

# Lazard Nordic High Yield Bond Fund

## A Acc EUR



### Market Review Q2-2025

The second quarter of 2025 was characterized by significant volatility in global markets, driven by shifting risk sentiment. April was marked by deep political uncertainty, while May and June saw a positive turnaround as sentiment improved notably.

The quarter began with heightened turbulence in April following the White House's "Liberation Day" announcement, triggering a sharp market correction. However, sentiment rebounded abruptly on April 9 when the US administration announced a 90-day pause in tariffs, alleviating investor concerns. The improvement carried over into May and June, fueled by positive political developments, including growing optimism around tariffs and anticipation of lower taxes in the U.S.

Accordingly, in April, the Nordic High Yield market experienced heightened volatility as bond prices fell sharply, accompanied by widening spreads. Despite this turbulence, the Nordic secondary market displayed resilience, maintaining strong two-way trading activity even during peak uncertainty on April 2 and beyond. The Nordic high-yield segment further demonstrated its resilience, particularly when compared to traditional high-yield markets. It displayed significant lower maximum drawdowns in April, underscoring its comparatively lower volatility profile within the broader fixed-income space.

The recovery in May and June was remarkable, with the Nordic high-yield market posting strong monthly gains. Sector-wise, shipping and financials outperformed, while energy and real estate lagged slightly. At the height of the risk-off episode in mid-April, Nordic high-yield spreads widened to 550 basis points (+131 bps vs. end of March). However, by the end of Q2, spreads narrowed to 472 basis points (+53 bps vs. end of Q1), reflecting improved sentiment.

The Nordic primary market also recovered strongly from the sell-off in April, and issuance trends suggest 2025 could set new records. Activity has been more diversified than in previous years, with industrials leading at 18.4% of total issuance, followed by telecom/IT at 14.5% and real estate at 14%.

### Fund Performance

On the back of a more volatile risk sentiment in global markets, the Lazard Nordic High Yield Bond Fund (A Acc EUR) still delivered a solid performance in Q2 2025, achieving a net return of 1.10 %. With its moderate spread duration profile resulting in a comparably lower maximum draw down, the strategy again outperformed other traditional high-yield segments on a risk adjusted basis.

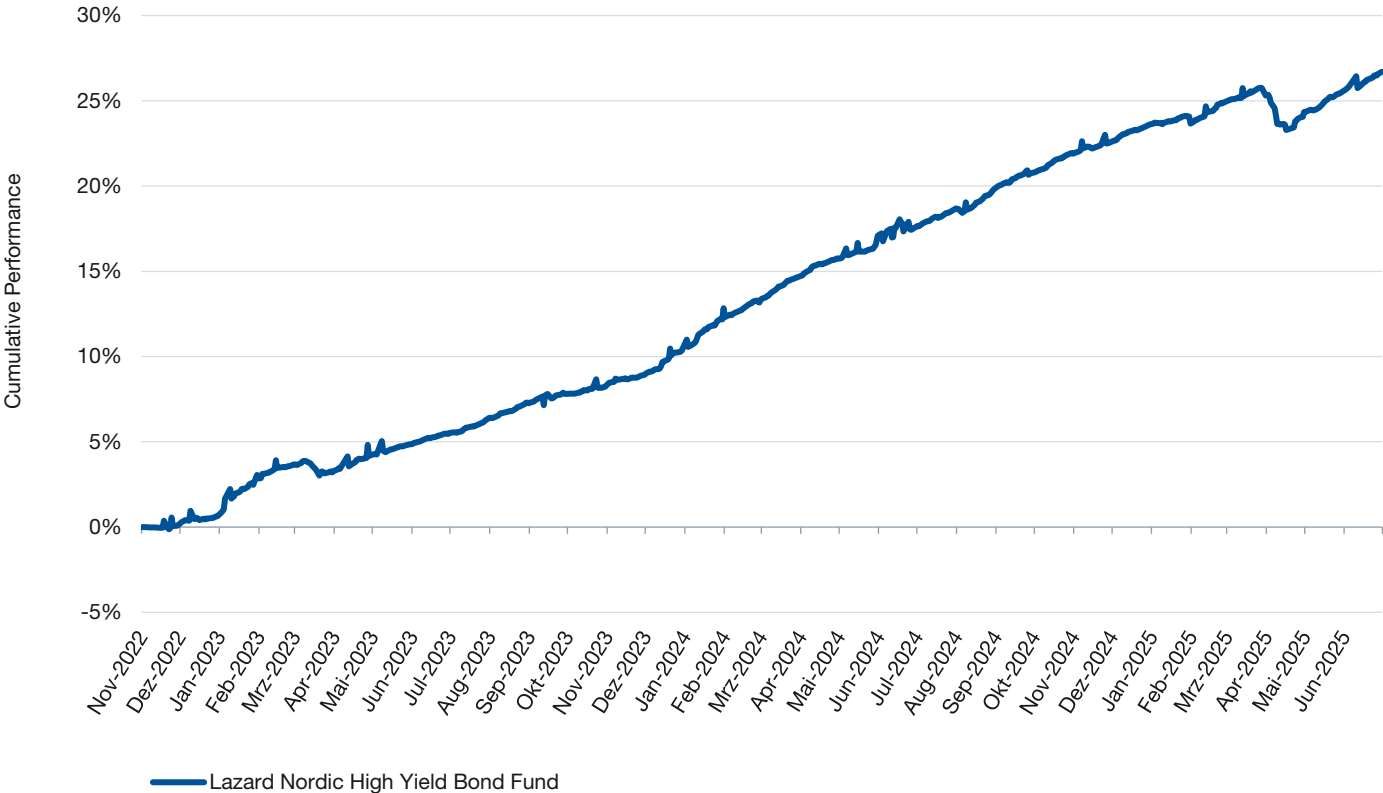
### Performance

The performance provided represents past performance. Past performance is not a reliable indicator of future results.

