

# **LAZARD CONVERTIBLE EUROPE**

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

## **ANNUAL REPORT**

At September 30<sup>th</sup>, 2019

**Management company: Lazard Frères Gestion SAS**

**Custodian: Caceis Bank**

**Statutory auditor: PriceWaterhouseCoopers Audit**

## CONTENTS

1. Characteristics of the UCI	3
2. Changes affecting the UCI	7
3. Management report	8
4. Regulatory information	17
5. Certification by the Statutory Auditor	20
6. Annual financial statements	25

### Key Investor Information

This document provides you with key investor information on this UCI. 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 CONVERTIBLE EUROPE

### French open-end investment fund (FCP)

This UCITS is managed by LAZARD FRERES GESTION SAS

FR0010637900 - RC EUR

### Investment objective and policy

**Investment objective:** The investment objective is to outperform the benchmark index - the TR European Focus Convertible Index - expressed in euros, net of charges, assuming reinvestment of net dividends or coupons, over the recommended investment period of five years.

**Investment policy:** Lazard Frères Gestion delegated the financial management of the Fund to Lazard Asset Management LLC, New York. To achieve its objective, the Fund will be actively managed using a fundamental approach comprising several analysis phases: study of the economic environment with market expectations produced by our Economic Strategy department to determine the Fund's main types of exposure, credit analysis of companies issuing bonds, financial analysis of companies providing equity exposure through convertible bonds, analysis of quantitative features specific to convertible bonds, and analysis of the various provisions of issue contracts. The Fund's overall exposure to interest rates (active management of the modified duration) and to equity markets will be actively managed. Interest rate, exchange rate and credit risk (based on securities' ratings) will be actively managed and equity securities will be selectively chosen. The Fund's modified duration is between 0 and 7.

Concerning fixed-income securities, the portfolio management company conducts its own credit assessment for selection purposes, both at the time of purchase and during the life of the securities. It does not rely solely on ratings issued by rating agencies and develops credit risk analysis and the necessary procedures to make purchase decisions or sell or hold decisions in the event of a downgrade. The fund management company does not automatically use agency ratings but gives precedence to its own credit analysis in assessing the credit quality of the assets and in deciding on possible downgrades.

The Fund is invested as follows:

- **up to a maximum of 110% of its net assets in:**

- convertible bonds and similar instruments issued in Europe by companies and financial institutions. These securities will be expressed in all currencies.
- convertible bonds issued in Europe by companies and financial institutions. These securities will be expressed in all currencies.
- bonds with warrants issued by companies and financial institutions. These securities will be expressed in all currencies.
- perpetual subordinated notes (TSDI) issued in and outside Europe by companies and financial institutions. These securities will be expressed in all currencies.

The Fund may invest either in investment-grade bonds (i.e. with a minimum rating of BBB- according to Standard & Poor's or an equivalent rating based on the management company's analysis), speculative/high yield bonds (i.e. with a rating of under BBB- according to Standard & Poor's or an equivalent rating based on the management company's analysis) or bonds not rated by a ratings agency. The fund manager will not invest in contingent convertible bonds (CoCo bonds).

- **up to a maximum of 10% of its net assets in:**

- UCITS or AIF that meet the four criteria of Article R.214-13 of the French Monetary and Financial Code (Code Monétaire et Financier): French-governed money market, short-term money market, bond or mixed funds;
- shares in live securities resulting from the conversion of one of the types of instrument listed above.

Investment is solely in UCIs that in turn invest less than 10% of their assets in other UCIs. All of these UCIs may be managed by the management company.

The Fund may, up to the amount of the net assets, use futures, swaps, options, credit derivatives and forward foreign-exchange contracts on regulated, organised and/or OTC markets to hedge the portfolio and/or expose it to equity, interest rate, exchange rate, credit and volatility risk. The Fund may also invest in securities incorporating derivatives.

#### Allocation of distributable income:

Allocation of net income: Accumulation

Allocation of net realised capital gains: Accumulation

**Recommended investment period:** This UCI may not be suitable for investors planning to withdraw their investment within five years.

**Right of redemption:** Orders are executed in accordance with the table below:

Business day	Day of establishment of the NAV (D)	Next business day following valuation day (D+1)	Two business days following the valuation day (D+2)
Daily receipt and centralisation of redemption orders before 12.00 noon (Paris time)	Execution of the order at the latest on D	Publication of the net asset value (NAV)	Settlement of redemption orders

### Risk and reward profile



#### Description of the indicator and its main limits:

The diversified exposure to the equity market and interest rate risk explains the Fund's classification in this category.

The historical data used could result in an unreliable indication of the UCI'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.

#### Other sizeable risks not taken into account in the indicator:

- **Credit risk:** potential risk of a downgrade to the credit rating of an issuer or of a default of that issuer that would cause the share price to fall.

- **Derivatives risk:** The use of such financial instruments may increase the risk of loss.

The occurrence of any of these risks may result in a decrease in the net asset value of the UCI. The other risks are indicated in the prospectus.

## Key Investor Information

This document provides you with key investor information on this UCI. 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 CONVERTIBLE EUROPE

### A French open-end investment fund (FCP)

This UCITS is managed by LAZARD FRÈRES GESTION SAS

FR0010642595 - RC H-EUR

## Investment objective and policy

**Investment objective:** The investment objective is to outperform the benchmark index - the TR European Focus Convertible Index Total Return hedged in EUR - expressed in euros, net of charges, assuming reinvestment of net dividends or coupons, over the recommended investment period of five years.

**Investment policy:** Lazard Frères Gestion delegated the financial management of the Fund to Lazard Asset Management LLC, New York. To achieve its objective, the Fund will be actively managed using a fundamental approach comprising several analysis phases: study of the economic environment with market expectations produced by our Economic Strategy department to determine the Fund's main types of exposure, credit analysis of companies issuing bonds, financial analysis of companies providing equity exposure through convertible bonds, analysis of quantitative features specific to convertible bonds, and analysis of the various provisions of issue contracts. The Fund's overall exposure to interest rates (active management of the modified duration) and to equity markets will be actively managed. Interest rate, exchange rate and credit risk (based on securities' ratings) will be actively managed and equity securities will be selectively chosen. The Fund's modified duration is between 0 and 7.

Concerning fixed-income securities, the portfolio management company conducts its own credit assessment for selection purposes, both at the time of purchase and during the life of the securities. It does not rely solely on ratings issued by rating agencies and develops credit risk analysis and the necessary procedures to make purchase decisions or sell or hold decisions in the event of a downgrade. The fund management company does not automatically use agency ratings but gives precedence to its own credit analysis in assessing the credit quality of the assets and in deciding on possible downgrades.

The Fund is invested as follows:

- up to a maximum of 110% of its net assets in:

- convertible bonds and similar instruments issued in Europe by companies and financial institutions. These securities will be expressed in all currencies.
- convertible bonds issued in Europe by companies and financial institutions. These securities will be expressed in all currencies.
- bonds with warrants issued by companies and financial institutions. These securities will be expressed in all currencies.
- perpetual subordinated notes (TSDI) issued in and outside Europe by companies and financial institutions. These securities will be expressed in all currencies.

The Fund may invest either in investment-grade bonds (i.e. with a minimum rating of BBB- according to Standard & Poor's or an equivalent rating based on the management company's analysis), speculative/high yield bonds (i.e. with a rating of under BBB- according to Standard & Poor's or an equivalent rating based on the management company's analysis) or bonds not rated by a ratings agency. The fund manager will not invest in contingent convertible bonds (CoCo bonds).

- up to a maximum of 10% of its net assets in:

- UCITS or AIF that meet the four criteria of Article R.214-13 of the French Monetary and Financial Code (Code Monétaire et Financier): French-governed money market, short-term money market, bond or mixed funds;
- shares in live securities resulting from the conversion of one of the types of instrument listed above.

Investment is solely in UCIs that in turn invest less than 10% of their assets in other UCIs. All of these UCIs may be managed by the management company.

The Fund may, up to the amount of the net assets, use futures, swaps, options, credit derivatives and forward foreign-exchange contracts on regulated, organised and/or OTC markets to hedge the portfolio and/or expose it to equity, interest rate, exchange rate, credit and volatility risk. The Fund may also invest in securities incorporating derivatives.

### Allocation of distributable income:

Allocation of net income: Accumulation

Allocation of net realised capital gains: Accumulation

**Recommended investment period:** This UCI may not be suitable for investors planning to withdraw their investment within five years.

**Right of redemption:** Orders are executed in accordance with the table below:

Business day	Day of establishment of the NAV (D)	Next business day following valuation day (D+1)	Two business days following the valuation day (D+2)
Daily receipt and centralisation of redemption orders before 12.00 noon (Paris time)	Execution of the order at the latest on D	Publication of the net asset value (NAV)	Settlement of redemption orders

## Risk and reward profile



### Description of the indicator and its main limits:

The diversified exposure to the equity market and interest rate risk explains the Fund's classification in this category.

The historical data used could result in an unreliable indication of the UCI'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.

### Other sizeable risks not taken into account in the indicator:

- **Credit risk:** potential risk of a downgrade to the credit rating of an issuer or of a default of that issuer that would cause the share price to fall.

- **Derivatives risk:** The use of such financial instruments may increase the risk of loss.

The occurrence of any of these risks may result in a decrease in the net asset value of the UCI. The other risks are indicated in the prospectus.

