

## PROSPECTUS

French UCITS-compliant fund subject to European Directive 2009/65/EC

LAZARD CONVERTIBLE EUROPE

FCP

This UCITS is managed by LAZARD FRERES GESTION SAS

## I - GENERAL FEATURES

### FUND'S FORM

Name	Lazard Convertible Europe
Legal form	Fonds Commun de Placement (FCP)
Inception date - term	This Fund was created on 10/09/2008 for a period of 99 years. It was accredited on 15/07/2008.

#### Fund overview

ISIN code	Allocation of distributable income		Base currency	Eligible investors	Minimum initial subscription	Initial NAV
	Allocation of net income	Allocation of net realised capital gains				
Unit RC EUR FR0010637900	Accumulation	Accumulation	EUR	All subscribers	1 unit	100 EUR
Unit RC H-EUR FR0010642595	Accumulation	Accumulation	EUR	All subscribers	1 unit	100 EUR
Unit PC EUR FR0010642603	Accumulation	Accumulation	EUR	Authorised investors (1)	10 units*	10000 EUR
Unit PC H-EUR FR0010642611	Accumulation	Accumulation	EUR	Authorised investors (1)	10 units*	10000 EUR

\* With the exception of the management company, which may only subscribe for one unit.

(1) Authorised investors:

(i) Investors subscribing through distributors or financial intermediaries who are subject to MIFID II or an

equivalent regulation outside of the European Union, as part of:

- their independent advisory activity;
- a non-independent advisory activity or third-party portfolio management for which they sign an agreement with their clients stipulating that they do not receive retrocession payments.

(ii) Professional clients as set out in European Directive 2014/65/EU or an equivalent regulation outside of the European Union.

The Fund's prospectus, latest annual and periodic reports, the composition of assets and LAZARD FRERES GESTION SAS's standards regarding the exercise of voting rights, as well as the report on the exercise of voting rights, will be sent out within eight working days upon written request to:

**LAZARD FRERES GESTION SAS**

25, rue de Courcelles 75008 Paris France

The prospectus is also available at [www.lazardfreresgestion.fr](http://www.lazardfreresgestion.fr).

Designated contact:

Customer service - Monday to Friday - 9 to 18

Tél. +33 (0)1 44 13 01 79

where further information may be obtained if necessary.

## II - SERVICE PROVIDERS

Management company	<p>LAZARD FRERES GESTION SAS 25, rue de Courcelles – 75008 Paris Management company incorporated under French law authorised by the French securities regulator (Autorité des Marchés Financiers – AMF) on 28th December 2004, no. GP 04 0000 68</p>
Custodian	<p>CACEIS BANK 1-3 place Valhubert - 75013 Paris</p> <p>Bank and investment services provider accredited by the CECEI on April 1st, 2005.</p> <p>The custodian's functions, as set out in the applicable regulations, include safeguarding of the assets, ensuring the legality of decisions taken by the management company and monitoring of cash flow related to the Funds.</p> <p><u>Sub-delegation:</u> A description of the functions of delegated custody agents, a list of the custody and sub-custody agents of CACEIS Bank, and information on conflicts of interest that may arise in relation to these agents are available on the CACEIS website: <a href="http://www.caceis.com">www.caceis.com</a> (Regulatory watch – UCITS V – Sub Custodians List).</p> <p>Investors may obtain updated information on request.</p> <p>The custodian operates independently of the investment management company.</p>

Delegated registrar of shares	<p>CACEIS BANK 1-3, Place Valhubert - 75013 Paris</p> <p>Public limited company with a board of directors Bank and investment services provider accredited by the CECEI on April 1st, 2005.</p>
Delegated agent for the centralisation of subscription and redemption orders	<p>CACEIS BANK 1-3 place Valhubert - 75013 Paris</p> <p>The management company has delegated management of the Fund's liabilities to CACEIS Bank, which is therefore responsible for centralising and processing subscription and redemption orders for the Fund's units <b>Co-centralisation:</b> LAZARD FRERES BANQUE 121 boulevard Haussmann - 75008 Paris On behalf of clients for whom it provides custody account-keeping services</p>
Accounting management by delegation	<p>CACEIS FUND ADMINISTRATION 1-3 place Valhubert - 75013 Paris</p>
Statutory auditor	<p>PRICEWATERHOUSECOOPERS AUDIT 63 rue de Villiers - 92200 Neuilly-sur-Seine Signatory - M. Frédéric Sellam</p>
Promoter	<p>LAZARD FRERES GESTION SAS 25, rue de Courcelles - 75008 Paris</p>
Advisor (if applicable)	NA
Sub-investment manager (if applicable)	<p>LAZARD ASSET MANAGEMENT 30 Rockefeller Plaza - New-York NY 10020</p>

### III - OPERATION AND MANAGEMENT

#### GENERAL FEATURES

##### 1. Features

Units characteristics	
ISIN code Unit RC EUR	FR0010637900
ISIN code Unit RC H-EUR	FR0010642595
ISIN code Unit PC EUR	FR0010642603
ISIN code Unit PC H-EUR	FR0010642611
Rights attached to the Fund's units	Each unitholder has an ownership right in the Fund's assets in proportion to the number of units owned.

