

**NORDEN, a French open-end
investment company
(Société d'Investissement à
Capital Variable - SICAV)
ANNUAL REPORT**

At March 29th, 2018

Management company: Lazard Frères Gestion SAS

Custodian: Lazard Frères Banque

Statutory auditor: PriceWaterhouseCoopers Audit

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1. CHARACTERISTICS OF THE UCI

- **LEGAL FORM**

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

- **CLASSIFICATION**

International equities

- **ALLOCATION OF DISTRIBUTABLE INCOME**

Distributable income consists of:

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

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

The amounts referred to in 1) and 2) may be distributed independently of each other, in whole or in part. Distributable income shall be fully accumulated, with the exception of those amounts subject to compulsory distribution by law.

- **INVESTMENT OBJECTIVE**

The investment objective is to match or exceed the performance of the MSCI Nordic (net dividends reinvested), calculated in euros at closing prices, over a recommended investment period of five years.

- **BENCHMARK**

The MSCI Nordic represents the performance of the equity markets of the Nordic countries (Sweden, Denmark, Norway and Finland). It is calculated in euros, with net dividends reinvested, based on closing prices.

Data are available on the website www.msci.com

- **INVESTMENT STRATEGY**

1. Strategies used

A company's rate of return on invested capital above the cost of capital reflects its economic performance, as shown in its long-term stock market performance. Accordingly, the strategy applied within the SICAV is based on the following:

- Identifying companies with the best economic performance profiles.
- Verifying that performance through financial analysis and examination of underlying strategies.
- Stock-picking from among such companies according to the market's undervaluation of that performance at a given time.
- Building a portfolio focused on 35-60 stocks with good liquidity from large and mid-sized Scandinavian companies without restrictions on sectors.

The search for an optimum ratio between economic performance and company valuation may result in significant differences between the Fund's performance and its sector and/or country mix, and those of the underlying asset class, i.e. large and mid caps from the four Nordic countries.

2. Assets (excluding embedded derivatives)

Equities:

A minimum of 75% of net assets in shares issued by companies listed in or domiciled in the four Nordic countries (Sweden, Norway, Denmark and Finland) across all market capitalisations (including up to 20% of net assets in shares of small cap companies either directly or via specialised UCIs).

Debt securities and money market instruments:

- Bonds issued by companies across all market capitalisations from the four Nordic countries (Sweden, Norway, Denmark and Finland) to a maximum of 10%.

- Debt securities and money-market instruments to a maximum of 10%, mainly French and Scandinavian treasury bills and BTAN medium-term treasury notes.

UCITS:

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

- Investment solely in UCI that invest no more than 10% of their assets in other UCI.

These UCIs may be managed by the management company.

3. Derivatives

• Types of markets:

- ☒ regulated
- ☒ organised
- ☒ OTC

• The manager intends to seek exposure to:

- ☒ equities
- ☐ interest rates
- ☒ foreign exchange
- ☐ credit
- ☐ other

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

- ☒ hedging
- ☐ exposure
- ☐ arbitrage

• Type of instruments used:

- ☒ **futures:**
- ☒ equity and equity indices
- ☐ interest rates: interest rate risk
- ☐ currency
- ☒ **options:**
- ☒ equity and equity indices
- ☐ interest rates: interest rate and interest rate volatility risk
- ☐ currency: only on organised markets
- ☒ **swaps:**
- ☒ equity swaps
- ☐ interest rate swaps
- ☒ currency swaps
- ☒ **currency forwards:** currency hedging
- ☐ **credit derivatives**

- **Derivatives strategy to achieve the investment objective:**

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

4. Securities with embedded derivatives

The acquisition of these securities is not part of the SICAV's management strategy. Nevertheless, the manager may invest in any securities with embedded derivatives permitted under the management company's business plan, notably warrants, certificates or rights acquired following transactions involving the portfolio securities.

5. Deposits:

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

6. Cash borrowings:

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

7. Temporary purchases and sales of securities:

None.

8. Information on financial guarantees:

In connection with over-the-counter derivative transactions, in accordance with Position paper 2013-06 issued by the French financial markets regulator (*Autorité des Marchés Financiers* – AMF), the SICAV may receive collateral in the form of securities (such as bonds or other securities issued or guaranteed by a State or issued by international financing agencies and bonds or securities issued by high quality corporate issuers), or cash.

Any cash collateral received is reinvested in accordance with the applicable rules.

All such assets must be from high-quality issuers that are not an entity of the counterparty or its group, and must be liquid and diversified with low volatility.

Discounts may be applied to the collateral received; they take into account the quality of credit and the price volatility of the securities.

- **RISK PROFILE**

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

The SICAV is classified as an "International Equities" fund. Its main risks are those associated with investments in the "Equities" markets of the Nordic countries (Sweden, Denmark, Norway and Finland).

Risk of capital loss: The SICAV provides no guarantee or protection. It is therefore possible that you may not recover the full amount of your initial investment.

Equity market risk: Fluctuations in equity markets may result in significant changes in NAV, which may have a significant negative impact on performance for an indeterminate period of time. Accordingly, if the equity markets fall, the SICAV's net asset value is likely to decrease.

In addition, the volume of small and mid cap stocks listed on the stock exchange is relatively small and downward movements in the markets tend to be faster than for large caps. The SICAV's net asset value may therefore decline rapidly and significantly.

Foreign exchange risk: Investing in the equity market of Nordic countries involves exposure to foreign exchange risk relative to the portfolio's accounting currency and may have a negative impact on the SICAV's net asset value. In the event of a fall in the euro's exchange rate, the SICAV's net asset value may also decrease.

Counterparty risk: This is the risk associated with the SICAV's use of over-the-counter financial forwards. These transactions, entered into with one or more eligible counterparties, potentially expose the SICAV to a risk of failure of any such counterparty, which may lead to default in payment.

Interest rate risk: Interest rate risk is the risk of a change in interest rates, which has an impact on the bond markets, such as the tendency for bond prices to move in the opposite direction to interest rates. The SICAV is mainly invested in equities; interest rate risk is therefore insignificant. However, investors should note that share prices may be indirectly impacted by interest rate movements.

Guarantee or protection:

None

• **ELIGIBLE SUBSCRIBERS AND TYPICAL INVESTOR PROFILE**

Any subscriber, particularly institutional investors seeking equity risk exposure.

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

Information on US investors:

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

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

FATCA:

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

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

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

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

Recommended investment period: minimum five years.

2. CHANGES AFFECTING THE UCI

It was decided at the Board of Directors meeting of October 4th, 2017, in relation to **NORDEN**, SICAV ISIN Code FR0000299356, (hereafter “the SICAV”):

1. to appoint Caceis Fund Administration as the new administrator instead of Lazard Frères Gestion;
2. to appoint Lazard Frères Banque as joint centralising agent authorised to receive subscription and redemption requests;
3. to change the foreign exchange benchmark rates from those of the European Central Bank to the Thomson Reuters WM closing rates;
4. To change the subscription and redemption settlement dates to D+2 following the NAV valuation date;
5. to provide more written details on the turnover commission;
6. to allow transmission of the Fund's portfolio for the purpose of complying with regulatory obligations;
7. to provide details on the breakdown of overall management expenses between financial management costs on the one hand and other administrative expenses external to the management company on the other;
8. to allow subscriptions and redemptions to be made in amounts or in shares.