## Key Investor Information

This document provides you with key investor information on this UCI. 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 CONVERTIBLE EUROPE

### A French open-end investment fund (FCP)

This UCITS is managed by LAZARD FRERES GESTION SAS

FR0010642603 - PC EUR

## Investment objective and policy

**Investment objective:** The investment objective is to outperform the benchmark index - the TR European Focus Convertible Index Total Return hedged in EUR - expressed in euros, net of charges, assuming reinvestment of net dividends or coupons, over the recommended investment period of five years.

**Investment policy:** Lazard Frères Gestion delegated the financial management of the Fund to Lazard Asset Management LLC, New York. To achieve its objective, the Fund will be actively managed using a fundamental approach comprising several analysis phases: study of the economic environment with market expectations produced by our Economic Strategy department to determine the Fund's main types of exposure, credit analysis of companies issuing bonds, financial analysis of companies providing equity exposure through convertible bonds, analysis of quantitative features specific to convertible bonds, and analysis of the various provisions of issue contracts. The Fund's overall exposure to interest rates (active management of the modified duration) and to equity markets will be actively managed. Interest rate, exchange rate and credit risk (based on securities' ratings) will be actively managed and equity securities will be selectively chosen. The Fund's modified duration is between 0 and 7.

Concerning fixed-income securities, the portfolio management company conducts its own credit assessment for selection purposes, both at the time of purchase and during the life of the securities. It does not rely solely on ratings issued by rating agencies and develops credit risk analysis and the necessary procedures to make purchase decisions or sell or hold decisions in the event of a downgrade. The fund management company does not automatically use agency ratings but gives precedence to its own credit analysis in assessing the credit quality of the assets and in deciding on possible downgrades.

The Fund is invested as follows:

- up to a maximum of 110% of its net assets in:

- convertible bonds and similar instruments issued in Europe by companies and financial institutions. These securities will be expressed in all currencies.
- convertible bonds issued in Europe by companies and financial institutions. These securities will be expressed in all currencies.
- bonds with warrants issued by companies and financial institutions. These securities will be expressed in all currencies.
- perpetual subordinated notes (TSDI) issued in and outside Europe by companies and financial institutions. These securities will be expressed in all currencies.

The Fund may invest either in investment-grade bonds (i.e. with a minimum rating of BBB- according to Standard & Poor's or an equivalent rating based on the management company's analysis), speculative/high yield bonds (i.e. with a rating of under BBB according to Standard & Poor's or an equivalent rating based on the management company's analysis) or bonds not rated by a ratings agency. The fund manager will not invest in contingent convertible bonds (CoCo bonds).

- up to a maximum of 10% of its net assets in:

- UCITS or AIF that meet the four criteria of Article R.214-13 of the French Monetary and Financial Code (Code Monétaire et Financier): French-governed money market, short-term money market, bond or mixed funds;
- shares in live securities resulting from the conversion of one of the types of instrument listed above.

Investment is solely in UCIs that in turn invest less than 10% of their assets in other UCIs. All of these UCIs may be managed by the management company.

The Fund may, up to the amount of the net assets, use futures, swaps, options, credit derivatives and forward foreign-exchange contracts on regulated, organised and/or OTC markets to hedge the portfolio and/or expose it to equity, interest rate, exchange rate, credit and volatility risk. The Fund may also invest in securities incorporating derivatives.

### Allocation of distributable income:

Allocation of net income: Accumulation

Allocation of net realised capital gains: Accumulation

**Recommended investment period:** This UCI may not be suitable for investors planning to withdraw their investment within five years.

**Right of redemption:** Orders are executed in accordance with the table below:

Business day	Day of establishment of the NAV (D)	Next business day following valuation day (D+1)	Two business days following the valuation day (D+2)
Daily receipt and centralisation of redemption orders before 12.00 noon (Paris time)	Execution of the order at the latest on D	Publication of the net asset value (NAV)	Settlement of redemption orders

## Risk and reward profile



### Description of the indicator and its main limits:

The diversified exposure to the equity market and interest rate risk explains the Fund's classification in this category.

The historical data used could result in an unreliable indication of the UCI'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.

### Other sizeable risks not taken into account in the indicator:

• **Credit risk:** potential risk of a downgrade to the credit rating of an issuer or of a default of that issuer that would cause the share price to fall.

• **Derivatives risk:** The use of such financial instruments may increase the risk of loss.

The occurrence of any of these risks may result in a decrease in the net asset value of the UCI. The other risks are indicated in the prospectus.

## Key Investor Information

This document provides you with key investor information on this UCI. 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 CONVERTIBLE EUROPE

### A French open-end investment fund (FCP)

This UCITS is managed by LAZARD FRERES GESTION SAS

FR0010642611 - PC H-EUR

## Investment objective and policy

**Investment objective:** The investment objective is to outperform the benchmark index - the TR European Focus Convertible Index Total Return hedged in EUR - expressed in euros, net of charges, assuming reinvestment of net dividends or coupons, over the recommended investment period of five years.

**Investment policy:** Lazard Frères Gestion delegated the financial management of the Fund to Lazard Asset Management LLC, New York. To achieve its objective, the Fund will be actively managed using a fundamental approach comprising several analysis phases: study of the economic environment with market expectations produced by our Economic Strategy department to determine the Fund's main types of exposure, credit analysis of companies issuing bonds, financial analysis of companies providing equity exposure through convertible bonds, analysis of quantitative features specific to convertible bonds, and analysis of the various provisions of issue contracts. The Fund's overall exposure to interest rates (active management of the modified duration) and to equity markets will be actively managed. Interest rate, exchange rate and credit risk (based on securities' ratings) will be actively managed and equity securities will be selectively chosen. The Fund's modified duration is between 0 and 7.

Concerning fixed-income securities, the portfolio management company conducts its own credit assessment for selection purposes, both at the time of purchase and during the life of the securities. It does not rely solely on ratings issued by rating agencies and develops credit risk analysis and the necessary procedures to make purchase decisions or sell or hold decisions in the event of a downgrade. The fund management company does not automatically use agency ratings but gives precedence to its own credit analysis in assessing the credit quality of the assets and in deciding on possible downgrades.

The Fund is invested as follows:

- up to a maximum of 110% of its net assets in:

- convertible bonds and similar instruments issued in Europe by companies and financial institutions. These securities will be expressed in all currencies.
- convertible bonds issued in Europe by companies and financial institutions. These securities will be expressed in all currencies.
- bonds with warrants issued by companies and financial institutions. These securities will be expressed in all currencies.
- perpetual subordinated notes (TSDI) issued in and outside Europe by companies and financial institutions. These securities will be expressed in all currencies.

The Fund may invest either in investment-grade bonds (i.e. with a minimum rating of BBB- according to Standard & Poor's or an equivalent rating based on the management company's analysis), speculative/high yield bonds (i.e. with a rating of under BBB- according to Standard & Poor's or an equivalent rating based on the management company's analysis) or bonds not rated by a ratings agency. The fund manager will not invest in contingent convertible bonds (CoCo bonds).

- up to a maximum of 10% of its net assets in:

- UCITS or AIF that meet the four criteria of Article R.214-13 of the French Monetary and Financial Code (Code Monétaire et Financier): French-governed money market, short-term money market, bond or mixed funds;
- shares in live securities resulting from the conversion of one of the types of instrument listed above.

Investment is solely in UCIs that in turn invest less than 10% of their assets in other UCIs. All of these UCIs may be managed by the management company.

The Fund may, up to the amount of the net assets, use futures, swaps, options, credit derivatives and forward foreign-exchange contracts on regulated, organised and/or OTC markets to hedge the portfolio and/or expose it to equity, interest rate, exchange rate, credit and volatility risk. The Fund may also invest in securities incorporating derivatives.

### Allocation of distributable income:

Allocation of net income: Accumulation

Allocation of net realised capital gains: Accumulation

**Recommended investment period:** This UCI may not be suitable for investors planning to withdraw their investment within five years.

**Right of redemption:** Orders are executed in accordance with the table below:

Business day	Day of establishment of the NAV (D)	Next business day following valuation day (D+1)	Two business days following the valuation day (D+2)
Daily receipt and centralisation of redemption orders before 12.00 noon (Paris time)	Execution of the order at the latest on D	Publication of the net asset value (NAV)	Settlement of redemption orders

## Risk and reward profile



### Description of the indicator and its main limits:

The diversified exposure to the equity market and interest rate risk explains the Fund's classification in this category.

The historical data used could result in an unreliable indication of the UCI'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.

### Other sizeable risks not taken into account in the indicator:

- **Credit risk:** potential risk of a downgrade to the credit rating of an issuer or of a default of that issuer that would cause the share price to fall.
- **Derivatives risk:** The use of such financial instruments may increase the risk of loss.

The occurrence of any of these risks may result in a decrease in the net asset value of the UCI. The other risks are indicated in the prospectus.

## 2. CHANGES AFFECTING THE UCI

None.



#### PERFORMANCE

**The performance of Lazard Convertible Europe RC EUR units is: +3,41%.**

**The performance of Lazard Convertible Europe PC EUR units is: +4,09%.**

The benchmark's performance (Thomson European Focus EUR) over the period was: +3,05%.

**The performance of Lazard Convertible Europe RC H EUR units is: +0,13%.**

**The performance of Lazard Convertible Europe PC H EUR units is: +0,80%.**

The benchmark's performance (Thomson European Focus Hedged EUR) over the period was: +0,14%.

