

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

## **LAZARD CREDIT FI**

### **ANNUAL REPORT**

as at March 31st, 2020

**Management company: Lazard Frères Gestion SAS**

**Custodian: Caceis Bank**

**Statutory auditor: Deloitte & Associés**

## CONTENTS

1. Characteristics of the UCI	3
2. Changes affecting the UCI	9
3. Management report	13
4. Regulatory information	22
5. Certification by the Statutory Auditor	29
6. Annual financial statements	33

## 1. CHARACTERISTICS OF THE UCI

- **LEGAL FORM**

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

- **ALLOCATION OF DISTRIBUTABLE INCOME**

RVC EUR, PC EUR, PVC EUR, PC H-USD, TC EUR units:

Distributable income shall be fully accumulated, with the exception of those amounts subject to compulsory distribution by law.

RVD EUR, PD EUR, PVD EUR units:

Net income is distributed in full and the allocation of net realised capital gains is decided each year by the management company. It may pay interim dividends.

PC H-CHF units:

Distributable income shall be fully accumulated, with the exception of those amounts subject to compulsory distribution by law.

- **INVESTMENT OBJECTIVE**

RVC EUR units, RVD EUR units, PC EUR units, PD EUR units, PVC EUR units, PVD EUR units, TC EUR units:

The investment objective is to outperform, net of charges, over the recommended investment period of three years, the following benchmark index: ICE BofAML Euro Financial Index. The benchmark index is expressed in EUR. Net dividends or coupons are reinvested.

PC H-USD units:

The investment objective is to outperform, net of charges, over the recommended investment period of three years, the following benchmark index: ICE BofAML Euro Financial Hedged USD Index. The benchmark index is expressed in USD and hedged against foreign exchange risk, with the USD as the reference currency. Net dividends or coupons are reinvested.

PC H-CHF units:

The investment objective is to outperform, net of charges, over the recommended investment period of three years, the following benchmark index: ICE BofAML Euro Financial Hedged CHF Index. The benchmark index is expressed in CHF and hedged against foreign exchange risk, with the CHF as the reference currency. Net dividends or coupons are reinvested.

- **BENCHMARK INDEX**

RVC EUR units, RVD EUR units, PC EUR units, PD EUR units, PVC EUR units, PVD EUR units, TC EUR units:

ICE BofAML Euro Financial Index

The ICE BofAML Euro Financial Index tracks the performance of debt securities

Investment Grade in euros issued by European financial institutions. The securities must have an IG rating (based on the average rating of Moody's, S&P and Fitch), have a maturity of at least one year and an outstanding amount of at least €250m.

Data are available at: [www.indices.theice.com](http://www.indices.theice.com)

PC H-USD units:

ICE BofAML Euro Financial Hedged USD Index

The ICE BofAML Euro Financial Hedged USD Index, hedged against foreign exchange risk with the USD as the reference currency, tracks the performance of euro-denominated Investment Grade debt securities issued by

European financial institutions. The securities must have an IG rating (based on the average rating of Moody's, S&P and Fitch), have a maturity of at least one year and an outstanding amount of at least €250m. Data are available at: [www.indices.theice.com](http://www.indices.theice.com)

PC H-CHF units:

ICE BofAML Euro Financial Hedged CHF Index

The ICE BofAML Euro Financial Hedged CHF Index, hedged against foreign exchange risk with the CHF as the reference currency, tracks the performance of euro-denominated Investment Grade debt securities issued by European financial institutions. The securities must have an IG rating (based on the average rating of Moody's, S&P and Fitch), have a maturity of at least one year and an outstanding amount of at least €250m. Data are available at: [www.indices.theice.com](http://www.indices.theice.com)

• **INVESTMENT STRATEGY**

**1. Strategies used**

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

> ICE BofAML Euro Financial Index, expressed in euros, for the PVC EUR and PVD EUR, PC EUR, TC EUR, PD EUR, RVC

EUR and RVD EUR units,

> ICE BofAML Euro Financial Index, expressed in US dollars 100% hedged, for the PC H-USD units

> ICE BofAML Euro Financial Index, expressed in CHF 100% hedged, for the PC 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 management process combines a top-down approach (strategic and geographical allocation approach taking into account the macroeconomic and sectoral environment) and a bottom-up approach (approach for selecting investment vehicles on a fundamental basis after analysing issuers' creditworthiness and the quality of individual securities). 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 issues or securities listed on a financial market of one of these countries. The Fund invests only in bonds that are traded in euros, US dollars or pounds sterling, or in any OECD currency other than the euro.

To build his portfolio, the manager conducts his own assessment of bonds or securities not deemed to be ordinary shares. It also refers to agency ratings without relying exclusively and mechanically on them.

The Fund may invest in any type of issuer whose registered office is located in an OECD-member country and/or issue listed on a stock exchange in one of these countries. It may not invest in bonds issued in countries included in the FATF black list.

The Financial Action Task Force (FATF) is an intergovernmental organisation whose objective is to draw up and promote policies to combat money laundering and terrorist financing both at national and international level.

Information about the sensitivity range within which the Fund is managed 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%

Lastly, the Fund may only invest in bonds traded in euros, US dollars or pounds sterling.

**2. Assets (excluding embedded derivatives)**

**Equities:**

Ordinary shares (maximum 10% of net assets) arising either from the conversion of debt or an offer by the issuer to exchange debt for shares, or from hedges through derivative instruments. 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.

**Debt securities and money market instruments:**

To build his portfolio, the manager conducts his own assessment of bonds or securities not deemed to be ordinary shares. It also refers to agency ratings without relying exclusively and mechanically on them.

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 unrated by a rating agency. Speculative/High Yield issues or securities may not exceed 70% of the Fund's net assets.

Up to a maximum of 30% of the net assets in convertible bonds and contingent convertible bonds (CoCos). The Fund may invest up to 30% of its 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 a maximum of 80% in bonds or securities not considered ordinary shares, traded in US dollars or pounds sterling, or in any OECD currency other than the euro. Foreign exchange risk will be hedged so that exposure thereto does not exceed 10% of the Fund's assets.

**UCIs:**

Up to a maximum of 10% 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 UCITS 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 risks

• **Transaction types - 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

- other
- options:**
  - equity and equity index
  - interest rate: interest rate risk and interest rate volatility
  - currency: only on organised markets
  - other
- swaps:**
  - equity swaps
  - interest rate swaps: transformation of fixed-rate income to variable-rate income and vice versa
  - currency swaps
  - performance swaps
- currency forwards**
- credit derivatives** (CDS are limited to 40% of the assets)
- other
- **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: structured products, subordinated debt, convertible bonds and contingent convertible bonds (up to 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 UCI does not benefit from any capital guarantee or protection. It is therefore possible that you may not recover the full amount of your initial investment on redemption.

**Risk associated with discretionary management:** Discretionary management is based on anticipating market trends. The UCI's performance depends on both on the selection of securities and UCIs chosen by the manager and on the allocation made by the manager. There is therefore a risk that the manager may not select the best-performing securities and that the allocation made may not be optimal.

**Credit risk:** Credit risk corresponds to the deterioration in the credit quality or default of a private or public issuer. The UCI's exposure to issuers either through direct investment or via other UCIs may give rise to a decline in the net asset value. If the UCI is exposed to unrated or speculative/High Yield debt, the credit risk is high and may lead to a decline in the UCI's net asset value.

**Foreign exchange risk:** The UCI may invest in securities and UCIs that are themselves permitted to purchase securities denominated in currencies other than the accounting currency. The value of these assets may fall if exchange rates fluctuate, which may lead to a fall in the UCI's net asset value. Where units (or shares) denominated in a currency other than the accounting currency have been hedged, the foreign exchange risk is residual as a result of systematic hedging, potentially leading to a performance gap between the different units (or shares).

**Liquidity risk:** This is the risk that a financial market cannot absorb transaction volumes due to trading volumes being too low or pressure on the markets. Such market disruptions may impact the price or time conditions under which the UCI may be required to liquidate, initiate or modify positions and thus cause a decline in the UCI's net asset value.

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

**Counterparty risk:** This is a risk associated with the use of OTC forward financial instruments. These transactions, entered into with one or more counterparties, potentially expose the UCI to a risk of failure of any such counterparty, which may lead to payment default and cause the UCI's net asset value to fall.

**Derivative financial instrument risk:** This is the risk associated with the UCI's use of forward financial instruments (derivatives). The use of these financial contracts may result in a risk that the net asset value may fall more than the markets or underlying assets in which the UCI has invested.

**Risk associated with holding contingent convertible bonds (CoCos):** Subordinated bonds 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 an objective 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.

#### **Guarantee or protection**

None.

- **ELIGIBLE SUBSCRIBERS AND TYPICAL INVESTOR PROFILE**

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 UCI.

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 UCI 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 UCI 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

### CHANGES THAT TOOK PLACE DURING THE PERIOD AND THAT ARE STILL TO TAKE PLACE

On February 21st, 2019, the Chairman of the management company Lazard Frères Gestion S.A.S. decided to make the following changes to the **LAZARD CREDIT FI Fund**:

**1) Change in the benchmark index:**

Unit	ISIN	Old benchmark index	New benchmark index
IC H-CHF units	FR0013236791	ICE Libor CHF Overnight expressed in Swiss francs	ICE BofAML Euro Financial Index, expressed in CHF 100% hedged
IC USD units	FR0013076932	ICE Libor CHF Overnight expressed in US dollars	ICE BofAML Euro Financial Index, expressed in US dollars 100% hedged
IVCunit	FR0010590950	Capitalised Eonia +2,70% expressed in euros	ICE BofAML Euro Financial Index, expressed in euros
IVDunit	FR0012074151	Capitalised Eonia +2,70% expressed in euros	ICE BofAML Euro Financial Index, expressed in euros
RC unit	FR0010752543	Capitalised Eonia +2,00% expressed in euros	ICE BofAML Euro Financial Index, expressed in euros
RD unit	FR0013306735	Capitalised Eonia +2,00% expressed in euros	ICE BofAML Euro Financial Index, expressed in euros
IC unit	FR0011844034	Capitalised Eonia +2,30% expressed in euros	ICE BofAML Euro Financial Index, expressed in euros
ID units	FR0013306743	Capitalised Eonia +2,30% expressed in euros	ICE BofAML Euro Financial Index, expressed in euros
TC unit	FR0013305935	Capitalised Eonia +2,30% expressed in euros	ICE BofAML Euro Financial Index, expressed in euros

**2) Removal of the high water mark from the performance fee.**

**3) Increase from maximum 50% to maximum 70% of the net assets that can be invested in High Yield issues.**

**4) Change of name of RC units to: "RVC" units.**

**5) Change of name of RD units to: "RVD" units.**

➤ **Effective date: April 1st, 2019**

The Chairman of the management company Lazard Frères Gestion SAS decided on October 1st, 2019, for the **LAZARD CREDIT FI Fund**, to abolish exit charges for all units, i.e.:

IC H-CHF units (FR0013236791); IC USD units (FR0013076932); IVC units (FR0010590950); IVD units (FR0012074151); RC units (FR0010752543); RD units (FR0013306735); IC units (FR0011844034); ID units (FR0013306743); TC units (FR0013305935).