> Effective date: November 20th, 2017

CORPORATE GOVERNANCE REPORT

Section on corporate governance to be inserted into the management report

I. List of appointments

Directors' names	Number of offices held	List of offices and functions
François-Marc Durand Chairman of Lazard Frères Gestion SAS	4	Chairman and Chief Executive Officer of Norden Board Member of: . Lazard Small Caps Euro . Lazard Credit Opportunities . Lazard Alpha Allocation
François Voss	2	. Chairman of the Board of Directors of Lazard Patrimoine Croissance . Board Member of Norden
Monica Nescaut Managing Director of Lazard Frères Gestion SAS	5	Member of the Boards of Directors of the SICAVs: . Norden . Lazard Small Caps Euro . Lazard Credit Opportunities . Lazard Alpha Europe . Lazard Equity SRI

II. Agreements covered by Article L225-37-4 para.2 of the French Commercial Code

The Fund was not informed of the conclusion of any agreements covered by Article L225-37-4 para.2 of the French Commercial Code during the financial year ended March 29th, 2018.

III. Table of currently-valid delegations of powers granted by the shareholders' meeting, as stipulated in Article L225-37-4 para.3 of the French Commercial Code

No delegations of power covered by Article L225-37-4 para.3 of the French Commercial Code were granted or were ongoing during the financial year ended March 29th, 2018.

IV. Method of operation of the executive management

The Board of Directors did not decide to separate the functions of Chairman from that of Chief Executive Officer, and will therefore be headed up by the Chairman and Chief Executive Officer.

Directors' fees paid by NORDEN to members of the Board of Directors for the financial year ended March 29th, 2018

Members of the Board of Directors	Directors' fees paid by the SICAV
François-Marc Durand Chairman of Lazard Frères Gestion SAS	0
Guarantee Fund <i>Represented by Christian Schor</i>	€ 1.800
Lazard Frères Gestion SAS <i>Represented by Jean-Jacques de Gournay</i> Managing Director of Lazard Frères Gestion SAS	0
François Voss	0
OCIRP <i>Represented by Julien Le Louët</i>	€ 1.800
SOFIPROTEOL <i>Represented by Aymeric Mongeaud</i>	€ 1.800
IRP AUTO Prévoyance Santé <i>Represented by Yuna Le Gall</i>	€ 1.800
Valorey Finance <i>Represented by Henry Masdevall</i>	€ 1,800
Monica Nescaut <i>Managing Director of Lazard Frères Gestion SAS</i>	0
CIRESA <i>represented by Caroline Fleury-Verny</i>	€ 1.800
CAMACTE <i>represented by Marc Wendling</i>	€ 1.800

PERFORMANCE

The UCIs performance over the period was as follows: -0,40%

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

The benchmark over the period was: 1,77%

ECONOMIC ENVIRONMENT

Introduction

The global economic recovery that began in mid-2016 gained strength over the last twelve months. A synchronised improvement was observed across the different zones. The UK is the one exception among the main developed economies, having suffered from uncertainties around the implementation of Brexit and the impact on purchasing power of the depreciation of the pound sterling. Strong global demand stimulated international trade and the business climate improved virtually everywhere, particularly in the manufacturing sector. The solidity of growth in the developed countries underpinned continued improvements in the labour markets, however underlying inflationary pressure remained moderate overall, so accommodative monetary policies remained in place. Nevertheless, the central banks of these countries are gradually moving towards a normalisation of policy. The Federal Reserve (Fed) raised its interest rates on three occasions and started to reduce its balance sheet. The European Central Bank (ECB) extended its asset purchasing programme but cut its monthly purchases by half. The Bank of England (BOE) raised its key policy rate for the first time in ten years. The Bank of Japan (BoJ) left its interest rates unchanged. The fall in inflation in certain large commodity-exporting emerging countries, such as Brazil and Russia, enabled their central banks to massively relax monetary policy. This positive economic environment across the globe led to extremely low volatility levels in 2017 which favoured risky assets, but volatility returned in 2018.

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

IMF Economic Outlook, January 2018

* The data and forecasts for India are presented based on the budget year

The MSCI World equity index denominated in dollars rose by 12,7% year-on-year. All of the main zones, barring the Eurozone, turned in a good performance. The MSCI emerging country index denominated in dollars gained 22,2%, the yen-denominated Topix gained 13,5%, the S&P 500 in dollars rose by 11,8% and the Eurostoxx in euros stabilised, all of which excluding dividends. The performances came out lower when expressed in euros.

The euro's appreciation contributed to the under-performance of European equities. During the past year, the euro appreciated by 15,7% against the dollar, rising from 1,07 to 1,23 dollars, while it rose by 10,4% against the yen and by 3,6% against the pound sterling. This trend partly reflects a reduction of political risk in the Eurozone following the defeat of Eurosceptic parties in presidential elections in France and the Netherlands, and fluctuating anticipations concerning the future direction of the ECB and the Fed's monetary policies. Mario Draghi's optimistic speech on inflation in Sintra on June 27th was a significant factor underpinning the euro.

After a steady increase in 2017 and an exceptional start to 2018, the global equity markets corrected sharply in February, initially in response to the publication of higher-than-anticipated hourly wages in the US. This latter increase, the strongest since mid-2009, stoked fears of a rapid rise in inflation in the US and strengthened the likelihood of an acceleration of monetary tightening by the Fed. The market correction was subsequently amplified by technical factors linked to increased volatility. Mounting trade tension between China and the US and weaker technology stocks triggered another correction in March.

10-year yields tightened in both Germany (+17 basis points to 0,50%) and the US (+35 basis points to 2,74%). The bulk of this increase came between mid-December 2017 and the turbulence on the equity markets in the first quarter of 2018. It mainly reflects an increase in inflationary anticipations following the approval of tax reform by US Congress, a rise in energy prices, and positive economic data.

Credit spreads in relation to Germany tightened sharply in the case of Greece (-284 basis points) and Portugal (-254 basis points), which was removed from the speculative classification. They also decreased in Italy (-70 basis points), Spain (-67 basis points) and France (-42 basis points), albeit to a lesser degree.

Credit spreads on good quality corporate bonds versus government bonds tightened by 20 basis points to 92 basis points, while spreads on high yield bonds tightened by 46 basis points to 351 basis points, according to the ICE Bank of America Merrill Lynch indices.

The price of Brent fell in spring 2017 and reached a low of \$45 per barrel at the end of June. It rebounded subsequently to a three-year high of \$70 at the end of January, underpinned by strong global demand, geopolitical uncertainty in the Middle East, and a policy by the main oil producing countries to reduce supply. The oil price fell again during the spell of turbulence on the equity markets but rose once the tensions subsided. In the end, the Brent barrel price jumped by 31,2% between end-March 2017 (\$53) and end-March 2018 (\$69).

