LAZARD CREDIT FI,

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

ANNUAL REPORT

At March 29th, 2019

Management company: Lazard Frères Gestion

SAS Custodian: Caceis Bank

Statutory auditor: Deloitte & Associés

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CONTENTS

1 CHARACTERISTICS OF THE UCI

- **LEGAL FORM**

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

- **ALLOCATION OF DISTRIBUTABLE INCOME**

Distributable income consists of:
1) net income plus retained earnings, plus or minus the balance of the revenue adjustment account.
Net income for the financial year is equal to the amount of interest, arrears, dividends, bonuses and prizes, directors' fees and all income generated by the securities that make up the Fund's portfolio, plus income generated by temporary cash holdings, minus management fees and borrowing costs.
2) realised capital gains, net of charges, minus realised capital losses, net of charges, recognised for the financial year, plus any net capital gains of the same kind recognised over previous years that have not been distributed or accumulated, plus or minus the balance of the capital gains adjustment account.
The amounts referred to in 1) and 2) may be accumulated and/or distributed and/or retained independently of each other, in whole or in part.

For IVC, IC, IC USD, RC, TC and IC H-CHF units: Distributable income shall be fully accumulated, with the exception of those amounts subject to compulsory distribution by law.

For IVD, RD and ID units: Distributable income is equal to net income as defined above plus or minus the balance of the revenue adjustment account for IVD, RD and ID units for the past financial year and retained earnings. Net income is distributed in full and the allocation of net realised capital gains is decided each year by the management company.

- **INVESTMENT OBJECTIVE**

- Investment objective IVC, RC, RD, IC, TC, ID and IVD units:
The investment objective is to achieve a return (net of fees) above Eonia +2,70% for the IVC and IVD units, Eonia +2,30% for the IC, TC and ID units and Eonia +2% for the RC and RD units over the recommended minimum investment period of three years.

- **Investment objective IC USD units:**
The investment objective is to achieve a return (net of charges) above the ICE Libor USD Overnight index, with the US dollar as the base currency, over the recommended minimum investment horizon of three years.

- **Investment objective IC H-CHF units:**
The investment objective is to achieve a return (net of charges) above the CHF Overnight Deposit index, with the Swiss franc as the base currency, over the minimum recommended investment horizon of three years.

- **BENCHMARK**

The capitalised **EONIA** (Euro overnight index average) is the average rate on the overnight interbank euro market. It is calculated by the European Central Bank (ECB) and represents the Eurozone risk-free rate (Bloomberg ticker: EONIA Index).

The **ICE Libor USD Overnight** index is the average interbank rate used by a sample of banks based in London, which provide unsecured loans to each other in US dollars. The Libor in US dollars (Libor USD) is available in fifteen different versions depending on the duration of the loan: from the overnight rate for 24 hour loans, to 12-month loans.
(Bloomberg ticker: US000/N Index).

The CHF Overnight Deposit index:
The **Overnight CHF LIBOR interest rate** is the average interest rate at which a selection of London banks grant each other loans in Swiss francs for 1 day. The LIBOR rates are used by banks as the base rate for determining the amount of their savings rates, mortgage rates and lending rates.
(Bloomberg ticker: SFDR1T CMPN Curncy).

- **INVESTMENT STRATEGY**

1. Strategies used

The Fund aims to achieve a return (net of charges) above the benchmark index over a minimum recommended investment period of three years:

> Eonia +2,70% for the IVC and IVD units,
> Eonia +2,30% for the IC, TC and ID units,
> Eonia +2% for the RC and RD units,
> ICE Libor USD Overnight with the US dollar as base currency for the IC USD units,
> CHF Overnight Deposit index with the Swiss franc as base currency for the IC H-CHF units.

To achieve this investment objective, the Fund will be actively managed, mainly invested in subordinated debt (which is of higher risk than senior or secured debt) or any securities not deemed to be ordinary shares and issued by financial institutions. The Fund shall be managed by combining a top-down approach (which first looks at general economic and market trends before deciding in which geographical areas and securities to invest) and a bottom-up approach (which first looks at issuers' creditworthiness and the quality of individual securities), thus incorporating the regulatory conditions applying to this asset class. The modified duration is between 0 and 8. The Fund is invested only in bonds or securities of issuers the registered offices of which are established in OECD-member countries and/or in securities listed on a financial market of one of these countries. The Fund is invested only in bonds that are traded in euros, US dollars or pounds sterling. To build his portfolio, the manager conducts his own assessment of bonds or securities not deemed to be ordinary shares. He also refers to agency ratings but does not rely on them solely and mechanically.

The Fund will be able to invest in the bonds and securities of any issuer the registered office of which is established in an OECD-member country and/or in securities listed on a financial market of one of these countries. The Fund may not invest in bonds of issuers included on the FATF blacklist.

The Financial Action Task Force (FATF) is an intergovernmental organisation that draws up and promotes policies to combat money laundering and terrorist financing both at national and international levels.

Information on the Fund's sensitivity range is shown in the table below:

Interest rate sensitivity range within which the Fund is managed	Geographic zones of issuers of securities or underlying securities of securitisation products	Range of exposure to this zone
0 - 8	OECD zone	100%

The Fund may invest in bonds that are traded in euros, US dollars and pounds sterling.

2. Assets (excluding embedded derivatives)

<u>Equities:</u>

Ordinary shares (maximum 10% of net assets) arising from the conversion of debt or an offer by the issuer to exchange debt for shares. The Fund will not actively invest in equities but may hold them to enable the manager to sell the equities received in the best market conditions and to maximise the exit price for unitholders.

<u>Debt securities and money-market instruments</u>:

To build his portfolio, the manager conducts his own assessment of bonds or securities not deemed to be ordinary shares. He also refers to agency ratings but does not rely on them solely and mechanically.

Up to a maximum of 100% of the net assets in bonds or securities not deemed to be ordinary shares, issued by investment grade or equivalent issuers based on the management company's analysis and rated at least BBB- by Standard & Poor's or equivalent based on the management company's analysis, and up to a maximum of 20% of the net assets in bonds or securities issued by speculative/high-yield issuers based on the management company's analysis, or rated below BBB- by Standard & Poor's or equivalent based on the management company's analysis, or not rated by a rating agency. Speculative/High Yield bonds or securities may not exceed 50% of the Fund's net assets. Up to 30% of the net assets in convertible bonds and contingent convertible bonds (CoCo bonds). The Fund may invest up to 30% of the net assets in CoCo bonds. A contingent convertible bond is a subordinated debt security that is convertible into equities of the issuing company if a pre-specified trigger event occurs, e.g. if the issuer's capital ratio falls below a certain threshold, and for which the nominal value may decrease in part or be wiped out.

Up to 75% in bonds or securities not deemed to be ordinary shares, traded in US dollars or pounds sterling. Exchange rate risk will be hedged so that exposure thereto shall not exceed 10% of the Fund's assets.

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

3. Derivatives

- **Types of markets:**

☒ regulated
☒ organised
☒ OTC

- **The manager intends to seek exposure to:**

☐ shares
☒ interest rates
☒ foreign exchange
☒ credit
☐ other

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

☒ hedging
☒ exposure
☐ arbitrage
☐ other

- **Types of instruments used:**

☒ **futures**:
  ☐ equity and equity index
  ☒ interest rate: interest rate risk
  ☒ currency
☒ **options:**
  ☐ equity and equity index
  ☒ interest rate: interest rate and interest rate volatility risk
  ☒ currency: only on organised markets
☒ **swaps:**
  ☐ equity swaps
  ☒ interest rate swaps: transformation of fixed-rate income to variable-rate income and vice versa
  ☒ currency swaps
☒ **currency forwards**
☒ **credit derivatives** (CDS are limited to 40% of the assets)

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

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

4. **Securities with embedded derivatives**
The manager may invest in the following securities with embedded derivatives up to a maximum of 100% of the net assets: structured products, subordinated debt, puttable and callable bonds, convertible bonds and contingent convertible bonds (a maximum of 30% of the net assets for the latter).

5. **Deposits:**
Up to 10% of the Fund's assets may be held in deposits.

6. **Cash borrowings:**
The Fund may borrow cash within the limit of 10% of its assets to meet specific cash requirements related to its operating needs.

7. **Temporary purchases and sales of securities:**
None.

8. **Information on financial guarantees:**
In connection with over-the-counter derivative transactions, and in accordance with Position paper 2013-06 issued by the French financial markets regulator (*Autorité des Marchés Financiers*– AMF), the Fund may receive collateral in the form of securities (such as bonds or other securities issued or guaranteed by a State or issued by international financing agencies and bonds or securities issued by high quality corporate issuers), or cash.
Any cash collateral received is reinvested in accordance with the applicable rules.
All such assets must be from high-quality issuers that are not an entity of the counterparty or its group, and must be liquid and diversified with low volatility.
Discounts may be applied to the collateral received; they take into account the quality of credit and the price volatility of the securities.

- **RISK PROFILE**

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

Risk of capital loss: The Fund is not guaranteed or protected and therefore there is a possibility that you may not get back the full amount of your initial investment. Investors should therefore be aware that they are not guaranteed to get back the money originally invested.

Interest rate risk: Risk of a fall in the value of the assets, and hence in the portfolio, resulting from a change in interest rates. Because of its sensitivity range, the value of this component of the portfolio may decrease, either in the case of a rise in interest rates if the portfolio's sensitivity is positive, or in the case of a fall in interest rates if the portfolio's sensitivity is negative.

Credit risk: Credit risk is the risk that the borrower does not repay his debt or cannot pay the coupons during the lifetime of the security. Risk of a fall in the value of the assets, and hence in the portfolio, due to a change in the credit quality of the issuers or a change in credit spreads. Because of its credit sensitivity range, the value of this component of the portfolio may decrease, either in the case of a rise in spreads, if the portfolio's credit sensitivity is positive, or in the case of a fall in spreads if the portfolio's credit sensitivity is negative.

Risks linked to contingent or subordinated securities: The Fund may be exposed to contingent or subordinated securities. Subordinated debt and contingent convertible bonds are subject to specific risks of non-payment of coupons and capital loss in certain circumstances. At a certain solvency threshold, referred to as the "trigger” threshold, the issuer may or must suspend the payment of coupons and/or reduce the nominal value of the security or convert such bonds into shares. Notwithstanding the thresholds specified in the issuing prospectuses, the supervisory authorities may apply these rules preventively if the circumstances require, based on a subjective threshold known as the "point of non-viability". These securities expose holders to either a total or partial loss of their investment following their conversion into shares at a predetermined price or because of the application of a discount provided for contractually in the issuing prospectus or applied arbitrarily by a supervisory authority. Holders of these securities are also exposed to potentially large price fluctuations in the event that the issuer has insufficient equity or experiences difficulties.

Foreign exchange risk: The Fund may invest in securities and UCIs that are themselves permitted to purchase stocks denominated in currencies other than the euro. The value of these assets may decline in line with changes in the exchange rates.

Liquidity risk: This is the risk that a financial market can absorb the volumes of sell (or buy) transactions only by significantly decreasing (or increasing) the price of assets when trade volumes are low or when there are market tensions, resulting in a possible decrease in the Fund's net asset value.

Equity risk: Investors are exposed to equity risk. Fluctuations in share prices may have a negative impact on the Fund's net asset value. The net asset value may decrease during periods in which equity markets are falling.

Counterparty risk: The counterparty risk is related to the use of over-the-counter products. The Fund is exposed to the risk of non-payment or non-delivery by the counterparty with which the transaction is negotiated. This risk may result in a decline in the Fund's NAV.

Risk associated with investment in the futures markets: The use of derivatives may cause exposure to an upward or downward change of the Fund’s net asset value.

Guarantee or protection
None.

- **ELIGIBLE SUBSCRIBERS AND TYPICAL INVESTOR PROFILE**

IVC units: All investors - the units are intended to be distributed directly to private investors by the management company
RC units: All investors – the units are intended to be distributed directly to private investors by the management company's partners or by third-party management companies.
IC units: Reserved for institutional investors
IC USD units: All investors
IVD units: All subscribers
IC H-CHF units: All subscribers
RD units: All investors – the units are intended to be distributed directly to private investors by the management company's partners or by third-party management companies.
ID units: Reserved for institutional investors
TC units:

- No minimum subscription amount for (i) UCIs managed by the management company or (ii) the management company in the context of proprietary investment;
- No minimum subscription amount for (i) investors subject to MiFID II (solely and exclusively in the context of their independent advisory activities or the provision of third-party investment management services) or (ii) investors that do not receive retrocession payments on their activities in foreign countries that are not subject to this directive, subject to the prior agreement of the management company;
- An initial minimum subscription amount of €500 000 for all other investors.

