

**French open-end investment  
company  
(Société d'Investissement à  
Capital Variable)**

**LAZARD CONVERTIBLE  
GLOBAL**

**ANNUAL REPORT**

at October 31<sup>st</sup>, 2016

**Management company: Lazard Frères Gestion SAS**

**Custodian: Caceis Bank France**

**Statutory auditor: PriceWaterhouseCoopers Audit**

## CONTENTS

1.	Characteristics of the UCI	3
2.	Changes affecting the UCI	9
3.	Management report	13
4.	Regulatory information	23
5.	Certification by the Statutory Auditor	25
6.	Annual financial statements	28

## 1. CHARACTERISTICS OF THE UCI

- **LEGAL FORM**

French open-end investment company (Société d'Investissement à Capital Variable - SICAV) with a board of directors.

- **CLASSIFICATION**

Diversified.

- **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 SICAV's portfolio, plus income generated by temporary cash holdings and minus management fees and borrowing costs.

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

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

For A, R, K and A USD shares, the shareholders' meeting decides each year on the allocation of distributable income. It may pay interim dividends.

For AC H-EUR and AC H-CHF shares, distributable income is accumulated in full, with the exception of those amounts subject to compulsory distribution by law.

- **INVESTMENT OBJECTIVE**

Investment objective A, R and K shares:

The investment objective is to achieve a return (net of charges) above the Thomson Reuters Global Focus Convertible Bond Index (EUR) (net interest reinvested), expressed in euros, over the recommended investment horizon of five years.

- Investment objective A USD shares:

The investment objective is to achieve a return (net of charges) above the Thomson Reuters Convertible Global Focus USD index (net interest reinvested), expressed in US dollars, over the recommended investment horizon of five years.

- Investment objective AC H-EUR shares:

The investment objective is to achieve a return (net of charges) above the Thomson Reuters Global Focus Hedged (EUR) Convertible Bond Index (net interest reinvested), expressed in euros, hedged against foreign exchange risk with the euro as the base currency, over the recommended investment horizon of five years. The share's performance may be impacted by possible foreign exchange hedging costs.

- Investment objective AC H-CHF shares:

The investment objective is to achieve a return (net of charges) above the Thomson Reuters Global Focus Hedged Convertible Bond Index (CHF) (net interest reinvested), expressed in Swiss francs, hedged against foreign exchange risk with the Swiss franc as the base currency, over the recommended investment horizon of five years. The share's performance may be impacted by possible foreign exchange hedging costs.

- **BENCHMARK**

- Benchmark A, R and K shares:

The Thomson Reuters Global Focus Convertible Bond Index (EUR) (net interest reinvested), expressed in euros. It reflects the performance of global convertible bonds and can be accessed on the Bloomberg Terminal (UCBIFOCE) and the UBS website (with access code, ref. UCBINDEXW1414).

- Benchmark A USD shares:

The Thomson Reuters Global Focus Convertible Bond Index (USD) (net interest reinvested), expressed in dollars. It reflects the performance of global convertible bonds and can be accessed on the Bloomberg terminal (UICBFOCU).

- Benchmark AC H-EUR shares:

The Thomson Reuters Global Focus Hedged (EUR) Convertible Bond Index (net interest reinvested), expressed in euros, hedged against foreign exchange risk with the euro as the base currency. It reflects the performance of global convertible bonds, hedged against foreign exchange risk with the euro as the base currency and can be accessed on the Bloomberg terminal (UCBIFX14) and the UBS website (with access code, ref. UCBINDEXW1059).

- Benchmark AC H-CHF shares:

The Thomson Reuters Global Focus Hedged (CHF), Convertible Bond Index (net interest reinvested), expressed in Swiss francs, hedged against foreign exchange risk with the Swiss franc as the base currency. It reflects the performance of global convertible bonds, hedged against foreign exchange risk with the Swiss franc as the base currency and can be accessed on the Bloomberg terminal (UCBIFX28) and the UBS website (with access code, ref. UCBINDEXW1068).

- **INVESTMENT STRATEGY**

- 1. Strategies used**

The SICAV aims to outperform (net of charges), over the recommended investment period of five years, the benchmark:

- the Thomson Reuters Global Focus Convertible Bond Index (EUR), expressed in euros, with net interest reinvested for A, R and K shares;
- the Thomson Reuters Global Focus Convertible Bond Index (USD), expressed in dollars, with net interest reinvested for A USD shares;
- the Thomson Reuters Global Focus Hedged (EUR) Convertible Bond Index, expressed in euros, hedged against foreign exchange risk with the euro as the base currency, with net interest reinvested for AC H-EUR shares;
- the Thomson Reuters Global Focus Hedged Convertible Bond Index (CHF), expressed in Swiss francs, hedged against foreign exchange risk with the Swiss franc as the base currency, with net interest reinvested for AC H-CHF shares. The SICAV is actively managed using a fundamental approach comprising several analysis phases: study of the economic environment with market expectations produced by our Economic Strategy department, financial analysis of companies issuing bonds and of underlying equities and analysis of the technical features of issuance contracts.

To this end, the manager will manage the SICAV's overall exposure to interest rates and equity markets. In addition to the characteristics of the portfolio assets (exposure, equities and sensitivity), the manager will use interest-rate and equity futures to increase or decrease the SICAV's sensitivity or exposure to the equity market.

Furthermore, the SICAV will manage currency risk dynamically for shares that are not hedged against foreign exchange risk, in order to optimise performance in the medium term.

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

The SICAV may use futures, swaps, options and forward foreign-exchange contracts on regulated, organised and/or OTC markets, up to the amount of the net assets (without overexposure), in order to hedge the portfolio and/or expose it to equity, interest rate, exchange rate, credit and volatility risk.

## **2. Equity assets (excluding embedded derivatives):**

Shares in live securities (excluding "Preferred Convertibles") deriving from the conversion of one of the types of instrument defined below, to a maximum of 10% of net assets.

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

- European and foreign (including emerging) convertible bonds denominated in euros and/or in local currencies issued by companies and financial institutions and equivalent ("Preferred Convertibles").
- European and foreign (including emerging) bonds exchangeable for shares denominated in euros and/or in local currencies issued by companies and financial institutions.
- European and foreign (including emerging) bonds with share warrants denominated in euros and/or in local currencies issued by companies and financial institutions.
- European and foreign (including emerging) bonds with warrants for participating securities denominated in euros and/or in local currencies issued by companies and financial institutions.
- Bonds whose value is indexed to a stock market index to a maximum of 15% of net assets.
- Up to 10% of net assets, may be invested in negotiable debt securities, repurchase agreements, etc.

## **UCIs:**

- French or foreign money-market, short-term money-market, bond or diversified UCITS or AIFs that meet the four criteria of Article R. 214-13 of the French Monetary and Financial Code (*Code Monétaire et Financier*), to a maximum of 10% of net assets.

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
  - ☒ currencies
  - ☒ credit
  - ☒ other: volatility
- Types of transactions – all transactions must be limited to achieving the investment objective:
  - ☒ hedging
  - ☒ exposure
  - ☐ arbitrage
  - ☐ other
- Type of instruments used:
  - ☒ futures:
    - ☒ equity and equity indices
    - ☒ interest rate
    - ☒ currency
  - ☒ options:
    - ☒ equity and equity indices
    - ☒ interest rate
    - ☒ currency
  - ☒ swaps:
    - ☒ equity swaps
    - ☒ interest rate swaps
    - ☒ currency swaps

- ☒ currency forwards
- ☐ credit derivatives

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

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

#### 4. Securities with embedded derivatives

The manager may invest in all securities with embedded derivatives that are permitted under the management company's business plan, notably convertible bonds and warrants traded on regulated, organised and OTC markets, up to 100% of the net assets.

Within this framework, the manager may take positions with a view to hedging the portfolio against and/or exposing it to particular business sectors, geographic regions, shares (all capitalisation types), stocks and similar securities in order to achieve the investment objective.

#### 5. Deposits

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

#### 6. Cash borrowings

The SICAV 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

Up to 100% of the Fund's assets may be used in transactions involving temporary purchases and sales of securities. Any income net of the operating costs of these transactions is fully paid to the SICAV.

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

- ☒ managing cash flow
- ☐ maximising the SICAV's income
- ☐ possibly contributing to the SICAV's leverage
- ☐ other

#### 8. Information on financial guarantees

In order to achieve its investment objective, the SICAV may receive and provide financial guarantees.

In connection with over-the-counter derivative transactions, and temporary sales and purchases of securities, in accordance with Position paper 2013-06 issued by the French financial markets regulator (*Autorité des Marchés Financiers* – AMF), the SICAV 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.

The risks associated with the SICAV are interest rate risk, credit risk, equity risk, foreign exchange risk and changes in the volatility of options.

**Risk of capital loss:**

The SICAV is not guaranteed or protected and therefore there is a possibility that you may not get back the full amount of your initial investment. The risk is incurred when the net asset value falls, in which case investors are not guaranteed to get back the money originally invested.

**Equity risk:**

Exposure to fluctuations in equity markets may generate significant changes in net asset value. The SICAV's net asset value may decrease during periods in which the equity markets are falling.

**Interest rate risk:**

Interest rate risk is the risk of a change in interest rates, which has an impact on the bond markets, such as the tendency for bond prices to move in the opposite direction to interest rates. If interest rates rise, the SICAV's net asset value may fall.

**Credit risk:**

The issuer of a bond may default, and this could decrease the SICAV's net asset value. Even in cases where the issuer has not defaulted, changes in credit spreads could give rise to a negative performance. The risk may be even greater if the issuer's credit quality is low, whether the issuer is in the speculative/high yield category and/or connected to emerging markets.

The decline in net asset value could be even greater if the SICAV is invested in unrated or speculative/high yield debt, or in emerging market debt.

**Foreign exchange risk (A, R, K and A USD shares only):**

Investing in the fixed-income markets of countries outside the Eurozone generates exposure to foreign exchange risk and could lead to greater volatility.

**Volatility risk:**

Given the options attached to securities, changes in volatility, which is the main component of the option price, could give rise to a decrease in the SICAV's net asset value for an indeterminate period.

**Derivatives risk:**

The SICAV may be synthetically exposed up to 100% of its net assets to fixed-income and/or index-related instruments. The use of derivatives on organised and OTC markets may expose the net asset value to variations due to fluctuations in the underlying markets.

**Counterparty risk:**

This is the risk associated with the SICAV's use of financial futures and OTC instruments, and/or temporary purchases and sales of securities.

An operation of this type with one or more eligible counterparties potentially exposes the SICAV to a risk of insolvency related to one or more of these counterparties, which could lead to default on payment.

