LAZARD CAPITAL FI, French open-end investment fund (Fonds Commun de Placement - FCP)

ANNUAL REPORT

for the year ended December 29th, 2017

Management company: Lazard Frères Gestion SAS

Custodian: Caceis Bank

Statutory auditor: Mazars

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1.CHARACTERISTICS OF THE UCI

- **LEGAL FORM**

French open-end investment fund (*Fonds Commun de Placement*).

- **CLASSIFICATION**

International bonds and other debt securities.

- **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 the IC, DH and IC H-CHF units, distributable income shall be fully accumulated, with the exception of those amounts subject to compulsory distribution by law.

For ID units, distributable income is equal to net income as defined above plus or minus the balance of the revenue adjustment account for ID units for the past financial year and retained earnings. Net income is distributed in full and net realised capital gains are fully accumulated.

For R units, distributable income is equal to net income as defined above plus or minus the balance of the revenue adjustment account for R 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.

- **INVESTMENT OBJECTIVE**

C, ID and R units: the investment objective is to achieve a return (net of charges) above the Barclays Global Contingent Capital Hedged EUR index, expressed in euros, hedged against foreign exchange risk with the euro as the base currency, over the recommended minimum investment horizon of five years.

DH units: the investment objective is to achieve a return (net of charges) above the Barclays Global Contingent Capital Hedged USD index, expressed in US dollars, hedged against foreign exchange risk with the US dollar as the base currency, over the recommended minimum investment horizon of five years.

IC H-CHF units: the investment objective is to achieve a return (net of charges) above the Barclays Global Contingent Capital Hedged CHF index, expressed in Swiss francs, hedged against foreign exchange risk with the Swiss franc as the base currency, over the recommended minimum investment horizon of five years.

- **BENCHMARK**

IC, ID and R units: the Barclays Global Contingent Capital Hedged EUR index, expressed in euros, is shown on Bloomberg under the code BCCGTREH. The Barclays Global Contingent Capital index is weighted according to the market value of the securities that comprise it, with a concentration on liquid issues. It comprises issues by banks, financial institutions and insurance companies above €300 million,
£200 million and $300 million, denominated in various currencies including the euro. It is rebalanced on a monthly basis with elimination of issues with a maturity of less than one year.

DH units: the Barclays Global Contingent Capital Hedged USD index, expressed in US dollars, is shown on Bloomberg under the code BCCGTRUH. The Barclays Global Contingent Capital index is weighted according to the market value of the securities that comprise it, with a concentration on liquid issues. It comprises issues by banks, financial institutions or insurers above €300m, £200m and $300m, denominated in various currencies including the US dollar. It is rebalanced on a monthly basis with elimination of issues with a maturity of less than one year.

IC H-CHF units: the Barclays Global Contingent Capital Hedged CHF index, expressed in Swiss francs, is shown on Bloomberg under the code BCCGSICH. The Barclays Global Contingent Capital index is weighted according to the market value of the securities that comprise it, with a concentration on liquid issues. It comprises issues by banks, financial institutions or insurers above €300m, £200m and $300m, denominated in various currencies including the Swiss franc. It is rebalanced on a monthly basis with elimination of issues with a maturity of less than one year.

- **INVESTMENT STRATEGY**

1. Strategies used

The Fund aims to outperform the Barclays Global Contingent Capital Hedged EUR index, net of expenses, for the IC, ID and R units, the Barclays Global Contingent Capital Hedged USD index for the DH units, and the Barclays Global Contingent Capital Hedged CHF index for the IC H-CHF units through active management of the interest rate, credit and exchange rate risk.

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 European financial institutions, including contingent convertible bonds. 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 or pounds sterling.
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.
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 to 8	OECD area	100%

The Fund may invest in bonds denominated in euros, US dollars and pounds sterling.

2. Equity assets (excluding embedded derivatives):

- Ordinary shares (maximum 10% of net assets) arising from the conversion of debt or an offer by the issuer to exchange debt for shares. 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:

- Up to 100% of the net assets in bonds or securities not considered ordinary shares, expressed in euros, US dollars or pounds sterling, including contingent convertible bonds.
- Exchange rate risk will be hedged so that exposure thereto shall not exceed 10% of the Fund's assets.

The bonds or securities may be rated Investment Grade (AAA to BBB- at Standard & Poor’s) or equivalent based on the management company's analysis, or speculative/High Yield (BB+ to D/SD at Standard and Poor’s) or equivalent based on the management company's analysis, or they may not be rated by a ratings agency, they may be traded in euros, US dollars or pounds sterling and issued by governments, companies or financial institutions.

UCITS:

- Up to 10% of the net assets in money market UCITS, short-term money market funds or French or European bond funds provided that less than 10% of these funds' assets are invested in other UCIs.

These UCIs 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
☒ foreign exchange
☒ credit
☐ other

• Transaction type – all transactions must be limited to achieving the investment objective:

☒ hedging
☒ exposure
☐ arbitrage

• Type of instruments used:

☒ futures:
    ☐ equity and equity indices
    ☒ interest rate: interest rate risk
    ☒ currency
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    ☐ equity and equity indices
    ☒ interest rate
    ☒ 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
☒ up to 40% of the assets in credit derivatives

• Derivatives strategy 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 securities with the following embedded derivatives: structured products, subordinated debt, convertible bonds and contingent convertible bonds.

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 201306 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.

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.

Foreign exchange 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.

GUARANTEE OR PROTECTION
None.

ELIGIBLE SUBSCRIBERS AND TYPICAL INVESTOR PROFILE
IC, ID, DH, R and IC H-CHF units: all subscribers.

All subscribers 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.

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 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 investment.

Recommended investment period: minimum five years.

2. CHANGES AFFECTING THE UCI

Change of name on 20/11/2017: Objectif Capital Fi was renamed Lazard Capital Fi

PERFORMANCE

The UCIs performance over the period was as follows: 11,48%.

Performances vary over time and past performance is no guarantee of the UCI's future results.

The benchmark over the period was: 13,41%.

ECONOMIC ENVIRONMENT

Introduction

Global growth strengthened over the past year, reflecting an improvement in activity in both developed and emerging economies. This synchronised recovery was accompanied by a rebound in investment, industrial production and global trade. The world business climate index also improved, despite political uncertainties linked to elections in the US and Europe. Generally speaking, inflation picked up in the developed countries, primarily because of the rise in energy prices, while underlying tensions remained moderate, despite improvements on the labour markets. Inflation slowed significantly in certain large commodity-exporting emerging countries, enabling their central banks to relax monetary policy. Monetary policies in developed countries remained highly accommodative. However, they are gradually moving towards a normalisation of these policies. The Federal Reserve (Fed) raised its interest rates on three occasions and announced the start of a reduction in its balance sheet. The European Central Bank (ECB) reduced the amount of its monthly asset purchases and lengthened the duration of its purchasing programme. In this more favourable economic environment, the equity markets were very dynamic. However, the bond markets were penalised by the rise in interest rates.

GDP volume growth (%)	**2015**	**2016**	**2017 (e)**	**2018 (e)**
World	3,4	3,2	3,6	3,7
Developed countries	2,2	1,7	2,2	2,0
Emerging countries	4,3	4,3	4,6	4,9
Eurozone	2,0	1,8	2,1	1,9
United States	2,9	1,5	2,2	2,3
Japan	1,1	1,0	1,5	0,7
United Kingdom	2,2	1,8	1,7	1,5
China	6,9	6,7	6,8	6,5
India	8,0	7,1	6,7	7,4
Brazil	-3,8	-3,6	0,7	1,5
Russia	-2,8	-0,2	1,8	1,6

IMF Economic Outlook, October 2017

* For India, the data is presented based on the fiscal year starting on April 1st and ending on March 31st of the following year.

The MSCI World equity index denominated in dollars rose by 16,4% between September 2016 and September 2017. All of the main zones produced a very good performance: +26,6% for the Topix in yen, +19,7% for the MSCI Emerging Markets index in dollars, +19,6% for the Euro Stoxx and +16,2% for the S&P 500 in dollars, all excluding dividends.
The equity markets were underpinned by the prospect of a budget stimulus plan in the US following Donald Trump's victory in the US presidential elections on November 8^{th}, 2016 and the improvement in the economic growth outlook and corporate earnings forecasts. The defeat of eurosceptic parties in elections in the Netherlands and France in the spring was also a supporting factor. During the summer, European equities were penalised by the euro's appreciation and geopolitical tension with North Korea, before rebounding sharply in September.
Interest rates in Germany and the US rose rapidly after Donald Trump's election. His campaign promises pushed inflationary anticipations higher and the markets consequently anticipated more rapid monetary tightening in the US. Interest rates thus fluctuated within a narrow band during the first half of 2017, amid disappointing inflation data across the Atlantic, geopolitical uncertainties, and growing doubts about Donald Trump's capacity to implement his stimulus plan. In the third quarter of 2017, interest rates fluctuated in line with anticipations of monetary policy tightening in Europe and the US and geopolitical pressure. German 10-year yields rose from -0,12% to 0,46% over twelve months, while US 10-year yields rose from 1,59% to 2,33%.
Credit spreads in relation to Germany tightened significantly in Greece (-320bp) and Portugal (-153bp), while they widened slightly in Spain (+14bp) and Italy (+34bp). The yield spread between France and Germany had risen significantly before the presidential elections. It narrowed subsequently when it seemed highly likely that Emmanuel Macron would win. The credit spread between France and Germany remained almost stable over the year (+3bp). Credit spreads between good quality corporate bonds and government bonds tightened slightly (-6bp) while spreads on high yield bonds tightened significantly (-154bp) to 95 and 262 basis points respectively, according to Merrill Lynch indices.
On the foreign exchange market, Donald Trump's victory initially prompted a depreciation of the euro against the dollar. The exchange rate fell from 1,10 before the US elections to 1,04 in December 2016. The euro/dollar exchange rate subsequently fluctuated between1,04 and 1,08 until the spring. After the French elections, the euro appreciated significantly, reaching $1,18 at the end of September. Over the full year, the euro appreciated by 5,2% against the dollar, by 16,7% against the yen and by 1,8% against the pound sterling.
Oil prices picked up in the fourth quarter of 2016 after the main oil producing countries reached an agreement on cutting production. The Brent barrel price subsequently fluctuated around $55 until early March 2017 before concerns about a supply glut prompted a fresh fall in prices. After a low of $45 at end-June, oil prices rose to around $60 dollars at the end of September, underpinned by robust demand and geopolitical uncertainties in the Middle East. The Brent barrel price rose by 18% over the year, from $48 to $56.

United States
Growth in the US slowed at the end of the year and at the start of 2017 before rebounding in Q2 2017 to an annualised +3,1% (+2,2% year-on-year). Investment rebounded sharply during the final quarters.

The ISM surveys improved until spring 2017 and subsequently stabilised at a relatively high level. In September 2017, they jumped to their highest level since the mid-2000s. The manufacturing sector index rose from 51,7 to 60,8 and the non-manufacturing sector index rose from 56,6 to 59,8 year-on-year.

Job creation remained strong apart from two soft patches in March and September 2017, the latter linked to hurricanes Harvey and Irma. An average of 155 000 jobs were created over the last 12 months, underpinning a further fall in the unemployment rate. The latter reached its lowest level since 2001 in September 2017 at 4,2%, versus 4,9% in September 2016. Growth in the hourly wage increased from 2,7% to 2,9%.

Household consumption slowed sharply in Q1 2017 because of mild weather, which weighed on energy consumption, as well as delays by the government in refunding income tax. It rebounded in Q2 2017 (+3,3% at an annualised rate) before suffering again on the back of the hurricanes in Q3 2017.

The recovery in the real estate sector remained stagnant in 2017. In construction, building permits rose by 7,2% year-on-year in August 2017 but housing starts stabilised (+0,5%). In the residential sector, sales of existing houses fell by 0,7% while sales of new houses fell by 2,2%. Homebuilders' confidence nevertheless remained at a historically high level and real estate prices accelerated slightly (+5,8% year-on-year in July 2017).

Orders of capital goods picked up sharply from the lows of summer 2016, particularly in the mining and oil sectors. Orders excluding defence and aviation rose by 4,0% in August 2017, versus a decline of 6,2% in June 2016.