This Fund is aimed at investors who are aware of the risks associated with investing in the international credit markets.
Subscribers are strongly advised to diversify their investments sufficiently to avoid exposure solely to the risks of this Fund.

Information on US investors:
The Fund is not registered as an investment vehicle in the United States and its units are not and will not be registered under the Securities Act of 1933 and, therefore, they may not be offered or sold in the United States to Restricted Persons, as defined hereafter.
A Restricted Person is (i) any person or entity located in the United States (including US residents), (ii) any corporation or any other entity subject to the laws of the United States or any state thereof, (iii) any US military personnel or any employee of a US government department or agency located outside the United States, or (iv) any other person that would be considered a US Person under Regulation S of the Securities Act of 1933, as amended.

FATCA:
Pursuant to the provisions of the Foreign Account Tax Compliance Act ("FATCA") applicable as of July 1st, 2014, if the SICAV invests directly or indirectly in US assets, the capital and income arising from such investments may be subject to withholding tax of 30%.
To avoid paying the 30% withholding tax, France and the United States have entered into an intergovernmental agreement under which non-US financial institutions ("foreign financial institutions") agree to institute procedures for identifying direct or indirect investors who qualify as US taxpayers and to provide certain information about these investors to the French tax authorities, which will disclose said information to the US tax authority, the Internal Revenue Service.
As a foreign financial institution, the Fund undertakes to comply with the FATCA and to take all appropriate measures pursuant to the aforementioned intergovernmental agreement.

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

Recommended investment period: minimum three years.

2. CHANGES AFFECTING THE UCI

The Chairman of the management company Lazard Frères Gestion SAS made a decision concerning **LAZARD CREDIT FI** (ISIN code: FR0010590950) to authorise investment in securities with embedded derivatives up to 100% of the net assets.

- **Effective date: May 11th, 2018**

The Chairman of the management company Lazard Frères Gestion SAS made a decision concerning **LAZARD CREDIT FI** (ISIN code: FR0010590950) to amend the wording of the KIID by inserting two paragraphs on contingent convertible bonds.

- **Effective date: August 20th, 2018**

3. MANAGEMENT REPORT

PERFORMANCE

The UCI's performance over the period was as follows: -0,93% (Lazard Credit Fi - IVC).

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

The benchmark's performance over the period was as follows: +2,36% (EONIA + 2,70%).

ECONOMIC ENVIRONMENT

Introduction

After an acceleration in 2017 and early 2018, global economic growth slackened. Many factors contributed to the slowdown, including mounting trade tensions between the US and China, the tightening of credit policy in China, disruption in the German automotive sector, political uncertainty in Europe, natural disasters in Japan and economic crises in Argentina and Turkey. In the US, growth remained robust but disappointing economic data releases and the yield curve inversion at the end of 2018 rekindled fears of recession, triggering a sharp increase in volatility on the financial markets. Volatility fell back again when the central banks changed the course of their monetary policy. The Federal Reserve adopted the principle of a pause in its tightening cycle and indicated that it would not raise rates for the rest of the year, whereas in December 2018 it had still been planning two further hikes. It also said it would stop reducing its balance sheet from September 2019. The European Central Bank announced that it would not raise interest rates this year, whereas it had previously planned a rate hike after the summer, and also said that it would launch a new series of targeted long-term loans for Eurozone banks. The Bank of Japan reaffirmed its commitment to buy government bonds to enable the ten-year yield to remain close to 0%, and the Chinese authorities strengthened their monetary and fiscal support.

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

IMF Economic Outlook, April 2019
* The data and forecasts for India are presented based on the budget year.

The MSCI World global equities index in dollars was virtually flat over the year, rising 0,5%. Developed country equities put on 2,0%, with contrasting performances between the various markets. In their respective currencies, the S&P 500 gained 7,3% while the Euro Stoxx shed 1,9% and the Topix 7,3%i. The MSCI emerging equities index in dollars fell by 9,6%.

In Q2 2018 and Q3 2018, the equity markets fluctuated according to the perception of the risk of a trade war between China and the United States, as well as the likelihood of Italy defying EU budgetary rules and of a crisis in emerging countries, as sharp depreciations in the Turkish lira and the Argentine peso in August 2018 fuelled fears of contagion to other countries.

The equity markets experienced a sharp correction in Q4 2018. The publication of disappointing economic data from across the globe and the inversion of the US yield curve rekindled fears of a reversal in the global growth cycle, amid persistent trade tensions between China and the United States, political uncertainties in Europe and a rapid fall in oil prices.

After this difficult end to the year, the equity markets rebounded sharply in Q1 2019, making up some of the losses suffered in Q4 2018. The return of risk appetite is linked more to the allaying of fears of recession in the United States, the Federal Reserve's more accommodative stance and the progress of US-Chinese trade negotiations than to an improvement in earnings prospects, which have been revised downwards.

Concerns about growth and the more accommodative position adopted by central banks weighed on US and German government bond yields. Over the year, the US 10-year rate fell from 2,74% to 2,41%, with a high of 3,24% in November, and the German 10-year rate fell from 0,50% to -0,07%, after peaking at 0,64% in mid-May. In early December, the US 5-year rate fell below the two- and three-year borrowing rates.

In Italy, fears of a budgetary overshoot led to a widening of the 10-year credit spread against Germany by 127 basis points to 256 basis points. It peaked at 327 basis points at the end of November. Spain's spread against Germany widened by 50 basis points and France's by 16 basis points. Greece's spread remained virtually unchanged.

According to the ICE Bank of America Merrill Lynch indices, the credit spread on good quality corporate bonds in relation to government bonds widened by 28 basis points to 121 basis points, while that between high-yield bonds and government bonds widened by 77 basis points to 392 basis points. Credit spreads peaked in January at 155 and 523 basis points, respectively.

The euro fell from USD 1,23 to USD 1,12, i.e. a depreciation of 9,0% over the year. The euro depreciated by 5,1% against the yen, by 5,0% against the Swiss franc and by 2,1% against sterling. Political uncertainties in Italy and the UK as well as the ECB's accommodative monetary policy weighed on the single currency.

The Brent crude price peaked at USD 86 in early October before falling rapidly to a low of USD 50 in December. It then rose to USD 68 per barrel at the end of March, representing a decline of 2,3% over the year.

United States
Growth was solid in the US in 2018, at +4,2% in Q2, +3,4% in Q3 and +2,2% in Q4, on an annualised basis. GDP grew by 3,0% year-on-year.

Household consumption remained strong until the end of 2018. In December, it fell by 0,6%, its sharpest decline in ten years. It partly rebounded in January and rose 2,3% year-on-year, inevitably impacted by the federal shutdown and the fall in equity markets.

Job creation was strong apart from blips in September 2018 and February 2019. The private sector created 202 000 jobs per month on average, allowing the unemployment rate to fall from 4,1% to 3,9%. The hourly wage accelerated to +3,2% year-on-year.

ISM surveys remained upbeat for most of the year.
In December 2018, the new orders component of the manufacturing ISM fell 11,0 points to 51,1. It rebounded in Q1 2019 to 57,4 in March.

Residential investment continued to slow, falling by 2,0% between Q4 2017 and Q4 2018. Property price growth also contracted, to 4,3% year-on-year in January 2019. Non-residential investment was strong, rising 7,1% in the year to Q4 2018. The Housing Market Index of the National Association of Home Builders (NAHB) fell gradually before plunging from 68 to 60 in November and from 60 to 56 in December. It then rose again in Q1 2019 to 62,0 in March.

Inflation slowed from +2,4% to +1,5% year-on-year between March 2018 and February 2019, peaking at +2,9% in the summer. The core personal consumption deflator moved in a tight range between +1,7% and +2,0%.

The Federal Reserve raised its benchmark interest rate by 25 basis points in June, September and December, bringing it to a band of 2,25%-2,50%. On January 4th,2019, Jerome Powell indicated that the Federal Reserve would be patient and adjust its monetary policy in line with economic results. On March 20th, 2019, it said that it would not raise rates for the rest of the year and that it would stop reducing its balance sheet from September 2019.

The United States increased its tariffs on USD 250bn of Chinese products. China retaliated by increasing its tariffs on USD 110bn of US goods.
On December 1st, 2018, to give themselves time to negotiate a deal Donald Trump and Xi Jinping announced a 90-day trade truce, which Donald Trump extended *sine die* on February 25th, 2019. The additional tariffs did not prevent a deepening of the US trade deficit from USD 3,7bn, to USD 51,1bn in January 2019.

The mid-term elections on November 6th, 2018 resulted in a divided Congress. The Democrats took control of the House of Representatives, securing 235 of the 435 seats. With 53 of the 100 seats in the upper house, the Republicans held onto their majority in the Senate. Due to a lack of financing, the federal administrations were partially closed from December 23rd, 2018 to January 25th, 2019, the longest shutdown in the history of the United States.

Eurozone
Eurozone growth slowed sharply, from +1,7% in Q2 2018 to +0,6% in Q3 2018 and +0,9% in Q4 2018, on an annualised quarterly basis. Eurozone GDP grew by 1,2% year-on-year. By country, it rose by 0,6% in Germany, 1,0% in France and 2,3% in Spain. The best Italian GDP could do was remain flat, due to a slide into recession in H2 2018.

The Eurozone composite PMI fell from 55,2 to 51,3 over the last 12 months. During this period, the manufacturing PMI shed 9,1 points to 47,5. The services PMI was more resilient, falling 2,2 points to 52,7.

The entry into force of WLTP standards on September 1st, 2018 led to volatility in car sales in the Eurozone. After a jump of 21,5% in July, they fell by 37,2% in September. They then rebounded without, however, returning to the levels prevailing before the summer. Anti-pollution standards have also disrupted German automotive production, which fell by 43% in Q3 2018 before rebounding by 22% in Q4 2018, on an annualised quarterly basis.

Unemployment in the Eurozone continued to fall, hitting 7,8% in February 2019, compared with 8,5% in March 2018. Some wage measures in the Eurozone gathered pace but inflationary pressures remained moderate. Headline inflation was stable at +1,4% over one year, peaking at +2,3% in October. Core inflation moved in a tight range between +0,8% and +1,1%.

On June 14th, 2018, the ECB announced that it would be halving its monthly asset purchases in Q4 2018 to €15bn and was planning to halt the programme at the end of December 2018. It also indicated that it would leave interest rates unchanged at least until the summer of 2019. At its meeting on December 13th, 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 7th, 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.

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

In Spain, prime minister Mariano Rajoy was forced to step down on June 1st, 2018 after a motion of no confidence was passed by parliament on foot of convictions against several senior members of his party for corruption. He was replaced by the socialist party leader, Pedro Sanchez, heading up a minority government. After the failure of his proposed budget, on February 15th, 2019 the new head of government called early general elections for April 28th, 2019.

MANAGEMENT POLICY

The financial credit market corrected in April 2018, clawing back some of the losses seen in March. However, after rallying over the first 15 days of the month, spreads began to increase again during the second half of the month. In addition, yields began to rise again from April 18th in the three currencies: Rising yields + rising spreads created a losing momentum at the end of the month, prompting many investors to adopt a wait-and-see approach.
The initial results from financial institutions were good overall, without being excellent.
The financial sectors' difficulties in finding sources of revenue growth seem to be structural in nature. There were some first-time one-off AT1 issues by players to meet their regulatory requirements of 1.5%, for instance, Bawag and PBB, which enhanced the diversification on the market.

May 2018 was a particularly volatile and agitated month, with investor sentiment fluctuating in line with statements, announcements and rumours on the Italian government. Uncertainty was so high that the daily price movements on BTP securities, a barometer for the markets during the month, were the most drastic recorded since the euro's creation. Fears of an "Italexit" dragged down bank and insurance stocks, particularly those of Italy and peripheral countries, declines that in our view were exaggerated. The entire negative performance for the year was recorded entirely in May.