➤ **Effective date: 18 October 2019**

On September 5th, 2019, the Chairman of the management company Lazard Frères Gestion SAS decided to change the features of all the units of the **LAZARD CREDIT FI Fund** as follows:

<b>LAZARD CREDIT FI</b>					
<b>Former name of the units</b>	<b>New name of the units</b>	<b>Previous wording for eligible subscribers</b>	<b>New wording for eligible subscribers</b>	<b>Former minimum amount of initial subscription</b>	<b>New minimum amount of initial subscription</b>
<i>IC H-CHF units</i>	<b>PC H-CHF</b>	<i>All subscribers</i>	<b>Professional clients *</b>	<i>One unit</i>	-
<i>USD unit</i>	<b>PC H-USD</b>	<i>All subscribers</i>	<b>Professional clients *</b>	<i>One unit</i>	-
<i>IVC unit</i>	<b>PVC EUR</b>	<i>All investors, more particularly intended to be distributed directly by the management company to private clients.</i>	<b>All subscribers</b>	<i>None</i>	<b>One unit</b>
<i>IVD unit</i>	<b>PVD EUR</b>	<i>All subscribers</i>	<b>Professional clients *</b>	<i>One unit</i>	-
<i>RVC unit</i>	<b>RVC EUR</b>	<i>All investors, more particularly intended to be distributed directly by partners of the management company or by third-party management companies</i>	<b>All subscribers</b>	<i>One unit</i>	-
<i>RVD unit</i>	<b>RVD EUR</b>	<i>All investors, more particularly intended to be distributed directly by partners of the management company or by third-party management companies</i>	<b>All subscribers</b>	<i>One unit</i>	-
<i>IC unit</i>	<b>PC EUR</b>	<i>Reserved for institutional investors</i>	<b>Professional clients *</b>	<i>€500 000</i>	<b>One unit</b>
<i>ID units</i>	<b>PD EUR</b>	<i>Reserved for institutional investors</i>	<b>Professional clients *</b>	<i>One unit</i>	-
<i>TC unit</i>	<b>TC EUR</b>	<i>Authorised investors **</i>	<b>Professional clients *</b>	<i>€500.000 or more</i>	<b>One unit</b>

**\*PCH-CHE, PC H-USD, PVC EUR, PVD EUR, PC EUR, TC EUR and PD EUR units:**

- Investors subscribing via distributors or financial intermediaries subject to MiFID II or an equivalent non-EU regulation, within the context of their business of independent advice, non-independent investment advice or discretionary portfolio management provided they have entered into agreements with their clients stipulating that they will not receive retrocessions.
- Professional clients within the meaning of Directive 2014/65/EU or any equivalent non-EU regulation.

➤ **Effective date: 18 October 2019**

## SIGNIFICANT EVENT DURING THE PERIOD

### **Subscription of units in the LAZARD CREDIT FI UCI between March 19th, 2020 and May 12th, 2020:**

As part of the controls put in place, an incident was identified on March 19th, 2020, concerning the LAZARD CREDIT FI UCI (whose assets currently exceed €1 billion) following which, in the interest of the unitholders, we were required to have the Fund's net asset values revised by Caceis Fund Administration ("Caceis FA"), to whom the Fund's accounting management is delegated.

This incident followed Caceis FA's failure to include a coupon payable on a credit default swap (CDS) purchase transaction in the Fund's accounts. As a result, the net asset values of your Fund published between 19 March 2020 and 12 May 2020 were overstated by around 24 basis points.

This accounting error took some time to be identified, particularly due to the very high market volatility.

The decision to revise the Fund's net asset values for this period was therefore taken and validated with the Fund's statutory auditor, in order to return the overpayment to the UCI's incoming unitholders.

Caceis FA contacted the various Euroclear France members who had subscribed to the Fund's units over this period, in order to provide them with the new recalculated net asset values and pay compensation corresponding to the valuation differences for each subscription.

### 3. MANAGEMENT REPORT

#### PERFORMANCE

**The UCI's performance over the period was as follows: -5,34% (Lazard Credit Fi - PVC units).**

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

**The benchmark's performance over the period was: -3,60% (ICE BofAML Euro Financial Index EUR).**

#### ECONOMIC ENVIRONMENT

##### Economy

2019 was marked by a synchronised slowdown in the global economy, particularly in the manufacturing sector. Several factors weighed on the markets, in particular trade tensions between China and the United States, political uncertainties in Europe, problems specific to the automotive sector and factors specific to some large emerging countries. Given the slowing growth and growing risks, the world's major central banks chose to ease their monetary policy. The Fed cut its interest rates on several occasions, the ECB announced a package of accommodating measures, including a cut in the deposit facility rate and a resumption of asset purchases, and the Chinese central bank lowered the reserve requirement ratio for banks. Against this backdrop, equity markets had a bumpy ride and bond yields fell around the world.

While the decline in international uncertainties had enabled the global economy to begin a recovery towards the end of 2019, this movement was abruptly halted by the outbreak of the coronavirus epidemic in the first quarter of 2020. The epidemic, which was initially limited to China, then turned into a pandemic. To contain it, many countries adopted lockdown measures, shut down their economies and closed their borders, resulting in an extremely severe economic and financial shock. The IMF expects a 3% contraction in GDP in 2020 followed by a 5,8% rebound in 2021. Public authorities and central banks announced far-reaching support measures in response to this crisis.

In the United States, the lockdown measures broke the strong growth momentum that prevailed in 2019. From mid-March, several million people registered for unemployment in just a few weeks. Industrial production and retail sales collapsed in March. Homebuilder confidence fell to an all-time low in April. The Federal Reserve announced a raft of measures: cut in its key rate by a cumulative 150 basis points to 0%-0,25%, an unlimited purchasing programme for Treasuries and mortgage-backed securities, a programme of loans to businesses and local authorities, etc. US Congress adopted an unprecedented fiscal stimulus plan exceeding \$2,000 billion.

In Europe, growth was flagging already in 2019 and the largest countries shut down their economies in March. PMI surveys recorded historic falls over the month and companies made full use of short-time working schemes, particularly in France and Germany. The ECB announced a €120 billion increase in its asset purchase programme, the creation of a new €750 billion asset purchase programme and an increase in its TLTRO lending with more attractive terms for banks. The Bank of England inter alia cut its policy interest rate by 65 basis points to 0,10%, announced a £200 billion asset purchase programme and paved the way for direct financing of the fiscal deficit. The main countries presented fiscal stimulus plans as well as a strengthening of the public guarantee schemes for bank loans.

In China, growth was in a phase of economic acceleration before the country adopted drastic measures to control the epidemic from the end of January. Hubei province, the cradle of the epidemic, was quarantined on January 23rd, the New Year holidays were extended and some factories closed. As a result, activity statistics and PMI surveys collapsed in January/February. But the epidemic was quickly contained, allowing for an easing of lockdown measures and leading to a rebound in activity in March. China's central bank cut interest rates and the reserve requirement ratio for banks. The government announced support measures of around 2,5% of GDP.

In Japan, the VAT hike in October led to a sharp contraction in GDP in the fourth quarter of 2019. In March, the composite PMI recorded its sharpest fall since the 2011 earthquake. The Japanese Prime Minister declared a state of emergency. The Tokyo 2020 Olympic Games were postponed. The government announced a fiscal stimulus plan of around 3% of GDP and the central bank announced an increase in its asset purchases.

## **Markets**

Equity markets fluctuated through the ups and downs of the trade tensions between China and the US in 2019. In late January 2020, the implementation of lockdown measures in China triggered an initial decline, but this was only short-lived. The markets rapidly made up their losses and hit new highs in mid-February. The spread of the epidemic outside China then triggered an extremely drastic decline.

European equities fell by nearly 40% in just one month and implied volatility soared. A low point was reached in mid-March, thanks to support measures from public authorities and central bank actions. Over the last twelve months, the MSCI World index in dollars has fallen by 13,0%. Equities in developed countries fell by 12,1% and those in emerging countries by 19,8%. In their respective currencies, the S&P 500 fell by 8,8%, the Eurostoxx by 17,4% and the Topix by 11,8%.

In the bond markets, government bond yields fell, especially in the United States where the 10-year Treasury yield fell from 2,41% in March 2019 to 0,67% in March 2020, with an historic low of 0,54% on March 10th. The German 10-year government bond yield fell from -0,07% to -0,47% over the same period. Despite a widening in the first quarter of 2020, the credit spreads of peripheral countries against Germany tightened or widened very slightly year-on-year: -250 basis points in Greece, -56 basis points in Italy, -2 basis points in Spain and +2 basis points in Portugal for the 10-year maturity.

In the European credit segment, credit spreads widened sharply from 121 to 227 basis points for investment-grade issuers and from 392 to 754 basis points for high-yield issuers, according to Bank of America Merrill Lynch ICE indices. Most of the movement took place in March 2020.

In the foreign exchange market, the euro depreciated by 1,7% against the dollar, from 1,12 to 1,10 over one year. However, this variation masks a high degree of volatility, particularly in the first quarter of 2020 when the euro moved within a range of 1,07 to 1,14. Year-on-year, the euro depreciated by 4,6% against the yen and by 5,0% against the Swiss franc. It strengthened by 3,2% against the pound sterling. Emerging currencies fell by around 15% year-on-year on average against the dollar, according to the JPMorgan index.

The price of Brent fell from \$67 to \$22 per barrel, a drop of 68% over one year. In mid-September 2019, the attack on two oil facilities in Saudi Arabia caused the price of oil to rise by about \$12 per barrel in a single day, but the movement was brief. From the end of January, fears of a decline in global demand triggered a downward movement. Oil prices subsequently fell in March after Russia refused to support OPEC in a coordinated reduction in oil production.