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

#### ECONOMIC ENVIRONMENT

##### Introduction

The past year was marked by a slowdown in global growth, in both developed and emerging countries, and especially in the manufacturing sector in which confidence declined. Several factors weighed on the markets, notably the rise in US-China trade tensions, problems specific to the automotive sector and political uncertainties in Europe. The slowdown in the manufacturing sector has not yet contaminated the services sector, which has held up well until now thanks to the fact that consumption remains upbeat. In the face of increasing downside risks, central banks have chosen to ease monetary policy as a preventive measure. After adopting the principle of a pause in its rate-hiking cycle, the Federal Reserve (Fed) cut its interest rates twice and stopped reducing its balance sheet. The European Central Bank (ECB) postponed a possible rise in its interest rates and launched a new wave of targeted longer term loans (TLTRO), before announcing a new package of measures including, among other things, a cut in the deposit rate and a resumption of asset purchases. In emerging countries, the Central Bank of China (PBOC) cut the reserve requirement ratio for the banking sector on three occasions while several other countries cut interest rates. Against this backdrop, the equity markets experienced renewed volatility and bond yields fell more or less worldwide.

GDP volume growth (%)	2017	2018	2019	2020
World	3,8	3,6	3,0	3,4
Developed countries	2,5	2,3	1,7	1,7
Emerging countries	4,8	4,5	3,9	4,6
Eurozone	2,5	1,9	1,2	1,4
United States	2,4	2,9	2,4	2,1
Japan	1,9	0,8	0,9	0,5
United Kingdom	1,8	1,4	1,2	1,4
China	6,8	6,6	6,1	5,8
India*	7,2	6,8	6,1	7,0
Brazil	1,1	1,1	0,9	2,0
Russia	1,6	2,3	1,1	1,9

IMF Economic Outlook, October 2019

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

The MSCI World index of global equity markets in dollars fell by 0,7% year-on-year, due to a fall of 0,2% in developed countries and of 4,5% in emerging countries. In their respective currencies, the S&P 500 gained 2,2%, the Euro Stoxx gained 1,6% and the Topix lost 12,6%. The performances of the S&P 500 and the Topix were more beneficial for investors not hedged against foreign exchange risk (+8,8% and -2,4% respectively), with the dollar and the yen appreciating against the euro.

The euro fell from \$1,16 to \$1,09 year-on-year, i.e. a depreciation of 6,1%. It depreciated by 10,7% against the yen, by 4,6% against the Swiss franc and by 0,4% against sterling. Political uncertainties in Italy and the ECB's accommodative monetary policy weighed on the single currency. At the same time, the yen and the Swiss franc benefited from their safe-haven status during the various episodes of flight to quality.

The slight fall in the MSCI World index masked a bumpy trajectory, mainly due to the back-and-forth China-US trade tensions, concerns about global growth and political uncertainties in Europe. Faced with these



international uncertainties, the Fed and the ECB switched to a more accommodative approach, as a precaution, which boosted the equity markets.

Against this backdrop, government bond yields fell in the United States and Germany. Year-on-year, the US 10-year interest rate fell from 3,06% to 1,66%, having peaked at 3,24% in November 2018. In parallel, the German 10-year interest rate fell from +0,47% to -0,57%, after peaking at +0,57% in early October 2018.

Falling interest rates across the world pushed the weighting of negative yield bonds in the Bloomberg Barclays Global Aggregate index up from 13% to 26% between September 2018 and September 2019.

Credit spreads on 10-year maturities between peripheral countries and Germany tightened over the past year: by 180 basis points in Greece, 128 basis points in Italy, 68 basis points in Portugal and 31 basis points in Spain.

Credit margins on corporate bonds remained virtually stable year-on-year. According to the ICE Bank of America Merrill Lynch indices, they rose from 110 to 111 for good quality corporate bonds and from 355 to 366 for high yield bonds.

The price of a barrel of Brent fell by 28% year-on-year, from \$83 to \$60, due in particular to fears around global demand. In mid-September 2019, the attack on two oil facilities in Saudi Arabia triggered an increase of around \$12 in the barrel price over a single day. But the movement was short-lived.

## **United States**

Growth remained solid in the US, reaching +1,1% in Q4 2018, +3,1% in Q1 2019 and +2,0% in Q2 2019, on an annualised basis. GDP grew by +2,3% year-on-year.

The ISM surveys showed a downturn, with the manufacturing ISM falling from 59,5 to 47,8 and the non-manufacturing ISM falling from 60,8 to 52,6.

Household consumption grew at a good pace, apart from two soft patches in December 2018 and February 2019, showing a year-on-year increase of +2,3%.

Job creation has slowed in recent months, but has not taken a downturn. In year-on-year terms, 2 000 000 jobs were created by the private sector. The unemployment rate fell by 0,3 points to 3,5%, its lowest level since December 1969. The hourly wage accelerated gradually to reach a peak of +3,4% year-on-year in February 2019. It then moderated to +2,9% year-on-year.

Residential investment contracted by 3,2% year-on-year in Q2 2019. Real estate prices continued to slow gradually, reaching +3,2% year-on-year at the national level, according to the S&P CoreLogic Case-Shiller index. The NAHB home builder confidence index was virtually stable year-on-year, masking a decline at the end of Q4 2018. Non-residential investment has slowed in recent quarters but remains up +2,6% year-on-year.

The US trade deficit fluctuated around \$55 billion per month. Exports rose by 0,1% year-on-year while imports remained stable. Imports from China fell by 14,0% year-on-year.

Headline inflation slowed from +2,0% to +1,4% year-on-year, while core inflation accelerated from +2,2% to +2,4% year-on-year.

The Federal Reserve raised its benchmark interest rate by 25 basis points on December 19<sup>th</sup>, 2018, bringing it to a band of 2,25%-2,50%. On January 4<sup>th</sup>, 2019, Jerome Powell indicated that the Federal Reserve would be patient and adjust its monetary policy in line with economic results. On March 20<sup>th</sup>, 2019, the Fed announced that it would stop reducing its balance sheet from September 2019. On June 19<sup>th</sup>, 2019, the Fed removed the reference to patience from its press release to indicate that it was ready to act. It made two 25 basis-point cuts in its benchmark rate on July 31<sup>st</sup> and September 19<sup>th</sup>, bringing it to a band of 1,75%-2,00%.

The mid-term elections on November 6<sup>th</sup>, 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. Due to a lack of financing, the federal administrations were partially closed from December 23<sup>rd</sup>, 2018 to January 25<sup>th</sup>, 2019, the longest shutdown in the history of the United States.

## **Eurozone**

Growth in the Eurozone slowed to an annualised rate of +0,8% in Q2 2019 after +1,7% in Q1 2019 and +1,2% in Q4 2018. GDP grew by +1,2% year-on-year in the Eurozone, by +0,4% in Germany, by +1,4% in France, by +2,0% in Spain and by +0,1% in Italy.

The Eurozone composite PMI fell from 54,1 to 50,1, mainly due to the fall in the manufacturing PMI from 53,2 to 45,7, in particular the decline from 53,7 to 41,7 in Germany. The Eurozone services PMI fared better, falling from 54,7 to 51,6.

Car sales in the Eurozone have gradually normalised after the impact of the entry into force of the WLTP anti-pollution standards on September 1<sup>st</sup>, 2018. Automotive production, however, has continued to slow, falling by 2,4% year-on-year.

Unemployment in the Eurozone continued to fall, reaching a new record low of 7,4% since 2008, versus 8,0% a year earlier.

Headline inflation slowed from +2,1% to +0,9% year-on-year. Core inflation moved within a tight range of +0,8% and +1,3% year-on-year.

At its meeting on December 13<sup>th</sup>, 2018, the ECB confirmed the end of its purchase programme, specifying that it would continue to reinvest redemptions from maturing securities for an extended period after beginning to raise interest rates. On March 7<sup>th</sup>, 2019, the ECB announced that it would keep interest rates unchanged “at least until the end of 2019” and launch a new wave of targeted longer-term refinancing operations (TLTROs) for Eurozone banks. On June 6<sup>th</sup>, 2019, the ECB postponed a possible rate hike to the second half of 2020. On September 13<sup>th</sup>, 2019, Mario Draghi announced a new package of monetary easing measures, including: a 10-basis point cut in the deposit rate to -0,50%; a partial exemption mechanism for certain banks; the resumption of QE to the tune of €20 billion per month, with no time limit; more favourable conditions for TLTRO 3 and a strengthening of the forward guidance, which now links interest rate trends to inflation.

The European elections in May 2019 saw support for the traditional parties erode but the surge in support for the populist bloc that some had anticipated did not take place. The numbers among liberals and environmentalists showed an increase.

In Italy, the Five Star Movement and the Democratic Party formed a new government after the collapse of the coalition between the Five Star Movement and the League.

In Spain, after the failure of its draft budget, the new head of the socialist government, Pedro Sanchez, called early general elections for April 28<sup>th</sup>, 2019, which saw the PSOE take the lead but without giving it a majority. As the various parties failed to agree to form a government, new legislative elections were called for November 10<sup>th</sup>, 2019.

## **Japan**

Growth in Japan increased from an annualised rate of +1,8% in Q4 2018 to +2,2% in Q1 2019 and +1,3% in Q2 2019. GDP grew by +1,0% year-on-year.

The manufacturing PMI fell from 52,5 to 48,9 while the services PMI rose from 50,2 to 52,8.

The labour market remained tight. The unemployment rate fell from 2,4% to 2,2% and the ratio between job offers and job applications stabilised at 1,6.

Inflation slowed from +1,2% to +0,3% year-on-year, while core inflation accelerated slightly to +0,6% year-on-year, versus +0,4% twelve months earlier.

## **China**

Year-on-year growth in China slowed from 6.4% in Q4 2018 and Q1 2019 to 6.2% in Q2 2019. In March 2019, the government announced a growth target of between 6,0% and 6,5%.

