LAZARD PATRIMOINE
A French open-end investment fund
(*Fonds Commun de Placement* - FCP)

ANNUAL REPORT

at December 31st, 2018

Management company: Lazard Frères Gestion SAS

Custodian: Lazard Frères Banque

Statutory auditor: Ernst & Young Audit

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Key Investor Information

This document provides you with key investor information about this Fund. It is not marketing material. The information it contains is required by law to help you understand the nature and the risks of investing in this Fund. You are advised to read it so you can make an informed decision about whether to invest.

LAZARD PATRIMOINE (FCP)
ISIN Code I units: FR0012355113 - R units: FR0012355139 – D units: FR0013135472
This UCITS is managed by Lazard Frères Gestion SAS

Objectives and Investment Policy

- **Investment objective**: The fund's investment objective is to outperform the following composite benchmark index over the recommended minimum investment horizon of 3 years (performance net of management fees): 20% MSCI World All Countries + 80% ICEBofAML Euro Government Index. The index is rebalanced on a monthly basis and its components are expressed in euros, assuming reinvestment of net dividends or coupons.
- **Investment policy**:
The Fund's assets are allocated on a discretionary basis and two strategies are used to optimise the portfolio's balance between risk and return:
- dynamic asset allocation management, involving tactical adjustments over the medium (a few months) and short (a few weeks) term.
Medium-term tactical adjustments are based on our fundamental analysis of the global economic cycle, growth in the main geographical regions, and the valuation of the different asset classes and markets. The aim is to generate returns by taking advantage of relative changes in situation in the different asset classes (equities, fixed-income, credit, forex).
Short-term tactical adjustments are based on an analysis of the different risks that can impact the behaviour of the assets in the short term. These two tactical management approaches, involving a short- and medium-term horizon, are complementary and decorrelated.

- the application of a hedging mechanism: hedging may be used to limit the risk of a decrease in the net asset value. It is triggered automatically by the level of risk and is not based on any expectations. This risk level is measured by daily monitoring of the allocation's rolling performance over four time horizons. For each of these horizons, if the rolling performance falls below a pre-defined threshold, a signal is obtained to trigger hedging. Each signal triggers hedging of 25% of exposures. When all four hedging signals are triggered, then exposures are fully covered. For each horizon, hedging may be discontinued if the rolling performance has moved above a pre-defined threshold. The hedging strategy, which constitutes neither a guarantee nor protection of capital, does not aim to generate additional performance over the medium term but rather to maintain the portfolio's volatility below 7% and consequently the risk of capital losses. Tactical hedging is triggered by the risk level and is not based on any expectations; it aims to protect the portfolio in the event of sharp market declines. Due to this hedging, the unitholders may not benefit from the upside potential related to the underlying assets.
If hedging is triggered, the Fund may not resume exposure in the immediate term.

The strategic allocation is mainly comprised of bonds and money market instruments, with added impetus through exposure to the equity markets.
The portfolio may be invested in investment grade government and corporate bonds or bonds with an equivalent rating based on the management company's analysis, speculative/high yield bonds or bonds with an equivalent rating based on the management company's analysis, or in unrated bonds, convertible bonds, equities of companies of any market capitalisation located in the Eurozone and/or internationally, debt securities, money market instruments, and UCI invested in asset classes, within the following limits:
  - between 0 and a maximum of 100% of the net assets will be invested in debt securities and money market instruments;
  - between 0 and a maximum of 100% of the net assets will be invested in government debt;
  - between 0 and a maximum of 100% of the net assets will be invested in corporate debt;
  - a maximum of 50% of the net assets will be invested in speculative/high yield bonds or bonds with an equivalent rating based on the management company's analysis or unrated bonds;
  - a maximum of 25% of net assets will be invested in convertible bonds;
  - a maximum of 10% of the net assets will be invested in UCIs that in turn invest no more than 10% of their assets in other UCIs; these UCIs may be managed by the management company.

The Fund's overall exposure to equity risk will be maintained between 0 and a maximum of 40% of the net assets (including via derivatives). The Fund's overall exposure to interest rate risk will be maintained within a sensitivity range of -5 to +8.
The Fund's exposure to foreign exchange risk will be limited to 100% of the assets.

The Fund may use futures, options, swaps and forward foreign-exchange contracts on regulated, organised and/or OTC markets to hedge and/or expose the portfolio and thus bring the Fund's exposure above the level of its net assets. The portfolio is exposed to equity, interest rate, credit and foreign exchange risk, to a threshold calculated based on the absolute VaR. The Fund will not leverage its investment level other than through the use of cash borrowing.
Up to 100% of the Fund's assets may be invested in securities with embedded derivatives.

For the I and R units, distributable income shall be fully accumulated.
For the D units, net income shall be distributed in full and the allocation of net realised capital gains shall be decided each year by the management company.

- **Right of redemption:** Redemption applications are pooled by Caceis Bank or Lazard Frères Banque before 12 noon on each net asset value valuation day. They shall be executed using the next NAV, which is calculated daily. The redemption price will be paid two business days after the net asset valuation day.
- **Recommended investment period**: This Fund may not be suitable for investors planning to withdraw their contributions within three years.

Risk and reward profile

Lower risk, ← → Higher risk,

A potentially lower return — A potentially higher return

1	2	**3**	4	5	6	7

Description of the indicator and its main limitations:
The exposure to equity market and foreign exchange risk explains the Fund's classification in this category.
The historical data used could result in an unreliable indication of the Fund's future risk profile.
There is no guarantee that the category stated will remain unchanged, and the classification is liable to change over time.
The lowest category is not synonymous with a risk-free investment. Capital is not guaranteed.

Sizeable risks not taken into account in the indicator:

Credit risk: The issuer of a negotiable debt security or bond may default, and this could decrease the Fund'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 decrease in NAV may be even greater if the Fund is invested in unrated or speculative/high-yield debt.

Liquidity risk: the risk that a financial market is unable to absorb transaction volumes (buy or sell) when they are low or when there are market tensions without material impact on the price of the assets, resulting in a possible decrease in the Fund's net asset value.

Counterparty risk: the risk of a counterparty becoming insolvent and unable to honour its commitments to the Fund.

The use of complex products such as derivatives may increase losses.

The other risks are indicated in the prospectus. The occurrence of any of these risks may have a significant impact on the Fund's net asset value.

2. CHANGES AFFECTING THE UCI

January 15th, 2018

- The Chairman of the management company Lazard Frères Gestion SAS made the following decision in relation to **LAZARD PATRIMOINE** (ISIN code: FR0012355113): a change in the limit for investment in UCI from 100% to 10%.

3. MANAGEMENT REPORT

PERFORMANCE

The UCI's performance over the period was as follows:

-2,8% for the I units (FR0012355113)
-2,8% for the D units (FR0013135472 – dividends reinvested)
-3,4% for the R units (FR0012355139)

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

The benchmark's performance over the period was: -0,0%.

ECONOMIC ENVIRONMENT

Introduction

The global economic recovery was more subdued in 2018. Growth continued, helped by the acceleration of the US economy and still-robust Chinese growth, but business morale in each key region peaked in early 2018. Until recently, the United States had been an exception to the rule, suggesting that the US economy had been decoupled from the rest of the world and from the Eurozone in particular, where growth stalled. 2018 was also marked by mounting trade tensions between China and the United States as Donald Trump's protectionist rhetoric became more definite, as well as by the election of a populist government in Italy, political uncertainties in the United Kingdom and social unrest in France. Against this backdrop, central banks in the main developed countries embarked on a very prudent normalisation of their monetary policies, particularly given that underlying inflationary pressures remained relatively low. The Federal Reserve raised its key lending rate by a quarter of a point four times during the course of the year. The ECB brought a halt to its asset purchases at the end of December 2018 and pledged to leave interest rates unchanged until the summer of 2019. The Bank of Japan modified its policy of yield curve control. Central banks in emerging countries generally tightened their monetary policies, sometimes drastically, as seen in Turkey and Argentina. The synchronised global economic recovery seen in 2017 had led to very low volatility levels on the financial markets. But with uncertainties on the increase and economic growth slowing, volatility returned in 2018.

GDP volume growth (%)	**2016**	**2017**	**2018 (e)**	**2019 (e)**
World	3,3	3,7	3,7	3,7
Developed countries	1,7	2,3	2,4	2,1
Emerging countries	4,4	4,7	4,7	4,7
Eurozone	1,9	2,4	2,0	1,9
United States	1,6	2,2	2,9	2,5
Japan	1,0	1,7	1,1	0,9
United Kingdom	1,8	1,7	1,4	1,5
China	6,7	6,9	6,6	6,2
India	7,1	6,7	7,3	7,4
Brazil	-3,5	1,0	1,4	2,4
Russia	-0,2	1,5	1,7	1,8

IMF Economic Outlook, October 2018
* The data and forecasts for India are presented based on the budget year

The MSCI World global equity index denominated in dollars shed 11,2% over the year. Equities in developed countries dropped by 10,4% and those in emerging countries by 16,6%. The S&P 500 shed 6,2%, the Euro Stoxx 14,8% and the Topix 17,8% in their respective currencies.

After making an exceptional start to 2018, the global equity markets corrected sharply in February, initially in response to the publication of higher-than-anticipated hourly wage data in the US. The market correction was subsequently amplified by technical factors linked to increased volatility. The markets then fluctuated according to the perception of the risk of a trade war between China and the United States, as well as the likelihood of Italy defying EU budgetary rules and of a crisis in emerging countries, as sharp depreciations in the Turkish lira and the Argentine peso in August 2018 fuelled fears of contagion to other countries.

The equity indices corrected again in October. The beginning of the sell-off coincided with a rout in US treasuries, but when the bond market turned, equities continued to slide, notably on concern over a trade war between the United States and China.

Equity indices fell again in December, as disappointing economic data from across the globe and the inversion of the US yield curve rekindled fears of a reversal in the global growth cycle, amid persistent trade tensions between China and the United States, political uncertainties in the United Kingdom and Italy and a rapid fall in oil prices.

10-year US treasury yields rose by 28 basis points in 2018 to 2,68% at the end of December 2018, peaking at 3,24% in November. In early December, 5-year treasury yields slipped below 2-year and 3-year yields in an inversion of the curve that was seen as a recession harbinger. The 10-year Bund yield fell 19 basis points to 0,24% at the end of December, marking what was virtually its lowest level of the year.

In Italy, the election of a populist government and fears that the country would defy EU budgetary rules led to a sharp widening in the 10-year credit spread against Germany (+91 basis points). Greece also saw its spread widen significantly (+47 basis points). The widening movement was more measured in France (+11 basis points) and spread variations were narrow in Spain (+3 basis points) and Portugal (-4 basis points).

According to the ICE Bank of America Merrill Lynch indices, credit spreads on good quality corporate bonds versus government bonds widened by 65 basis points to 150 basis points, while those on high yield bonds widened by 227 basis points to 506 basis points.

The price of a barrel of Brent increased for most of the year, peaking at $86 in early October. It then fell rapidly, reaching a low of $50 in December. That brought the overall fall to 20,4% over the year, from $67 to $53.

The euro to dollar exchange rate peaked at 1,25 in the middle of February 2018 before slipping to as low as 1,12 by the middle of November on disappointing economic publications and uncertainties in Italy. It picked up again when fears eased over Italy. All in all, the euro moved down by 4,5% against the dollar, going from 1,20 to 1,14.

United States

US growth was strong, coming to +2,2% in Q1 2018, +4,2% in Q2 2018 and +3,4% in Q3 2018, on an annualised basis. Consumer spending was the main driver, stripping out a soft patch in Q1 2018, followed by business investment, inventory investment and government spending. International trade had a negative impact.

ISM surveys remained upbeat for most of the year. In December 2018, the ISM Manufacturing Index fell by 5,2 points to 54,1 (-5,2 points year on year). The new orders component fell by 11,0 points to 51,1. The ISM non-manufacturing index stood at 57,6 in December 2018 (+1,6 points year on year).
Job creation was dynamic. The private sector created 2 564 000 jobs in 2018, 400 000 more than in 2017. The unemployment rate dipped slightly, falling to 3,9% in December 2018 from 4,1% a year earlier. The hourly wage gradually increased. By December 2018, it had risen by 3,2% year on year.

The US trade deficit widened slightly to $55 billion in October 2018. The US administration toughened its trade policy, particularly with regard to China. It increased tariffs on $250 billion worth of Chinese imports. China retaliated by increasing its customs duties on $110 billion worth of US imports. On December 1st, 2018, Donald Trump and Xi Jinping announced a 90-day trade truce to give themselves time to negotiate a deal.

The National Association of Home Builders (NAHB) Housing Market Index (HMI) fell gradually throughout the course of 2018, before plunging from 68 to 60 in November and from 60 to 56 in December. It had climbed to an unprecedented level for the current cycle of 74 in December 2017. Residential investment contracted in each of the first three quarters of 2018. Year on year, it rose by 1,5% in Q3 2018. After rising steadily until April 2018, real estate prices slowed to +5,5% year-on-year in October 2018. New home sales were down 12,0% year on year in October 2018.

Non-residential investment was dynamic, despite a slowdown that started in Q2 2018. It rose by 6,8% year on year in Q3 2018.

Inflation peaked during the summer at +2,9% over one year, then gradually tapered to +1,9% over one year in December 2018, compared with +2,1% over one year in December 2017. Core inflation rose from +1,8% to +2,2% over one year.

Against this backdrop, the Fed raised its key lending rate by a quarter of a point four times during the year: in March, June, September and December, moving it into a band of 2,25-2,50%.

