

LAZARD GLOBAL TOTAL RETURN & INCOME FUND INC  
Form N-30B-2  
June 02, 2006

Lazard Asset Management LLC  
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New York, NY 10112-6300  
[www.LazardNet.com](http://www.LazardNet.com)

## LAZARD ASSET MANAGEMENT

### Lazard Global Total Return & Income Fund, Inc.

First Quarter Report  
**MARCH 31, 2006**

This report is intended only for the information of stockholders or those who have received the current prospectus covering shares of Common Stock of Lazard Global Total Return & Income Fund, Inc. which contains information about management fees and other costs.

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Lazard Global Total Return & Income Fund, Inc.

## **Investment Overview**

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### **Dear Shareholder,**

We are pleased to present the First Quarter Report for Lazard Global Total Return & Income Fund, Inc. (LGI or the Fund), for the period ended March 31, 2006. LGI is a diversified, closed-end management investment management company that began trading on the New York Stock Exchange (NYSE) on April 28, 2004. Its ticker symbol is LGI.

The Fund has been in operation for nearly two years, and we are pleased with LGI's overall performance. 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 March 31, 2006)**

During the first quarter of 2006, the Fund's Net Asset Value per share (NAV) gained an impressive 8.2%, outperforming the Morgan Stanley Capital International (MSCI®) World® Index return of 6.6%. Since inception, the Fund's annualized NAV return of 15.2% is also ahead of its benchmark's return of 14.5%. Shares of LGI ended the first quarter of 2006 with a market price of \$19.54, representing a 13.2% discount to the Fund's NAV of \$22.50. The Fund's net assets were \$216.1 million, with total leveraged assets of \$307.7 million, representing 29.8% leverage.

We believe that LGI's investment thesis remains sound, as the Fund's NAV returns, since its inception and in the first quarter of 2006, have outperformed the Index. Contributing factors to the first quarter's strong performance included the sharp rally in global stocks, which experienced a mid-quarter selloff, then bounced back in mid-March, to levels not seen since 2000, and strong global merger and acquisition activity. Following a period of modest returns in 2005 for the smaller, short-duration currency and debt portion of the Fund, performance on this portion of the portfolio was stronger in the first quarter of 2006, and has been a significant positive contributor to overall performance in this period and since the Fund's inception.

At the quarter's end, 68.7% of the Fund's total leveraged assets consisted of global equities and 31.2% consisted of emerging markets currency and debt instruments, while the remaining 0.1% consisted of cash and other assets.

### **Declaration of Dividends**

Pursuant to LGI's level distribution policy, the Fund's Board of Directors has declared a monthly dividend distribution of \$0.1042 per share on the Fund's outstanding stock each month since the first dividend was paid on July 23, 2004. This distribution level represents an annualized market yield of 6.4%, based on the share price of \$19.54 at the close of NYSE trading on March 31, 2006. LGI has met all of its distribution obligations without returning any capital to the Fund's stockholders.

### **Additional Information**

Please note that available on [www.LazardNet.com](http://www.LazardNet.com) are frequent updates on the Fund's performance, press releases, and a monthly fact sheet that provides information about the Fund's major holdings, sector weightings, regional exposures, and other characteristics. You may also reach Lazard by phone at 1-800-828-5548.

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

### **Message from the Portfolio Managers**

#### **Global Equity Portfolio (68.7% of total leveraged assets)**

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The Fund's equity portfolio is invested primarily in 35 to 45 equity securities of large, well-known global companies with strong financial productivity at attractive valuations. As of March 31, 2006, examples included GlaxoSmithKline, a global, research-based pharmaceutical company based in the United Kingdom; Home Depot, a U.S.-based company that operates warehouse-style stores selling building materials, home improvement supplies, and lawn and gar-

*Lazard Global Total Return & Income Fund, Inc.*

**Investment Overview (continued)**

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den products; Nokia Corp., the Finnish manufacturer of mobile telephones, enhanced communicators, entertainment and gaming devices, and media and imaging telephones; and Total SA, the French-based 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 March 31, 2006, 42.9% of these companies were based in North America, 30.1% were in continental Europe (not including the U.K.), 20.4% were in the U.K., and 6.6% were in Japan. The global equity portfolio is similarly well diversified across a number of industry sectors. The top two sectors, by weight, at March 31, 2006, were financials (29.4%), which includes banks, insurance companies, and financial services companies, and information technology (16.6%), a sector that encompasses those industries that include design, development, installation, and implementation of information systems and applications, which includes hardware, software, IT services, and media-related companies. Other sectors represented in the portfolio include consumer discretionary, consumer staples, energy, health care, industrials, and telecommunications services. The average dividend yield on the global equity portfolio was 2.3% as of the end of the first quarter.