The trade deficit increased slightly from $38,5 billion in September 2016 to $42,4 billion in August 2017. Over the same period, exports rose by 3,8% and imports rose by 4,9%.

Inflation reached a peak of +2,7% year-on-year in February 2017 before falling to +2,2% in September 2017 compared with +1,5% in September 2016. Excluding energy and food, inflation remained stable overall at +2,2% until January 2017 before slowing to +1,7% in June 2017. It stabilised at this level until September 2017.

The Federal Reserve raised its key interest rate by 25 basis points on three occasions: in December 2016, March 2017 and June 2017, bringing it to a band of 1,00-1,25%. At its September 2017 meeting, it announced it would begin reducing its balance sheet in October 2017 by ceasing to reinvest some of the proceeds from the matured securities in its portfolio.

Eurozone

Growth in the Eurozone remained solid. It reached an annualised rate of +2,6% in Q2 2017 (+2,3% year-on-year), after +2,2% in Q1 2017 and +2,6% in Q4 2016. Domestic demand was the main driver of economic growth.

The PMI composite business climate index in the Eurozone improved sharply despite political uncertainties, rising from 52,6 to 56,7 between September 2016 and September 2017.

Unemployment in the Eurozone continued to fall rapidly. At 9,1% in August 2017 versus with 9,9% in September 2016, it returned to its pre-sovereign debt crisis level.

Inflation increased from +0,4% year-on-year in September 2016 to +2,0% in February 2017 before falling back to +1,5% in September 2017. Core inflation fluctuated between +0,7% and +0,9% until spring 2017, before rising above this threshold. It reached +1,1% in September 2017 compared with +0,8% in September 2016.

In Germany, economic growth was strong, reaching an annualised rate of +2,5% in Q2 2017 (+2,1% year-on-year), after +2,9% in Q1 2017 and +1,7% in Q4 2016. In the federal elections on September 24th, 2017 Angela Merkel's CDU/CSU alliance secured victory with 246 out of 598 seats in the Bundestag. However, a coalition government was difficult to form with the Social Democratic Party in opposition.

In France, economic growth was solid, reaching an annualised rate of +2,2% in Q2 2017 (+1,8% year-on-year), after +2,1% in Q1 2017 and Q4 2016. The PMI composite business climate index jumped to 57,1 in September 2017 from 52,7 in September 2016. On May 7th, 2017, Emmanuel Macron was elected president of France, having won 66,1% of votes. Following the general election on June 18th, 2017, his party, La République en marche, won an overall majority in the National Assembly, with 308 out of 577 seats.

Growth in Italy stabilised, reaching an annualised rate of +1,5% in Q2 2017 (+1,5% year-on-year), after +1,8% in Q1 2017 and +1,6% in Q4 2016. On December 4th, Italians rejected by a large majority (59,1%) the constitutional reform sought by Matteo Renzi, who resigned afterwards. The Italian president appointed Paolo Gentilini to replace him.

In Spain, growth accelerated, reaching an annualised rate of +3,6% in Q2 2017 (+3,1% year-on-year), after +3,2% in Q1 2017 and +2,8% in Q4 2016. The Spanish parliamentary elections on June 26th, 2016 failed to produce a government majority. On October 29th, 2016 the parliament finally placed its trust in Mariano Rajoy, the leader of the People's Party, who formed a minority government. On September 6th, 2017, the Catalan government voted a law to hold a referendum on the region’s independence, which was considered unconstitutional.

On December 8th, 2016, the ECB announced a reduction in the amount of its monthly asset purchases from €80 billion to €60 billion starting from April 2017. In parallel, it extended the duration of its purchasing programme by nine months, until the end of December 2017. During its meeting of June 8th, 2017, the ECB adjusted its communication with a view to a gradual normalisation of its monetary policy. It notably revised its forward guidance on interest rates by removing the reference to a potential rate cut.

Japan

Growth in Japan accelerated, reaching an annualised rate of +2,5% in Q2 2017 (+1,4% year-on-year), after +1,2% in Q1 2017 and +1,6% in Q4 2016.

The PMI manufacturing business climate index improved until February 2017 and subsequently stabilised. It rose from

50,4 in September 2016 to 52,9 in September 2017.

The labour market continued to tighten but wage growth remained modest. Between September 2016 and August 2017, the unemployment rate fell from 3,0% to 2,8%. The basic wage rose by 0,4% year-on-year in August 2017.

Inflation moved back into positive territory at +0,7% year-on-year in August 2017 versus -0,5% in September 2016. Core inflation slowed until the spring, before rising to +0,2% in August 2017, the level observed in September 2016.

On September 28th, 2017, the prime minister Shinzo Abe announced the dissolution of the lower house of parliament, prompting a general election on October 22nd, 2017.

China
Growth in China accelerated slightly to +6,9% year-on-year in Q2 2017 versus +6,9% in Q1 2017 and +6,8% in Q4 2016. During the National People's Congress in March 2017, the government announced it was targeting growth of around 6,5% in 2017.

Household consumption remained solid despite a slowdown in car sales. Retail sales rose by 10,1% over the first eight months of 2017, compared with +10,9% in 2016. Investment slowed but private investment picked up. According to the monthly data, investment rose by 4,9% over the first eight months of 2017, compared with +6,3% in 2016.

Exports and imports both rallied. Over the first eight months of 2017, exports in dollars rose by 7,6% and imports rose by 16,9%, after decreasing by 7,7% and 7,5% respectively in 2016.

The rise in real estate prices abated. Property prices rose by 8,1% year-on-year in August 2017 after peaking at +10,5% in December 2016. Several local authorities announced measures to curb demand, which weighed on sales of residential accommodation (+10,3% over the first eight months of 2017 versus +22,4% in 2016).

The rise in producer prices (+6,9% year-on-year in September 2017) underpinned a rebound in corporate earnings in the manufacturing sector (+24,0% year-on-year in September 2017). Inflation remained moderate at +1,6% year-on-year in September 2017.

After significant outflows in 2016, capital inflows moved back into positive territory (+$31,1 billion in Q2 2017). Foreign exchange reserves reached a low in January 2017 at $2 998bn before rising to $3 108bn in September 2017, versus $3 166bn one year earlier.

MANAGEMENT POLICY

<u>January 2017</u>
The net asset value of Objectif Capital Fi rose by +1,28% over the month (I units): the Barclays Global Contingent Capital € Hedged index gained +1,65% over the period.
Spreads on financial debt tightened during the month. Spreads on Tier 1 yields tightened by 57 bp to 356 bp (versus government bonds), spreads on Tier 2 yields tightened by 3 bp to 252 bp and spreads on senior debt remained flat at 98 bp, according to the JP Morgan SUSI indexes. Spreads on CoCos tightened by 13 bp in OAS terms, closing the period at 464 bp according to Barclays Global Index.

The German government yield curve steepened during the month, with the 10-year yield up 23 bp to 0,44% and the 5-year yield up 13 bp to -0,40%, while the 2-year yield rose by 7 bp to -0,70%.

Objectif Capital Fi gained a net +1,28% in 2016 vs +1,65% for the Barclays Global Contingent Capital € Hedged index.

Objectif Capital Fi has a 260-day volatility of 6,6% vs 8,7% for the Barclays Global Contingent Capital € Hedged index.

The markets showed strong trends at the start of the year: banking sector equities outperformed the equity market while the Eurozone and UK yield curves steepened on the back of strong macroeconomic indicators. The first set of results by banks were good on the whole and signalled the start of an improvement in income, net interest income in particular, for the first time in years. Spreads on securities that are least correlated to interest rates, AT1 in this case, tightened most while Tier 2 and Senior debt generated negative performances, with spreads remaining almost stable, but with a negative interest rate effect. "Political uncertainty" in the US, France and Italy was the main risk factor, and it probably generated more volatility than any real impact on the markets in the end. The primary market, excluding covered bonds, totalled €29 billion in gross issuance of Senior Unsecured debt according to Barclays, with net bank issuance totalling -€13 billion over the month. Gross issuance since the start of the year totalled €29 billion and net issuance -€13 billion. Capital Fi had a yield to maturity of 5,5% and a yield to call of 5,2% with interest rate sensitivity of 1,1 and credit sensitivity of 3,8.

February 2017

The net asset value of Objectif Capital Fi rose by +1,03% over the month (I units): the Barclays Global Contingent Capital € Hedged index gained +2,01% over the period.

Spreads on financial debt widened slightly. Spreads on Tier 1 bonds widened by 1 bp to 357 bp (versus government bonds), spreads on Tier 2 bonds widened by 7 bp to 259 bp and spreads on senior debt widened by 6 bp to 104 bp at the month-end, according to the JP Morgan SUSI indexes. Spreads on CoCos, however, tightened by 23 bp in OAS terms, closing the period at 442 bp according to the Barclays Global Index.

The German government yield curve fell sharply during the month, with the 10-year yield down 23 bp to 0,21% and the 5-year yield down 17 bp to -0,57%, while the 2-year fell by 20 bp to -0,90%.

Objectif Capital Fi gained a net +2,33% in 2017 vs +3,68% for the Barclays Global Contingent Capital € Hedged index.

Objectif Capital Fi has a 260-day volatility of 5,3% vs 7,0% for the Barclays Global Contingent Capital € Hedged index.

The market was in "risk-off" mode due to political risk in France throughout almost the entire month of February, with German yields on a strong downward trend until February 24th, the OAT-Bund spread at its highest level in four years (nearly 80 bp), financial stocks on a downward trend, and financial credit out of favour until French presidential election surveys showed growing support for Macron and Fillon and a bigger gap in relation to Le Pen in the second round of voting. The last week of February therefore contrasted sharply with the first three weeks of the month.

Political risk in France overshadowed fairly positive macroeconomic data and good earnings releases by banks and insurance companies. Unicredit successfully completed its €13 billion capital increase.

The primary market, excluding covered bonds, totalled €19 billion in gross issuance of Senior Unsecured debt according to Barclays, with net bank issuance totalling -€18 billion over the month. Gross issuance since the start of the year totalled €53 billion and net issuance -€26 billion.

Objectif Capital Fi had a yield to maturity of 5,6% and a yield to call of 5,0% with interest rate sensitivity of 1,3 and credit sensitivity of 4,4.

March 2017

The net asset value of Objectif Capital Fi rose by +0,82% over the month (I units): the Barclays Global Contingent Capital € Hedged index gained +0,75% over the period.

Spreads on financial debt tightened during the month. Spreads on Tier 1 yields tightened by 36 bp to 321 bp (versus government bonds), spreads on Tier 2 yields tightened by 25 bp to 234 bp and spreads on senior debt tightened by 8 bp, ending the month at 96 bp, according to the JP Morgan SUSI indexes. Spreads on CoCos tightened by 2 bp in OAS terms, closing the period at 440 bp according to Barclays Global Index.

The German government yield curve flattened during the month, with the 10-year yield up 12 bp to 0,33% and the 5-year yield up 19 bp to -0,38%, while the 2-year yield rose by 16 bp to -0,74%.
Objectif Capital Fi gained a net +3,17% in 2017 vs +4,46% for the Barclays Global Contingent Capital € Hedged index.

Objectif Capital Fi has a 260-day volatility of 5,0% vs 6,5% for the Barclays Global Contingent Capital € Hedged index.

The month was positive overall, with good macroeconomic data, reassuring survey results concerning the presidential elections in France, an easing of support for the Dutch populist party led by Geert Wilders, continued shoring up by banks of their balance sheets (as reflected by Deutsche Bank's announcement of an €8 billion capital increase and Caixa Geral de Depositos' announcement of a €2,5 billion capital increase), and an increase in interest rates during the first half of the month (good news for margins in the financial sector).

The second half of March was impacted by the failure of Donald Trump to have his reform of Obamacare approved and rising concerns around reflation trade, partly based on the implementation of a more aggressive fiscal policy by the new US president. Interest rates fell considerably at the end of March since the Obamacare reform had been earmarked to partly "finance" tax cuts and infrastructure expenditure planned on foot of more doveish statements by the ECB. This phenomenon was undoubtedly accentuated by the ECB's asset purchases and those of other European central banks looking to minimise the appreciation of their currencies (Switzerland, Denmark and Czech Republic).