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD	Volatility	Sharpe Ratio
2025	0.06%	1.04%	0.29%	-0.77%	0.87%	1.01%							2.51%		
2024	2.27%	0.44%	1.12%	0.99%	1.18%	0.36%	0.99%	0.95%	0.82%	0.91%	0.54%	0.85%	12.03%	1.01%	8.25
2023	2.21%	0.79%	-0.38%	0.87%	0.65%	0.61%	0.84%	0.82%	0.50%	0.48%	0.57%	1.28%	9.63%	1.11%	5.16
2022											0.16%	0.48%	0.64%	-	-

Source: Lazard, Bloomberg; As of 30 June 2025





Source: Lazard, Bloomberg; As of 30 June 2025

Performance Contribution

Contribution by Sector

Sector	Average Weight	Total Return (EUR hedged)	Contribution To Return (EUR hedg.)
Fixed Income	96,7		1,10
Communications	3,3	2,5	0,09
Consumer Discretionary	14,1	1,4	0,21
Consumer Staples	11,2	0,6	0,07
Energy	11,4	0,4	0,05
Financials	23,5	2,1	0,51
Health Care	6,4	2,5	0,17
Industrials	3,7	1,9	0,07
Materials	8,3	-4,4	-0,36
Technology	9,3	2,1	0,21
Utilities	5,4	1,4	0,08
Cash	3,3		0,00
Total	100,0		1,10

Source: Lazard; As of 31 March 2025 to 30 June 2025



## Positive Contributors

- Almost all sectors and credit qualities contributed positively to the overall result. Communication and Healthcare holdings delivered the strongest results on a total return basis.
- In an environment of rising risk premia, the relatively lower spread sensitivity compared to traditional High Yield segments and the high coupon carry supported the fund's overall performance.
- The highest single performance contributor in Q2 was the exposure to Biocirc Group Holding APS, which had been a negative contributor in Q1. The issuer, the second largest biogas operator globally, operates eight biogas plants in Denmark. The spread widening during the first quarter occurred due to a weak Q4 earnings report. However, investors' demand re-emerged in the second quarter, driven by the reassurance of strong equity support demonstrated by a successful equity raise at the end of March, as well as the company's strategically strong market positioning.

## Negative Contributors

- The largest drag on performance was the approximately 120bps increase in risk premia during the first seven days following "Liberation Day" at the beginning of April. While the Nordic high-yield market recovered alongside other fixed-income segments, it still ended the quarter approximately 50bps wider compared to the end of March, indicating room for further improvement.
- Cinis Fertilizer AB's bond was the weakest single performer in the portfolio last quarter, driven by significant operational challenges, with production running at only 50% capacity due to technical issues at its facilities. These setbacks severely strained the company's liquidity, leading to the proposal of extensive capital measures, including a SEK 170 million equity raise and debt restructuring, aimed at stabilizing its financial position. Despite these challenges, the successful equity raise and expected improvements in production capacity—forecasted to reach 85-90% by the end of Q2 and full capacity by year-end—offer support for the credit case moving forward. The biggest drag from performance was the approx. 120bps increase in risk premia during the first seven days after "Liberation Day" beginning of April. The Nordic high yield space recovered along with other fixed income markets, but still has some way to go ending the quarter approx. 50bps wider compared to end of March.

## Outlook

The Nordic High Yield (HY) market has not rebounded to the same extent as international markets and is currently trading at approximately 472bps, still around 55bps wider than at the start of the year. This has pushed the "Nordic Premium" over traditional high yield back above long-term average levels. Meanwhile, with total returns remaining strong both in the Nordics and across other bond markets, fixed income continues to present an attractive alternative to equities.

The fundamental outlook for the Nordic HY market remains supportive. Despite ongoing macroeconomic challenges, the proportion of bonds trading at significant discounts—a reliable leading indicator for default rates—has improved significantly over the past 18 months, now sitting at a historical low of approximately 3% of the market universe. Concurrently, average leverage within the market has been decreasing steadily, while the share of secured bonds has grown substantially, accounting for nearly 50% of year-to-date issuance—a record high.

Additionally, as we have highlighted previously, the predominantly floating-rate debt structures in the Nordic HY segment have allowed corporate balance sheets to remain largely stable, even amid elevated interest rates since 2022. Encouragingly, many issuers have already been navigating higher financing costs for several quarters, contributing to increased transparency in credit quality—a notable contrast to traditional fixed-coupon HY markets. Furthermore, given that Nordic economies are heavily reliant on floating-rate financing, interest rate cuts have a direct and immediate impact on the real economy, making Nordic HY particularly appealing in the current environment.

In summary, the Lazard Nordic High Yield Bond Fund offers investors an attractive return profile, with a EUR-hedged yield currently at 8.4%. Its lack of significant duration exposure and the relatively short tenors of invested floating-rate bonds help mitigate interest rate and spread sensitivity. Combined with strong fundamental economic factors, the Nordic HY market is well-positioned to deliver compelling opportunities for investors moving forward.



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