The mid-term elections on November 6th, 2018 resulted in a divided Congress. The Democrats took control of the House of Representatives, securing 235 of the 435 seats. With 53 of the 100 seats in the upper house, the Republicans held onto their majority in the Senate. Amid a funding shutdown, federal administrations were partially closed three times: from January 20th to 22nd, for a few hours on February 9th and from December 23nd.

Eurozone

Growth slowed in the Eurozone in 2018. After ending 2017 at +2,5%, it came to +1,6% in Q1 2018, +1,8% in Q2 2018 and +0,7% in Q3 2018, on an annualised basis. In the first half of the year, economic activity was weighed on by the flu outbreak in Germany in Q1 and industrial action in France in Q2. In Q3, turbulence in the automotive sector weighed on German growth (-0,8% after +1,8%) and political uncertainty weighed on Italian growth (-0,5% after +0,7%).

The composite PMI for the Eurozone reached a 12-year high in January 2018 of 58,8, but fell back sharply to 54,1 by the end of spring. After stabilising at around this level over the summer, it subsequently started to fall again before finally settling at 51,3 in December 2018. In France, the “yellow vest” movement dampened confidence at the end of the year.

The entry into force of WLTP standards on September 1st, 2018 led to volatility in car sales in the Eurozone. After jumping 21,5% in July, they fell by 37,2% in September before picking up again in October and November.

Unemployment in the Eurozone fell at a rapid pace, reaching 7,9% in November 2018, compared with 8,7% a year earlier. Some wage measures in the Eurozone gathered pace but inflationary pressures remained moderate. Headline inflation peaked during the summer, reaching +2,2% year-on-year in October 2018 before falling to +1,6% year-on-year in December 2018, compared with +1,4% year-on-year in December 2017. Core inflation moved in a range of between +0,9% and +1,1%. It stood at +1,0% over one year in December 2018.

In Italy, the general election held on March 4th, 2018 produced no clear majority in parliament, leading to more than two months of negotiations. The 5-star movement and the League eventually managed to form a government on May 31st. On September 27th, the Italian government announced it was targeting a budget deficit of 2,4% of GDP in 2019, triggering the launch by the European Commission of an “excessive deficit procedure” on November 21st. Ultimately, the Italian government’s downward revision of its 2019 deficit target to 2,0% of GDP paved the way for an agreement with Brussels on December 19th.

In Germany’s federal elections of September 24th, 2017, Angela Merkel's CDU/CSU alliance secured a substantial victory with 246 out of 598 seats in the Bundestag. After six months of negotiations, the social democratic party agreed to form a grand coalition, enabling Angela Merkel to be reappointed Chancellor on March 14th, 2018.

In Spain, prime minister Mariano Rajoy was forced to step down on June 1st, 2018 after a motion of no confidence was passed by parliament on foot of convictions against several members of his party for corruption. He was replaced by the socialist party leader, Pedro Sanchez, heading up a minority government.

On June 14th, 2018, the ECB announced that it would be halving its monthly asset purchases in Q4 2018 to €15 billion and was planning to halt the programme at the end of December 2018. It also indicated that it would be leaving interest rates unchanged at least until the summer of 2019. At its meeting of December 13th, 2018, the ECB confirmed that its asset purchasing programme would come to a halt at the end of the month. It also said that it would continue to reinvest the proceeds of maturing bonds for a long time after its first interest rate hike.

Japan

Japanese growth was volatile in 2018, at -1,3% in Q1 2018, +2,8% in Q2 2018 and -2,5% in Q3 2018, on an annualised basis. The contractions recorded in Q1 and Q3 were mainly due to bad weather.

The employment market remained highly strained. The unemployment rate reached 2,5% in November 2018, compared with 2,7% a year earlier. At 1,63 in November, the ratio between job vacancies and job seekers reached its highest level since the mid-70s. Wage growth accelerated sharply to +1,6% year-on-year in November 2018, the fastest pace seen since the end of the 1990s.

Inflation remained low. In November 2018, it reached +0,8% over one year while inflation excluding energy and food reached +0,3% over one year, versus +0,6% and +0,3% respectively in November 2017.

The Bank of Japan modified its policy of controlling the yield curve in July 2018 by broadening the range within which the Japanese 10-year government bond yield could evolve versus an unchanged target of around 0%.

China

Chinese growth weakened in 2018, but remained in line with the government's target of around +6,5% set in March. It fell from +6,8% year-on-year in Q1 to +6,7% in Q2 and +6,5% in Q3.

Retail sales of goods slowed sharply, with sales in volume increasing by 5,9% over the first eleven months of the year after +9,1% in 2017. Car sales were the main culprit. They registered a decline of 1,6% over the same period, after climbing by 5,6% in 2017.

Investment also slowed to +5,9% for the first eleven months of the year, compared with +7,2% in 2017. Investment in infrastructure stalled, due to the slowdown in credit. It rose by 3.7% in the first eleven months of the year, after +19.0% in 2017. Conversely, investment in real estate and in the manufacturing sector accelerated.

Foreign trade was vibrant in 2018, despite some slackening at the end of the period. Over the whole year, exports rose by 9,9% and imports rose by 15,8%, compared with respective increases of 7,9% and 15,9% in 2017. As a result, the trade surplus decreased by $68 billion over the year to $352 billion.

Growth in real estate prices gathered pace. It went from +5,8% year-on-year in December 2017 to +10,3% year-on-year in November 2018.

The central bank reduced the level of compulsory bank reserves by 100 basis points in April 2018, by 50 basis points in July 2018 and by 100 basis points in October 2018, bringing it to 14,50%. In addition, the government announced a significant reduction in income tax in 2019.

MANAGEMENT POLICY

Asset allocation

The equity markets, helped by good economic data and the rise in oil, showed significant gains in the first month of the year: +8,3% for the MSCI emerging equities index in dollars, +5,7% for the S&P 500 in dollars, +3,3% for the Euro Stoxx in euros and +1,1% for the Topix in yens (dividends reinvested). The outlook for growth in the Eurozone and anticipations of a less accommodative stance by the ECB gave rise to a sharp rise in interest rates and a continued appreciation of the euro against the dollar (+3,4%). The dollar also weakened against all other currencies. Against the yen, the euro remained almost stable (+0,2%). The rise in government bond yields (+27 basis points for German 10-year generic bonds) weighed on the FTSE MTS index of Eurozone government bonds (-0,3%) but the tightening of peripheral country credit margins cushioned the decline. The iBoxx investment grade corporate bond index fell by 0,3%, with the tightening of credit spreads preventing the rise in government yields to be absorbed, unlike liquid high yield euro bonds and subordinated financial bonds which gained 0,2%.

At the end of the month, we decreased the fund's exposure to Eurozone equities by 0,3% as part of the monthly readjustment (CAC 40 at 5 482).

The global equity markets experienced a sharp correction in early February against a backdrop of an abrupt rise in implied volatility. One of the catalysts was the continued rise of long-term interest rates in the United States after the publication of a sharper-than-expected rise in hourly wages in the US Employment Report. The correction was amplified by technical factors such as the unwinding of volatility selling strategies. The markets went on to rally but were unable to recoup their losses. In their respective currencies and dividends reinvested, the Eurostoxx was down 3,8%, the S&P 500 3,7%, the Topix 3,7% and the MSCI Emerging Markets index in dollars lost 4,6%. The euro depreciated by 1,8% against the dollar and by 3,8% against the yen. The FTSE MTS Eurozone Government Bond Index ended the month close to unchanged (+0,1%), helped by the 4-basis point fall of the German 10-year interest rate (+15 basis points for the US 10-year). The iBoxx investment grade corporate bond index was stable, while the iBoxx euro liquid high yield lost 0,6% and the financial subordinated debt index was down 0,8%.

At the beginning of the month, we lowered the fund’s sensitivity to US interest rates by 0,2 (5-year at 2,47). We set up a long position on Swedish krona against euro in the amount of 5,0% of assets (EUR/SEK spot at 10,00). We further trimmed the fund’s exposure to Eurozone equities to 2,0% (CAC 40 at 5 123), then to 0,5% (CAC 40 at 5 269). In the second half of the month, we changed the geographical allocation of the portfolio’s equity exposure by reducing the proportion of Eurozone equities (-4,2%) to add to Japanese (+2,3%) and emerging equities (+1,9%). The fund’s exposure to Eurozone equities was then increased by 0,2% for the end-of-month rebalancing (CAC 40 at 5 320).

In March, equities suffered another correction notably due to a rise in trade tension between the US and China. Weak technological stocks, the reshuffle of the US administration and the slowdown in leading indicators in the Eurozone also had a negative impact. In their respective currencies, with dividends reinvested, the S&P 500 shed 2,5%, the Euro Stoxx 2,1%, the Topix 2,0% and the MSCI emerging market index in dollars 1,9%. The euro appreciated against the dollar (+1,1%) and against the yen (+0,7%). The increase in aversion to risk favoured a fall in interest rates (-16bp for the German 10-year rate) which benefited the FTSE MTS index of Eurozone government bonds (+1,5%). The iBoxx investment grade and liquid high-yield euro bond indices closed slightly lower (-0,1%), with a more significant decline in subordinated financial bonds (-0,6%).

The fund suffered from its overexposure to European, Japanese and emerging equities, as well as its exposure to subordinated financial credit. Its lack of sensitivity to Eurozone government yields relative to its index and its negative sensitivity to US 5-year government yields, which fell by 8 basis points, also weighed on its performance. It benefited from its under-exposure to US equities.

We closed at a profit the arbitrage position involving a buy on Portuguese and a sell on Italian 10-year futures contracts implemented in September. We increased the fund's exposure to Eurozone equities by 0,9% as part of the month-end readjustment (CAC 40 at 5 167).

The equity markets of developed countries showed an upturn in April: +5,0% for the Euro Stoxx, +3,6% for the Topix and +0,4% for the S&P 500 (in local currency with dividends reinvested), underpinned by an easing of trade tension between China and the US and geopolitical tensions in the Korean peninsula, as well as by the rise in commodity prices. The MSCI emerging equity index in dollars lost 0,4%, notably due to the decline in Russian equities.
US 10-year treasury yields rose sharply (+21 basis points to 2,95%) following an upward revision to anticipations of monetary tightening in the US, moving briefly above 3%. Drab economic data in the Eurozone and the prudent stance by the ECB helped to contain the rise in yields in Europe (+6 basis points for the German 10-year yield to 0,56%).
Against this backdrop, the euro depreciated by 2% against the dollar (+0,8% against the yen) and the FTSE MTS index of Eurozone government bonds lost 0,4%. The iBoxx investment grade corporate bond index stabilised. Subordinated financial bonds and liquid high-yield bonds in euros increased slightly (+0,3% et +0,6% respectively).

The fund's exposure to Eurozone equities was reduced by -0,9% (CAC 40 at 5 437) and then -0,5% (CAC 40 at 5 521) as part of the month-end readjustment.

In May, the combination of a deteriorating political situation in Italy and Spain, disappointing PMI indices in the Eurozone and a resurgence of trade tensions triggered a rise in risk aversion. The equity markets corrected for the most part: -1,5% for the Euro Stoxx, -1,7% for the Topix in yen and -3,5% for the MSCI emerging equities index in dollars. The S&P 500 stood out with a rise of 2,4% (dividends reinvested). The German 10-year yield fell sharply (-22 basis points) but the FTSE MTS Eurozone Government Bond Index nevertheless shed 1,4% due to pressure on peripheral countries' interest rates, in particular Italy (10-year yield up 99 basis points to 2,77%). Concerns about Italy also weighed on the euro (-3,2% against dollar and -3,7% against yen). The iBoxx investment grade corporate bond index fell 0,3%, while the iBoxx euro liquid high yield lost 1,2% and the financial subordinated debt index was down 1,8%.

In mid-May, we set up a short position on Italian bonds against Bund via futures in the amount of 5,0% of assets, on a spread equal to 151 basis points, as we had a negative sentiment about the latest political developments. The position was doubled at the end of the month, on a spread equal to 296 basis points.

In the second half of the month, we trimmed our equity exposure by 4,8% (CAC 40 at 5629) to take some profits after the rebound from the lows of February-March. Right at the end of month, we further reduced our equity exposure, twice more by 4,8% (CAC 40 at 5469 and 5450) in the light of the deteriorating political situation in Italy. We reduced our exposure to financial subordinated bonds by 6,0% and bought short-dated Spanish and Portuguese bonds in the amount of 3,0%. We increased the fund's sensitivity to the German 10-year yield by 2,0 (German 10-year at 0,37).
The fund's exposure to Eurozone equities was adjusted by -0,4% for the end-of-month rebalancing (CAC 40 at 5398).

In June, investors remained sensitive to changes in the political situation in Italy and to trade tensions between China and the United States. Over the month, the equity indices in developed countries recorded limited fluctuations on the whole: -0,8% for the Euro Stoxx, -0,8% for the Topix and +0,6% for the S&P 500 in the indices' respective currencies, dividends reinvested. By contrast, the MSCI emerging equities index in dollars corrected sharply (-4,2%) due notably to the slowdown in the pace of growth in China. Despite the ECB's accommodating statements and the Fed's somewhat tougher stance, the euro remained virtually stable against the dollar (-0,1%; +1,7% against the yen). The German 10-year government bond yield fell (-4 basis points), while the FTSE MTS Eurozone government bond index rebounded (+0,8%). The iBoxx investment grade corporate bond index shed 0,1%, while the iBoxx euro liquid high yield lost 0,4% and the financial subordinated bond index was down 0,5%, credit margins having widened.

At the end of the month, we trimmed exposure to emerging equities by 4,6% to bring it back in line with the benchmark index. By contrast, we strengthened the fund's exposure to US equities.