United States

Growth in the US remained strong, reaching an annualised rate of close to 3% compared with an annualised rate of +2,9% in Q4 2017 (+2,6% year-on-year). The ISM indices rose gradually, and at the start of 2018 were at levels not seen since 2005. The ISM manufacturing index was at 59,3 in March 2018 (+2,7 points year-on-year) while the ISM non-manufacturing index was at 58,8 (+3,2 points year-on-year).

Job creation remained strong, apart from a soft patch in September 2017 after hurricanes Harvey and Irma, and a slight dip in March 2018. An average of 187 000 jobs were created over the last twelve months. Unemployment fell sharply to 4,1% in November 2017, its lowest level since 2001, versus 4,5% in March 2017, and stabilised at that level. Despite pressure on the labour market, hourly wage growth remained moderate (+2,7% year-on-year in March 2018). It had accelerated sharply in January 2018 but was revised downward in the end.

Household consumption grew strongly, at an annual rate of between +2,5% and +3,0% (+2,8% year-on-year in February 2018). Growth in disposable income accelerated (+2,1% in March 2018) and consumer confidence improved. Orders of capital goods were strong, rising by 7,7% year-on-year excluding defence and aviation. Strong domestic demand was accompanied by an increase in imports (+10,9% year-on-year). As a result, the trade deficit widened significantly. It reached \$57,6 billion in February 2018 versus \$44,7 billion one year earlier.

Housing starts and permits to build individual homes rose by 6,6% and 2,9% year-on-year respectively. They are still well below pre-crisis levels. Home builders' confidence remained close to the highest level of this cycle. Sales of new (+0,5% year-on-year) and existing (+1,1%) houses stabilised amid a reduction in inventories for sale and an increase in property prices (+6,2% year-on-year in January 2018).

Headline inflation picked up gradually from summer 2017, reaching +2,4% year-on-year in March 2018. Core

inflation remained relatively stable, within a range of +1,7% to +1,9%. It moved above the 2% mark in March 2018 (+2,1% year-on-year).

The Fed raised its key interest rate by 25 basis points on three occasions: in June 2017, December 2017 and March 2018, bringing it to a band of 1,50-1,75%. In September 2017, it announced it would begin reducing its balance sheet in October 2017 by ceasing to reinvest some of the proceeds of the matured securities in its portfolio.

Tax reform was ratified in December 2017. It notably provides for a reduction in corporation tax from 35% to 21% starting in 2018 and cuts in household tax. In February 2018, after a partial federal government shut-down between January 20th and 22nd and for a few hours on February 9th due to a lack of financing, Congress finally voted to increase the ceiling on federal expenditure for fiscal years 2018 and 2019 (\$296 billion in total).

Eurozone

Growth in the Eurozone remained strong. It edged close to an annualised level of 3% in the second and third quarters of 2017 before slowing slightly to +2,4% in the fourth quarter (+2,7% year-on-year).

The PMI composite index for the Eurozone improved initially to a peak of 58,8 in January 2018, its highest level since 2006, versus 56,4 in March 2017. It fell back subsequently to 55,2 in March 2018, a level consistent with growth above 2%.

Strong activity levels prompted a continued rapid fall in the unemployment rate from 9,4% in March 2017 to 8,5% in March 2018, its lowest level since 2009.

Headline inflation eased slightly, from +1,5% to +1,4% year-on-year between March 2017 and February 2018. Core inflation rose slightly, from +0,7% to +1,0%.

Growth in Germany remained strong, reaching +2,9% year-on-year in Q4 2017, after +2,7% in Q3 2017 and +2,3% in Q2 2017. In the federal elections on September 24th, 2017, Angela Merkel's CDU/CSU alliance secured victory with 246 out of 598 seats in the Bundestag. The lack of a clear majority led to six months of negotiations, at the end of which the Social Democrats agreed to form a broad coalition with the CDU/CSU alliance, which allowed Angela Merkel to be named Chancellor again on March 14th, 2018.

In France, growth accelerated to +2,5% year-on-year in Q4 2017, after +2,3% in Q3 2017 and +1,9% in Q2 2017, its fastest increase since the start of 2011. On May 7th, 2017, Emmanuel Macron was elected president of France, having won 66,1% of votes. Following the general election on June 18th, 2017, his party, La République en Marche, won an overall majority in the National Assembly, with 308 out of 577 seats.

In Italy, growth was weaker than in the other main Eurozone countries, at +1,6% year-on-year in Q4 2017, after +1,7% in Q3 2017 and +1,6% in Q2 2017. The general election held on March 4th, 2018 produced no clear majority in Parliament, leading to a period of consultations.

In Spain, growth stabilised at +3,1% year-on-year over the last three quarters of 2017. On October 27th, 2017, the Spanish government announced the dissolution of the Catalan parliament and imposed direct rule on Catalonia, having refused to recognise the declaration of independence by the region's elected leaders. The pro-independence parties won a majority of seats in the Catalan parliament during the regional election called on December 21st, 2017.

After its meeting of October 26th, 2017, the ECB announced a reduction in its monthly asset purchases. From January 2018, these have been reduced to €30 billion from €60 billion previously. The ECB anticipates maintaining this rate of purchases at least until September 2018.

Japan

After two strong quarters at an annualised rate of +2,4%, growth in Japan fell to +1,6% in Q4 2017 (+2,0% year-on-year).

The business climate in the manufacturing sector improved gradually. The PMI reached 54,8 in January 2018, its highest level since the start of 2014, then fell back over the next two months to 53,1 in March 2018 versus 52,4 a year earlier.

The labour market continued to tighten. Between March 2017 and February 2018 unemployment fell from 2,8% to 2,3%, and the ratio of job offers to job seekers increased from 2,1 to 2,3. Wage growth accelerated from autumn 2017 to +1,3% year-on-year.

Inflation picked up, increasing from +0,2% to +1,5% year-on-year and from -0,1% to +0,5% excluding energy and fresh food products, the central bank's preferred measurement.

The prime minister Shinzo Abe secured an easy victory in the general election called on October 22nd, 2017, with the coalition led by the Liberal Democratic Party winning two thirds of seats in the lower house. Shinzo Abe had announced the dissolution of the lower house on September 28th, 2017.

China

China's GDP grew by +6,8% year-on-year in Q4 2017, a similar pace to that seen in Q3 2017 and just shy of the level seen in Q2 2017 (+6,9% year-on-year). Inflation increased from +0,9% year-on-year in March 2017 to +2,1% in March 2018. In parallel, the increase in producer prices slowed to +3,1% year-on-year, compared with +7,6% a year earlier.

The measures implemented by local governments to restrict demand for housing weighed on home sales (+4,3% year-on-year in February 2018) and property prices (+5,8% year-on-year in February 2018). The measures to limit debt in the financial system and discourage excessive risk-taking by banks gave rise to a slowdown in lending (+12,2% year-on-year in February 2018).

During the National People's Congress in March 2018, the government renewed its growth target of around 6,5%. Unlike last year, however, it did not specify that it would try to better that level in practice.

During the annual economic conference of the members of the Communist Party of China in December 2017, the authorities said that financial risk reduction would remain a key priority in 2018 and over the coming years, along with measures to combat pollution and poverty.