**Risk of emerging markets:**

The main risks relating to investments in emerging countries may be due to the sharp movements in security and currency prices in these countries, potential political instability and accounting and financial practices that are less rigorous than in the developed countries.

The SICAV's net asset value could fall in the event of a downward movement in these markets.

- **GUARANTEE OR PROTECTION**

None.

- **ELIGIBLE SUBSCRIBERS AND TYPICAL INVESTOR PROFILE**

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 SICAV.

**Information on US investors:**

The SICAV is not registered as an investment vehicle in the United States and its shares 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 1<sup>st</sup>, 2014, if the SICAV 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 SICAV undertakes to comply with the FATCA and to take all appropriate measures pursuant to the aforementioned intergovernmental agreement.

Recommended investment period: minimum five years.



At the board of directors' meeting of February 10<sup>th</sup>, 2016 it was decided to:

- Create a euro-hedged share class followed by the merger/absorption by this share of the Lazard Convertible Couvert feeder fund;
- Create a CHF-hedged share class followed by the merger/absorption by this share of the Lazard Convertible Couvert CHF feeder fund;
- Create a US-dollar denominated share class.

**Effective date: September 30<sup>th</sup>, 2016**

During the board of directors' meeting of February 10<sup>th</sup>, 2016, the Chairman made a proposal to market the Lazard Convertible Global SICAV in Portugal.

**Effective date: April 21<sup>th</sup>, 2016**

**TERMS OF OFFICE OF INDIVIDUAL MEMBERS OF THE BOARD OF DIRECTORS OF LAZARD CONVERTIBLE GLOBAL SICAV AS AT OCTOBER 31<sup>st</sup>, 2016**

<b>Directors' names</b>	<b>Number of offices held</b>	<b>List of offices and functions</b>
Arnaud Brillois Vice President of Lazard Frères Gestion SAS	1	Chairman and Chief Executive Officer of the SICAV Lazard Convertible Global
Lionel Clément Vice President of Lazard Frères Gestion SAS	2	Chairman and Chief Executive Officer of the SICAV Lazard Financials Debt Director of the SICAV Lazard Convertible Global Non-board member Chief Executive Officer of the SICAV Objectif Alpha Obligataire
Arnaud Laforge	1	. Member of the Board of Directors of Lazard Convertible Global
Colin Faivre Vice President of Lazard Frères Gestion SAS	2	. Member of the Board of Directors of Lazard Convertible Global . Board member and Chief Executive Officer of Objectif Alpha Allocation
Geneviève Werner	2	. Member of the Board of Directors of Lazard Convertible Global
Jean-Luc Chauchard Vice President of Lazard Frères Gestion SAS	1	. Member of the Board of Directors of Lazard Convertible Global
Paul Castello Director of Lazard Frères Gestion SAS	5	Member of the Boards of Directors of the following SICAVs: . Objectif Alpha Court Terme . Objectif Investissement Responsable . Norden Small . Lazard Convertible Global . Objectif Alpha Obligataire
Sylvain Mortera	5	Director of: . the SICAV Objectif Convertible . the SICAV CAAM Convertibles Euroland . the SICAV CAAM Oblig Internationales GAREAT ASSURATOME
Guilaine Perche	1	. Member of the Board of Directors of Objectif Convertible

## DIRECTORS' FEES

**Directors' fees paid by Lazard Convertible Global to members of the Board of Directors for the financial year ended October 31<sup>st</sup>, 2016**

Members of the Board of Directors	Directors' fees paid by the SICAV
Arnaud Brillois Vice President of Lazard Frères Gestion SAS	0
Lazard Frères Gestion SAS represented by Jean-Jacques de Gournay Managing Director of Lazard Frères Gestion SAS	0
Lionel Clément Vice President of Lazard Frères Gestion SAS	0
Arnaud Laforge	€ 1.600
Colin Faivre Associate of Lazard Frères Gestion SAS	0
Geneviève Werner	€ 1.600
Jean-Luc Chauchard Vice President of Lazard Frères Gestion SAS	0
Paul Castello Director of Lazard Frères Gestion SAS	0
AGPM VIE represented by Didier Rigaut	€ 1.600
Caisse de Retraite des Notaires Represented by Jean-Paul Muller	€ 1.600
Sylvain Mortera	€ 1.600
Guilaine Perche	0
Caisse de Prévoyance des Cadres d'Entreprises Agricoles (CPCEA) Represented by Jean-Claude Guimiot	€ 1.600
Alexis Gardie	€ 1.600
Marc Wendling	€ 1.600

**ALLOCATION OF INCOME RESOLUTION PROPOSED TO THE  
ORDINARY SHAREHOLDERS' MEETING OF FEBURARY 13<sup>TH</sup>, 2017**

**Second resolution**

The Shareholders' Meeting approves the distributable income for the financial year, which amounts to:

**€1.637.499,77** distributable amount pertaining to net income;

**€14.910.830,38** distributable amount pertaining to net capital gains and losses

and decides that they shall be allocated as follows:

1- Distributable amount pertaining to net income

**€1.637.499,77** Accumulation

2- Distributable amount pertaining to net capital gains and losses

**€14.910.830,38** Accumulation

*For information: distributable net income for the past three financial years has been accumulated.*

## BOARD OF DIRECTORS' REPORT TO THE ORDINARY SHAREHOLDERS' MEETING OF FEBRUARY 13<sup>TH</sup>, 2017

To the shareholders,

We have called this Shareholders' Meeting in order to present the balance sheet and accounts for your company for the financial year from 02 November 2015 to 31 October 2016.

Lazard Convertible Global "**A shares**", the net assets decreased from € 340 437 126,84 on October 30<sup>th</sup>, 2015 to € 312 972 768,51 on October 31<sup>st</sup>, 2016, with the number of shares outstanding at 278 162,608.

The net asset value rose from € 1 100,50 on October 30<sup>th</sup>, 2015 to € 1 125,14 on October 31<sup>st</sup>, 2016 corresponding to an increase of 2,25%.

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

Lazard Convertible Global "**R shares**", the net assets increased from € 5 070 354,41 on October 30<sup>th</sup>, 2015 to € 9 124 638,45 on October 31<sup>st</sup>, 2016, with the number of shares outstanding at 28 252,781.

The net asset value rose from € 317,94 on October 30<sup>th</sup>, 2015 to € 322,96 on October 31<sup>st</sup>, 2016, corresponding to an increase of 1,58%.

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

Lazard Convertible Global "**K shares**", the net assets increased from € 11 419 646,22 on October 30<sup>th</sup>, 2015 to € 11 675 356,40 on October 31<sup>st</sup>, 2016, with the number of shares outstanding at 8 813,442.

The net asset value rose from € 1 295,70 on October 30<sup>th</sup>, 2015 to € 1 324,72 on October 31<sup>st</sup>, 2016, corresponding to an increase of 2,25%.

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

Lazard Convertible Global "**A USD shares**", the net assets decreased from \$ 1 000,00 on October 3<sup>rd</sup>, 2016 to \$ 987,90 on October 31<sup>st</sup>, 2016, with the number of shares outstanding at 1.

The net asset value fell from \$ 1 000,00 on October 3<sup>rd</sup>, 2016 to \$ 987,90 on October 31<sup>st</sup>, 2016, corresponding to an annualised decrease of -15,82%.

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

Lazard Convertible Global "**AC H-EUR shares**", the net assets increased from € 15 958 355,66 on September 30<sup>th</sup>, 2016 to € 84 960 254,92 on October 31<sup>st</sup>, 2016, with the number of shares outstanding at 64 198.

The net asset value fell from € 1 326,76 on September 30<sup>th</sup>, 2016 to € 1 323,40 on October 31<sup>st</sup>, 2016, corresponding to an annualised decrease of -2.99%.

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

Lazard Convertible Global "**AC H-CHF shares**", the net assets decreased from CHF 10 226 141,46 on 30 September 2016 to CHF 10 191 154,42 on 31 October 2016, with the number of shares outstanding at 970.

The net asset value fell from CHF 10 531,55 on September 30<sup>th</sup>, 2016 to CHF 10 506,34 on October 31<sup>st</sup>, 2016, corresponding to an annualised decrease of -2,83%.

Performances vary over time and past performance is no guarantee of the Fund's future results. The benchmark fell by 0,11% over the period.

### Information on movements in the portfolio over the period:

#### Purchased:

ISIN	Name	Net amount €
FR0000983751	FCP Amundi Tresor Ct Ic-(3d)	18 297 327,12
US595017AC89	Microchip Tec.15/8%c15-15fe25s	16 571 748,30
XS1209185161	Telecom It.11/8%c 15-26mr22s	12 049 088,55
US750236AN17	Radian Grp 21/4%c 13-01mr19s	11 818 741,72
US756577AD47	Red Hat Inc.1/4%conv15-01oc19s	9 210 874,26

#### Sold:

ISIN	Name	Net amount €
US67066GAC87	Nvidia 1% (conv.) 14-01de18s	10 487 335,39
US285512AA71	Electronic Arts 0,75% 15/07/2016	10 102 154,17
US595017AB07	Microship Tech. TV 15/12/2037	7 566 700,03
FR0000983751	FCP Amundi Tresor Ct Ic-(3d)	7 197 235,85
US80004CAF86	Sandisk Corp.1/2%c 14-15oc20s	7 034 405,19

## ECONOMIC ENVIRONMENT

### Introduction

Global economic growth remained moderate over the last twelve months. Activity in the developed countries slowed, mainly due to disappointing growth in the US. Nevertheless, the improvements in the labour market, good confidence levels and persistently low interest rates are underpinning the economic outlook of these countries. In emerging countries, economic activity stabilised thanks to a gradual normalisation of the macroeconomic situation in several countries that export key raw materials which had experienced a deep recession. Capital inflows into emerging economies picked up, notably due to an easing of fears around growth in China, a recovery in commodity prices, and anticipations of continued low interest rates in developed countries. Generally speaking, inflation remained modest and lower than the inflation targets set by the main developed country economies. One of the main unexpected events over the last twelve months was the vote by the UK to leave the European Union. The global economy seems to have absorbed the shock well but significant uncertainty remains as to the nature of the country's future trade and financial relations with the European Union. Overall, central banks' monetary policies remained highly accommodative. The Federal Reserve (Fed) moved interest rates above zero in December 2015 but subsequent felt a second hike would be too risky. In the search for additional tools to help reach their inflation targets, the European Central Bank (ECB) and the Bank of Japan (BoJ) explored new stimulus measures: an asset purchasing programme involving government and corporate bonds for the ECB, and a shift to negative key interest rates and control of the yield curve slope for the BoJ. Against this backdrop, the financial markets alternated between periods of fragile calm and turbulence.

