

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

PROSPECTUS

I – GENERAL FEATURES

I.1. Fund's form

Name:	LAZARD CREDIT FI.
Legal form:	French open-end investment fund (<i>Fonds Commun de Placement</i>)
Inception date – term	This Fund was created on March 7 th , 2008 for a period of 99 years.

Fund overview:

	ISIN code	Allocation of distributable income	Base currency	Eligible investors	Minimum initial subscription
PVC EUR units	FR0010590950	Allocation of net income: accumulation Allocation of net realised capital gains: accumulation	Euro	Authorized investors*	One unit (initial NAV: €10 000)
RVC EUR units	FR0010752543	Allocation of net income: accumulation Allocation of net realised capital gains: accumulation	Euro	All investors	One unit (initial NAV: €200)
RVD EUR units	FR0013306735	Allocation of net income: distribution Allocation of net realised capital gains: accumulation and/or distribution and/or retained	Euro	All investors	One unit (initial NAV: €200)
PC EUR units	FR0011844034	Allocation of net income: accumulation Allocation of net realised capital gains: accumulation	Euro	Authorized investors*	On unit (initial NAV: €1 000)
PD EUR units	FR0013306743	Allocation of net income: distribution Allocation of net realised capital gains: accumulation and/or distribution and/or retained	Euro	Authorized investors*	One unit (initial NAV: €1 000)

PC H-USD units	FR0013076932	Allocation of net income: accumulation Allocation of net realised capital gains: accumulation	USD	Authorized investors*	One unit (initial NAV: USD 1 000)
PVD EUR units	FR0012074151	Allocation of net income: distribution Allocation of net realised capital gains: accumulation and/or distribution and/or retained	Euro	Authorized investors*	One unit (initial NAV: €100)
PC H-CHF units	FR0013236791	Allocation of net income: accumulation Allocation of net realised capital gains: accumulation	CHF	Authorized investors*	One unit (initial NAV: CHF 1 000)
TC EUR units	FR0013305935	Allocation of net income: accumulation Allocation of net realised capital gains: accumulation	Euro	Authorized investors*	One unit (Initial NAV: €200)

*** PVC EUR, PC EUR, PD EUR, PC H-USD, PVD EUR, PC H-CHF, TC EUR units : authorized investors**

- *(i) Investors subscribing via distributors or financial intermediaries subject to MiFID II or an equivalent non-EU regulation, within the context of:
- their independent advisory activity;
 - non-independent investment advice or discretionary portfolio management provided they have entered into agreements with their clients stipulating that they will not receive retrocessions.
- (ii) Professional clients within the meaning of Directive 2014/65/EU or any equivalent non-EU regulation.

The Fund's prospectus, latest annual and periodic reports, the composition of assets and Lazard Frères 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 Frères Gestion sas
25, Rue de Courcelles – 75008 Paris, France

The prospectus is also available at www.lazardfreresgestion.fr

Designated contact:

Client Services – Monday to Friday
9 a.m. to 5 p.m. – Tel.: + 33 (0)1.44.13.01.79
where further information may be obtained if necessary.

I.2. Service providers

Management company:	LAZARD FRERES GESTION SAS 25, Rue de Courcelles – 75008 Paris, France Management company incorporated under French law authorised by the French securities regulator (<i>Autorité des Marchés Financiers</i> – AMF) on 28 th December 2004, no. GP 04 0000 68
Custodian:	CACEIS BANK Bank and investment services provider accredited by the CECEI on April 1 st , 2005 Registered office: 1-3, Place Valhubert – 75013 Paris, France 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. <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: www.caceis.com (Regulatory watch – UCITS V – Sub Custodians List) Investors may obtain updated information on request. The custodian operates independently of the investment management company.
Administration:	LAZARD FRERES GESTION SAS 25, Rue de Courcelles – 75008 Paris, France
Accounting management (by delegation):	CACEIS FUND ADMINISTRATION Registered offices: 1-3, Place Valhubert – 75013 Paris, France
Subscriptions and redemption processing (by delegation by the management company):	CACEIS BANK 1-3, Place Valhubert – 75013 Paris, France 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 LAZARD FRÈRES BANQUE , on behalf of clients for whom it provides custody account-keeping services 121, Bld Haussmann – 75008 Paris, France
Regular Statutory Auditor:	DELOITTE & ASSOCIES 185, Avenue Charles de Gaulle 92524 Neuilly-sur-Seine Cedex, France Authorised signatory: Olivier Galienne

II – OPERATION AND MANAGEMENT

II.1 – General features

Features of the units:	
- 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. The Fund is listed with Euroclear France.
- Fractional or whole units: (PVC EUR, PC EUR, RVC EUR, PC H-USD, PVD EUR, RVD EUR, PD EUR, TC EUR et PC H-CHF units)	Subscriptions and/or redemptions may be made in thousandths of units.
- Financial year end:	Last valuation day in March (first financial year end: March 31 st , 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.