## **MANAGEMENT POLICY**

At the macroeconomic level, in April 2019, the global slowdown was confirmed by the IMF, which lowered its GDP growth forecasts for 2019 to +2,3% in the United States (-20bp vs. January) and to +1,3% in the Eurozone (-30bp vs. January). The Brexit date was eventually postponed to the end of October, thus putting off the risk of a "no-deal" that seems to be completely ruled out by both the UK government and the EU anyway.

As for the ECB, there are still no details on the next TLTRO, however, the idea of "tiering" seems to be gaining ground even though the central bank is for the time being only in the phase of analysing the impact of negative interest rates on bank profitability.

At the end of the month, S&P confirmed Italy's BBB rating and negative outlook, leaving the ratings of the domestic banks unchanged.

The Deutsche Bank - Commerzbank merger will ultimately not take place, as both institutions concluded that the merger was too risky in view of the potential benefits, Unicredit and ING are among the players that have shown interest in Commerzbank in the past.

The first earnings releases were in line with expectations in most cases, rather above expectations for wealth management activities (UBS, Credit Suisse) and below expectations for Nordic banks (Nordea, Danske Bank) due to the additional costs associated with combating money laundering and the still fierce competition.

The primary market was relatively calm with Ageas and ASR in the Tier 2 segment and Italian bank BPM, which issued its first AT1.

The China-US trade war theme resurfaced against all expectations at the beginning of the month, the dialogue between the two parties seems complicated for the time being and there is rather an escalation of sanctions at present. There was also a lot of volatility on the Italian side during the month, with Matteo Salvini coming out strengthened from the European elections.

Against this complicated backdrop for risky assets, financial issuers' fundamentals remain positive given the first quarter earnings release. No particular surprises to report, but still a trend towards improving asset quality in Italy, Ireland and Portugal. Note also the one-notch upgrade of RBS (S&P) and Banco BPM (Moody's) and that Barclays was upgraded to positive outlook (Moody's) this month.

The primary market was active this month with new issuers such as auto leasing specialist LeasePlan in AT1 and Finnish insurer Sampo in Tier 2.

The news in June 2019 focused on the various central banker interventions. Mario Draghi spoke on two occasions, first during the traditional monetary policy meeting, when he unveiled details of the new TLTRO while highlighting the ECB's very accommodative stance. Soon after, he hammered home this point in Sintra by officially announcing that a rate cut and a relaunch of the quantitative easing programme were possible if the outlook did not improve. The Fed, for its part, expressed concern about growth and hinted that a rate cut would probably take place as early as July.

As for issuers, there were several M&A stories this month with the German and Dutch governments allegedly agreeing to allow ING and Commerzbank to examine a possible takeover of the latter by the former, before ING finally gave up for now. Vivat was sold by Chinese company Anbang to Athora, which will take over the Life part and NN Group the non-life business.

A lot of positive news for Deutsche Bank with the unconditional passing of the US stress tests and rumours of a massive reorganisation of its investment bank.

The month was very busy in terms of NPS issuance and Tier 2; in addition to BNP and Nordea, the Greek bank Piraeus Bank managed to issue €400 million with a 9,75% coupon.

As in the previous month, market attention focused on central bank messages. The ECB confirmed its accommodative bias and that it was examining three options to try to revive inflation: a rate cut, tiering to limit the negative impact of this cut on banks and the relaunch of an asset purchase programme. As expected, the Fed made its first rate cut (-25bp) since the financial crisis, although its stance was less accommodative than the ECB's.

British issuers underperformed during the month as the prospect of a no-deal was reinforced with the arrival of new prime minister Boris Johnson. Deutsche Bank unveiled a vast restructuring plan including the elimination of 18,000 jobs, the closure of the Sales and Trading Equities business and the creation of a noncore entity (€288 billion in assets). In terms of second quarter results, there were several better-than-expected earnings releases such as UBS, Credit Suisse, Santander, BBVA and BNP and Intesa.

Several upgrades this month at Moody's for the main Portuguese banks (Caixa Geral, BCP and Novo Banco) as well for the Unicredit and Bankinter Tier 2, which became eligible for inclusion in the IG indices.

Favourable market conditions saw the arrival of unusual issuers in the Tier 2 market, including Hungarian bank OTP Bank (2), Greek bank NBG (8,25%) as well as Italian issuers Monte dei Paschi (8,25%) and Sondrio (6,25%).

As for AT1, Commerzbank issued in dollars and Fineco, a small Italian bank that was formerly a subsidiary of Unicredit, in euros.

There was a lot of political news in September 2019 with, first of all, the formation of a new coalition in Italy, without Mateo Salvini and noticeably more "euro-friendly". In the UK, the supreme court concluded that the suspension of the parliament orchestrated by Boris Johnson until October 14th was illegal.

The ECB confirmed its accommodative bias with a 10bp cut in the deposit rate but accompanied by tiering, the resumption of QE (€20 billion per month from November for an indefinite period) and a TLTRO3 on more favourable terms. The Fed cut its Fed Funds rate by 25bp.

As regards financials, the August 31st, 2019 deadline in the PPI case for British banks led to an increase in provisions for all the banks concerned (mainly Lloyds, Barclays and RBS). In the Spanish case on "IRPH" mortgages, the European Court of Justice issued an opinion leaving it up to local courts to check that banks have properly fulfilled their duty of communication and transparency.

September was the most active month in terms of primary issuance in 10 years. Note, for example, in financials Tier 2: Groupama, Allianz, Generali, Achmea and Banco BPM and in Tier 1: Barclays, Nationwide, Achmea and ASR.

For Credit Fi, the largest contributors to performance were Tier 2 peripheral countries (Italy, Greece and Spain) and the UK (+40bp). Insurance subordinated bonds performed less well, with a contribution of +3bp.

Once again, news on the political front and central banks were the main market drivers in October. A first so-called "Phase 1" agreement between the United States and China is under way, the United Kingdom has again postponed its Brexit until January 31st, 2020 and Boris Johnson launched the new election process on December 12th. Central banks cut rates (-25bp for the Fed, third rate cut this year), while also increase the size of their balance sheets (Fed + \$60 billion per month from October 15th, ECB + €20 billion per month from October 30th) and the ECB's "tiering" was introduced on the same day as its QE programme, thus limiting the impact of negative interest rates on nearly 40% of Eurozone banks' reserves.

Macroeconomic figures remained mixed, with still no signs of improvement for the manufacturing sector but conversely very good job reports.

Investor positioning remains too defensive and "technical factors" are still very favourable to the credit market: inflows to credit funds continue, issuance volumes were more limited in October and we are in the last weeks of potential issues for the current year, banks have already completed 95% of their financing programmes, liquidity is still very significant for investors and traders were overly cautious, wishing without obtaining a "repeat" of the market downturn in the fourth quarter of last year. As a result, the path of least resistance continues to be spread tightening from now on.

For Credit Fi, the largest contributors to performance were UK banks across the entire capital structure (+40bp), followed by Italian Tier 2 banks (+25bp, mainly Unicredit and Monte). Legacy floating-rate notes also performed well during the month, with a contribution of +20bp for a weight of 7%.

Overall sentiment improved during November as economic indicators stopped deteriorating and optimism picked up on the China-US theme. The abundant primary market had an impact on valuations at the beginning of the month, before slowing down in the second half, while the secondary market once again performed well. Banks' third quarter results did not hold any particular surprises, but it is worth noting that the majority of Italian banks beat expectations. Money laundering cases continued to weigh on Nordic banks with SEB and DNB this month, with so far much ado about nothing. Deutsche Bank pressed on with its transformation, announcing the sale of a \$50 billion portfolio of emerging market debt. Turning to insurance companies, S&P affirmed La Mondiale's A- rating and positive outlook and upgraded Uniqa's outlook to positive.

Liability Management transactions accelerated significantly during the month with tenders from HSBC (bonds issued by its US subsidiary), Erste Bank (in parallel with the issue of a new Tier 2), Commerzbank and Ageas (Legacy themes).

As for AT1, issuers continue to refinance calls scheduled for 2020 well in advance (DNB, BIL, SEB, DNB, etc.), but new issuers are also appearing in this market such as La Banque Postale. The primary market was active in Tier 2 with Standard Chartered, Danske, AIB, Erste Bank, CNP green and still strong supply in Non Preferred Senior. For Credit Fi, the biggest contributors to performance were Legacy (+36bp, notably through BNP and Ageas), followed by AT1 (+24bp, mainly in the United Kingdom, Spain and Portugal). Senior (-5bp) and Tier 2 (+10bp) were negatively affected by the interest-rate effect during the month.

2019 was an excellent year for financial debt, which benefited from still improving fundamentals, very attractive valuations at the beginning of the year and the reduction in macroeconomic and political risks during 2019. Performance ranged from +4,3% for senior bank debt, +9,2% for bank IG Tier 2 and up to +16,2% for AT1. Contrary to what happened in 2018, the outlook brightened considerably in December: the "phase I" agreement between the US and China, allowing a pause in the trade war, and the Conservatives' landslide victory in the United Kingdom, greatly reducing the risk of a hard Brexit in the short term.

There were no surprises this month from central banks, whether from the Fed or the ECB, as both institutions are expected to maintain their accommodative biases by monitoring future growth and inflation indicators.

The ECB lowered the capital requirements of UniCredit and Deutsche Bank, a measure justified by the improved asset quality and risk profile of both institutions. S&P also confirmed Deutsche Bank's BBB+ rating with a stable outlook. Andrea Enria, the Chair of the European Central Bank's Supervisory Board, confirmed that Pillar 2 could be partly filled with AT1 and Tier 2 subordinated debt, but probably not before 2022. Finally, all British banks successfully passed their BoE stress test.

Moody's maintained the European life insurance sector on stable outlook but downgraded the outlook for European banks to negative (in actual fact, stable for most countries with the exception of the United Kingdom and Germany, which were downgraded to negative).

As expected, the primary market was quiet in December. Ageas issued an RT1 following the partial tender of a Legacy issue.

For Credit Fi, the largest contributors to performance were Tier 2 with +45bp (Spain +15bp for banks, France +11bp mainly for insurers), followed by AT1 (+20bp, mainly Spain and the United Kingdom) and Legacy (+15bp).