Voting rights	No voting rights are attached to the Fund's units since decisions are taken by the management company.
Form of the units	Bearer or administered registered at the unitholder's discretion. The Fund is listed with Euroclear France.
Fractional or whole units	The Fund's units may be subscribed for and/or redeemed in whole number or can be splitted (see details in section 14. Features of the units).
Financial year end	Last valuation date in September.
First financial year end	Last valuation date in September 2009.
Taxation	The tax treatment of the Fund's unrealised or realised capital gains or losses depends on the tax rules applicable to the particular circumstances of each investor and/or the Fund's investment jurisdiction. If you are unsure of the tax rules applying to your particular circumstances, you should consult a professional adviser.

## OTHER SPECIFICATIONS

Fund of Fund		None
Investment objective	Unit RC EUR, Unit PC EUR	The investment objective is to achieve over the recommended investment horizon of 5 years a return (net of charges) above the following benchmark: Thomson Reuters European Focus Convertible EUR Index. The benchmark is expressed in EUR. Nets dividends or coupons are reinvested.
	Unit RC H-EUR, Unit PC H-EUR	The investment objective is to achieve over the recommended investment horizon of 5 years a return (net of charges) above the following benchmark: Thomson Reuters European Focus Convertible Hedged EUR Index. The benchmark is expressed in EUR. Nets dividends or coupons are reinvested.
Benchmark	Unit RC EUR, Unit PC EUR	Refinitiv (ex. Thomson Reuters) European Focus Convertible EUR Index The Refinitiv (ex. Thomson Reuters) European Focus Convertible EUR Index index, expressed in euros, represents the performance of European convertible bonds. Data is available on the website: <a href="http://online.thomsonreuters.com/indices/">http://online.thomsonreuters.com/indices/</a> Bloomberg code: UICBFOEE
	Unit RC H-EUR, Unit PC H-EUR	Refinitiv (ex. Thomson Reuters) European Focus Convertible Hedged EUR Index The Refinitiv (ex. Thomson Reuters) European Focus Convertible Hedged EUR Index index, an index hedged against foreign exchange risk with the EUR as its base currency, represents the performance of European convertible bonds. Data is available on the website: <a href="http://online.thomsonreuters.com/indices/">http://online.thomsonreuters.com/indices/</a> Bloomberg code: UCBIFX21

## 1. Strategies used

The Fund aims to outperform (net of expenses) the Thomson Reuters Europe Focus Hedged Convertible Bond Index (EUR) (net interest reinvested), expressed in euros, over a recommended investment horizon of five years for RC EUR and PC EUR units, and the Thomson Reuters Europe Focus Hedged Convertible Bond Index (EUR) (net interest reinvested), expressed in euros, hedged against foreign exchange risk with the euro as the base currency for RC H-EUR and PC H-EUR units.

The Fund is actively managed using a fundamental approach comprising several analysis phases: study of the economic environment with market expectations produced by the Economic Strategy department, financial analysis of companies issuing bonds and analysis of the technical features of issue contracts.

To this end, we will manage the Fund's overall exposure to interest rates and equity markets. In addition to the portfolio assets' features (exposure, equities and modified duration), we will use interest-rate and equity futures to increase or decrease the Fund's sensitivity or exposure to the equity market.

The Fund may also actively manage interest rates through the active management of the modified duration (use of bobl or bund futures, for instance).

The Fund's modified duration is between 0 and 7.

Overall residual exchange rate risk will not exceed 5% of the net assets for RC H-EUR and PC H-EUR units.

Concerning fixed-income securities, the portfolio management company conducts its own credit assessment for selection purposes, both at the time of purchase and during the life of the securities. It does not rely solely on ratings issued by rating agencies and develops credit risk analysis and the necessary procedures to make purchase decisions or sell or hold decisions in the event of a downgrade. The portfolio management company does not automatically use agency ratings but gives precedence to its own credit analysis in assessing the credit quality of said assets and in deciding on possible downgrades.

## 2. Assets (excluding embedded derivatives)

### **Equities:**

Equities resulting from the conversion of one of the types of instrument listed below, to a maximum of 10% of net assets.

### **Debt securities and money market instruments:**

- Up to a maximum of 110% of the Fund's net assets may be invested in convertible bonds and similar instruments issued in Europe by companies and financial institutions. These securities will be expressed in all currencies.
- Up to a maximum of 110% of the Fund's net assets may be invested in bonds exchangeable for equities issued in Europe by companies and financial institutions. These securities will be expressed in all currencies.
- Bonds with warrants issued by companies and financial institutions. These securities comprising up to 110% of the net assets will be expressed in all currencies.
- Up to a maximum of 110% of the Fund's net assets may be invested in perpetual subordinated notes (TSDI) issued in and outside Europe by companies and financial institutions. These securities will be expressed in all currencies.
- Investment-grade bonds (AAA to BBB- according to Standard & Poor's and Aaa to Baa3 according to Moody's) or equivalent rating based on the management company's analysis, speculative/high-yield bonds (BB+ to D/SD according to Standard & Poor's and from Ba1 to C according to Moody's) or equivalent rating based on the management company's analysis, and bonds that are not rated by a ratings agency.
- The fund manager will not invest in contingent convertible bonds (cocos).

**UCIs:**

UCITS or AIF that meet the four criteria of Article R.214-13 of the French Monetary and Financial Code (Code Monétaire et Financier): French-governed money market, short-term money market, bond or mixed funds up to a maximum of 10% of the net assets.

These UCIs may be managed by Lazard Frères Gestion.