<b>GDP volume growth (%)</b>	<b>2014</b>	<b>2015 (e)</b>	<b>2016 (e)</b>	<b>2017 (e)</b>
World	3,4	3,2	3,1	3,4
Developed countries	1,9	2,1	1,6	1,8
Emerging countries	4,6	4,0	4,2	4,6
Eurozone	1,1	2,0	1,7	1,5
United States	2,4	2,6	1,6	2,2
Japan	0,0	0,5	0,5	0,6
United Kingdom	3,1	2,2	1,8	1,1
China	7,3	6,9	6,6	6,2
India	7,2	7,6	7,6	7,6
Brazil	0,1	-3.8	-3.3	0,5
Russia	0,7	-3.7	-0.8	1,1

IMF Economic Outlook, October 2016 update

The MSCI World Index in dollars of global equity markets gained 9,1%. Behind this gain, however, were contrasting performances by the different zones: +12,9% for the S&P 500 in dollars, +0,1% for the Eurostoxx in euros, - 6,3% for the Topix in yen and +14,1% for the MSCI Emerging Markets Index in dollars.

After an equity market rally in Q4 2015, 2016 began with a period of turbulence. Until mid-February, concerns centred on China, the further drop in oil prices, US growth and banks' exposure to the energy sector at a time when their profits, especially in Europe, had started to come under growing pressure amid further cuts to already negative policy rates. The arrival of better economic statistics, the rise in the oil price and highly accommodative central banks subsequently led to an equity market rebound.

Things were relatively calm then until June 2016, after which the equity indices were buffeted by the polls regarding the June 23rd referendum on whether the United Kingdom should remain in the European Union. The victory of the "Leave" vote triggered a second episode of turmoil since investors were expecting the remain vote to win, which was the bookmakers' favourite in the run-up to polling. But this volatility was short-lived and the equity markets clawed back the losses linked to Brexit.

Long-term yields on the government bonds of non-risky countries continued to decline over the year and the volume of sovereign bonds trading at negative yields reached record levels in world markets. The negative long rates recorded in Germany and Japan are unprecedented. To a large extent, interest rates have fluctuated according to concerns about global growth and Fed and ECB monetary policy expectations. Over 12 months, 10-year yields on German government bonds declined from 0,59% to -0,12% and the 10-year yield on US government debt fell from 2,04% to 1,59%.

The credit spreads of peripheral countries in relation to Germany tightened in France (-9 basis points) and Spain (-31 basis points) while they widened significantly in Portugal (+164 basis points) due to political uncertainty, and to a lesser extent in Greece (+70 basis points) and Italy (+17 basis points).

According to Merrill Lynch indices, options-adjusted credit spreads on good quality corporate bonds versus government bonds tightened by 44 basis points to 101 basis points, while spreads on high yield bonds tightened by 139 basis points to 416 basis points.

The euro was broadly stable against the dollar year-on-year (+0,5%) but it depreciated sharply against the yen (-15,0%) and strengthened significantly against the pound sterling (+17,2%).

Oil prices fell rapidly until mid-January 2016 due to resilient supply in the United States and the OPEC countries. The prospect of increased production in Iran was also a factor. The subsequently picked up on hopes of an agreement between the major oil producers and amid disruptions to supply on several markets. On September 28<sup>th</sup>, the members of OPEC reached agreement on future production cuts. The Brent oil price remained more or less stable (+1,2%) year-on-year and was at \$48 at the end of September 2016.

## **United States**

Growth in the United States slowed over the last few quarters to +1,4% quarter-on-quarter annualised in Q2 2016 (+1,3% year-on-year), partly due to the decline in investment in the oil sector, lower inventories and weak exports.

The ISM manufacturing index saw two phases of deterioration, the first in the fourth quarter of 2015 and the second at the end of summer 2016. It stood at 51,5 in September 2016, up 1,5 points year-on-year. The ISM non-manufacturing index rose from 56,7 to 57,1 year-on-year, showing an uneven trend from spring onwards after falling back until the start of 2016.

The labour market remained dynamic despite the slowdown in activity and a soft patch in job creation in May 2016. On average, over the last twelve months, 191 800 jobs were created by the private sector. The unemployment rate continued to fall, dropping from 5,1% to 5,0%, but at a slower pace because of a rise in the participation rate. Year-on-year growth in the hourly wage in the private sector accelerated slightly, from +2,4% to +2,6%.

Household consumption remained good. It received a boost in the second quarter of 2016 when households used some of their increased purchasing power linked to the fall in the oil price that had previously been allocated to savings, but it suffered another blow in the third quarter. It rose by 2,6% year-on-year. At the same time, the saving rate fell from 5,9% to 5,7% of disposable income.

The recovery in the construction sector continued. Housing starts fell by 11,9% year-on-year in September 2016 due to a sharp fall in the construction of collective housing, but housing starts in individual homes, which is a better indicator of the trend, increased by 5,4% year-on-year. There was an 8,5% increase year-on-year in building permits. Home builders' confidence remained close to its highest level in this economic cycle according to the NAHB index, while property prices remained almost stable year-on-year (+5,1% in August 2016) according to the S&P Case Shiller Index.

New home sales in the residential sector picked up sharply. In September 2016, they showed a year-on-year increase of 29,8%. Sales of existing homes were volatile but remained more or less stable in year-on-year terms at +0,6%.

Orders of capital goods outside the defence and aviation industries fell by 3,6% year-on-year, partly penalised by the decline in orders in the mining and oil sectors.

The trade deficit has remained more or less stable over the last year, reaching \$40,7 billion in August 2016 versus \$41,1 billion in September 2015. Exports of goods and services rose by 0,7% year-on-year in value terms while imports fell by 1,2%.

Global inflation started to pick up, rising from 0,0% to +1,5% year-on-year in September 2016. Excluding energy and food, it accelerated from +1,9% year-on-year to +2,2%.

After its December 16<sup>th</sup>, 2015 meeting, the Fed moved interest rates out of zero territory by hiking the fed funds target rate by 25 basis points to 0,25%-0,50%.

## **Eurozone**

The Eurozone continued to show a recovery over the last few quarters. Growth picked up speed to an annualised rate of +2,1% in Q1 2016 before slowing to +1,2% in Q2 2016 (+1,6% year-on-year).



The Eurozone composite PMI reached 53,7 in October 2016 according to the first estimate, which is close to the September 2015 level (53,6). The victory of the leave vote in the UK Brexit referendum has not yet had an impact on the business climate.

In Germany, growth accelerated in Q4 2015 and in Q1 2016 before slowing to an annualised rate of +1,7% in Q2 2016 (+1,8% year-on-year). The composite PMI rose by one point from September 2015 to 55,1 in October 2016 according to the first estimate. The unemployment rate remained low, at 4,2% in September 2016 according to Eurostat, one of the lowest levels in Europe.

In France, after stable growth in Q4 2015 and a sharp acceleration in Q1 2016, GDP fell by an annualised rate of 0,4% in Q2 2016, before rebounding by 0,8% in Q3 2016 (+1,1% year-on-year). The composite PMI deteriorated until the start of 2016 but picked up subsequently, rising from 51,9 to 52,2 between September 2015 and October 2016, according to the first estimate. The unemployment rate fell below the 10% mark in April 2016 before rising again. It rose from 10,4% to 10,5% between September 2015 and August 2016, according to Eurostat.

In the peripheral countries, growth in Italy remained weak. It was almost zero in Q2 2016 (+0,1% quarter-on-quarter annualised, +0,7% year-on-year). The unemployment rate remained more or less stable, falling from 11,5% to 11,4% between September 2015 and August 2016, according to Eurostat.

Spain's catch-up momentum faltered only slightly, with growth slowing from an annualised +3,4% in Q3 2015 to +2,8% in Q3 2016 (+3,2% year-on-year). Unemployment continued to fall, but at a rate of 19,5% in August 2016 according to Eurostat, it is the highest in Europe after Greece. Like the 20 December 2015 elections, the parliamentary elections held on 26 June failed to produce a government majority.

In the Eurozone, inflation accelerated slightly, increasing from -0,1% to +0,4% year-on-year. Excluding energy and food, it remained more or less stable, falling from +0,9% year-on-year to +0,8%.

In December 2015, the ECB announced an extension to its asset purchasing programme to include bonds issued by regional and local administrations, an extension of its duration from six months to at least the end of March 2017, and a lowering of the deposit facility rate by 10 basis points to -0,30 %.

After its March 2016 meeting, the ECB cut the refinancing rate and the marginal lending facility rate by 5 basis points to 0,00% and 0,25% respectively, and lowered the deposit rate by 10 basis points to -0,40%. It also increased its monthly asset purchases by €20 billion to €80 billion, added bonds issued by highly rated non-financial corporations to the list of eligible assets, and announced a new series of four targeted longer term refinancing operations.

## **MANAGEMENT POLICY**

During this financial year, the SICAV outperformed its benchmark index in relation to the unhedged share class (A shares +2,25% versus +0,11% for the benchmark index). The US equity market outperformed the other developed markets: the Topix, the Stoxx600 and the S&P500 realised performances of -10,60%, -9,72% and +2,25% respectively. European and US yields eased over the period, which contributed negatively to the performance as we had lower interest rate exposure than the index. In relation to foreign exchange, the biggest moves concerned the pound sterling, which depreciated sharply (-25,7% against the euro), and the yen which appreciated (+13,3% against the euro).

The following is the fund manager's commentary for each month:

### **October 2016**

In October 2016, Lazard Convertible Global achieved a return of +1,09% compared with +0,87% for its benchmark index, the Thomson Reuters Global Focus Convertible index in euros. The equity exposure of the fund and the benchmark index was reduced to 55,2% and 41,3% respectively. The fund's exposure to interest rates increased but it remained lower than that of the benchmark, at 1,10 versus 2,24. The overexposure to the equity markets had a negative contribution over the month (the Stoxx600 index in euros lost 1,03% and the S&P 500 index in dollars lost 1,86%). The underexposure to interest rates had a positive contribution over the month. The stock picking effect was neutral over the period. We initiated positions in Illumina, Macquarie Infrastructure, Ubisoft and Workday. We remained overweight in the US dollar in relation to all other currencies over the period.

### **September 2016**

In September 2016, Lazard Convertible Global achieved a return of +0,90% compared with -0,10% for its benchmark index, the Thomson Reuters Global Focus Convertible index in euros. The equity exposure of the fund and the benchmark index was stable at 59,7% and 43,2% respectively. There was no change in the fund's exposure to interest rates, which remained lower than that of the benchmark, at 0,86 versus 2,25. The overexposure to the equity markets had a negative contribution over the month (the Stoxx600 index in euros lost 0,11% and the Nasdaq index in dollars lost 0,02%). The underexposure to interest rates had a slightly negative contribution over the month. Our stock picking had a positive effect, thanks in particular to the strong performance of Nvidia and Palo Alto Network over the month. We initiated a line in Inmarsat 2023. We remained overweight in the US dollar in relation to all other currencies over the period.