The Caixin manufacturing PMI deteriorated at first to a low of 48,3 in January 2019. It subsequently picked up to 51,4 in September 2019 versus 50,0 in September 2018.

Industrial production slowed from +5,8% to +4,4% year-on-year while investment in the manufacturing sector slowed from +16,1% to -1,6% year-on-year. Car sales also slowed, falling by 7,7% year-on-year. Expenditure on infrastructure and real estate grew more or less at the same rate as the previous year.

Exports slowed from +13,9% to -3,2% year-on-year and imports slowed from +14,3% to -8,5% year-on-year. Exports to the US fell.

Growth in the total credit stock accelerated slightly, from +10,6% to +11,0% year-on-year.

The central bank reduced the level of compulsory bank reserves by 100 basis points in October 2018, by 100 basis points in January 2019 and by 50 basis points in September 2019, bringing it to 13,0%. The central bank also announced reform of the mechanism for setting preferential lending rates, with which bank lending rates are aligned.

In particular, the government announced tax cuts for households and companies, amounting to around 2% of GDP in 2019, as well as measures to support investment in infrastructure and the automotive sector.

## MANAGEMENT POLICY

During this financial year, the Fund's hedged and unhedged lines outperformed their respective benchmark indices (*with the exception of the RC H EUR unit, which performed in line with its benchmark index*). The European equity markets made significant gains during the financial year (Stoxx 600 +5,7%). Nevertheless, there were significant differences by region: the CAC40 gained 6,9% while the DAX gained 1,5% and the Spanish equity index gained 2,5% (equity index performances in euros with dividends reinvested). Overall, our stock selection had a positive impact over the period, especially in telecommunications, aeronautics and apparel. Our equity exposure had a neutral impact in relative terms. During the financial year, European interest rates eased by 80 basis points for the euro 5-year swap rate. Our shorter duration than the index over the majority of the period had a negative impact in relative terms. We increased our duration above the benchmark at the end of the period, which partly offset this impact. In relation to currencies, the dollar, in which we are overweighted, appreciated against the euro, which also had a positive relative impact on the performance. The following is the fund manager's commentary for each month of the financial year:

In October 2018, Lazard Convertible Europe (I unit) lost -2,54% versus -1,44% for the Thomson Reuters Convertible Europe Focus index. The Fund's equity exposure decreased to 34,7% compared with a decrease for the benchmark index to 28,4%. The modified duration increased to 1,23 versus 2,86 for the benchmark index. The Fund's overexposure to the equity markets had a negative impact (Stoxx 600 TR in euros -5,53%).

Its underexposure to interest rates had a marginal impact over the period, with 5-year swap rates easing slightly over the month. The best performance came from the energy sector, underpinned in particular by the strong performance from Inmarsat 3,875% 2023, while the basic materials sector underperformed. During the period, we sold Richter Gédéon 2019 by taking part in the issuer's tender offer and were reimbursed on Rallye/Casino 2020. To offset that, we initiated two new positions in Evonik 2024 and Grand City Properties 2022. We were overexposed to the dollar against the euro and in line in relation to other currencies.

In November 2018, Lazard Convertible Europe (I unit) lost -2,07% versus -0,91% for the Thomson Reuters Convertible Europe Focus index. The Fund's equity exposure decreased to 32,6% compared with a decrease for the benchmark index to 26,5%. The modified duration increased to 1,32 versus 2,86 for the benchmark index. The Fund's overexposure to the equity markets had a negative impact (Stoxx 600 TR in euros -1,0%). Its underexposure to interest rates also had a negative impact over the period, with 5-year swap rates easing over the month. The best contribution during the month came from the underexposure to industrials and basic materials, while the performance was substantially negatively impacted by the technology and luxury goods sectors. Over the period, we sold Wendel/Saint Gobain 2019 and trimmed Suez 2020 and Unibail 2021. On the other hand, we initiated a new position in BASF 2023. The Fund remained overexposed to the dollar against the euro and in line in relation to other currencies.

In December 2018, Lazard Convertible Europe (I unit) lost -2,40% versus -1,77% for the Thomson Reuters Convertible Europe Focus index. The Fund's equity exposure decreased to 28,3% compared with a decrease for the benchmark index to 22,3%. The modified duration increased to 1,42 versus 2,84 for the benchmark index. The Fund's overexposure to the equity markets had a negative impact (Stoxx 600 TR in euros -5,5%). Its underexposure to interest rates also had a negative impact over the period, with 5-year swap rates easing over the month. The best contributions to the performance during the month came from the underexposure to non-cyclical consumption and our stock picks in the financial sector, while the technology and industrial sectors weighed on the performance in relative terms. Over the period, we reduced Telefonica Participacion 2021 and strengthened Kering 2023. We initiated two new positions in Eni 2022 and GN Store 2022. The Fund remained overexposed to the dollar against the euro and in line in relation to other currencies.

In January 2019, Lazard Convertible Europe (I unit) gained +2,43% versus +1,91% for the Thomson Reuters Convertible Europe Focus index. The Fund's equity exposure increased to 33,5% compared with an increase for the benchmark index to 27,9%. The modified duration decreased to 1,28 versus 2,64 for the benchmark index. The Fund's overexposure to the equity markets had a positive impact (Stoxx 600 TR in euros +6,3%). Its underexposure to interest rates had a marginally negative impact over the period, with 5-year swap rates

easing over the month. The stock selection in the industrials sector and the overexposure to technology were the best contributors to the performance over the month, while the Fund's underexposure to non-cyclical consumption and utilities weighed on the performance in relative terms. During the period, we trimmed Salzgitte 2022 and established a new position in Sika 2025 in construction and chemicals. The Fund remained overexposed to the dollar against the euro and in line in relation to other currencies.

In February 2019, Lazard Convertible Europe (I unit) lost +1,94% versus +1,35% for the Thomson Reuters Convertible Europe Focus index. The Fund's equity exposure increased to 34,9% while there was no change in this regard for the benchmark index at 27,9%. The modified duration increased to 1,43 versus 2,57 for the benchmark index. The Fund's overexposure to equity markets made a positive contribution (Stoxx 600 TR in euros +4,2%). Its underexposure to interest rates had a marginal impact over the period, with 5-year swap rates tightening over the month. The stock selection in the telecommunications sector and overexposure to non-cyclical consumer goods were the best contributors during the month, while our technology and industrial stocks weighed on the performance in relative terms. During the period, we sold AMS 2022 and established a new position in Leg Immobilien 2025 in the real estate sector. We also switched from Fresenius 2019 to Fresenius 2024. The Fund remained overexposed to the dollar against the euro and in line in relation to other currencies.

In March 2019, Lazard Convertible Europe (I unit) lost +2,32% versus +1,51% for the Thomson Reuters Convertible Europe Focus index. The portfolio's equity exposure was decreased slightly to 33,4%, compared with a slight increase to 28,7% for the benchmark. The modified duration remained stable at 1,43 versus 2,49 for the benchmark index. The Fund's overexposure to equity markets made a positive contribution (Stoxx 600 TR in euros +2,1%). Its underexposure to interest rates had a negative impact over the period, with 5-year swap rates easing over the month.

Stock picking accounted for most of the outperformance during the month: the 4 best performers were absent from the benchmark index. We also benefited from the takeover offer on Inmarsat by a consortium of several private equity funds. Over the period, we sold Unibail 2021 and took profits on LVMH 2021, BP 2023, Airbus 2022 and MTU 2023. We added to our positions in Adidas 2023, Cellnex 2026, GN Store 2022 and Leg Immobilien 2025. The Fund remained overexposed to the dollar against the euro and in line in relation to other currencies.

In April 2019, Lazard Convertible Europe (I unit) gained +2,32% versus +1,51% for the Thomson Reuters Convertible Europe Focus index. The Fund's equity exposure increased to 36,3% compared with an increase for the benchmark index to 31,5%. The modified duration decreased slightly to 1,39 versus 2,40 for the benchmark index. The Fund's overexposure to the equity markets had a positive impact (Stoxx 600 TR in euros +3,8%). Its underexposure to interest rates had a marginally positive impact over the period, with 5-year swap rates tightening slightly over the month. Its overexposure to the luxury goods sector had a positive impact while its underexposure to the services sector had a negative impact in relative terms over the period. The stock selection made a positive contribution during the month, with the four largest contributors absent from the benchmark index. Over the period, we sold Inmarsat 2023, we added to our positions in Sika 2025 and Total 2022, and we established three new positions: Air France 2026, Prysmian 2022 in telecommunications and Qiagen 2024 in biotechnology. The Fund remained overexposed to the dollar against the euro and in line in relation to other currencies.

In May 2019, Lazard Convertible Europe (I unit) gained -1,57% versus -1,16% for the Thomson Reuters Convertible Europe Focus index. The Fund's equity exposure decreased to 30,9% compared with a decrease for the benchmark index to 26,6%. The modified duration increased to 1,69 versus 2,46 for the benchmark index. The Fund's overexposure to the equity markets had a negative impact (Stoxx 600 TR in euros -4,9%). Its underexposure to interest rates had a negative impact over the period, with 5-year swap rates easing over the month. Its overexposure to France, particularly via the technology and aeronautics sectors, had a negative impact in relative terms over the period. Our stock selection in the non-cyclical consumer goods and industrial sectors contributed positively in relative terms. Over the period, we sold Siemens 2019 and initiated a switch on GN Store 2022/GN Store 2024. We added to our positions in Fresenius 2024, Cellnex 2026, ENI 2022 and Michelin 2023, and set up a new position in Vinci 2022 in construction. The Fund remained overexposed to the dollar against the euro and in line in relation to other currencies.