January 2020 was not as calm as expected, first with the tensions between the United States and Iran but which had little impact on the markets. The coronavirus then caught the attention of investors, leading to risk aversion at valuation levels that did not price in external shocks

The victory of the left-wing party in the Emilia-Romagna regional elections had a positive impact on sentiment on Italy, and the spread against Germany returned to around 130bp. Greece was upgraded from BB- to BB by Fitch, still with a positive outlook.

In terms of issuers, the Monte dei Paschi story seems close to a positive outcome, with several sources citing a possible agreement between the Italian government and the EU to remove some doubtful assets from the bank's balance sheet. Moody's now has a positive outlook on its rating compared with a negative one previously.

The first quarterly earnings were generally better than expected, Deutsche Bank's restructuring plan finally seemed to be bearing fruit and the latest results convinced creditors as well as shareholders. Conversely, Sabadell reported lower-than-expected earnings, even though this did not change much in terms of its credit profile.

The primary market was particularly active with, for AT1, Santander (which finally repaid its uncalled AT1 in March 2019), Credit Suisse, Erste Bank, UBI and BPM and, for Tier 2, BNP, Unicredit, Sabadell, Monte dei Paschi and Ibercaja.

For Credit Fi, the biggest contributors to performance were Tier 2 bonds with +100bp, including Italian issuers with +40bp, followed by Legacy (+50bp). AT1 and Senior bonds each contributed +25bp.

The fund may now invest in all OECD currencies and hedge using equity derivatives (futures and options) up to 10% of its net assets. The fund can invest up to 80% of its net assets in currencies other than the euro (vs. 75% previously).

February 2020 had started very well for three weeks before ending in a mad downward spiral caused by fears related to the development of the coronavirus epidemic, first in Italy, then more or less everywhere in Europe and in the rest of the world.

Thus, the last week of February saw nearly six months of spread tightening wiped out; similar spread levels had not been seen since August-September 2019. All the benefit resulting from the ECB's and Federal Reserve's rate cuts and the relaunch of the asset purchase programmes evaporated in a single week. The sharp spread widening seems to have been accentuated by sell flows "at any price" from ETF-type funds.

Although it is still too early to measure the health and economic impact of this epidemic, the markets have priced in a higher probability of recession and of a fall in interest rates into current valuations (three Fed rate cuts currently expected in 2020).

The primary market was active for three weeks with, in AT1, Deutsche Bank, Unicredit, Intesa and ING in particular and, in Tier 2, a return of Piraeus and the arrival of Alpha Bank, for example.

We used our hedging possibilities through the use of equity derivatives, committing nearly 2,9% of the fund's net assets via put purchases and sales of futures contracts. This hedge earned the Fund +0,2% over the month.

On Credit Fi, the largest positive contributors to performance were Legacy Tier 1 (+0,20%), in particular HSBC (+0,08%), Commerzbank (+0,03%) and RBS (+0,03%). The largest negative contributions came from bank Tier 2 (-0,69%) and AT1/RT1 (-0,43%). Spain (-0,29%), Greece (-0,22%) and Italy (-0,17%) made the largest contributions. By issuer, Deutsche Bank, Piraeus and Unicredit were the top three negative contributions.

Central banks and governments are working to try to mitigate the impacts of the nearly complete lockdown around the world. Central banks have pulled out their monetary bazooka several times, several rate cuts (for those who could) with a zero or negative interest-rate environment for virtually the entire world, but above all massive liquidity injection programmes. The Fed launched unlimited QE (with purchases of close to \$625 billion in the third week of March), an extension to corporate bonds, and direct financing to large groups and SMEs (to come). The ECB launched its PEPP of at least €750 billion until the end of 2020, with inclusion of Greek debt in the programme and possibility of exceeding the 33% holding limit, i.e. the ECB can directly influence sovereign debt spreads and prevent significant pressure on peripheral debt.

Governments are not far behind with a stimulus estimated at \$2 trillion in the US, guaranteed loans of €500 billion in Germany, €300 billion in France, etc. However, a common fiscal response is still awaited from the European side.

In terms of regulations, banks have benefited from a number of relief measures: reduction in required capital, deferred stress tests, Basel IV postponed by one year, softened accounting standards, etc. In return, European regulators (virtually) require banks not to distribute dividends and to stop share buybacks at least until October 2020. Important clarification from the ECB: it has no plans to order banks to suspend interest payments on their hybrid AT1 or Tier 2 debt instruments.

The primary market tentatively reopened in the Senior segment for prime issuers such as Credit Suisse, Barclays, HSBC and Standard Chartered.

For Credit Fi, the most negative contributions came from bank Tier 2 with -6,00% (including Italy with -1,80% and Spain with -1,5%) and AT1/RT1 with -2,9%. The most resilient categories were Senior (-1,00%) and insurance Tier 2 (-1,3%). By issuer, Monte dei Paschi, Unicredit, HSBC and Deutsche were the main negative contributors.

*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	333,252,009.93	291,686,480.03
BNP PAR 1.375% 28-05-29 EMTN	24,583,872.21	15,330,072.82
DANSKE BK 0.5% 27-08-25	19,877,701.38	11,804,702.73
DANSKE BK 1.625% 15-03-24 EMTN	10,320,340.06	13,695,340.76
UNICREDIT SPA FIX PERP	8,003,401.72	14,918,589.49
HSBC 3.0% 29/05/1930	13,998,231.99	6,489,171.42
BCP 3.871% 27-03-30 EMTN	12,990,000.00	5,037,017.76
BFCM BANQUE FEDERATIVE CREDIT MUTUEL 1.75% 19-12-24	8,444,588.43	8,963,882.35
LLOYDS BANKING GROUP PLC AUTRE V 15-01-26	9,406,231.96	7,886,123.32
UNICAJA BAN 2.875% 13-11-29	16,120,836.07	0.00

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

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

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

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

- Exposure through efficient management techniques:
  - **Securities lending:**
  - **Securities borrowing:**
  - **Repurchase agreements:**
  - **Reverse repurchase agreements:**
  
- Underlying exposure through derivative financial instruments: **883,233,994.22**
  - **Currency forwards: 393,640,692.78**
  - **Futures: 189,593,301.44**
  - **Options:**
  - **Swaps: 300,000,000.00**

**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



## 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. The information can be consulted on the management company's website: [www.lazardfreresgestion.fr](http://www.lazardfreresgestion.fr).

### • **BROKERAGE FEES**

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

### • **EXERCISING VOTING RIGHTS**

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

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

*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 the Lazard Credit Fi UCI*

- 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

We attach particular importance to developing proprietary models built on our expertise with a constant concern to provide tangible added value in the selection of securities in the portfolio.

At the end of 2019, Lazard Frères Gestion therefore wanted to implement a proprietary ESG analysis and rating model that complies with this principle.

Based on the various data provided by our ESG partners (Vigeo Eiris, Ethix, Trucost, Carbon Delta), Bloomberg, the CSR reports of each company, the Vigeo controversy monitoring tool and the comments of our analysts-managers, the analysts responsible for each security draw up an internal ESG rating based on a quantitative and qualitative approach: for each E, S and G pillar, around fifteen key indicators are monitored and then aggregated in a summary rating (from 1 for the least good issuers to 5 for the best).

The analysis of climate risk criteria has so far been delegated to our partners Trucost and Carbon Delta.

The manner in which issuers take physical risks and transition risks into account in their development model is analysed according to the following methodology:

- Assessment of physical risks

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 its efforts to anticipate and mitigate the consequences that the physical impacts of climate change could have on its activities
  - o Impacts on the company's assets (damage, destruction of buildings or production equipment, early retirement of existing assets, etc.)
  - o Supply chain impacts (reduced availability/increased costs of raw materials, components or equipment, etc.)
  - o Cost impacts (insurance costs, investment costs, operating costs, etc.)
  - o 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: o

- o 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.

- o 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.

- o 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 non-financial ratings, i.e. that the spread remains attractive from a credit risk perspective.

At 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.

Lastly, we regularly measure the impact of the consideration and management of ESG risks by the selected companies on the bond portfolios' ESG performance.

Thus, all portfolios are subject to a quarterly quantitative assessment by the ESG team, based on 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 VigeoEiris rating as well as the ratings for the six areas analysed by Vigeo Eiris.

In addition, for issuers with the lowest non-financial ratings (overall score "weak"), with the help of the qualitative analysis provided by Vigeo-Eiris, the ESG team prepares a summary comment also sent quarterly to the Fund's manager.

- Monitoring of ESG indicators

➤ Carbon footprint

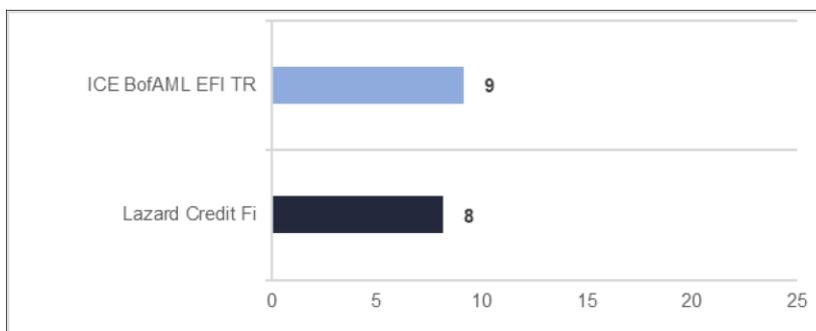
In the context of Article 173 of the law of August 17th, 2015, LAZARD Frères Gestion made a decision to report the carbon footprint of the Lazard Credit Fi fund.

- To obtain the data needed to calculate the carbon footprint, we decided to establish a partnership with TRUCOST in 2016.
- LAZARD Frères Gestion use the carbon intensity indicator, which is expressed in CO2 equivalent tonnes per million euros of income.
- The carbon footprint assessment takes into account scope 1 and 2 greenhouse gas (GHG) emissions.
  - Scope 1: All direct emissions linked to the use of fossil fuels to manufacture a product.
  - Scope 2: 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:

**Carbon intensity of the portfolio**

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

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



Date: 31/03/2020  
Fund coverage ratio: 89 %

➤ 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

### Energy Transition score of a portfolio

$$= \sum [\text{Energy Transition score of each security} \times \text{weight of each security}]$$

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

---

<b>LAZARD CREDIT FI</b>	<b>Underway</b>	<b>49</b>
ICE BofAML Euro Financial Index Total Return	Convincing	55

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

- Voting at shareholders' meetings

As a bondholder, we are not shareholders and do not have voting rights associated with our portfolio positions.