II.2 – Other specifications

- Classification:	INTERNATIONAL BONDS AND OTHER DEBT SECURITIES
- ISIN Code PVC EUR units:	FR0010590950
- ISIN Code RVC EUR units:	FR0010752543
- ISIN Code PC EUR units:	FR0011844034
- ISIN Code PC H-USD units:	FR0013076932
- ISIN Code PVD EUR units:	FR0012074151
- ISIN Code PC H-CHF units:	FR0013236791
- ISIN Code RVD EUR units:	FR0013306735
- ISIN Code PD EUR units:	FR0013306743
- ISIN Code TC EUR units:	FR0013305935
- Fund of funds:	Up to 10% of net assets

- Investment objective PVC EUR, RVC EUR, RVD EUR, PC EUR, TC EUR, PD EUR and PVD EUR units:	The investment objective is to outperform the ICE BofAML Euro Financial Index, expressed in euro, over the recommended minimum investment horizon of three years (performance net of management fees).
- Investment objective PC H-USD units:	The investment objective is to outperform the ICE BofAML Euro Financial Index, expressed in US Dollar 100% hedged, over the recommended minimum investment horizon of three years (performance net of management fees).
- Investment objective PC H-CHF units:	The investment objective is to outperform the ICE BofAML Euro Financial Index, expressed in CHF 100% hedged, over the recommended minimum investment horizon of three years (performance net of management fees).
- Benchmark:	The ICE BofAML Euro Financial Index tracks the performance of Investment Grade debt securities denominated in euros and issued by European financial institutions. The securities must have an IG rating (based on the average rating of Moody's, S&P and Fitch), a residual maturity of at least one year, and minimum outstandings of €250 million.

1 – Strategies used

The Fund aims to achieve a return (net of charges) above the benchmark index over a minimum recommended investment period of three years.

- > ICE BofAML Euro Financial Index, expressed in euro for the PVC EUR and PVD EUR, PC EUR, TC EUR, PD EUR, RVC EUR and RVD EUR shares,
- > ICE BofAML Euro Financial Index, expressed in US Dollar 100% hedged, for the PC USD share
- > ICE BofAML Euro Financial Index, expressed in CHF 100% hedged, for the PC H-CHF share.

To achieve this investment objective, the Fund will be actively managed, mainly invested in subordinated debt (which is of higher risk than senior or secured debt) or any securities not deemed to be ordinary shares and issued by financial institutions. The Fund is managed by combining a top-down approach (which first looks at general economic and market trends before deciding in which geographical areas and securities to invest) and a bottom-up approach (which first looks at issuers' creditworthiness and the quality of individual securities), thus incorporating the regulatory conditions applying to this asset class. The Fund's modified duration is between 0 and 8. The Fund is invested only in bonds or securities of issuers the registered offices of which are established in OECD-member countries and/or in securities listed on a financial market of one of these countries. The Fund is invested only in bonds that are traded in euros, US dollars, Pounds Sterling or in all OECD currencies.

To build his portfolio, the manager conducts his own assessment of bonds or securities not deemed to be ordinary shares. He also refers to agency ratings but does not rely on them solely and mechanically.

The Fund will be able to invest in the bonds and securities of any issuer the registered office of which is established in an OECD-member country and/or in securities listed on a financial market of one of these countries. The Fund may not invest in bonds of issuers included on the FATF blacklist.

The Financial Action Task Force (FATF) is an intergovernmental organisation that draws up and promotes policies to combat money laundering and terrorist financing both at national and international levels.

Information on the Fund's modified duration is shown in the table below:

Interest rate sensitivity range within which the Fund is managed	Geographic zones of issuers of securities or underlying securities of securitisation products	Range of exposure to this zone
0 - 8	OECD zone	100%.