The primary market, excluding covered bonds, totalled €26 billion in gross issuance of Senior Unsecured debt according to Barclays, with net bank issuance totalling -€8 billion over the month. Gross issuance since the start of the year totalled €80 billion and net issuance +€31 billion.

Objectif Capital Fi had a yield to maturity of 5,8% and a yield to call of 5,2% with interest rate sensitivity of 1,7 and credit sensitivity of 4,7.

April 2017
Objectif Capital Fi saw its net asset value rise by +1,92% over the month (I units); the Barclays Global Contingent Capital € Hedged index gained +2,48% over the period.

Spreads on financial debt tightened across the board. Spreads on Tier 1 yields tightened by 30 bp to 291 bp (versus government bonds), spreads on Tier 2 yields tightened by 24 bp to 210 bp and spreads on senior debt tightened by 3 bp, ending the month at 93 bp, according to the JP Morgan SUSI indexes. Spreads on CoCos tightened by 29 bp in OAS terms, closing the period at 411 bp according to Barclays Global Index.

The German government yield curve scarcely moved during the month, with the 10-year yield down 1 bp to 0,32% and the 5-year yield down 1 bp to -0,39%, while the 2-year yield rose by 1 bp to -0,73%.

Objectif Capital Fi gained a net +5,15% in 2017 vs +7,04% for the Barclays Global Contingent Capital € Hedged index.

Objectif Capital Fi has a 260-day volatility of 4,9% vs 6,4% for the Barclays Global Contingent Capital € Hedged index.

There was a broad wait-and-see approach in April and extreme prudence in advance of the French presidential elections. The credit markets scarcely moved until Sunday, April 23rd, while yields reached a low on 18 April. The markets began to rally strongly from Monday, April 24th, on the back of
short covering and a re-weighting of France by investors that had underweighted the country across government, corporate and financial debt lines.

There were few major events during the month apart from the publication by banks of very encouraging 2017 first-quarter results.

The primary market, excluding covered bonds, totalled €16 billion in gross issuance of Senior Unsecured debt according to Barclays, with net bank issuance totalling -€5 billion over the month. Gross issuance since the start of the year totalled €96 billion and net issuance -€35 billion.

Objectif Capital Fi had a yield to maturity of 5,3% and a yield to call of 4,4% with interest rate sensitivity of 1,8 and credit sensitivity of 4,4.

May 2017

The net asset value of Objectif Capital Fi rose by +0,89% over the month (I units): the Barclays Global Contingent Capital € Hedged index gained +0,96% over the period.

Spreads on financial debt tightened across the board. Spreads on Tier 1 yields tightened by 23 bp to 268 bp (versus government bonds), spreads on Tier 2 yields tightened by 14 bp to 196 bp and spreads on senior debt tightened by 3 bp, ending the month at 89 bp, according to the JP Morgan SUSI indexes. Spreads on CoCos tightened by 1 bp in OAS terms, closing the period at 410 bp according to Barclays Global Index.

The German government yield curve flattened during the month, with the 10-year yield down 1 bp to 0,30% and the 5-year yield down 5 bp to -0,43%, while the 2-year rose by 2 bp to -0,71%.

Objectif Capital Fi gained a net +6,09% in 2017 vs +8,07% for the Barclays Global Contingent Capital € Hedged index.

Objectif Capital Fi has a 260-day volatility of 4,9% vs 6,4% for the Barclays Global Contingent Capital € Hedged index.

May saw a continuation of the trends seen at the end of April, underpinned by reassurance at the results of the French presidential elections. The catch-up effect continued therefore for French as well as peripheral securities.

The “complicated” story around Banco Popular gave way to suggestions of a takeover by a major Spanish bank, potentially Santander, BBVA or Bankia. Different rumours abounded, with a clearly identified risk of losses for the bank’s shareholders and subordinated debtors (AT1 and Tier 2). A maturity of 30 June was set. We have no Banco Popular securities in the portfolio.

The primary market, excluding covered bonds, totalled €30 billion in gross issuance of Senior Unsecured debt according to Barclays, with net bank issuance totalling +€12 billion over the month. Gross issuance since the start of the year totalled €126 billion and net issuance -€24 billion.

Objectif Capital Fi had a yield to maturity of 5,3% and a yield to call of 5,5% with interest rate sensitivity of 2,7 and credit sensitivity of 5,1.

June 2017

The net asset value of Capital Fi rose by +0,57% over the month (I units): the Barclays Global Contingent Capital € Hedged index gained +0,00% over the period.

Spreads on financial debt presented a mixed picture. Spreads on Tier 1 yields tightened by 41 bp to 227 bp (versus government bonds), spreads on Tier 2 yields tightened by 8 bp to 188 bp and spreads on senior debt tightened by 10 bp, ending the month at 79 bp according to the JP Morgan SUSI indexes. Spreads on CoCos tightened by 20 bp in OAS terms, closing the period at 390 bp according to Barclays Global Index.

The German government yield curve saw movement towards the high end during the month, with the 10-year yield up 16 bp to 0,47% and the 5-year yield up 21 bp to -0,22%, while the 2-year yield rose by 14 bp to -0,57%.

Capital Fi gained a net +6,7% in 2017 vs +8,07% for the Barclays Global Contingent Capital € Hedged index.

Capital Fi has a 260-day volatility of 3,9% vs 4,0% for the Barclays Global Contingent Capital € Hedged index. As in

April, after a rather sluggish start, the credit market resumed from the middle of the month.

The rebound in banking sector equities underpinned the progress in hybrid financial debt. Danièle Nouy’s statements during a conference in Madrid on a potential Basel IV with no increase in capital requirements for banks were welcomed by the markets.

The banking sector continued to consolidate, in Spain with the takeover of Banco Popular (to which we had no exposure) by Santander (for a symbolic €1, to be financed by a capital increase of €7 billion), for burden sharing of subordinated debtors (AT1 and Tier 2), the takeover of Banco Mare Nostrum by Bankia, and in Italy the takeover of Veneto Banca and Banca Vincenza by Intesa Sanpaolo for €1 but with a capital increase reserved for the Italian state of €4.8 billion. We continued to await a resolution for Monte dei Paschi.

Towards the end of the month there was volatility around interest rates in the G3 following broadly hawkish statements by the central banks: it is not known whether this was through agreement or chance, but the markets responded with a sharp steepening of yield curves.

The primary market, excluding covered bonds, totalled €18 billion in gross issuance of Senior Unsecured debt according to Barclays, with net bank issuance totalling -€7 billion over the month. Gross issuance since the start of the year totalled €149 billion and net issuance -€26 billion.

Capital Fi had a yield to maturity of 5,4% and a yield to call of 4,6% with interest rate sensitivity of 2,7 and credit sensitivity of 5,1.

<u>July 2017</u>
The net asset value of Capital Fi rose by +1,49% over the month (I units): the Barclays Global Contingent Capital € Hedged index gained +2,04% over the period.

Spreads on financial debt tightened across the board. Spreads on Tier 1 yields tightened by 3 bp to 223 bp (versus government bonds), spreads on Tier 2 yields tightened by 22 bp to 166 bp and spreads on senior debt tightened by 9 bp, ending the month at 70 bp, according to the JP Morgan SUSI indexes. Spreads on CoCos tightened by 35 bp in OAS terms, closing the period at 355 bp according to Barclays Global Index.

The German government yield curve steepened during the month, with the 10-year yield up 8 bp to 0,54% and the 5-year yield up 5 bp to -0,18%, while the 2-year yield fell by 11 bp to -0,68%.

Capital Fi gained a net +8,29% in 2017 vs +10,28% for the Barclays Global Contingent Capital € Hedged index.

Objectif Capital Fi has a 260-day volatility of 3,4% vs 3,6% for the Barclays Global Contingent Capital € Hedged index.

In the absence of specific catalysts and encouraged by continued accommodative speeches by the central banks, the credit market continued to progress, with spreads at a low, underpinned by sustained demand from investors and lighter trading books among banking counterparties. The primary market was particularly limited while no real bad news emerged from the July results of financial institutions.

The primary market, excluding covered bonds, totalled €7 billion in gross issuance of Senior Unsecured debt according to Barclays, with net bank issuance totalling -€8 billion over the month. Gross issuance since the start of the year totalled €155 billion and net issuance -€35 billion.

Capital Fi had a yield to maturity of 5,5% and a yield to call of 4,3% with interest rate sensitivity of 1,6 and credit sensitivity of 5,1.

<u>August 2017</u>
The net asset value of Capital Fi fell by -0,50% over the month (I units): the Barclays Global Contingent Capital € Hedged index remained stable over the period.

Spreads on financial debt widened across the board. Spreads on Tier 1 bonds tightened by 1 bp to 222 bp (versus government bonds), spreads on Tier 2 bonds widened by 13 bp to 180 bp and spreads on senior debt widened by 5 bp, ending the month at 76 bp according to the JP Morgan SUSI indexes. Spreads on CoCos widened by 23 bp in OAS terms, closing the period at 378 bp according to Barclays Global Index.

The German government yield curve flattened fairly sharply during the month, with the 10-year yield down 18 bp to 0,36% and the 5-year yield down 16 bp to -0,34%, while the 2-year fell by 5 bp to 0,73%.

Capital Fi gained a net +7,75% in 2017 vs +10,28% for the Barclays Global Contingent Capital € Hedged index.

Objectif Capital Fi has a 260-day volatility of 3,6% vs 3,8% for the Barclays Global Contingent Capital € Hedged index.

The main impacts over the month came from an increase in terrorism risk in Europe as a result of the attacks in Barcelona and in geopolitical risk with North Korea, which prompted a decline in risky asset classes (notably in the financial segment, namely equities and credit) as well as in long-term rates. It is worth noting that the emerging markets were scarcely affected by the Korean risk, which was fairly good news for other risky asset classes (a correction only). This was combined with political risk in the US on the issue of raising the debt ceiling, and the prospect of a full schedule of issuance on the primary market in September (IG but little in the hybrid financial segment) and two key central bank meetings.

The primary market, excluding covered bonds, totalled €12 billion in gross issuance of Senior Unsecured debt according to Barclays, with net bank issuance totalling -€1 billion over the month. Gross issuance since the start of the year totalled €170 billion and net issuance -€33 billion.

Capital Fi had a yield to maturity of 5,5% and a yield to call of 4,4% with interest rate sensitivity of 1,6 and credit sensitivity of 5,2.

September 2017

The net asset value of Capital Fi rose by +0,91% over the month (I units): the Barclays Global Contingent Capital € Hedged index gained +0,48% over the period.

Spreads on financial debt decreased in September. Spreads on Tier 1 bonds tightened by 22 bp to 200 bp (versus government bonds), spreads on Tier 2 bonds tightened by 4 bp to 176 bp and spreads on senior debt widened by 1 bp, ending the month at 77 bp according to the JP Morgan SUSI indexes. Spreads on CoCos tightened by 22 bp in OAS terms, closing the period at 356 bp according to Barclays Global Index.

The German government yield curve steepened during the month, with the 10-year yield up 10 bp to 0,46% and the 5-year yield up 8 bp to -0,27%, while the 2-year yield rose by 4 bp to -0,69%.

Capital Fi gained a net +8,72% in 2017 vs +10,81% for the Barclays Global Contingent Capital € Hedged index.

Objectif Capital Fi has a 260-day volatility of 3,5% vs 3,5% for the Barclays Global Contingent Capital € Hedged index. September was a relatively calm month in the financial sector: very little primary market issuance (as anticipated, and expected until the end of the year), very few significant events (with the exception of the hurricane season which impacted reinsurance companies, but more in terms of the income statement than in terms of a risk on the sector's solvency). The Fed announced it would begin to reduce its balance sheet from October to the tune of $10 billion a month initially. A few new issuers arrived on the Tier 2 and AT1 market, mainly small Dutch, Danish and Italian players.

The primary market, excluding covered bonds, totalled €28 billion in gross issuance of Senior Unsecured debt according to Barclays, with net bank issuance totalling -€2 billion over the month. Gross issuance since the start of the year totalled €199 billion and net issuance -€34 billion.

Capital Fi had a yield to maturity of 5,6% and a yield to call of 4,8% with interest rate sensitivity of 1,8 and credit sensitivity of 4,0.

October 2017

Objectif Capital Fi saw its net asset value rise by +2,40% over the month (I units); the Barclays Global Contingent Capital € Hedged index gained +2,59% over the period.