The markets rebounded at the start of June after the decline in May sparked by Italy. However, this mini rally came to a halt after the ECB meeting. Investors seemed particularly prudent, adopting a wait-and-see approach at the end of that month and quarter, with sell flows remaining light but steady, causing spreads to widen again.
We saw a timid return of investors to the hybrid debt market, with Danske Bank in the AT1 segment (spread of 413bp vs. government bonds), CNP in RT1 with a spread of 450bp, and Caixa Geral de Depositos in Tier 2 with a spread of 610bp. Despite generous, attractive pricing, these securities did not succeed in performing on the secondary market, and were impacted by the rest of the market.

After reaching a high at end-June 2018, spreads tightened again in July across all subordinated debt segments. In the first place, Italian risk seemed to decline on foot of declarations by the finance minister concerning the future budget's compliance with European rules. Then, initial earnings publications were excellent, particularly for banks, which was no real surprise either way for Swedish banks, and better than expected for most Spanish banks. The very solid results by Irish and Portuguese banks confirmed a very favourable economic environment in both countries. The results of Deutsche Bank, which had become synonymous with warnings and disappointments, far exceeded expectations, with an excellent balance sheet and capital level, even if profitability was still not resolved.

August 2018 was marked by renewed volatility caused by concerns around emerging countries, Turkey in particular, trade tensions in the United States, the Italian budget, and the potential response by the ratings agencies in the period to the end of the year. Fitch changed its outlook for Italy from stable to negative at the end of the month.
Bank stocks fell by -8% over the month, and subordinated securities also suffered, notably Italian securities and Spain's BBVA due to its Turkish subsidiary. We took advantage of that situation to strengthen our positions in this stock; in fact the impact for the bank was fairly limited in terms of both revenue and capital, as a result of which Moody's confirmed its rating for BBVA at the month-end without changing its outlook.
Despite the market environment and holiday period, the primary market remained active across all subordination levels: Barclays and BNP in AT1 $, Mapfre and Svenska in T2 €, and various non-preferred and preferred senior € issuers (Deutsche Bank, Rabobank, RBS, Belfius, among others). We took a selective approach, mainly taking part in Preferred and Non-Preferred issues, which offered a very attractive premium compared to the secondary market.
The financial institutions continued to publish solid interim results, with an acceleration in the reduction of non-performing loans in Italy and the two main banks there (Unicredit and Intesa) posting a NPL ratio of around 9%.

Italy continued to impact appetite for risk in September 2018, with the prospect of a budget deficit well below 2%, led by finance minister Giovanni Tria, causing the German-Italian 10-year yield spread to fall by 55bp until the final budget announcement on September 27th.

The deficit target finally came out at 2.4%, well above market anticipations, and although the calculation details had not yet been published (notably the GDP growth rate used), the German-Italian spread widened by 36bp following the announcement.
A similar dynamic was at play for Italian paper, with a further increase over the month which was largely wiped out on the budget announcement date. Nevertheless, the indices closed the month slightly positive across all compartments, with Italian AT1 issues even gaining +1,64% on the J.P. Morgan CoCo AT1 Italy versus +3,06% for Italian bank stocks according to the FTSE Italia All-Share Banks.
As an issuer, Danske Bank remained under pressure following the publication of its internal investigation into suspicious transaction flows at its Estonian subsidiary. In fact, the bank was not yet in a position to identify all of the fraudulent transactions. The bank's AT1 lost -5% over the month in a bull market on which the main uncertainty related to whether or not the US would enter into the procedure. We took advantage of this correction to strengthen our exposure to this security.
As expected, the primary market was active during the month with Abanca, Bankia, BBVA, HSBC and SocGen in AT1, Phoenix Group, Groupama, Prudential, Swedbank and Nordea in Tier 2 and at least ten issuers in the non-preferred senior segment.

The rapid rise in US yields at the start of October 2018 to levels not seen for a long time (10-year yields flirted briefly around 3,25%) dragged down risky assets, starting with the equity markets.
Risk in relation to Italy reappeared at the start of October, with a more aggressive stance between the EU and the local government leading to a significant widening of the BTP-Bund spread (326bp at the widest level before closing the month at 304bp) and in turn subordinated financial securities, Italian securities in particular. However, the worst-case scenario in terms of agency ratings did not occur: deterioration to Baa3 by Moody's but with a stable outlook and BBB rating maintained at S&P but with a negative outlook.
The Spanish banks were sent into turmoil after an unexpected ruling by the supreme court on the payment by banks of a local tax on property loans, and a potential retroactive effect which nevertheless seemed unlikely. Concerning Brexit, both parties seemed close to an agreement, according to statements by Dominic Raab, the Secretary of State for Exiting the EU.
The first earnings publications for Q3 were relatively uneventful, which was good news for creditors. We note the moderate impact of Turkey on BBVA and ING, very solid results for Caixa Geral de Depositos and excellent capital generation by Danske Bank.
We reduced the proportion of dollar-denominated securities and increased our exposure to Danske Bank, Caixa Geral de Depositos and the Spanish banks following the sell-off sparked by the ruling.

The rebound that began at the end of October lasted only into the first week of November. The revival of tension between Europe and Italy was the main factor that pushed the BTP-Bund spread above 320bp before it fell back to 280bp after downward revisions to the deficit by the government and a more open approach to discussion by the European Commission.
Following that, tensions were exacerbated by the subject of Brexit: an avalanche of resignations following the deal negotiated by Theresa May increased the likelihood in the view of investors of a no-deal Brexit, which weighed on risky assets to the benefit of government bonds.
In addition there was a lack of liquidity among bank counterparties and the approach of the year-end prevented any increase in trading books, in which conditions sell flows in limited quantities gave rise to a decrease in prices.
All of the Italian banks published their Q3 results: the trends seen in the previous quarters were confirmed, with a slight increase/stability in capital and an improvement in their balance sheets. Unicredit was the sole player that disappointed investors, with lacklustre results and a significant one-off related to Turkey.
On the primary market, there was some activity in the Tier 2 segment in euros with BNP, Sabadell and Munich Re as well as in pounds sterling with Legal & General.

The main themes of November 2018 were political in nature. Theresa May finally pushed back a vote on Brexit until the week of January 14th: a motion of no confidence in her own party did not pass but it revealed the level of internal division within the Conservative Party, with 117 members voting against her and 200 voting in her favour.
The EU and the Italian government succeeded in the end in reaching agreement on a compromise budget with a deficit of 2,04% set for 2019 and a growth assumption of 1%. All Italian stocks benefited from the easing of the BTP-Bund spread, without returning to pre-crisis levels however.

The yellow vest demonstrations in France had a significant economic impact both in terms of the budget deficit in 2019, which was revised up to 3,2% from 2,8% initially, and in terms of growth in the fourth quarter of 2018 with the PMI falling significantly.
Against this backdrop, financial stocks continued to decline on the equity markets, penalised by a declining yield environment.

In 2018, the change of sentiment around investment grade securities (outflows from credit funds in general) and political uncertainties outweighed the positive fundamentals in the financial sector. Accordingly, the performance of financial debt was unable to detach from the macro environment and political developments.
At the start of 2019, consensual trades seem to be neutral or short on European banks pending a high volume of issues on the primary market in the early part of the year. The evolution of spreads will consequently depend on investor appetite and/or any announcement by the ECB of a new TLTRO III programme during the first half of 2019.

The December decline continued into the first week of the year, but the rest of January 2019 brought a sharp rebound in all risky assets.
Renewed optimism regarding Brexit, the Fed's less hawkish statements and the progress made in the US/China discussions managed to overshadow the US government shutdown and the first batch of mixed earnings publications by US companies.
The reporting season got underway for European banks with just a few publications but with mixed results: UBS, Bankia and SwedBank failed to meet expectations while BankInter, Santander and SEB surpassed estimates. February would confirm whether this trend would prevail across the sector, while the cost of risk remained low for these banks, as was the case for US banks.
The primary market was active mainly in MREL (Non Prefered Senior OpCo/Senior HoldCo) eligible securities with strong premiums offered by BNP, Unicredit and Danske Bank.
Banco Commercial Portugues issued its first Additional Tier 1 euro-denominated bond with a coupon of 9,25%.

February 2019 saw a continuation of the trend seen in January, with more and more investors adopting a more upbeat mood on the global environment, and consequently becoming more amenable to risks. While global volumes were light, with some global inflows into credit funds from the start of the year which brought an end to the outflows that had penalised the market in 2018, investors were mainly interested in the cash segments, which accounted for the bulk of the price movements in recent months.
The market appeared increasingly to believe in a forthcoming resolution to two major political issues: the trade war, with a possible US-China deal within a few weeks, and Brexit, either with the approval of Theresa May's negotiated deal or an extension of Article 50.
The results published by banks were good overall, but pressure on revenues continued unabated.
That said, the sector's valuation was low, both in the equity and credit markets.

It was the central banks that spurred the markets again in March 2019. First of all, the ECB confirmed the need to maintain an accommodative monetary policy, and officially announced a new TLTRO III programme and a potential deferral of a rate hike until 2020. Subsequently, the Fed adopted a distinctly more dovish tone, switching from plans for two rate hikes in December to no rate hike in 2019 AND complete termination of its balance sheet reduction plan from September 2019, starting from May. This resulted in a continued fall in sovereign yields, with the German 10-year yield entering negative territory for the first time since June 2016, the Gilt falling below 1% and the US T-Note dropping below 2,4%.
Investors seemed less interested in the Brexit theme, with the main adjustment variable remaining the currency. British banks continued to fare well on the markets and some issuers such as Lloyds and Coventry launched buyback offers on Tier 2 and AT1 capital instruments.
In the banking sector, all eyes turned to the proposed Deutsche Bank – Commerzbank merger, which both parties had started to look at seriously, as well as the money laundering issues. After Danske Bank the previous year, SwedBank was now the subject of investigations by the US courts into money transfers through its Baltic subsidiaries by its non-resident clients. After a busy start to the month, the primary market began to waver, causing a widening of spreads at the end of the month. Several issuers

sought to refinance their AT1 programmes in advance, which would potentially limit issuance in the following months. Santander therefore would probably be the only bank not to exercise its call option on its AT1 for the time being.

Past performance is no guarantee of future results.

Main changes in the portfolio during the year

Securities	Changes (“accounting currency”)	
	Purchases	Sales
LAZARD EURO MONEY MARKET	122 180 720,92	141 681 205,63
AG INSURANCE SA/NV TF/TV PERPETUEL	8 994 781,80	9 090 768,89
CA 6.875% PERP	13 217 023,53	4 461 148,77
BNP PAR 2.375% 20-11-30 EMTN	12 916 540,00	2 025 249,86
BANCO DE BADELL 5.375% 12-12-28	14 738 019,25	0,00
UNICREDIT 4.875% 20-02-29 EMTN	14 100 000,00	0,00
ABANCA CORPORACION BANCARIA 6.125% 18-01-29	12 787 997,95	0,00
CAIXA GEN 5.75% 28-06-28 EMTN	12 267 502,74	0,00
BBVA 5.875% PERP	10 156 538,46	1 952 987,64
CAIXABANK 1.75% 24-10-23 EMTN	5 777 496,00	5 803 522,66

Transparency of securities financing transactions and the reuse of financial instruments - SFTR - in the UCI’s accounting currency (EUR)

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

ESMA

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

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

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

- Underlying exposure through derivative financial instruments: **263 596 052,44**
  - **Currency forwards: 263 596 052,44**
  - **Futures:**
  - **Options:**
  - **Swaps:**

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

Efficient portfolio management techniques	Derivative financial instruments (*)

(*) Excluding listed derivatives

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

Instrument type	Amount in the currency of the portfolio
Efficient portfolio management techniques	
. Term deposits	
. Equities	
. Bonds	
. UCITS	
. Cash (**)	
Total	
Derivative financial instruments	
. Term deposits	
. Equities	
. Bonds	
. UCITS	
. Cash	2 493,77
Total	**2 493,77**

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

d) Operating income and expenses related to efficient management techniques

Operating income and expenses	Amount in the currency of the portfolio
. Income (***)	
. Other income	
Total income	
. Direct operating expenses	10 568,99
. Indirect operating expenses	
. Other expenses	
Total expenses	**10 568,99**

(***) 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.