Global Equity Market Review

A sharp rally in global stocks marked the first quarter of 2006, including a mid-quarter selloff before the mid-March bounce-back. The mid-quarter selloff was attributed to concerns over the sustainability of global growth and worries that the monetary tightening around the world (particularly in Japan, where rates have essentially been at zero for many years) would lead to a global reduction in investor risk tolerance. However, a continuation of strong profit growth, coupled with robust merger and acquisition activity (particularly in Europe), aided the overall rally in the global markets. In fact, the first quarter witnessed over \$800 billion worth of global merger and acquisition activity. The largest deal was AT&T's \$67 billion offer for BellSouth. Subsequently, the telecom services sector outpaced the overall U.S. market. In addition, Europe's utility sector saw significant merger activity when Germany's E.ON offered 29 billion euros for Spain's Endesa. From a sector perspective, energy, which had dominated index performance in 2005, performed modestly better than the global broad market, as oil prices failed to surpass last year's records. Telecom services, 2005's worst performing sector, performed well in the first quarter of 2006, driven by gains in U.S. telecoms. The materials sector was the best performer, while technology, health care, and consumer staples lagged. The Japanese market, which had soared during the second half of 2005 on expectations that its economy was finally emerging from a long malaise, lagged the global broad market, as the Central Bank of Japan halted its policy of flooding the economy with funds to fight deflation, and the Livedoor securities fraud weighed on the market. On the positive side, economic reports from Japan continue to be strong, U.S. stocks had their best performance in five quarters and, in Europe, takeover speculation helped stocks advance in the face of forecasts for slower earnings growth and the European Central Bank's second interest-rate increase in three months.

What Helped and What Hurt LGI

During the first quarter of 2006, the performance for the Fund's global equity portfolio benefited from stock selection in health care, as Schering AG, a pharmaceutical holding, received a takeover offer as a result of consolidation in the global pharmaceutical industry. Stock selection in technology also helped the performance, as some of the Fund's large U.S. holdings benefited from reaccelerating revenue growth. Conversely, performance was hurt by stock selection in energy, as some of the portfolio's European holdings lagged, including ENI, and by an underweight to the oil services sector.

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Lazard Global Total Return & Income Fund, Inc.

**Investment Overview (continued)**

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**Emerging Market Currency and Debt Portfolio  
(31.2% of total leveraged assets)**

The Fund also seeks enhanced income through investing in high-yielding, short-duration<sup>1</sup> (typically, under one-year) emerging market forward currency contracts and local currency debt instruments. As of March 31, 2006, this portfolio consisted primarily of forward currency contracts (82.1%), and a smaller allocation to sovereign debt obligations (12.7%) and structured notes (5.2%). The average duration of the emerging market currency and debt portfolio was approximately 5.2 months, with an average yield of 8.2%.

At the end of the first quarter of 2006, the Fund's emerging market currency and debt holdings were highly diversified across 31 countries within Eastern Europe (15.2%), Asia (26.6%), Latin America (19.8%), the Middle East (9.5%), Africa (17.2%), and the Commonwealth of Independent States and Baltic countries (11.7%).

Emerging Market Currency and Debt Market Review 2006 was off to a solid start in emerging markets. Currencies have generally been appreciating, while external debt spreads are near record levels of tightness, and the multi-year emerging-markets equities bull-market run has continued unabated. There is increasing investor confidence in the current environment of strong global expansion alongside controlled inflation.

Accelerating global growth, historically low VIX levels (volatility index used to measure the markets' levels of satisfaction or anxiety), ongoing soundness of emerging markets fundamentals, record portfolio inflows, and tightening monetary policy biases in place among many emerging markets central banks are all supportive factors for this portfolio's performance year-to-date. During this global expansionary period, faster export growth from emerging markets has been noted. Many of these markets are net commodity exporters. Thus, high prices and a strong Asian growth profile are supportive factors for continued trade surpluses. Many emerging markets continue to post current account surpluses and are benefiting from increased capital (especially equity and overseas worker remittance) inflows. These factors have been associated with local currency appreciation pressures across most of our holdings. Emerging market policymakers are keen to support strengthening domestic demand, in its contributory role, together with net exports, toward sustained growth in gross domestic product. While both currency strength and higher interest rates have a role to play in tightening monetary conditions, locally, there appears to be increasing policymaker tolerance (or even explicit support) for appreciating exchange rates as an alternative or complement to higher official monetary policy rates.