The Fund may invest in bonds that are traded in euros, US dollars, Pounds Sterling or in all OECD currencies.

2 - Assets (excluding embedded derivatives)

Equities:

Ordinary shares (maximum 10% of net assets) arising from the conversion of debt, or an offer by the issuer to exchange debt for shares, or hedges through derivatives. The Fund will not actively invest in equities but may hold them to enable the manager to sell the equities received in the best market conditions and to maximise the exit price for unitholders.

Debt securities and money market instruments:

To build his portfolio, the manager conducts his own assessment of bonds or securities not deemed to be ordinary shares. He also refers to agency ratings but does not rely on them solely and mechanically.

Up to 100% of the net assets in bonds or securities, not deemed to be ordinary shares, issued by Investment Grade or equivalent issuers based on the management company's analysis and rated at least BBB- by Standard & Poor's or equivalent based on the management company's analysis, and up to 20% of the net assets in bonds or securities issued by speculative/High-Yield issuers based on the management company's analysis, or rated below BBB- by Standard & Poor's or equivalent based on the management company's analysis, or not rated by a rating agency. Speculative/High Yield bonds or securities may not exceed 70% of the Fund's net assets. Up to 30% of the net assets in convertible bonds and contingent convertible bonds ("CoCos"). The Fund could invest up to 30% of the net assets in CoCos. A contingent convertible bonds is a type of debt instrument which, upon certain pre-specified 'trigger events' (for example, when the capital of the issuer falls below a certain level), may be converted into either shares in the issuing company, or may be reduced in value, either in part or in whole.

Up to 80% in bonds or securities not deemed to be ordinary shares, traded in US dollars, Pounds Sterling or in all OECD currencies. Exchange rate risk will be hedged so that exposure thereto shall not exceed 10% of the Fund's assets.

UCITS:

European money market, short-term money market or bond funds to a maximum of 10% provided that less than 10% of these funds' assets are invested in other UCIs.

These funds may be managed by the management company.

3 – Derivatives

- **Types of markets:**

- ☒ regulated
- ☒ organised
- ☒ OTC

- **The manager intends to seek exposure to:**

- ☒ equities
- ☒ interest rates
- ☒ currencies

- ☒ credit
- ☐ other

• **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 indices for hedging purpose only (up to 10%)
- ☒ interest rate: interest rate risk
- ☒ currency

☒ **options:**

- ☒ equity and equity indices for hedging purpose only (up to 10%)
- ☒ interest rate: interest rate and interest rate volatility risk
- ☒ currency: only on organised markets

☒ **swaps:**

- ☐ equity swaps
- ☒ interest rate swaps: transformation of fixed-rate income to variable-rate income and vice versa
- ☒ currency swaps

☒ **currency forwards**

☒ **credit derivatives** (CDS are limited to 40% of the assets)

• **Strategy of use of derivatives to achieve the investment objective:**

- ☒ partial or general hedging of the portfolio, some risks and securities
- ☒ 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 the following securities with embedded derivatives up to a maximum of 100% of the net assets: structured products, subordinated debt, puttable and callable bonds, convertible bonds and contingent convertible bonds (a maximum of 30% of the net assets for the latter).

5 – Deposits

Up to 10% of the Fund's assets may be held in deposits.

6 – Cash borrowings

The Fund 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 Fund 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

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:

The Fund is not guaranteed or protected and therefore there is a possibility that you may not get back the full amount of your initial investment. Investors should therefore be aware that they are not guaranteed to get back the money originally invested.

▪ Interest rate risk:

Risk of a fall in the value of the assets, and hence in the portfolio, resulting from a change in interest rates. Because of its sensitivity range, the value of this component of the portfolio may decrease, either in the case of a rise in interest rates if the portfolio's sensitivity is positive, or in the case of a fall in interest rates if the portfolio's sensitivity is negative.

▪ Credit risk:

Credit risk is the risk that the borrower does not repay his debt or cannot pay the coupons during the lifetime of the security. Risk of a fall in the value of the assets, and hence in the portfolio, due to a change in the credit quality of the issuers or to a change in credit spreads. Because of its credit sensitivity range, the value of this component of the portfolio may decrease, either in the case of a rise in spreads, if the portfolio's credit sensitivity is positive, or in the case of a fall in spreads if the portfolio's credit sensitivity is negative.