Despite Donald Trump's threats to impose new tariffs on Chinese imports, the main equity markets ended July on a rise: +3,7% for the S&P 500, +3,5% for the EuroStoxx, +2,2% for the MSCI Emerging Markets index in dollars and +1,3% for the Topix, all in local currency and dividends reinvested. The indices were notably supported by the de-escalation of trade tensions between the United States and Europe, as well as the announcement of economic support measures in China. The abatement of political uncertainty in Germany following the agreement between Angela Merkel and her Minister of the Interior on the migratory issue also underpinned the European markets. Lower risk aversion led to a rise in the German 10-year yield (+14 basis points to 0,44%) and a tightening of private issuers' credit margins. The FTSE MTS Eurozone Government Bond Index lost 0,3% while the iBoxx investment grade corporate bond index was up 0,3%, the iBoxx euro liquid high yield rose 1,5% and the financial subordinated debt index was up 1,6%. The euro was virtually stable against the dollar but appreciated by 1,1% against the yen.

The fund's allocation was maintained over the month. Its exposure to Eurozone equities was adjusted by -0,5% for the end-of-month rebalancing (CAC 40 at 5511).

August brought a flight to quality on the back of a fall in the Turkish lira (25% over the month) which sparked fears of contagion to the European banking system and difficulties in other emerging countries. The trend was amplified by the low liquidity levels at that period of the year. The Euro Stoxx slipped 2,6%, the Topix lost 1,0% in yen and the MSCI emerging markets index dropping 2,7% in dollars. The S&P 500 rose 3,3% in dollars. Despite a fall in German government yields (-12 basis points for the 10-year yield), the FTSE MTS index shed 0,8% on foot of a widening of spreads in relation to peripheral countries, +63 basis points for the Italian 10-year yield in advance of the presentation of the country's budget. The euro lost 0,8% against the dollar and 1,5% against the yen. The iBoxx indices of investment grade bonds and liquid high yield bonds in euros remained stable while the subordinated financial bonds index lost 0,8%.

The fund's sensitivity was increased by 2,0 at the start of the month (German 5-year -0,16). Its exposure to Eurozone equities was adjusted by -0,3% as part of the monthly readjustment (CAC 40 at 5 407).

Donald Trump's announcement of new tariffs imposed on Chinese goods at a lower rate than initially planned, reassuring statements by the Italian Minister of Finance and the stabilisation of emerging currencies all contributed to a rise in risky assets from mid-September. The Italian government's announcement on September 28th of a higher budget deficit target for 2019, at 2,4% of GDP, triggered a trend reversal and pressures on Italian debt.

In their respective currencies and dividends reinvested, the Euro Stoxx was down 0,2%, the S&P 500 was up 0,6%, and the MSCI Emerging Markets index in dollars lost 0,5%. The Topix outperformed with a rise of 5,5%, thanks in part to the yen's depreciation (-2,3% against the euro). The FTSE MTS Eurozone Government Bond Index in euro shed 0,3%, hurt by the rise in German government bond yields (+14 basis points for the 10-year yield). The euro ended the month stable against the dollar. The iBoxx investment grade corporate bond index fell 0,3%. The iBoxx EUR liquid high yield index inched up 0,1% and the iBoxx financials subordinated index was up 0,2%.

At the beginning of the month, we trimmed our equity exposure by 1,6% (CAC 40 at 5409) to move back to a neutral position in relation to the index's weight. This movement reflects the advanced position in the business cycle, which remains positive but is coming to an end in a riskier environment. We also reduced our exposure to Japanese equities (-2,4%) to add to our exposure to US (+2,1%) and European equities (+0,3%).

October was marked by a sharp correction of the equity indices: -6,6% for the Euro Stoxx, -6,8% for the S&P 500 in dollars, -9,4% for the Topix in yen, and -8,7% for the MSCI emerging markets index in dollars (dividends reinvested in all cases). This correction came in tandem with a rise in bond yields. When the latter began to fall again, the equity market correction did not stop as concerns around the trade war between the US and China came into play while Italy awaited a revision of its rating by the ratings agencies. Over the month, US 10-year government yields rose by 8 basis points, while German 10-year yields fell by 9 points. The widening of sovereign and credit spreads weighed on the bond indices: the FTSE MTS government bond index in euros +0,1%, the iBoxx investment grade bond index -0,1%, subordinated financial bonds -0,5% and liquid high yield bonds in euros -1,0%. The euro lost 2,5% against the dollar and 3,1% against the yen.

At the start of the month, we halved the fund's exposure to emerging equities (-1,1%) to add to our exposure to US (+0,5%) and Japanese equities (+0,6%). The fund's exposure to equities was increased by +1,1% as part of the month-end readjustment, with an increase in its exposure to US equities of 0,7% and to Eurozone equities of 0,4% (CAC 40 at 5 093).

The rebound in equities following the US mid-term elections was then reversed due to disappointing economic data releases in the Eurozone and the United States, the government crisis in the United Kingdom and the Italian government's inflexibility on its budgetary plan. The rapid decline in oil prices and tensions between China and the United States ahead of the G20 also weighed on market sentiment. The markets finally picked up thanks to the EU's validation of the draft Withdrawal Agreement on Brexit, the Italian authorities' more conciliatory stance, and Jerome Powell's speech, that was seen as accommodative.

In their respective currencies and with dividends reinvested, the Euro Stoxx lost 1,1%, the S&P 500 gained 2,0%, the Topix was up 1,3% and the MSCI emerging markets index in dollars was up 4,1% in November. The FTSE MTS Eurozone Government Bond Index in euro gained 0,6%, driven by the fall in German government bond yields (-7 basis points for the 10-year yield) and the tightening of the Italian spread. The euro was stable against the dollar and up 0,5% against the yen. The credit compartment performed badly: the iBoxx investment grade corporate bond index was down 0,7% while the iBoxx euro liquid high yield and financial subordinated debt indices were up 1,9% and 1,4%, respectively.

Mid-month, we reduced the fund's sensitivity to Eurozone government bonds by 1,0 (German 5-year at -0,20). We also halved (+1,0 move) the fund's negative sensitivity to US government yields (5-year at 2,94).

In the second half of the month, the automatic hedging mechanism was triggered and we hedged 25% of the portfolio's equity, interest rate, credit and currency risks.

At the end of the month, we closed our short position in Italian bonds against Bund opened in May (spread at 283 basis points). We trimmed the fund's exposure to the dollar by 3,0% (EUR/USD spot at 1,1372) and increased its exposure to Eurozone equities by 3,6% (CAC 40 at 5016).

In December, the equity markets corrected sharply, with the inversion of the yield curve in the US and the publication of disappointing economic data in China and the Eurozone sparking fears of a global economic slowdown. The heightening of trade tensions between China and the US after the arrest of the CFO of Huawei, a less accommodative than expected stance by the Fed, and a ramp-up of political rumour in the US also weighed on prices. In their respective currencies with dividends reinvested, the S&P 500 lost 9,0%, the Euro Stoxx fell 5,8%, the Topix fell 10,2% and the MSCI emerging equities index lost 2,7% (in dollars).

The rise in aversion to risk weighed on German government yields (-7 basis points for the 10-year yield) while Italian yields necessarily fell (-46 basis points for the 10-year yield) following the agreement between the government and the European Commission on the country's budget for 2019, which underpinned the FTSE MTS Eurozone government bond index (+0,9%). The euro benefited from the reduction in Italian risk and appreciated by 1,3% against the dollar (-2,0% against the yen). According to the iBoxx indices, investment grade bonds rose by 0,2% while subordinated financial bonds rose by 0,4%. Liquid high yield bonds in euros lost 0,5%.
At the start of the month, we increased the portfolio's exposure to subordinated financial credit to 1,6%. We increased the fund's exposure to Eurozone equities by 3,6% (CAC 40 at 4 800/Euro Stoxx 50 at 3 059).

In the first half of the month, we hedged on two occasions some of the portfolio's equity (-14,7%), interest rate (sensitivity to Eurozone rates -1,5/US rates +0,5), credit (-9,8%) and forex (-7,7%) risk and then unwound some of the hedges on equity (+7,5%), interest rate (sensitivity to Eurozone rates +0,75/US rates -0,25), credit (+4,5%) and forex (+3,8%) risk as part of the hedging mechanism. At end-December, 50% of the fund's targeted positions were hedged.

Mid-way through the month we adopted a buy on Italian government yields and a sell on German government yields for 1,3% of the assets with a spread (10-year yields) of 265bp, followed by an additional 5,2% with a spread of 257bp. In the second half of the month, we reduced the fund's sensitivity to Eurozone government yields by 0,5 (German 5-year at -0,29). We reduced the overexposure to European equities by 2,4% to the benefit of US equities via futures positions.

The fund's exposure to equities was adjusted by +1,6% as part of the month-end readjustment (CAC 40 at 4 679/Euro Stoxx 50 at 2 987).

Bond compartment
January was a very positive month for risky asset classes. Financials did particularly well in both the equity and credit markets, in an improved economic climate with rising interest rates. The rise in interest rates that started in December continued, with upbeat economic indicators. In the second half of the month, the ECB's first meeting of the year was a turning point. Mario Draghi's statements, which hinted at the possibility of a sudden halt in the asset purchase programme in September 2018, put strong pressure on yields.

The German government bond yield curve rose sharply during the month as part of a bear steepening movement, with a 20bp increase in 10-year and 5-year yields to 0,70% and +0,10% respectively, and a 10bp increase in 2-year yields to -0,53%.

Turning to peripherals, spreads tightened across the board. Spain benefited from the one-notch upgrade of its credit rating by Fitch from BBB+ to A-.

Credit appreciated strongly during the month. The spread against government bonds tightened by 12bp to 73bp for non-financial credit, by 12bp to 64bp for senior financial credit, and by 20bp to 122bp for financial subordinated credit (Merrill Lynch indices).

However, the pressure on benchmark government bond yields failed to enable investment grade credit to generate a positive performance.
On January 31st, non-financial credit accounted for 39% of outstandings, of which 10% hybrid debt and 3% high-yield debt (investment via Lazard Corporate Euro High Yield). Financial sector credit accounted for 33% of outstandings, of which 18% subordinated debt. Government and similar debt accounted for 19% of outstandings, of which 6% Spanish, 6% Italian and 7% Portuguese.

The portfolio's actuarial yield was 1,1%. The bond line's exposure to interest rate risk was fully hedged.

After an exceptionally promising start to the year, the markets corrected between January 26th and the first weeks of February. The trigger for this correction is still unknown, but the rise in volatility, together with negative performances in all asset classes (equities, credit, fixed-income, commodities) prompted some investors to reduce their risks, resulting in redemptions in certain "aggregate" funds and ETFs, which in turn accelerated the downward trend. The markets stabilised at the end of the month without any fundamental change. That said, after the end of January growth remained strong, inflation measured and corporate results good on the whole, and in some cases excellent.

The German government bond yield curve flattened during the month, with the 10-year yield down 4bp to 0,66% and the 5-year yield down 8bp to 0,02%, while the 2-year yield fell 1bp to -0,54% (bull flattening movement).

Peripherals presented a mixed picture over the month: the Italian 10-year spread was stable, while Spanish and Portuguese spreads widened.
Credit depreciated strongly in February. In such jittery markets, investment grade spreads held up well. The spread in relation to government bonds widened by 4bp for non-financial credit to 78bp, by 4bp for senior financial credit to 68bp, and by 19bp for financial subordinated credit to 142bp (Merrill Lynch indices).

Market volatility and investor concerns about a rise in interest rates had a negative impact on the corporate segment of the primary market. The financial segment of the primary market remained essentially focused on issues of non-preferred senior debt.

On February 28th, non-financial credit accounted for 34% of outstandings, of which 9% hybrid debt and 3% high-yield debt (investment via Lazard Corporate Euro High Yield). Financial sector credit accounted for 35% of outstandings, of which 22% subordinated debt. Government and similar debt accounted for 23% of outstandings, of which 7% Spanish, 8% Italian and 8% Portuguese.
The portfolio's actuarial yield was 1,3%.

Against a backdrop of correction in risky assets and rising volatility and risk aversion, March saw an accumulation of technical pressures, what with massive inflows in the primary market and outflows from Credit Aggregate funds. On top of these factors, Donald Trump adopted a tougher stance with the implementation of protectionist measures against China. Abundant supply and less demand in a risk-averse environment created the perfect setting for a mini-correction of spreads. Conversely, in financials, there was no fundamental in particular that impacted the sector or the asset class. The German government bond yield curve flattened significantly during the month, with the 10-year yield down 16bp to 0,50% and the 5-year yield down 12bp to -0,10%, while the 2-year yield fell 6bp to -0,60% (continued bull flattening movement).
Peripheral country sovereign spreads tightened during the month, with the spread on Spanish and Portuguese 10-year yields down 22bp, and the spread on Italian 10-year yields down only 3bp. During part of the month, the Italian spread was affected by fears of a populist alliance (renewed Euroscepticism and doubt over fiscal discipline) but, at the end of the month, it benefited from its relative appeal as concerns abated. The fall in Spanish yields continued to underpin several issuers closely related to the sovereign, notably Cores, a movement that was strengthened by the upgrade of the sovereign rating from BBB+ to A- at the end of March.

Credit depreciated strongly during the month. The spread versus government bonds widened by 14bp for senior financial credit to 82bp and by 25bp for financial subordinated credit to 167bp (Merrill Lynch indices).

The credit market corrected in April, clawing back some of the losses seen in March. However, after appreciating during the first fortnight, investment grade credit spreads stabilised while spreads on risky assets began to increase again during the second half of the month. In addition, there was tension on sovereign yields from mid-April, underpinned notably by the rise in inflationary anticipations and in the oil price (Brent: +8% over the month to $74,90).