- Implementation of an engagement strategy relating to issuers

Since 2019, the Fixed Income team has initiated direct ESG exchanges with issuers. This dialogue takes the form of face-to-face meetings with the portfolio companies' management and exchange of emails in the event of specific requests. If priority is given to issuers not rated or rated "weak" by our partner Vigeo Eiris and/or our internal analysts, the management team is authorised to contact any issuer on a discretionary basis, particularly in the event of controversy.

There are two main objectives underlying this direct dialogue:

1. Engaging with companies to improve their ESG practices;
2. Raising awareness among issuers on how to take their ESG rating into account in investment decisions.

Lazard Frères Gestion publishes a report covering the various initiatives undertaken and their outcome. This document is available at the following address: [http://www.lazardfreresgestion.fr/FR/ESG-ISR\\_102.html](http://www.lazardfreresgestion.fr/FR/ESG-ISR_102.html)

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

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

- **METHOD USED TO CALCULATE GLOBAL RISK**

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

- **SWING PRICING**

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

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

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

- **INFORMATION ON DISTRIBUTED INCOME ELIGIBLE FOR THE 40% ALLOWANCE (FOR DISTRIBUTING UCIs)**

Pursuant to the provisions of Article 41 sexdecies H of the French General Tax Code, income on distributing shares is subject to an allowance of 40%.

- **REMUNERATION**

The fixed and variable remuneration paid during the financial year ended on December 31st, 2019 by the management company to its personnel, pro rata their investment in the management of the AIFs, excluding the management of the UCITS and discretionary mandates, can be obtained on request by post from the UCI legal department of Lazard Frères Gestion, and are indicated in the company's annual report. The total variable remuneration is set by the Lazard Group based on different criteria, including the Lazard Group's financial performance over the past year, taking its earnings into account. The executive management decides on the total remuneration amount that will be split between the fixed and variable components, complying with the policy to maintain a complete separation between the fixed and variable components. All risks are incorporated into the calculation of the variable remuneration. It is then individualised and determined partly based on the performance of each identified member of staff.

**Population at 31/12/2019: Fixed-term and permanent contracts at LFG and LFG-Belgium (i.e. excluding interns and trainees and excluding LFG-Courtage)**

Headcount at 31/12/2019 LFG, LFG-Belgique	Fixed annual remuneration for 2019 in €	Variable remuneration for 2019 (Cash paid in 2020 and deferred in 2020) in €
174	15,947,054	19,567,356

**“Identified employees”**

Category	Number of employees	Aggregate fixed and variable remuneration in 2019 (including deferred pay) in €
Senior management	3	4,100,006
Other	48	18,940,465
<b>Total</b>	<b>51</b>	<b>23,040,471</b>

***Note: the amounts are unloaded***

- **OTHER INFORMATION**

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

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

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

## 5. CERTIFICATION BY THE STATUTORY AUDITOR

## 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 31st, 2020

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To the unitholders of the FCP LAZARD CREDIT FI UCI,

#### 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 31st, 2020. These financial statements were prepared by the management company on the basis of available information in the context of the evolving COVID-19 crisis.

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.

#### 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 30th, 2019 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 overall presentation 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.

### **Specific verifications**

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

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

### **Responsibilities of the management company concerning the annual financial statements**

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

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

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



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

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

As stipulated in Article L. 823-10-1 of the French Commercial Code (Code de commerce), 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. In addition:

- it identifies and assess the risks that the annual financial statements may contain material misstatements, whether from fraud or error, defines and implements audit procedures to resolve these risks, and collects all elements deemed necessary and appropriate in order to give its opinion. The risk of failure to detect a material misstatement resulting from fraud is higher than that resulting from an error because fraud may involve collusion, falsification, deliberate omissions, false statements or by-passing of internal controls;
- it takes due note of the internal control relevant to the audit in order to define audit procedures that are appropriate to the circumstances, and not with a view to expressing an opinion on the efficiency of the internal control;
- it assesses the appropriateness of the accounting methods used and the reasonable nature of the accounting estimates made by the management company, and the related information provided in the annual financial statements;
- it assesses the appropriateness of the management company's application of the accounting policy for a going concern and, based on the information collected, whether there is a significant uncertainty linked to events or circumstances that is likely to call into question the Fund's capacity to continue operating as a going concern. This assessment is based on the information collected up to the date of the report, bearing in mind nevertheless that subsequent circumstances or events could jeopardise the continuity of operation. If the statutory auditor observes the existence of a material uncertainty, it shall draw the attention of the readers of its report to the information provided in the annual financial statements on the subject of this uncertainty, or if this information has not been provided or is not relevant, it shall attach reservations to its certification or shall refuse to certify the accounts;
- it assesses the overall presentation of the annual financial statements and whether they provide a true picture of the underlying operations and events.

Paris La Défense, July 10th, 2020



The statutory auditor

Deloitte & Associés

[signature]

Olivier Galienne

## 6 ANNUAL FINANCIAL STATEMENTS

### •BALANCE SHEET *in euros*

#### ASSETS

	31/03/2020	29/03/2019
<b>Net non-current assets</b>		
<b>Deposits</b>		
<b>Financial instruments</b>	<b>892,540,460.07</b>	<b>753,707,783.48</b>
<b>Equities and similar securities</b>		
Traded on a regulated or equivalent market		
Not traded on a regulated or equivalent market		
<b>Bonds and similar securities</b>	<b>835,613,647.13</b>	<b>744,061,891.10</b>
Traded on a regulated or equivalent market	835,613,647.13	744,061,891.10
Not traded on a regulated or equivalent market		
<b>Debt securities</b>		
Traded on a regulated or equivalent market		
Negotiable debt securities		
Other debt securities		
Not traded on a regulated or equivalent market		
<b>Undertakings for collective investment</b>	<b>50,314,384.69</b>	<b>9,645,892.38</b>
General UCITS and general AIFs aimed at non-professionals and their equivalent in other countries	50,314,384.69	9,645,892.38
Other funds aimed at non-professionals and their equivalent in other countries that are Member States of the EU		
General purpose funds aimed at professional investors and their equivalent 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		
<b>Temporary securities transactions</b>		
Receivables on securities purchased under repurchase agreements		
Receivables on loaned securities		
Borrowed securities		
Securities sold under repurchase agreements	<b>6,612,428.25</b>	
Other temporary transactions		
<b>Forward financial instruments</b>		
Transactions on a regulated or equivalent market	919,343.81	
Other transactions	5,693,084.44	
<b>Other financial instruments</b>		
<b>Receivables</b>	<b>399,503,832.21</b>	<b>281,751,279.31</b>
<b>Currency forward exchange transactions</b>	<b>393,640,692.78</b>	<b>263,596,052.44</b>
<b>Other</b>	<b>5,863,139.43</b>	<b>18,155,226.87</b>
<b>Financial accounts</b>	<b>41,692,095.99</b>	<b>40,133,453.12</b>
<b>Cash and cash equivalents</b>	<b>41,692,095.99</b>	<b>40,133,453.12</b>
<b>Total assets</b>	<b>1,333,736,388.27</b>	<b>1,075,592,515.91</b>

**LIABILITIES AND SHAREHOLDERS' EQUITY**

	31/03/2020	29/03/2019
<b>Shareholders' equity</b>		
<b>Capital</b>	875,337,197.42	787,482,639.49
<b>Undistributed net capital gains and losses recognised in previous years (a)</b>		
<b>Retained earnings (a)</b>	5,462.54	900.93
<b>Net capital gains and losses for the year (a, b)</b>	6,071,965.49	-26,740,001.58
<b>Net income for the year (a, b)</b>	31,323,803.24	30,644,549.87
<b>Total shareholders' equity (= amount representing net assets)</b>	<b>912,738,428.69</b>	<b>791,388,088.71</b>
<b>Financial instruments</b>	<b>3,765,886.03</b>	
<b>Sales of financial instruments</b>		
<b>Temporary securities transactions</b>		
Liabilities on securities sold under repurchase agreements		
Liabilities on borrowed securities		
Other temporary transactions		
<b>Forward financial instruments</b>	<b>3,765,886.03</b>	
Transactions on a regulated or equivalent market	919,343.81	
Other transactions	2,846,542.22	
<b>Liabilities</b>	<b>416,771,230.58</b>	<b>284,204,427.20</b>
<b>Currency forward exchange transactions</b>	<b>395,795,474.12</b>	<b>266,476,029.90</b>
<b>Other</b>	<b>20,975,756.46</b>	<b>17,728,397.30</b>
<b>Financial accounts</b>	<b>460,842.97</b>	
<b>Bank overdrafts</b>	<b>460,842.97</b>	
<b>Borrowings</b>		
<b>Total liabilities and shareholders' equity</b>	<b>1,333,736,388.27</b>	<b>1,075,592,515.91</b>

(a) Including accrued income

(b) Less interim dividends paid for the financial year

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

	31/03/2020	29/03/2019
<b>Hedging transactions</b>		
<b>Commitments on regulated or similar markets</b>		
<b>Futures contracts</b>		
TY CBOT YST 1 0620	189,593,301.44	
<b>Commitments on OTC markets</b>		
<b>Credit Default Swap</b>		
ITRAXX EUR XOVER S33	100,000,000.00	
ITRAXX EUR XOVER S33	200,000,000.00	
<b>Other commitments</b>		
<b>Other transactions</b>		
<b>Commitments on regulated or similar markets</b>		
<b>Commitments on OTC markets</b>		
<b>Other commitments</b>		

- **INCOME STATEMENT *in euros***

	31/03/2020	29/03/2019
<b>Income from financial transactions</b>		
Income from deposits and financial accounts	3,593.51	
Income from equities and similar securities		
Income from bonds and similar securities	35,183,622.19	34,635,324.10
Income from debt securities	60.75	
Income from temporary purchases and sales of securities	947.01	
Income from forward financial instruments		
Other financial income		
<b>Total (1)</b>	<b>35,188,223.46</b>	<b>34,635,324.10</b>
<b>Expenses related to financial transactions</b>		
Expenses related to temporary purchases and sales of securities	5,264.29	10,568.99
Expenses related to forward financial instruments		
Expenses related to financial liabilities	19,683.33	9,096.75
Other financial charges		
<b>Total (2)</b>	<b>24,947.62</b>	<b>19,665.74</b>
<b>Income from financial transactions (1 - 2)</b>	<b>35,163,275.84</b>	<b>34,615,658.36</b>
Other income (3)		
Management fees and depreciation and amortisation (4)	5,426,504.05	3,467,764.41
<b>Net income for the financial year (L. 214-17-1) (1 - 2 + 3 - 4)</b>	<b>29,736,771.79</b>	<b>31,147,893.95</b>
Income adjustment for the financial year (5)	1,587,031.45	-503,344.08
Interim dividends paid on net income for the financial year (6)		
<b>Net income (1 - 2 + 3 - 4 + 5 - 6)</b>	<b>31,323,803.24</b>	<b>30,644,549.87</b>

### 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.

The annual financial statements were prepared on the basis of audited NAV.