The past year was also marked by the consolidation of Xi Jinping's authority, symbolised by the inscription of his name and doctrine in the party's charter during the 19th National Congress of the Communist Party of China in October 2017, and the removal of the two-term limit on holding presidential office.

MANAGEMENT POLICY

Norden's performance over the full year reached -0,40% versus 1,77% for the benchmark index, the MSCI Nordic net dividends reinvested, representing an underperformance of 217bp.

The second quarter of 2017 saw political uncertainty in Europe and the US with persistent doubts around Donald Trump's capacity to implement his stimulus programme. In June 2017, the FED introduced another quarter-point hike in its key interest rate. Meanwhile at the ECB, Mario Draghi moved to adjust his communication to suggest a gradual normalisation of monetary policy. Against this backdrop, Norden gained 2,42% versus 3,80% for the MSCI Nordic net dividends reinvested. This underperformance can mainly be attributed to negative selection and allocation effects in the healthcare sector. The underweighting of *Novo Nordisk* (pharmaceutical industry, Denmark, +16,4%), the absence of *Orion Oyj* (pharmaceutical industry, Finland, +14,4%), and the presence of *Elekta* (medical equipment, Sweden, -9,7%) penalised the fund's growth. The portfolio was also strongly impacted by a negative selection effect in the information technology sector with stocks such as *Otello Corp* (software, Norway, -22,2%) which does not feature in the benchmark index, and *Hexagon AB* (measurement instruments, Sweden, +11,6%) which was not included in the portfolio. *Pandora* (jewellery store, Denmark, -20,2%) and *Betsson* (casinos, Sweden, -6,7%) in the consumer discretionary sector complete the list of negative contributors. By contrast, the fund benefited from the selection of securities in the materials sector, with *Huhtamaki* (containers and packaging, Finland, +5,6%) and *Hexpol* (rubber and plastic, Sweden, +3,5%) which were included during the quarter. The absence of *Statoil* (oil, Norway, -8,4%) due to the fall in oil prices was the main positive contributor to the relative performance.

Norden closed the third quarter of 2017 up +1,64% compared with +3,30% for the benchmark index. Tension between North Korea and the US heightened over the quarter, sparking a depreciation of the dollar against the euro. At the Fed, Janet Yellen announced a forthcoming reduction in the balance sheet starting in October 2017. One of the main events of that quarter was the rebound in oil (+20,1%). It moved back above \$50 a barrel and came close to \$60 a barrel following an agreement during the scheduled OPEC meeting in November to extend

production cuts. In contrast to the previous quarter, *Huhtamaki* (containers and packaging, Finland, -1%) and *Hexpol* (rubber and plastic, Sweden, -6,8%) contributed negatively to the fund's relative performance. The fund was also penalised by the absence of *Norsk Hydro* (base metals, Norway, +27,1%) and *Boliden* (base metals, Sweden, +20,0%). Since it was not exposed to the utilities sector, neither did it benefit from the gains made by *Fortum* (electricity production, Finland, +23%) and *Orsted* (wind energy production, Denmark, +22,5%). The fund was impacted by a negative allocation effect in telecommunication services via *Telenor* (telecommunication company, Norway, +23,6%) and *TDC* (telecommunication company, Denmark, -2,6%). However, it benefited from the selection in consumer discretionary of *Autoliv* (car parts, Sweden, +9,9%) and *Amer Sports* (sports items, Finland, +2,5%) as well as the overweighting of *Pandora* (jewellery store, Denmark, +3,7%). Finally, the presence of stocks such as *Topdanmark* (insurance, Denmark, +19,1%) and *GN Stores* (medical equipment, Denmark, +13,4%), neither of which are included in the index, limited Norden's underperformance over these last three months.

2017 closed with very encouraging macroeconomic data in the US, Europe as well as China. As expected, the US Federal Reserve introduced its third quarter-point key interest rate hike of the year, bringing it to a band of 1,25-1,50%. US tax reform was finally passed, slowing the downward movement in the markets. Over this period, the fund lost 2,59% against 2,81% for the MSCI Nordic net dividends reinvested, representing an outperformance of 22bp. Concerns around Sweden and Norway's residential property sector heavily penalised the banking sector. Securities that were most impacted by these concerns were avoided, for instance *Nordea Bank* (banking, Sweden, -11,9%) and *DNB* (banking, Norway, -9,4%). There was a positive selection effect in the industrial sector, with purchases of *Konecranes* (handling machines, Finland, +1,7%) and *Assa Abloy* (door opening systems, Sweden, -3,8% in the portfolio versus -10,2% in the index) over the quarter. Also of note is the excellent performance of *Kindred Group* (games, Sweden, +22,8%) in the consumer discretionary sector. However, since it was only slightly exposed to the energy sector, the portfolio did not benefit from the oil rally (+16,2%), which closed at its highest level of the year, underpinned by the signature in November of an extension to the agreement to cut production. As in the previous quarter, the fund was penalised by a negative selection effect in the materials sector with the absence of *UPM-Kymmene* (paper manufacture, Finland, +13%), *Novozymes* (chemical products, Denmark, +9,7%) and the presence of *Hexpol* (rubber and plastic, Sweden, -4,9%) which is not included in our benchmark index. The fund suffered from the underweighting of *Novo Nordisk* (pharmaceutical industry, Denmark, +11,1%) and the poor performance by *Elekta* (medical equipment, Sweden, -21,2%) due to a further delay in the launch of its new product Unity.

Despite positive economic indicators, the equity markets fell sharply in the first quarter of 2018, putting an end to the distinctly upbeat trend seen in 2017. The MSCI World (in €) index of equities excluding emerging market equities lost 4,97% over the period, largely attributable to more heightened than anticipated concerns around monetary tightening, prompted by the publication of higher-than-expected hourly wages in the US, which triggered doubts about 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 is also attributable to commercial tension caused by the announcement of higher customs taxes on the import of several Chinese products by the US. 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, Norden's performance over the full year reached -1,8% versus -2,34% for the benchmark index, the MSCI Nordic net dividends reinvested, representing an outperformance of 57bp. This outperformance can be accredited to the healthcare sector notably, with the underweighting of *Novo Nordisk* (pharmaceutical industry, Denmark, -9,7%), the presence of *Ambu* (medical supplies, Denmark, +17,2%), which was included during the quarter, and the rebound of *Elekta* (medical equipment, Sweden, +26,7%). The portfolio also benefited from good choices in the financial sector, notably the absence of *Nordea Bank* (banking, Sweden, -7,5%) and the strong performance by *Topdanmark* (insurance, Denmark, +6,1%). The fund was penalised by the absence of the utilities sector, which benefited from strong performances by *Fortum OYJ* (electricity production, Finland, +12,4%) and *Orsted* (wind energy production, Denmark, +18,3%). Oil for its part continued to increase, closing the period above \$70 a barrel (+5,1%). The fund was therefore penalised by its absence from *Statoil* (oil, Norway, +8,1%) and *Lundin Petroleum Ab* (oil, Sweden, +6,8%), which rose in line with the oil price.