- **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.

- **REPORTING OBLIGATIONS UNDER ARTICLE 173**

General procedure for incorporating ESG criteria

Lazard Frères Gestion firmly believes that the integration of environmental, social and governance (ESG) criteria by issuers is vital to their sustained 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.

ESG criteria incorporated for Lazard Credit Fi

- Analysis of governance

The quality of governance has always been a decisive element in our investment policy.
Satisfactory governance guarantees transparency and a balance of power, with a right to input by the shareholders.
Lazard Frères Gestion believes that best practices in terms of corporate governance are a risk control factor that favour the creation of value and contribute to a broad alignment of the interests of all stakeholders.

- Social criteria

Social criteria include the prevention of accidents, staff training, respect for employee rights, human rights, ethics in the supply chain, and social dialogue.

Human capital is one of the two drivers of a company alongside financial capital, which if neglected could give rise to risks around the loss of operational profitability or an increase in costs linked to payroll volatility.

- Environmental criteria

Environmental criteria take into account the direct or indirect impact of the company's activity on the environment (waste management, energy consumption and emission of pollutants) and are assessed by looking at the relevant activity sector.
We seek to understand how the company appraises environmental risks and any negligence on its part could potentially lead to liabilities that impact its economic profitability.
If environmental risks (pollution, biodiversity, resources and local communities) are not adequately appraised, this can lead to a loss of profitability, reputational risk and financial risk.

Information used to analyse ESG criteria

Lazard Frères Gestion draws on several sources of information when assessing ESG criteria for each company:

- Public sources: CSR reports, NGOs, press
- Direct communication with the companies
- External research: Extra-financial ratings agencies, brokers

Each analyst/director may include data deemed relevant in their extra-financial analysis. These analyses are an integral part of our management process.

Our proprietary analysis tools show financial and extra-financial data for each company under consideration.

Data is entered directly in these tools by the analysts/directors.

ESG analysis methodology and results

- ESG analysis methods

For each company studied, the analyst-manager completes a credit analysis form containing financial data as well as extra-financial data from our partner Vigeo-Eiris.
These fact sheets are then centralised in a database that is accessible to all analysts/managers in the management unit. Issuer information and/or ESG data are reviewed twice a year.
At the same time, another database dedicated solely to ESG contains all the quantitative data of our partners Vigeo-Eiris and Trucost, which analysts-managers in particular can use to identify more quickly companies with the highest or lowest performance within their sector. This data is updated by the ESG team on a quarterly basis.
The analysis of criteria relating to climate risks has thus far been delegated to our partner Vigeo-Eiris.

Vigeo analyses the manner in which issuers take physical risks and transition risks into account in their development model, using the following methodology:
- <u>Assessment of physical risks</u>

An assessment of the level of control of these risks by the issuers, and an examination of:

- Whether companies have identified and quantified the physical climate risks to which they may be exposed.
- Measures taken to prevent, adapt and mitigate these risks.
- Indicators reflecting the results of these efforts to anticipate and mitigate the consequences that the physical impacts of climate change could have on their activities:
  - Impacts on company assets (damage, destruction of buildings or production equipment, early retirement of existing assets, etc.).
  - Supply chain impacts (reduced availability/increased costs of raw materials, components or equipment, etc.).
  - Cost impacts (insurance costs, investment costs, operating costs, etc.).
  - Impacts on the company’s ability to carry out its activities and operations (reduction or disruption of production capacity, impacts on the management and planning of the workforce, etc.).

- Assessment of transition risks

Three transition risks are identified:

- The risk associated with changes in energy prices

The commitments of issuers to reduce their energy consumption and associated emissions are measured, or how companies change their energy mix.

- The risk associated with advances in technology

These risks correspond to companies' exposure to obsolescence risks due to lack of technological innovation, and substitution of existing products and services by others with lower emissions.
This is followed by the efforts made by companies to develop and market products and services with a reduced climate impact, and their implications in R&D activities for ecological products and services.

- Risk associated with regulatory changes

This entails measuring how companies anticipate regulatory changes:

- Carbon footprint/carbon price: a measurement of the carbon footprint makes it possible to assess the sectors and companies that emit the most greenhouse gases and are therefore the most exposed to climate regulations.
- Stranded asset/impairment risk: identification of issuers whose revenues derive from fossil energies and those with fossil fuel reserves to identify those most exposed to the risk of depreciation of their assets.
- Compliance with 2-degree scenario targets: a measure of the level of commitment of issuers to the energy transition of their economic model. Assessment of commitments made and efficiency of the measures taken to reduce their GHG emissions, change their energy mix and reduce their energy consumption.

- How ESG criteria are taken into account in the investment decision-making process

The analysts-managers ensure that the valuation is consistent with the extra-financial ratings, i.e. that the spread remains attractive from a credit risk perspective.

With comparable spread levels and similar fundamental risk profiles, our analysts-managers have the opportunity to favour a company with the best ESG characteristics.

ESG analysis is therefore integrated into our fundamental analysis and has a direct impact on investment decisions.

Finally, we regularly measure the impact of the inclusion and management of ESG risks by the companies selected on the ESG performance of the bond portfolios.

Accordingly, all of the portfolios undergo a quarterly quantitative evaluation by the ESG team based on the data made available by our partner Vigeo-Eiris.
For each portfolio, the ESG ratings of all the issuers in the portfolio are detailed in a file sent quarterly to the management team: this file highlights for each issuer the overall Vigeo-Eiris rating as well as the ratings for the six areas analysed by Vigeo Eiris.
In addition, for issuers with the lowest extra-financial ratings (overall score "Weak"), with the help of qualitative analysis provided by Vigeo-Eiris, the ESG team writes a summary comment which is also sent to the Fund manager each quarter.

- Monitoring of ESG indicators

➢ **Carbon footprint**

Pursuant to Article 173 of the law of August 17th, 2015, LAZARD Frères Gestion made a decision to report the carbon footprint of Lazard Credit Fi.

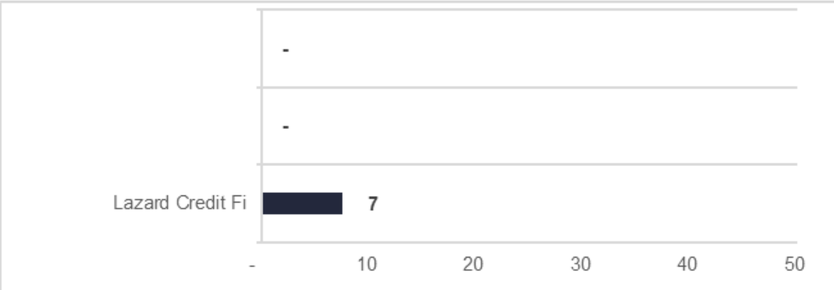
- To obtain the data needed to calculate the carbon footprint, we decided to establish a partnership with TRUCOST in 2016.
- LAZARD Frères Gestion decided to use the carbon intensity indicator, which is expressed in CO_2 equivalent tonnes per million euros of income.
- The carbon footprint assessment takes into account scope 1 and 2 greenhouse gas (GHG) emissions.
  - Scope 1: All direct emissions linked to the use of fossil fuels to manufacture a product.
  - Scope 2: Direct emissions linked to the production of energy (electricity, etc.) that is consumed by the company.

- Measurement is solely conducted on securities that are directly owned. Listed companies for which we do not have carbon-related data are removed from the scope of analysis and the weight of each security in the portfolio is then rebased to obtain a total weighting of 100%.
- The method used to calculate the portfolio's carbon intensity is the weighted average GHG emissions divided by the income of each position. We thus get the following formula:

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

Generally, we compare a fund's carbon footprint with its benchmark, however Lazard Credit Fi's benchmark index is the EONIA, a composite interest rate index, which does not have any underlying companies and therefore, by nature, does not have any specific ESG characteristics. It is therefore impossible to make this comparison here.

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



Date: 29/03/2019
Fund coverage ratio: 82%

➤ **Contribution to energy transition indicator**

We apply an energy transition score to measure the company's level of engagement in the energy transition of their business model.
Each issuer in the portfolio is assessed based on the efficiency of the measures taken to reduce their GHG emissions, change their energy mix and reduce their energy consumption.
Our partner Vigeo Eiris is responsible for applying this score.
For this, specific climate change criteria are analysed as are the main energy transition objectives of the companies and the relevant sectors. The score hinges on the efforts made by the companies to reduce their carbon footprint and contribute to the international target to prevent global warming from rising above 2°C.
The portfolio's contribution to the energy transition is measured

$$\text{Score Transition Énergétique d'un portefeuille} = \sum\left[\text{Score Transition Énergétique de chaque titre} \times \text{poids de chaque titre}\right]$$

based on the rating scale set out below:

Energy Transition Strategy Scale

Categories	Low	Underway	Convincing	Advanced
Score	0-29	30-49	50-59	60-100

Energy Transition Score

LAZARD CREDIT FI	**Underway**	**48**

Integration of the results of the ESG analysis into the investment process

- Voting at shareholders' meetings

As a bond holder, we are not shareholders and have no voting rights associated with our portfolio positions.

- Implementation of an engagement strategy relating to issuers

With the Lazard Frères Gestion equity funds, we may be shareholders in some of the companies to which Lazard Credit Fi is exposed, but Lazard Frères Gestion currently does not publish reports covering the various initiatives undertaken and their results.

However, we are committed to producing and publishing an engagement report in 2019.

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

Population at 31/12/2018: fixed-term and permanent contracts of LFG and LFG-Belgique
(including interns and apprentices and excluding LFG-Courtage)

Headcount at 31/12/2018 LFG Belgique	Fixed annual remuneration in 2018 in €k	Variable remuneration for 2018 (cash and deferred) in €k
160	14 542	19 267

Identified employees

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

Note: the amounts are 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 FRERES GESTION SAS
25, rue de Courcelles – 75008

PARIS, France

www.lazardfreresgestion.fr

5. CERTIFICATION BY THE STATUTORY AUDITOR

Deloitte & Associés
6 place de la Pyramide
92908 Paris La Défense Cedex
France
Tel.: +33 (0) 1 40 88 28 00
www.deloitte.fr

Postal address:
TSA20303
92030 Paris La Défense Cedex France

LAZARD CREDIT FI

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

Management company:
Lazard Frères Gestion SAS

25, rue de Courcelles, 75008
Paris, France

Statutory Auditor's report on the annual financial statements

Financial year ended March 29th, 2019

To the Unitholders of LAZARD CREDIT FI

Opinion

In accordance with the terms of our appointment by the management company, we conducted our audit of the accompanying annual financial statements of the Undertaking for Collective Investment LAZARD CREDIT FI, as a French open-end investment fund (fonds commun de placement - FCP), for the financial year ended March 29th, 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 Fund at the end of said financial year, in accordance with the accounting rules and principles generally accepted in France.

Basis of our 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 March 31st, 2018 to the date of issue of our report, and in particular we have not provided any services prohibited by the French code of ethics for statutory auditors.

Basis of our opinions

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

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

Verification of the management report prepared by the management company

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

We have no matters to report regarding the true and fair presentation of the information provided in the management report prepared by the management company, or its consistency with the annual financial statements.

Responsibilities of the management company concerning the annual financial statements

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

Deloitte.

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

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

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

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

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

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

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

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

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

Deloitte

- it assesses the appropriateness of the management company's application of the accounting policy for a going concern and, based on the information collected, whether there is a significant uncertainty linked to events or circumstances that is likely to call into question the Fund's capacity to continue operating as a going concern. This assessment is based on the information collected up to the date of the report, bearing in mind nevertheless that subsequent circumstances or events could jeopardise the continuity of operation. If the statutory auditor observes the existence of 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.