Spreads on financial debt tightened across the board. Spreads on Tier 1 yields tightened by 14 bp to 186 bp (versus government bonds), spreads on Tier 2 yields tightened by 15 bp to 161 bp and spreads on senior debt tightened by 4 bp, ending the month at 73 bp according to the JP Morgan SUSI indexes. Spreads on CoCos tightened by 53 bp in OAS terms, closing the period at 303 bp according to Barclays Global Index.

The German government yield curve flattened during the month, with the 10-year yield down 10 bp to 0,36% and the 5-year yield down 8 bp to -0,35%, while the 2-year decreased by 6 bp to -0,75%.

Objectif Capital Fi gained a net +11,33% in 2017 vs +13,68% for the Barclays Global Contingent Capital € Hedged index.

Objectif Capital Fi has a 260-day volatility of 3,6% vs 3,5% for the Barclays Global Contingent Capital € Hedged index.

The main theme during the month was Catalonia: Spanish banks and in particular Catalan banks saw a period of turbulence after the results of the referendum on independence, but their fears were soon quelled after the head office of Caixabank was moved to Valence and that of Sabadell was moved to Alicante.

The earnings publications of the banking sector marked an end to issuance on the primary market, with no hybrid banking debt issued in October (apart from non-preferred senior debt). The banks' results were satisfactory on the whole, apart from the slowdown observed by investment banks, notably in FICC, due to weak volumes amid limited volatility.

The primary market, excluding covered bonds, totalled €13 billion in gross issuance of Senior Unsecured debt according to Barclays, with net bank issuance totalling -€9 billion over the month. Gross issuance since the start of the year totalled €212 billion and net issuance -€42 billion.

Objectif Capital Fi had a yield to maturity of 5,5% and a yield to call of 4,2% with interest rate sensitivity of 1,9 and credit sensitivity of 5,3.

November 2017

The net asset value of Lazard Capital Fi decreased by -0,15% over the month (I units): the Barclays Global Contingent Capital € Hedged index fell by -0,40% over the period.

Spreads on financial debt presented a mixed picture. Spreads on Tier 1 yields tightened by 53 bp to 134 bp (versus government bonds), spreads on Tier 2 yields tightened by 8 bp to 153 bp and spreads on senior debt tightened by 4 bp, ending the month at 69 bp according to the JP Morgan SUSI indexes. Spreads on CoCos widened by 14 bp in OAS terms, closing the period at 317 bp according to Barclays Global Index.

The German government yield curve flattened during the month, with the 10-year yield stable at 0,37% and the 5-year yield up by 4 bp to -0,31%, while the 2-year rose by 7 bp to -0,68%.

Lazard Capital Fi gained a net +11,16% in 2017 vs +13,22% for the Barclays Global Contingent Capital € Hedged index.

Lazard Capital Fi has a 260-day volatility of 3,3% vs 3,1% for the Barclays Global Contingent Capital € Hedged index.

There was a bout of profit-taking at the start of November after the strong rally seen in October, notably after the ECB meeting on 26 October. The results of the banking sector brought little excitement, with ongoing difficulty in growing revenue. The improvement in net income came mainly from a reduction in the cost of risk.

We saw the first AT1 issue in euros with a coupon of < 3,5%: Nordea issued a perpetual bond of €750 million and a seven-year callable bond. Given the current environment of low interest rates, we should probably become accustomed to these levels.

The primary market, excluding covered bonds, totalled €24 billion in gross issuance of Senior Unsecured debt according to Barclays, with net bank issuance totalling +€10 billion over the month. Gross issuance since the start of the year totalled €234 billion and net issuance -€33 billion.

Lazard Capital Fi had a yield to maturity of 5,5% and a yield to call of 4,0% with interest rate sensitivity of 2,3 and credit sensitivity of 4,7.

December 2017
The net asset value of Lazard Capital Fi rose by +0,28% over the month (I units): the Barclays Global Contingent Capital € Hedged index gained +0,16% over the period.

Spreads on financial debt presented a mixed picture. Tier 1 bonds tightened by 8 bp to 125 bp (versus government bonds), Tier 2 bonds remained stable at 153 bp and senior debt tightened by 1 bp, ending the month at 68 bp according to the JP Morgan SUSI indexes. Spreads on CoCos remained stable in OAS terms, closing the period at 317 bp according to Barclays Global Index.

The German government yield curve rose during the month, with the 10-year yield up 6 bp to 0,43% and the 5-year yield up 11 bp to -0,20%, while the 2-year yield rose by 6 bp to -0,63%.

Lazard Capital Fi gained a net +11,48% in 2017 vs +13,41% for the Barclays Global Contingent Capital € Hedged index.

Lazard Capital Fi has a 260-day volatility of 3,2% vs 3,0% for the Barclays Global Contingent Capital € Hedged index.

The month was fairly inactive and brought no real surprises. The Fed raised its key interest rate by 25 bp, the ECB revised up its growth forecasts slightly, the primary market was virtually unchanged but yields rose slightly thanks in part to the approval of tax reform in the US by the senate. This had an indirect impact on the financial sector: new provisions for write-downs of deferred tax credits by banks operating in the US, for high amounts but without an impact on solvency ratios.

The primary market, excluding covered bonds, totalled €4 billion in gross issuance of Senior Unsecured debt according to Barclays, with net bank issuance totalling -€6 billion over the month. Gross issuance since the start of the year totalled €239 billion and net issuance -€38 billion.

Lazard Capital Fi had a yield to maturity of 5,4% and a yield to call of 3,8% with interest rate sensitivity of 3,0 and credit sensitivity of 4,6.

Past performance is no guarantee of future results.

Main changes in the portfolio during the year

Securities	Changes ("accounting currency")	
	Purchases	Sales
LAZARD EURO MONEY MARKET	62 579 855,95	65 158 801,35
BANKIA SA 6.0% PERP	10 000 000,00	0,00
CREDIT LOGEMENT EURIBOR 3 MOIS REV +1.15 31/12/2099	3 531 987,34	5 041 656,43
CAIXABANK SA 6.75% PERP	8 347 652,47	0,00
FORTIS BK TV07-191272 CV	6 880 821,99	0,00
BARCLAYS PLC 5.875% PERP	6 084 743,89	0,00
UNICREDIT SPA 6.625% PERP	6 000 000,00	0,00
CASA 6.50% PERP	5 534 086,17	0,00
UNICREDIT 5.375% PERP	5 500 000,00	0,00
STANDARD CHARTERED PLC 7.75% PERP	5 444 906,15	0,00

Transparency of securities financing transactions and the reuse of financial instruments – SFTR – in the accounting currency of the UCI (€)

The UCI carried out no transactions during the year in the context of the SFTR.

ESMA

- **EFFICIENT PORTFOLIO MANAGEMENT TECHNIQUES AND DERIVATIVE FINANCIAL INSTRUMENTS**

a) Exposure through efficient portfolio management techniques and derivative financial instruments

- Exposure through efficient management techniques: **0,00**
  - **Securities lending: 0,00**
  - **Securities borrowing: 0,00**
  - **Repurchase agreements: 0,00**
  - **Reverse repurchase agreements: 0,00**

- Underlying exposure through derivative financial instruments: **147 352 649,83**
  - **Currency forwards: 110 885 397,45**
  - **Futures: 36 467 252,38**
  - **Options: 0,00**
  - **Swaps: 0,00**

b) Identity of the counterparty or counterparties for efficient portfolio management techniques and derivative financial instruments

Efficient portfolio management techniques	Derivative financial instruments (*)

(*) Excluding listed derivatives

c) Financial guarantees received by the UCITS to reduce counterparty risk

Instrument type	Amount in the currency of the portfolio
Efficient portfolio management techniques	
. Term deposits	0,00
. Equity	0,00
. Bonds	0,00
. UCITS	0,00
. Cash (**)	0,00
Total	**0,00**
Derivative financial instruments	
. Term deposits	0,00
. Equity	0,00
. Bonds	0,00
. UCITS	0,00
. Cash	649 969,17
Total	**649 969,17**

(**) The Cash account also includes liquidities from reverse repurchase agreements.

d) Operating income and expenses related to efficient management techniques

Operating income and expenses	Amount in the currency of the portfolio
. Income (***)	688,14
. Other income	0,00
Total income	**688,14**
. Direct operating expenses	217,94
. Indirect operating expenses	0,00
. Other expenses	0,00
Total expenses	**217,94**

(***) Income on securities lending and repurchase agreements

4. REGULATORY INFORMATION

- **PROCEDURE FOR SELECTING AND ASSESSING INTERMEDIARIES AND COUNTERPARTIES**

The brokers used by the management company are selected on the basis of various evaluation criteria, covering research, quality of order execution and processing and the range of services offered. The management company's "Broker Committee" validates any updates to the list of authorised brokers. Each investment division (fixed income and equities) reports to the Broker Committee at least twice a year on the evaluation of the services provided by the various brokers and the breakdown of the volume of transactions handled.

- **EXERCISING VOTING RIGHTS**

The scope and procedures for Lazard Frères Gestion SAS' exercise of the voting rights attached to the securities held in the UCIs managed by it are set out in the guidelines it has drawn up on its voting policy. This document can be consulted on the management company's website: www.lazardfreresgestion.fr.

- **COMMUNICATION OF ENVIRONMENTAL, SOCIAL AND GOVERNANCE CRITERIA**

Lazard Frères Gestion firmly believes that the integration of environmental, social and governance (ESG) criteria in the management of assets provides an additional guarantee in terms of a durable economic performance.

In fact, the long-term performance of investments is not limited solely to adherence to the financial strategy, but must also take the company's interactions with its social, economic and financial environment into account.

The incorporation of ESG criteria therefore is a natural component of our investment process.

Our overall approach can be summarised as follows:

✓ Rigorous financial analysis of the company covering the quality of assets, financial soundness, projected cash flows and their reinvestment by the company, the strength of economic profits, profit durability, and quality of management.

✓ This durability is strengthened by incorporating extra-financial criteria:
- Social criteria: through the development of human capital
- Environmental criteria: through the prevention of all environmental risks
- Governance criteria: by respecting the balance between the managerial and shareholder structures so as to prevent potential conflicts of interest and safeguard the interests of minority shareholders.

The intensity and methods by which we incorporate ESG criteria may vary depending on the asset class and investment process involved, but the common objective is to ensure better apprehension of ESG risks that are likely to have a strong impact on the value of a company or sovereign asset.

- **METHOD USED TO CALCULATE GLOBAL RISK**

The Fund uses the commitment method to calculate its global risk on financial contracts.

- **SWING PRICING**

In order to protect the UCI's long-term shareholders, a swing factor will be applied to subscriptions and redemptions that have a significant impact on the UCI's outstandings, which may generate costs for shareholders entering and leaving the UCI that would otherwise have been allocated across all shareholders in the UCI. Therefore, if, on a particular NAV calculation date, the total net subscription/redemption orders of investors across all categories of UCI units or shares 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 UCI, 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 or share 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 or share category in the UCI.
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 UCI.
Insofar as this adjustment mechanism is linked to the net balance of subscriptions/redemptions within the UCI, 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 1% of the NAV (see prospectus). Investors should be aware that the volatility of the UCI's NAV may not reflect solely that of the securities in the portfolio arising from the application of swing pricing.

- **REMUNERATION**

The fixed and variable remuneration paid during the financial year ended December 29th, 2017 by the management company to its personnel, pro rata their investment in the management of the UCITS, excluding the management of AIF, is shown below and in the company's annual report. The total variable remuneration is set by the Lazard Group based on different criteria, including the Lazard Group's financial performance over the past year and taking its results into account. The General Management decides on the total remuneration amount that will be split between the fixed and variable components, complying with the policy to maintain a complete separation between the fixed and variable components. All risks are incorporated into the calculation of the variable remuneration. It is then individualised and determined partly based on the performance of each identified member of staff.