### INFORMATION ON THE IMPACT OF THE COVID-19 CRISIS

These financial statements were prepared by the management company on the basis of available information in the context of the evolving COVID-19 crisis.

### Asset valuation rules

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

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

- **Fixed-income securities:**

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

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

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

Financial instruments whose prices have not been determined on the valuation day or whose prices have been adjusted are valued at their probable trading price under the responsibility of the management company of the Fund.

These estimates and their supporting documentation will be provided to the statutory auditor during audits.

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

- **Negotiable debt securities:**

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

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

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

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

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

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

o **UCIs:**

Units or shares of UCIs are valued at the last known net asset value.

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

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

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

Collateral received or given in the form of cash in the context of temporary securities transactions (securities lending/borrowing, cash collateral, repurchase agreements) are recorded as assets under "Cash and cash equivalents".

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

o **Futures and options:**

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

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

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

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

Off-balance sheet transactions are valued at the commitment value.

The commitment value for futures contracts is equal to the price (in the 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 implemented a method for adjusting the UCI's net asset value known as Swing Pricing with a trigger level since November 2nd, 2016.

This mechanism consists in making investors bear the cost of reorganising the portfolio in the event of significant subscription and redemption transactions, which may arise from transaction costs, buy/sell spreads, as well as taxes or duties applicable to the UCI, in connection with investment or disinvestment transactions

As soon as 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, to take into account the readjustment costs attributable to net subscription and redemption orders.

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

### Management fees

Management fees are calculated on each valuation day.

The annual management fee rate is applied to gross assets (equal to net assets before deduction of the day's management fees) less UCIs managed by Lazard Frères gestion SAS using the following formula:

$$\frac{\text{Gross assets - UCIs managed by Lazard Frères gestion} \times \text{operating and management fees rate} \times \text{number of days between the NAV calculation date and the previous NAV calculation date}}{365 \text{ (or 366 in a leap year)}}$$

This amount is then recorded in the UCI's income statement and paid in full to the management company.

The management company pays the operating fees including:

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

These fees do not include transaction charges. The fees break down as follows, as set out in the regulations:

<i>Expenses charged to the Fund</i>	<i>Basis</i>	<i>Rate</i>
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: 0,665% incl. taxes Maximum rate 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) *	Net asset value of each unit x number of units	30% of the outperformance above 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:***

<b><i>Distributable income</i></b>	<b><i>IVC - RC - IC - IC-USD - IC H-CHF - TC units</i></b>	<b><i>RD - ID - IVD units</i></b>
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***

	<b>31/03/2020</b>	<b>29/03/2019</b>
<b>Net assets at start of year</b>	<b>791,388,088.71</b>	<b>790,108,527.66</b>
Subscriptions (including subscription fees retained by the Fund)	506,188,222.11	381,681,857.99
Redemptions (net of redemption fees retained by the Fund)	-312,622,586.49	-369,986,166.67
Realised capital gains on deposits and financial instruments	20,636,740.10	15,229,108.03
Realised capital losses on deposits and financial instruments	-4,492,963.29	-6,557,673.78
Realised capital gains on forward financial instruments	51,907,603.01	32,858,057.88
Realised capital losses on forward financial instruments	-64,356,338.43	-58,890,710.05
Transaction fees	-36,303.92	-50,531.02
Exchange rate differences	4,388,210.89	16,411,717.96
Changes in valuation difference of deposits and financial instruments	-108,716,873.28	-40,327,646.70
Valuation difference for financial year N	-103,505,563.78	5,211,309.50
Valuation difference for financial year N-1	-5,211,309.50	-45,538,956.20
Changes in valuation difference of forward financial instruments	3,765,886.03	1,837,686.54
Valuation difference for financial year N	3,765,886.03	
Valuation difference for financial year N-1		1,837,686.54
Distribution of prior year's net capital gains and losses		
Dividends paid in the previous financial year	-5,048,028.54	-2,074,033.08
Net profit/loss for the financial year prior to income adjustment	29,736,771.79	31,147,893.95
Interim dividend(s) paid on net capital gains/losses during the financial year		
Interim dividend(s) paid on net income during the financial year		
Other items		
<b>Net assets at end of year</b>	<b>912,738,428.69</b>	<b>791,388,088.71</b>





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

	Debit/credit item	31/03/2020
Receivables	Forward currency purchases	43,791,030.46
	Receivables on forward currency sales	349,849,662.32
	Subscription receivables	804,243.35
	Margin cash deposits	2,781,954.89
	Coupons and dividends in cash	946,949.19
	Collateral	1,329,992.00
<b>Total receivables</b>		<b>399,503,832.21</b>
Liabilities	Forward currency sales	352,305,102.65
	Payables on forward currency purchases	43,490,371.47
	Deferred settlement purchase	13,190,539.77
	Redemptions payable	906,274.08
	Management fees	455,246.77
	Variable management fees	1,553,695.84
	Collateral	4,870,000.00
<b>Total liabilities</b>		<b>416,771,230.58</b>

- NUMBER OF SECURITIES ISSUED OR REDEEMED**

	In units	In amounts
<b>PVC EUR unit</b>		
Units subscribed during the financial year	17,926.506	276,364,461.11
Units redeemed during the financial year	-10,453.828	-159,709,303.25
Net balance of subscriptions/redemptions	7,472.678	116,655,157.86
<b>TC EUR unit</b>		
Units subscribed during the financial year	172,926.741	36,102,927.32
Units redeemed during the financial year	-97,839.290	-19,510,278.78
Net balance of subscriptions/redemptions	75,087.451	16,592,648.54
<b>PC-H USD units</b>		
Units subscribed during the financial year	780.580	
Units redeemed during the financial year	-2,210.580	934,840.30 -2,585,579.16
Net balance of subscriptions/redemptions	-1,430.000	-1,650,738.86
<b>PC EUR unit</b>		
Units subscribed during the financial year	57,000.976	72,153,153.09
Units redeemed during the financial year	-42,259.500	-52,652,467.01
Net balance of subscriptions/redemptions	14,741.476	19,500,686.08
<b>PC-H CHF units</b>		
Units subscribed during the financial year	2,187.842	2,354,282.53
Units redeemed during the financial year	-1,095.000	-1,121,722.60
Net balance of subscriptions/redemptions	1,092.842	1,232,559.93
<b>RVD EUR unit</b>		
Units subscribed during the financial year	4,130.437	826,585.46
Units redeemed during the financial year	-560.306	-106,317.46
Net balance of subscriptions/redemptions	3,570.131	720,268.00
<b>RVC EUR unit</b>		
Units subscribed during the financial year	151,010.220	51,961,827.56
Units redeemed during the financial year	-149,260.721	-50,442,498.54
Net balance of subscriptions/redemptions	1,749.499	1,519,329.02
<b>PD EUR unit</b>		
Units subscribed during the financial year	8,008.795	7,654,712.61
Units redeemed during the financial year	-16,565.847	-15,041,280.87
Net balance of subscriptions/redemptions	-8,557.052	-7,386,568.26
<b>PVD EUR unit</b>		
Units subscribed during the financial year	555,730.426	57,835,432.13
Units redeemed during the financial year	-110,507.670	-11,453,138.82
Net balance of subscriptions/redemptions	445,222.756	46,382,293.31

- SUBSCRIPTION AND/OR REDEMPTION FEES, SUBSCRIPTION AND/OR REDEMPTION FEES**

	In amounts
<b>PC-H USD units</b>	
Redemption fees acquired	
Subscription fees acquired	
Total fees acquired	
<b>TC EUR unit</b>	
Redemption fees acquired	
Subscription fees acquired	
Total fees acquired	
<b>PVC EUR unit</b>	
Redemption fees acquired	
Subscription fees acquired	
Total fees acquired	

- SUBSCRIPTION AND/OR REDEMPTION FEES, SUBSCRIPTION AND/OR REDEMPTION FEES**

	In amounts
<b>PC EUR unit</b> Redemption fees acquired Subscription fees acquired Total fees acquired	
<b>RVD EUR unit</b> Redemption fees acquired Subscription fees acquired Total fees acquired	
<b>PC-H CHF units</b> Redemption fees acquired Subscription fees acquired Total fees acquired	
<b>PD EUR unit</b> Redemption fees acquired Subscription fees acquired Total fees acquired	
<b>RVC EUR unit</b> Redemption fees acquired Subscription fees acquired Total fees acquired	
<b>PVD EUR unit</b> Redemption fees acquired Subscription fees acquired Total fees acquired	

- MANAGEMENT FEES**

	31/03/2020
<b>PC-H USD units</b> Guarantee fees Fixed management fees Percentage of fixed management fees Variable management fees Retrocessions of management fees	  16,301.82 0.73
<b>TC EUR unit</b> Guarantee fees Fixed management fees Percentage of fixed management fees Variable management fees Retrocessions of management fees	  222,118.64 0.68
<b>PVC EUR unit</b> Guarantee fees Fixed management fees Percentage of fixed management fees Variable management fees Retrocessions of management fees	  1,628,627.99 0.29 1,161,216.59
<b>PC-H CHF units</b> Guarantee fees Fixed management fees Percentage of fixed management fees Variable management fees Retrocessions of management fees	  4,202.83 0.72