### 3. Derivatives

- Types of markets:

- ☒ regulated
- ☒ organised
- ☒ OTC

- The manager intends to seek exposure to:

- ☒ equities
- ☒ interest rates
- ☒ currencies
- ☒ credit
- ☒ other: volatility

- Types of transactions – all transactions must be limited to achieving the investment objective:

- ☒ hedging
- ☒ exposure
- ☐ arbitrage
- ☐ other

- Type of instruments used:

- ☒ futures:
  - ☒ equity and equity index
  - ☒ interest rate
  - ☒ currency
  - ☐ other

- ☒ options:
  - ☒ equity and equity index
  - ☒ interest rate
  - ☒ currency
  - ☒ other: volatility index

- ☒ swaps:
  - ☒ equity swaps
  - ☒ interest rate swaps
  - ☒ currency swaps
  - ☐ performance swaps

- ☒ currency forwards
- ☒ credit derivatives
- ☐ other

- Strategy of use of derivatives to achieve the investment objective:

- ☒ partial or general portfolio hedging

- ☒ creating synthetic exposure to assets and risks
- ☐ increasing exposure to the market without leverage
- ☐ maximum permitted and sought
- ☐ other strategy

#### 4. Securities with embedded derivatives

The manager may invest in all securities with embedded derivatives permitted under the management company's business plan, including warrants, convertible bond subscription rights, etc.

The manager may take positions so as to hedge and/or expose the Fund in order to achieve its investment objective.

#### 5. Deposits

Up to 10% of the UCIs assets may be held in deposits.

#### 6. Cash borrowings

The UCI may borrow cash within the limit of 10% of its assets to meet specific cash requirements related to its operating needs.

#### 7. Temporary purchases and sales of securities

None

#### 8. Information on financial guarantees

In connection with over-the-counter derivative transactions, and in accordance with Position paper 2013-06 issued by the French financial markets regulator (Autorité des Marchés Financiers- AMF), the UCI may receive collateral in the form of securities (such as bonds or other securities issued or guaranteed by a State or issued by international financing agencies and bonds or securities issued by high quality corporate issuers), or cash. Any cash collateral received is reinvested in accordance with the applicable rules. All such assets must be from high-quality issuers that are not an entity of the counterparty or its group, and must be liquid and diversified with low volatility. Discounts may be applied to the collateral received; they take into account the quality of credit and the price volatility of the securities.

#### 9. Risk profile

#### Disclaimer

Your money will be mainly invested in financial instruments selected by the management company. These instruments will be exposed to market trends and fluctuations.

- **Risk of capital loss**

There is no guarantee of the UCI's performance or protection of capital. As such, the investor may not get back the full amount of the initial investment during redemption.

- **Risk related to discretionary management**

Discretionary management is based on anticipation of market trends. The UCI's performance is dependent both on the selection of securities and UCI picked by the manager and the manager's asset allocation. There is therefore a risk that the manager will not select the best performing securities and that the asset allocation is not optimal.

- **Interest rate risk**

The risk of a decline in debt instruments as a result of changes in interest rates. This risk is measured by the level of sensitivity. For instance, bond prices tend to move in the opposite direction to interest rates. The net asset value may decline during periods when there is an increase (positive sensitivity) or decrease (negative sensitivity) in interest rates.

- **Credit risk**

The risk of a deterioration in the credit quality of or default by a public or private issuer. The UCI's exposure to issuers either through direct investment or via other UCI may give rise to a decline in the net asset value. If the UCI is exposed to unrated or speculative/high yield debt, the credit risk is high and may lead to a decline in the UCI's net asset value.

- **Foreign exchange risk**

The UCI may invest in securities and other UCI that in turn are authorised to acquire instruments denominated in currencies other than the fund's base currency. The value of these instruments may fall if the exchange rates vary, which may lead to a decrease in the UCI's net asset value. Where units (or shares) denominated in a currency other than the fund's base currency have been hedged, the foreign exchange risk is residual as a result of systematic hedging, potentially leading to a performance gap between the different units (or shares).

- **Convertible bond risk**

The UCI may invest in securities and other UCI that in turn are authorised to acquire convertible bonds. This would mean its net asset value could decrease in the event of an increase in interest rates, a deterioration in the issuer's risk profile, a decline in the equity markets, or a decline in the value of the conversion options.

- **Volatility risk**

As certain securities such as convertible bonds and derivative financial instruments traded OTC or on listed markets entail an option component, volatility fluctuations can lead to a decrease in the UCI's net asset value.

- **Equity risk**

Share price fluctuations may have a negative impact on the UCI's net asset value. The UCI's net asset value may decrease during periods in which the equity markets are falling.

- **Market capitalisation risk**

The volume of small- and mid-cap stocks traded on the stock market is lower than that of large caps, which means they can be more significantly impacted by market movements than large caps. The UCI's net asset value may decline quickly and sharply.

- **Emerging country risk**

The operational and supervisory standards applicable to emerging markets may differ from those on international markets, as a result there is a risk that this may affect the UCI's net asset value.



- **Liquidity risk**

The risk that a financial market cannot absorb transaction volumes due to trading volumes being too low or pressure on the markets. Such a situation may impact the pricing or timing when the UCI liquidates, initiates or modifies positions and thus cause a decline in the UCI's net asset value.

- **Derivative financial instrument risk**

The risk arising from the UCI's use of forward financial instruments (derivatives), which may lead to a bigger decrease in the net asset value than on the markets or in the underlying assets in which the UCI has invested.

- **Counterparty risk**

this type with one or more counterparties potentially exposes the UCI to a risk of insolvency of one or more of these counterparties, which could lead to default on payment and cause a decrease in the UCI's net asset value.