Population at 31/12/2017: Fixed-term and open-ended employment contracts at LFG

Headcount at 31-12-2017 LFG	Fixed annual remuneration in 2017 in €m	Variable remuneration for 2017 (cash and deferred) in €m
156	13 683	20 029

"Identified employees"

Category	Number of employees	Aggregated fixed and variable remuneration in 2017 (including deferred) in €m
Senior management	3	3 979
Other	42	18 680
Total	**45**	**22 660**

- **OTHER INFORMATION**

The UCI's complete prospectus and the most recent annual and interim reports will be sent out within one week of request in writing by shareholders to:

Lazard Frères Gestion SAS
25, Rue de Courcelles – 75008 Paris, France

www.lazardfreresgestion.fr.

5. CERTIFICATION BY THE STATUTORY AUDITOR

MAZARS

Lazard Capital Fi /

Statutory Auditor's report on the annual financial statements

Financial year ended December 29th, 2017

MAZARS

Statutory Auditor's report on the annual financial statements

To the unitholders of LAZARD CAPITAL FI,

Opinion

In accordance with the terms of our appointment by the fund management company, we conducted our audit of the accompanying annual financial statements of LAZARD CAPITAL FI for the financial year ended December 29th, 2017.

We certify that the annual financial statements provide a true and fair view of the results of operations for the financial year under review and of the financial position and assets and liabilities of the Fund at the end of said financial year, in accordance with the accounting rules and principles generally accepted in France.

Basis of our opinion

Audit standards

We conducted our audit in accordance with the professional standards applicable in France. We believe that our audit has provided us with sufficient relevant information on which to base our opinion.

Our responsibilities under these standards are set out in the section entitled “Statutory auditor's responsibilities concerning the audit of the financial statements” in this report.

Independence

We conducted our audit in accordance with the rules of independence applicable to us on the period from December 31st, 2016 to the date of issue of our report, and in particular we have not provided any services prohibited by the French code of ethics for statutory auditors.

Basis of our opinions

In accordance with the provisions of Articles L. 823-9 and R. 823-7 of the French Commercial Code relating to the justification of our assessments, we inform you that the most important assessments we carried out, in our professional judgement, focused on the appropriateness of the accounting principles applied, the reasonableness of significant estimates used, and the presentation of all of the financial statements in accordance with the chart of accounts for open-end collective investment undertakings, notably concerning the financial instruments in the Fund portfolio.

The assessments we have made are part of our audit of the annual financial statements as a whole and the opinion expressed above. We express no opinion on the elements of the annual financial statements taken in isolation.

Verification of the management report and other documents sent to unitholders

We have also performed, in accordance with applicable professional standards in France, the specific verifications required by law.

We have no matters to report regarding the true and fair presentation of the information provided in the management report and in the other documents sent to unitholders on the company's financial position and annual financial statements, or its consistency with the annual financial statements.

Responsibilities of the management and persons charged with governance of the annual financial statements

It is the management's role to draw up annual financial statements that give a fair and true picture in accordance with French accounting rules and principles and to implement the necessary internal control to be able to provide reasonable assurance that they are free from material misstatement, whether due to fraud or error.

As part of the preparation of the annual financial statements, the management is responsible for assessing the fund's capacity to continue operating as a going concern, to present in its financial statements, where necessary, information concerning business continuity, and to apply the accounting conventions of a going concern, unless it is planned to liquidate the fund or terminate its activity.

The management company is responsible for the preparation of the annual financial statements.

Statutory auditor's responsibilities concerning the audit of the annual financial statements

Our role is to prepare a report on the annual financial statements and to obtain reasonable assurance that the annual financial statements as a whole are free of material misstatements. Reasonable assurance means a high but not absolute level of assurance that an audit performed in accordance with professional standards is free of material misstatement. Anomalies may stem from fraud or errors and are considered material when it can reasonably be expected that, taken individually or together, they could influence the economic decisions of users of the financial statements.

As stipulated in Article L. 823-10-1 of the French Commercial Code, our audit assignment does not consist in guaranteeing the viability or quality of the management of the fund.

In the context of an audit performed in accordance with professional standards applicable in France, the statutory auditor must exercise its judgement throughout the course of the audit. Moreover:

- It identifies and assess the risks that the annual financial statements may contain material misstatements, whether from fraud or error, defines and implements audit procedures to resolve these risks, and collects all elements deemed necessary and appropriate in order to give its opinion. The risk of failure to detect a material misstatement resulting from fraud is higher than that resulting from an error because fraud may involve collusion, falsification, deliberate omissions, false statements or by-passing of internal controls;
- it takes due note of the internal control relevant to the audit in order to define audit procedures that are appropriate to the circumstances, and not with a view to expressing an opinion on the efficiency of the internal control;
- it assesses the appropriateness of the accounting methods used and the reasonable nature of the accounting estimates made by the management, and the related information provided in the annual financial statements;
- it assesses the appropriateness of the management's application of the accounting policy for a going concern and, based on the information collected, whether there is a significant uncertainty linked to events or circumstances that is likely to call into question the UCI's capacity to continue operating as a going concern. This assessment is based on the information collected up to the date of the report, bearing in mind nevertheless that subsequent circumstances or events could jeopardise the continuity of operation. If the statutory auditor observes the existence of a material uncertainty, it shall draw the attention of the readers of its report to the information provided in the annual financial statements on the subject of this uncertainty, or if this information has not been provided or is not relevant, it shall attach reservations to its certification or shall refuse to certify the accounts;

- it assesses the overall presentation of the annual financial statements and whether they provide a true picture of the underlying operations and events.

Signed in Courbevoie on March 5th, 2018

The statutory auditor

Mazars:

Gilles DUNAND-ROUX

6. ANNUAL FINANCIAL STATEMENTS

- **BALANCE SHEET in euros**

ASSETS

	29/12/2017	30/12/2016
Net non-current assets		
Deposits		
Financial instruments	**254 009 559,88**	**138 054 738,63**
Equities and similar securities		
Traded on a regulated or equivalent market		
Not traded on a regulated or equivalent market		
Bonds and similar securities	**253 730 198,17**	**134 223 517,46**
Traded on a regulated or equivalent market	253 730 198,17	134 223 517,46
Not traded on a regulated or equivalent market		
Debt securities		
Traded on a regulated or equivalent market		
Negotiable debt securities		
Other debt securities		
Not traded on a regulated or equivalent market		
Undertakings for collective investment		**3 204 982,82**
General UCITS and general AIFs aimed at non-professionals and their equivalent in other countries		3 204 982,82
Other funds aimed at non-professionals and their equivalent in other countries that are Member States of the EU		
General funds aimed at professional investors and their equivalent in other Member States of the EU and listed securitisation entities		
Other funds aimed at professional investors and their equivalent in other Member States of the EU and unlisted securitisation entities		
Other non-European entities		
Temporary securities transactions		
Receivables on securities purchased under repurchase agreements		
Receivables on loaned securities		
Borrowed securities		
Securities sold under repurchase agreements		
Other temporary transactions		
Forward financial instruments	**279 361,71**	**626 238,35**
Transactions on a regulated or equivalent market	279 361,71	626 238,35
Other transactions		
Other financial instruments		
Receivables	**112 813 453,46**	**55 544 283,66**
Currency forward exchange transactions	**110 885 397,45**	**53 212 111,78**
Other	**1 928 056,01**	**2 332 171,88**
Financial accounts	**15 662 579,09**	**2 989 139,98**
Cash and cash equivalents	**15 662 579,09**	**2 989 139,98**
Total assets	**382 485 592,43**	**196 588 162,27**

LIABILITIES AND SHAREHOLDERS' EQUITY

	29/12/2017	30/12/2016
Shareholders' equity		
Capital	**257 316 376,41**	**134 517 913,70**
Undistributed net capital gains and losses recognised in previous years (a)		
Retained earnings (a)	**216,52**	**142,57**
Net capital gains and losses for the year (a, b)	**3 284 623,14**	**199 017,04**
Net income for the year (a, b)	**10 860 728,98**	**6 434 781,78**
Total shareholders' equity (= amount representing net assets)	**271 461 945,05**	**141 151 855,09**
Financial instruments	**279 361,69**	**626 487,24**
Sales of financial instruments		
Temporary securities transactions		
Liabilities on securities sold under repurchase agreements		
Liabilities on borrowed securities		
Other temporary transactions		
Forward financial instruments	**279 361,69**	**626 487,24**
Transactions on a regulated or equivalent market	279 361,69	626 487,24
Other transactions		
Liabilities	**110 744 285,69**	**54 809 819,94**
Currency forward exchange transactions	**109 793 298,15**	**54 299 425,98**
Other	**950 987,54**	**510 393,96**
Financial accounts		
Bank overdrafts		
Borrowings		
Total liabilities and shareholders' equity	**382 485 592,43**	**196 588 162,27**

(a) Including accrued income
(b) Less interim dividends paid for the financial year

- **OFF-BALANCE SHEET ITEMS in euros**

	29/12/2017	30/12/2016
Hedging transactions		
Commitments on regulated or similar markets		
Futures contracts		
BP GBPUSD H7		3 445 626,93
EC EURUSD 0317		19 302 014,70
LIFFE LG GILT 0317		14 741 096,53
LIFFE LG GILT 0318	7 050 076,04	
TY CBOT YST 1 0317		11 783 005,45
TY CBOT YST 1 0318	5 165 176,34	
XEUR FGBL BUN 0317		32 830 000,00
XEUR FGBL BUN 0318	24 252 000,00	
Commitments on OTC markets		
Other commitments		
Other transactions		
Commitments on regulated or similar markets		
Commitments on OTC markets		
Other commitments		

- **INCOME STATEMENT in euros**

	29/12/2017	30/12/2016
Income from financial transactions		
Income from deposits and financial accounts		
Income from equities and similar securities		
Income from bonds and similar securities	11 911 755,14	7 620 645,36
Income from debt securities		
Income from temporary purchases and sales of securities	688,14	
Income from forward financial instruments		
Other financial income		
Total (1)	**11 912 443,28**	**7 620 645,36**
Expenses related to financial transactions		
Expenses related to temporary purchases and sales of securities	217,94	
Expenses related to forward financial instruments		
Expenses related to financial liabilities	3 288,18	2 530,31
Other financial charges		
Total (2)	**3 506,12**	**2 530,31**
Income from financial transactions (1 - 2)	**11 908 937,16**	**7 618 115,05**
Other income (3)		
Management fees and depreciation and amortisation (4)	2 352 018,68	1 418 767,21
Net income for the financial year (L. 214-17-1) (1 - 2 + 3 - 4)	**9 556 918,48**	**6 199 347,84**
Income adjustment for the financial year (5)	1 303 810,50	235 433,94
Interim dividends paid on net income for the financial year (6)		
Net income (1 - 2 + 3 - 4 + 5 - 6)	**10 860 728,98**	**6 434 781,78**

NOTES TO THE FINANCIAL STATEMENTS

ACCOUNTING RULES AND PRINCIPLES

The annual financial statements are presented in accordance with regulation 2014-01 of the French accounting standards body (Autorité des Normes Comptables - ANC) repealing French Accounting Regulatory Committee (Comité de la Réglementation Comptable - CRC) regulation 2003-02.

The general accounting principles are applicable:
- true and fair view, comparability, business continuity,
- regularity, sincerity,
- prudence,
- permanence of the accounting methods used each year.

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

Purchases and sales of securities are recorded excluding expenses. The accounting currency of the portfolio is the euro. The financial year comprises 12 months.

Asset valuation rules

Financial instruments are recognised at historical cost and are stated in the balance sheet at their present value, which is calculated as the latest known market value or failing the existence of a market by any external means or through the use of financial models.
The difference between the present value used during the calculation of the net asset value and the historical cost of marketable securities when entered in the portfolio is recorded in "valuation difference" accounts.
Securities that are not in the currency of the portfolio are valued using the method set out below and then converted to the portfolio currency based on the exchange rates on the valuation date.

Deposits:

Deposits with a residual life of less than or equal to three months are valued on a straight-line basis.

Equities, bonds and other securities traded on a regulated or similar market:

To calculate the net asset value, equities and other securities traded on a regulated or similar market are valued based on the last market price of the day.

Bonds and similar securities are valued at the closing price communicated by various financial service providers. Interest accrued on bonds and similar securities is calculated to the NAV date.

Equities, bonds and other securities not traded on a regulated or similar market:

Securities that are not traded on a regulated market are valued under the supervision of the management company, using methods based on the market value and yield, taking into account the price used during recent significant transactions.