Norden continued to invest 3% of its assets in the Norden Small fund throughout the financial year. This fund lost 1,28% over the period.

Past performance is no guarantee of future results.

Main changes in the portfolio during the year

Securities	Changes ("accounting currency")	
	Purchases	Sales
PANDORA A/S	290 756 472,75	264 886 173,75
ELEKTA AB	320 522 673,75	218 627 844,86
TRELLEBORG AB B	238 905 897,14	296 464 055,56
AMUNDI CASH CORPORATE IC	242 698 266,16	242 681 115,57
AUTOLIV SWED.DEPOSIT.RECEIPTS	199 376 049,58	207 064 582,05
GN GREAT NORDIC	165 867 588,66	232 995 869,10
SVENSKA KULLAGERFABRIKEN AB -B-	218 763 948,38	123 466 746,34
VOLVO AB-B-	115 461 428,25	223 886 381,32
LAZARD EURO SHORT TERM MONEY MARKET	151 639 696,58	167 038 867,45
HUSQVARNA AB CL B	156 210 839,57	149 527 846,85

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.

- **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:
 - **Currency forwards:**
 - **Futures:**
 - **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 . Equity . Bonds . UCITS . Cash (**) Total	
Derivative financial instruments . Term deposits . Equity . 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.

• **EXERCISING VOTING RIGHTS**

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

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

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

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

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

Our overall approach can be summarised as follows:

- ✓ Rigorous financial analysis of the company covering the quality of assets, financial soundness, projected cash flows and their reinvestment by the company, the strength of economic profits, profit durability, and quality of management.
- ✓ This durability is strengthened by incorporating extra-financial criteria:
 - Social criteria: through the development of human capital
 - Environmental criteria: through the prevention of all environmental risks
 - Governance criteria: by respecting the balance between the managerial and shareholder structures so as to prevent potential conflicts of interest and safeguard the interests of minority shareholders.

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

• **METHOD USED TO CALCULATE GLOBAL RISK**

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

• **PEA employee savings fund**

Pursuant to the provisions of Article 91, quater L Appendix 2 of the French General Tax Code, a minimum of 75% of the Fund is permanently invested in the securities and rights mentioned in points a, b and c, section 1°, I of Article L. 221-31 of the French Monetary and Financial Code.

Proportion actually invested during the financial year: 96,97%.

• **REPORTING OBLIGATIONS UNDER ARTICLE 173**

In the context of Article 173 of the law of August 17th, 2015, LAZARD Frères Gestion made a decision to report NORDEN's carbon footprint.

Methodology:

To obtain the data needed to calculate the carbon footprint, we decided to establish a partnership with TRUCOST

in 2016.

LAZARD Frères Gestion decided to use the carbon intensity indicator, which is expressed in CO2 equivalent tonnes per million euros of income.

The carbon footprint assessment takes into account scope 1 and 2 greenhouse gas (GHG) emissions.

Scope 1: All direct emissions linked to the use of fossil fuels to manufacture a product.

Scope 2: Indirect emissions linked to the production of electricity, heat or steam consumed by the company's activities.

Measurement is solely conducted on securities that are directly owned.

Listed companies on which we have no carbon data are weighted proportionally based on the weight of other companies in the same sector, in order to maintain the initial sector weightings.

The weight of each stock in the portfolio is re-based to obtain a total weighting equal to 100%.

The method used to calculate the portfolio's carbon intensity is the weighted average GHG emissions divided by the income of each position. We thus get the following formula:

$$\text{Intensité carbone d'un portefeuille} = \sum \left[\left(\frac{\text{Emissions (scope 1 + 2)}}{\text{Chiffre d'Affaires}} \right) \text{ de chaque titre} \times \text{poids de chaque titre} \right]$$

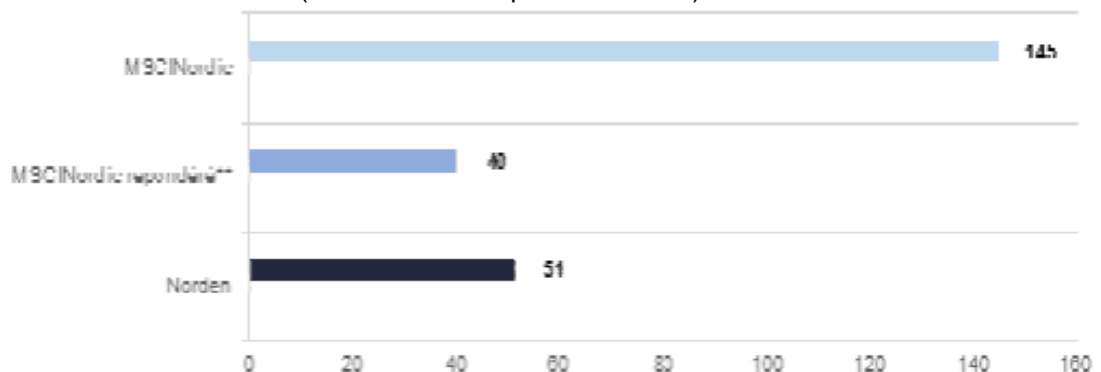
$$\text{Carbon intensity of the portfolio} = \sum \left[\left(\frac{\text{Emissions (scope 1 + 2)}}{\text{Income}} \right) \text{ of each security} \times \text{weight of each security} \right]$$

A company's CO2 emission levels are highly dependent on its area of activity. Some sectors are structurally higher "emitters" than others.

Lazard Frères Gestion's fundamental stock picking approach entails sector exposure gaps between the funds and their benchmark indices.

We have defined a method that involves neutralising these gaps by re-weighting the sectors of the benchmark index so that they correspond to those of the portfolio. The weight of each stock is maintained within each sector of the benchmark index.

Emissions in millions of euros of income (tonnes of CO2 eq./€m of income)



Date: 29/03/2018

Fund coverage ratio: 100%

Index coverage ratio: 96%

- **REMUNERATION**

The fixed and variable remuneration paid during the financial year ended March 29th, 2018 by the management company to its personnel, pro rata their investment in the management of the UCITS, excluding the management of AIF, is shown below and in the company's annual report. The total variable remuneration is set by the Lazard Group based on different criteria, including the Lazard Group's financial performance over the past year and taking its results into account. The General Management decides on the total remuneration amount that will be split between the fixed and variable components, complying with the policy to maintain a complete separation between the fixed and variable components. All risks are incorporated into the calculation of the variable remuneration. It is then individualised and determined partly based on the performance of each identified member of staff.

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

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

“Identified employees”

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

- **WITHHOLDING TAX**

European Union countries may apply different taxation methods for dividends paid to domestic entities and foreign entities. Foreign entities that receive dividends are frequently subject to withholding tax, causing a difference in tax treatment that is in breach of the free circulation of capital, and therefore contrary to European Union law. Since there are several decisions by the European Union Court of Justice and the Council of State in favour of foreign residents, the management company shall request reimbursement of withholding tax paid on dividends received by foreign companies for funds domiciled in France, when the prospects for repayment of the withholding tax is deemed favourable to the funds concerned. The time involved and results of claims of this nature to the tax authorities concerned are uncertain.