- MANAGEMENT FEES**

	<b>31/03/2020</b>
<b>RVD EUR unit</b>	
Guarantee fees	
Fixed management fees	
Percentage of fixed management fees	3,124.17
Variable management fees	0.96
Retrocessions of management fees	
<b>PC EUR unit</b>	
Guarantee fees	
Fixed management fees	
Percentage of fixed management fees	737,995.38
Variable management fees	0.68
Retrocessions of management fees	
<b>PD EUR unit</b>	
Guarantee fees	
Fixed management fees	
Percentage of fixed management fees	338,566.95
Variable management fees	0.68
Retrocessions of management fees	
<b>RVC EUR unit</b>	
Guarantee fees	
Fixed management fees	
Percentage of fixed management fees	645,144.45
Variable management fees	0.97
Retrocessions of management fees	286,898.35
<b>PVD EUR unit</b>	
Guarantee fees	
Fixed management fees	276,725.98
Percentage of fixed management fees	0.29
Variable management fees	105,580.90
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**

	<b>31/03/2020</b>
Securities held under repurchase agreements	
Borrowed securities	

- PRESENT VALUE OF SECURITIES REPRESENTING SECURITY DEPOSITS**

	<b>31/03/2020</b>
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**

	<b>ISIN</b>	<b>Description</b>	<b>31/03/2020</b>
Equities			
Bonds			
NDS UCIs			50,314,384.69
	FR0013072733	LAZARD CAPI PVC H-USD	526,639.33
	FR0010952788	LAZARD CAPITAL FI PVC EUR	6,027,152.85
	FR0010941815	LAZARD EURO MONEY MARKET	41,513,920.01
	FR0013314440	LAZARD GLOBAL HYBRID BONDS EV EUR	2,246,672.50
Forward financial instruments			

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

	31/03/2020	29/03/2019
<b>Remaining amounts to be allocated</b>		
Retained earnings	5,462.54	900.93
Net income	31,323,803.24	30,644,549.87
<b>Total</b>	<b>31,329,265.78</b>	<b>30,645,450.80</b>

	31/03/2020	29/03/2019
<b>TC EUR unit</b>		
<b>Appropriation</b>		
Distribution		
Balance brought forward for the financial year		
Accumulation	1,635,308.20	1,246,125.50
<b>Total</b>	<b>1,635,308.20</b>	<b>1,246,125.50</b>

	31/03/2020	29/03/2019
<b>PC-H USD units</b>		
<b>Appropriation</b>		
Distribution		
Balance brought forward for the financial year		
Accumulation	37,753.40	91,713.00
<b>Total</b>	<b>37,753.40</b>	<b>91,713.00</b>

	31/03/2020	29/03/2019
<b>PVC EUR unit</b>		
<b>Appropriation</b>		
Distribution		
Balance brought forward for the financial year		
Accumulation	19,041,891.85	18,844,041.19
<b>Total</b>	<b>19,041,891.85</b>	<b>18,844,041.19</b>

	31/03/2020	29/03/2019
<b>PC-H CHF units</b>		
<b>Appropriation</b>		
Distribution		
Balance brought forward for the financial year		
Accumulation	39,772.22	5,860.92
<b>Total</b>	<b>39,772.22</b>	<b>5,860.92</b>

	31/03/2020	29/03/2019
<b>PC EUR unit</b>		
<b>Appropriation</b>		
Distribution		
Balance brought forward for the financial year		
Accumulation	3,854,558.42	3,546,099.13
<b>Total</b>	<b>3,854,558.42</b>	<b>3,546,099.13</b>

	31/03/2020	29/03/2019
<b>RVD EUR unit</b>		
<b>Appropriation</b>		
Distribution	10,677.68	6.54
Balance brought forward for the financial year	11.57	
Accumulation		
<b>Total</b>	<b>10,689.25</b>	<b>6.54</b>
<b>Information on units with dividend rights</b>		
Number of units	3,571.131	1.000
Dividend per share	2.99	6.54
<b>Tax credits</b>		
Tax credit attached to the distribution of earnings		

	31/03/2020	29/03/2019
<b>RVC EUR unit</b>		
<b>Appropriation</b>		
Distribution		
Balance brought forward for the financial year		
Accumulation	1,730,256.00	2,254,269.40
<b>Total</b>	<b>1,730,256.00</b>	<b>2,254,269.40</b>

	31/03/2020	29/03/2019
<b>PD EUR unit</b>		
<b>Appropriation</b>		
Distribution	1,359,806.51	1,824,119.01
Balance brought forward for the financial year	190.33	10.86
Accumulation		
<b>Total</b>	<b>1,359,996.84</b>	<b>1,824,129.87</b>
<b>Information on units with dividend rights</b>		
Number of units	42,855.547	51,412.599
Dividend per share	31.73	35.48
<b>Tax credits</b>		
Tax credit attached to the distribution of earnings		

	31/03/2020	29/03/2019
<b>PVD EUR unit</b>		
<b>Appropriation</b>		
Distribution	3,612,021.15	2,829,830.16
Balance brought forward for the financial year	7,018.45	3,375.09
Accumulation		
<b>Total</b>	<b>3,619,039.60</b>	<b>2,833,205.25</b>
<b>Information on units with dividend rights</b>		
Number of units	1,128,756.610	683,533.854
Dividend per share	3.20	4.14
<b>Tax credits</b>		
Tax credit attached to the distribution of earnings		

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

	31/03/2020	29/03/2019
<b>Remaining amounts to be allocated</b>		
Undistributed net capital gains and losses recognised in previous years		
Net capital gains and losses for the year	6,071,965.49	-26,740,001.58
Interim dividends paid on net capital gains/losses for the financial year		
<b>Total</b>	<b>6,071,965.49</b>	<b>-26,740,001.58</b>

	31/03/2020	29/03/2019
<b>PC-H USD units</b>		
Appropriation		
Distribution		
Undistributed net capital gains and losses		
Accumulation	56,095.25	206,524.12
<b>Total</b>	<b>56,095.25</b>	<b>206,524.12</b>

	31/03/2020	29/03/2019
<b>TC EUR unit</b>		
Appropriation		
Distribution		
Undistributed net capital gains and losses		
Accumulation	301,491.02	-1,168,614.16
<b>Total</b>	<b>301,491.02</b>	<b>-1,168,614.16</b>

	31/03/2020	29/03/2019
<b>PVC EUR unit</b>		
Appropriation		
Distribution		
Undistributed net capital gains and losses		
Accumulation	3,549,679.52	-16,046,591.45
<b>Total</b>	<b>3,549,679.52</b>	<b>-16,046,591.45</b>

	31/03/2020	29/03/2019
<b>RVD EUR unit</b>		
Appropriation		
Distribution		
Undistributed net capital gains and losses		
Accumulation	4,275.92	-6.66
<b>Total</b>	<b>4,275.92</b>	<b>-6.66</b>

	31/03/2020	29/03/2019
<b>PC-H CHF units</b>		
Appropriation		
Distribution		
Undistributed net capital gains and losses		
Accumulation	97,154.33	4,645.48
<b>Total</b>	<b>97,154.33</b>	<b>4,645.48</b>

	31/03/2020	29/03/2019
<b>PC EUR unit</b>		
Appropriation		
Distribution		
Undistributed net capital gains and losses		
Accumulation	710,639.13	-3,325,525.32
<b>Total</b>	<b>710,639.13</b>	<b>-3,325,525.32</b>

	31/03/2020	29/03/2019
<b>RVC EUR unit</b>		
Appropriation		
Distribution		
Undistributed net capital gains and losses		
Accumulation	414,739.08	-2,291,186.79
<b>Total</b>	<b>414,739.08</b>	<b>-2,291,186.79</b>

	31/03/2020	29/03/2019
<b>PD EUR unit</b>		
Appropriation		
Distribution		
Undistributed net capital gains and losses		
Accumulation	250,782.76	-1,710,023.55
<b>Total</b>	<b>250,782.76</b>	<b>-1,710,023.55</b>

	31/03/2020	29/03/2019
<b>PVD EUR unit</b>		
Appropriation		
Distribution		
Undistributed net capital gains and losses		
Accumulation	687,108.48	-2,409,223.25
<b>Total</b>	<b>687,108.48</b>	<b>-2,409,223.25</b>

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

	31/03/2016	31/03/2017	29/03/2018	29/03/2019	31/03/2020
<b>Global net assets in euros</b>	<b>391,862,987.64</b>	<b>487,010,285.62</b>	<b>790,108,527.66</b>	<b>791,388,088.71</b>	<b>912,738,428.69</b>
<b>LAZ CRED FI PC H-USD</b>					
Net assets in US dollars	446,767.73	3,333,730.10	2,789,534.91	2,992,923.47	1,220,555.67
Number of shares	450.000	3,011.000	2,326.298	2,460.090	1,030.090
Net asset value per share in US dollars	992.81	1,107.18	1,199.13	1,216.59	1,184.90
Accumulation per share pertaining to net capital gains/losses in euros	-32.64	83.09	-113.52	83.94	54.45
Accumulation per share pertaining to net income in euros	5.65	41.21	35.16	37.28	36.65
<b>LAZ CRED FI TC EUR</b>					
Net assets in euros			24,048,051.66	34,189,540.94	46,084,905.74
Number of shares			123,012.889	177,190.083	252,277.534
Net asset value per share in EUR			195.49	192.95	182.67
Accumulation per share pertaining to net capital gains/losses in euros			1.54	-6.59	1.19
Accumulation per share pertaining to net income in euros			0.90	7.03	6.48
<b>LAZ CRED FI PVC EUR</b>					
Net assets in euros	191,590,846.66	283,890,266.77	463,251,069.55	470,041,174.27	548,580,184.05
Number of shares	14,884.456	20,190.879	31,317.756	32,074.177	39,546.855
Net asset value per share in EUR	12,871.87	14,060.32	14,791.96	14,654.81	13,871.65
Accumulation per share pertaining to net capital gains/losses in euros	160.40	24.31	329.51	-500.29	89.75
Accumulation per share pertaining to net income in euros	549.12	498.86	425.28	587.51	481.50
<b>LAZ CRED FI PC H-CHF</b>					
Net assets in Swiss francs		107,228.24	1,058,668.75	186,027.75	1,244,774.56
Number of shares		107.000	1,001.000	179.000	1,271.842
Net asset value per share in Swiss francs		1,002.13	1,057.61	1,039.26	978.71
Accumulation per share pertaining to net capital gains/losses in euros		-0.15	-49.37	25.95	76.38
Accumulation per share pertaining to net income in euros		1.52	32.54	32.74	31.27