What Helped and Hurt LGI

In keeping with the Fund's thesis on the risk/return attributes of a diversified local currency market portfolio, it is interesting to note that each of the top five countries contributing to first quarter returns were sourced from a different region of the emerging world. The top contributor was the portfolio's bullish exposure to Brazil. This country's trade surplus has gone from strength to strength. The Romanian currency market was also a strong contributor to portfolio returns. Exposure to the Russian ruble was positive, as the Central Bank of Russia permitted a material appreciation of the real effective exchange rate during the first quarter to counter domestic inflationary pressure. The Indonesian currency market contributed to performance, as the high-carry rupiah rallied sharply. Indonesia's policy rate is the highest in Asia, and the market is gaining confidence in its central bank policy and investment climate. And, continued strong performance from the Turkish lira and local debt helped the portfolio during the quarter.

Detracting from the portfolio's performance was its position in the Icelandic currency market, as the krona weakened sharply in an environment of thin liquidity. The Tanzanian shilling hurt portfolio performance due to the country's strong import-related demand for U.S. dollars. Finally, constrained position sizes or lack of exposure to the highest returning markets, such as the Czech Republic, Hungary, Indonesia, and the Philippines, limited portfolio upside.



*Lazard Global Total Return & Income Fund, Inc.*

**Investment Overview** (continued)

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**Please consider the Fund's investment objectives, risks, charges and expenses carefully before investing. For more complete information about the Fund, you may obtain the prospectus by calling 800-828-5548. Read the prospectus carefully before you invest. The prospectus contains investment objectives, risks, charges, expenses and other information about the Fund, which may not be detailed in this report.**

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**Notes to Investment Overview:**

1 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. All returns are for the period ended March 31, 2006 and reflect reinvestment of all dividends and distributions. Past performance is not indicative, nor 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 unmanaged, has no fees or costs and is not available for investment.

The views of the Fund's management and the portfolio holdings described in this report are as of March 31, 2006; 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 investment. There is no assurance that the portfolio holdings discussed herein will remain in the Fund at the time you receive this report, or that portfolio holdings sold will have not been repurchased. The specific portfolio holdings may in aggregate represent only a small percentage of the Fund's holdings. It should not be assumed that investments identified and discussed were, or will be, profitable, or that the investment decisions we make in the future will be profitable, or equal the performance of the investments 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. You should read the Fund's prospectus for a more detailed discussion of the Fund's investment objective, strategies, risks and fees.

Lazard Global Total Return & Income Fund, Inc.

**Investment Overview** (continued)

**Comparison of Changes in Value of \$10,000 Investment in  
LGI and MSCI World Index\* (unaudited)**

**Average Annual Total Returns\*  
Periods Ended March 31, 2006  
(unaudited)**

	<b>One Year</b>	<b>Since Inception**</b>
Market Price	11.29%	4.98%
Net Asset Value	13.72	15.16
MSCI World Index	18.03	14.47

\* 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, nor 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 unmanaged, has no fees or costs and is not available for investment. The MSCI World Index represents market value-weighted average returns of selected securities listed on the stock exchanges of Europe, Australasia and Far East, New Zealand, Canada, and the United States.

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



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Lazard Global Total Return & Income Fund, Inc.

**Investment Overview (concluded)**

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**Ten Largest Equity Holdings  
March 31, 2006 (unaudited)**

<b>Security</b>	<b>Value</b>	<b>Percentage of Net Assets</b>
Credit Suisse Group Sponsored ADR	\$8,390,172	3.88%
Nokia Oyj Sponsored ADR	8,122,240	3.76
Exxon Mobil Corp.	7,802,252	3.61
Total SA Sponsored ADR	7,653,513	3.54
Microsoft Corp.	7,635,126	3.53
Nomura Holdings, Inc. ADR	7,373,742	3.41
Oracle Corp.	6,530,130	3.02
Diageo PLC Sponsored ADR	6,412,773	2.97
HSBC Holdings PLC Sponsored ADR	6,392,414	2.96
Barclays PLC Sponsored ADR	6,332,040	2.93

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Lazard Global Total Return &amp; Income Fund, Inc.