Negotiable debt securities:

Negotiable debt securities and similar securities that are not used for significant transactions are valued using an actuarial method based on the reference rate defined below plus, where relevant, a difference that represents the intrinsic characteristics of the issuer:
Negotiable debt securities maturing in one year or less: Euribor;
Negotiable debt securities maturing after one year: BTAN treasury note rates or rates of medium-term OAT (fungible treasury bonds) for longer maturities.

Negotiable debt securities with a residual life of less than or equal to three months may be valued using the straight-line method.

Treasury notes are valued at the market rate communicated daily by the Banque de France.

UCI held in the portfolio:

Units or shares of UCIs are valued at the last known NAV.

Temporary securities transactions:

Securities purchased under repurchase agreements are recorded as an asset under the heading “Receivables on securities purchased under repurchase agreements” in the amount stated in the contract plus accrued interest receivable.

Securities sold under repurchase agreements are recorded in the purchaser’s portfolio at the present value. Liabilities on securities sold under repurchase agreements are recorded in the seller's portfolio at the value stated in the contract plus accrued interest payable.

Forward financial instruments:

Forward financial instruments traded on a regulated or equivalent market:

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.

Forward financial instruments not traded on a regulated or equivalent market:

Swaps:

Interest rate and/or currency swaps are valued at their market value based on the price calculated by discounting future interest flows according to interest rates and/or market exchange rates. This price is adjusted for credit risk.

Index swaps are valued using an actuarial method based on a reference rate provided by the counterparty.

Other swaps are valued at their market value or at a value estimated using methods approved by the management company.

Off-balance sheet commitments:

Futures contracts are recorded as an off-balance sheet commitment at their market based on the price used in the portfolio.
Options are recorded at a price equivalent to the underlying asset.
Commitments on swap contracts are presented at their face value or if there is no face value in an equivalent amount.

Swing Pricing

The management company has been applying a swing pricing adjustment to the net asset value with a trigger level since July 27th, 2015. Shareholders can consult information on this mechanism in the fund prospectus, which is available at the management company's head office and on its website.

Management fees

Management fees are calculated based on the net assets on each valuation day.

These fees are charged to the UCI's income statement.
The management fees do not include transaction charges.

The fees break down as follows, as set out in the regulations:

Expenses charged to the Fund	*Basis*	*Rate*
Financial management fees	Net assets	IC units: Maximum 0,965% incl. taxes ID units: Maximum 0,965% incl. taxes DH units: Maximum 0,965% incl. taxes R units: Maximum 1,715% incl. taxes IC H-CHF units: Maximum 0,965% incl. taxes
Administrative fees external to the management company	Net assets	IC, ID, DH, R and IC H-CHF units 0,035% including taxes Maximum rate
Maximum indirect charges (management fees and expenses)	Net assets	Maximum 3,5% incl. taxes
Performance fees	Positive difference between the valued assets and the	15% of the outperformance compared to the index defined below.

The DH units are hedged against exchange rate risk for the part of the assets relative to the euro/US dollar exchange rate and the IC H-CHF units are hedged against exchange rate risk for the part of the assets relative to the euro/Swiss franc exchange rate. To this end, slight structural differences in outperformance will be noted compared to those of the IC, ID and R units in euros. These differences are related, in particular, to the imperfections of the exchange rate hedge.
The performance fee, which is applicable to a given unit class, is based on the comparison between the Fund's valued assets and the benchmark assets.
The Fund's valued assets refer to the portion of the assets corresponding to a given unit class, evaluated according to the rules applicable for assets and after taking into account actual operating and management fees corresponding to the said unit class.

The benchmark assets represent the portion of the fund's assets, corresponding to a given unit class, adjusted for the subscription/redemption amounts applicable to the said unit class on each valuation, and valued according to the performance of the Fund's benchmark.
This benchmark is equal to the performance of the Barclays Global Contingent Capital Hedged EUR index, expressed in euros, for the IC, ID and R units. It is denominated in euros.
This benchmark is equal to the performance of the Barclays Global Contingent Capital Hedged USD index, expressed in US dollars, for the DH units. It is denominated in US dollars.
This benchmark is equal to the performance of the Barclays Global Contingent Capital Hedged CHF index, expressed in Swiss francs for the IC H-CHF units. It is denominated in Swiss francs.
The Fund's performance is calculated according to the change in the net asset value of each unit class.

Allocation of distributable income

Definition of distributable income:

Distributable income consists of:

Net income:

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

Capital gains and losses:

Realised capital gains, net of expenses, less realised capital losses, net of expenses, 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.

Allocation of distributable income:

Distributable income	***IC units***	***DH units (USD)***	***IC H-CHF units***	***R units***	***ID units***
Allocation of net income	Accumulation	Accumulation	Accumulation	Distribution	Distribution
Allocation of net realised capital gains or losses	Accumulation	Accumulation	Accumulation	Accumulation and/or distribution and/or retention as decided by the management	Accumulation

- **CHANGE IN NET ASSETS in euros**

	29/12/2017	30/12/2016
Net assets at start of year	**141 151 855,09**	**118 306 035,26**
Subscriptions (including subscription fees retained by the Fund)	183 402 701,58	88 947 086,48
Redemptions (net of redemption fees retained by the Fund)	-73,994,394,47	-72,286,034,18
Realised capital gains on deposits and financial instruments	1 126 316,79	667 082,12
Realised capital losses on deposits and financial instruments	-102,309,93	-863,076,96
Realised capital gains on forward financial instruments	2 955 085,73	5 815 831,10
Realised capital losses on forward financial instruments	-6,618,140,22	-3,120,465,30
Transaction fees	-15,591,73	-15,112,66
Exchange rate differences	-2,995,262,56	-1,847,303,97
Changes in valuation difference of deposits and financial instruments	18 001 866,88	-8,611,21
Valuation difference for financial year N	21 781 084,57	3 779 217,69
Valuation difference for financial year N-1	-3,779,217,69	-3,787,828,90
Changes in valuation difference of forward financial instruments	676 040,95	-173,051,19
Valuation difference for financial year N	172 337,55	-503,703,40
Valuation difference for financial year N-1	503 703,40	330 652,21
Distribution of prior year's net capital gains and losses		
Dividends paid in the previous financial year	-1,683,141,54	-469,872,24
Net profit/loss for the financial year prior to income adjustment	9 556 918,48	6 199 347,84
Interim dividend(s) paid on net capital gains/losses during the financial year		
Interim dividend(s) paid on net income during the financial year		
Other items		
Net assets at end of year	**271 461 945,05**	**141 151 855,09**

- **BREAKDOWN OF FINANCIAL INSTRUMENTS BY LEGAL OR ECONOMIC STATUS**

	Amount:	%
Assets		
Bonds and similar securities		
Fixed-rate bonds traded on a regulated or similar market	237 317 192,44	87,42
Variable/adjustable rate bonds traded on a regulated or equivalent market	4 683 139,79	1,73
Convertible bonds traded on a regulated or equivalent market	11 729 865,94	4,32
TOTAL Bonds and similar securities	**253 730 198,17**	**93,47**
Debt securities		
TOTAL Debt securities		
Liabilities		
Sales of financial instruments		
TOTAL Sales of financial instruments		
Off-balance sheet items		
Hedging transactions		
Interest rate	36 467 252,38	13,43
TOTAL Hedging transactions	**36 467 252,38**	**13,43**
Other transactions		
TOTAL Other transactions		

- **BREAKDOWN OF ASSET, LIABILITY AND OFF-BALANCE SHEET ITEMS BY INTEREST RATE TYPE**

	Fixed rate	%	Variable rate	%	Revisable rate	%	Other	%
Assets								
Deposits								
Bonds and similar securities	242 166 128,38	89,21			11 564 069,79	4,26		
Debt securities								
Temporary securities transactions								
Financial accounts							15 662 579,09	5,77
Liabilities								
Temporary securities transactions								
Financial accounts								
Off-balance sheet items								
Hedging transactions	36 467 252,38	13,43						
Other transactions								

- **BREAKDOWN OF ASSET, LIABILITY AND OFF-BALANCE SHEET ITEMS BY RESIDUAL MATURITY**

	< 3 months	%	3 months-1 year	%	1-3 years	%	3-5 years	%	> 5 years	%
Assets										
Deposits										
Bonds and similar securities									253 730 198,17	93,47
Debt securities										
Temporary securities transactions										
Financial accounts	15 662 579,09	5,77								
Liabilities										
Temporary securities transactions										
Financial accounts										
Off-balance sheet items										
Hedging transactions									36 467 252,38	13,43
Other transactions										

Forward interest rate positions are presented according to the maturity of the underlying.

- **BREAKDOWN OF ASSET, LIABILITY AND OFF-BALANCE SHEET ITEMS BY LISTING OR VALUATION CURRENCY**

	GBP		CHF				Other currencies	
	Amount:	**%**	**Amount:**	**%**	**Amount:**	**%**	**Amount:**	**%**
Assets								
Deposits								
Equities and similar securities								
Bonds and similar securities	89 697 397,33	33,04	37 580 443,89	13,84				
Debt securities								
UCI								
Temporary securities transactions								
Receivables	2 110 544,38	0,78	130 181,94	0,05	510 930,46	0,19		
Financial accounts	994 901,41	0,37	1 191 889,77	0,44				
Liabilities								
Sales of financial instruments								
Temporary securities transactions								
Liabilities	68 287 808,13	25,16	39 429 955,51	14,53				
Financial accounts								
Off-balance sheet								
Hedging transactions	5 165 176,34	1,90	7 050 076,04	2,60				
Other transactions								

- **RECEIVABLES AND PAYABLES: BREAKDOWN BY TYPE**

	Debit/credit item	29/12/2017
Receivables	Forward currency purchases	2 042 033,62
	Receivables on forward currency sales	108 843 363,83
	Subscription receivables	636 377,35
	Margin cash deposits	535 321,16
	Coupons and dividends in cash	756 357,50
Total receivables		**112 813 453,46**
Liabilities	Forward currency sales	107 717 763,64
	Payables on forward currency purchases	2 075 534,51
	Redemptions payable	66 219,76
	Management fees	234 723,53
	Variable management fees	75,08
	Collateral	649 969,17
Total liabilities		**110 744 285,69**

- **NUMBER OF SECURITIES ISSUED OR REDEEMED**

	In units	In amounts
IC units		
Units subscribed during the financial year	91 837,949	152 332 152,85
Units redeemed during the financial year	-34,546,517	-58,146,661,36
Net balance of subscriptions/redemptions	57 291,432	94 185 491,49
DH units		
Units subscribed during the financial year	1 046,363	1 062 633,49
Units redeemed during the financial year	-44,000	-44,217,78
Net balance of subscriptions/redemptions	1 002,363	1 018 415,71
R units		
Units subscribed during the financial year	82 148,389	10 597 873,23
Units redeemed during the financial year	-39,020,725	-5,126,242,06
Net balance of subscriptions/redemptions	43 127,664	5 471 631,17
IC H-CHF units		
Units subscribed during the financial year	556,000	520 689,40
Units redeemed during the financial year		
Net balance of subscriptions/redemptions	556,000	520 689,40
ID units		
Units subscribed during the financial year	174,447	18 889 352,61
Units redeemed during the financial year	-98,654	-10,677,273,27
Net balance of subscriptions/redemptions	75,793	8 212 079,34

- **SUBSCRIPTION AND/OR REDEMPTION FEES**

	In amounts
IC units	
Redemption fees acquired	
Subscription fees acquired	
Total fees acquired	
DH units	
Redemption fees acquired	
Subscription fees acquired	
Total fees acquired	
IC H-CHF units	
Redemption fees acquired	
Subscription fees acquired	
Total fees acquired	
R units	
Redemption fees acquired	
Subscription fees acquired	
Total fees acquired	
ID units	
Redemption fees acquired	
Subscription fees acquired	
Total fees acquired	

- **MANAGEMENT FEES**

	29/12/2017
IC units	
Guarantee fees	
Fixed management fees	1 756 275,10
Percentage of fixed management fees	1,00
Variable management fees	70,03
Retrocessions of management fees	
DH units	
Guarantee fees	
Fixed management fees	9 196,35
Percentage of fixed management fees	1,00
Variable management fees	2,71
Retrocessions of management fees	
IC H-CHF units	
Guarantee fees	
Fixed management fees	2 410,52
Percentage of fixed management fees	1,00
Variable management fees	0,09
Retrocessions of management fees	
R units	
Guarantee fees	
Fixed management fees	390 450,32
Percentage of fixed management fees	1,75
Variable management fees	5,05
Retrocessions of management fees	
ID units	
Guarantee fees	
Fixed management fees	193 608,51
Percentage of fixed management fees	1,00
Variable management fees	
Retrocessions of management fees	

- **COMMITMENTS RECEIVED AND GIVEN**

Guarantees received by the UCI:
None.