## 10. Guarantee or protection

None

## 11. Eligible subscribers and typical investor profile

**RC EUR units** (not hedged): intended for all investors.

**RC H-EUR units** (hedged): intended for all investors seeking hedging against exchange rate risk.

**PC EUR units** (not hedged): intended for all investors, in particular institutional investors and UCIs.

**PC H-EUR units** (hedged): intended for all investors, in particular institutional investors and UCIs.

This Fund is intended for investors seeking to optimise their investments in fixed-income instruments.

Subscribers are strongly advised to diversify their investments sufficiently to avoid exposure solely to the risks of this Fund.

Subscribers are strongly advised to diversify their investments sufficiently to avoid exposure solely to the risks of this UCI.

### **Information on US investors:**

The Fund is not registered as an investment vehicle in the United States and its units are not and will not be registered under the Securities Act of 1933 and, therefore, they may not be offered or sold in the United States to Restricted Persons, as defined hereafter.

A Restricted Person is (i) any person or entity located in the United States (including US residents), (ii) any corporation or any other entity subject to the laws of the United States or any state thereof, (iii) any US military personnel or any employee of a US government department or agency located outside the United States, or (iv) any other person that would be considered a US Person under Regulation S of the Securities Act of 1933, as amended.

### **FATCA:**

Pursuant to the provisions of the Foreign Account Tax Compliance Act ("FATCA") applicable as of July 1st, 2014, if the Fund invests directly or indirectly in US assets, the capital and income arising from such investments may be subject to withholding tax of 30%.

To avoid paying the 30% withholding tax, France and the United States have entered into an intergovernmental agreement under which non-US financial institutions ("foreign financial institutions") agree to institute procedures for identifying direct or indirect investors who qualify as US taxpayers and to provide certain information about these investors to the French tax authorities, which will disclose said information to the US tax authority, the Internal Revenue Service.

As a foreign financial institution, the Fund undertakes to comply with the FATCA and to take all appropriate measures pursuant to the aforementioned intergovernmental agreement.

The amount that it is reasonable to invest in this UCI depends on each investor's personal circumstances. To determine this, investors should take account of their personal financial situation, current needs and the recommended investment period, and should also consider their ability to assume risk or whether they prefer instead to opt for a more cautious

This UCI may not be suitable for investors planning to withdraw their contributions within 5 years.

## 12. Allocation of distributable income

Distributable income consists of:

1) net income plus retained earnings, plus or minus the balance of the revenue adjustment account. Net income for the financial year is equal to the amount of interest, arrears, dividends, bonuses and prizes, directors' fees and all income generated by the securities that make up the UCIs portfolio, plus income generated by temporary cash holdings and minus management fees and borrowing costs.

2) realised capital gains, net of charges, minus realised capital losses, net of charges, recognised for the financial year, plus any net capital gains of the same kind recognised over previous years that have not been distributed or accumulated, plus or minus the balance of the capital gains adjustment account.

The amounts referred to in 1) and 2) may be distributed independently of each other, in whole or in part.

Unit	Allocation of distributable income
RC EUR , RC H-EUR , PC EUR , PC H-EUR	Distributable income is accumulated in full, with the exception of those amounts subject to compulsory distribution by law.

## 13. Frequency of distribution

None. Accumulation fund.

## 14. Characteristics of the shares (base currency, division of shares, etc.)

Unit	Base currency
RC EUR, RC H-EUR, PC EUR, PC H-EUR	EUR

Unit	Division of units
RC EUR, RC H-EUR, PC EUR, PC H-EUR	In thousandths

## 15. Terms and conditions of subscription and redemption

Subscription and redemption orders are accepted in amount and/or in units.

### **Date and frequency of NAV calculation:**

The net asset value is calculated every day except Saturdays and Sundays, public holidays in France within the meaning of Article L.3133-1 of the French Labour Code, and days on which the following stock exchange(s) is/are closed: Paris.

**Where and how to find out the net asset value:** the net asset value is published daily in the offices of Lazard Frères Gestion and on the internet [www.lazardfreresgestion.fr](http://www.lazardfreresgestion.fr).

### **Address of the institutions designated to receive subscription and redemption orders:**

CACEIS BANK - 1-3 place Valhubert - 75013 Paris

Bank and investment services provider accredited by the CECEI on April 1st, 2005.

Investors are reminded that orders transmitted to distributors other than the institution referred to above must take into consideration the fact that the cut-off time for the processing of orders applies to the said distributors vis-à-vis the institution referred to above. Consequently, such distributors may apply their own cut-off time, which may be earlier than the cut-off time indicated above, in order to take into account the time required to transmit orders to the institution referred to above.

LAZARD FRERES BANQUE - 121 boulevard Haussmann - 75008 Paris

On behalf of clients for whom it provides custody account-keeping services

Orders are executed as indicated in the table below

Business d	Day on which NAV is set (d)	Business d +1	Business d+2	Business d+2
Daily order reception and daily centralisation of redemption orders before 12:00 a.m. (Paris time)	Order executed by the latest on d	Publication of the net asset value	Settlement of subscription	Settlement of redemptions

Subscriptions preceded by a redemption received from the same unitholder on the same day for the same number of units at the same NAV may be executed.

## 16. Fees and expenses

Subscription and redemption fees are respectively added to the subscription price paid by the investor or deducted from the redemption price paid. The fees earned by the SICAV are used to cover the charges that it incurs in investing or divesting the assets under management. The remaining fees are paid to the management company, the distributor, etc.