### **August 2016**

In August 2016, Lazard Convertible Global achieved a return of +2,11% compared with +0,78% for its benchmark index, the Thomson Reuters Global Focus Convertible index in euros. The fund's equity exposure increased to 59,3%, while that of its benchmark remained stable at 43,7%. There was no change in the fund's exposure to interest rates, which remained lower than that of the benchmark, at 0,84 versus 2,22. The overexposure to the equity markets had a positive impact over the month (the Stoxx600 index in euros gained 0,74% and the Nasdaq index in dollars gained 1,18%). The underexposure to interest rates had a positive impact over the month. Our stock picking had a positive effect, thanks in particular to the strong performance of Nvidia and Meritor over the month. There were no notable changes in securities. We remained overweight in the US dollar and neutral in relation to the pound sterling over the period.

### **July 2016**

In July 2016, Lazard Convertible Global achieved a return of +3,71% compared with +1,93% for its benchmark index, the Thomson Reuters Global Focus Convertible index in euros. The equity exposure of the fund and the benchmark index increased to 58,1% versus 44%. There was no change in the fund's exposure to interest rates, which remained lower than that of the benchmark, at 0,92 versus 2,33. The overexposure to the equity markets had a positive impact over the month (the Stoxx600 index in euros gained 3,73% and the S&P500 index in dollars gained 3,65%). The underexposure to interest rates had a neutral impact over the month. Our stock picking had a positive effect, thanks in particular to strong performances by Nvidia and Adidas over the month. There were no notable changes in securities. We remained overweight in the US dollar and neutral in relation to the pound sterling over the period.

### **June 2016**

In June 2016, Lazard Convertible Global achieved a return of -2,21% compared with -0,69% for its benchmark index, the Thomson Reuters Global Focus Convertible index in euros. The fund's equity exposure increased to 54,9%, while that of its benchmark decreased slightly to 40,9%. There was no change in the fund's exposure to interest rates, which remained lower than that of the benchmark, at 1,02 versus 2,50. The overexposure to the equity markets had a negative impact, attributable to Europe in particular (the Stoxx600 index in euros lost 4,83% and the S&P500 index in dollars gained 0,21% over the month). The underexposure to interest rates had a negative impact over the month. Stock picking had a negative effect, due to our overexposure to airlines. We sold CGG 2020, Radian 2019, Caixa 2017 and reduced our positions in Dialog Semiconductor. We remained overweight in the US dollar and neutral in relation to the pound sterling over the period.

### **May 2016**

In May 2016, Lazard Convertible Global achieved a return of +3,77% compared with +2,06% for its benchmark index, the Thomson Reuters Global Focus Convertible index in euros. The fund's equity exposure increased to 53,3%, while that of its benchmark decreased slightly to 42%. There was no change in the fund's exposure to interest rates, which remained lower than that of the benchmark, at 0,98 versus 2,40. The overexposure to the equity markets had a positive impact across all markets (the Stoxx600 index in euros gained 2,50% and the S&P500 index in dollars gained 1,72% over the month). The underexposure to interest rates had a marginal impact over the month. Stock picking had a positive effect thanks to strong performances by certain securities exposed to technology. We reduced our positions in CGG 2020 and Dialog Semiconductor. We purchased Tesla 2021 and IAG 2022. We maintained the fund's overexposure to the dollar and purchased the pound sterling to bring our exposure to the same level as the index.

#### **April 2016**

In April 2016, Lazard Convertible Global achieved a return of 0,27% compared with 0,68% for its benchmark index, the Thomson Reuters Global Focus Convertible index in euros. The fund's equity exposure increased slightly to 49,8%, while that of its benchmark decreased slightly to 43%. There was no change in the fund's exposure to interest rates, which remained lower than that of the benchmark, at 0,93 versus 2,37. The overexposure to the equity markets contributed differently depending on the market (the Stoxx600 index in euros gained 1,75% and the S&P500 index in dollars gained 0,35% while the Nasdaq lost 3,23%). The underexposure to interest rates had a positive impact over the month. Stock picking had a negative impact due to poor performances in the technology sector in the United States. We sold our Sandisk 2020 line and strengthened our positions in Take Two 2018, Starwood 2018, Tesla 2019 and Telecom Italia 2022. We maintained the fund's overexposure to the dollar and its underexposure to Asian currencies and the pound sterling over the period, which contributed negatively to the performance.

#### **March 2016**

In March 2016, Lazard Convertible Global achieved a return of +0,2% compared with -0,3% for its benchmark index, the Thomson Reuters Global Focus Convertible index in euros. The fund's equity exposure increased to 49,1%, while that of its benchmark was 43,8%. Exposure to interest rates continued to be underweighted, remaining stable at 0,9 versus 2,4 for the benchmark. The overexposure to the equity markets had a positive impact (the Stoxx600 index net dividends reinvested in euros gained 1,4% and the S&P500 index net dividends reinvested in dollars gained 6,7% over the month). The underexposure to interest rates had a positive impact over the month. Stock picking had a positive effect thanks to strong performances by the financial sector over the month. We sold our Electronic Arts 2016 line and initiated two new positions in the US technology sector, Take Two 2018 and Red Hat 2019. We maintained the fund's overexposure to the dollar and its underexposure to Asian currencies and the pound sterling over the period.

#### **February 2016**

In February 2016, Lazard Convertible Global achieved a return of +0,2% compared with -0,5% for its benchmark index, the Thomson Reuters Global Focus Convertible index in euros. The fund's equity exposure decreased slightly to 45,7%, while that of its benchmark was 40,5%. Exposure to interest rates continued to be underweighted, rising to 0,9 versus 2,5 for the benchmark. The overexposure to the equity markets had a negative impact (the Stoxx600 index net dividends reinvested in euros lost 2,2% and the S&P500 index net dividends reinvested in euros remained stable at +0,1% over the month). The underexposure to interest rates had a negative impact over the month. Stock-picking had a positive impact thanks to a rebound by certain US technology stocks over the month. We initiated a position in LVMH 0% 2021 during its issuance. We remained overweight the US dollar and underweight the euro.

#### **January 2016**

In January 2016, Lazard Convertible Global achieved a return of -6,1% compared with -4,1% for its benchmark index, the Thomson Reuters Global Focus Convertible index in euros. The fund's equity exposure was reduced significantly to 46,5%, while that of its benchmark was 40,7%. Exposure to interest rates continued to be underweighted, rising to 0,8 versus 2,5 for the benchmark. Our overweighting of the equity markets had a negative effect (the Stoxx600 net dividends reinvested in euros lost 6,4% and the S&P500 net dividends reinvested in euros lost 5,3% over the month). The underexposure to interest rates had a significant negative impact over the month. Stock-picking had a negative effect due to the underperformance of certain US technology stocks during the month. We reduced our position in CGG. We initiated a position in Aroundtown, a German specialist in distressed real estate investment. We remained overweight the US dollar and underweight the euro.

#### **December 2015**

In December 2015, Lazard Convertible Global achieved a return of -4,4% compared with -3,1% for its benchmark index, the Thomson Reuters Global Focus Convertible index in euros. The fund's equity exposure was reduced by 5% to 54,3%, while that of its benchmark was 45,3%. Exposure to interest rates continued to be underweighted, remaining stable at 0,6 versus 2,3 for the benchmark. Our overweighting of the equity markets had a negative effect (the Stoxx600 net dividends reinvested in euros lost 5,0% and the S&P500 net dividends reinvested in euros lost 4,4% over the month). The underexposure to interest rates had a positive impact over the month. Stock-picking was detrimental, penalised by the underperformance of the US technology sector during the month. We carried out switches on convertible bonds with impending activation of conditional redemptions, e.g. Radian 2019 and Microchip 2025. We initiated a position on the Japanese hygiene product manufacturer, Unicharm. We also strengthened our positions in Ingenico and FDR in Europe, Citrix in the United States and Terumo in Japan. We remained overweight the US dollar and underweight the euro.

**November 2015**

In November 2015, Lazard Convertible Global achieved a return of 3,2% compared with 2,8% for its benchmark index, the Thomson Reuters Global Focus Convertible index in euros. The fund's equity exposure remained stable at 59,3%, and that of the benchmark index remained stable at 48,3%. Its exposure to interest rates continued to be underweighted, with a slight increase following substitutions to 0,6 versus 2,3 for the benchmark index. Our overweight stance in the equity markets had an extremely positive effect (in October, the STOXX 600 net dividends reinvested in euros gained 2,8% and the S&P 500 net dividends reinvested in euros rose by 4,4%). The fund's underweighting in relation to fixed-income continued to have a negative effect in Europe and a positive effect in relation to the United States. The stock picking effect was neutral over the period. We carried out switches on convertible bonds with impending maturities or showing limited potential after the impending activation of conditional redemptions, e.g. Misarte/Kering 2016, Peugeot 2016 and Faurecia 2016; we took positions in the Haniel/Metro exchangeable bond with a more mixed profile, and strengthened our positions in the Adidas convertible bond. We remained overweight the US dollar and underweight the euro.

*Past performance is no guarantee of future results.*

**Main changes in the portfolio during the year**

Securities	Changes ("accounting currency")	
	Purchases	Sales
AMUNDI TRESO COURT TERME I C	18 297 327,13	7 197 235,86
RADIAN GROUP INC 2.25% 01/03/19	5 897 367,33	5 528 037,28
TELE ITAL SPA 1.125% 26-03-22	10 887 212,54	0,00
NVIDIA 1.0% 01-12-18	0,00	10 524 643,52
ELECTRONIC ARTS 0.75% 15/07/2016 CV	0,00	10 137 816,64
RED HAT 0.25% 01-10-19 CV	9 181 888,10	0,00
GILEAD 1 5/8% 11-010516 CONVERTIBLES	0,00	8 518 239,53
MICR TECH 1.625% 15-02-25	8 269 043,30	0,00
MICROCHIP TECHNOLOGY 2.125% 15/12/2037 CV	0,00	7 579 718,55
SANDISK C 0.5% 15-10-20 CV	0,00	7 031 887,49

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

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

- Exposure through efficient management techniques:
  - **Securities lending:**
  - **Securities borrowing:**
  - **Repurchase agreements:**
  - **Reverse repurchase agreements:**
- Underlying exposure through derivative financial instruments: **290 987 208,29**
  - **Currency forwards: 74 188 834,21**
  - **Futures: 216 798 374,08**
  - **Options:**
  - **Swaps:**

- 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
<b>Efficient portfolio management techniques</b> . Term deposits . Equities . Bonds . UCITS . Cash  <b>Total</b>	
<b>Derivative financial instruments</b> . Term deposits . Equities . Bonds . UCITS . Cash  <b>Total</b>	

**d) Operating income and expenses related to efficient management techniques**

Operating income and expenses	Amount in the currency of the portfolio
. Income (**) . Other income  <b>Total income</b>  . Direct operating expenses . Indirect operating expenses . Other expenses  <b>Total expenses</b>	

(\*\*) 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 is available to shareholders upon written request to the management company.