▪ Risks linked to contingent or subordinated securities:

The Fund may be exposed to contingent or subordinated securities. Subordinated debt and contingent convertible bonds are subject to specific risks of non-payment of coupons and capital loss in certain circumstances. At a certain solvency threshold, referred to as the "trigger" threshold, the issuer may or must suspend the payment of coupons and/or reduce the nominal value of the security or convert such bonds into shares. Notwithstanding the thresholds specified in the issuing prospectuses, the supervisory authorities may apply these rules preventively if the circumstances require, based on a subjective threshold known as the "point of non-viability". These securities expose holders to either a total or partial loss of their investment following their conversion into shares at a predetermined price or because of the application of a discount provided for contractually in the issuing prospectus or applied arbitrarily by a supervisory authority. Holders of these securities are also exposed to potentially large price fluctuations in the event that the issuer has insufficient equity or experiences difficulties.

▪ **Currency risk:**

The Fund may invest in securities and UCIs that are themselves permitted to purchase stocks denominated in currencies other than the euro. The value of these assets may decline in line with changes in the exchange rates.

▪ **Liquidity risk:**

This is the risk that a financial market can absorb the volumes of sell (or buy) transactions only by significantly decreasing (or increasing) the price of assets when trade volumes are low or when there are market tensions, resulting in a possible decrease in the Fund's net asset value.

▪ **Equity risk:**

Investors are exposed to equity risk. Fluctuations in share prices may have a negative impact on the Fund's net asset value. The Fund's NAV may decrease during periods in which equity markets are falling.

▪ **Counterparty risk:**

The counterparty risk is related to the use of over-the-counter products. The Fund is exposed to the risk of non-payment or non-delivery by the counterparty with which the transaction is negotiated. This risk may result in a decline in the Fund's NAV.

▪ **Risk associated with investment in the futures markets:**

The use of derivatives may cause exposure to an upward or downward change of the Fund's net asset value.

10 – Guarantee or protection

None.

11 – Eligible subscribers and typical investor profile

This Fund is aimed at investors who are aware of the risks associated with investing in the international credit markets.

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

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) all 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 Fund 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

Recommended investment period: minimum three 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 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.

For PVC EUR, PC EUR, PC H-USD, RVC EUR, TC EUR, and PC H-CHF units: Distributable income is accumulated in full, with the exception of those amounts subject to compulsory distribution by law.

For PVD EUR, RVD EUR and PD EUR units: Distributable income is equal to net income as defined above plus or minus the balance of the revenue adjustment account for PVD EUR, RVD EUR and PD EUR units for the past financial year and retained earnings.

Net income is distributed in full and the allocation of net realised capital gains is decided each year by the management company.

13 – Frequency of distribution

PVC EUR, PC EUR, PC H-USD, RVC EUR, TC EUR and PC H-CHF: None: accumulation units.

PVD EUR, RVD EUR and PD EUR units: Dividends are paid out annually to holders of units. Interim dividends may be paid.

14 – Features of the units (base currency, division of units, etc.)

The PVC EUR, PC EUR, RVC EUR, TC EUR, RVD EUR, PD EUR and PVD EUR units are denominated in euros, the PC H-USD units are denominated in US dollars and the PC H-CHF units are denominated in Swiss francs.

All units may be divided into thousandths of a unit.

15 – Terms and conditions of subscription and redemption

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

Calculation of net asset value (NAV):

Date and frequency of NAV calculation

- Valuation day (D) = the NAV is calculated every day except Saturdays and Sundays, public holidays in France and days on which the Paris stock exchange is closed for trading.
- NAV calculation and publication date = business day following the valuation day, i.e. (D+1).

Where/how NAV is published or made available:

NAV is notified daily online at:

www.lazardfreresgestion.fr.

and displayed in the management company's offices.

Addresses of the institutions designated to receive subscription and redemption orders:

➤ CACEIS BANK

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

Registered office: 1-3 place Valhubert – 75013 Paris, France

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 CACEIS Bank.

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 CACEIS Bank.

- **LAZARD FRÈRES BANQUE**, on behalf of clients for whom it provides custody account-keeping services, 121, Boulevard Haussmann – 75008 Paris, France.

Processing, execution and settlement of orders:

Subscription and redemption orders processed before 12 noon on each NAV valuation day D will be executed on the basis of the NAV of valuation date D. This NAV is calculated on the business day following the valuation day, i.e. D+1.