Paris La Défense, on June 21st, 2019

Le Commissaire aux Comptes

Deloitte & Associés

Olivier GALIENNE

6. ANNUAL FINANCIAL STATEMENTS

- **BALANCE SHEET** *in euros*

ASSETS

	29/03/2019	29/03/2018
Net non-current assets		
Deposits		
Financial instruments	**753 707 783,48**	**761 184 562,51**
Equities and similar securities		
Traded on a regulated or similar market		
Not traded on a regulated or similar market		
Bonds and similar securities	**744 061 891,10**	**732 577 444,59**
Traded on a regulated or similar market	744 061 891,10	732 577 444,59
Not traded on a regulated or similar market		
Debt securities		
Traded on a regulated or equivalent market		
Negotiable debt securities		
Other debt securities		
Not traded on a regulated or equivalent market		
Undertakings for collective investment	**9 645 892,38**	**26 769 429,49**
General UCITS and general AIFs aimed at non-professionals and their equivalent in other countries	9 645 892,38	26 769 429,49
Other funds aimed at non-professionals and their equivalent in other countries that are Member States of the EU		
General funds aimed at professional and equivalent investors in other EU Member States and listed securitisation entities		
Other professional investment funds and equivalents in other EU Member States and unlisted securitisation entities		
Other non-European entities		
Temporary financial securities transactions		
Receivables on securities purchased under repurchase agreements		
Receivables on loaned securities		
Borrowed securities		
Securities sold under repurchase agreements		
Other temporary transactions		
Forward financial instruments		**1 837 688,43**
Transactions on a regulated or equivalent market		1 837 688,43
Other transactions		
Other financial instruments		
Receivables	**281 751 279,31**	**247 546 210,92**
Currency forward exchange transactions	**263 596 052,44**	**242 462 680,37**
Other	**18 155 226,87**	**5 083 530,55**
Financial accounts	**40 133 453,12**	**32 422 758,88**
Cash and cash equivalents	**40 133 453,12**	**32 422 758,88**
Total assets	**1 075 592 515,91**	**1 041 153 532,31**

LIABILITIES AND SHAREHOLDERS' EQUITY

	29/03/2019	29/03/2018
Shareholders' equity		
Capital	**787 482 639,49**	**750 667 663,94**
Undistributed net capital gains and losses recognised in previous years (a)	**900,93**	**2 913,94**
Retained earnings (a)	**-26 740 001,58**	**16 768 692,06**
Net capital gains and losses for the year (a, b)	**30 644 549,87**	**22 669 257,72**
Net income for the year (a, b)	**791 388 088,71**	**790 108 527,66**
Total shareholders' equity (= amount representing net assets)		**1 837 686,54**
Financial instruments		
Sales of financial instruments		
Temporary securities transactions		
Payables on securities purchased under repurchase agreements		
Payables on loaned securities		
Other temporary transactions		**1 837 686,54**
Forward financial instruments		1 837 686,54
Transactions on a regulated or equivalent market		
Other transactions	**284 204 427,20**	**249 207 318,11**
Liabilities	**266 476 029,90**	**243 248 046,57**
Currency forward exchange transactions	**17 728 397,30**	**5 959 271,54**
Other		
Financial accounts		
Bank overdrafts		
Borrowings		
Total liabilities and shareholders' equity	**1 075 592 515,91**	**1 041 153 532,31**

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

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

	29/03/2019	29/03/2018
Hedging transactions		
Commitments on regulated or similar markets		
Futures		
CBO TU CBOT UST 0618		25 931 135,02
EUR XEUR FGBX B 0618		8 269 000,00
TY CBOT YST 1 0618		19 700 065,05
XEUR FGBL BUN 0618		79 715 000,00
Commitments on OTC markets		
Other commitments		
Other transactions		
Commitments on regulated or similar markets		
Commitments on OTC markets		
Other commitments		

- **INCOME STATEMENT** ***in euros***

	29/03/2019	29/03/2018
Income from financial transactions		
Income from deposits and financial accounts		
Income from equities and similar securities	34 635 324,10	28 198 411,88
Income from bonds and similar securities		
Income from debt securities		1 896,15
Income from temporary purchases and sales of financial securities		
Income from forward financial instruments		
Other financial income		
Total (1)	**34 635 324,10**	**28 200 308,03**
Expenses related to financial transactions		
Charges on temporary purchases and sales of financial securities	10 568,99	403,98
Charges on forward financial instruments	9 096,75	11 729,30
Charges on financial liabilities		
Other financial charges		
Total (2)	**19 665,74**	**12 133,28**
Income from financial transactions (1 - 2)	**34 615 658,36**	**28 188 174,75**
Other income (3)		
Management fees and depreciation and amortisation (4)	3,467,764,41	8 237 809,86
Net income for the financial year (L. 214-17-1) (1 - 2 + 3 - 4)	**31 147 893,95**	**19 950 364,89**
Revenue adjustment for the financial year (5)	-503 344,08	2 718 892,83
Interim dividends paid on net income for the financial year (6)		
Net income (1 - 2 + 3 - 4 + 5 - 6)	**30 644 549,87**	**22 669 257,72**

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.

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

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

o **Bonds and similar instruments** are valued on the basis of the average of the closing prices gathered from several contributors.
Financial instruments whose prices have not been determined on the valuation day or whose prices have been adjusted are valued at their probable trading price under the responsibility of the management company of the Fund.
These estimates and their supporting documentation will be provided to the statutory auditor during audits.

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

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

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

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

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

○ **Temporary purchases and sales of securities:**
Securities purchased under repurchase agreements are valued at their contract price using an actuarial method with a benchmark rate (overnight EONIA, one- or two-week interbank rates, one- to 12-month EURIBOR) corresponding to the term of the contract.

Collateral received or given in the form of cash in the context of temporary securities transactions (securities lending/borrowing, cash collateral, delivered repos) is recorded as an asset under the heading "Liquidity".

Securities sold under repurchase agreements continue to be valued at their market price. Liabilities on securities sold under repurchase agreements are calculated using the same method as that used for securities purchased under repurchase agreements.

○ **Futures and options:**
Futures and options are valued on the basis of intraday trading prices the timing of which is based on that of the valuation of the underlying assets.

Positions taken on the futures or options markets and over the counter are valued at their market price or at the value of the equivalent underlying asset.

➢ **Financial instruments and securities not traded on a regulated market**
All of the UCI's financial instruments are traded on regulated markets.

➢ **Valuation methods for off-balance sheet commitments**
Off-balance sheet transactions are valued at the commitment value.
The commitment value for futures contracts is equal to the price (in the Fund's currency) multiplied by the number of contracts multiplied by the face value.

The commitment value for options is equal to the price of the underlying security (in the Fund's currency) multiplied by the number of contracts multiplied by the delta multiplied by the face value of the underlying security.

The commitment value for swaps is equal to the face value of the contract (in the Fund's currency).

SWING PRICING
The management company has been applying a swing pricing adjustment to the UCI's net asset value with a trigger level since November 2nd, 2016.

This mechanism involves making investors bear, during significant subscription and redemption movements, the cost of rearranging the portfolio as a result of investment or divestment transactions that may result from transaction charges, buy/sell spreads and taxes or duties applicable to the UCI.
When the net balance of investors' subscription and redemption orders exceeds a predetermined threshold, known as the trigger threshold, the net asset value is adjusted.
The net asset value is adjusted upwards or downwards if the balance of subscriptions and redemptions is positive or negative, respectively, in order to take into account the readjustment costs attributable to net subscription and redemption orders.

The trigger amount is expressed as a % of the UCI's net assets.

Shareholders can consult information on this mechanism in the UCI's prospectus, which is available at the management company's head office and on its website: www.assetmanagement.hsbc.com/fr.

Management fees

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

Gross assets – UCIs managed by Lazard Frères Gestion
x operating and management fees rate
x no. of days between the calculated NAV and the previous NAV 365
(or 366 in a leap year)

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:

Expenses charged to the Fund	*Basis*	*Rate*
Financial management fees	Net assets excluding UCIs managed by Lazard Frères Gestion	IVC units: Maximum 0,265% incl. taxes RC units: Maximum 0,965% incl. taxes IC units: Maximum 0,665% incl. taxes IC USD units: Maximum 0,715% incl. taxes IVD units: Maximum 0,265% incl. taxes IC H-CHF units: Maximum 0,715% incl. taxes RD units: Maximum 0,965% incl. taxes ID units: Maximum 0,665% incl. taxes TC units: Maximum 0,665% incl. taxes
Administrative fees external to the management company	Net assets	IVC, IC, ID, RC, RD, IC USD, IVD, TC and IC H-CHF units: Maximum 0,035% incl. taxes
Turnover commission (incl. taxes)	n/a	None
Performance fee (IVC, RC, TC and IVD units)*	NAV per unit x number of units	30% of the Fund's outperformance relative to Eonia +3%. This fee will be capped at 2%.*

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

Allocation of distributable income

Definition of distributable income:

Distributable income consists of:

Net income:

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

Capital gains and losses:

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

Allocation of distributable income:

Distributable income	***IVC, RC, IC, IC USD, IC H-CHF and TC units***	***RD, ID and IVD units***
Allocation of net income	Accumulation	distribution
Allocation of net realised capital gains or losses	Accumulation	accumulation and/or distribution and/or retention

- **CHANGE IN NET ASSETS in euros**

	29/03/2019	29/03/2018
Net assets at start of year	**790 108 527,66**	**487 010 285,62**
Subscriptions (including subscription fees retained by the Fund)	381 681 857,99	528 706 651,34
Redemptions (net of redemption fees retained by the Fund)	-369 986 166,67	-253 089 994,70
Realised capital gains on deposits and financial instruments	15 229 108,03	4 577 071,85
Realised capital losses on deposits and financial instruments	-6 557 673,78	-317 969,33
Realised capital gains on forward financial instruments	32 858 057,88	14 265 764,48
Realised capital losses on forward financial instruments	-58 890 710,05	-14 783 960,64
Transaction fees	-50 531,02	-41 595,09
Exchange rate differences	16 411 717,96	-12 401 877,23
Changes in valuation difference of deposits and financial instruments	-40 327 646,70	19 737 824,05
Valuation difference for financial year N	5 211 309,50	45 538 956,20
Valuation difference for financial year N-1	-45 538 956,20	-25 801 132,15
Changes in valuation difference of forward financial instruments	1 837 686,54	-1 091 927,70
Valuation difference for financial year N		-1 837 686,54
Valuation difference for financial year N-1	1 837 686,54	745 758,84
Distribution of prior year's net capital gains and losses		
Dividends paid in the previous financial year	-2 074 033,08	-2 412 109,88
Net profit/loss for the financial year prior to income adjustment	31 147 893,95	19 950 364,89
Interim dividend(s) paid on net capital gains/losses during the financial year		
Interim dividend(s) paid on net income during the financial year		
Other items		
Net assets at end of year	**791 388 088,71**	**790 108 527,66**

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

	Amount:	%
Assets		
Bonds and similar securities		
Fixed-rate bonds traded on a regulated or similar market	688 142 425,00	86,95
Variable/adjustable Rate bonds traded on a regulated or similar market	38 698 990,85	4,89
Convertible bonds traded on a regulated or similar market	17 220 475,25	2,18
Bonds and similar securities		
TOTAL Bonds and similar securities	**744 061 891,10**	**94,02**
Debt securities		
Debt securities		
TOTAL Debt securities		
Liabilities		
Sales of financial instruments		
Equities and similar securities		
TOTAL Sales of financial instruments		
Off-balance sheet items		
Hedging transactions		
Equities		
TOTAL Hedging transactions Other transactions		
Equities		
TOTAL Other transactions		

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

	Fixed rate	%	Variable rate	%	Revisable rate	%	Other	%
Assets								
Deposits								
Bonds and similar securities	685 940 409,91	86,68			55 919 466,10	7,07	2 202 015,09	0,28
Debt securities								
Temporary securities transactions								
Financial accounts							40 133 453,12	5,07
Liabilities								
Temporary securities transactions								
Financial accounts								
Off-balance sheet items								
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	%
Assets										
Deposits										
Bonds and similar securities					34 222 872,00	4,32	33 581 834,99	4,24	676 257 184,11	85,45
Debt securities										
Temporary securities transactions										
Financial accounts	40 133 453,12	5,07								
Liabilities										
Temporary securities transactions										
Financial accounts										
Off-balance sheet										
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		DEM		GBP		Other currencies	
	Amount:	%	Amount:	%	Amount:	%	Amount:	%
Assets								
Deposits								
Equities and similar securities								
Bonds and similar securities	194 754 061,88	24,61	2 126 053,90	0,27	54 875 089,39	6,93		
Debt securities								
UCIs	540 130,03	0,07						
Temporary securities transactions								
Receivables	15 030 545,45	1,90			2 368 339,99	0,30	165 739,11	0,02
Financial accounts	3 435 336,99	0,43			9 683 484,69	1,22		
Liabilities								
Sales of financial instruments								
Temporary securities transactions								
Liabilities	210 592 312,24	26,61			66 623 475,89	8,42		
Financial accounts								
Off-balance sheet items								
Hedging transactions								
Other transactions								