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

The incorporation of extra-financial considerations in investment decisions is central to our socially responsible investment (SRI) equity investment philosophy. Our SRI management philosophy is based on the firm belief that a company's economic performance is sustainable only if certain extra-financial factors are taken into account. The development of our human capital and prevention of all potential environmental risks help to secure a permanent economic performance.

The quality of corporate governance is assessed for all companies whose shares are held by UCIs managed by Lazard Frères Gestion, even when the portfolios in question are not specifically pursuing SRI strategies. As such, the RSI ACTIONS JAPON FCP managed by Lazard Frères Gestion takes corporate governance factors into account, without necessarily considering them alongside social or environmental criteria.

Information about ESG criteria is available on the website [www.lazardfreresgestion.fr](http://www.lazardfreresgestion.fr)

- **METHOD USED TO CALCULATE GLOBAL RISK**

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

- **INFORMATION CONCERNING THE TEMPORARY PURCHASE AND SALE OF SECURITIES**

As part of daily cash management, the manager may undertake repurchase agreements. These repurchase agreements are undertaken solely with Lazard Frères Banque for a term of one day, with a possibility of renewal.

Securities received by the Fund as collateral for the purpose of reducing counterparty risk will be shown, where applicable, in section "3.9 Other transactions" under additional information.

Income from these transactions is shown in the income statement, under "Income from temporary purchases and sales of securities".

- **BROKERAGE FEES**

Information on brokerage fees is available on the website [www.lazardfreresgestion.fr](http://www.lazardfreresgestion.fr).

- **EFFECTIVE PORTFOLIO MANAGEMENT TECHNIQUES**

There were no repurchase operations recorded in the portfolio over the financial year.

- **FINANCIAL INSTRUMENTS ISSUED OR MANAGED BY A LAZARD GROUP ENTITY**

Information on these instruments is provided in the SICAV's annual financial statements.

- **OTHER INFORMATION**

The prospectus, the latest annual and periodic reports, and the composition of the assets will be sent out within eight business days upon written request to:

Lazard Frères Gestion SAS, 25, rue de Courcelles, 75008 Paris, France.

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

**Designated contact:**

Client Services – Monday to Friday

9 a.m. to 5 p.m.

Tel: +33 (0)1 44 13 01 79

where further information may be obtained if necessary.



## 5. CERTIFICATION BY THE STATUTORY AUDITOR



**STATUTORY AUDITOR'S REPORT ON THE ANNUAL FINANCIAL STATEMENTS**  
**Financial year ended October 31<sup>st</sup>, 2016**

**LAZARD CONVERTIBLE GLOBAL**

UCITS ORGANISED AS A FRENCH OPEN-END INVESTMENT COMPANY (*SOCIÉTÉ D'INVESTISSEMENT À CAPITAL VARIABLE*)

Governed by the French Monetary and Financial Code (Code monétaire et financier)

Management company

LAZARD FRERES GESTION

25, rue Courcelles

75008 PARIS, France

To the unitholders,

In accordance with the terms of our appointment by the management company's governing bodies, we hereby report to you on the following matters for the financial year ended October 31<sup>st</sup>, 2016:

- the audit of the accompanying financial statements of LAZARD CONVERTIBLE GLOBAL, an open-end investment company (*société d'investissement à capital variable*);
- the basis of our opinions,
- the specific verifications and disclosures required by law.

The management company is responsible for approving the annual financial statements. Our role is to express an opinion on these financial statements, based on our audit.

**1. OPINION ON THE ANNUAL FINANCIAL STATEMENTS**

We conducted our audit in accordance with the professional standards applicable in France. These standards require that we plan and perform the audit so as to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit consists of examining, by audit sampling and other selective testing procedures, evidence supporting the amounts and disclosures in the annual financial statements. It also involves assessing the accounting principles used, the significant estimates made by the management, and the overall presentation of the financial statements. We believe that our audit has provided us with sufficient relevant information on which to base our opinion.

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

**2. BASIS OF OUR OPINIONS**

Pursuant to Article L.823-9 of the French Commercial Code (Code de commerce) relating to the basis of our opinions, we hereby inform you that our assessments focused on the suitability of the accounting principles applied and the reasonable nature of significant accounting estimates made.

*PricewaterhouseCoopers Audit, 63, rue de Villiers, 92208 Neuilly-sur-Seine Cedex*  
*T: +33 (0) 1 56 57 58 59, F: +33 (0) 1 56 57 58 60, [www.pwc.fr](http://www.pwc.fr)*

Accounting firm registered with the Order of Chartered Accountants of the Paris Ile-de-France region. Member firm of the regional institute of statutory auditors of Versailles (Compagnie régionale de Versailles). French simplified joint stock company (Société par Actions Simplifiée) with capital of €2 510 460. Registered office: 63, Rue de Villiers 92200 Neuilly-sur-Seine, France. Nanterre Trade and Companies Register: 672 006 483 VAT No. FR 76 672 006 483. Siret 672 006 483 00362. APE code 6920 Z. Offices: Bordeaux, Grenoble, Lille, Lyon, Marseille, Metz, Nantes, Nice, Paris, Poitiers, Rennes, Rouen, Strasbourg and Toulouse.



The assessments we have made are part of our audit of the annual financial statements as a whole and have therefore contributed to our opinion expressed in the first part of this report.

### **3. SPECIFIC VERIFICATIONS AND DISCLOSURES**

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 documents sent to shareholders on the company's financial position and annual financial statements, or its consistency with the annual financial statements.

Neuilly sur Seine, date of electronic signature

*Document authenticated by electronic signature*

The statutory auditor  
PricewaterhouseCoopers Audit  
Frédéric Sellam

## 6. ANNUAL FINANCIAL STATEMENTS

### • BALANCE SHEET in euros

#### ASSETS

	31/10/2016	30/10/2015
<b>Net non-current assets</b>		
<b>Deposits</b>		
<b>Financial instruments</b>	<b>425 766 296,25</b>	<b>353 359 425,36</b>
<b>Equities and similar securities</b>	<b>38 851 447,19</b>	<b>41 531 896,36</b>
Traded on a regulated or equivalent market	38 851 447,19	41 531 896,36
Not traded on a regulated or equivalent market		
<b>Bonds and similar securities</b>	<b>373 426 695,25</b>	<b>307 320 392,36</b>
Traded on a regulated or equivalent market	370 837 608,71	307 320 392,36
Not traded on a regulated or equivalent market	2 589 086,54	
<b>Debt securities</b>		<b>4 507 136,64</b>
Traded on a regulated or equivalent market		4 507 136,64
Negotiable debt securities		4 507 136,64
Other debt securities		
Not traded on a regulated or equivalent market		
<b>Undertakings for collective investment</b>	<b>11 096 957,55</b>	
General UCITS and general AIFs aimed at non-professionals and their equivalent in other countries	11 096 957,55	
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		
<b>Temporary financial securities transactions</b>		
Receivables on securities purchased under repurchase agreements		
Receivables on loaned securities		
Borrowed securities		
Securities sold under repurchase agreements Other temporary transactions	<b>2 391 196,26</b>	
<b>Forward financial instruments</b>	<b>2 391 196,26</b>	
Transactions on a regulated or equivalent market		
Other transactions	<b>77 950 659,10</b>	
<b>Other financial instruments Receivables</b>	<b>74 188 834,21</b>	
<b>Currency forward exchange transactions</b>	<b>3 761 824,89</b>	
<b>Other</b>	<b>2 128 857,13</b>	
<b>Financial accounts</b>	<b>2 128 857,13</b>	
<b>Total assets</b>	<b>505 845 812,48</b>	<b>357 484 888,82</b>

## LIABILITIES AND SHAREHOLDERS' EQUITY

	31/10/2016	30/10/2015
<b>Shareholders' equity</b>		
<b>Capital</b>	<b>411 586 589,67</b>	<b>350 936 393,99</b>
Undistributed net capital gains and losses recognised in previous years (a)		
Retained earnings (a)	14 910 830,38	4 708 895,34
Net capital gains and losses for the year (a, b)	1 637 499,77	1 281 838,14
Net income for the year (a, b)	428 134 919,82	356 927 127,47
<b>Total shareholders' equity (= amount representing net assets)</b>	<b>2 517 373,54</b>	
<b>Financial instruments</b>		
<b>Sales of financial instruments</b>		
<b>Temporary financial securities transactions</b>		
Liabilities on securities sold under repurchase agreements		
Liabilities on borrowed securities		
Other temporary transactions	2 517 373,54	
<b>Forward financial instruments</b>	2 517 373,54	
Transactions on a regulated or equivalent market		
Other transactions	75 188 601,42	25 812,94
<b>Liabilities</b>	<b>74 817 898,35</b>	
<b>Currency forward exchange transactions</b>	<b>370 703,07</b>	<b>25 812,94</b>
<b>Other</b>	<b>4 917,70</b>	<b>531 948,41</b>
<b>Financial accounts</b>	<b>4 917,70</b>	
<b>Bank overdrafts</b>		<b>531 948,41</b>
<b>Total liabilities and shareholders' equity</b>	<b>505 845 812,48</b>	<b>357 484 888,82</b>

(a) Including accrued income

(b) Less interim dividends paid for the financial year

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

	31/10/2016	30/10/2015
<b>Hedging transactions</b>		
<b>Commitments on regulated or similar markets</b>		
<b>Commitments on OTC markets</b>		
<b>Other commitments</b>		
<b>Other transactions</b>		
<b>Commitments on regulated or similar markets</b>		
<b>Futures contracts</b>		
BP GBPUSD Z6	15 321 679,44	
EC EURUSD 1216	51 352 855,32	
ES S&P 500 Z6	17 599 808,43	
EUREX EUROSTX 1216	24 454 530,00	
FV CBOT US Z6	68 537 536,84	
RY EURJPY 1216	17 374 374,05	
XEUR FGBM BOBL Z6	22 157 590,00	
<b>Commitments on OTC markets</b>		
<b>Other commitments</b>		

- **INCOME STATEMENT in euros**

	31/10/2016	30/10/2015
<b>Income from financial transactions</b>		
Income from deposits and financial accounts	76,65	
Income from equities and similar securities	1 160 646,23	1 001 944,89
Income from bonds and similar securities	3 952 985,57	2 740 930,84
Income from debt securities		
Income from temporary purchases and sales of securities		
Income from forward financial instruments		
Other financial income		
<b>Total (1)</b>	<b>5 113 708,45</b>	<b>3 742 875,73</b>
<b>Expenses related to financial transactions</b>		
Expenses related to temporary purchases and sales of securities		
Expenses related to forward financial instruments		
Expenses related to financial liabilities	15 421,15	2 698,04
Other financial charges		520,06
<b>Total (2)</b>	<b>15 421,15</b>	<b>3 218,10</b>
<b>Income from financial transactions (1 - 2)</b>	<b>5 098 287,30</b>	<b>3 739 657,63</b>
Other income (3)		
Management fees and depreciation and amortisation (4)	3 129 735,93	2 491 152,00
<b>Net income for the financial year (L. 214-17-1) (1 - 2 + 3 - 4)</b>	<b>1 968 551,37</b>	<b>1 248 505,63</b>
Income adjustment for the financial year (5)	-331,051.60	33 332,51
Interim dividends paid on net income for the financial year (6)		
<b>Net income (1 - 2 + 3 - 4 + 5 + 6)</b>	<b>1 637 499,77</b>	<b>1 281 838,14</b>

### 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.

#### **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 board of directors, 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.