Initial subscriptions may not be for less than 1 unit.

Subscription settlement date: Two business days following the valuation date (D+2 business days).

Redemption settlement date: Two business days following the valuation date (D+2 business days).

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:

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 Fund are used to cover the charges that it incurs in investing or divesting the assets entrusted to it. The remaining fees are paid to the management company and/or the distributor, etc.

<i>Charges payable by the investor during subscription and redemption</i>	<i>Basis</i>	<i>Rate</i>
Subscription fees not retained by the Fund (PVC EUR, PC EUR, PD EUR, RVC EUR, RVD EUR, PC H-USD, PVD EUR, TC EUR and PC H-CHF units)	NAV x number of units	Maximum 4% incl. taxes
Subscription fees retained by the Fund (PVC EUR, PC EUR, PD EUR, RVC EUR, RVD EUR, PC H-USD, PVD EUR, TC EUR and PC H-CHF units)	n/a	None
Redemption fees not retained by the Fund (PVC EUR, PC EUR, PD EUR, RVC EUR, RVD EUR, PC H-USD, PVD EUR, TC EUR and PC H-CHF units)	n/a	None
Redemption fees retained by the Fund (PVC EUR, PC EUR, PD EUR, RVC EUR, RVD EUR, PC H-USD, PVD EUR, TC EUR and PC H-CHF units)	n/a	None

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.
The value date for the redemption will also be applied to the subscription.

<i>Expenses charged to the Fund</i>	<i>Basis</i>	<i>Rate</i>
Financial management fees	Net assets excluding UCIs managed by Lazard Frères Gestion	PVC EUR units: Maximum 0,265% incl. taxes RVC EUR units: Maximum 0,965% incl. taxes PC EUR units: Maximum 0,665% incl. taxes PC H-USD units: Maximum 0,715% incl. taxes PVD EUR units: Maximum 0,265% incl. taxes PC H-CHF units: Maximum 0,715% incl. taxes RVD EUR units: Maximum 0,965% incl. taxes Part PD EUR: Maximum 0,665% incl. taxes Part TC EUR: Maximum 0,665% incl. taxes

Administrative fees external to the management company	Net assets	PVC EUR, PC EUR, PD EUR, RVC EUR, RVD EUR, PC H-USD, PVD EUR, TC EUR and PC H-CHF units: Maximum 0,035% incl. taxes
Turnover commission (incl. taxes):	n/a	None
Performance fee (PVC EUR, RVC EUR, RVD EUR and PVD EUR units)	NAV per unit x number of units	30% of the outperformance above the ICE BofAML Euro Financial Index, expressed in euro. This fee will be capped at 2%.*

* Calculation of outperformance:

Performance fees are calculated by comparing changes in the Fund's assets over the financial year (net dividends reinvested and excluding variable management fees) with the assets of a benchmark fund:

- with a baseline value equal to the value of the Fund's assets at the close of the last financial year;
- and with a daily performance equal to that of the benchmark index (net dividends reinvested) in euros or in US dollars or in Swiss francs and registering the same variations in subscriptions and redemptions as the Fund.

If, at the close of the financial year, the Fund's assets (excluding variable management fees) exceed those of the benchmark fund, a performance fee will be charged equal to 30% (including taxes) of the difference in value between the Fund's assets and the benchmark fund. This fee will be capped at 2%.

If the Fund underperforms the benchmark fund between two net asset value dates, any provision previously recognised will be reversed. Amounts deducted from provisions may not exceed the amount previously accumulated.

This variable portion will only be definitively transferred to the management company at the end of the reference period if the Fund outperforms the benchmark fund over the reference period.

These fees (fixed portion and variable portion, if any) are directly charged to the Fund's income statement. Redemptions occurring during the life of the Fund will give rise to the early payment of the corresponding portion of the variable fees.

Where redemptions occur, the performance provision will be adjusted pro rata to the amounts redeemed, and the reversed provision will revert to the management company.

Only the contributions payable for the management of the UCI pursuant to Article L. 621-5-3 II 3° d) of the French Monetary and Financial Code 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 allocated to the Fund. All costs and expenses related to these management techniques are assumed by the Fund.

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

17 – Outline of the intermediary selection procedure

The intermediaries used in fixed-income management are selected using a range of evaluation criteria:

- Quality of order execution and negotiated prices;
- Quality of operational service in processing orders;
- Coverage of information when monitoring markets
- Quality of macroeconomic and financial research.