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

	Debit/credit item	29/03/2019
Receivables	Forward currency purchases	5 745 303,88
	Receivables on forward currency sales	257 850 748,56
	Deferred settlement sale	16 276 707,37
	Subscription receivables	212 857,80
	Coupons and dividends in cash	796 054,38
	Collateral	869 607,32
Total receivables		**281 751 279,31**
Liabilities	Forward currency sales	260 751 093,36
	Payables on forward currency purchases	5 724 936,54
	Deferred settlement purchase	16 464 694,77
	Redemptions payable	941 750,52
	Management fees	306 930,78
	Variable management fees	12,527.46
	Collateral	2 493,77
Total liabilities		**284 204 427,20**

- **NUMBER OF SECURITIES ISSUED OR REDEEMED**

	In units	In amounts
IC USD units		
Units subscribed during the year	2 883,817	2 932 604,26
Units redeemed during the year	-2 750,025	-2 849 193,54
Net subscriptions/redemptions	133,792	83 410,72
TC units		
Units subscribed during the year	125 846,391	24 152 431,02
Units redeemed during the year	-71 669,197	-13 604 370,08
Net subscriptions/redemptions	54 177,194	10 548 060,94
IVC units		
Units subscribed during the year	15 333,617	222 296 894,36
Units redeemed during the year	-14 577,196	-211 173 452,92
Net subscriptions/redemptions	756,421	11 123 441,44
IC H-CHF units		
Units subscribed during the year	265,000	234 424,42
Units redeemed during the year	-1 087,000	-974 550,25
Net subscriptions/redemptions	-822,000	-740 125,83
RD units		
Units subscribed during the year		
Units redeemed during the year		
Net subscriptions/redemptions		
IC units		
Units subscribed during the year	20 809,120	24 295 699,99
Units redeemed during the year	-53 663,457	-63 027 254,86
Net subscriptions/redemptions	-32 854,337	-38 731 554,87
RC units		
Units subscribed during the year	112 860,563	36 739 246,70
Units redeemed during the year	-168 255,425	-54 314 905,28
Net subscriptions/redemptions	-55 394,862	-17 575 658,58
ID units		
Units subscribed during the financial year	45 399,118	44 070 540,74
Units redeemed during the financial year		
Net balance of subscriptions/redemptions	45 399,118	44 070 540,74
IVD units		
Units subscribed during the year	269 683,500	26 960 016,50
Units redeemed during the year	-236 900,579	-24 042 439,74
Net subscriptions/redemptions	32 782,921	2 917 576,76

- **SUBSCRIPTION AND/OR REDEMPTION FEES**

	In amounts
TC units	
Redemption fees retained	
Subscription fees retained	
Total fees retained	
IVC units	
Redemption fees retained	
Subscription fees retained	
Total fees retained	
IC USD units	
Redemption fees retained	
Subscription fees retained	
Total fees retained	

- **SUBSCRIPTION AND/OR REDEMPTION FEES**

	In amounts
IC H-CHF units	
Redemption fees retained	
Subscription fees retained	
Total fees retained	
IC units	
Redemption fees retained	
Subscription fees retained	
Total fees retained	
RD units	
Redemption fees retained	
Subscription fees retained	
Total fees retained	
ID units	
Redemption fees retained	
Subscription fees retained	
Total fees retained	
RC units	
Redemption fees retained	
Subscription fees retained	
Total fees retained	
IVD units	
Redemption fees retained	
Subscription fees retained	
Total fees retained	

- **MANAGEMENT FEES**

	29/03/2019
IC USD units Guarantee fees Fixed management fees Percentage of fixed management fees Variable management fees Retrocessions of management fees	 24 131,03 0,71
IVC units Guarantee fees Fixed management fees Percentage of fixed management fees Variable management fees Retrocessions of management fees	 1 359 954,57 0,28 9 216,73
TC units Guarantee fees Fixed management fees Percentage of fixed management fees Variable management fees Retrocessions of management fees	 183 999,06 0,66
RD units Guarantee fees Fixed management fees Percentage of fixed management fees Variable management fees Retrocessions of management fees	 1,85 0,95

- **MANAGEMENT FEES**

	29/03/2019
IC H-CHF units	
Guarantee fees	
Fixed management fees	5 304,55
Percentage of fixed management fees	0,72
Variable management fees	
Retrocessions of management fees	
IC units	
Guarantee fees	
Fixed management fees	692 362,82
Percentage of fixed management fees	0,66
Variable management fees	
Retrocessions of management fees	
ID units	
Guarantee fees	
Fixed management fees	248 766,61
Percentage of fixed management fees	0,66
Variable management fees	
Retrocessions of management fees	
RC units	
Guarantee fees	
Fixed management fees	756 604,07
Percentage of fixed management fees	0,95
Variable management fees	2 448,66
Retrocessions of management fees	
IVD units	
Guarantee fees	
Fixed management fees	184 112,39
Percentage of fixed management fees	0,28
Variable management fees	862,07
Retrocessions of management fees	

- **COMMITMENTS RECEIVED AND GIVEN**

Guarantees received by the UCITS:

None.

Other commitments received and/or given:

None.

- **PRESENT VALUE OF SECURITIES HELD TEMPORARILY**

	29/03/2019
Securities held under repurchase agreements Borrowed securities	

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

	29/03/2019
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	29/03/2019
Shares Bonds			
Negotiable debt securities			
UCIs			
			9 645 892,38
	FR0010952788	LAZARD CAPITAL FI IC	6 521 235,35
	FR0013072733	LAZARD CAPITAL FI IC USD	540 130,03
Forward financial instruments	FR0013314440	LAZARD GLOBAL HYBRID BONDS E	2 584 527,00

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

	29/03/2019	29/03/2018
Remaining amounts to be allocated		
Retained earnings	900,93	2 913,94
Net income	30 644 549,87	22 669 257,72
Total	**30 645 450,80**	**22 672 171,66**

	29/03/2019	29/03/2018
TC units		
Appropriation		
Distribution		
Balance brought forward for the financial year		
Accumulation	1 246 125,50	111 819,00
Total	**1 246 125,50**	**111 819,00**

	29/03/2019	29/03/2018
IVC units		
Appropriation		
Distribution		
Balance brought forward for the financial year		
Accumulation	18 844 041,19	13 319 029,26
Total	**18 844 041,19**	**13 319 029,26**

	29/03/2019	29/03/2018
IC USD units		
Appropriation		
Distribution		
Balance brought forward for the financial year		
Accumulation	91 713,00	81 808,73
Total	**91 713,00**	**81 808,73**

	29/03/2019	29/03/2018
RD units		
Appropriation		
Distribution	6,54	0,34
Balance brought forward for the financial year		
Accumulation		
Total	**6,54**	**0,34**
Information on units with dividend rights		
Number of units	1,000	1,000
Dividend per unit	6,54	0,34
Tax credits		
Tax credit attached to the distribution of earnings		

	29/03/2019	29/03/2018
IC H-CHF units		
Appropriation		
Distribution		
Balance brought forward for the financial year		
Accumulation	5 860,92	32 576,75
Total	**5 860,92**	**32 576,75**

	29/03/2019	29/03/2018
IC units		
Appropriation		
Distribution		
Balance brought forward for the financial year		
Accumulation	3 546 099,13	4 872 244,37
Total	**3 546 099,13**	**4 872 244,37**

	29/03/2019	29/03/2018
RC units		
Appropriation		
Distribution		
Balance brought forward for the financial year		
Accumulation	2 254 269,40	2 240 270,36
Total	**2 254 269,40**	**2 240 270,36**

	29/03/2019	29/03/2018
ID units		
Appropriation		
Distribution	1 824 119,01	22 670,82
Balance brought forward for the financial year	10,86	56,53
Accumulation		
Total	**1 824 129,87**	**22 727,35**
Information on units with dividend rights		
Number of units	51 412,599	6 013,481
Dividend per unit	35,48	3,77
Tax credits		
Tax credit attached to the distribution of earnings		

	29/03/2019	29/03/2018
IVD units		
Appropriation		
Distribution	2 829 830,16	1 991 297,85
Balance brought forward for the financial year	3 375,09	397,65
Accumulation		
Total	**2 833 205,25**	**1 991 695,50**
Information on units with dividend rights		
Number of units	683 533,854	650 750,933
Dividend per unit	4,14	3,06
Tax credits		
Tax credit attached to the distribution of earnings		

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

	29/03/2019	29/03/2018
Remaining amounts to be allocated		
Prior net gains and losses not distributed Net		
gains and losses for the year	-26 740 001,58	16 768 692,06
Interim dividends paid on net capital gains/losses for the financial year		
Total	**-26 740 001,58**	**16 768 692,06**

	29/03/2019	29/03/2018
IVC units		
Appropriation		
Distribution		
Undistributed net capital gains and losses		
Accumulation	-16 046 591,45	10 319 654,63
Total	**-16 046 591,45**	**10 319 654,63**

	29/03/2019	29/03/2018
IC USD units		
Appropriation		
Distribution		
Undistributed net capital gains and losses		
Accumulation	206 524,12	-264 104,38
Total	**206 524,12**	**-264 104,38**

	29/03/2019	29/03/2018
TC units		
Appropriation		
Distribution		
Undistributed net capital gains and losses		
Accumulation	-1 168 614,16	189 530,23
Total	**-1 168 614,16**	**189 530,23**

	29/03/2019	29/03/2018
IC units		
Appropriation		
Distribution		
Undistributed net capital gains and losses		
Accumulation	-3 325 525,32	3 078 482,53
Total	**-3 325 525,32**	**3 078 482,53**

	29/03/2019	29/03/2018
IC H-CHF units		
Appropriation		
Distribution		
Undistributed net capital gains and losses		
Accumulation	4 645,48	-49 427,22
Total	**4 645,48**	**-49 427,22**

	29/03/2019	29/03/2018
RD units		
Appropriation		
Distribution		
Undistributed net capital gains and losses		
Accumulation	-6,66	
Total	**-6,66**	

	29/03/2019	29/03/2018
RC units		
Appropriation		
Distribution		
Undistributed net capital gains and losses		
Accumulation	-2 291 186,79	1 942 162,52
Total	**-2 291 186,79**	**1 942 162,52**

	29/03/2019	29/03/2018
ID units		
Appropriation		
Distribution		
Undistributed net capital gains and losses		
Accumulation	-1 710 023,55	-8,11
Total	**-1 710 023,55**	**-8,11**

	29/03/2019	29/03/2018
IVD units		
Appropriation		
Distribution		
Undistributed net capital gains and losses		
Accumulation	-2 409 223,25	1 552 401,86
Total	**-2 409 223,25**	**1 552 401,86**

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

	31/03/2015	31/03/2016	31/03/2017	29/03/2018	29/03/2019
Global net assets in euros	**370 353 227,24**	**391 862 987,64**	**487 010 285,62**	**790 108 527,66**	**791 388 088,71**
LAZARD CREDIT FI - IC USD					
Net assets in US dollars		446 767,73	3 333 730,10	2 789 534,91	2 992 923,47
Number of units		450,000	3 011,000	2 326,298	2 460,090
Net asset value per unit in US dollars		992,81	1 107,18	1 199,13	1 216,59
Accumulation per unit pertaining to net capital gains/losses in euros		-32,64	83,09	-113,52	83,94
Capitalisation per unit pertaining to net income in euros		5,65	41,21	35,16	37,28
LAZARD CREDIT FI IVC					
Net assets in euros	185 007 122,11	191 590 846,66	283 890 266,77	463 251 069,55	470 041 174,27
Number of units	13 788,022	14 884,456	20 190,879	31 317,756	32 074,177
Net asset value per unit in euros	13 417,95	12 871,87	14 060,32	14 791,96	14 654,81
Accumulation per unit pertaining to net capital gains/losses in euros	-270,06	160,40	24,31	329,51	-500,29
Capitalisation per unit pertaining to net income in euros	276,98	549,12	498,86	425,28	587,51
LAZARD CREDIT FI TC					
Net assets in euros				24 048 051,66	34 189 540,94
Number of units				123 012,889	177 190,083
Net asset value per unit in euros				195,49	192,95
Accumulation per unit pertaining to net capital gains/losses in euros				1,54	-6,59
Capitalisation per unit pertaining to net income in euros				0,90	7,03
LAZARD CREDIT FI RD					
Net assets in euros				198,67	195,22
Number of units				1,000	1,000
Net asset value per unit in euros				198,67	195,22
Accumulation per unit pertaining to net capital gains/losses in euros					-6,66
Distribution per unit pertaining to net income in euros				0,34	6,54
					*