Loaned securities are valued at their present value and are recorded as an asset under "Receivables on loaned securities" at their present value plus accrued interest receivable.

Borrowed securities are recorded as an asset under "Borrowed securities" in the amount stated in the contract, and as a liability under "Liabilities on borrowed securities" in the amount stated in the contract plus accrued interest payable.

***Forward financial instruments:***

**Forward financial instruments traded on a regulated or equivalent market:**

Forward financial instruments traded on regulated markets are valued at the day's settlement price.

**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 board of directors.

***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.

**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 are paid in full to the management company which assumes all of the operating costs related to the UCIs.

The management fees do not include transaction charges.

The rate applied on the basis of net asset value per UCITS of the management company is:

0,85% including tax of the A USD shares between 30/09/2016 and 31/10/2016

0,90% including tax of the AC H-EUR shares between 30/09/2016 and 31/10/2016

0,95% including tax of the AC H-CHF shares between 30/09/2016 and 31/10/2016

0,85% including tax of the A shares

0,50% including tax of the R shares

0,85% including tax of the K shares

### **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:***

<b><i>Distributable amounts</i></b>	<b><i>A, R, K and A USD shares</i></b>	<b><i>AC H-EUR and AC H-CHF shares</i></b>
Allocation of net income	Accumulation and/or distribution	Accumulation
Allocation of net realised capital gains or losses	Accumulation and/or distribution	Accumulation

• **CHANGE IN NET ASSETS in euros**

	<b>31/10/2016</b>	<b>30/10/2015</b>
<b>Net assets at start of year</b>	<b>356 927 127,47</b>	<b>285 654 530,69</b>
Subscriptions (including subscription fees retained by the Fund)	209 772 278,75	119 473 453,27
Redemptions (net of redemption fees retained by the Fund)	-145,380,280.27	-80,048,074.40
Realised capital gains on deposits and financial instruments	29 183 178,83	7 691 580,62
Realised capital losses on deposits and financial instruments	-4,710,198.72	-4,573,335.27
Realised capital gains on forward financial instruments	6 369 600,05	9 619 004,63
Realised capital losses on forward financial instruments	-11,188,879.48	-7,419,237.31
Transaction fees	-680,652.51	-343,301.10
Exchange rate differences	-4,483,551.86	-95,081.38
Changes in valuation difference of deposits and financial instruments	-9,770,186.71	25 995 180,43
Valuation difference for financial year N	51 708 095,76	61 478 282,47
Valuation difference for financial year N-1	-61,478,282.47	-35,483,102.04
Changes in valuation difference of forward financial instruments	127 932,90	-276,098.32
Valuation difference for financial year N	127 932,90	
Valuation difference for financial year N-1		-276,098.32
Distribution of prior year's net capital gains and losses		
Dividends paid in the previous financial year		
Net profit/loss for the financial year prior to income adjustment	1 968 551,37	1 248 505,63
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*		-0.02
<b>Net assets at end of year</b>	<b>428 134 919,82</b>	<b>356 927 127,47</b>

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

	Amount:	%
<b>Assets</b>		
<b>Bonds and similar securities</b>		
Convertible bonds traded on a regulated or equivalent market	370 837 608,71	86,62
Bonds and similar securities		
Bonds and similar securities not traded on a regulated or similar market	2 589 086,54	0,60
<b>TOTAL Bonds and similar securities</b>	<b>373 426 695,25</b>	<b>87,22</b>
<b>Debt securities</b>		
Debt securities		
<b>TOTAL Debt securities</b>		
<b>Liabilities</b>		
<b>Sales of financial instruments</b>		
Equities and similar securities		
<b>TOTAL Sales of financial instruments</b>		
<b>Off-balance sheet items</b>		
<b>Hedging transactions</b>		
Equities		
<b>TOTAL Hedging transactions</b>		
<b>Other transactions</b>		
Equities	42 054 338,43	9,82
Currency	84 048 908,81	19,63
Interest rates	90 695 126,84	21,18
<b>TOTAL Other transactions</b>	<b>216 798 374,08</b>	<b>50,64</b>

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

	Fixed rate	%	Variable rate	%	Revisable rate	%	Other	%
<b>Assets</b>								
Deposits								
Bonds and similar securities	368 317 323,79	86,03			5 109 371,46	1,19		
Debt securities								
Temporary securities transactions								
Financial accounts							2 128 857,13	0,50
<b>Liabilities</b>								
Temporary securities transactions								
Financial accounts							4 917,70	
<b>Off-balance sheet items</b>								
Hedging transactions								
Other transactions	90 695 126,84	21,18						

• **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	%
<b>Assets</b>										
Deposits										
Bonds and similar securities			18 644 730,91	4,35	175 107 409,45	40,90	81 412 548,73	19,02	98 262 006,16	22,95
Debt securities										
Temporary securities transactions										
Financial accounts	2 128 857,13	0,50								
<b>Liabilities</b>										
Temporary securities transactions										
Financial accounts	4 917,70									
<b>Off-balance sheet</b>										
Hedging transactions										
Other transactions							90 695 126,84	21,18		

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**

	USD		CHF		JPY		Other currencies	
	Amount:	%	Amount:	%	Amount:	%	Amount:	%
<b>Assets</b>								
Deposits								
Equities and similar securities	26 839 505,78	6,27			4 224 685,89	0,99		
Bonds and similar securities	202 282 542,65	47,25			27 217 882,16	6,36		
Debt securities								
UCI								
Temporary securities transactions								
Receivables	1 880 184,64	0,44	9 513 904,98	2,22	845 801,11	0,20		
Financial accounts	560 973,09	0,13			304 775,90	0,07		
<b>Liabilities</b>								
Sales of financial instruments								
Temporary securities transactions								
Liabilities	58 301 850,15	13,62	149 733,50	0,03	10 765 586,58	2,51	3 366 264,66	0,79
Financial accounts			4 917,70					
<b>Off-balance sheet items</b>								
Hedging transactions								
Other transactions	152 811 880,03	35,69			17 374 374,05	4,06		

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

	Debit/credit item	31/10/2016
Receivables	Forward currency purchases	2 457 538,39
	Receivables on forward currency sales	71 731 295,82
	Subscription receivables	1 029 720,28
	Tax assets to be recovered	6 118,86
	Margin cash deposits	2 508 986,44
	Coupons and dividends in cash	216 999,31
<b>Total receivables</b>		<b>77 950 659,10</b>
Liabilities	Forward currency sales	72 367 233,47
	Payables on forward currency purchases	2 450 664,88
	Redemptions payable	7 891,10
	Management fees	362 811,97
<b>Total liabilities</b>		<b>75 188 601,42</b>

• **NUMBER OF SECURITIES ISSUED OR REDEEMED**

	In shares	In amounts
<b>AC H-EUR shares</b>		
Shares subscribed during the financial year	64 198,000	85 020 564,80
Shares redeemed during the financial year		
Net balance of subscriptions/redemptions	64 198,000	85 020 564,80
<b>A shares</b>		
Shares subscribed during the financial year	98 065,563	106 031 958,34
Shares redeemed during the financial year	-129,250.457	-140,003,760.17
Net balance of subscriptions/redemptions	-31,184.894	-33,971,801.83
<b>R shares</b>		
Shares subscribed during the financial year	29 245,313	9 342 254,25
Shares redeemed during the financial year	-16,939.812	-5,366,897.88
Net balance of subscriptions/redemptions	12 305,501	3 975 356,37
<b>AC H-CHF shares</b>		
Shares subscribed during the financial year	971,000	9 376 609,94
Shares redeemed during the financial year	-1.000	-9,622.22
Net balance of subscriptions/redemptions	970,000	9 366 987,72
<b>K shares</b>		
Shares subscribed during the financial year		
Shares redeemed during the financial year		
Net balance of subscriptions/redemptions		
<b>A USD shares</b>		
Shares subscribed during the financial year	1,000	891,42
Shares redeemed during the financial year		
Net balance of subscriptions/redemptions	1,000	891,42

• **SUBSCRIPTION AND/OR REDEMPTION FEES**

	In amounts
<b>A shares</b>	
Redemption fees acquired	
Subscription fees acquired	
Total fees acquired	
<b>AC H-EUR shares</b>	
Redemption fees acquired	
Subscription fees acquired	
Total fees acquired	
<b>AC H-CHF shares</b>	
Redemption fees acquired	
Subscription fees acquired	
Total fees acquired	
<b>R shares</b>	
Redemption fees acquired	
Subscription fees acquired	
Total fees acquired	
<b>K shares</b>	
Redemption fees acquired	
Subscription fees acquired	
Total fees acquired	
<b>A USD shares</b>	
Redemption fees acquired	
Subscription fees acquired	
Total fees acquired	

- MANAGEMENT FEES**

	31/10/2016
<b>AC H-EUR shares</b>	
Guarantee fees	
Fixed management fees	44 117,61
Percentage of fixed management fees	0,90
Variable management fees	
Retrocessions of management fees	
<b>A shares</b>	
Guarantee fees	
Fixed management fees	2 904 635,64
Percentage of fixed management fees	0,85
Variable management fees	
Retrocessions of management fees	
<b>AC H-CHF shares</b>	
Guarantee fees	
Fixed management fees	7 747,01
Percentage of fixed management fees	0,95
Variable management fees	
Retrocessions of management fees	
<b>R shares</b>	
Guarantee fees	
Fixed management fees	79 745,89
Percentage of fixed management fees	1,49
Variable management fees	
Retrocessions of management fees	
<b>K shares</b>	
Guarantee fees	
Fixed management fees	93 489,22
Percentage of fixed management fees	0,85
Variable management fees	
Retrocessions of management fees	
<b>A USD shares</b>	
Guarantee fees	
Fixed management fees	0,56
Percentage of fixed management fees	0,82
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**