In June 2019, Lazard Convertible Europe (I unit) lost +1,42% versus +0,93% for the Thomson Reuters Convertible Europe Focus index. The Fund's equity exposure increased to 34,9% compared with an increase for the benchmark index to 30,8%. The modified duration decreased to 1,60 versus 2,35 for the benchmark index. The Fund's overexposure to the equity markets had a positive impact (Stoxx 600 TR in euros +4,5%). Its underexposure to interest rates had a negative impact over the period, with 5-year swap rates easing over the month. Its overexposure to France, particularly via the luxury goods and aeronautics sectors, made a very positive contribution in relative terms over the period. Our technology stocks had a negative impact over the period, particularly in the video games sub-sector. Over the period, we sold Haniel Finance 2020 and Suez 2020. We added to our positions in Adidas 2023, Cellnex 2026, Deutsche Post 2025, Kering 2023,

LVMH 2021, Safran 2023, Sika 2025, Air France 2026, Qiagen 2024 and Vinci 2022. The fund remained slightly overexposed to the dollar and the euro against other currencies.

In July 2019, Lazard Convertible Europe (I unit) gained +1,31% versus +0,70% for the Thomson Reuters Convertible Europe Focus index. The Fund's equity exposure decreased to 33,7% compared with a decrease for the benchmark index to 27,0%. The Fund's duration was increased to 2,45% compared with an increase for the benchmark index to 2,60%. The stock selection mainly accounts for the outperformance, especially our stock picks in aeronautics and video games. Our French luxury stocks and our underexposure to utilities and basic materials had a negative impact over the period. The Fund's overexposure to the equity markets had a relatively neutral impact (Stoxx 600 TR in euros +0,3%). The Fund's modified duration, now in line with the benchmark index, had a positive impact in absolute terms, with 5-year swap rates easing over the month. We initiated a new position in Econocom and increased our exposure to the energy and telecommunications sectors (particularly Cellnex) during the month. The fund remained overexposed to the dollar against other currencies.

In August 2019, Lazard Convertible Europe (I unit) lost +0,43% versus +0,33% for the Thomson Reuters Convertible Europe Focus index. The Fund's equity exposure decreased to 32,1% compared with a decrease for the benchmark index to 25,3%. We increased the duration to 2,82 versus 2,54 for the benchmark. The stock selection, particularly in the aeronautics sector, had a positive impact in relative terms. Our underexposure to utilities and our technology stocks (particularly semiconductors and video games) had a negative impact in relative terms. The Fund's overexposure to the equity markets had a slightly negative impact in relative terms (Stoxx 600 TR in euros -1,3%). The Fund's duration, now above the benchmark, had a positive impact in absolute and relative terms, with 5-year swap rates easing over the month.

We initiated a new position in payment services in Worldline. We increased our exposure to energy and basic materials. We took profits on the French luxury sector and reduced our exposure to real estate. The fund remained overexposed to the dollar against other currencies.

In September 2019, Lazard Convertible Europe (I unit) gained +0,23% versus +0,90% for the Thomson Reuters Convertible Europe Focus index. The Fund's equity exposure was reduced to 30,9% compared with an increase to 29,3% for the benchmark index. The duration was increased to 3,22 against 2,63 for the benchmark index. Over the period, our overexposure to the aeronautics industry and our underexposure to semiconductors had a negative impact. Apparel and energy, on which we are overexposed, turned in good performances. The good performance of European equity markets over the month (Stoxx 600 TR in euro +3,7%) was mainly driven by banks, which were absent from the European convertible bond universe. The Fund's modified duration had a negative impact in absolute and relative terms, with 5-year swap rates easing over the month. In September, we strengthened the Fund's convexity by replacing the former Ubisoft, MTU and Cellnex convertible bonds with more recent issues by these companies. The Fund remained overexposed to the dollar against other currencies.

*Past performance is no guarantee of future results.*

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

<b>Securities</b>	<b>Changes ("accounting currency")</b>	
	<b>Purchases</b>	<b>Sales</b>
AMUNDI TRESO COURT TERME I C	3 276 532,38	3 780 535,10
ORPAR ZCP 20-06-24 CV	2 892 600,00	2 892 600,00
INMARSAT 3.875% 09-09-23	778 289,80	3 719 699,11
CELLNEX TELECOM 0.5% 05-07-28 CV	4 333 912,84	0,00
SIKA AG 0.15% 05-06-25 CV	3 846 110,71	0,00
GN GREAT NORDIC LTD AS ZCP 31-05-22	1 626 925,00	1 858 865,54
GN GREAT NORDIC LTD AS ZCP 21-05-24	3 466 420,00	0,00
CELLNEX TELECOM 1.5% 16-01-26 CV	1 621 123,83	1 774 010,96
VINCI 0.375% 16/02/2022	3 292 398,73	0,00

LEG IMMOBILIEN AG 0.875% 01-09-25	3 086 199,20	0,00
-----------------------------------	--------------	------

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

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

- **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: **32 325 281,87**
  - **Currency forwards: 13 526 487,84**
  - **Futures: 18 798 794,03**
  - **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**

<b>Instrument type</b>	<b>Amount in the currency of the portfolio</b>
<b>Efficient portfolio management techniques</b> . Term deposits . Equities . Bonds . UCITS . Cash (**)  <b>Total</b>	
<b>Derivative financial instruments</b> . Term deposits . Equities . Bonds . UCITS . Cash  <b>Total</b>	

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

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

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

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

## 4. REGULATORY INFORMATION

### • **PROCEDURE FOR SELECTING AND ASSESSING INTERMEDIARIES AND COUNTERPARTIES**

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

### • **BROKERAGE FEES**

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

### • **USE OF FINANCIAL INSTRUMENTS MANAGED BY THE MANAGEMENT COMPANY OR AN AFFILIATED COMPANY**

The table of financial instruments managed by the management company or an affiliated company can be found in the notes to the UCI's annual financial statements.

- **METHOD USED TO CALCULATE GLOBAL RISK**

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

- **SWING PRICING**

In order to protect the UCI's long-term shareholders, a swing factor will be applied to subscriptions and redemptions that have a significant impact on the UCI's outstandings, which may generate costs for shareholders entering and leaving the UCI that would otherwise have been allocated across all shareholders in the UCI. Therefore, if, on a particular NAV calculation date, the total net subscription/redemption orders of investors across all categories of UCI units or shares exceeds a threshold predetermined by the management company on the basis of objective criteria and expressed as a percentage of the net assets in the UCI, the NAV may be adjusted upwards or downwards to take account of the readjustment costs attributable to the net subscription/redemption orders. The NAV of each unit or share category shall be calculated separately, but any adjustment shall have an identical impact, expressed as a percentage, on all of the NAV calculations of each unit or share category in the UCI.

The cost parameters and trigger level shall be determined by the management company and shall be reviewed periodically, and at least every six months. These costs shall be estimated by the management company based on transaction fees, bid/offer spreads and tax charges applicable to the UCI.

Insofar as this adjustment mechanism is linked to the net balance of subscriptions/redemptions within the UCI, it is not possible to accurately predict a given time in the future at which swing pricing will be applied. Consequently, neither is it possible to predict the precise frequency at which the management company will have to make such adjustments, which shall not exceed 1% of the NAV (see prospectus). Investors should be aware that the volatility of the UCI's NAV may not reflect solely that of the securities in the portfolio arising from the application of swing pricing.

- **REMUNERATION**

The fixed and variable remuneration paid during the financial year ended on December 31<sup>st</sup>, 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 executive 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 31/12/2018: fixed-term and permanent contracts of LFG and LFG-Belgium**

(including interns and apprentices and excluding LFG-Courtage)

Headcount at 31-12-2018 LFG and LFG-Belgium	Fixed annual remuneration in 2018 in €k	Variable remuneration awarded 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 stated excluding charges

- **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 unitholders to:

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

[www.lazardfreresgestion.fr](http://www.lazardfreresgestion.fr)

## 5. CERTIFICATION BY THE STATUTORY AUDITOR



**STATUTORY AUDITOR'S REPORT  
ON THE ANNUAL FINANCIAL STATEMENTS**  
Financial year ended September 30<sup>th</sup>, 2019

**LAZARD CONVERTIBLE EUROPE**  
UCITS ORGANISED AS A FRENCH OPEN-END INVESTMENT FUND  
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 LAZARD CONVERTIBLE EUROPE, as a French open-end investment fund, for the financial year ended September 30<sup>th</sup>, 2019.

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 UCITS at the end of said financial year, in accordance with the accounting rules and principles generally accepted in France.

## **Opinion on the annual financial statements**

### **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 October 1<sup>st</sup>, 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.

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

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



## **LAZARD CONVERTIBLE EUROPE**

### **Basis of our opinion**

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.

### **Specific verifications**

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

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.