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

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

	31/03/2015	31/03/2016	31/03/2017	29/03/2018	29/03/2019
Global net assets in euros	**370 353 227,24**	**391 862 987,64**	**487 010 285,62**	**790 108 527,66**	**791 388 088,71**
LAZARD CREDIT FI - IC H-CHF					
Net assets in Swiss francs			107 228,24	1 058 668,75	186 027,75
Number of units			107,000	1 001,000	179,000
Net asset value per unit in Swiss francs			1 002,13	1 057,61	1 039,26
Accumulation per unit pertaining to net capital gains/losses in euros			-0,15	-49,37	25,95
Capitalisation per unit pertaining to net income in euros			1,52	32,54	32,74
LAZARD CREDIT FI IC					
Net assets in euros	62 071 930,20	73 325 714,11	65 281 670,99	137 963 655,96	97 293 173,26
Number of units	57 645,335	71 220,341	57 678,866	115 070,427	82 216,090
Net asset value per unit in euros	1 076,79	1 029,56	1 131,81	1 198,94	1 183,38
Accumulation per unit pertaining to net capital gains/losses in euros	-21,67	12,85	1,93	26,75	-40,44
Capitalisation per unit pertaining to net income in euros	36,26	39,98	47,11	42,34	43,13
LAZARD CREDIT FI ID					
Net assets in euros				5 946 290,56	49 983 520,86
Number of units				6 013,481	51 412,599
Net asset value per unit in euros				988,82	972,20
Accumulation per unit pertaining to net capital gains/losses in euros					-33,26
Distribution per unit pertaining to net income in euros				3,77	35,48
Retained earnings per unit pertaining to net income in euros					
					*
LAZARD CRED FI RC					
Net assets in euros	91 166 077,68	83 423 166,00	73 476 362,15	86 369 120,72	66 971 421,51
Number of units	300 659,242	288 759,418	232 622,603	261 128,837	205 733,975
Net asset value per unit in euros	303,22	288,90	315,86	330,75	325,52
Accumulation per unit pertaining to net capital gains/losses in euros	-6,10	3,61	0,55	7,43	-11,13
Capitalisation per unit pertaining to net income in euros	4,24	10,35	11,49	8,57	10,95

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

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

	31/03/2015	31/03/2016	31/03/2017	29/03/2018	29/03/2019
Global net assets in euros	**370 353 227,24**	**391 862 987,64**	**487 010 285,62**	**790 108 527,66**	**791 388 088,71**
LAZARD CREDIT FI IVD					
Net assets in euros	32 108 097,24	43 131 204,59	61 144 877,42	69 363 020,31	70 077 236,08
Number of units	300 000,000	430 006,000	581 037,469	650 750,933	683 533,854
Net asset value per unit in euros	107,02	100,30	105,23	106,58	102,52
Accumulation per unit pertaining to net capital gains/losses in euros	-2,15	1,25	0,20	2,38	-3,52
Distribution per unit pertaining to net income in euros	2,42	4,29	4,00	3,06	4,14
Retained earnings per unit pertaining to net income in euros					*

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

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

Description of security	Currency	Quantity No. or nominal	Present value	% Net assets
Bonds and similar securities				
Bonds and similar securities traded on a regulated or similar market				
GERMANY				
CMZB FRANCFORT 1.0% 04-03-26	EUR	9 000 000	8 975 181,15	1,13
COMMERZBANK AG 8.125% 19/09/2023	USD	6 250 000	6 365 186,95	0,80
DEUT P CMS10R+0.025% 31-12-99	EUR	1 000 000	697 940,00	0,09
DEUTSCHE BANK AG ZCP 28-10-26	DEM	5 000 000	2 126 053,90	0,27
DEUTSCHE BANK 4.296% 05/28	USD	4 000 000	3 341 513,71	0,42
DEUTSCHE BK 1.875% 14-02-22	EUR	10 000 000	10 188 871,23	1,29
DEUTSCHE BK 4.5% 01-04-25	USD	3 000 000	2 570 659,48	0,32
DEUTSCHE PFANDBRIEFBANK AG 4.6% 22-02-27	EUR	4 000 000	4 321 660,27	0,55
IKB DEUTSCHE INDUSTRIEBANK AG 4.0% 31-01-28	EUR	2 500 000	2 426 987,33	0,31
TOTAL GERMANY			**41 014 054,02**	**5,18**
AUSTRIA				
ERST GROU BA 8.875% PERP EMTN	EUR	2 200 000	2 603 689,79	0,33
UNIQA INSURANCE 6.875% 31/07/2043	EUR	5 500 000	6 648 769,93	0,84
TOTAL AUSTRIA			**9 252 459,72**	**1,17**
BELGIUM				
AGSBB 3 1/2 06/30/47	EUR	3 000 000	3 186 437,26	0,40
FORTIS BK TV07-191272 CV	EUR	23 000 000	17 220 475,25	2,17
KBC GROUPE SA FIX PERP EMTN	EUR	4 600 000	4 630 149,00	0,59
TOTAL BELGIUM			**25 037 061,51**	**3,16**
DENMARK				
DANBNK 5 3/4 10/31/49	EUR	6 000 000	6 183 588,79	0,78
DANSKE BA 5.875% PERP EMTN	EUR	6 500 000	6 830 651,07	0,86
DANSKE BANK AS 6.125% HYB FIX/VAR PERP	USD	10 000 000	8 334 956,19	1,05
DANSKE BK 1.625% 15-03-24 EMTN	EUR	2 700 000	2 703 993,79	0,34
DANSKE BK 2.5% 21-06-29 EMTN	EUR	1 800 000	1 806 576,16	0.23
DANSKE BK 5.375% 12-01-24	USD	3 000 000	2 809 495,19	0,36
JYSKE BANK DNK 2.25% 05-04-29	EUR	4 000 000	4 093 380,27	0,52
TOTAL DENMARK			**32 762 641,46**	**4,14**
SPAIN				
ABANCA CORPORACION BANCARIA 6.125% 18-01-29	EUR	12 800 000	13 048 419,95	1,65
B BILB VIZC ARGE 6.75% PERP	EUR	2 400 000	2 484 727,42	0,31
BANC BILB VIZC AR 8.875% PERP	EUR	3 000 000	3 364 467,50	0,43
BANC DE 5.625% 06-05-26 EMTN	EUR	9 500 000	10 563 242,60	1,33
BANCO DE BADELL 5.375% 12-12-28	EUR	14 500 000	15 159 545,41	1,93
BANKIA SA 3.75% 15-02-29 EMTN	EUR	3 900 000	3 939 296,51	0,50
BANKIA SA 6.0% PERP	EUR	7 400 000	7 355 328,67	0,93
BANKINTERSA 2.5% 06-04-27	EUR	10 700 000	11 152 139,49	1,41
BANKINTERSA 8.625% PERP	EUR	2 000 000	2 256 912,08	0,29
BBVA 2.575% 22-02-29 EMTN	EUR	3 500 000	3 561 324,79	0,45
BBVA 3.5% 10-02-27	EUR	4 000 000	4 357 001,64	0,55
BBVA 5.875% PERP	EUR	8 200 000	8 006 453,93	1,01
BBVA 6.0% PERP	EUR	6 000 000	5 949 673,04	0,75
BMARE 9 11/16/26	EUR	5 800 000	7 028 908,77	0,89

Description of security	Currency	Quantity No. or nominal	Present value	% Net assets
CAIXA TERRASSA SOCIETAT DE PARTICIPACION 0.00010% PERP	EUR	752 000	536 804,34	0,07
CAIXABANK SA 2.75% 14-07-28	EUR	14 000 000	14 486 776,16	1,83
CAIXABANK SA 6.75% PERP	EUR	4 000 000	4 179 793,91	0,53
CAIXABANK 2.25% 17-04-30 EMTN	EUR	5 500 000	5 410 269,38	0,68
IBERCAJA 5.0% 28-07-25	EUR	6 000 000	6 351 855,62	0,80
IBERCAJA 7.0% PERP	EUR	5 200 000	5 164 911,56	0,65
LIBERBANK SA 6.875% 14-03-27	EUR	7 400 000	7 922 654,52	1,00
MAPFRE SA 4.375% 31-03-47	EUR	1 500 000	1 597 018,61	0,20
SABSM 1 5/8 03/07/24	EUR	3 000 000	3 057 943,11	0,39
TOTAL SPAIN			**146 935 469,01**	**18,58**
UNITED STATES OF AMERICA				
DEUT POST CMS10R+0.125% PERP	EUR	3 366 000	2 369 372,75	0,30
RBS CAPITAL TR II 6.425% PERP	USD	8 000 000	8 878 403,67	1,12
TOTAL UNITED STATES OF AMERICA			**11 247 776,42**	**1,42**
FINLAND				
NORDEA BK 6.625% PERP	USD	3 500 000	3 117 018,82	0,39
TOTAL FINLAND			**3 117 018,82**	**0,39**
FRANCE				
AXA SA 5.125% 17-01-47 EMTN	USD	3 000 000	2 783 177,85	0,35
AXA 8.6%00-15/12/30	USD	9 490 000	11 413 618,06	1,44
BNP PAR 2.375% 20-11-30 EMTN	EUR	11 000 000	11 412 655,21	1,44
BNP PAR 4.625% 13-03-27	USD	7 000 000	6 401 903,02	0,81
BNP PARI L6RUSD+0.075% PERP	USD	4 380 000	2 531 310,91	0,32
BNP PARIBAS 7.195%/LIBOR PERPETUELLE SERIE REGS	USD	3 000 000	2 894 669,44	0,37
BNP 4.032 12/31/49	EUR	5 000 000	5 377 048,08	0,68
CA 6.875% PERP	USD	10 000 000	9 042 603,64	1,14
CASA 6.50% PERP	EUR	2 000 000	2 147 892,61	0,27
CNP ASSU 4.25% 05-06-45	EUR	3 000 000	3 431 033,84	0,43
CRED AGRI ASS 4.75% 27-09-48	EUR	11 200 000	12 725 278,90	1,62
CRED AGRI ASSU 4.5% PERP	EUR	3 000 000	3 266 910,00	0,41
CRED AGRI SA 6.625% PERP	USD	2 200 000	1 981 158,44	0,25
CREDIT MUTUEL ARKEA 3.375% 11-03-31	EUR	5 900 000	6 088 084,26	0,77
GROUPAMA ASSURANCES MUTUELLES SA 6.0% 23-01-27	EUR	4 800 000	5 798 123,84	0,73
GROUPAMA ASSURANCES MUTUELLES SA 6.375% PERP	EUR	7 100 000	8 374 373,16	1,06
GROUPAMA 3.375% 24-09-28	EUR	2 000 000	2 050 116,99	0,26
LAMON 5.05 12/17/49	EUR	5 769 000	6 369 413,02	0,80
SG 7.375% PERP	USD	1 540 000	1 416 173,60	0,18
SOCGEN TV 11/49	USD	5 000 000	2 985 255,83	0,38
SOGECAP SA 4.125% 29-12-49	EUR	7 000 000	7 384 647,12	0,93
TOTAL FRANCE			**115 875 447,82**	**14,64**
GREECE				
ALPHA BANK 2.5% 05-02-23 EMTN	EUR	4 000 000	4 164 022,47	0,53
EFG EUROBANK 2.75% 02-11-20	EUR	4 000 000	4 163 266,85	0,53
NATL BANK OF GREECE 2.75% 19-10-20	EUR	4 000 000	4 175 422,64	0,52
TOTAL GREECE			**12 502 711,96**	**1,58**
GUERNSEY				
EFG INTERNATIONAL GUERNSEY LTD 5.0% 05-04-27	USD	4 000 000	3 581 113,53	0,45
TOTAL GUERNSEY			**3 581 113,53**	**0,45**