The German government bond yield curve steepened during the month, with the 10-year yield up 6bp to 0,56% and the 5-year yield up 4bp to –0,06%. There was virtually no change in the 2-year yield at -0,59%.
There were mixed trends in peripheral countries over the month with a 6bp decrease in the spread on Italian 10-year yields and a 6bp increase in the spread on Spanish 10-year yields. The spread on Portuguese 10-year yields remained almost unchanged.

The initial results from financial institutions were good overall, without being excellent. The financial sectors' difficulties in finding sources of revenue growth seemed to be structural in nature. The theme of mergers and acquisitions was fairly strong, influencing certain issuers: Klépierre benefited from the roll-back on the offer for Hammerson, the announcement of a merger between T-Mobile (Deutsche Telekom) and Sprint (Softbank), the possible sale to Vodafone of the German and Eastern European assets of LibertyGlobal.

Credit appreciated during the month. The spread versus government bonds narrowed by 5bp for corporate and senior financial credit to 89bp and 79bp respectively, and by 9bp for financial subordinated credit to 160bp (Merrill Lynch indices).

May was a particularly volatile month, with investor sentiment fluctuating in line with statements, announcements and rumours concerning the Italian government. Uncertainty was so high that the daily price movements on Italian BTP government bonds and futures, a barometer for the markets during the month, were the most drastic recorded since the euro's creation. Core and semi-core yields served as a safe haven. The German government bond yield curve flattened significantly during the month, with the 10-year yield down 22bp to 0,34% and the 5-year yield down 21bp to -0,27%, while the 2-year yield fell 7bp to -0,66%. The extreme pressure on Italian interest rates spread partially to other peripheral rates. Spreads widened across the board during the month (at 10 years): Italy: +119bp - Portugal: +51bp – Spain: +42bp.

Credit depreciated strongly in May. The spread against government bonds widened by 22bp for corporate credit to 111bp and by 27bp for senior financial credit to 106bp, and by 53bp for financial subordinated credit to 214bp (Merrill Lynch indices).

The portfolio was negatively affected in June by its exposure to credit, financial credit in particular. Credit margins widened across all sectors and segments. We continued the allocation movement introduced in the second half of May, which involved reducing exposure to private sector bonds, mainly financials, and increasing exposure to government bonds, mainly French. In the bond compartment, we doubled the weight of government bonds from 25% at end-May to 51% at end-June.

The portfolio benefited in July from its exposure to credit, financial credit in particular. Credit rose strongly across the board in all segments and sectors. After peaking at end-June, the spread against government bonds tightened by 9bp to 97bp for senior financial credit, by 10bp to 106bp for corporate credit, and by 33bp to 198bp for financial

subordinated credit (Merrill Lynch indices).
At end-July, exposure to government bonds accounted for 51% of the bond component, invested mainly in France. Exposure to private debt was split evenly between financial and non-financial debt.

August brought renewed volatility owing to concerns around emerging countries (Turkey, Argentina), trade tension and the Italian budget, despite the publication of excellent economic data, in the US in particular. Concerning the central banks, the publication of the minutes of the FOMC meeting of August 31st showed no shift in the monetary tightening approach. Trade and geopolitical tensions continued to underpin the widening of credit spreads over the month. This resurgence of geopolitical and economic risks favoured safe haven assets and long term yields declined overall in the US and Europe (-10bp for US 10-year yields and -12bp for German 10-year yields). This decline can also be attributed to uncertainty around the balancing of the Italian budget, with the members of government blowing hot and cold as to their willingness to comply with European rules. Against this backdrop, peripheral country 10-year sovereign yields widened over the month, with Italian yields up +50bp, Portuguese yields up +19bp and Spanish yields up +8bp.

Credit spreads widened across all asset classes. Non-financial corporate investment grade and high yield debt held up well with a slightly positive performance in their respective indices. At the end of August, the exposure to government debt stood at 57%, with the portion allocated to bonds mainly invested in France.

September was marked by a return of risk appetite in the financial markets. The statements by Italy’s Finance Minister on the budget deficit target, together with robust economic statistics, triggered a rise in German long-term interest rates. Against this backdrop, the Italian 10-year yield tightened by 9bp to 3,14%, despite sharp tensions on the last day of the month following the announcement of a higher-than-expected deficit target. The Fed, as expected, raised its key rate by a quarter point while removing the “accommodative” wording from its statement. Meanwhile, the ECB confirmed the phasing out of its asset purchase programme by the end of the year as well as its intention not to raise its key rates before the summer of 2019. Credit spreads tightened across all asset classes in September. Financial subordinated securities and hybrid corporates outperformed in this environment.

The IG primary market, excluding covered bonds, was active, totalling €23bn in gross issuance of financial bonds and €30bn of corporate bonds according to Barclays. Net issuance amounted to €7bn for financials and €17bn for corporate bonds. From the start of the year, the issuance volume had reached €213bn gross and €73bn net for financial bonds and €188bn gross and €69bn net for corporate bonds.
At end-September, exposure to government bonds accounted for 53% of the bond component, invested mainly in France.

October was marked by a brisk return of aversion to risk on the financial markets. The announcement at the end of September of Italy's draft budget for 2019 followed by its rejection by Brussels sparked a rise in Italian long-term yields and an easing of German benchmark yields of 8bp in the 10-year yield to 0,39%, and 10bp in 5-year and 2-year yields to –0,19% and -0,62% respectively. Furthermore, fears of a surge in US long-term yields and disappointing corporate earnings publications weighed on risky assets. For its part, the ECB maintained its schedule for an exit from its accommodative monetary policy.

Against this backdrop, credit spreads widened across all asset classes in October. At end-October, exposure to government bonds accounted for 55% of the bond component, invested mainly in France.

Investors remained risk-averse in November. The easing of interest rates in November largely reflected concerns about the continuation of the growth cycle and its impact on expectations of adjustments in central bank policies. There were still many subjects of concern, notably the extent of the protectionist measures initiated by the United States, Brexit, and, to a lesser extent, Italy. In the Eurozone, after the early part of the month was marked by a strong widening of Italian spreads, the trend was reversed after the Italian government toned down its rhetoric on the deficit, despite the triggering of the excessive deficit procedure.
The German government bond yield curve flattened during the month, with the 10-year yield down 7bp to 0,31% and the 5-year yield down 8bp to -0,27%, while the 2-year yield was up 2bp to -0,60%.

Against this backdrop, credit depreciated strongly during the month. The spread against government bonds widened by 20bp for senior financial credit to 159bp, by 18bp for IG corporate credit to 144bp, and by 33bp for subordinated financials to 261bp (Merrill Lynch indices).

At end-November, exposure to government bonds accounted for 68% of the bond component, invested mainly in France.

Investors remained prudent in December in the context of a busy news flow, in the political domain in particular.

In the UK, Theresa May finally pushed back a vote on Brexit until the week of January 14th: a motion of no confidence within her own party did not pass but it revealed the level of internal division within the Conservative Party. The European Commission and the Italian government succeeded in the end in reaching agreement on a compromise budget with a deficit of 2,04% set for 2019 and a growth assumption of 1%. All Italian stocks benefited from the easing of the BTP-Bund spread, in particular Italian issuers close to the sovereign (Enel, Snam), without returning to pre-crisis levels however.

What's more, concerns around growth and the capacity of central banks to exit existing policies continued to fuel risk aversion despite renewed optimism concerning the Chinese-American trade war.

The German government yield curve flattened during the month, with the 10-year yield down 7bp to 0,24%, the 5-year yield down 4bp to -0,31%, and the 2-year yield down 1bp to -0,61%.
Exposure to government bonds remained stable, accounting for 68% of the bond component, invested mainly in France.

Euro equities compartment
Over full-year 2018, the equity component of Lazard Patrimoine lost -16,01% versus -12,71% for the MSCI EMU in euros, net dividends reinvested, representing an underperformance of 330bp.

Despite positive economic indicators, the equity markets fell sharply in the first quarter of 2018, putting an end to the distinctly bullish trend seen in 2017. This sell-off was largely attributable to more heightened than anticipated concerns over monetary tightening, prompted by the publication of higher-than-expected hourly wages in the US, which triggered doubts over a more rapid rise in inflation. As expected, the Federal Reserve raised its key interest rate by 25bp, bringing it to a band of 1,50-1,75%. This rough patch was also attributable to commercial tension caused by the announcement of higher US customs taxes on the import of a number of products from China, the world's largest exporter. There was also scandal around Facebook and its network security, which was jeopardised by Cambridge Analytica's use of the personal data of 87 million users. The US company dragged the technology sector in its wake at the end of the quarter. Against this backdrop, the equity component of Lazard Patrimoine lost -2,56% versus -2,81% for the MSCI EMU in euros, net dividends reinvested. The compartment benefited from a positive selection effect in the financial sector with a rebound for *Intesa Sanpaolo (+6,6%),* a gain for *Deutsche Boerse (+14,3%),* and the absence of *Deutsche Bank (-28,7%).* After fresh rumours of a merger with Nissan, *Renault (+17,4%)* made sharp gains over the quarter, becoming one of the main positive contributors to the relative performance, followed closely by *Nokia (+15,2%)* whose results were welcomed by the market. *Dassault Systemes (+24,6%)* also turned in an excellent performance. However, the portfolio was significantly penalised by the fact that it was not exposed to the oil sector, which saw the Brent price continue to increase, topping $70 a barrel at the period-end (a performance of +5,1%). It also suffered from a negative selection effect in the healthcare sector with the sharp decline of *Merck (-13,2%),* and the fact that it was unable to benefit from the gains by *Airbus (+13%)* in manufacturing and *ASML (+10,3%)* in information technology.

The equity compartment of Lazard Patrimoine closed the second quarter of 2018 down -1,76% compared with an increase of 2,47% for the MSCI EMU. That period was particularly marked by heightened trade tension between the US and China. The US president had imposed import duties on steel and aluminium in the previous quarter. A series of tit-for-tat measures between the two countries ensued, which fuelled fears of a slowdown in global growth. Investors were also very wary of the unstable political environment in Italy, where two extremist parties led in the general election. The likelihood of an alliance weighed on the markets and on the financial sector in particular. The downward revision to growth forecasts in the Eurozone accentuated the euro's depreciation against the dollar. In terms of the central banks, the Fed introduced another hike in its key interest rate of 25bp, bringing it to a range of 1,75-2,00%. The ECB, for its part, announced the end of its asset purchasing programme from the end of December 2018 and pledged to leave its interest rates unchanged until summer 2019. Against this backdrop, the portfolio suffered mainly from a negative selection effect in the consumer services sector, as illustrated by *Carrefour's* decline (-15,1%). In the consumer goods sector, *Renault (-22,6%), Continental (-11%)* and *Daimler (-15,6%)* contributed negatively in response to US policy. The fund was also negatively affected by the banking sector, via *Intesa Sanpaolo (-9,6%)* and *Société Générale (-13,4%),* and by the fact that it was absent from the oil sector (the Brent barrel price rose by +13% over the period). It benefited from *SAP (+18,1%)* and *Nokia (+14,1%)* in the information technology sector, *L'Oreal (+17,5%)* in consumer goods, and from the absence of *Deutsche Post (-18,7%)* and *Unicrédit (-14,4%)* in manufacturing and finance respectively.

In the third quarter, the equity markets fluctuated in line with various uncertainties that arose in the preceding months. There was a particular focus on Italy and its stimulus budget which did not adhere to the public finances budgetary framework set for it by the European Union. Consequently, yields rose sharply and the spread in relation to the Bund swiftly reached 300bp. In relation to the trade war, no agreement was reached between China and the US, while threats by the US president to increase customs duties on all Chinese imports did not help matters.

Concerns around growth in China and emerging countries in general were aggravated. The diplomatic crisis between Turkey and the US led to a sharp depreciation in the Turkish lira, sparking fears of contagion to the European banking system. In the meantime, Jérôme Powell announced that the US economy was strong, growth was solid and inflation low and stable, which prompted the Federal Reserve to introduce another interest rate hike, bringing it to a band of 2,00% to 2,25%. Against this backdrop, the equity compartment of Lazard Patrimoine closed the third quarter of the year with a slight increase of 0,15% versus an increase of 0,43% for the MSCI EMU. The portfolio suffered mainly from the profit warning by *Continental (-23,3%)* in the consumer goods sector and poor performances by *Anheuser-Bush Inbev (-13%)* and *Heineken (-5,5%)*. Having continued to avoid oil stocks, the equity component once again did not benefit from the rise in the price of Brent crude (+4,13%), while *Total* (+8,2%), one of the largest weightings in the benchmark index, was one of the most significant negative contributors to the relative performance. Announcements of strikes at *Ryanair (-17%)* and disappointing results by *Publicis (-12,7%)* also had a negative impact on the fund, but these losses were offset by *Carrefour's* performance *(+19%)*. The fund also benefited from an excellent selection of stocks in the healthcare sector, with good performances by *UCB (+14,9%), Merck (+6,4%)* and *Sanofi (+11,5%).* The portfolio departed from the index due to the absence of *NXP Semiconductors (-21,1%)* and the absence of *BASF* (-6,5%).