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

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





## LAZARD CONVERTIBLE EUROPE

### **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 (*Code de commerce*), 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;

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

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



## LAZARD CONVERTIBLE EUROPE

- 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

	30/09/2019	28/09/2018
<b>Net non-current assets</b>		
<b>Deposits</b>		
<b>Financial instruments</b>	<b>95 182 130,88</b>	<b>69 401 363,37</b>
<b>Equities and similar securities</b>		<b>1 238 702,49</b>
Traded on a regulated or equivalent market		1 238 702,49
Not traded on a regulated or equivalent market		
<b>Bonds and similar securities</b>	<b>94 938 533,78</b>	<b>67 475 561,98</b>
Traded on a regulated or equivalent market	94 938 533,78	67 475 561,98
Not traded on a regulated or equivalent market		
<b>Debt securities</b>		
Traded on a regulated or equivalent market		
Negotiable debt securities		
Other debt securities		
Not traded on a regulated or equivalent market		
<b>Undertakings for collective investment</b>		<b>505 612,69</b>
General UCITS and general AIFs aimed at non-professionals and their equivalent in other countries		505 612,69
Other funds aimed at non-professionals and their equivalent in other countries that are Member States of the EU		
General funds aimed at professional investors and their equivalent in other Member States of the EU and listed securitisation entities		
Other funds aimed at professional investors and their equivalent in other Member States of the EU and unlisted securitisation entities		
Other non-European entities		
<b>Temporary securities transactions</b>		
Receivables on securities purchased under repurchase agreements		
Receivables on loaned securities		
Borrowed securities		
Securities sold under repurchase agreements		
Other temporary transactions		
<b>Forward financial instruments</b>	<b>243 597,10</b>	<b>181 486,21</b>
Transactions on a regulated or equivalent market	243 597,10	181 486,21
Other transactions		
<b>Other financial instruments</b>		
<b>Receivables</b>	<b>14 554 064,36</b>	<b>13 312 183,23</b>
<b>Currency forward exchange transactions</b>	<b>13 526 487,84</b>	<b>11 444 961,19</b>
<b>Other</b>	<b>1 027 576,52</b>	<b>1 867 222,04</b>
<b>Financial accounts</b>	<b>1 711 944,62</b>	<b>1 429 666,38</b>
<b>Cash and cash equivalents</b>	<b>1 711 944,62</b>	<b>1 429 666,38</b>
<b>Total assets</b>	<b>111 448 139,86</b>	<b>84 143 212,98</b>

## LIABILITIES AND SHAREHOLDERS' EQUITY

	30/09/2019	28/09/2018
<b>Shareholders' equity</b>		
<b>Capital</b>	<b>96 046 344,84</b>	<b>70 471 657,04</b>
Undistributed net capital gains and losses recognised in previous years (a)		
Retained earnings (a)	1 813 003,24	2 145 982,11
Net capital gains and losses for the year (a, b)	-438 185,97	-144 770,33
Net income for the year (a, b)	97 421 162,11	72 472 868,82
<b>Total shareholders' equity (= amount representing net assets)</b>	<b>235 146,80</b>	<b>179 323,05</b>
<b>Financial instruments</b>		
<b>Sales of financial instruments</b>		
<b>Temporary securities transactions</b>		
Liabilities on securities sold under repurchase agreements		
Liabilities on borrowed securities		
Other temporary transactions		
<b>Forward financial instruments</b>	<b>235 146,80</b>	<b>179 323,05</b>
Transactions on a regulated or equivalent market	235 146,80	179 323,05
Other transactions		
<b>Liabilities</b>	<b>13 791 830,95</b>	<b>11 491 021,11</b>
<b>Currency forward exchange transactions</b>	<b>13 706 781,70</b>	<b>11 433 287,61</b>
<b>Other</b>	<b>85 049,25</b>	<b>57 733,50</b>
<b>Financial accounts</b>		
<b>Bank overdrafts</b>		
<b>Borrowings</b>		
<b>Total liabilities and shareholders' equity</b>	<b>111 448 139,86</b>	<b>84 143 212,98</b>

(a) Including accrued income

(b) Less interim dividends paid for the financial year

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

	30/09/2019	28/09/2018
<b>Hedging transactions</b>		
<b>Commitments on regulated or similar markets</b>		
<b>Futures contracts</b>		
XEUR FGBM BOB 1218		19 605 000,00
<b>Commitments on OTC markets</b>		
<b>Other commitments</b>		
<b>Other transactions</b>		
<b>Commitments on regulated or similar markets</b>		
<b>Futures contracts</b>		
CME BP GBPUSD 1218		2 534 761,08
CME BP GBPUSD 1219	3 826 052,56	
CME CHF/USD 1218		2 884 287,56
CME CME CHF/USD 1219	6 941,39	
CME EC EURUSD 1219	14 077 050,08	
EC EURUSD 1218		10 187 763,67
EUR XEUR FESX D 1218		2 980 560,00
EUR XEUR FESX D 1219	888 750,00	
<b>Commitments on OTC markets</b>		
<b>Other commitments</b>		

• **INCOME STATEMENT *in euros***

	30/09/2019	28/09/2018
<b>Income from financial transactions</b>		
Income from deposits and financial accounts	3 265,53	
Income from equities and similar securities	27 286,27	58 440,69
Income from bonds and similar securities	327 450,50	465 266,70
Income from debt securities		
Income from temporary purchases and sales of securities		
Income from forward financial instruments		
Other financial income		
<b>Total (1)</b>	<b>358 002,30</b>	<b>523 707,39</b>
<b>Expenses related to financial transactions</b>		
Expenses related to temporary purchases and sales of securities		
Expenses related to forward financial instruments		
Expenses related to financial liabilities	7 370,49	5 443,54
Other financial charges		
<b>Total (2)</b>	<b>7 370,49</b>	<b>5 443,54</b>
<b>Income from financial transactions (1 - 2)</b>	<b>350 631,81</b>	<b>518 263,85</b>
Other income (3)		
Management fees and depreciation and amortisation (4)	739 644,82	665 060,61
<b>Net income for the financial year (L. 214-17-1) (1 - 2 + 3 - 4)</b>	<b>-389 013,01</b>	<b>-146 796,76</b>
Revenue adjustment for the financial year (5)	-49 172,96	2 026,43
Interim dividends paid on net income for the financial year (6)		
<b>Net income (1 - 2 + 3 - 4 + 5 + 6)</b>	<b>-438 185,97</b>	<b>-144 770,33</b>

## NOTES TO THE FINANCIAL STATEMENTS

### 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.

○ **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)<sup>®</sup> 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 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:

○ **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 Fixed-rate treasury bills with annual interest (BTAN) - 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 **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.

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**

Financial instruments that are not traded on a regulated market are valued at their foreseeable sale price under the management company's responsibility.

➤ **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).

**Swing pricing:**

The management company has been applying a swing pricing adjustment to the net asset value with a trigger level since September 5<sup>th</sup>, 2016. Shareholders can consult information on this mechanism in the fund prospectus, which is available at the management company's head office and on its website.

**Management fees**

Management fees are calculated 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:

$$\frac{\text{Net assets} \times \text{operating and management fees rate} \times \text{number of days between the NAV calculation date and the previous NAV calculation date}}{365 \text{ (366 in a leap year)}}$$

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:  
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><b>Expenses charged to the SICAV</b></i>	<i><b>Basis</b></i>	<i><b>Rate</b></i>	
Financial management fees	Net assets excluding UCIs managed by Lazard Frères Gestion	RC EUR units: 1,465% including tax RC H-EUR units: 1,515% including tax PC EUR units: 0,815% including tax PC H-EUR units: 0,865% including tax Maximum rate	
Administrative fees external to the management company	Net assets	RC EUR, RC H-EUR, PC EUR, PC H-EUR units 0,035% Maximum rate	
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, convertible bonds and similar instruments and foreign exchange: From 0% to 0,25%	
		Futures and other transactions	None
Performance fee	n/a	None	

The fund paid an amount of €55,42 related to the AMF contribution.

## **Allocation of distributable income**

### ***Definition of distributable income:***

Distributable income consists of:

### ***Net income:***

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

### ***Capital gains and losses:***

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

***Allocation of distributable income:***

<b><i>Distributable income</i></b>	<b><i>“RC EUR” “RC H-EUR” “PC EUR” “PC H-EUR” units</i></b>
Allocation of net income	Accumulation
Allocation of net realised capital gains or losses	Accumulation

- **CHANGE IN NET ASSETS in euros**

	30/09/2019	28/09/2018
<b>Net assets at start of year</b>	<b>72 472 868,82</b>	<b>68 688 930,88</b>
Subscriptions (including subscription fees retained by the Fund)	29 387 115,73	12 902 676,98
Redemptions (net of redemption fees retained by the Fund)	-6 642 102,63	-9 053 667,72
Realised capital gains on deposits and financial instruments	4 095 527,91	4 762 494,30
Realised capital losses on deposits and financial instruments	-1 734 819,20	-1 753 943,27
Realised capital gains on forward financial instruments	1 296 173,83	2 027 851,74
Realised capital losses on forward financial instruments	-2 129 926,71	-2 359 708,57
Transaction fees	-239 509,83	-205 432,50
Exchange rate differences	1 114 981,89	515 583,27
Changes in valuation difference of deposits and financial instruments	75 695,55	-2 756 930,27
Valuation difference for financial year N	1 656 969,06	1 581 273,51
Valuation difference for financial year N-1	-1 581 273,51	-4 338 203,78
Changes in valuation difference of forward financial instruments	114 169,76	-148 189,26
Valuation difference for financial year N	239 882,19	125 712,43
Valuation difference for financial year N-1	-125 712,43	-273 901,69
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	-389 013,01	-146 796,76
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		
<b>Net assets at end of year</b>	<b>97 421 162,11</b>	<b>72 472 868,82</b>

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

	Amount:	%
<b>Assets</b>		
<b>Bonds and similar securities</b>		
Convertible bonds traded on a regulated or equivalent market	94 938 533,78	97,45
Bonds and similar securities		
<b>TOTAL Bonds and similar securities</b>	<b>94 938 533,78</b>	<b>97,45</b>
<b>Debt securities</b>		
Debt securities		
<b>TOTAL Debt securities</b>		
<b>Liabilities</b>		
<b>Sales of financial instruments</b>		
Equities and similar securities		
<b>TOTAL Sales of financial instruments</b>		
<b>Off-balance sheet items</b>		
<b>Hedging transactions</b>		
Equities		
<b>TOTAL Hedging transactions</b>		
<b>Other transactions</b>		
Equities	888 750,00	0,91
Currency	17 910 044,03	18,38
<b>TOTAL Other transactions</b>	<b>18 798 794,03</b>	<b>19,30</b>