	31/10/2016
Securities held under repurchase agreements	
Borrowed securities	

- PRESENT VALUE OF SECURITIES REPRESENTING SECURITY DEPOSITS**

	31/10/2016
Financial instruments given as security and retained under their original classification	3 843 428,42
Financial instruments received as security and not recorded on the balance sheet	

- GROUP FINANCIAL INSTRUMENTS HELD IN THE PORTFOLIO**

	ISIN code	Description	31/10/2016
Equities			
Bonds			
Negotiable debt securities			
UCI			
Forward financial instruments			

• **TABLE OF ALLOCATION OF DISTRIBUTABLE AMOUNTS PERTAINING TO NET INCOME**

	31/10/2016	30/10/2015
<b>Remaining amounts to be allocated</b>		
Retained earnings		
Profit (Loss)	1 637 499,77	1 281 838,14
<b>Total</b>	<b>1 637 499,77</b>	<b>1 281 838,14</b>

	31/10/2016	30/10/2015
<b>AC H-EUR shares</b>		
<b>Appropriation</b>		
Distribution		
Balance brought forward for the financial year		
Accumulation	-25,492.78	
<b>Total</b>	<b>-25,492.78</b>	

	31/10/2016	30/10/2015
<b>A shares</b>		
<b>Appropriation</b>		
Distribution		
Balance brought forward for the financial year		
Accumulation	1 614 755,26	1 248 449,20
<b>Total</b>	<b>1 614 755,26</b>	<b>1 248 449,20</b>

	31/10/2016	30/10/2015
<b>R shares</b>		
<b>Appropriation</b>		
Distribution		
Balance brought forward for the financial year		
Accumulation	-8,788.43	-8,483.96
<b>Total</b>	<b>-8,788.43</b>	<b>-8,483.96</b>

	31/10/2016	30/10/2015
<b>AC H-CHF shares</b>		
<b>Appropriation</b>		
Distribution		
Balance brought forward for the financial year		
Accumulation	-3,211.96	
<b>Total</b>	<b>-3,211.96</b>	

	31/10/2016	30/10/2015
<b>K shares</b>		
<b>Appropriation</b>		
Distribution		
Balance brought forward for the financial year		
Accumulation	60 237,98	41 872,90
<b>Total</b>	<b>60 237,98</b>	<b>41 872,90</b>

	31/10/2016	30/10/2015
<b>A USD shares</b>		
<b>Appropriation</b>		
Distribution		
Balance brought forward for the financial year		
Accumulation	-0.30	
<b>Total</b>	<b>-0.30</b>	

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

	31/10/2016	30/10/2015
<b>Remaining amounts to be allocated</b>		
Undistributed net capital gains and losses recognised in previous years		
Net capital gains and losses for the year	14 910 830,38	4 708 895,34
Interim dividends paid on net capital gains/losses for the financial year		
<b>Total</b>	<b>14 910 830,38</b>	<b>4 708 895,34</b>

	31/10/2016	30/10/2015
<b>AC H-EUR shares</b>		
Appropriation		
Distribution		
Undistributed net capital gains and losses		
Accumulation	1 541 618,78	
<b>Total</b>	<b>1 541 618,78</b>	

	31/10/2016	30/10/2015
<b>A shares</b>		
Appropriation		
Distribution		
Undistributed net capital gains and losses		
Accumulation	12 385 247,58	4 491 341,41
<b>Total</b>	<b>12 385 247,58</b>	<b>4 491 341,41</b>

	31/10/2016	30/10/2015
<b>AC H-CHF shares</b>		
Appropriation		
Distribution		
Undistributed net capital gains and losses		
Accumulation	159 675,54	
<b>Total</b>	<b>159 675,54</b>	

	31/10/2016	30/10/2015
<b>R shares</b>		
Appropriation		
Distribution		
Undistributed net capital gains and losses		
Accumulation	362 242,00	66 896,08
<b>Total</b>	<b>362 242,00</b>	<b>66 896,08</b>

	31/10/2016	30/10/2015
<b>A USD shares</b>		
Appropriation		
Distribution		
Undistributed net capital gains and losses		
Accumulation	18,35	
<b>Total</b>	<b>18,35</b>	

	31/10/2016	30/10/2015
<b>K shares</b>		
Appropriation		
Distribution		
Undistributed net capital gains and losses		
Accumulation	462 028,13	150 657,85
<b>Total</b>	<b>462 028,13</b>	<b>150 657,85</b>

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

	31/12/2012	31/12/2013	31/12/2014	30/10/2015	31/10/2016
<b>Global net assets in euros</b>	<b>111 156 827,32</b>	<b>149 742 990,68</b>	<b>285 654 530,69</b>	<b>356 927 127,47</b>	<b>428 134 919,82</b>
<b>LAZARD CONVERTIBLE GLOBAL AC H- EUR SHARES</b>					
Global net assets in euros					84 960 254,92
Number of shares					64 198,000
Net asset value per share in euros					1 323,40
Accumulation per share pertaining to net capital gains/losses in euros					24,01
Accumulation per share pertaining to net income in euros					-0.39
<b>LAZARD CONVERTIBLE GLOBAL A</b>					
Global net assets in euros	107 658 042,53	138 446 031,39	271 308 481,12	340 437 126,86	312 972 768,51
Number of shares	140 238,000	162 159,252	274 026,759	309 347,502	278 162,608
Net asset value per share in euros	767,68	853,76	990,08	1 100,50	1 125,14
Accumulation per share pertaining to net capital gains/losses in euros		28,55	51,44	14,51	44,52
Accumulation per share pertaining to net income in euros	9,74	9,20	7,85	4,03	5,80
<b>LAZARD CONVERTIBLE GLOBAL AC H- CH shares</b>					
Net assets in Swiss francs					10 191 154,42
Number of shares					970,000
Net asset value per share in Swiss					10 506,34
Accumulation per share pertaining to net capital gains/losses in euros					164,61
Accumulation per share pertaining to net income in euros					-3.31
<b>LAZARD CONVERTIBLE GLOBAL R</b>					
Net assets in euros	3 498 784,79	3 278 600,12	4 072 215,30	5 070 354,39	9 124 638,45
Number of shares	15 491,000	13 136,178	14 159,710	15 947,280	28 252,781
Net asset value per share in euros	225,85	249,58	287,59	317,94	322,96
Accumulation per share pertaining to net capital gains/losses in euros		8,35	14,94	4,19	12,82
Accumulation per share pertaining to net income in euros	2,86	2,69	0,58	-0.53	-0.31

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

	31/12/2012	31/12/2013	31/12/2014	30/10/2015	31/10/2016
<b>Global net assets in euros</b>	<b>111 156 827,32</b>	<b>149 742 990,68</b>	<b>285 654 530,69</b>	<b>356 927 127,47</b>	<b>428 134 919,82</b>
<b>LAZARD CONVERTIBLE GLOBAL K</b>					
Net assets in euros		8 018 359,17	10 273 834,27	11 419 646,22	11 675 356,40
Number of shares		7 976,842	8 813,442	8 813,442	8 813,442
Net asset value per share in euros		1 005,20	1 165,70	1 295,70	1 324,72
Accumulation per share pertaining to net capital gains/losses in euros		33,62	60,57	17,09	52,42
Accumulation per share pertaining to net income in euros		10,83	9,24	4,75	6,83
<b>LAZARD CONVERTIBLE GLOBAL A USD shares</b>					
Net assets in US dollars					987,90
Number of shares					1,000
Net asset value per share in US dollars					987,90
Accumulation per share pertaining to net capital gains/losses in euros					18,35
Accumulation per share pertaining to net income in euros					-0.30

• **INVENTORY in euros**

Description of security	Currency	Quantity in number or face value	Present value	% Net assets
<b>Equities and similar securities</b>				
<b>Equities and similar securities traded on a regulated or similar market</b>				
<b>CURACAO</b>				
SCHLUMBERGER NV	USD	32 500	2 319 353,22	0,54
<b>TOTAL CURACAO</b>			<b>2 319 353,22</b>	<b>0,54</b>
<b>SPAIN</b>				
INTL CONSOLIDATED AIRLINES GRP	EUR	809 986	3 918 712,27	0,92
<b>TOTAL SPAIN</b>			<b>3 918 712,27</b>	<b>0,92</b>
<b>UNITED STATES OF AMERICA</b>				
AMERICAN TOWER CORP PREF	USD	60 000	6 121 510,67	1,43
BANK OF AMERICA CORP 7.25% PERPETUELLE	USD	5 600	6 288 633,46	1,47
FORD MOTOR COMPANY	USD	107 526	1 151 573,84	0,27
SBA COMMUNICATIONS CORP	USD	38 075	3 934 625,07	0,92
WELLS FARGO PREF	USD	5 900	7 023 809,52	1,63
<b>TOTAL UNITED STATES OF AMERICA</b>			<b>24 520 152,56</b>	<b>5,72</b>
<b>JAPAN</b>				
ORIX CORP	JPY	292 200	4 224 685,89	0,99
<b>TOTAL JAPAN</b>			<b>4 224 685,89</b>	<b>0,99</b>
<b>UNITED KINGDOM</b>				
DIALOG SEMICONDUCTOR	EUR	108 211	3 868 543,25	0,90
<b>TOTAL UNITED KINGDOM</b>			<b>3 868 543,25</b>	<b>0,90</b>
<b>TOTAL equities and similar securities traded on a regulated or equivalent market</b>			<b>38 851 447,19</b>	<b>9,07</b>
<b>TOTAL Equities and similar securities</b>			<b>38 851 447,19</b>	<b>9,07</b>
<b>Bonds and similar securities</b>				
<b>Bonds and similar securities traded on a regulated or similar market</b>				
<b>GERMANY</b>				
ADIDAS AG 0.25% 14/06/2019 CV	EUR	6 800 000	12 457 639,12	2,91
DEUTSCHE POST AG 0.6% 06/12/2019	EUR	3 000 000	4 195 207,87	0,98
FRESEN 0% 24/09/2019	EUR	5 000 000	7 016 950,00	1,64
HANI FINA DEUT ZCP 12-05-20 CV	EUR	6 000 000	6 178 260,00	1,44
<b>TOTAL GERMANY</b>			<b>29 848 056,99</b>	<b>6,97</b>
<b>BELGIUM</b>				
ECONOCOM GROUP 1.5% 15/01/2019 CV	EUR	385 000	5 408 095,00	1,27
FORTIS BK TV07-191272 CV	EUR	7 750 000	5 109 371,46	1,19
<b>TOTAL BELGIUM</b>			<b>10 517 466,46</b>	<b>2,46</b>
<b>CYPRUS</b>				
AROU PROP 1.5% 18-01-21	EUR	6 000 000	6 429 248,48	1,50
<b>TOTAL CYPRUS</b>			<b>6 429 248,48</b>	<b>1,50</b>
<b>SPAIN</b>				
INTL CONS AIR 0.625% 17-11-22	EUR	3 000 000	2 710 200,73	0,63
<b>TOTAL SPAIN</b>			<b>2 710 200,73</b>	<b>0,63</b>
<b>UNITED STATES OF AMERICA</b>				
ARVINMERITOR 7.875% 01-03-26	USD	6 000 000	7 459 879,58	1,74
CITR SYST 0.5% 15-04-19 CV	USD	10 700 000	10 985 167,40	2,58
ILLUMINA ZCP 15-06-19 CV	USD	7 500 000	6 728 858,78	1,57
INTEL CORP 2.95 35	USD	5 400 000	6 460 238,10	1,51
LINKEDIN C 0.5% 01-11-19 CV	USD	8 000 000	7 220 965,35	1,69
MACQUARIE INFRASTRUCTURE COMPANY LLC 2.0% 01-10-23	USD	6 200 000	5 702 767,64	1,33
MICR TECH 1.625% 15-02-25	USD	9 000 000	10 239 292,56	2,39