Charges payable by the investor during subscription and redemption	Basis	Unit	Rate (maximum incl. taxes)
Subscription fees not retained by the UCI	NAV x nombre of units	RC EUR, RC H-EUR, PC EUR, PC H-EUR	4.0%

Subscription fees retained by the UCI	NAV x nombre of units	RC EUR, RC H-EUR, PC EUR, PC H-EUR	0.0%
Redemption fees not retained by the UCI	NAV x nombre of units	RC EUR, RC H-EUR, PC EUR, PC H-EUR	1.0%
Redemption fees retained by the UCI	NAV x nombre of units	RC EUR, RC H-EUR, PC EUR, PC H-EUR	0.0%

**Exemption:** No subscription and/or redemption fee will be charged in the case of a redemption followed by a subscription, on the same day, for the same amount, based on the same NAV.

Expenses charged to the UCI	Basis	Unit	Rate (maximum incl. taxes)	
Financial management fees	Net assets less UCIs managed by Lazard Frères Gestion	RC EUR	1.465%	
		RC H-EUR	1.515%	
		PC EUR	0.815%	
		PC H-EUR	0.865%	
Administrative fees external to the management company	Net assets	Applied to all the units	0.035%	
Indirect charges	N.A	Applied to all the units	None	
Turnover commission (0% to 100% received by the management company and 0% to 100% received by the custodian)	Maximum charge on each transaction	Applied to all the units	Equities, convertible bonds, similar instruments, foreign exchange	From 0% to 0,25%
			Futures	None
Performance fees	Net assets	RC EUR, RC H-EUR, PC EUR, PC H-EUR	None	

Only the contributions payable for the management of the UCI pursuant to Article L. 621-5-3 II 4° d) of the French Monetary and Financial Code (Code monétaire et financier) and any exceptional legal costs related to debt recovery are outside the scope of the three blocks of charges referred to above.

Repurchase agreements are executed at market prices.

With the exception of brokerage fees, accounting management costs and custodians fees, all of the charges referred to above are levied as part of the joint venture arrangement between Lazard Frères Banque and Lazard Frères Gestion SAS which since 1995 has enabled them to pool their financial control, administration, and portfolio execution resources.

All revenue resulting from efficient portfolio management techniques, net of direct and indirect operating costs, is

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allocated to the Fund. All costs and expenses related to these management techniques are assumed by the UCI.

For further information, investors may refer to the management report.

## 17. Outline of the counterparty selection procedure

Lazard Asset Management selects brokers from a list of around 175 approved brokers covering all products and markets.

Acceptance of new brokers is subject to an assessment and approval process, including a review of the broker's solvency, financial strength and reputation within the financial community. Its financial statements and regulatory documents are also examined in the selection process. A recommendation is then submitted to the Operating Officer and the Compliance Officer for a final review.

### Lazard Asset Management Broker Committee:

The Lazard Asset Management Broker Committee ratifies all decisions to authorise new intermediaries. It examines the brokers' performance and reviews the key service expectation criteria.

Brokers are rated according to the quality of their research and the trading services that they provide. At the end of the vote, recommendations are made on the allocation of commissions.

Twice a year, the Broker Committee oversees the broker voting process, which analysts, managers and traders take part in.

## IV - SALES AND MARKETING INFORMATION

Publication of information about the UCI	LAZARD FRERES GESTION SAS
	25, rue de Courcelles 75008 Paris France
	Customer service - Monday to Friday - 9 to 18
	Tel. +33 (0)1 44 13 01 79

Information regarding environmental, social and corporate governance (ESG) issues is available on the management company's website ([www.lazardfreresgestion.fr](http://www.lazardfreresgestion.fr)) and will be included in the fund's annual report.

The management company may send, directly or indirectly, information on the composition of the Fund's assets to the Fund's shareholders for purposes related solely to shareholders' regulatory obligations. This information will be sent, where applicable, within a period not less than 48 hours after publication of the NAV.

### **Information in the event of a change in the operation of the UCI:**

The shareholders shall be informed of any changes in the operation of the UCI in the press or by any other means in accordance with the prevailing regulations. This information may, where relevant, be provided through Euroclear France financial intermediaries affiliated with it.

Information about the use of investment decision-making support and order execution services (SADIE) can be found on the management company's website ([www.lazardfreresgestion.fr](http://www.lazardfreresgestion.fr)).

## V - INVESTMENT RULES

The UCI's investment rules are laid down in the French Monetary and Financial Code.

## VI - AGGREGATE RISK

The aggregate risk is calculated using the commitment method.

## VII - ASSET VALUATION AND ACCOUNTING RULES

### 1. ASSET VALUATION RULES

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**1.1. Financial instruments and securities traded on a regulated market are valued at their market price.**

- **Shares and similar securities** are valued on the basis of the last known price on their main market.

If applicable, prices are translated into euros using the exchange rate prevailing in Paris on the valuation day (as published by WM Closing).

- **Fixed-income securities**

Fixed-income securities are for the most part marked to market based on either Bloomberg prices (BGN)® derived from averages of contributed prices, or on those of direct contributors.

There may be a discrepancy between the carrying amounts, valued as indicated above, and the actual disposal prices that would be obtained if a portion of these portfolio assets were to be sold.

- o **Bonds and similar instruments** are valued on the basis of the average of the closing prices gathered from several contributors.

Financial instruments whose prices have not been determined on the valuation date or whose prices have been adjusted are valued at their probable trading price under the responsibility of the management company.

. These estimates and their supporting documentation will be provided to the statutory auditor during audits.