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

	Fixed rate	%	Variable rate	%	Revisable rate	%	Other	%
<b>Assets</b>								
Deposits								
Bonds and similar securities	94 938 533,78	97,25						
Debt securities								
Temporary securities transactions								
Financial accounts							1 711 944,62	1,76
<b>Liabilities</b>								
Temporary securities transactions								
Financial accounts								
<b>Off-balance sheet items</b>								
Hedging transactions								
Other transactions								

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

	< 3 months	%	3 months-1 year	%	1-3 years	%	3-5 years	%	> 5 years	%
<b>Assets</b>										
Deposits										
Bonds and similar securities			4 693 342,50	4,82	22 485 935,07	23,08	41 038 282,79	42,12	26 720 973,42	27,43
Debt securities										
Temporary securities transactions	1 711 944,62	1,76								
Financial accounts										
<b>Liabilities</b>										
Temporary securities transactions										
Financial accounts										
<b>Off-balance sheet items</b>										
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**

	USD		CHF		GBP		Other currencies	
	Amount:	%	Amount:	%	Amount:	%	Amount:	%
<b>Assets</b>								
Deposits								
Equities and similar securities								
Bonds and similar securities	20 018 731,03	20,55	4 190 597,14	4,30	1 990 719,63	2,04		
Debt securities								
UCIs								
Temporary securities transactions								
Receivables	283 192,99	0,29						
Financial accounts	154 079,06	0,16	113 762,63	0,12	38 677,03	0,04		
<b>Liabilities</b>								
Sales of financial instruments								
Temporary securities transactions								
Liabilities	10 543 936,89	10,82	1 209 640,33	1,24	1 953 204,48	2,00		
Financial accounts								
<b>Off-balance sheet items</b>								
Hedging transactions								
Other transactions	17 910 044,03	18,38						

- RECEIVABLES AND PAYABLES: BREAKDOWN BY TYPE

	Debit/credit item	30/09/2019
Receivables	Receivables on forward currency sales	13 526 487,84
	Deferred settlement sale	673 840,63
	Subscription receivables	8 214,50
	Margin cash deposits	345 521,39
<b>Total receivables</b>		<b>14 554 064,36</b>
	Forward currency sales	13 706 781,70
Liabilities	Redemptions payable	2 561,44
	Management fees	82 487,81
<b>Total liabilities</b>		<b>13 791 830,95</b>



- NUMBER OF SECURITIES ISSUED OR REDEEMED**

	In units	In amounts
<b>RC units</b>		
Units subscribed during the financial year	7 585,370	1 345 009,28
Units redeemed during the financial year	-10 184,438	-1 747 299,23
Net balance of subscriptions/redemptions	-2 599,068	-402 289,95
<b>RC H units:</b>		
Units subscribed during the financial year	2 542,000	411 640,07
Units redeemed during the financial year	-2 557,060	-405 518,78
Net balance of subscriptions/redemptions	-15,060	6 121,29
<b>PC units</b>		
Units subscribed during the financial year	1 084,621	21 000 267,41
Units redeemed during the financial year	-108,478	-2 040 727,72
Net balance of subscriptions/redemptions	976,143	18 959 539,69
<b>PC H units:</b>		
Units subscribed during the financial year	381,000	6 630 198,97
Units redeemed during the financial year	-140,000	-2 448 556,90
Net balance of subscriptions/redemptions	241,000	4 181 642,07

- SUBSCRIPTION AND/OR REDEMPTION FEES**

	In amounts
<b>RC units</b>	
Redemption fees retained Subscription fees retained Total fees retained	
<b>RC H units:</b>	
Redemption fees retained Subscription fees retained Total fees retained	
<b>PC units</b>	
Redemption fees retained Subscription fees retained Total fees retained	
<b>PC H units:</b>	
Redemption fees retained Subscription fees retained Total fees retained	

- MANAGEMENT FEES**

	30/09/2019
<b>RC units</b>	
Guarantee fees	
Fixed management fees	101 883,77
Percentage of fixed management fees	1,50
Variable management fees	
Retrocessions of management fees	
<b>RC H units:</b>	
Guarantee fees	
Fixed management fees	47 462,92
Percentage of fixed management fees	1,55
Variable management fees	
Retrocessions of management fees	

<b>PC units</b>	
Guarantee fees	
Fixed management fees	356 182,34
Percentage of fixed management fees	0,85
Variable management fees	
Retrocessions of management fees	
<b>PC H units:</b>	
Guarantee fees	
Fixed management fees	234 115,79
Percentage of fixed management fees	0,90
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**

	30/09/2019
Securities held under repurchase agreements	
Borrowed securities	

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

	30/09/2019
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	30/09/2019
Equities			
Bonds			
Negotiable debt securities			
UCIs			
Forward financial instruments			

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

	30/09/2019	28/09/2018
<b>Remaining amounts to be allocated</b>		
Retained earnings		
Net income	-438 185,97	-144 770,33
<b>Total</b>	<b>-438 185,97</b>	<b>-144 770,33</b>

	30/09/2019	28/09/2018
<b>RC units</b>		
<b>Appropriation</b>		
Distribution		
Balance brought forward for the financial year		
Accumulation	-70 158,71	-53 473,19
<b>Total</b>	<b>-70 158,71</b>	<b>-53 473,19</b>

	30/09/2019	28/09/2018
<b>RC H units:</b>		
<b>Appropriation</b>		
Distribution		
Balance brought forward for the financial year		
Accumulation	-33 947,39	-25 405,58
<b>Total</b>	<b>-33 947,39</b>	<b>-25 405,58</b>

	30/09/2019	28/09/2018
<b>PC units</b>		
<b>Appropriation</b>		
Distribution		
Balance brought forward for the financial year		
Accumulation	-211 779,55	-31 934,63
<b>Total</b>	<b>-211 779,55</b>	<b>-31 934,63</b>

	30/09/2019	28/09/2018
<b>PC H units:</b>		
<b>Appropriation</b>		
Distribution		
Balance brought forward for the financial year		
Accumulation	-122 300,32	-33 956,93
<b>Total</b>	<b>-122 300,32</b>	<b>-33 956,93</b>

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

	30/09/2019	28/09/2018
<b>Remaining amounts to be allocated</b>		
Undistributed net capital gains and losses recognised in previous years		
Net capital gains and losses for the year	1 813 003,24	2 145 982,11
Interim dividends paid on net capital gains/losses for the financial year		
<b>Total</b>	<b>1 813 003,24</b>	<b>2 145 982,11</b>

	30/09/2019	28/09/2018
<b>RC units</b>		
Appropriation		
Distribution		
Undistributed net capital gains and losses		
Accumulation	189 752,19	264 800,18
<b>Total</b>	<b>189 752,19</b>	<b>264 800,18</b>

	30/09/2019	28/09/2018
<b>RC H units:</b>		
Appropriation		
Distribution		
Undistributed net capital gains and losses		
Accumulation	6 802,58	61 988,34
<b>Total</b>	<b>6 802,58</b>	<b>61 988,34</b>

	30/09/2019	28/09/2018
<b>PC units</b>		
Appropriation		
Distribution		
Undistributed net capital gains and losses		
Accumulation	1 553 365,61	1 344 758,61
<b>Total</b>	<b>1 553 365,61</b>	<b>1 344 758,61</b>

	30/09/2019	28/09/2018
<b>PC H units:</b>		
Appropriation		
Distribution		
Undistributed net capital gains and losses		
Accumulation	63 082,86	474 434,98
<b>Total</b>	<b>63 082,86</b>	<b>474 434,98</b>

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

	30/09/2015	30/09/2016	29/09/2017	28/09/2018	30/09/2019
<b>Global net assets in euros</b>	<b>79 060 819,50</b>	<b>73 739 407,37</b>	<b>68 688 930,88</b>	<b>72 472 868,82</b>	<b>97 421 162,11</b>
<b>LAZARD CONVERTIBLE EUROPE RC EUR</b>					
Net assets in euros	12 369 449,33	10 403 441,40	9 303 488,86	7 302 767,94	7 075 382,57
Number of units	71 965,910	61 969,285	52 389,947	41 194,873	38 595,805
Net asset value per unit in euros	171,87	167,88	177,58	177,27	183,31
Accumulation per unit pertaining to net capital gains/losses in euros	7,99	0,70	12,02	6,42	4,91
Accumulation per unit pertaining to net income in euros	0,13	-1,91	-0,92	-1,29	-1,81
<b>LAZARD CONVERTIBLE EUROPE RC H-EUR</b>					
Net assets in euros	3 683 249,03	3 422 662,75	3 308 180,52	3 211 117,53	3 212 846,02
Number of units	23 468,778	22 058,572	19 883,572	19 565,572	19 550,512
Net asset value per unit in euros	156,94	155,16	166,37	164,12	164,33
Accumulation per unit pertaining to net capital gains/losses in euros	2,11	1,62	14,93	3,16	0,34
Accumulation per unit pertaining to net income in euros	0,05	-1,82	-0,92	-1,29	-1,73
<b>LAZARD CONVERTIBLE EUROPE PC EUR</b>					
Net assets in euros	28 028 791,53	28 623 958,34	29 906 338,33	37 232 995,53	57 977 510,15
Number of units	1 558,390	1 618,870	1 588,649	1 968,403	2 944,546
Net asset value per unit in euros	17 985,73	17 681,44	18 825,01	18 915,33	19 689,79
Accumulation per unit pertaining to net capital gains/losses in euros	862,35	83,35	1 268,98	683,17	527,53
Accumulation per share pertaining to net income in euros	129,39	-77,49	22,93	-16,22	-71,92
<b>LAZARD CONVERTIBLE EUROPE PC H-EUR</b>					
Net assets in euros	34 979 329,61	31 289 344,88	26 170 923,17	24 725 987,82	29 155 423,37
Number of units	2 140,594	1 924,250	1 491,250	1 419,000	1 660,000
Net asset value per unit in euros	16 340,94	16 260,54	17 549,65	17 424,93	17 563,50
Accumulation per unit pertaining to net capital gains/losses in euros	220,11	161,79	1 570,34	334,34	38,00
Accumulation per unit pertaining to net income in euros	111,24	-82,38	12,51	-23,93	-73,67