**Portfolio of Investments**

March 31, 2006 (unaudited)

Description	Shares	Value
<b>Common Stocks</b> 97.8%		
<b>Finland</b> 3.8%		
Nokia Oyj Sponsored ADR (c)	392,000	\$ 8,122,240
<b>France</b> 6.9%		
Societe Generale Sponsored ADR	101,300	3,052,169
Total SA Sponsored ADR (c)	58,100	7,653,513
Vivendi SA Sponsored ADR	124,800	4,268,160
<b>Total France</b>		14,973,842
<b>Germany</b> 3.7%		
Schering AG ADR (d)	31,800	3,304,338
Siemens AG Sponsored ADR	50,600	4,714,402
<b>Total Germany</b>		8,018,740
<b>Italy</b> 2.3%		
Eni SpA Sponsored ADR (c)	89,250	5,085,465
<b>Japan</b> 6.5%		
Canon, Inc. Sponsored ADR	69,000	4,557,450
Kao Corp. Sponsored ADR	7,700	2,031,568
Nomura Holdings, Inc. ADR (d)	332,600	7,373,742
<b>Total Japan</b>		13,962,760
<b>Netherlands</b> 2.9%		
Heineken NV ADR (d)	327,500	6,225,775
<b>Switzerland</b> 9.7%		
Credit Suisse Group Sponsored ADR (d)	150,200	8,390,172
Nestle SA Sponsored ADR (d)	57,400	4,263,098
Novartis AG ADR	39,600	2,195,424
Swiss Re Sponsored ADR (c), (d)	55,200	3,860,688

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UBS AG	21,400	2,353,358
<b>Total Switzerland</b>		<b>21,062,740</b>
<b>United Kingdom</b> 20.0%		
Barclays PLC Sponsored ADR (c), (d) .	135,300	6,332,040
BP PLC Sponsored ADR	69,600	4,798,224
Cadbury Schweppes PLC		
Sponsored ADR (c), (d)	112,700	4,508,000
Diageo PLC Sponsored ADR (d)	101,100	6,412,773
GlaxoSmithKline PLC ADR (c)	80,200	4,195,262
HSBC Holdings PLC		
Sponsored ADR (d)	76,300	6,392,414
Tesco PLC Sponsored ADR (d)	119,000	2,043,468
Unilever PLC Sponsored ADR	95,500	3,922,185
Vodafone Group PLC		
Sponsored ADR	219,100	4,579,190
<b>Total United Kingdom</b>		<b>43,183,556</b>
<b>United States</b> 42.0%		
Bank of America Corp. (c)	138,200	6,293,628
Chevron Corp. (c)	73,400	4,254,998
Cisco Systems, Inc. (a)	220,400	4,776,068
Citigroup, Inc. (c)	116,000	5,478,680
Exxon Mobil Corp. (c)	128,200	7,802,252
First Data Corp.	84,300	3,946,926
General Electric Co.	116,300	4,044,914
Golden West Financial Corp. (d)	31,200	2,118,480
Honeywell International, Inc.	55,000	2,352,350
International Business Machines Corp.	42,600	3,513,222
Johnson & Johnson	104,300	6,176,646
JPMorgan Chase & Co. (c)	148,896	6,200,029
Microsoft Corp. (c)	280,600	7,635,126
Oracle Corp. (a), (c)	477,000	6,530,130
Pfizer, Inc.	103,500	2,579,220
The Coca-Cola Co.	74,200	3,106,754
The Home Depot, Inc.	107,600	4,551,480
United Technologies Corp.	88,000	5,101,360
Wells Fargo & Co.	67,000	4,279,290
<b>Total United States</b>		<b>90,741,553</b>
<b>Total Common Stocks</b> (Identified cost \$179,944,558)		<b>211,376,671</b>

See Notes to Portfolio of Investments.



Lazard Global Total Return &amp; Income Fund, Inc.

**Portfolio of Investments** (continued)

March 31, 2006 (unaudited)

Description	Principal Amount (000) (e)	Value
<b>Foreign Government Obligations</b> 5.7%		
<b>Egypt</b> 3.7%		
Egypt Treasury Bills:		
0.00%, 04/25/06	6,425	\$ 1,111,170
0.00%, 05/09/06	2,750	474,019
0.00%, 05/30/06	9,150	1,569,231
0.00%, 07/18/06	7,475	1,267,661
0.00%, 07/25/06	4,550	770,353
0.00%, 08/08/06	2,250	379,691
0.00%, 09/12/06	3,775	632,112
0.00%, 09/26/06	3,100	517,413
0.00%, 10/17/06	6,800	1,129,528
<b>Total Egypt</b>		<u>7,851,178</u>
<b>Israel</b> 0.2%		
Israel Government Bond, 6.00%, 01/31/10	1,930	408,189
<b>Turkey</b> 1.8%		
Turkey Government Bonds:		
0.00%, 11/08/06	897	616,600
0.00%, 03/07/07	3,231	2,131,859
0.00%, 05/09/07	843	545,372
0.00%, 09/05/07	1,083	667,315
<b>Total Turkey</b>		<u>3,961,146</u>
<b>Total Foreign Government Obligations</b> (Identified cost \$12,151,079)		<u>12,220,513</u>
<b>Structured Notes</b> 2.3%		