Other commitments received and/or given:
None.

- **PRESENT VALUE OF SECURITIES HELD TEMPORARILY**

	29/12/2017
Securities held under repurchase agreements	
Borrowed securities	

- **PRESENT VALUE OF SECURITIES REPRESENTING SECURITY DEPOSITS**

	29/12/2017
Financial instruments given as security and retained under their original classification	
Financial instruments received as security and not recorded on the balance sheet	

- **GROUP FINANCIAL INSTRUMENTS HELD IN THE PORTFOLIO**

	ISIN code	Description	29/12/2017
Equity			
Bonds			
Negotiable debt securities			
UCI			
Forward financial instruments			

- **TABLE OF ALLOCATION OF DISTRIBUTABLE INCOME PERTAINING TO NET INCOME**

	29/12/2017	30/12/2016
Remaining amounts to be allocated		
Retained earnings	216,52	142,57
Net income	10 860 728,98	6 434 781,78
Total	**10 860 945,50**	**6 434 924,35**

	29/12/2017	30/12/2016
DH units		
Appropriation		
Distribution		
Balance brought forward for the financial year		
Accumulation	65 663,78	24 262,86
Total	**65 663,78**	**24 262,86**

	29/12/2017	30/12/2016
IC units		
Appropriation		
Distribution		
Balance brought forward for the financial year		
Accumulation	8 966 257,54	5 009 020,51
Total	**8 966 257,54**	**5 009 020,51**

	29/12/2017	30/12/2016
R units		
Appropriation		
Distribution	824 530,22	699 238,45
Balance brought forward for the financial year	1 210,91	164,43
Accumulation		
Total	**825 741,13**	**699 402,88**
Information on units with dividend rights		
Number of units	182 418,191	139 290,527
Dividend per share	4,52	5,02
Tax credits		
Tax credit attached to the distribution of earnings		

	29/12/2017	30/12/2016
IC H-CHF units		
Appropriation		
Distribution		
Balance brought forward for the financial year		
Accumulation	19 112,92	
Total	**19 112,92**	

	29/12/2017	30/12/2016
ID units		
Appropriation		
Distribution	984 168,68	702 236,92
Balance brought forward for the financial year	1,45	1,18
Accumulation		
Total	**984 170,13**	**702 238,10**
Information on units with dividend rights		
Number of units	220,012	144,219
Dividend per share	4 473,25	4 869,24
Tax credits		
Tax credit attached to the distribution of earnings		

• TABLE OF ALLOCATION OF DISTRIBUTABLE INCOME PERTAINING TO NET CAPITAL GAINS AND LOSSES

	29/12/2017	30/12/2016
Remaining amounts to be allocated		
Undistributed net capital gains and losses recognised in previous years		
Net capital gains and losses for the year	3 284 623,14	199 017,04
Interim dividends paid on net capital gains/losses for the financial year		
Total	**3 284 623,14**	**199 017,04**

	29/12/2017	30/12/2016
DH units		
Appropriation		
Distribution		
Undistributed net capital gains and losses		
Accumulation	-87,392,12	8 278,39
Total	**-87,392,12**	**8 278,39**

	29/12/2017	30/12/2016
IC units		
Appropriation		
Distribution		
Undistributed net capital gains and losses		
Accumulation	2 798 410,54	145 626,87
Total	**2 798 410,54**	**145 626,87**

	29/12/2017	30/12/2016
R units		
Appropriation		
Distribution		
Undistributed net capital gains and losses		
Accumulation	302 497,26	24 637,69
Total	**302 497,26**	**24 637,69**

	29/12/2017	30/12/2016
IC H-CHF units		
Appropriation		
Distribution		
Undistributed net capital gains and losses		
Accumulation	-28,302,95	
Total	**-28,302,95**	

	29/12/2017	30/12/2016
ID units		
Appropriation		
Distribution		
Undistributed net capital gains and losses		
Accumulation	299 410,41	20 474,09
Total	**299 410,41**	**20 474,09**

- **TABLE OF THE ENTITY'S INCOME AND OTHER SIGNIFICANT ITEMS OVER THE PAST FIVE FINANCIAL YEARS**

	31/12/2013	31/12/2014	31/12/2015	30/12/2016	29/12/2017
Global net assets in euros	**12 241 531,82**	**47 999 157,48**	**118 306 035,26**	**141 151 855,09**	**271 461 945,05**
LAZARD CAPITAL FI IC					
Net assets in euros	11 970 940,64	41 637 377,77	98 375 993,95	107 976 245,14	220 464 711,67
Number of shares	9 107,742	29 145,574	65 769,775	68 898,458	126 189,890
Net asset value per share in euros	1 314,36	1 428,60	1 495,76	1 567,17	1 747,08
Accumulation per share pertaining to net capital gains/losses in euros		22,26	-28,18	2,11	22,17
Accumulation per share pertaining to net income in euros	46,76	44,34	54,73	72,70	71,05
LAZARD CAPITAL FI DH					
Net assets in US dollars				572 136,21	1 861 074,19
Number of shares				540,000	1 542,363
Net asset value per share in US dollars				1 059,51	1 206,63
Accumulation per share pertaining to net capital gains/losses in euros				15,33	-56,66
Accumulation per share pertaining to net income in euros				44,93	42,57
LAZARD CAPITAL FI H-CHF					
Net assets in Swiss francs					600 400,40
Number of shares					556,000
Net asset value per share in Swiss francs					1 079,85
Accumulation per share pertaining to net capital gains/losses in euros					-50,90
Accumulation per share pertaining to net income in euros					34,37
LAZARD CAPITAL FI R					
Net assets in euros	270 591,18	6 361 779,71	14 922 035,50	17 579 496,89	24 489 583,00
Number of shares	2 305,100	51 658,532	119 303,141	139 290,527	182 418,191
Net asset value per share in euros	117,38	123,15	125,07	126,20	134,24
Accumulation per share pertaining to net capital gains/losses in euros		1,91	-2,35	0,17	1,65
Distribution per share pertaining to net income in	3,36	2,94	3,63	5,02	4,52

euros					
Retained earnings per share pertaining to net income in euros					
Tax credit per share in euros					*

* Tax credit per share will only be calculated on the distribution date, in accordance with applicable tax regulations.

• TABLE OF THE ENTITY'S INCOME AND OTHER SIGNIFICANT ITEMS OVER THE PAST FIVE FINANCIAL YEARS

	31/12/2013	31/12/2014	31/12/2015	30/12/2016	29/12/2017
Global net assets in euros	**12 241 531,82**	**47 999 157,48**	**118 306 035,26**	**141 151 855,09**	**271 461 945,05**
LAZARD CAPITAL FII D					
Net assets in euros			5 008 005,81	15 053 675,32	24 444 691,51
Number of shares			50,000	144,219	220,012
Net asset value per share in euros			100 160,11	104 380,66	111 106,17
Accumulation per share pertaining to net capital gains/losses in euros			-4,08	141,96	1 360,88
Distribution per share pertaining to net income in euros			546,38	4 869,24	4 473,25
Retained earnings per share pertaining to net income in euros					
Tax credit per share in euros					*

* Tax credit per share will only be calculated on the distribution date, in accordance with applicable tax regulations.

- **INVENTORY *in euros***

Description of security	Currency	Quantity in number or face value	Present value	% Net assets
Bonds and similar securities				
Bonds and similar securities traded on a regulated or similar market				
GERMANY				
DEUT BANK AG 7.125% 31-12-99	GBP	2 000 000	2 485 486,31	0,92
DEUT P CMS10R+0.025% 31-12-99	EUR	2 200 000	1 950 092,59	0,72
DEUTSCHE BANK AG 7.5% PERP	USD	1 000 000	921 218,27	0,34
DEUTSCHE BANK 6% 31/12/2099	EUR	5 000 000	5 413 135,62	1,99
TOTAL GERMANY			**10 769 932,79**	**3,97**
AUSTRIA				
ERST GROU BA 8.875% PERP EMTN	EUR	2 000 000	2 488 830,99	0,92
TOTAL AUSTRIA			**2 488 830,99**	**0,92**
BELGIUM				
FORTIS BK TV07-191272 CV	EUR	8 000 000	6 880 930,00	2,54
KBCBB 5.625% 29/12/49	EUR	500 000	523 756,88	0,19
TOTAL BELGIUM			**7 404 686,88**	**2,73**
DENMARK				
DANSKE BA 5.875% PERP EMTN	EUR	500 000	576 247,35	0,21
DANSKE BANK AS 6.125% HYB FIX/VAR PERP	USD	1 200 000	1 083 580,80	0,40
JYSKE BANK A/S CMS10R	EUR	179 000	162 381,99	0,06
JYSKE BANK TV 09/49	EUR	203 000	185 327,71	0,07
SYDBANK TV PERP	EUR	640 000	581 516,21	0,21
TOTAL DENMARK			**2 589 054,06**	**0,95**
SPAIN				
B BILB VIZC ARGE 6.75% PERP	EUR	2 000 000	2 185 475,00	0,81
BANC BILB VIZC AR 8.875% PERP	EUR	2 600 000	3 139 070,08	1,16
BANCO DE SABADELL SA 6.5% PERP	EUR	2 000 000	2 116 310,00	0,78
BANCO SANTANDER SA EUAR10+0.125% PERP	EUR	700 000	626 707,20	0,23
BANKIA SA 6.0% PERP	EUR	10 000 000	10 625 643,48	3,90
BANKINTERSA 8.625% PERP	EUR	3 000 000	3 577 608,75	1,32
BBVA 7% PERP	EUR	400 000	425 139,91	0,16
BCO SANT CENT HIS 6.25% PERP	EUR	500 000	551 101,53	0,20
BCO SANTANDER 6.25% PERP	EUR	1 000 000	1 050 285,83	0,39
CAIXABANK SA 6.75% PERP	EUR	8 000 000	8 935 740,00	3,29
TOTAL SPAIN			**33 233 081,78**	**12,24**
UNITED STATES OF AMERICA				
DEUT POST CMS10R+0.125% PERP	EUR	500 000	447 700,06	0,16
DEUTSCHE BANK CAP 8% 15/05/2018	EUR	3 377 000	3 642 427,11	1,35
RABOBANK CAP FD TRUST IV	GBP	100 000	120 893,00	0,04
TOTAL UNITED STATES OF AMERICA			**4 211 020,17**	**1,55**
FRANCE				
A 6.686% PERP EMTN	P	300 000	425 872,66	0,16
ACAFP 7 7/8 01/29/49	USD	1 000 000	946 275,40	0,35
AXA SA 5.453% 31-12-99	GBP	300 000	402 870,33	0,15
BNP PARI L6RUSD+0.075% PERP	USD	1 000 000	729 414,03	0,27
BNP PARIBAS FIX PERP	EUR	3 500 000	4 060 107,02	1,50
BNP PARIBAS 7.195%/LIBOR PERPETUELLE SERIE REGS	USD	1 800 000	1 743 471,02	0,64
BNP PARIBAS 7.375% PERP	USD	2 000 000	1 974 136,23	0,73
BNP PARIBAS 7.625% PERP	USD	1 700 000	1 589 499,88	0,59
BNP 4.032 12/31/49	EUR	1 000 000	1 136 458,16	0,42
CA ASSURANCES 4.25% PERP	EUR	1 000 000	1 162 295,62	0,43
CASA 6.50% PERP	EUR	5 000 000	5 680 380,56	2,09
CNP ASSU 7.5% PERP	USD	100 000	87 800,22	0,03
CNP ASSURANCES 4.0% PERP	EUR	500 000	565 580,55	0,21
CRED AGRI ASSU 4.5% PERP	EUR	1 000 000	1 153 705,00	0,42
CRED AGRI SA 6.625% PERP	USD	1 000 000	868 471,25	0,32
CRED AGRI SA 8.125% PERP	USD	4 000 000	4 014 180,36	1,48
GROUPAMA SA 6.375% PERP	EUR	900 000	1 118 704,19	0,41
LAMON TF/TV 04/23/43	USD	500 000	447 874,91	0,16
LAMON 5.05 12/17/49	EUR	1 000 000	1 177 142,05	0,43