The last three months of 2018 were mainly marked by a sell-off across the indices in anticipation of a slowdown in global growth, underpinned by disappointing Eurozone and Chinese indicators. Moreover, the IMF, OECD and central banks revised down their growth projections. The outlook for the US economy was also a source of concern, particularly with the inversion of the yield curve, seen as a potential harbinger of another recession. This did not prevent the Fed from once again raising its key lending rates by a quarter of a point and stating that it would adapt its policy according to macroeconomic developments, while scaling back the number of tightening episodes earmarked for 2019. At the same time, there was still no sign of a resolution to the Brexit problem, even though an agreement was reached between the European Union and the United Kingdom. The deal did not get through parliament, Theresa May having dropped plans to submit it to MPs on the day before the planned vote on fears that it would be rejected. The vote was therefore postponed to the middle of January. Italy revised down its budget deficit from 2,40% to 2,04%, enabling it to avoid a European "excessive deficit procedure". Against this backdrop, the equity compartment of Lazard Patrimoine closed the last quarter of 2018 with a sharp fall of 12,39% versus -12,73% for the MSCI EMU index. Healthcare stocks were one of the biggest positive contributors to the relative performance, led by *Merck Kgaa (+1,1%),* while the portfolio deviated from the benchmark in this sector due to the absence of *Fresenius SE & Co* (-33%). The fund's losses were partly offset by shrewd decisions in telecoms through overweights in *Deutsche Telekom* (+6,7%) and *Orange* (+5,2%). The fund also benefited from the absence of *Imerys (-34%)* and *Voestalpine (-33,8%)*. Amid major question marks over global growth and a supply glut, oil prices fell sharply (-35% over the period for Brent crude). The fund therefore benefited from the absence of *Total (-16,2%)*. By contrast, the fund was particularly penalised by the absence of utilities, since *Enel (+14,3%)* and *Iberdrola (+10,7%)* turned in good performances, but also by a negative selection effect in the technology sector due to the bias on *Atos (-30,3%)* and *Dassault Systèmes (-17.6%)*.

Main changes in the portfolio during the year

Securities	Changes (“accounting currency”)	
	Purchases	Sales
LAZARD EURO MONEY MARKET	14 670 551,17	12 878 779,05
FRANCE GOVERNMANT BOND OAT 0.0% 25-03-24	9 924 500,00	9 984 300,00
FRANCE 1.75% 25-11-24	16 542 856,50	0,00
FRTR 2 1/4 05/25/24	7 923 397,50	7 941 221,40
FRAN GOVE BON 0.25% 25-11-26	15 746 602,00	0,00
FRANCE 0.5% 25-05-25	15 281 776,00	0,00
FRANCE GOVERNMANT BOND OAT 0.75% 25-05-28	11 035 220,10	3 037 091,70
LAZARD EQUITY EXPANSION-A	6 264 014,26	6 033 396,91
FRANCE GOVERNMANT BOND OAT ZCP 25-03-23	10 017 850,00	1 511 385,00
LAZARD WORLD INNOVATION IC	10 660 409,71	471 834,83

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

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

ESMA

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

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

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

- Underlying exposure through derivative financial instruments: **220 905 547,88**
  - **Currency forwards: 16 755 589,19**
  - **Futures: 204 149 958,69**
  - **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
Efficient portfolio management techniques . Term deposits . Equities . Bonds . UCITS . Cash (**) **Total**	
Derivative financial instruments . Term deposits . Equities . Bonds . UCITS . Cash **Total**	

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

d) Operating income and expenses related to efficient management techniques

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

(***) 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.

- **BROKERAGE FEES**

Information about brokerage fees is available on the website: www.lazardfreresgestion.fr.

- **EXERCISING VOTING RIGHTS**

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

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

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

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

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

Our overall approach can be summarised as follows:

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

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

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

Information about ESG criteria is available on the website: www.lazardfreresgestion.fr.

- **METHOD USED TO CALCULATE GLOBAL RISK**

The calculation method used is the absolute VaR.
Maximum level of VaR per month: 9,65%.
Minimum level of VaR per month: 1,81%.
Average level of VaR per month: 4,44%.

- **REMUNERATION**

The fixed and variable remuneration paid during the financial year ended on December 31st, 2018 by the management company to its personnel, pro rata their investment in the management of the AIFs, excluding the management of the UCITS and discretionary mandates, can be obtained on request by post from the UCI legal department of Lazard Frères Gestion, and are indicated in the company's annual report. The total variable remuneration is set by the Lazard Group based on different criteria, including the Lazard Group's financial performance over the past year, taking its earnings into account. The General Management decides on the total remuneration amount that will be split between the fixed and variable components, complying with the policy to maintain a complete separation between the fixed and variable components. All risks are incorporated into the calculation of the variable remuneration. It is then individualised and determined partly based on the performance of each identified member of staff.

Population at December 31st, 2018: Fixed-term and permanent contracts at LFG and LFG-Belgium (i.e. including interns and trainees and excluding LFG-Courtage)

Headcount at December 31st, 2018 LFG, LFG-Belgium	Fixed annual remuneration in 2018 in €k	Variable remuneration for 2018 (cash and deferred) in €k
160	14 542	19 267

“Identified employees”

Category	Number of employees	Aggregated fixed and variable remuneration in 2018 (including deferred) in €k
Senior management	3	3 958
Other	47	18 457
Total	50	22 416

Note: the amounts are unloaded

- **OTHER INFORMATION**

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

Lazard Frères Gestion SAS
25, rue de Courcelles – 75008 Paris, France www.lazardfreresgestion.fr

5. CERTIFICATION BY THE STATUTORY AUDITOR

Ernst & Young et Autres
Tour First
TSA 14444
92037 Paris La Défense Cedex
France

Tel.: +33 (0) 1 46 93 60 00
www.ey.com/fr

Lazard Patrimoine

Financial year ended December 31st, 2018

Statutory auditor's report on the annual financial statements

To the Unitholders of Lazard Patrimoine,

Opinion

In accordance with the terms of our appointment by the management company, we conducted our audit of the annual financial statements of the Undertaking for Collective Investment Lazard Patrimoine, as a French open-end investment fund (*fonds commun de placement - FCP*), for the financial year ended December 31st, 2018.

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

Basis of our opinion

- **Audit standards**

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

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

- **Independence**

We conducted our audit in accordance with the rules of independence applicable to us on the period from January 1st, 2018 to the date of issue of our report, and in particular we have not provided any services prohibited by the French code of ethics for statutory auditors.

Basis of our opinions

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

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

Verification of the management report prepared by the management company

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 prepared by the management company, or its consistency with the annual financial statements.

Responsibilities of the management company concerning the annual financial statements

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

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

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

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

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

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

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

- ► it identifies and assess the risks that the annual financial statements may contain material misstatements, whether from fraud or error, defines and implements audit procedures to resolve these risks, and collects all elements deemed necessary and appropriate in order to give its opinion. The risk of failure to detect a material misstatement resulting from fraud is higher than that resulting from an error because fraud may involve collusion, falsification, deliberate omissions, false statements or by-passing of internal controls;

- ► it takes due note of the internal control relevant to the audit in order to define audit procedures that are appropriate to the circumstances, and not with a view to expressing an opinion on the efficiency of the internal control;

- ► it assesses the appropriateness of the accounting methods used and the reasonable nature of the accounting estimates made by the management company, and the related information provided in the annual financial statements;

- ► it assesses the appropriateness of the management company's application of the accounting policy for a going concern and, based on the information collected, whether there is a significant uncertainty linked to events or circumstances that is likely to call into question the fund's capacity to continue operating as a going concern. This assessment is based on the information collected up to the date of the report, bearing in mind nevertheless that subsequent circumstances or events could jeopardise the continuity of operation. If the statutory auditor observes the existence of a material uncertainty, it shall draw the attention of the readers of its report to the information provided in the annual financial statements on the subject of this uncertainty, or if this information has not been provided or is not relevant, it shall attach reservations to its certification or shall refuse to certify the accounts;

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

Paris-La Défense, March 25th, 2019

The statutory auditor
ERNST & YOUNG et Autres

Bernard Charrue

6. ANNUAL FINANCIAL STATEMENTS

- **BALANCE SHEET in euros**

ASSETS

	31/12/2018	29/12/2017
Net non-current assets		
Deposits		
Financial instruments	**222 693 441,88**	**40 859 356,11**
Equities and similar securities	**10 857 895,96**	**7 471 539,37**
Traded on a regulated or equivalent market	10 857 895,96	7 471 539,37
Not traded on a regulated or equivalent market		
Bonds and similar securities	**159 721 694,17**	**24 544 345,27**
Traded on a regulated or equivalent market	159 721 694,17	24 544 345,27
Not traded on a regulated or equivalent market		
Debt securities	**28 820 527,71**	**500 936,48**
Traded on a regulated or equivalent market Negotiable	27 819 046,35	500 936,48
debt securities	26 818 245,19	500 936,48
Other debt securities	1 000 801,16	
Not traded on a regulated or equivalent market	1 001 481,36	
Undertakings for collective investment	**22 490 799,03**	**8 033 982,29**
General UCITS and general AIFs aimed at non-professionals and their equivalent in other countries	22 490 799,03	8 033 982,29
Other funds aimed at non-professionals and their equivalent in other countries that are Member States of the EU		
General funds aimed at professional investors and their equivalent in other Member States of the EU and listed securitisation entities		
Other funds aimed at professional investors and their equivalent in other Member States of the EU and unlisted securitisation entities		
Other non-European entities		
Temporary financial securities transactions		
Receivables on securities purchased under		
repurchase agreements Receivables on loaned		
securities		
Borrowed securities		
Securities sold under repurchase agreements		
Other temporary transactions	**802 525,01**	**308 552,70**
Forward financial instruments	802 525,01	308 552,70
Transactions on a regulated or equivalent market		
Other transactions		
Other financial instruments	**17 177 224,43**	**117 712,93**
Receivables	**16 755 589,19**	
Currency forward exchange transactions	**421 635,24**	**117 712,93**
Other	**3 649 603,98**	**731 113,82**
Financial accounts	**3 649 603,98**	**731 113,82**
Total assets	**243 520 270,29**	**41 708 182,86**

LIABILITIES AND SHAREHOLDERS' EQUITY

	31/12/2018	29/12/2017
Shareholders' equity		
Capital	**224 469 288,89**	**39 230 029,90**
Undistributed net capital gains and losses recognised in	**338 420,58**	
previous years (a) Retained earnings (a)	**3,44**	**2,42**
Net capital gains and losses for the year (a, b)	**-2 841 653,55**	**2 078 180,91**
Net income for the year (a, b)	**1 964 567,50**	**-23 985,71**
Total shareholders' equity (= amount representing net assets)	**223 930 626,86**	**41 284 227,52**
Financial instruments	**802 524,97**	**308 552,72**
Sales of financial instruments		
Temporary financial securities transactions		
Liabilities on securities sold under repurchase agreements		
Liabilities on borrowed securities		
Other temporary transactions		
Forward financial instruments	**802 524,97**	**308 552,72**
Transactions on a regulated or equivalent market	802 524,97	308 552,72
Other transactions		
Liabilities	**18 293 697,08**	**115 402,46**
Currency forward exchange transactions	**16 683 051,45**	
Other	**1 610 645,63**	**115 402,46**
Financial accounts	**493 421,38**	**0,16**
Bank overdrafts Borrowings	**493 421,38**	**0,16**
Total liabilities and shareholders' equity	**243 520 270,29**	**41 708 182,86**

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

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

	31/12/2018	29/12/2017
Hedging transactions		
Commitments on regulated or similar markets		
Futures		
EUR XEUR FESX D 0319	1 249 080,00	
XEUR FESX DJ 0318		454 090,00
XEUR FGBL BUN 0319	43 665 180,00	
XEUR FGBM BOB 0318		24 216 240,00
XEUR FGBM BOB 0319	96 209 520,00	
Commitments on OTC markets		
Other commitments		
Other transactions		
Commitments on regulated or similar markets		
Futures		
CME EC EURUSD 0319	3 779 851,73	
CME NIKEI 225 J 0319	789 941,37	
CME RY EURJPY 0318		1 001 477,78
CME RY EURJPY 0319	876 529,95	
EC EURUSD 0318		879 918,60
FV CBOT UST 5 0318		18 282 480,75
FV CBOT UST 5 0319	27 286 885,93	
NYS NYL MSCI EM 0318		2 325 849,43
NYS NYL MSCI EM 0319	1 057 166,60	
N1 TOKYO NIKK 0318 SP		1 006 874,39
500 MINI 0318		1 337 108,59
SP 500 MINI 0319	11 724 463,11	
XEUR FBTP BTP 0318		1 361 400,00
XEUR FBTP BTP 0319	17 511 340,00	
Commitments on OTC markets		
Other commitments		

- **INCOME STATEMENT in euros**

	31/12/2018	29/12/2017
Income from financial transactions		
Income from deposits and financial accounts		
Income from equities and similar securities	321 454,79	
Income from bonds and similar securities	1 856 545,85	17 675,00
Income from debt securities	-994,20	-139,58
Income from temporary purchases and sales of financial securities Income from forward financial instruments		
Other financial income		
Total (1)	**2 177 006,44**	**17 535,42**
Expenses related to financial transactions		
Charges on temporary purchases and sales of financial securities Charges on forward financial instruments		
Expenses related to financial liabilities	145,23	
Other financial charges		
Total (2)	**145,23**	
Income from financial transactions (1 - 2)	**2 176 861,21**	**17 535,42**
Other income (3)		
Management fees and depreciation and amortisation (4)	1 171 416,66	31 008,61
Net income for the financial year (L. 214-17-1) (1 - 2 + 3 - 4)	**1 005 444,55**	**-13 473,19**
Revenue adjustment for the financial year (5)	959 122,95	-10 512,52
Interim dividends paid on net income for the financial year (6)		
Net income (1 - 2 + 3 - 4 + 5 - 6)	**1 964 567,50**	**-23 985,71**

ACCOUNTING RULES AND PRINCIPLES

The annual financial statements are presented in accordance with regulation 2014-01, as amended, of the French accounting standards body (*Autorité des Normes Comptables* - ANC). The general accounting principles apply:
- 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 and securities traded on a regulated market are valued at their market price.

o **Shares and similar securities** are valued on the basis of the last known price on their main market.
If applicable, prices are translated into euros using the exchange rate prevailing in Paris on the valuation day (as published by WM Closing).

o **Fixed-income securities:**
Fixed-income securities are for the most part marked to market based on either Bloomberg prices (BGN)® derived from averages of contributed prices, or on those of direct contributors.
There may be a discrepancy between the carrying amounts, valued as indicated above, and the actual disposal prices that would be obtained if a portion of these portfolio assets were to be sold.