**Brazil** 1.3%

Citibank Brazil Inflation-Linked Bond

NTN-B:

9.75%, 05/18/09 (f)	927	\$	918,956
9.60%, 08/17/10 (f)	1,029		989,464
8.45%, 05/18/15 (f)	989		970,910

**Total Brazil**

2,879,330

**Costa Rica** 0.7%

Citibank CRC Linked Deposit,

14.05%, 10/11/06 (f)

1,511 1,526,488

**Zambia** 0.3%

Smith Barney ZMK Linked Deposit,

13.00%, 09/29/06

1,941,300 597,323

**Total Structured Notes**

(Identified cost \$5,023,003)

5,003,141

**Description****Shares****Value****Short-Term Investment** 18.8%**Collateral for Securities****on Loan** 18.8%

State Street Navigator Securities

Lending Prime Portfolio, 4.71%

(Identified cost \$40,540,475)

(g), (h)

40,540,475 40,540,475

**Total Investments** 124.6%

(Identified cost \$237,659,115) (b) .

\$ 269,140,800

**Liabilities in Excess of Cash****and Other Assets** (24.6)% .

(53,075,842)

**Net Assets** 100.0%

\$ 216,064,958

See Notes to Portfolio of Investments.

Lazard Global Total Return &amp; Income Fund, Inc.

**Portfolio of Investments (continued)****March 31, 2006 (unaudited)**

Forward Currency Contracts open at March 31, 2006:

Forward Currency Purchase Contracts	Expiration Date	Foreign Currency	U.S. \$ Cost on Origination Date	U.S. \$ Current Value	Unrealized Appreciation	Unrealized Depreciation
ARS	04/03/06	2,222,640	\$ 720,000	\$ 721,314	\$ 1,314	\$ □
ARS	04/12/06	3,506,000	1,137,278	1,137,665	387	□
ARS	04/18/06	1,674,349	545,000	543,267	□	1,733
ARS	04/28/06	1,993,944	646,000	646,877	877	□
ARS	05/03/06	2,185,493	709,000	708,805	□	195
BRL	04/06/06	8,936,820	3,790,000	4,110,432	320,432	□
BRL	04/10/06	3,929,550	1,675,000	1,805,389	130,389	□
BRL	09/01/06	237,334	106,000	105,012	□	988
BRL	12/20/06	1,672,163	645,000	721,810	76,810	□
BRL	01/31/07	1,874,000	773,421	801,417	27,996	□
BWP	05/03/06	2,889,316	526,000	523,247	□	2,753
BWP	06/09/06	2,937,525	530,000	528,522	□	1,478
BWP	06/19/06	2,917,805	529,000	524,059	□	4,941
CLP	04/20/06	242,468,250	453,000	461,654	8,654	□
CLP	06/19/06	327,256,000	620,614	622,769	2,155	□
COP	04/06/06	4,464,224,000	1,952,000	1,946,086	□	5,914
COP	05/02/06	1,178,191,000	518,000	513,414	□	4,586
COP	05/02/06	1,044,309,000	465,171	455,073	□	10,098
COP	05/12/06	1,119,552,000	476,000	487,793	11,793	□
COP	05/18/06	929,880,000	405,000	405,118	118	□
COP	05/24/06	687,420,000	304,000	299,461	□	4,539
COP	06/21/06	328,074,000	145,294	142,774	□	2,520
CSD	05/11/06	36,887,400	495,000	507,264	12,264	□
CSD	04/20/06	37,676,840	521,695	521,369	□	326
CSD	06/09/06	28,147,588	384,215	383,847	□	368
EUR	05/08/06	801,405	958,000	972,057	14,057	□
GHC	04/10/06	2,754,280,000	296,000	300,927	4,927	□
GHC	04/13/06	1,379,054,000	149,832	150,635	803	□
GHC	08/31/06	5,922,351,000	629,836	630,406	570	□
GHC	09/18/06	2,077,498,000	221,364	220,272	□	1,092
IDR	04/11/06	4,967,505,000	531,000	546,661	15,661	□
IDR	04/20/06	2,125,200,000	231,000	233,873	2,873	□
IDR	05/16/06	22,935,040,000	2,480,000	2,523,940	43,940	□
IDR	06/27/06	4,808,830,000	521,000	529,199	8,199	□
ILS	05/31/06	1,682,100	356,000	359,958	3,958	□
ILS	06/19/06	11,374,448	2,405,000			