Description of security	Currency	Quantity No. or nominal	Present value	% Net assets
HONG KONG				
HONGKONG SHANGHAI BANKING CORP LTDTHE L3RUSD PERP	USD	14 100 000	8 952 843,01	1,13
TOTAL HONG KONG			**8 952 843,01**	**1,13**
IRELAND				
BANK IRELAND 10% 19/12/2022	EUR	5 000 000	6 523 965,75	0,82
BANK OF IRELAND GROUP PLC 3.125% 19-09-27	GBP	2 500 000	2 840 040,63	0,36
BANK OF IRELAND GROUP PLC 4.125% 19-09-27	USD	4 000 000	3 370 671,35	0,43
TOTAL IRELAND			**12 734 677,73**	**1,61**
ITALY				
ASS GENERALI 3.875% 29-01-29	EUR	3 265 000	3 354 129,13	0,42
ASSICURAZIONI GENERALI 10.125% 10/07/2042	EUR	7 200 000	9 571 375,23	1,21
ASSICURAZIONI GENERALI 4.596% PERP	EUR	6 000 000	6 243 126,90	0,79
BANCO BPM 2.0% 08-03-22 EMTN	EUR	6 400 000	6 458 215,17	0,82
CATTOLICA DI ASSICURAZIONI 4.25% 14-12-47	EUR	2 100 000	2 054 328,74	0,26
FONDIARIA SAI 5.75% 31-12-99	EUR	2 150 000	2 163 157,71	0,27
INTE 5.71% 15-01-26	USD	2 500 000	2 202 015,09	0,28
INTESA SANPAOLO 6.25% PERP	EUR	3 000 000	3 019 959,94	0,38
INTESA SANPAOLO 7.75% PERP	EUR	1 200 000	1 323 805,39	0,17
UNICREDIT SPA FIX PERP	EUR	5 500 000	6 256 384,78	0,79
UNICREDIT SPA 5.861% 19-06-32	USD	10 000 000	8 365 489,35	1,06
UNICREDIT SPA 5.861% 19-06-32	USD	2 000 000	1 674 006,27	0,21
UNICREDIT SPA 6.625% PERP	EUR	5 000 000	4 984 803,30	0,63
UNICREDIT SPA 6.95% 31/10/2022	EUR	2 000 000	2 364 905,75	0,30
UNICREDIT SPA 7.5% PERP	EUR	5 000 000	5 169 539,47	0,65
UNICREDIT TF/TV PERP	EUR	1 885 000	2 157 583,39	0,27
UNICREDIT 4.875% 20-02-29 EMTN	EUR	14 100 000	14 514 201,99	1,83
UNICREDIT 6.572% 14-01-22 EMTN	USD	5 000 000	4 727 464,84	0,60
UNICREDIT 7.296% 02-04-34 EMTN	USD	8 000 000	7 184 147,48	0,91
TOTAL ITALY			**93 788 639,92**	**11,85**
JERSEY				
HBOS STERLING FINANCE JERSEY LP 7.881% PERP	GBP	6 243 000	10 729 726,68	1,36
HSBC CAPIT TF/TV PERP PF *EUR	USD	9 536 000	12 777 359,59	1,61
TOTAL JERSEY			**23 507 086,27**	**2,97**
LUXEMBOURG				
BANQUE INTERNATIONALE A LUXEMBOURG SA 6.625% PERP	EUR	2 500 000	2 688 363,89	0,34
TOTAL LUXEMBOURG			**2 688 363,89**	**0,34**
NORWAY				
KOMM LAND AS 4.25% 10-06-45	EUR	3 000 000	3 318 557,26	0,42
STOREBRAND LIVSFORSIKRIN TV 04/04/2043	EUR	3 000 000	3 664 449,86	0,46
TOTAL NORWAY			**6 983 007,12**	**0,88**
NETHERLANDS				
ABN AMRO BANK NV 6.25% 27/04/22	USD	70 000	68 651,54	0,01
ACHMEA BV TF/TV 04/04/2043	EUR	5 000 000	5 886 156,16	0,74
DEME INVE BV FOR 4.375% PERP	EUR	3 000 000	3 390 600,82	0,43
ELM BV 3.375% 29-09-47	EUR	2 000 000	2 105 732,33	0,27
NATI LE 9.0 08-42	EUR	2 000 000	2 615 060,55	0,33
NN GROUP NV FIX 13-01-48 EMTN	EUR	4 000 000	4 372 681,10	0,55
TOTAL NETHERLANDS			**18 438 882,50**	**2,33**

Description of security	Currency	Quantity No. or nominal	Present value	% Net assets
PORTUGAL				
BANCO ESPIRITO SANTO SA 7.125% 28/11/2023	EUR	4 500 000	21 096,00	
BCP 4.5% 07-12-27 EMTN	EUR	11 200 000	10 972 543,34	1,39
BCP 9.25% PERP	EUR	8 400 000	8 845 281,64	1,12
CAIXA GEN 5.75% 28-06-28 EMTN	EUR	12 000 000	13 289 694,25	1,68
CAIXA GERAL DE DEPOSITOS 10.75% PERP	EUR	4 000 000	4 613 385,43	0,58
TOTAL PORTUGAL			**37 742 000,66**	**4,77**
UNITED KINGDOM				
BANK OF SCOTLAND PLC 15/05/21	GBP	1 000 000	1 441 072,39	0,18
BARCLAYS BK 6.625% 30/03/2022	EUR	4 760 000	5 502 574,44	0,70
BARCLAYS PLC 2.0% 07-02-28	EUR	5 000 000	4 815 544,52	0,61
BARCLAYS PLC 5.875% PERP	GBP	4 500 000	4 923 437,84	0,62
BARCLAYS PLC 7.875% PERP	USD	3 000 000	2 779 308,23	0,35
BARCLAYS TF/TV PERPETUAL	GBP	2 000 000	2 637 870,35	0,33
BARCLAYS 10% 21/05/2021	GBP	2 121 000	3 068 558,88	0,39
BARCLAYS 8.0% PERP	USD	3 000 000	2 733 814,25	0,35
COVENTRY BLDG 6.875% PERP	GBP	8 000 000	9 342 741,09	1,18
CYBG PLC 8.75% PERP	GBP	1 450 000	1 855 039,03	0,23
DIRECT LINE INSURANCE PLC 4.75% PERP	GBP	5 000 000	4 911 148,67	0,62
DRESDR FIN 8.151% 30/06/31*USD	USD	24 500 000	28 120 513,13	3,54
HBOS PLC 4.50% 18/03/30	EUR	7 062 000	7 874 583,82	1,00
HBOS 6.0% 01-11-33	USD	2 594 000	2 625 921,48	0,33
HSBC BANK TV85-PERP.	USD	1 810 000	1 148 879,68	0,15
HSBC BANK 5.844% PERP EMTN	GBP	2 497 000	3 772 119,46	0,48
HSBC BK L6RUSD+0.1% PERP	USD	5 950 000	3 816 720,59	0,48
HSBC HOLDINGS PLC 5.25% PERP	EUR	5 000 000	5 305 726,36	0,67
HSBC LIB6US PERP	USD	9 220 000	5 904 263,78	0,75
LEGA AND GEN 10% 23-07-41 EMTN	GBP	1 417 000	1 970 662,33	0,25
LLOYDS TSB TV PERP SERIE B	GBP	935 000	1 876 474,84	0,24
NATIONAL WESTMINSTER BANK PLC AUTRE R+0.0% PERP	USD	2 310 000	1 641 910,48	0,21
NAT.WESTM.TV99-PERP EMTN SUB.	EUR	8 225 000	8 113 689,48	1,03
NWIDE 6.875% 29/12/2049	GBP	2 000 000	2 379 213,15	0,30
PRUDENTIAL 6.5% 20-10-48 EMTN	USD	2 500 000	2 487 241,05	0,31
RBS GROUP TF/TV PERP *USD	USD	10 000 000	11 185 420,04	1,41
SANTANDER UK GROUP HOLDINGS PLC 6.75% PERP	GBP	2 650 000	3 126 984,05	0,40
STANDARD LIFE PLC 4.25% 30-06-48	USD	3 000 000	2 539 202,32	0,32
TOTAL UNITED KINGDOM			**137 900 635,73**	**17,43**
TOTAL bonds and similar securities traded on a regulated or equivalent market			**744 061 891,10**	**94,02**
TOTAL Bonds and similar securities			**744 061 891,10**	**94,02**
Undertakings for collective investment				
General UCITS and general AIFs intended for non-professionals and equivalents in other countries				
FRANCE				
LAZARD CAPITAL FI IC	EUR	3 845	6 521 235,35	0,82
LAZARD CAPITAL FI IC USD	USD	500	540 130,03	0,07

Description of security	Currency	Quantity No. or nominal	Present value	% Net assets
LAZARD GLOBAL HYBRID BONDS E	EUR	25	2 584 527,00	0,33
TOTAL FRANCE			**9 645 892,38**	**1,22**
TOTAL general UCITS and general AIFs aimed at non-professionals and their equivalent in other countries			**9 645 892,38**	**1,22**
TOTAL Undertakings for collective			**9 645 892,38**	**1,22**
investment			**281 751 279,31**	**35,60**
Receivables			**-284,204,427.20**	**-35.91**
Liabilities			**40 133 453,12**	**5,07**
Financial accounts			**791 388 088,71**	**100,00**
Net assets				

LAZARD CREDIT FI IVD	**EUR**	**683 533,854**	**102,52**
LAZARD CREDIT FI IVC	**EUR**	**32 074,177**	**14 654,81**
LAZARD CRED FI RC	**EUR**	**205 733,975**	**325,52**
LAZARD CREDIT FI ID	**EUR**	**51 412,599**	**972,20**
LAZARD CREDIT FI IC	**EUR**	**82 216,090**	**1 183,38**
LAZARD CREDIT FI - IC H-CHF	**CHF**	**179,000**	**1 039,26**
LAZARD CREDIT FI RD	**EUR**	**1,000**	**195,22**
LAZARD CREDIT FI - IC USD	**USD**	**2 460,090**	**1 216,59**
LAZARD CREDIT FI TC	**EUR**	**177 190,083**	**192,95**

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

BREAKDOWN OF INTEREST: RD

	NET OVERALL	CURRENCY	NET PER UNIT	CURRENCY
Revenue subject to non-definitive withholding tax	6,54	EUR	6,54	EUR
Equities eligible for a tax allowance and subject to non-definitive withholding tax				
Other income not eligible for a tax allowance and subject to non-definitive withholding tax				
Non-declarable and non-taxable income				
Amounts paid out in relation to capital gains and losses				
TOTAL	6,54	EUR	6,54	EUR

BREAKDOWN OF INTEREST: ID

	NET OVERALL	CURRENCY	NET PER UNIT	CURRENCY
Revenue subject to non-definitive withholding tax	1 824 119,01	EUR	35,48	EUR
Equities eligible for a tax allowance and subject to non-definitive withholding tax				
Other income not eligible for a tax allowance and subject to non-definitive withholding tax				
Non-declarable and non-taxable income				
Amounts paid out in relation to capital gains and losses				
TOTAL	1 824 119,01	EUR	35,48	EUR

BREAKDOWN OF INTEREST: IVD

	NET OVERALL	CURRENCY	NET PER UNIT	CURRENCY
Revenue subject to non-definitive withholding tax	2 679 452,71	EUR	3,92	EUR
Equities eligible for a tax allowance and subject to non-definitive withholding tax				
Other income not eligible for a tax allowance and subject to non-definitive withholding tax	150 377,45	EUR	0,22	EUR
Non-declarable and non-taxable income				
Amounts paid out in relation to capital gains and losses				
TOTAL	2 829 830,16	EUR	4,14	EUR