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

Financial instruments whose prices have not been determined on the valuation day or whose prices have been adjusted are valued at their probable trading price under the responsibility of the management company of the Fund.
These estimates and their supporting documentation will be provided to the statutory auditor during audits.

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

o **Negotiable debt securities:**

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

Benchmark rate	
Negotiable debt securities in euros	**Negotiable debt securities in other**
Euribor, overnight indexed swaps (OIS) and French treasury bills (BTF) - 3 – 6 – 9 – 12 months BTAN medium-term treasury notes - 18 months, 2 - 3 - 4 - 5 years	Official key rates in the relevant countries

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

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

- **UCIs:**

Units or shares of UCIs are valued at the last known net asset value.
Units or shares of UCIs for which net asset values are published monthly may be valued on the basis of interim net asset values calculated from estimated prices.

- **Temporary purchases and sales of securities:**

Securities purchased under repurchase agreements are valued at their contract price using an actuarial method with a benchmark rate (overnight EONIA, one- or two-week interbank rates, one- to 12-month EURIBOR) corresponding to the term of the contract.
Securities sold under repurchase agreements continue to be valued at their market price. Liabilities on securities sold under repurchase agreements are calculated using the same method as that used for securities purchased under repurchase agreements.

- **Futures and options:**

Futures and options are valued on the basis of intraday trading prices the timing of which is based on that of the valuation of the underlying assets.
Positions taken on the futures or options markets and over the counter are valued at their market price or at the value of the equivalent underlying asset.

- **Financial instruments and securities not traded on a regulated market**

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

- **Valuation methods for off-balance sheet commitments**

Off-balance sheet transactions are valued at the commitment value.
The commitment value for futures contracts is equal to the price (in the Fund's currency) multiplied by the number of contracts multiplied by the face value.
The commitment value for options is equal to the price of the underlying security (in the Fund's currency) multiplied by the number of contracts multiplied by the delta multiplied by the face value of the underlying security.
The commitment value for swaps is equal to the face value of the contract (in the Fund's currency).

Management fees

Management fees are calculated on each valuation day.
The annual management fee rate is applied to gross assets (equal to net assets before deduction of the day's management fees) less UCIs managed by Lazard Frères Gestion SAS using the following formula:

<u>Gross assets - UCI managed by Lazard Frères Gestion SAS x operating and management fees rate:</u>
<u>x no. of days between the calculated NAV and the previous NAV</u>
365 (or 366 in a leap year)

This amount is then recorded in the Fund's income statement and paid in full to the management company. The management company pays the Fund's operating fees including for:
financial management;
administration and accounting;
custody services;
other operating fees:
reporting expenses
statutory auditors' fees;
legal notices (Balo, Petites Affiches, etc.) if applicable.

These fees do not include transaction charges.

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

Expenses charged to the Fund	Basis	Rate	
Financial management fees Administrative fees external to the management company	Net assets excluding UCIs managed by Lazard Frères Gestion SAS	I units: 0,75% incl. taxes D units: 0,75% incl. taxes R units: 1,40% incl. taxes	
Turnover commission (incl. taxes): (0 to 100% received by the management company and 0 to 100% received by the custodian)	Maximum charge on each transaction	Equities, foreign exchange	0% to 0,20%, incl. taxes
		Futures and other transactions	€0 to €450 incl. taxes per contract
Performance fees	n/a	None	

The method used to calculate retrocession amounts is set out in the sales and marketing agreements.
- If the amount is significant, a provision is recognised in account 617.
- The final amount is recognised upon settlement of invoices after reversal of any provisions.

Allocation of distributable income

Definition of distributable income:

Distributable income consists of:

Net income:

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

Capital gains and losses:

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

Allocation of distributable income:

Distributable income	I and R units	D units
Allocation of net income	Accumulation	distribution
Allocation of net realised capital gains or losses	Accumulation	Accumulation and/or distribution and/or retention

- **CHANGE IN NET ASSETS in euros**

	31/12/2018	29/12/2017
Net assets at start of year	**41 284 227,52**	**16 454 312,62**
Subscriptions (including subscription fees retained by the Fund)	230 932 494,39	35 691 181,48
Redemptions (net of redemption fees retained by the Fund)	-41 408 333,68	-12 350 849,46
Realised capital gains on deposits and financial instruments	708 867,67	1 650 727,41
Realised capital losses on deposits and financial instruments	-2 287 846,03	-20 670,04
Realised capital gains on forward financial instruments	5 735 297,89	466 576,37
Realised capital losses on forward financial instruments	-7 351 014,84	-321 285,56
Transaction fees	-245 243,94	-52 672,52
Exchange rate differences	342 636,67	-48 055,67
Changes in valuation difference of deposits and financial instruments	-3 811 746,94	-396 583,49
Valuation difference for financial year N	-3 674 485,24	137 261,70
Valuation difference for financial year N-1	-137 261,70	-533 845,19
Changes in valuation difference of forward financial instruments	-807 799,90	225 385,17
Valuation difference for financial year N	-537 557,21	270 242,69
Valuation difference for financial year N-1	-270 242,69	-44 857,52
Distribution of prior year's net capital gains and losses	-166 356,50	
Dividends paid in the previous financial year		-365,60
Net profit/loss for the financial year prior to income adjustment	1 005 444,55	-13 473,19
Interim dividend(s) paid on net capital gains/losses during the financial year		
Interim dividend(s) paid on net income during the financial year		
Other items		
Net assets at end of year	**223 930 626,86**	**41 284 227,52**

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

	Amount:	%
Assets		
Bonds and similar securities		
Fixed-rate bonds traded on a regulated or similar market	158 071 421,01	70,59
Variable/adjustable rate bonds traded on a regulated or similar market	1 460 248,47	0,65
Convertible bonds traded on a regulated or similar market	190 024,69	0,08
TOTAL Bonds and similar securities	**159 721 694,17**	**71,33**
Debt securities		
Treasury bills	3 310 521,51	1,48
Short-term negotiable securities (NEU CP) issued by non-financial foreign-European issuers unregulated market	1 001 481,36	0,45
Short-term negotiable securities (NEU CP) issued by banks	11 501 822,32	5,14
Short term negotiable securities (NEU CP) issued by non-financial issuers	11 007 066,34	4,92
Short-term negotiable securities (NEU CP) issued by non-financial foreign-European issuers	1 000 801,16	0,45
Medium-term negotiable securities (NEU MTN)	998 835,02	0,45
TOTAL Debt securities	**28 820 527,71**	**12,87**
Liabilities		
Sales of financial instruments		
TOTAL Sales of financial instruments		
Off-balance sheet items		
Hedging transactions		
Equities	1 249 080,00	0,56
Interest rate	139 874 700,00	62,46
TOTAL Hedging transactions	**141 123 780,00**	**63,02**
Other transactions		
Equities	13 571 571,08	6,06
Currency	4 656 381,68	2,08
Interest rates	44 798 225,93	20,01
TOTAL Other transactions	**63 026 178,69**	**28,15**

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

	Fixed rate	%	Variable rate	%	Revisable rate	%	Other	%
Assets	158 071 421,01	70,59	4 995 014,45	2,23	1 650 273,16	0,74	3 649 603,98	1,63
Deposits								
Bonds and similar securities								
Debt securities	23 825 513,26	10,64						
Temporary securities transactions								
Financial accounts								
Liabilities								
Temporary securities transactions								
Financial accounts							493 421,38	0,22
Off-balance sheet items								
Hedging transactions							139 874 700,00	62,46
Other transactions							44 798 225,93	20,01

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

	< 3 months	%	3 months-1 year	%	1-3 years	%	3-5 years	%	> 5 years	%
Assets					3 407 983,83	1,52	32 705 809,15	14,61	123 607 901,19	55,20
Deposits										
Bonds and similar securities										
Debt securities	11 402 027,36	5,09	17 418 500,35	7,78						
Temporary securities transactions										
Financial instruments	3 649 603,98	1,63								
Liabilities										
Temporary securities										
transactions										
Financial instruments	493 421,38	0,22								
Off-balance sheet items										
Hedging transactions							96 209 520,00	42,96	43 665 180,00	19,50
Other transactions	17 511 340,00	7,82					27 286 885,93	12,19		

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		SEK		JPY		Other currencies	
	Amount:	%	Amount:	%	Amount:	%	Amount:	%
Assets								
Deposits								
Equities and similar securities								
Bonds and similar securities								
Debt securities								
UCIs								
Temporary securities transactions								
Receivables			11 254 915,04	5,03				
Financial accounts					39 725,94	0,02		
Liabilities								
Sales of financial instruments								
Temporary financial securities transactions								
Liabilities			5 583 433,65	2,49				
Financial accounts	493 421,38	0,22						
Off-balance sheet								
Hedging transactions								
Other transactions	43 848 367,37	19,58			1 666 471,32	0,74		

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

	Debit/credit item	December 31st, 2018
Receivables	Forward currency purchases	11 254 915,04
	Receivables on forward currency sales	5 500 674,15
	Subscription receivables	360 010,24
	Coupons and dividends in cash	61 625,00
Total receivables		**17 177 224,43**
Liabilities	Forward currency sales	5 583 433,65
	Payables on forward currency purchases	11 099 617,80
	Redemptions payable	1 431 605,30
	Management fees	179 040,33
Total liabilities		**18 293 697,08**

- **NUMBER OF SECURITIES ISSUED OR REDEEMED**

	In units	In amounts
I units		
Units subscribed during the financial year	114 332,583	128 074 251,90
Units redeemed during the financial year	-24 735,658	-27 571 401,28
Net balance of subscriptions/redemptions	89 596,925	100 502 850,62
R units		
Units subscribed during the financial year	866 887,807	96 962 634,72
Units redeemed during the financial year	-102 273,485	-11 345 858,01
Net balance of subscriptions/redemptions	764 614,322	85 616 776,71
D units		
Units subscribed during the financial year	5 312,000	5 895 607,77
Units redeemed during the financial year	-2 270,000	-2 491 074,39
Net balance of subscriptions/redemptions	3 042,000	3 404 533,38

- **SUBSCRIPTION AND/OR REDEMPTION FEES**

	In amounts
I units	
Redemption fees retained Subscription fees retained Total fees retained	
R units	
Redemption fees retained Subscription fees retained Total fees retained	
D units	
Redemption fees retained Subscription fees retained Total fees retained	

- **MANAGEMENT FEES**

	December 31st, 2018
I units	
Guarantee fees	
Fixed management fees	442 949,79
Percentage of fixed management fees	0,75
Variable management fees	
Retrocessions of management fees	
R units	
Guarantee fees	
Fixed management fees	657 675,87
Percentage of fixed management fees	1,40
Variable management fees	
Retrocessions of management fees	
D units	
Guarantee fees	
Fixed management fees	70 791,00
Percentage of fixed management fees	0,75
Variable management fees	
Retrocessions of management fees	

- **COMMITMENTS RECEIVED AND GIVEN**

Guarantees received by the Fund:
None.

Other commitments received and/or given:
None.

- **PRESENT VALUE OF SECURITIES HELD TEMPORARILY**

	December 31st, 2018
Securities held under repurchase agreements	

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

	December 31st, 2018
Financial instruments given as security and retained under their original classification Financial instruments received as security and not recorded	2 407 209,62

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

	ISIN code	Description	December 31st, 2018
Equities			
Bonds			
Negotiable debt securities			
UCIs			22 490 799,03
			2 713 834,60
	FR0010505313	LAZARD CORPO EURO HIGH YIELD C	1 828 981,62
	FR0013235223	LAZARD EQUITY EXPANSION F	1 537 789,40
	FR0010941815	LAZARD EURO MONEY MARKET	6 179 744,65
	FR0012044519	LAZARD WORLD INNOVATION IC	10 230 448,76
Forward financial instruments			

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

	31/12/2018	29/12/2017
Remaining amounts to be allocated		
Retained earnings	3,44	2,42
Net income	1 964 567,50	-23 985,71
Total	**1 964 570,94**	**-23 983,29**

	31/12/2018	29/12/2017
I units		
Appropriation		
Distribution		
Balance brought forward for the financial year		
Accumulation	1 334 813,42	-7 566,97
Total	**1 334 813,42**	**-7 566,97**

	31/12/2018	29/12/2017
R units		
Appropriation		
Distribution		
Balance brought forward for the financial year		
Accumulation	506 323,51	-13 493,73
Total	**506 323,51**	**-13 493,73**

	31/12/2018	29/12/2017
D units		
Appropriation		
Distribution	123 364,15	
Balance brought forward for the financial year	69,86	
Accumulation		-2 922,59
Total	**123 434,01**	**-2 922,59**
Information on units with dividend rights		
Number of units	9 989,000	6 947,000
Dividend per share	12,35	
Tax credits		
Tax credit attached to the distribution of earnings		

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

	31/12/2018	29/12/2017
Remaining amounts to be allocated		
Undistributed net capital gains and losses recognised in previous years	338 420,58	
Net capital gains and losses for the year	-2 841 653,55	2 078 180,91
Interim dividends paid on net capital gains/losses for the financial year		
Total	**-2 503 232,97**	**2 078 180,91**

	31/12/2018	29/12/2017
I units		
Appropriation		
Distribution		
Undistributed net capital gains and losses		
Accumulation	-1 494 389,15	1 020 576,42
Total	**-1 494 389,15**	**1 020 576,42**

