		
Australia—1.4%		
BHP Billiton, Ltd. Sponsored ADR	38,500	\$2,625,700
Denmark—2.0%		
Novo Nordisk A/S Sponsored ADR	21,000	3,879,960
Finland—1.4%		
Sampo Oyj, A Shares ADR	109,500	2,700,270
France—5.9%		
GDF Suez Sponsored ADR	75,981	1,798,470
Sanofi SA ADR	105,200	5,641,876
Total SA Sponsored ADR	64,000	3,921,280
		11,361,626
Germany—5.3%		
Bayerische Motoren Werke AG ADR	124,900	4,924,807
SAP AG Sponsored ADR	59,300	5,167,402
		10,092,209
Israel—0.6%		
Israel Chemicals, Ltd. ADR	140,700	1,181,880
Italy—1.9%		
Eni SpA Sponsored ADR	74,250	3,600,383
Japan—6.6%		
Canon, Inc. Sponsored ADR	44,700	1,430,400
Mitsubishi UFJ Financial Group, Inc. ADR	1,050,900	7,020,012
Sumitomo Mitsui Financial Group, Inc. Sponsored ADR	393,600	4,128,864
		12,579,276
Singapore—2.3%		
Singapore Telecommunications, Ltd. ADR	151,100	4,397,010
Sweden—2.6%		
Assa Abloy AB ADR	187,100	4,948,795
Switzerland—6.3%		
Novartis AG ADR	78,900	6,341,982
UBS AG	154,572	2,975,511
Zurich Insurance Group AG ADR	92,500	2,688,623
		12,006,116
United Kingdom—13.9%		
BP PLC Sponsored ADR	102,155	4,965,755
British American Tobacco PLC Sponsored ADR	37,700	4,049,734
GlaxoSmithKline PLC Sponsored ADR	80,200	4,281,878
HSBC Holdings PLC Sponsored ADR	122,063	6,729,333

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Unilever PLC Sponsored ADR	99,100	4,082,920
Wm Morrison Supermarkets PLC ADR	120,300	2,630,961
		26,740,581

Description	Shares	Value
United States—48.4%		
American Express Co.	43,800	\$3,973,974
Apple, Inc.	10,100	5,667,211
Chevron Corp.	46,000	5,745,860
Cisco Systems, Inc.	220,400	4,947,980
Citigroup, Inc.	106,400	5,544,504
Comcast Corp., Class A	106,120	5,293,266
ConocoPhillips	53,100	3,751,515
Emerson Electric Co.	67,600	4,744,168
Halliburton Co.	89,900	4,562,425
Honeywell International, Inc.	64,700	5,911,639
Intel Corp.	157,500	4,088,700
International Business Machines Corp.	24,460	4,587,962
Joy Global, Inc.	66,400	3,883,736
Merck & Co., Inc.	75,300	3,768,765
Oracle Corp.	100,440	3,842,834
PepsiCo, Inc.	41,100	3,408,834
Pfizer, Inc.	149,766	4,587,333
United Technologies Corp.	47,200	5,371,360
Viacom, Inc., Class B	46,800	4,087,512
Wal-Mart Stores, Inc.	62,800	4,941,732
		92,711,310
Total Common Stocks (Identified cost \$156,991,436)		188,825,116

Description	Principal Amount (000) (a)	Value
Foreign Government Obligations—7.1%		
Brazil—2.3%		
Brazil NTN-B:		
6.00%, 05/15/15	1,745	\$1,781,203
6.00%, 08/15/16	503	508,951
6.00%, 08/15/18	850	847,555
Brazil NTN-F, 10.00%, 01/01/23	3,733	1,336,389
		4,474,098
Colombia—0.1%		