Norden received €590 000 in respect of financial year 2018.

- **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



**STATUTORY AUDITOR'S REPORT
ON THE ANNUAL FINANCIAL STATEMENTS
Financial year ended March 29th, 2018**

NORDEN

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

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

Management company

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

Opinion

In accordance with the terms of our appointment by the management company, we conducted our audit of the accompanying annual financial statements of NORDEN, as a French open-end investment fund, for the financial year ended March 29th, 2018.

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

Basis of our opinion

Audit standards

We conducted our audit in accordance with the professional standards applicable in France. We believe that our audit has provided us with sufficient relevant information on which to base our opinion. Our responsibilities under these standards are set out in the section entitled "*Statutory auditor's responsibilities concerning the audit of the financial statements*" in this report.

Independence

We conducted our audit in accordance with the rules of independence applicable to us on the period from March 31st, 2017 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.

*PricewaterhouseCoopers Audit, 63, Rue de Villiers, 92208 Neuilly-sur-Seine Cedex,
France*

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



NORDÉN

Basis of our opinions

In accordance with the provisions of Articles L. 823-9 and R. 823-7 of the French Commercial Code relating to the justification of our assessments, we inform you that the most important assessments we carried out, in our professional judgement, focused on the appropriateness of the accounting principles applied, the reasonableness of significant estimates used, and the presentation of all of the financial statements.

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

Verification of the management report and other documents sent to shareholders

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

Information provided in the management report and in other documents sent to shareholders on the financial position and annual financial statements

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

Information on corporate governance

We certify that the information required under Article L.225-37-4 of the French Commercial Code is provided in the section of the management report on corporate governance.

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NORDEN

Responsibilities of the management and persons charged with governance of 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 UCI'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 UCI 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

Audit purpose and process

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 UCI.

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;

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NORDEN

- 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 UCI's capacity to continue operating as a going concern. This assessment is based on the information collected up to the date of the report, bearing in mind nevertheless that subsequent circumstances or events could jeopardise the continuity of operation. If the statutory auditor observes the existence of a material uncertainty, it shall draw the attention of the readers of its report to the information provided in the annual financial statements on the subject of this uncertainty, or if this information has not been provided or is not relevant, it shall attach reservations to its certification or shall refuse to certify the accounts;
- it assesses the overall presentation of the annual financial statements and whether they provide a true picture of the underlying operations and events.

Neuilly sur Seine, date of electronic signature

Document authenticated by electronic signature

The statutory auditor
PricewaterhouseCoopers Audit
Frédéric Sellam

6. ANNUAL FINANCIAL STATEMENTS

• BALANCE SHEET in euros

ASSETS

	29/03/2018	31/03/2017
Net non-current assets		
Deposits		
Financial instruments	1 009 944 641,94	1 115 262 845,20
Equities and similar securities	967 457 648,99	1 062 163 852,64
Traded on a regulated or equivalent market	967 457 648,99	1 062 163 852,64
Not traded on a regulated or equivalent market		
Bonds and similar securities		
Traded on a regulated or equivalent market		
Not traded on a regulated or equivalent market		
Debt securities		
Traded on a regulated or equivalent market		
Negotiable debt securities		
Other debt securities		
Not traded on a regulated or equivalent market		
Undertakings for collective investment	42 486 992,95	53 098 992,56
General UCITS and general AIFs aimed at non-professionals and their equivalent in other countries	42 486 992,95	53 098 992,56
Other funds aimed at non-professionals and their equivalent in other countries that are Member States of the EU		
General funds aimed at professional investors and their equivalent in other Member States of the EU and listed securitisation entities		
Other funds aimed at professional investors and their equivalent in other Member States of the EU and unlisted securitisation entities		
Other non-European entities		
Temporary securities transactions		
Receivables on securities purchased under repurchase agreements		
Receivables on loaned securities		
Borrowed securities		
Securities sold under repurchase agreements		
Other temporary transactions		
Forward financial instruments		
Transactions on a regulated or equivalent market		
Other transactions		
Other financial instruments		
Receivables	20 818 456,73	6 620 082,39
Currency forward exchange transactions		
Other	20 818 456,73	6 620 082,39
Financial accounts		894 034,24
Cash and cash equivalents		894 034,24
Total assets	1 030 763 098,67	1 122 776 961,83

LIABILITIES AND SHAREHOLDERS' EQUITY

	29/03/2018	31/03/2017
Shareholders' equity		
Capital	940 268 382,48	1 058 691 459,78
Undistributed net capital gains and losses recognised in previous years (a)		
Retained earnings (a)	79 404 557,20	43 939 109,65
Net capital gains and losses for the year (a, b)	1 792 372,59	20 055 927,46
Net income for the year (a, b)	1 021 465 312,27	1 122 686 496,89
Total shareholders' equity (= amount representing net assets)		
Financial instruments		
Sales of financial instruments		
Temporary securities transactions		
Liabilities on securities sold under repurchase agreements		
Liabilities on borrowed securities		
Other temporary transactions		
Forward financial instruments		
Transactions on a regulated or equivalent market		
Other transactions		
Liabilities	7 184 918,72	90 464,94
Currency forward exchange transactions		
Other	7 184 918,72	90 464,94
Financial accounts	2 112 867,68	
Bank overdrafts	2 112 867,68	
Borrowings		
Total liabilities and shareholders' equity	1 030 763 098,67	1 122 776 961,83

(a) Including accrued income

(b) Less interim dividends paid for the financial year

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

	29/03/2018	31/03/2017
Hedging transactions		
Commitments on regulated or similar markets		
Commitments on OTC markets		
Other commitments		
Other transactions		
Commitments on regulated or similar markets		
Commitments on OTC markets		
Other commitments		

- **INCOME STATEMENT in euros**

	29/03/2018	31/03/2017
Income from financial transactions		
Income from deposits and financial accounts		
Income from equities and similar securities	23 513 670,55	41 349 846,36
Income from bonds and similar securities		
Income from debt securities		
Income from temporary purchases and sales of securities		
Income from forward financial instruments		
Other financial income		
Total (1)	23 513 670,55	41 349 846,36
Expenses related to financial transactions		
Expenses related to temporary purchases and sales of securities		
Expenses related to forward financial instruments		
Expenses related to financial liabilities		
Other financial charges		
Total (2)		
Income from financial transactions (1 - 2)	23 513 670,55	41 349 846,36
Other income (3)		
Management fees and depreciation and amortisation (4)	21 786 255,23	20 789 168,85
Net income for the financial year (L. 214-17-1) (1 - 2 + 3 - 4)	1 727 415,32	20 560 677,51
Income adjustment for the financial year (5)	64 957,27	-504,750,05
Interim dividends paid on net income for the financial year (6)		
Net income (1 - 2 + 3 - 4 + 5 - 6)	1 792 372,59	20 055 927,46

NOTES TO THE FINANCIAL STATEMENTS

ACCOUNTING RULES AND PRINCIPLES

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

The general accounting principles are applicable:

- true and fair view, comparability, business continuity,
- regularity, sincerity,
- prudence,
- permanence of the accounting methods used each year.