However, the following instruments are valued using the following specific methods:

- o **Negotiable debt securities:**

Negotiable debt securities are marked to market based on either Bloomberg prices (BVAL and/or BGN)® derived from averages of contributed prices, or on those of direct contributors.

There may be a discrepancy between the carrying amounts, valued as indicated above, and the actual disposal prices that would be obtained if a portion of these portfolio assets were to be sold.

The valuation of money market instruments complies with the provisions of Regulation (EU) 2017/1131 of 14 June 2017. Consequently, the UCI does not use the amortised cost method.

- **UCIs:** Units or shares of UCIs are valued at the last known net asset value. Units or shares of UCIs for which net asset values are published monthly may be valued on the basis of interim net asset values calculated from estimated prices.
- **Temporary purchases and sales of securities** - Securities purchased under repurchase agreements are valued at their contract price using an actuarial method with a benchmark rate (overnight Eonia, one- or two-week

interbank rates, one- to 12-month Euribor) corresponding to the term of the contract.

- Securities sold under repurchase agreements continue to be valued at their market price. Liabilities on securities sold under repurchase agreements are calculated using the same method as that used for securities purchased under repurchase agreements.

- **Futures and options**

- Futures and options are valued on the basis of intraday trading prices the timing of which is based on that of the valuation of the underlying assets.

- Positions taken on the futures or options markets and over the counter are valued at their market price or at the value of the equivalent underlying asset.

## **1.2. Financial instruments and securities not traded on a regulated market**

All of the UCI's securities are traded on regulated markets.

## **1.3. Valuation methods for off-balance sheet commitments**

- Off-balance sheet transactions are valued at the commitment value.

- The commitment value for futures contracts is equal to the price (in the UCI's currency) multiplied by the number of contracts multiplied by the face value.

- The commitment value for options is equal to the price of the underlying security (in the UCI's currency) multiplied by the number of contracts multiplied by the delta multiplied by the face value of the underlying security.

- The commitment value for swaps is equal to the face value of the contract (in the UCI's currency).

## **2. ACCOUNTING POLICIES**

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The UCI complies with the accounting rules prescribed by current regulations, in particular the accounting standards applicable to UCIs. The financial statements are presented in accordance with the regulatory provisions governing the preparation and publication of financial statements of undertakings for collective investment.

- **Income from fixed-income securities**

- Income from fixed-income securities is recorded on the basis of accrued interest.

- **Management fees**

- Management fees are calculated on each valuation day.

- The annual management fee rate is applied to gross assets (equal to net assets before deduction of the day's management fees):

Gross assets less UCIs managed by Lazard Frères Gestion  
x operating and management fees rate  
x no. of days between the calculated NAV and the previous NAV  
365 (or 366 in a leap year)

- These amounts are then recorded in the SICAV's income statement.

- The SICAV pays the operating fees, which include:

- . financial management;
- . administration and accounting;
- . custody services;
- . other operating fees:

- . statutory auditors' fees;
- . legal notices (Balo, Petites Affiches, etc.) if applicable.

These fees do not include transaction charges.

- **Transaction charges**

Transactions are recorded excluding charges.

- **Retrocessions received on management fees or entry charges**

The method used to calculate retrocession amounts is set out in the sales and marketing agreements.

- If the amount is significant, a provision is recognised in account 61719.
- The final amount is recognised upon settlement of invoices after reversal of any provisions.

**Method related to swing pricing adjustments to net asset value (NAV) with a trigger level:**

In order to protect the Fund's long-term shareholders, a swing factor will be applied to subscriptions and redemptions that have a significant impact on the Fund's outstandings, which may generate costs for shareholders entering and leaving the Fund that would otherwise have been allocated across all shareholders in the Fund. Therefore, if, on a particular NAV calculation date, the total net subscription/redemption orders of investors across all categories of Fund units exceeds a threshold predetermined by the management company on the basis of objective criteria and expressed as a percentage of the net assets in the Fund, the NAV may be adjusted upwards or downwards to take account of the readjustment costs attributable to the net subscription/redemption orders. The NAV of each unit category shall be calculated separately, but any adjustment shall have an identical impact, expressed as a percentage, on all of the NAV calculations of each unit category in the Fund.

The cost parameters and trigger level shall be determined by the management company and shall be reviewed periodically, and at least every six months. These costs shall be estimated by the management company based on transaction charges, bid/offer spreads and any taxes applicable to the Fund.

Insofar as this adjustment mechanism is linked to the net balance of subscriptions/redemptions within the Fund, it is not possible to accurately predict a given time in the future at which swing pricing will be applied.

Consequently, neither is it possible to predict the precise frequency at which the management company will have to make such adjustments, which shall not exceed 2% of the NAV. Investors should be aware that the volatility of the Fund's NAV may not reflect solely that of the securities in the portfolio arising from the application of swing pricing.



FUND REGULATIONS  
LAZARD CONVERTIBLE EUROPE

## Title I - Assets and Units

### ARTICLE 1 - CO-OWNERSHIP UNITS

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Co-ownership rights are expressed in units, where each unit corresponds to any single fraction of the Fund's assets. Each unitholder has an ownership right in the assets of the Fund in proportion to the number of units owned.

The Fund's term is 99 years from 10/09/2008, except in the event that the Fund is dissolved before the end of the term or extended pursuant to these regulations.

Unit classes:

The features of the different unit classes and their eligibility requirements are set out in the Fund's prospectus.