The fixed-income managers report at least twice a year to the management company's Broker Committee, with an assessment of the services provided by the various brokers and a breakdown of transaction volumes. The Broker Committee approves any updates to the list of authorised brokers.

III - SALES AND MARKETING INFORMATION

Publication of information about the Fund:

Lazard Frères Gestion sas
25, Rue de Courcelles – 75008 Paris, France
Customer Relations
 + 33 (0)1 44 13 01 79

Availability of commercial documentation on the Fund:

The commercial documentation related to the Fund shall be made available to the unitholders at the registered office of Lazard Frères Gestion SAS, 25 rue de Courcelles, 75008 Paris, France.

Information regarding environmental, social and corporate governance (ESG) issues is available on the management company's website (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 unitholders for purposes related solely to unitholders' 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 Fund:

The shareholders shall be informed of any changes in the operation of the Fund either individually or in the press or by any other means in accordance with the prevailing regulations. This information may, where relevant, be provided through Euroclear France or 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).

IV – INVESTMENT RULES

The Fund's investment rules are defined by the French Monetary and Financial Code.

V – AGGREGATE RISK

The Fund's aggregate risk is calculated using the commitment method.

VI – ASSET VALUATION AND ACCOUNTING RULES

Asset valuation rules

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

▪ Marketable securities:

- **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).

- **Bonds and similar financial 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 day 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.

Similarly, valuations based partly on Bloomberg prices derived from averages of contributed prices may not reflect the reality of the market when the transactions are carried out.

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

▪ Negotiable debt securities:

- **Negotiable debt securities with a residual maturity of more than three months :**

Negotiable debt securities traded in large volumes are valued at market price. In the absence of significant trading volumes, these securities are valued using an actuarial method, with a benchmark rate plus, where applicable, a margin representative of the issuer's intrinsic features.

Benchmark rate	
Negotiable debt securities in euros	Negotiable debt securities in other currencies
Euribor, OIS swaps and BTFs - 3 – 6 – 9 – 12 months BTANS - 18 months, 2 – 3 – 4 – 5 years	Official key rates in the relevant countries

- **Negotiable debt securities with a residual maturity of three months or less:**

Negotiable debt securities with a residual maturity of three months or less are valued using the straight-line method. However, this method would not be applied if any of these securities were particularly sensitive to market movements.

▪ 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.

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

All of the Fund'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 Fund'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 Fund'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 Fund's currency).

2 – Accounting policies

- **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) less UCIs managed by Lazard Frères Gestion SAS using the following formula:

$$\begin{array}{rcl} & & \text{(Gross assets – UCIs managed by Lazard Frères Gestion SAS)} \\ \times & & \text{operating and management fees rate} \\ \times & & \frac{\text{no. of days between the calculated NAV and the previous NAV}}{365 \text{ (or 366 in a leap year)}} \end{array}$$
 - This amount is then recorded in the Fund's income statement and paid in full to the management company.
 - The management company pays the Fund's operating fees including for:
 - . 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 617.
- 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 unitholders, 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 unitholders entering and leaving the Fund that would otherwise have been allocated across all unitholders 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 fees, bid/offer spreads and tax charges 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 it 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 CREDIT FI

TITLE I

ASSETS AND UNITS

Article 1 - CO-OWNERSHIP UNITS

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, commencing from March 7th, 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

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

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.

Units of open-end investment funds 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 are undertaken entirely in cash, unless the Fund is dissolved and unitholders have agreed to be paid in securities. They are paid by the issuer 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 fund, 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 Fund 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 Fund are less than the regulatory amount.

Article 4 - CALCULATION OF THE NET ASSET VALUE

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 UCITS; they are valued according to the valuation rules used to calculate the net asset value.

TITLE II

FUND OPERATION

Article 5 - MANAGEMENT COMPANY

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

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

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

Article 5b – ADMISSION FOR TRADING ON A REGULATED MARKET AND/OR A MULTILATERAL TRADING FACILITY

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

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

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 are accurate and in order.

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

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 Fund'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

Article 9 – 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 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

The management company may either contribute the assets of the Fund, in whole or in part, to another UCITS it manages, or split the Fund in 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

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

In the event that the Fund is dissolved, the management company or the appointed liquidator 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

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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