- **INVENTORY in euros**

Description of security	Currency	Quantity No. or nominal	Present value	% Net assets
<b>Bonds and similar securities</b>				
<b>Bonds and similar securities traded on a regulated or similar market</b>				
<b>GERMANY</b>				
ADIDAS AG 0.05% 12/09/2023 CV	EUR	2 600 000	3 192 460,24	3,27
BASF 0.925% 09-03-23 EMTN	USD	3 250 000	2 850 841,96	2,93
BAYER 0.05% 15-06-20	EUR	1 100 000	1 099 113,30	1,13
DEUTSCHE POST AG 0.05% 30/06/2025	EUR	1 300 000	1 315 764,28	1,35
FRESENIUS SE ZCP 31-01-24	EUR	2 600 000	2 577 816,80	2,65
LEG IMMOBILIEN AG 0.875% 01-09-25	EUR	2 700 000	3 146 140,42	3,23
MTU AERO ENGINES GMBH 0.05% 18-03-27	EUR	2 500 000	2 623 473,61	2,69
RAG STIFTUNG ZCP 02-10-24 CV	EUR	1 500 000	1 499 800,50	1,54
<b>TOTAL GERMANY</b>			<b>18 305 411,11</b>	<b>18,79</b>
<b>BELGIUM</b>				
ECONOCOM GROUP 0.5% 06-03-23	EUR	215 000	1 574 101,00	1,62
<b>TOTAL BELGIUM</b>			<b>1 574 101,00</b>	<b>1,62</b>
<b>DENMARK</b>				
BANCO SANTANDER S.A.	EUR	3 400 000	3 439 939,80	3,53
<b>TOTAL DENMARK</b>			<b>3 439 939,80</b>	<b>3,53</b>
<b>SPAIN</b>				
CELLNEX TELECOM 0.5% 05-07-28 CV	EUR	4 100 000	4 370 976,57	4,48
CELLNEX TELECOM 1.5% 16-01-26 CV	EUR	1 900 000	2 460 028,49	2,53
INTL CONSOLIDATED AIRLINES GROU 0.625% 17-11-22	EUR	1 400 000	1 401 567,65	1,44
TELE ZCP 09-03-21 EMTN	EUR	1 000 000	999 626,00	1,03
<b>TOTAL SPAIN</b>			<b>9 232 198,71</b>	<b>9,48</b>
<b>FRANCE</b>				
AIR FRANCE KLM 0.125% 25-03-26	EUR	164 832	2 998 376,50	3,08
ARCHER OBLIGATIONS ZCP 31-03-23	EUR	2 400 000	3 118 053,60	3,20
CARREFOUR ZCP 14-06-23	USD	1 600 000	1 349 403,78	1,39
CIE GEN DES ETS MICHELIN ZCP 10-11-23	USD	2 800 000	2 413 991,93	2,48
ELIS EX HOLDELIS ZCP 06-10-23	EUR	63 097	2 002 036,26	2,06
EURO AERO DE ZCP 01-07-22 EMTN	EUR	1 700 000	2 138 210,70	2,19
FIGEAC AERO 1.125% 18-10-22	EUR	29 162	702 964,59	0,72
INGENICO ZCP 26/06/22 CV	EUR	16 385	2 789 615,07	2,86
LVMH MOET HENN ZCP 16-02-21 CV	USD	4 120	1 628 852,70	1,67
ORPAR ZCP 20-06-24 CV	EUR	2 900 000	3 173 467,10	3,26
SAFRAN SA ZCP 21-06-23 CV	EUR	13 891	2 326 930,03	2,39
T 0.5% 02-12-22 EMTN	USD	4 200 000	4 070 550,72	4,17
TECHNIP 0.875% 25-01-21	EUR	2 600 000	2 738 911,43	2,81
UBISOFT ZCP 24-09-24 CV	EUR	19 880	2 433 147,00	2,50
VINCI 0.375% 16/02/2022	USD	3 200 000	3 568 070,93	3,66
WORLDLINE ZCP 30-07-26 CV	EUR	22 100	2 399 087,60	2,46
<b>TOTAL FRANCE</b>			<b>39 851 669,94</b>	<b>40,90</b>

Description of security	Currency	Quantity No. or nominal	Present value	% Net assets
<b>ITALIE</b>				
ENI ZCP 13-04-22 EMTN	EUR	2 600 000	2 732 756,00	2,80
PRYSMIAN ZCP 17-01-22	EUR	1 200 000	1 196 476,80	1,23
TELECOM ITALIA SPA EX OLIVETTI 1.125% 26-03-22	EUR	2 000 000	2 015 512,88	2,07
<b>TOTAL ITALY</b>			<b>5 944 745,68</b>	<b>6,10</b>
<b>LUXEMBOURG</b>				
GRAN CITY PRO 0.25% 02-03-22	EUR	1 300 000	1 393 294,56	1,43
<b>TOTAL LUXEMBOURG</b>			<b>1 393 294,56</b>	<b>1,43</b>
<b>MEXICO</b>				
AMERICA MOVIL SAB DE ZCP 28-05-20	EUR	3 600 000	3 594 229,20	3,69
<b>TOTAL MEXICO</b>			<b>3 594 229,20</b>	<b>3,69</b>
<b>NETHERLANDS</b>				
QIAGEN NV 1.0% 13-11-24 CV	USD	1 800 000	1 716 728,31	1,76
SALZ FINA BV ZCP 05-06-22	EUR	1 300 000	1 284 608,00	1,32
STMICROELECTRONICS NV 0.25% 03-07-24	USD	2 200 000	2 420 290,70	2,49
<b>TOTAL NETHERLANDS</b>			<b>5 421 627,01</b>	<b>5,57</b>
<b>UNITED KINGDOM</b>				
BP CAP MK 1.0% 28-04-23	GBP	1 400 000	1 990 719,63	2,04
<b>TOTAL UNITED KINGDOM</b>			1 990 719,63	2,04
<b>SWITZERLAND</b>				
SIKA AG 0.15% 05-06-25 CV	CHF	4 100 000	4 190 597,14	4,30
<b>TOTAL SWITZERLAND</b>			4 190 597,14	4,30
<b>TOTAL Equities and similar securities traded on regulated or similar markets</b>			<b>94 938 533,78</b>	<b>97,45</b>
<b>TOTAL Equities and similar securities</b>			<b>94 938 533,78</b>	<b>97,45</b>
<b>Forward financial instruments</b>				
<b>Futures contracts</b>				
<b>Futures contracts on a regulated or equivalent market</b>				
CME BP GBPUSD 1219	USD	54	-3 714,91	
CME CME CHF/USD 1219	USD	-6	9 562,47	0,01
CME EC EURUSD 1219	USD	-112	211 284,63	0,22
EUR XEUR FESX D 1219	EUR	25	22 750,00	0,02
<b>TOTAL Futures contracts on a regulated or equivalent market</b>			<b>239 882,19</b>	<b>0,25</b>
<b>TOTAL Futures contracts</b>			<b>239 882,19</b>	<b>0,25</b>
<b>TOTAL Forward financial instruments</b>			<b>239 882,19</b>	<b>0,25</b>
<b>Margin call</b>				
Margin calls for C.A.Indo in US dollars	USD	-227 505	-208 681,89	-0,22
Margin calls for C.A.Indo in euros	EUR	-22 750	-22 750,00	-0,02
<b>TOTAL Margin call</b>			<b>-231 431,89</b>	<b>-0,24</b>
<b>Receivables</b>			<b>14 554 064,36</b>	<b>14,94</b>
<b>Liabilities</b>			<b>-13 791 830,95</b>	<b>-14,16</b>
<b>Financial accounts</b>			<b>1 711 944,62</b>	<b>1,76</b>
<b>Net assets</b>			<b>97 421 162,11</b>	<b>100,00</b>
<b>LAZARD CONVERTIBLE EUROPE PC H-EUR</b>				
LAZARD CONVERTIBLE EUROPE PC H-EUR	EUR	1 660,000	17 563,50	
<b>LAZARD CONVERTIBLE EUROPE RC EUR</b>				
LAZARD CONVERTIBLE EUROPE RC EUR	EUR	38 595,805	183,31	
<b>LAZARD CONVERTIBLE EUROPE RC H-EUR</b>				
LAZARD CONVERTIBLE EUROPE RC H-EUR	EUR	19 550,512	164,33	
<b>LAZARD CONVERTIBLE EUROPE PC EUR</b>				
LAZARD CONVERTIBLE EUROPE PC EUR	EUR	2 944,546	19 689,79	