Description of security	Currency	Quantity in number or face value	Present value	% Net assets
NATIXIS TV 08-PERP.USMTN	USD	400 000	347 548,30	0,13
SG 6.75% 31/12/2099	EUR	2 000 000	2 279 057,36	0,84
SOCGEN 6 12/31/49	USD	1 000 000	871 227,51	0,32
SOCIETE GENERALE TV PERPETL	EUR	1 500 000	1 771 798,15	0,65
SOCIETE GENERALE 7.375% PERP	USD	4 000 000	3 677 597,34	1,35
SOCIETE GENERALE 8.0% PERP	USD	2 000 000	1 976 330,60	0,73
SOGECAP SA 4.125% 29-12-49	EUR	1 000 000	1 167 441,37	0,43
TOTAL FRANCE			**41 375 240,07**	**15,24**
IRELAND				
ALLI IRIS BA 7.375% PERP EMTN	EUR	1 000 000	1 137 560,91	0,42
BANK OF IRELAND 7.375% PERP	EUR	1 000 000	1 126 532,88	0,41
TOTAL IRELAND			**2 264 093,79**	**0,83**
ITALY				
FONDIARIA SAI 5.75% 31-12-99	EUR	1 000 000	1 102 599,32	0,41
INTESA SAN 7.0% PERP EMTN	EUR	1 000 000	1 140 586,52	0,42
INTESA SANPA 7.7% PERP CV	USD	2 000 000	1 851 569,32	0,68
INTESA SANPAOLO 6.25% PERP	EUR	3 400 000	3 730 742,80	1,37
INTESA SANPAOLO 7.75% PERP	EUR	2 000 000	2 512 250,43	0,93
UNICREDIT SPA FIX PERP	EUR	1 000 000	1 221 417,75	0,45
UNICREDIT SPA 6.625% PERP	EUR	6 000 000	6 562 660,27	2,42
UNICREDIT SPA 6.75% PERP	EUR	500 000	551 326,69	0,20
UNICREDIT 5.375% PERP	EUR	5 500 000	5 531 571,67	2,04
TOTAL ITALY			**24 204 724,77**	**8,92**
JERSEY				
HBOS STERLING FINANCE JERSEY LP 7.881% PERP	GBP	3 792 000	6 463 141,79	2,38
HSBC CAPIT TF/TV PERP PF *EUR	USD	4 000 000	5 394 263,82	1,99
TOTAL JERSEY			**11 857 405,61**	**4,37**
LUXEMBOURG				
BANQUE INTERNATIONALE A LUXEMBOURG SA 6.625% PERP	EUR	2 500 000	2 734 217,71	1,01
TOTAL LUXEMBOURG			**2 734 217,71**	**1,01**
NORWAY				
DNB NOR BANK ASA 5.75% PERP	USD	1 000 000	896 255,05	0,33
DNB NOR BANK ASA 6.5% PERP	USD	1 000 000	938 419,30	0,35
TOTAL NORWAY			**1 834 674,35**	**0,68**
NETHERLANDS				
ABN AMRO BANK NV 5.75% PERP	EUR	1 000 000	1 109 850,50	0,41
ACHMEA BV 4.25% PERP EMTN	EUR	1 000 000	1 129 993,97	0,42
ASR NEDERLAND NV 10.0% PERP	EUR	1 263 543	1 515 953,54	0,56
ASR NEDERLAND NV 4.625% PERP	EUR	500 000	535 733,30	0,20
DELT LLOY NV 4.375% 31-12-99	EUR	2 000 000	2 287 664,11	0,83
GENERALI FI 4.596% PERP EMTN	EUR	2 000 000	2 207 608,93	0,81
ING GROEP NV 6.5% PERP	USD	1 500 000	1 377 222,83	0,51
RABO NEDE 5.5% PERP	EUR	1 000 000	1 086 835,49	0,40
RABO NEDE 6.625% PERP	EUR	1 000 000	1 159 700,03	0,43
TOTAL NETHERLANDS			**12 410 562,70**	**4,57**
PORTUGAL				
CAIXA GERAL DE DEPOSITOS 10.75% PERP	EUR	2 000 000	2 310 402,64	0,85
TOTAL PORTUGAL			**2 310 402,64**	**0,85**

Description of security	Currency	Quantity in number or face value	Present value	% Net assets
UNITED KINGDOM				
ABBEY NATI TF/TV PERP	USD	2 293 000	2 617 915,34	0,96
BANK OF SCOT PLC 7.281% PERP	GBP	500 000	743 814,71	0,27
BARCLAYS BANK PLC 8.25% 29/12/2049	USD	2 000 000	1 757 453,36	0,65
BARCLAYS PLC 5.875% PERP	GBP	5 500 000	6 288 385,30	2,33
BARCLAYS PLC 6.5% 31-12-99	EUR	1 000 000	1 074 240,00	0,40
BARCLAYS PLC 7.125% PERP	GBP	4 000 000	4 950 009,15	1,82
BARCLAYS PLC 7.875% PERP	USD	3 500 000	3 215 340,81	1,18
BARCLAYS PLC 8% 12/15/2049	EUR	1 000 000	1 156 860,00	0,43
COVE BUIL SOC 6.375% 31-12-99	GBP	1 000 000	1 187 691,78	0,44
DEUTSCHE BANK AG INTL E 6.25% 31/12/2099	USD	200 000	173 806,75	0,06
DIRECT LINE INSURANCE PLC 4.75% PERP	GBP	2 500 000	2 851 217,69	1,05
DRESDR FIN 8.151% 30/06/31*USD	USD	7 065 000	7 808 973,98	2,89
HSBC BANK 5.844% PERP EMTN	GBP	750 000	1 124 747,76	0,41
HSBC HOLDINGS PLC 6.0% PERP CV	USD	2 500 000	2 202 705,14	0,81
HSBC HOLDINGS PLC 6.375% PERP	USD	1 000 000	904 006,35	0,33
HSBC HOLDINGS PLC 6.875% PERP	USD	900 000	813 943,20	0,30
LBG CAP.7.5884%09-120520 S.1	GBP	1 000 000	1 300 380,38	0,48
LLOY BANK GRO 7.0% 31-12-99	GBP	500 000	596 609,65	0,22
LLOYDS TSB TV PERP SERIE B	GBP	1 000 000	2 182 855,07	0,80
NWIDE 6.875% 29/12/2049	GBP	1 000 000	1 187 894,14	0,44
PRUDENTIAL PLC 5.25% 03/49	USD	2 310 000	1 939 873,54	0,71
RBS GROUP TF/TV PERP *USD	USD	4 617 000	5 103 874,08	1,88
ROYA BANK OF S 7.5% PERP CV	USD	900 000	794 661,48	0,29
ROYA BK SCOT GROU TF/TV PERP	USD	1 250 000	1 171 530,18	0,43
ROYAL BK SCOTLAND 5,5% PERP	EUR	3 000 000	3 043 306,67	1,12
ROY.BANK 5.25%05-PERP	EUR	3 000 000	3 124 642,50	1,15
SANTANDER UK GROUP HOLDINGS PLC 6.75% PERP	GBP	3 250 000	4 023 039,77	1,48
SANTANDER UK PLC 7.375% PERP	GBP	1 000 000	1 245 534,40	0,46
STANDARD CHARTERED PLC 7.75% PERP	USD	5 700 000	5 296 852,58	1,95
TOTAL UNITED KINGDOM			**69 882 165,76**	**25,74**
SWEDEN				
NDASS 6 1/8 12/29/49	USD	1 000 000	912 503,24	0,34
NORD BANK AB 5.25% PERP EMTN	USD	1 000 000	869 779,87	0,32
SEB 5 3/4 11/29/49	USD	1 000 000	869 850,19	0,32
SKANDINAVISKA ENSKILDA BANKEN AB 5.625% PERP	USD	2 400 000	2 088 472,68	0,77
SVEN HAND AB 5.25% PERP	USD	1 000 000	890 083,00	0,33
SWEDBANK AB 5.5% PERP	USD	1 000 000	876 386,11	0,32
SWEDBANK AB 6.0% PERP	USD	1 000 000	897 182,44	0,33
TOTAL SWEDEN			**7 404 257,53**	**2,73**
SWITZERLAND				
CRED SUIS GRP 6.25% 31-12-99	USD	4 500 000	4 078 871,38	1,50
CREDIT SUISSE GROUP AG 7.125% PERP	USD	3 000 000	2 806 801,72	1,03
CS 7 1/2 12/11/49	USD	4 000 000	3 826 226,96	1,41
SWISS REINSURANCE CO LTD 8.25% PERP.	USD	1 500 000	1 331 110,51	0,49
UBS GROUP AG 6.875% PERP	USD	3 000 000	2 818 129,23	1,04
UBS GROUP AG 6.875% PERP	USD	2 000 000	1 894 706,77	0,70
TOTAL SWITZERLAND			**16 755 846,57**	**6,17**
TOTAL Bonds and similar securities traded on a regulated or similar market			**253 730 198,17**	**93,47**
TOTAL Bonds and similar securities			**253 730 198,17**	**93,47**
Forward financial instruments				
Futures contracts				

Description of security	Currency	Quantity in number or face value	Present value	% Net assets
Futures contracts on a regulated or equivalent market				
LIFFE LG GILT 0318	GBP	-50	-53,512,08	-0,02
TY CBOT YST 1 0318	USD	-50	26 349,63	0,01
XEUR FGBL BUN 0318	EUR	-150	199 500,00	0,07
TOTAL Futures contracts on a regulated or equivalent market			**172 337,55**	**0,06**
TOTAL Futures contracts			**172 337,55**	**0,06**
TOTAL Forward financial instruments			**172 337,55**	**0,06**
Margin call				
Margin calls for C.A.Indo in £ sterling	GBP	47 500	53 512,08	0,02
Margin calls for C.A.Indo in US dollars	USD	-31,640,61	-26,349,61	-0,01
Margin calls for C.A.Indo in euros	EUR	-199,500	-199,500,00	-0,07
TOTAL Margin call			**-172,337,53**	**-0,06**
Receivables			**112 813 453,46**	**41,56**
Liabilities			**-110,744,285,69**	**-40,80**
Financial accounts			**15 662 579,09**	**5,77**
Net assets			**271 461 945,05**	**100,00**

LAZARD CAPITAL FI H-CHF	**CHF**	**556,000**	**1 079,85**
LAZARD CAPITAL FI R	**EUR**	**182 418,191**	**134,24**
LAZARD CAPITAL FI IC	**EUR**	**126 189,890**	**1 747,08**
LAZARD CAPITAL FII D	**EUR**	**220,012**	**111 106,17**
LAZARD CAPITAL FI DH	**USD**	**1 542,363**	**1 206,63**

- **ADDITIONAL INFORMATION ON THE TAX REGIME APPLICABLE TO INTEREST PAYMENTS**

BREAKDOWN OF INTEREST: R UNITS:

	NET OVERALL	CURRENCY	NET PER SHARE	CURRENCY
Revenue subject to non-definitive withholding tax	824 530,22	EUR	4,52	EUR
Equities eligible for a tax allowance and subject to non-definitive withholding tax				
Other income not eligible for a tax allowance and subject to non-definitive withholding tax				
Non-declarable and non-taxable income				
Amounts paid out in relation to capital gains and losses				
TOTAL	824 530,22	EUR	4,52	EUR

BREAKDOWN OF INTEREST: ID

	NET OVERALL	CURRENCY	NET PER SHARE	CURRENCY
Revenue subject to non-definitive withholding tax	952 645,36	EUR	4 329,97	EUR
Equities eligible for a tax allowance and subject to non-definitive withholding tax				
Other income not eligible for a tax allowance and subject to non-definitive withholding tax	31 523,32	EUR	143,28	EUR
Non-declarable and non-taxable income				
Amounts paid out in relation to capital gains and losses				
TOTAL	984 168,68	EUR	4 473,25	EUR