The different unit classes may:

- apply different dividend policies (distribution or accumulation);
- be denominated in different currencies;
- be subject to different management fees;
- be subject to different subscription and redemption fees;
- have a different par value;
- be systematically hedged, in full or in part, against risk as set out in the prospectus. This hedging is achieved through financial instruments that reduce to a minimum the impact of hedging transactions on the UCITS' other unit classes;
- be reserved to one or more distribution networks.

Possibility of combining or splitting units.

The units may be sub-divided, upon the decision of the management company, into hundredths or thousandths of units, referred to as fractional units.

The provisions hereof governing the issue and redemption of units shall apply to fractional units, the value of which shall always be proportional to the value of the unit they represent. Unless otherwise stipulated, all other provisions hereof relating to units shall automatically apply to fractional units. At the sole discretion of the management company, the units may be split by creating new units to be allocated to unitholders in exchange for existing units.

### ARTICLE 2 - MINIMUM AMOUNT OF ASSETS

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Units may not be redeemed if the assets are less than 300,000 (three hundred thousand) euros. When the assets

remain under this level for thirty days, the management company shall take all necessary measures to dissolve the Fund concerned or to undertake one of the operations mentioned in Article 411-16 of the General Regulation of the French financial markets regulator (Autorité des Marchés Financiers – AMF) (UCITS transfer).

### **ARTICLE 3 - ISSUE AND REDEMPTION OF UNITS**

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Units may be issued at any time upon request of unitholders on the basis of the net asset value plus subscription fees, if any.

Redemptions and subscriptions shall be made under the conditions and in accordance with the procedures set out in the prospectus. The UCI's shares may be listed for trading, in accordance with applicable regulations.

Subscriptions must be fully paid-up as of the date of the calculation of the net asset value. They may be undertaken in cash and/or by contribution of financial instruments. The management company is entitled to refuse the instruments proposed and, to that end, has seven days in which to give its decision. In the event that the instruments are accepted, they are valued according to the rules set out in Article 4, and subscription is undertaken using the first net asset value following acceptance of the instruments in question.

Redemptions may be made in cash and/or in kind. If the redemption in kind corresponds to a representative share of the assets in the portfolio, only the outgoing unitholder's written and signed agreement must be obtained by the UCI or management company. If the redemption in kind does not correspond to a representative share of the assets in the portfolio, all of the unitholders must provide their written signed agreement authorising the outgoing unitholder to obtain redemption of their units against certain specific assets, as explicitly defined in the agreement.

In general, the assets redeemed are valued according to the rules set out in Article 4, and the redemption in kind is undertaken using the first net asset value following acceptance of the instruments in question.

Redemptions are paid by the account keeper within at most five days of the unit's valuation day.

Under exceptional circumstances, however, where reimbursement requires the prior disposal of assets held in the UCI, this period may be extended up to a maximum of 30 days.

With the exception of inherited or gifted units, the sale or transfer of units between unitholders or between unitholders and third parties is deemed to be a redemption followed by a subscription. If the beneficiary of the sale or transfer is a third party, the beneficiary must add the amount necessary, if any, to increase the total to the minimum subscription amount indicated in the Prospectus.

Pursuant to Article L. 214-8-7 of the French Monetary and Financial Code (Code monétaire et financier), redemption by the UCI of its units, and the issue of new units, may be temporarily suspended by the management company in exceptional circumstances and if required in the interests of unitholders.

No units may be redeemed if the net assets of the UCI are less than the regulatory amount.

Pursuant to Article L. 214-8-7 of the French Monetary and Financial Code and Article 411-20-1 of the General Regulation of the French financial markets regulator (Autorité des Marchés Financiers - AMF), the management company may decide to put a cap on redemptions if warranted by exceptional circumstances and in the interest of the unitholders and the general public.

The method used for this capping mechanism and the measures for informing the unitholders must be described in detail.

The UCI may cease to issue units on a temporary or permanent basis, in part or in full, pursuant to the provisions

set out in the third paragraph of Article L. 214-8-7 of the French Monetary and Financial Code, in objective situations that warrant the closure of subscription such as cases where the maximum number of issued units has been reached, the maximum amount of assets has been reached, or the subscription period has expired. If such partial or full closure is activated, the existing unitholders must be informed by all available means, including details of the threshold and objective situation that triggered the decision. In the case of partial closure, the existing unitholders must also be informed in detail of the methods by which they can continue to subscribe during this partial closure period. The unitholders must also be informed by all available means if the UCI or management company decide to discontinue the full or partial subscription closure period (when the activation threshold is no longer exceeded) or continue the closure period (change in the threshold or the objective situation that warranted implementation of the measure). Any change in the specified objective situation or in the activation threshold must always be in the interest of the unitholders. Information by any means shall specify the exact reasons for such changes.

## **ARTICLE 4 - CALCULATION OF THE NET ASSET VALUE**

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The net asset value of units is calculated according to the valuation rules set out in the prospectus.

Contributions in kind may consist only of securities, stocks or contracts that are eligible to form the assets of UCIs; they are valued according to the valuation rules used to calculate the NAV.

## **Title II - Fund Operation**

## **ARTICLE 5 - MANAGEMENT COMPANY**

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The management company is responsible for managing the Fund in accordance with the orientation stated for the Fund.

The management company shall take all necessary decisions to change the Fund's investment strategy or policy, in the interests of investors. Such changes may be subject to the approval of the AMF.

In all circumstances, the management company shall act in the sole interest of the unitholders and is solely authorised to exercise the voting rights attached to the securities held by the Fund.

## **ARTICLE 5A - OPERATING RULES**

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The instruments and deposits eligible for inclusion in the Fund as well as the investment rules are shown in the prospectus.