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

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

Asset valuation rules

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

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

○ **Fixed-income securities:**

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

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

○ **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. 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:

○ **Negotiable debt securities:**

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

Negotiable debt securities traded in large volumes are valued at market price.

In the absence of significant trading volumes, these securities are valued using an actuarial method, with a benchmark rate plus, where applicable, a margin representative of the issuer's intrinsic features.

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

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

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

o **UCI:**

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.

o **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.

o **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 SICAV'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 SICAV'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 SICAV'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:

Gross assets

x operating and management fees rate

x no. of days between the calculated NAV and the previous NAV

365 (or 366 in a leap year)

The SICAV pays the operating fees, which include:

- . financial management;
- . administration and accounting;
- . custody services;
- . other operating fees:
- . statutory auditors' fees;
- . legal notices (Balo, Petites Affiches, etc.) if applicable.

These fees do not include transaction charges.

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

<i>Expenses charged to the SICAV</i>	<i>Basis</i>	<i>Rate</i>
Financial management fees	Net assets	Maximum 1,980% incl. taxes
Administrative fees external to the management company	Net assets	Maximum 0,02% incl. taxes
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:

<i>Distributable income</i>	<i>Equity</i>
Allocation of net income	Accumulation
Allocation of net realised capital gains or losses	Accumulation

• **CHANGE IN NET ASSETS in euros**

	29/03/2018	31/03/2017
Net assets at start of year	1 122 686 496,89	1 072 624 328,38
Subscriptions (including subscription fees retained by the Fund)	195 171 747,17	268 387 205,92
Redemptions (net of redemption fees retained by the Fund)	-293 693 064,92	-306 643 384,61
Realised capital gains on deposits and financial instruments	130 397 210,24	107 116 225,05
Realised capital losses on deposits and financial instruments	-32 027 349,99	-50 673 818,81
Realised capital gains on forward financial instruments		
Realised capital losses on forward financial instruments		
Transaction fees	-11 409 516,50	-11 848 377,10
Exchange rate differences	-22 144 129,73	
Changes in valuation difference of deposits and financial instruments	-69 243 496,21	23 163 640,55
Valuation difference for financial year N	4 579 615,84	73 823 112,05
Valuation difference for financial year N-1	-73 823 112,05	-50 659 471,50
Changes in valuation difference of forward financial instruments		
Valuation difference for financial year N		
Valuation difference for financial year N-1		
Distribution of prior year's net capital gains and losses		
Dividends paid in the previous financial year		
Net profit/loss for the financial year prior to income adjustment	1 727 415,32	20 560 677,51
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	1 021 465 312,27	1 122 686 496,89

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

	Amount:	%
Assets		
Bonds and similar securities		
Bonds and similar securities		
TOTAL Bonds and similar securities		
Debt securities		
Debt securities		
TOTAL Debt securities		
Liabilities		
Sales of financial instruments		
Equities and similar securities		
TOTAL Sales of financial instruments		
Off-balance sheet items		
Hedging transactions		
Equity		
TOTAL Hedging transactions		
Other transactions		
Equity		
TOTAL Other transactions		

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

	Fixed rate	%	Variable rate	%	Revisable rate	%	Other	%
Assets								
Deposits								
Bonds and similar securities								
Debt securities								
Temporary securities transactions								
Financial accounts								
Liabilities								
Temporary securities transactions								
Financial accounts								
Off-balance sheet items								
Hedging transactions								
Other transactions							2 112 867,68	0,21

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

	< 3 months	%]3 months-1 year]	%]1 – 3 years]	%]3-5 years]	%	> 5 years	%
Assets										
Deposits										
Bonds and similar securities										
Debt securities										
Temporary securities transactions										
Financial accounts										
Liabilities										
Temporary securities transactions										
Financial accounts	2 112 867,68	0,21								
Off-balance sheet items										
Hedging transactions										
Other transactions										

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

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

	SEK		DKK		NOK		Other currencies	
	Amount:	%	Amount:	%	Amount:	%	Amount:	%
Assets								
Deposits								
Equities and similar securities								
Bonds and similar securities								
Debt securities								
UCI								
Temporary securities transactions								
Receivables								
Financial accounts								
Off-balance sheet								
Hedging transactions								

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

	Debit/credit item	29/03/2018
Receivables	Deferred settlement sale	15 916 991,69
	Subscription receivables	295 031,17
	Retrocession of management fees	109 805,92
	Coupons and dividends in cash	4 496 627,95
Total receivables		20 818 456,73
Liabilities	Deferred settlement purchase	4 327 660,18
	Redemptions payable	1 137 067,88
	Management fees	1 720 190,66
Total liabilities		7 184 918,72

- NUMBER OF SECURITIES ISSUED OR REDEEMED**

	In shares	In amounts
Shares subscribed during the financial year	968 414,532	195 171 747,17
Shares redeemed during the financial year	-1 462 552,961	-293 693 064,92
Net balance of subscriptions/redemptions	-494 138,429	-98 521 317,75

- SUBSCRIPTION AND/OR REDEMPTION FEES**

	In amounts
Total fees acquired	
Subscription fees acquired	
Redemption fees acquired	

- MANAGEMENT FEES**

	29/03/2018
Guarantee fees	22 409 788,77
Fixed management fees	
Percentage of fixed management fees	2,00
Variable management fees	
Retrocessions of management fees	623 533,54

- COMMITMENTS RECEIVED AND GIVEN**

Guarantees received by the UCI:

None.

Other commitments received and/or given:

None.

- PRESENT VALUE OF SECURITIES HELD TEMPORARILY**

	29/03/2018
Securities held under repurchase agreements	
Securities borrowed	

- PRESENT VALUE OF SECURITIES REPRESENTING SECURITY DEPOSITS**

	29/03/2018
Financial instruments given as security and retained under their original classification	
Financial instruments received as security and not recorded on the balance sheet	

- GROUP FINANCIAL INSTRUMENTS HELD IN THE PORTFOLIO**

	ISIN code	Description	29/03/2018
Equity			
Bonds			
Negotiable debt securities			
UCI			42 486 992,95
	FR0010941815	LAZARD EURO MONEY MARKET	7 221 891,95
	FR0011291657	LAZARD EURO SHORT TERM MONEY MARKET	4 528 701,00
	FR0011474980	NORDEN SMALL	30 736 400,00
Forward financial instruments			

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

	29/03/2018	31/03/2017
Remaining amounts to be allocated		
Retained earnings		
Net income	1 792 372,59	20 055 927,46
Total	1 792 372,59	20 055 927,46
Appropriation		
Distribution		
Balance brought forward for the financial year		
Accumulation	1 792 372,59	20 055 927,46
Total	1 792 372,59	20 055 927,46

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

	29/03/2018	31/03/2017
Remaining amounts to be allocated		
Undistributed net capital gains and losses recognised in previous years		
Net capital gains and losses for the year	79 404 557,20	43 939 109,65
Interim dividends paid on net capital gains/losses for the financial year		
Total	79 404 557,20	43 939 109,65
Appropriation		
Distribution		
Undistributed net capital gains and losses		
Accumulation	79 404 557,20	43 939 109,65
Total	79 404 557,20	43 939 109,65