	31/12/2018	29/12/2017
R units		
Appropriation		
Distribution		
Undistributed net capital gains and losses		
Accumulation	- 1 209 961,73	658 990,30
Total	**-1 209 961,73**	**658 990,30**

	31/12/2018	29/12/2017
D units		
Appropriation		
Distribution	96 393,85	163 254,50
Undistributed net capital gains and losses	104 724,06	235 359,69
Accumulation		
Total	**201 117,91**	**398 614,19**
Information on units with dividend rights		
Number of units	9 989,000	6 947,000
Dividend per share	9,65	23,50

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

	31/12/2015	30/12/2016	29/12/2017	31/12/2018
Global net assets in euros	**11 756 054,36**	**16 454 312,62**	**41 284 227,52**	**223 930 626,86**
LAZARD PATRIMOINE IC				
Net assets in euros	9 823 969,10	13 016 195,69	20 275 626,07	117 549 876,61
Number of shares	9 520,000	12 349,955	18 048,988	107 645,913
Net asset value per share in euros	1 031,92	1 053,94	1 123,36	1 092,00
Accumulation per share pertaining to net capital gains/losses in euros	16,52	-19,17	56,54	-13,88
Accumulation per share pertaining to net income in euros	-0,56	0,57	-0,41	12,40
LAZARD PATRIMOINE RC				
Net assets in euros	1 932 085,26	2 948 995,11	13 089 398,78	95 542 144,69
Number of shares	18 724,000	27 996,458	116 674,072	881 288,394
Net asset value per share in euros	103,18	105,33	112,18	108,41
Accumulation per share pertaining to net capital gains/losses in euros	1,65	-1,91	5,64	-1,37
Accumulation per share pertaining to net income in euros	0,04	0,01	-0,11	0,57
LAZARD PATRIMOINE ID				
Net assets in euros		489 121,82	7 919 202,67	10 838 605,56
Number of shares		457,000	6 947,000	9 989,000
Net asset value per share in euros		1 070,28	1 139,94	1 085,05
Distribution per share pertaining to net capital gains/losses in euros			23,50	9,65
Undistributed net capital gains and losses per share in euros			33,87	10,48
Accumulation per share pertaining to net capital gains/losses in euros		-19,47		
Accumulation per share pertaining to net income in euros			-0,42	
Distribution per share pertaining to net income in euros		0,80		12,35
Retained earnings per share pertaining to net income in euros				
Tax credit per share in euros				*

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

- **INVENTORY** ***in euros***

Description of security	Currency	Quantity in number or face value	Present value	% Net assets
Equities and similar securities				
Equities and similar securities traded on a regulated or similar market				
GERMANY				
ALLIANZ SE	EUR	2 100	367 794,00	0,16
BAYER	EUR	2 959	179 197,04	0,08
BMW BAYERISCHE MOTOREN WERKE	EUR	1 815	128 320,50	0,06
CONTINENTAL AG O.N.	EUR	1 142	137 896,50	0,06
DAIMLER AG	EUR	5 194	238 456,54	0,11
DEUTSCHE BOERSE AG	EUR	2 110	221 444,50	0,10
DEUTSCHE TELEKOM AG	EUR	24 835	368 054,70	0,16
HENKEL AG AND CO.KGAA NON VTG PRF	EUR	2 560	244 224,00	0,11
MERCK KGA	EUR	3 300	296 934,00	0,13
MUENCHENER RUECKVERSICHERUNG AG	EUR	1 342	255 718,10	0,11
SAP SE	EUR	5 975	519 406,75	0,24
SIEMENS AG-REG	EUR	3 392	330 312,96	0,15
TOTAL GERMANY			**3 287 759,59**	**1,47**
BELGIUM				
ANHEUSER BUSCH INBEV SA/NV	EUR	4 370	252 149,00	0,11
KBC GROUPE	EUR	3 480	197 246,40	0,09
UNION CHIMIQUE BELGE/ UCB	EUR	3 106	221 457,80	0,10
TOTAL BELGIUM			**670 853,20**	**0,30**
SPAIN				
BANCO SANTANDER S.A.	EUR	65 215	259 099,20	0,12
FERROVIAL	EUR	11 900	210 570,50	0,09
TOTAL SPAIN			**469 669,70**	**0,21**
FINLAND				
SAMPO **OYJ A**	EUR	4 905	188 401,05	0,08
TOTAL FINLAND			**188 401,05**	**0,08**
DENMARK				
AIR LIQUIDE	EUR	3 140	340 533,00	0,15
AMUNDI	EUR	3 265	150 712,40	0,07
ATOS	EUR	2 075	148 321,00	0,07
AXA	EUR	14 515	273 723,87	0,12
BNP PARIBAS	EUR	6 555	258 758,63	0,12
CARREFOUR	EUR	13 065	194 799,15	0,09
ESSILORLUXOTTICA	EUR	1 540	170 093,00	0,08
LEGRAND SA HOLDING	EUR	2 830	139 519,00	0,06
L'OREAL	EUR	1 453	292 343,60	0,13
LVMH (LOUIS VUITTON - MOET HENNESSY)	EUR	1 539	397 369,80	0,17
ORANGE	EUR	21 005	297 325,78	0,13
PUBLICIS GROUPE SA	EUR	6 160	308 492,80	0,14
RENAULT SA	EUR	2 717	148 212,35	0,07
SAINT-GOBAIN	EUR	8 398	244 927,67	0,11
SANOFI	EUR	6 187	468 108,42	0,20
SCHNEIDER ELECTRIC SA	EUR	2 907	173 606,04	0,08
SOCIETE GENERALE SA	EUR	8 720	242 590,40	0,11
TOTAL FRANCE			**4 249 436,91**	**1,90**
IRELAND				
KERRY GROUP	EUR	2 670	230 955,00	0,11
RYANAIR HOLDINGS PLC	EUR	15 531	166 958,25	0,07
TOTAL IRELAND			**397 913,**25	**0,18**

Description of security	Currency	Quantity in number or face value	Present value	% Net assets
NETHERLANDS				
AKZO NOBEL	EUR	3,715	261 536,00	0,12
ASML HOLDING NV	EUR	1 460	200 253,60	0,09
HEINEKEN	EUR	3 625	279 850,00	0,12
ING GROEP NV	EUR	28 285	266 161,85	0,12
UNILEVER	EUR	8 683	411 747,86	0,18
TOTAL NETHERLANDS			**1 419 549,31**	**0,63**
SWITZERLAND				
LAFARGEHOLCIM LTD	EUR	4 865	174 312,95	0,08
TOTAL SWITZERLAND			**174 312,95**	**0,08**
TOTAL Equities and similar securities traded on regulated or similar markets			**10 857 895,96**	**4,85**
TOTAL Equities and similar securities			**10 857 895,96**	**4,85**
Bonds and similar securities **Bonds and similar securities traded on a regulated or similar market**				
GERMANY				
DEUTSCHE BK 1.125% 30-08-23	EUR	700 000	700 338,49	0,31
MERCK KGAA 2.625% 12-12-74	EUR	1 000 000	1 039 133,15	0,47
TOTAL GERMANY			**1 739 471,64**	**0,78**
AUSTRALIA				
BHP BILL FINA 4.75% 22-04-76	EUR	1 000 000	1 100 585,07	0,49
TOTAL AUSTRALIA			**1 100 585,07**	**0,49**
BELGIUM				
BELFIUS BANK 3.625% PERP	EUR	800 000	617 581,96	0,28
FORTIS BK TV07-191272 CV	EUR	250,000	190 024,69	0,08
KBC GROUPE SA 1.625% 18-09-29	EUR	1 000 000	971 583,70	0,43
SOLVAY 1.625% 02-12-22	EUR	400,000	417 129,86	0,19
TOTAL BELGIUM			**2 196 320,21**	**0,98**
DENMARK				
CARLSBERG BREWERIES AS 0.5% 06-09-23	EUR	500,000	495 185,07	0,22
TOTAL DENMARK			**495 185,07**	**0,22**
SPAIN				
BANCO DE BADELL 0.875% 05-03-23	EUR	300,000	288 146,30	0,13
BANCO NTANDER E3R+0.75% 28-03-23	EUR	400,000	388 213,40	0,17
BANCO NTANDER 1.375% 09-02-22	EUR	500,000	512 743,08	0,23
BANCO NTANDER 4.75% PERP	EUR	600,000	478 745,50	0,21
BANKIA SA 6.0% PERP	EUR	200,000	191 368,87	0,09
BBVA 5.875% PERP	EUR	600,000	558 733,17	0,25
IBERCAJA 7.0% PERP	EUR	200,000	185 941,87	0,08
IBESM 1 03/07/24	EUR	200,000	203 956,79	0,09
ROYA DSPA 1.4% 31-01-20	EUR	1 700 000	1 755 277,25	0,78
SPAIN GOVERNMENT BOND 0.45% 31-10-22	EUR	5 000 000	5 071 195,21	2,26
SPAIN GOVERNMENT BOND 1.45% 31-10-27	EUR	5 000 000	5 085 412,33	2,28
SPGB 2 3/4 10/31/24	EUR	5 500 000	6 188 335,55	2,77
TELE EMI 0.75% 13-04-22 EMTN	EUR	200,000	202 431,04	0,09
TOTAL SPAIN			**21 110 500,36**	**9,43**
FRANCE				
ALD 0.875% 18-07-22 EMTN	EUR	600,000	591 426,82	0,26
AXA 3.25% 28-05-49 EMTN	EUR	1 200 000	1 171 642,85	0,52
BFCM BANQUE FEDERATIVE CREDIT MUTUEL 1.625% 15-11-27	EUR	1 000 000	920 631,51	0,41
BNP PAR E3R+0.75% 07-06-24	EUR	400,000	386 574,20	0,17

Description of security	Currency	Quantity in number or face value	Present value	% Net assets
BNP PAR 1.0% 27-06-24 EMTN	EUR	200,000	196 349,10	0,09
BNP PAR 2.375% 20-11-30 EMTN	EUR	1 000 000	999 226,81	0,45
BPCE E3R+1.05% 09-03-22 EMTN	EUR	300,000	299 523,00	0,13
BPCE 1.125% 18-01-23 EMTN	EUR	500,000	507 798,84	0,23
BQ POSTALE 1.0% 16-10-24 EMTN	EUR	1 000 000	979 414,38	0,44
CAPGEMINI SE 1.0% 18-10-24	EUR	200,000	197 431,92	0,09
CAPGEMINI 2.5% 01-07-2023	EUR	300,000	324 920,92	0,15
CARRE 0.75% 26-04-24 EMTN	EUR	300,000	293 015,42	0,13
CASA 6.50% PERP	EUR	1 000 000	1 023 236,11	0,46
CRED AGRI ASSU 4.5% PERP	EUR	1 000 000	1 010 775,00	0,45
E.ETAT 6%94-25 OAT	EUR	5 000 000	7 001 584,25	3,13
ENGIE SA 4.75% PERP	EUR	1 500 000	1 628 721,37	0,73
ESSILORLUXOTTICA 2.375% 09-04-24	EUR	500,000	559 406,71	0,25
FRAN GOVE BON 0.25% 25-11-26	EUR	16 000 000	15 778 833,97	7,05
FRANCE GOVERNMANT BOND OAT ZCP 25-03-23	EUR	8 500 000	8 552 530,00	3,82
FRANCE GOVERNMANT BOND OAT 0.75% 25-05-28	EUR	8 000 000	8 110 657,53	3,62
FRANCE 0.5% 25-05-25	EUR	15 000 000	15 320 471,92	6,84
FRANCE 1.75% 25-11-24	EUR	15 000 000	16 475 997,95	7,35
FRENCH REP 1.0% 25-11-25	EUR	6 000 000	6 304 730,96	2,82
GROUPAMA ASSURANCES MUTUELLES SA 7.875% 27-10-39	EUR	500,000	534 655,62	0,24
GROUPAMA 3.375% 24-09-28	EUR	1 000 000	932 779,04	0,42
GROUPE DANONE 1.75% PERP EMTN	EUR	600,000	570 120,82	0,25
INDIGO GROUP SAS 2.125% 16-04-25	EUR	200,000	211 468,68	0,09
KERFP 2 3/4 04/08/24	EUR	500,000	562 851,23	0,25
LIFP 1 04/17/23	EUR	500,000	510 990,34	0,23
MWDP 1 04/20/23	EUR	500,000	492 929,25	0,22
ORAN 4.0% PERP EMTN	EUR	700 000	746 193,96	0,33
RENAULT 1.0% 08-03-23 EMTN	EUR	300,000	298 987,97	0,13
SCOR 3.875% PERP	EUR	1 000 000	1 040 919,45	0,46
SG E3R+0.8% 22-05-24 EMTN	EUR	400,000	385 937,87	0,17
SG 0.5% 13-01-23 EMTN	EUR	1 000 000	982 328,63	0,44
SG 6.75% 31/12/2099	EUR	1 000 000	1 031 138,68	0,46
SOGECAP SA 4.125% 29-12-49	EUR	1 000 000	1 037 091,37	0,46
STE DES 1.5% 15-01-24 EMTN	EUR	500,000	528 988,42	0,24
TOT 3.875% PERP EMTN	EUR	1 000 000	1 087 727,81	0,49
UNIB ROD 1.375% 31-12-26 EMTN	EUR	300,000	305 271,41	0,14
UNIBAIL RODAMCO SE 2.125% PERP	EUR	500,000	476 292,67	0,21
VALE ELE 1.625% 18-03-26 EMTN	EUR	300,000	290 020,64	0,13
VEOLIA ENVIRONNEMENT 0.672% 30-03-22	EUR	300,000	305 096,00	0,14
TOTAL FRANCE			**100 966 691,40**	**45,09**
ITALY				
ENEL 2.5% 24-11-78	EUR	1 000 000	929 359,73	0,42
INTESA SANPAOLO 7.75% PERP	EUR	1 000 000	1 088 655,22	0,49
ITALY BUONI POLIENNALI DEL TESORO 0.9% 01-08-22	EUR	1 900 000	1 877 353,45	0,83
ITALY BUONI POLIENNALI DEL TESORO 0.95% 01-03-23	EUR	1 000 000	978 814,14	0,44
ITALY BUONI POLIENNALI DEL TESORO 2.05% 01-08-27	EUR	1 900 000	1 846 751,57	0,82
LUXIM 2 5/8 02/10/24	EUR	300,000	338 342,14	0,15
TELECOM ITALIA 5.25% 10/02/22	EUR	300,000	339 400,27	0,15
TOTAL ITALY			**7 398 676,52**	**3,30**
LUXEMBOURG				
AROUNDTOWN PROPERTY 2.125% PERP	EUR	100 000	86 921,49	0,04
SOCI EURO DES SAT 4.625% PERP	EUR	1 100 000	1 110 017,38	0,49
TOTAL LUXEMBOURG			**1 196 938,87**	**0,53**