## **ARTICLE 5B - ADMISSION TO TRADING IN A REGULATED MARKET AND/OR A MULTILATERAL TRADING SYSTEM**

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The units may be admitted to trading on a regulated market and/or a multilateral trading facility, in accordance with applicable regulations. If the Fund whose units are admitted for trading on a regulated market has an investment objective based on an index, it must have set up a system to ensure that the price of its units does not deviate significantly from its net asset value.

## **ARTICLE 6 - CUSTODIAN**

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The custodian performs the tasks for which it is responsible under the legal and regulatory provisions in force as well as those entrusted to it contractually by the management company.

In particular, the custodian must ensure that the decisions of the management company are lawful. It shall take any protective measures it considers appropriate. In the event of a dispute with the management company, it shall inform the AMF.

## **ARTICLE 7 - STATUTORY AUDITOR**

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A statutory auditor is appointed by the management company's governance body for a term of six financial years, following AMF approval.

The statutory auditor shall certify that the financial statements give a true and fair view of the company.

The statutory auditor's term may be renewed.

The statutory auditor has a duty to report promptly to the AMF any fact or decision concerning the Fund of which he has become aware in the course of his duties and which is liable to:

- 1° Constitute a breach of the laws or regulations that apply to that fund and that is likely to have significant effects on its financial situation, profits or assets;
- 2° Affect the conditions or the continuity of its operations;
- 3° Lead to the expression of reservations or the refusal to certify the accounts.

The statutory auditor shall oversee the valuation of assets and the calculation of exchange ratios used in the event of a conversion, merger or split.

The statutory auditor shall assess any contribution in kind under his own responsibility.

He shall verify the accuracy of the composition of assets and other information prior to publication.

The statutory auditor's fees shall be set by mutual agreement between the statutory auditor and the management company's board of directors or executive board on the basis of a work schedule setting out the procedures deemed necessary.

The statutory auditor shall certify the positions used as the basis for the distribution of interim dividends. His fees are included in the management fees.

## **ARTICLE 8 - FINANCIAL STATEMENTS AND MANAGEMENT REPORT**

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At the close of each financial year, the management company shall prepare the financial statements and a report on the management of the Fund during the year just ended.

The management company shall draw up an inventory of the UCI's assets at least every six months and under the control of the Custodian.

The management company shall make these documents available to unitholders within four months of the end of the financial year and shall inform them of the amount of income to which they are entitled.

These documents shall be either sent by post, at the request of unitholders, or made available to them at the management company's premises.

### **Title III - Distribution of distributable income**

#### **ARTICLE 9 - DISTRIBUTION OF DISTRIBUTABLE INCOME**

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Distributable income consists of:

1) net income plus retained earnings, plus or minus the balance of the revenue adjustment account.

Net income for the financial year is equal to the amount of interest, arrears, dividends, bonuses and prizes, directors' fees and all income generated by the securities that make up the Fund's portfolio, plus income generated by temporary cash holdings, minus management fees and borrowing costs.

2) realised capital gains, net of charges, minus realised capital losses, net of charges, recognised for the financial year, plus any net capital gains of the same kind recognised over previous years that have not been distributed or accumulated, plus or minus the balance of the capital gains adjustment account.

The amounts referred to in 1) and 2) may be accumulated and/or distributed and/or retained independently of each other, in whole or in part.

Details of the relevant process are provided in the prospectus under the section entitled "Allocation of distributable income".

### **Title IV - Merger - Split - Winding-up - Liquidation**

#### **ARTICLE 10 - MERGER - SPLIT**

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The management company may either contribute the assets of the Fund, in whole or in part, to another UCITS managed by it, or split the Fund into two or more open-end funds.

These merger or split transactions may only be undertaken after the unitholders have been informed. They shall give rise to a new certificate specifying the number of units held by each unitholder.

#### **ARTICLE 11 - WINDING-UP - EXTENSION**

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If the assets of the Fund remain less than the amount set forth in Article 2 above for 30 days, the management company shall inform the AMF thereof and either merge the Fund with another open-end investment fund (FCP) or dissolve the Fund.

The management company may dissolve the Fund prior to its termination date; in this case, it shall inform unitholders of its decision and from then on subscriptions and redemptions shall no longer be accepted.

The management company shall also dissolve the Fund if it receives redemption applications for all units, if the custodian ceases to discharge its responsibilities and no other custodian is designated or if at the end of the Fund's duration, its termination date has not been extended.

The management company shall inform the AMF by letter of the chosen date and dissolution procedure. It shall

then send the statutory auditors' report to the AMF. A Fund's extension may be decided by the management company with the custodian's agreement. Its decision must be taken at least three months before the Fund's planned duration and communicated to the unitholders and the AMF.

## **ARTICLE 12 - LIQUIDATION**

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In the event that the Fund is dissolved, the management company shall be responsible for liquidation transactions; otherwise, the liquidator shall be appointed by the court at the request of any interested party.

In this regard, they shall be granted the widest possible powers to sell assets, pay creditors, if any, and divide the remaining balance among unitholders in cash or in securities. The statutory auditor and custodian shall continue to perform their duties until the end of the liquidation transactions.

## **Title V - Settlement of disputes**

## **ARTICLE 13 - JURISDICTION - ADDRESS FOR SERVICE**

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All disputes relative to the Fund that may arise during its lifetime or at the time of liquidation, be they disputes between unitholders, or between unitholders and the management company or the custodian shall be submitted to the courts of competent jurisdiction.

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