MICRON TECH 1.625% 02/33 CV	USD	4 400 000	6 613 851,19	1,54
NVIDIA 1.0% 01-12-18	USD	3 500 000	11 305 323,19	2,65
PALO ALTO NETW ZCP 01-07-19	USD	7 000 000	9 463 729,25	2,21
PRICELINE 1% 15/03/2018	USD	7 000 000	10 137 952,32	2,37
RED HAT 0.25% 01-10-19 CV	USD	8 200 000	9 287 964,08	2,17
SALESFORCE.COM 0.25% 01/04/18 CV	USD	7 200 000	8 093 019,52	1,89
SERVICENOW ZCP 01-11-18 CV	USD	5 500 000	6 560 739,37	1,53
STARWOOD PROPERTY TRUST	USD	9 500 000	9 504 126,13	2,22
TESLA MOTORS 0.25% 03/19 CV	USD	9 000 000	7 572 089,95	1,77
TESLA 1.25% 01/03/2021	USD	4 500 000	3 589 800,55	0,84
TOL 0 1/2 09/15/32	USD	8 600 000	7 716 045,73	1,80
TTWO 1 07/01/18	USD	4 300 000	8 155 442,64	1,90
TWITTER 0.25% 15-09-19	USD	9 500 000	8 133 786,42	1,90
WORKDAY 0.75% 15-07-18 CV	USD	6 000 000	6 539 025,73	1,53
XILINX INC 15/06/2017 CV	USD	4 600 000	7 423 248,95	1,73
YAHOO ZCP 01-12-18 CV	USD	6 500 000	6 011 106,55	1,40
<b>TOTAL UNITED STATES OF AMERICA</b>			<b>180 904 420,98</b>	<b>42,26</b>
<b>FINLAND</b>				
SOLIDIUM 0% 04/09/2018	EUR	7 000 000	7 302 470,00	1,71
<b>TOTAL FINLAND</b>			<b>7 302 470,00</b>	<b>1,71</b>
<b>FRANCE</b>				
AFFP 2.03 02/23 CV	EUR	535 000	5 593 960,00	1,31
BIM 2.5% 13-11-20 CV	EUR	265 000	7 152 085,00	1,67
FONC DES REG 0.875% 01/04/19 ORA	EUR	62 000	6 220 708,00	1,45
INGENICO ZCP 26/06/22 CV	EUR	40 747	6 805 278,71	1,59
LVMH MOET HENN ZCP 16-02-21 CV	USD	27 000	6 472 364,53	1,51
RALLYE 1% 02/10/20	EUR	64 022	6 188 238,48	1,45
SUEZ ZCP 27-02-20 CV	EUR	273 484	5 495 934,46	1,28
T 0.5% 02-12-22 EMTN	USD	7 000 000	6 656 151,55	1,55
UBISOFT ZCP 27-09-21	EUR	98 765	5 560 370,74	1,30
UNIBAIL RODAMCO ZCP 01/01/22	EUR	21 363	7 312 170,37	1,71
<b>TOTAL FRANCE</b>			<b>63 457 261,84</b>	<b>14,82</b>
<b>ITALY</b>				
TELE ITAL SPA 1.125% 26-03-22	EUR	10 100 000	9 934 560,60	2,32
<b>TOTAL ITALY</b>			<b>9 934 560,60</b>	<b>2,32</b>
<b>JAPAN</b>				
OSG 0% CV 04/04/2022	JPY	350 000 000	4 287 808,89	1,00
TERUMO ZCP 04-12-19	JPY	780 000 000	8 054 044,41	1,88
TOYOSA 0 03/04/20	JPY	800 000 000	7 089 109,99	1,66
UNI CHARM ZCP 25-09-20	JPY	750 000 000	7 786 918,87	1,82
<b>TOTAL JAPAN</b>			<b>27 217 882,16</b>	<b>6,36</b>
<b>NETHERLANDS</b>				
SALZGITTER 2% 11/17 CV	EUR	5 500 000	6 232 171,72	1,46
<b>TOTAL NETHERLANDS</b>			<b>6 232 171,72</b>	<b>1,46</b>
<b>PORTUGAL</b>				
PARPUBLICA 5.25% 10-17 CV	EUR	4 700 000	4 959 835,96	1,16
SONA INVE 1.625% 11-06-19 CV	EUR	9 800 000	9 401 957,74	2,19
<b>TOTAL PORTUGAL</b>			<b>14 361 793,70</b>	<b>3,35</b>
<b>UNITED KINGDOM</b>	USD			
INMARSAT 3.875% 09-09-23	USD	6 000 000	5 660 429,05	1,32
<b>TOTAL UNITED KINGDOM</b>			<b>5 660 429,05</b>	<b>1,32</b>
<b>SWEDEN</b>				
INDUSTRIVARDEN 1.875% 02/17 CV	EUR	6 100 000	6 261 646,00	1,46
<b>TOTAL SWEDEN</b>			<b>6 261 646,00</b>	<b>1,46</b>
<b>TOTAL bonds and similar securities traded on a regulated or equivalent market.</b>			<b>370 837 608,71</b>	<b>86,62</b>
<b>Bonds and similar securities not traded on a regulated or similar market</b>				
<b>UNITED STATES OF AMERICA</b>				
INVE I 1.75% 01-11-18 CV	USD	3 000 000	2 589 086,54	0,60



<b>TOTAL UNITED STATES OF AMERICA</b>			<b>2 589 086,54</b>	<b>0,60</b>
<b>TOTAL bonds and similar securities not traded on a regulated market</b>			<b>2 589 086,54</b>	<b>0,60</b>
<b>TOTAL Bonds and similar securities</b>			<b>373 426 695,25</b>	<b>87,22</b>
<b>Undertakings for collective investment</b>				
<b>General UCITS and general AIFs aimed at non-professionals and their equivalent in other countries</b>				
<b>FRANCE</b>				
AMUNDI TRESO COURT TERME I C	EUR	385	7 253 529,13	1,69
<b>TOTAL FRANCE</b>			<b>7 253 529,13</b>	<b>1,69</b>
<b>TOTAL general UCITS and general AIFs aimed at non-professionals and their equivalent in other countries</b>			<b>7 253 529,13</b>	<b>1,69</b>
<b>TOTAL Undertakings for collective investment</b>			<b>7 253 529,13</b>	<b>1,69</b>
<b>Securities placed as a deposit</b>				
<b>General UCITS and general AIFs aimed at non-professionals and their equivalent in other countries</b>				
AMUNDI TRESO COURT TERME I C	EUR	204	3 843 428,42	0,90
<b>TOTAL general UCITS and general AIFs aimed at non-professionals and their equivalent in other countries</b>			<b>3 843 428,42</b>	<b>0,90</b>
<b>TOTAL Securities placed as a deposit</b>			<b>3 843 428,42</b>	<b>0,90</b>
<b>Forward financial instruments</b>				
<b>Futures contracts</b>				
<b>Futures contracts on a regulated or equivalent market</b>				
BP GBPUSD Z6	USD	220	-1,289,249.22	-0.30
EC EURUSD 1216	USD	-410	457 193,03	0,11
ES S&P 500 Z6	USD	182	-177,264.64	-0.04
EUREX EUROSTX 1216	EUR	801	729 030,00	0,17
FV CBOT US Z6	USD	-622	394 523,41	0,09
RY EURJPY 1216	JPY	-139	-82,599.68	-0.02

Description of security	Currency	Quantity in number or face value	Present value	% Net assets
XEUR FGBM BOBL Z6	EUR	-169	96 300,00	0,02
<b>TOTAL Futures contracts on a regulated or equivalent market</b>			<b>127 932,90</b>	<b>0,03</b>
<b>TOTAL Futures contracts</b>			<b>127 932,90</b>	<b>0,03</b>
<b>TOTAL Forward financial instruments</b>			<b>127 932,90</b>	<b>0,03</b>
<b>Margin call</b>				
Margin calls for C.A.Indo in US dollars	USD	715 453,19	652 666,66	0,15
Margin calls for C.A.Indo in euros	EUR	-968,260	-968,260.00	-0.22
Margin calls for C.A.Indo in yen	JPY	7 082 500	61 483,16	0,01
<b>TOTAL Margin call</b>			<b>-254,110.18</b>	<b>-0.06</b>
<b>Receivables</b>			<b>77 950 659,10</b>	<b>18,21</b>
<b>Liabilities</b>			<b>-75,188,601.42</b>	<b>-17.56</b>
<b>Financial accounts</b>			<b>2 123 939,43</b>	<b>0,50</b>
<b>Net assets</b>			<b>428 134 919,82</b>	<b>100,00</b>

LAZARD CONVERTIBLE GLOBAL AC H-CH SHARES	CHF	970,000	10 506,34
LAZARD CONVERTIBLE GLOBAL A	EUR	278 162,608	1 125,14
LAZARD CONVERTIBLE GLOBAL AC H-EUR SHARES	EUR	64 198,000	1 323,40
LAZARD CONVERTIBLE GLOBAL A USD SHARES	USD	1,000	987,90
LAZARD CONVERTIBLE GLOBAL R	EUR	28 252,781	322,96
LAZARD CONVERTIBLE GLOBAL K	EUR	8 813,442	1 324,72