Description of security	Currency	Quantity in number or face value	Present value	% Net assets
NETHERLANDS				
ABN AMRO BANK NV 5.75% PERP	EUR	500,000	519 520,25	0,23
ASR NEDERLAND NV 4.625% PERP	EUR	500,000	448 403,30	0,20
ED 2.375% 23-03-23 EMTN	EUR	400,000	430 831,84	0,19
ENEL FINA INT 1.375% 01-06-26	EUR	300,000	293 351,10	0,13
GAS NATU FENO 4.125% 30-11-49	EUR	1 000 000	1 029 458,63	0,46
IBERDROLA INTL BV 2.625% PERP	EUR	1 000 000	990 062,74	0,44
ING GROEP NV 1.0% 20-09-23	EUR	300,000	299 444,01	0,13
ING GROEP NV 1.125% 14-02-25	EUR	500 000	495 327,74	0,22
RABOBK 0.75% 29-08-23	EUR	400,000	400 471,84	0,18
TELEFONICA EUROPE 5% 12/99	EUR	1 000 000	1 075 882,19	0,49
VOLKSWAGEN INTL FINANCE NV 3.375% PERP	EUR	1 000 000	955 738,49	0,43
TOTAL NETHERLANDS			**6 938 492,13**	**3,10**
PORTUGAL				
CAIXA GERAL DE DEPOSITOS 10.75% PERP	EUR	400,000	438 697,78	0,20
NOS SGPS 1.125% 02-05-23	EUR	500,000	502 451,10	0,22
MWDP 2.2 10/17/22	EUR	1 900 000	2 058 082,60	0,92
PORTUGAL OBRIGACOES DO TESOURO OT 4.125% 14-04-27	EUR	4 000 000	4 923 582,47	2,20
PORTUGAL 4.80% 15/06/20	EUR	1 500 000	1 652 706,58	0,74
PORTUGAL 4.95% 25/10/23	EUR	3 000 000	3 670 059,45	1,64
TOTAL PORTUGAL			**13 245 579,98**	**5,92**
UNITED KINGDOM				
BARCLAYS 0.625% 14-11-23 EMTN	EUR	200,000	190 351,23	0,09
HSBC HOLDINGS PLC 5.25% PERP	EUR	300,000	303 272,40	0,14
HSBC 0.875% 06-09-24	EUR	500,000	485 446,37	0,21
LLOYDS BANKING GROUP 1.0% 09-11-23	EUR	200,000	192 809,37	0,09
ROYAL BANK OF SCOTLAND GROUP 2.0% 08-03-23	EUR	300,000	306 219,95	0,14
STAN 3.125% 19-11-24 EMTN	EUR	1 000 000	1 035 022,74	0,45
TOTAL UNITED KINGDOM			**2 513 122,06**	**1,12**
SWITZERLAND				
UBS GROU FUND 1.75% 16-11-22	EUR	500,000	517 605,68	0,23
UBS GROUP FUNDING 1.5% 30-11-24	EUR	300,000	302 525,18	0,14
TOTAL SWITZERLAND			**820 130,86**	**0,37**
TOTAL Bonds and similar securities traded on a regulated or equivalent market			159 721 694,17	71,33
TOTAL Bonds and similar securities			**159 721 694,17**	**71,33**
Debt securities				
Debt securities traded on a regulated or equivalent market				
GERMANY				
COMMERZBANK AG FRANCFORT 210619 FIX 0.0	EUR	1 000 000	1 000 801,16	0,45
TOTAL GERMANY			**1 000 801,16**	**0,45**
SPAIN				
SANTANDER CONSUMER FINANCE S.A 260419 FIX 0.0	EUR	500,000	500 427,89	0,22
SANTANDER CONSUMER FINANCE S.A 280619 FIX 0.0	EUR	500,000	500 504,57	0,23
TOTAL SPAIN			**1 000 932,46**	**0,45**

Description of security	Currency	Quantity in number or face value	Present value	% Net assets
FRANCE				
AUCHAN HOLDING SA ZCP 19-11-19	EUR	500,000	500 526,94	0,22
AUCHAN HOLDING SA 121119 FIX 0.0	EUR	500,000	500 474,96	0,22
AXA BANQUE 060919 OIS 0.15	EUR	1 000 000	999 308,53	0,45
BNP PA OIS+0.15% 04-12-19	EUR	500,000	499 923,47	0,22
BPCE 190819 FIX 0.0	EUR	500,000	500 644,38	0,22
CA CONSUMER FINANCE 250419 OIS 0.07	EUR	500,000	498 931,58	0,22
CARREFOUR BANQUE ZCP 28-02-19	EUR	500,000	500 219,50	0,22
CFCM MAINE ANJOU BASSE NORMANDIE 050619	EUR	500,000	499 809,04	0,22
COFACE 180319 FIX 0.0	EUR	1 500 000	1 500 863,50	0,68
COMPAGNIE GENE 120419 FIX 0.0	EUR	500,000	500 493,84	0,22
COVIVIO SA ZCP 26-03-19	EUR	500,000	500 277,02	0,22
COVIVIO SA 270319 FIX 0.0	EUR	500,000	500 265,77	0,22
CREDIT MUNICIPAL DE PARIS 180219 FIX 0.0	EUR	500,000	500 218,31	0,22
CSSE FEDER CIT MUT OCEAN 050319 OIS 0.085	EUR	1 000 000	999 089,76	0,45
ELEC DE FRAN EDF ZCP 05-04-19	EUR	500,000	500 365,21	0,22
ENGIE SA ZCP 19-03-19	EUR	500,000	500 339,82	0,22
ENGIE SA 050219 OIS 0.03	EUR	500,000	498 513,71	0,22
FRENCH REP ZCP 17-07-19	EUR	900 000	903 311,89	0,40
GECINA 010199 FIX 0.0	EUR	500,000	500 436,60	0,22
GECINA 260419 FIX 0.0	EUR	500,000	500 387,90	0,22
KLEPIERRE 050319 FIX 0.0	EUR	1 000 000	1 000 521,90	0,46
PSA BANQUE FRANCE 190719 OIS 0.16	EUR	500,000	499 534,92	0,22
RENAULT CREDIT 040219 FIX 0.0	EUR	500,000	500 125,03	0,22
SOCIETE FONCIERE LYONNAISE 180219 FIX 0.0	EUR	1 000 000	1 000 340,16	0,46
SOCIETE GENERALE SA 311219 OIS 0.165	EUR	500,000	499 903,44	0,22
SUEZ 170619 FIX 0.0	EUR	500,000	500 829,09	0,22
TECHNIP EUROCASH SNC 160119 FIX 0.0	EUR	500,000	500 059,42	0,22
TECHNIP EUROCASH SNC 200219 FIX 0.0	EUR	500,000	500 170,20	0,22
UNIO FINA GRAI ZCP 31-01-19	EUR	1 000 000	1 000 235,52	0,45
VALEO SA 250419 FIX 0.0	EUR	1 500 000	1 501 001,35	0,68
VEOLIA ENVIRONNEMENT SA 030619 FIX 0.0	EUR	1 000 000	1 001 177,83	0,46
TOTAL FRANCE			**20 908 300,59**	**9,33**
NETHERLANDS				
BMW FINANCE NV 290419 FIX 0.0	EUR	500,000	500 470,29	0,22
ING BANK NV 290519 FIX 0.0	EUR	500,000	500 556,21	0,23
TOTAL NETHERLANDS			**1 001 026,50**	**0,45**
UNITED KINGDOM				
BARCLAYS BANK PLC 250419 FIX 0.0	EUR	500,000	500 443,20	0,23
CREDIT SUISSE AG LONDON BRANCH 130219 FIX 0.0	EUR	500,000	500 173,68	0,22
TOTAL UNITED KINGDOM			**1 000 616,88**	**0,45**
SWEDEN				
SVENSKA HANDELSBANKEN AB 050219 FIX 0.0	EUR	500,000	500 159,14	0,22
TOTAL SWEDEN			**500 159,14**	**0,22**
TOTAL Debt securities traded on a regulated or equivalent market			**25 411 836,73**	**11,35**
Debt securities not traded on a regulated or equivalent market				
FRANCE				
BFCM (BANQUE F 020519 FIX 0.0)	EUR	500,000	500 600,19	0,22
TOTAL FRANCE			**500 600,19**	**0,22**

Description of security	Currency	Quantity in number or face value	Present value	% Net assets
UNITED KINGDOM				
VODAFONE GROUP PLC 131119 FIX 0.0	EUR	500,000	500 526,94	0,22
TOTAL UNITED KINGDOM			**500 526,94**	**0,22**
TOTAL Debt securities not traded on a regulated or equivalent market			**1 001 481,36**	**0,45**
TOTAL Debt securities			**26 413 318,09**	**11,80**
General UCITS and general AIFs aimed at non-professionals and their equivalent in other countries				
FRANCE				
LAZARD CAPITAL FI IC	EUR	1 657	2 713 834,60	1,21
LAZARD CORPO EURO HIGH YIELD C	EUR	1 146	1 828 981,62	0,82
LAZARD EQUITY EXPANSION F	EUR	170	1 537 789,40	0,69
LAZARD EURO MONEY MARKET	EUR	6,004	6 179 744,65	2,76
LAZARD WORLD INNOVATION IC	EUR	80 822	10 230 448,76	4,56
TOTAL FRANCE			**22 490 799,03**	**10,04**
TOTAL general UCITS and general AIFs aimed at non-professionals and their equivalent in other countries			**22 490 799,03**	**10,04**
TOTAL Undertakings for collective investment			**22 490 799,03**	**10,04**
Securities placed as a deposit				
Debt securities traded on a regulated or equivalent market				
FRENCH REP ZCP 17-07-19	EUR	1 500 000	1 505 519,82	0,67
FRENCH REP ZCP 25-04-19	EUR	500,000	501 234,88	0,22
FRENCH REP ZCP 27-02-19	EUR	400,000	400 454,92	0,18
TOTAL Debt securities traded on a regulated or equivalent market			**2 407 209,62**	**1,07**
TOTAL Securities placed as a deposit			**2 407 209,62**	**1,07**
Forward financial instruments				
Futures contracts				
Futures contracts on a regulated or equivalent market				
CME EC EURUSD 0319	USD	-30	-46 713,03	-0,02
CME NIKEI 225 J 0319	JPY	10	-69 964,53	-0,03
CME RY EURJPY 0319	JPY	-7	23 919,50	0,01
EUR XEUR FESX D 0319	EUR	-42	5 460,00	
FV CBOT UST 5 0319	USD	-272	-381 503,93	-0,16
NYS NYL MSCI EM 0319	USD	25	-22 993,48	-0,01
SP 500 MINI 0319	USD	107	27 518,26	0,01
XEUR FBTP BTP 0319	EUR	137	208 070,00	0,09
XEUR FGBL BUN 0319	EUR	-267	-59 210,00	-0,03
XEUR FGBM BOB 0319	EUR	-726	-222 140,00	-0,10
TOTAL Futures contracts on a regulated or equivalent market			**-537 557,21**	**-0,24**
TOTAL Futures contracts			**-537 557,21**	**-0,24**
TOTAL Forward financial instruments			**-537 557,21**	**-0,24**
Margin call				
Margin call Banque L	JPY	5 775 000	46 045,03	0,02
MARBZEUR	EUR	67 820	67 820,00	0,03
MARBZUSD	USD	484 343,76	423 692,22	0,19
TOTAL Margin call			**537 557,25**	**0,24**
Receivables			**17 177 224,43**	**7,67**
Liabilities			**-18 293 697,08**	**-8,17**
Financial accounts			**3 156 182,60**	**1,41**
Net assets			**223 930 626,86**	**100,00**

LAZARD PATRIMOINE RC	**EUR**	**881 288,394**	**108,41**
LAZARD PATRIMOINE IC	**EUR**	**107 645,913**	**1 092,00**
LAZARD PATRIMOINE ID	**EUR**	**9 989,000**	**1 085,05**

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

BREAKDOWN OF INTEREST

	NET OVERALL	CURRENCY	NET PER SHARE	CURRENCY
Revenue subject to non-definitive withholding tax	85 405,95	EUR	8,55	EUR
Equities eligible for a tax allowance and subject to non-definitive	37 958,20	EUR	3,80	EUR
Other income not eligible for a tax allowance and subject to non-definitive withholding tax				
Non-declarable and non-taxable income				
Amounts paid out in relation to capital gains and losses	96 [illegible]	EUR	9,65	EUR
TOTAL	219 [illegible]	EUR	22,00	EUR