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

	31/03/2014	31/03/2015	31/03/2016	31/03/2017	29/03/2018
Global net assets in euros	678 498 360,69	1 084 418 969,27	1 072 624 328,38	1 122 686 496,89	1 021 465 312,27
Net assets in euros	678 498 360,69	1 084 418 969,27	1 072 624 328,38	1 122 686 496,89	1 021 465 312,27
Number of shares	4 318 209,000	5 649 268,721	5 921 522,610	5 710 126,431	5 215 988,002
Net asset value per share in euros	157,12	191,95	181,13	196,61	195,83
Accumulation per share pertaining to net capital gains/losses in euros	8,29	11,30	15,03	7,69	15,22
Accumulation per share pertaining to net income in euros	3,12	2,08	1,06	3,51	0,34

- INVENTORY *in euros*

Description of security	Currency	Quantity in number or face value	Present value	% Net assets
DENMARK				
AMBU B	DKK	830 000	15 188 086,93	1,49
COLOPLAST B	DKK	295 000	20 207 539,58	1,98
DANSKE BANK AS	DKK	955 000	28 878 052,05	2,83
ISS AS	DKK	1 015 000	30 447 276,63	2,98
NOVO NORDISK AS	DKK	804 000	32 088 811,38	3,13
PANDORA A/S	DKK	248 000	21 619 318,49	2,12
SIMCORP A/S	DKK	185 000	10 418 969,68	1,02
TRYG AS	DKK	540 000	10 178 427,69	1,00
TOTAL DENMARK			169 026 482,43	16,55
UNITED STATES OF AMERICA				
AUTOLIV SWED.DEPOSIT.RECEIPTS	SEK	280 000	32 703 706,40	3,20
SEK				
TOTAL UNITED STATES OF AMERICA			32 703 706,40	3,20
FINLAND				
AMER SPORTS CORP.	EUR	1 020 000	25 571 400,00	2,50
CARGOTEC OYJ B	EUR	351 880	15 222 328,80	1,49
ELISA COMMUNICATION OXJ - A	EUR	535 293	19 682 723,61	1,93
HUHTAMAKI OY	EUR	890 000	31 719 600,00	3,11
KESKO OYJ B	EUR	550 000	25 608 000,00	2,51
KONECRANES SHS	EUR	718 000	25 302 320,00	2,48
NOKIA (AB) OYJ	EUR	5 750 000	25 788 750,00	2,52
NOKIAN RENKAAT OYJ	EUR	720 000	26 568 000,00	2,60
SAMPO OYJ A	EUR	795 000	35 981 700,00	3,52
VALMET CORP	EUR	987 000	16 068 360,00	1,57
TOTAL FINLAND			247 513 182,41	24,23
MALTA				
KINDRED GROUP PLC	SEK	1 800 000	19 949 027,89	1,95
TOTAL MALTA			19 949 027,89	1,95
NORWAY				
GJENSID FORSIKR	NOK	710 000	10 559 370,31	1,03
OTELLO CORP ASA	NOK	2 950 000	5 627 776,91	0,55
SCHIBSTED AS	NOK	513 000	10 551 685,57	1,03
TELENOR	NOK	945 000	17 323 287,25	1,70
TOTAL NORWAY			44 062 120,04	4,31
UNITED KINGDOM				
ASTRAZENECA PLC	GBP	345 000	19 264 828,33	1,89
GBP				
TOTAL UNITED KINGDOM			19 264 828,33	1,89
SWEDEN				
AHLSELL AB	SEK	2 040 000	10 408 213,79	1,02
ASSA ABLOY AB	SEK	1 460 000	25 564 795,26	2,50
ATLAS COPCO AB B	SEK	650 000	20 478 652,39	2,00
BETSSON AB	SEK	2 300 000	14 095 099,40	1,38

BILLERUD AB	SEK	1 710 000	21 433 627,03	2,10
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Description of security	Currency	Quantity in number or face value	Present value	% Net assets
COM HEM HOLDING AB	SEK	467 212	6 132 873,36	0,60
ELECTROLUX AB SER B	SEK	1 400 000	35 680 477,68	3,49
ELEKTA AB	SEK	2 940 000	25 421 626,74	2,49
ESSITY	SEK	974 500	21 817 976,16	2,14
HENNES AND MAURITZ B	SEK	1 970 000	23 942 775,31	2,34
HEXPOL AB	SEK	2 232 566	16 766 327,35	1,64
HUSQVARNA AB CL B	SEK	2 520 500	19 694 637,25	1,93
SAAB AB	SEK	664 677	24 387 139,33	2,39
SANDVIK AB	SEK	1 405 000	20 795 868,83	2,04
SECURITAS AB B	SEK	2 610 000	35 920 046,60	3,52
SKANDINAVISKA ENSKILDA BANKEN	SEK	1 250 000	10 611 908,06	1,04
SVENSKA HANDELSBANKEN AB	SEK	1 350 000	13 657 613,05	1,34
SVENSKA KULLAGERFABRIKEN AB -B-	SEK	1 920 000	31 783 295,71	3,11
TRELLEBORG AB B	SEK	1 010 000	20 573 120,71	2,01
VOLVO AB-B-	SEK	2 420 000	35 772 227,48	3,50
TOTAL SWEDEN			434 938 301,49	42,58
TOTAL equities and similar securities traded on a regulated or			967 457 648,99	94,71
TOTAL Equities and similar securities			967 457 648,99	94,71
Undertakings for collective investment				
LAZARD EURO MONEY MARKET	EUR	7	7 221 891,95	0,71
LAZARD EURO SHORT TERM MONEY MARKET	EUR	2 260	4 528 701,00	0,44
NORDEN SMALL	EUR	172 000	30 736 400,00	3,01
TOTAL FRANCE			42 486 992,95	4,16
TOTAL general UCITS and general AIFs aimed at non-professionals and their equivalent in other countries			42 486 992,95	4,16
TOTAL Undertakings for collective investment			42 486 992,95	4,16
Receivables			20 818 456,73	2,04
Liabilities			-7 184 918,72	-0,70
Financial accounts			-2 112 867,68	-0,21
Net assets			1 021 465 312,27	100,00

NORDEN	EUR	5 215 988,002	195,83
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NORDEN

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

Registered office: 121, Boulevard Haussmann, 75008 Paris, France
Paris Trade and Companies Register 399 380 997

ALLOCATION OF INCOME RESOLUTION PROPOSED TO THE ORDINARY SHAREHOLDERS' MEETING OF JULY 2ND, 2018

FINANCIAL YEAR ENDED MARCH 29TH, 2018

Second resolution

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

€1 792 372,59	distributable amount pertaining to net income.
€79 404 557,20	distributable amount pertaining to net capital gains and losses.

and decides that they shall be allocated as follows:

1. Distributable income relating to the results

€1 792 372,59 share capital pursuant to Article 27 of the company's articles of association.

2. Distributable income relating to net capital gains and losses

€79 404 557,20 accumulation.

No dividends will therefore be paid for this financial year.

For information: distributable income for the past four financial years has been accumulated.