\* Tax credit per share 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**

	31/03/2016	31/03/2017	29/03/2018	29/03/2019	31/03/2020
<b>Global net assets in euros</b>	<b>391,862,987.64</b>	<b>487,010,285.62</b>	<b>790,108,527.66</b>	<b>791,388,088.71</b>	<b>912,738,428.69</b>
<b>LAZ CRED FI RVD EUR</b>					
Net assets in euros			198.67	195.22	627,968.60
Number of shares			1.000	1.000	3,571.131 175.84
Net asset value per share in EUR			198.67	195.22	
Accumulation per share pertaining to net capital gains/losses in euros					1.19
Distribution per share pertaining to net income in euros				-6.66	2.99
Retained earnings per share pertaining to net income in euros			0.34	6.54	
Tax credit per share in euros					*
<b>LAZ CRED FI PC EUR</b>					
Net assets in euros	73,325,714.11	65,281,670.99	137,963,655.96	97,293,173.26	108,630,696.92
Number of shares	71,220.341	57,678.866	115,070.427	82,216.090	96,957.566
Net asset value per share in EUR	1,029.56	1,131.81	1,198.94	1,183.38	1,120.39
Accumulation per share pertaining to net capital gains/losses in euros	12.85	1.93	26.75	-40.44	7.32
Accumulation per share pertaining to net income in euros	39.98	47.11	42.34	43.13	39.75
<b>LAZ CRED FI PD EUR</b>					
Net assets in euros			5,946,290.56	49,983,520.86	38,055,424.02
Number of shares			6,013.481	51,412.599	42,855.547 887.99
Net asset value per share in EUR			988.82	972.20	
Accumulation per share pertaining to net capital gains/losses in euros				-33.26	5.85
Distribution per share pertaining to net income in euros			3.77	35.48	31.73
Retained earnings per share pertaining to net income in euros					
Tax credit per share in euros					*
<b>LAZ CRED FI RVC EUR</b>					
Net assets in euros	83,423,166.00	73,476,362.15	86,369,120.72	66,971,421.51	63,282,294.68
Number of shares	288,759.418	232,622.603	261,128.837	205,733.975	207,483.474
Net asset value per share in EUR	288.90	315.86	330.75	325.52	304.99
Accumulation per share pertaining to net capital gains/losses in euros	3.61	0.55	7.43	-11.13	1.99
Accumulation per share pertaining to net income in euros	10.35	11.49	8.57	10.95	8.33

\* Tax credit per share 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**

	31/03/2016	31/03/2017	29/03/2018	29/03/2019	31/03/2020
<b>Global net assets in euros</b>	<b>391,862,987.64</b>	<b>487,010,285.62</b>	<b>790,108,527.66</b>	<b>791,388,088.71</b>	<b>912,738,428.69</b>
<b>LAZ CRED FI PVD EUR</b>					
Net assets in euros	43,131,204.59	61,144,877.42	69,363,020.31	70,077,236.08	105,192,087.15
Number of shares	430,006.000	581,037.469	650,750.933	683,533.854	1,128,756.610
Net asset value per share in EUR	100.30	105.23	106.58	102.52	93.19
Accumulation per share pertaining to net capital gains/losses in euros	1.25	0.20	2.38	-3.52	0.60
Distribution per share pertaining to net income in euros	4.29	4.00	3.06	4.14	3.20
Retained earnings per share pertaining to net income in euros					
Tax credit per share in euros					*

**YEARS**

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

• **INVENTORY in euros**

Description of security	Currency	Quantity No. or nominal	Present value	% Net assets
<b>Bonds and similar securities</b>				
<b>Bonds and similar securities traded on a regulated or similar market</b>				
<b>GERMANY</b>				
DEUT P CMS10R+0.025% 31-12-99	in euros	1,000,000	715,196.67	0.08
DEUTSC 4.5% 19-05-26 EMTN	in euros	4,000,000	3,608,085.25	0.40
DEUTSCHE BANK AG ZCP 28-10-26	DEM	5,000,000	1,996,390.28	0.22
DEUTSCHE BANK 4.296% 05/28	USD	19,550,000	15,374,071.30	1.67
DEUTSCHE BK 1.625% 20-01-27	in euros	7,500,000	6,361,620.90	0.70
DEUTSCHE BK 6.0% PERP	USD	400,000	243,954.92	0.03
DEUTSCHE PFANDBRIEFBANK AG 4.6% 22-02-27	in euros	4,000,000	3,763,849.29	0.41
LBBW 4.0% PERP EMTN	in euros	13,200,000	10,031,800.20	1.10
<b>TOTAL GERMANY</b>			<b>42,094,968.81</b>	<b>4.61</b>
<b>AUSTRIA</b>				
RAIFFEISEN BANK INTERNATIONAL AG 6.125% PERP	in euros	5,000,000	4,419,805.60	0.48
UNIQA INSURANCE 6.875% 31/07/2043	in euros	5,500,000	6,069,244.59	0.66
VILKSBANK WIEN AG 7.75% PERP	in euros	5,000,000	4,245,738.80	0.47
<b>TOTAL AUSTRIA</b>			<b>14,734,788.99</b>	<b>1.61</b>
<b>BELGIUM</b>				
AGEAS NV EX FORTIS 3.25% 02-07-49	in euros	6,800,000	6,792,826.00	0.74
AGEAS NV 3.875% PERP	in euros	4,400,000	3,575,218.56	0.39
FORTIS BK TV07-191272 CV	in euros	23,000,000	16,113,221.14	1.77
KBC GROUPE SA FIX PERP EMTN	in euros	4,600,000	4,112,005.00	0.45
<b>TOTAL BELGIUM</b>			<b>30,593,270.70</b>	<b>3.35</b>
<b>CYPRUS</b>				
BANK OF CYPRUS PUBLIC COMPANY 9.25% 19-01-27	in euros	10,166,000	9,862,973.76	1.08
<b>TOTAL CYPRUS</b>			<b>9,862,973.76</b>	<b>1.08</b>
<b>DENMARK</b>				
DANSKE BA 5.875% PERP EMTN	in euros	14,500,000	14,372,732.39	1.57
DANSKE BK 0.5% 27-08-25	in euros	8,000,000	7,358,334.43	0.81
DANSKE BK 1.375% 12-02-30 EMTN	in euros	6,100,000	5,525,614.33	0.61
DANSKE BK 2.25% 14-01-28 EMTN	GBP	5,300,000	5,585,293.46	0.61
DANSKE BK 2.5% 21-06-29 EMTN	in euros	14,000,000	13,765,437.27	1.51
<b>TOTAL DENMARK</b>			<b>46,607,411.88</b>	<b>5.11</b>
<b>SPAIN</b>				
ABANCA CORPORACION BANCARIA 4.625% 07-04-30	in euros	6,700,000	5,600,685.23	0.61
ABANCA CORPORACION BANCARIA 6.125% 18-01-29	in euros	12,800,000	11,235,983.74	1.23
BANC DE 5.625% 06-05-26 EMTN	in euros	15,500,000	15,080,951.15	1.66
BANCO DE BADELL 5.375% 12-12-28	in euros	9,500,000	8,697,421.83	0.95
BANCO DE SABADELL SA 0.0625% 07-11-25	in euros	4,100,000	3,812,099.01	0.42
BANCO NTANDER 4.375% PERP	in euros	2,200,000	1,679,095.42	0.18
BANKIA SA 3.75% 15-02-29 EMTN	in euros	3,900,000	3,591,180.74	0.39
BANKIA SA 6.0% PERP	in euros	7,400,000	5,786,227.52	0.63
BANKIA 6.375% PERP	in euros	5,000,000	3,941,476.36	0.43
BBVA 6.0% PERP	in euros	10,000,000	8,494,421.74	0.93
BMARE 9 11/16/26	in euros	5,800,000	6,402,645.67	0.70

Description of security	Currency	Quantity No. or nominal	Present value	% Net assets
CAIXA TERRASSA SOCIETAT DE PARTICIPACION 0.00010% PERP	in euros	752,000	545,909.04	0.06
CAIXABANK SA 2.75% 14-07-28	in euros	14,000,000	13,430,493.01	1.47
CAIXABANK 2.25% 17-04-30 EMTN	in euros	5,500,000	4,956,093.28	0.54
CAIXABANK 5.25% PERP	in euros	4,000,000	3,004,746.52	0.33
IBERCAJA 7.0% PERP	in euros	4,200,000	3,626,577.23	0.40
LIBERBANK SA 6.875% 14-03-27	in euros	7,400,000	7,191,606.88	0.79
UNICAJA BAN 2.875% 13-11-29	in euros	16,000,000	13,501,853.11	1.49
<b>TOTAL SPAIN</b>			<b>120,579,467.48</b>	<b>13.21</b>
<b>UNITED STATES OF AMERICA</b>				
DEUT POST CMS10R+0.125% PERP	in euros	3,366,000	2,414,596.83	0.26
DEUTSCHE BK NEW YORK 4.875% 01-12-32	USD	16,704,000	12,830,155.02	1.41
RBS CAPITAL TR II 6.425% PERP	USD	8,000,000	9,339,903.61	1.02
<b>TOTAL UNITED STATES OF AMERICA</b>			<b>24,584,655.46</b>	<b>2.69</b>
<b>FRANCE</b>				
AXA 8.6%00-15/12/30	USD	11,490,000	14,314,525.38	1.57
BNP PAR 1.375% 28-05-29 EMTN	in euros	9,000,000	8,554,617.74	0.94
BNP PARI L6RUSD+0.075% PERP	USD	4,380,000	2,480,238.51	0.27
BNP 4.032 12/31/49	in euros	5,000,000	4,943,255.74	0.54
CA 6.875% PERP	USD	9,000,000	7,409,887.22	0.81
CNP ASSURANCES 4.0% PERP	in euros	6,000,000	6,254,300.33	0.69
CRED AGRI ASS 4.75% 27-09-48	in euros	8,200,000	8,999,573.04	0.99
CRED AGRI ASSU 4.5% PERP	in euros	3,000,000	3,137,940.00	0.34
GROUPAMA ASSURANCES MUTUELLES SA 6.0% 23-01-27	in euros	4,800,000	5,286,601.97	0.58
GROUPAMA ASSURANCES MUTUELLES SA 6.375% PERP	in euros	11,800,000	12,511,609.64	1.37
LAMON 5.05 12/17/49	in euros	5,769,000	5,921,322.72	0.65
RENAULT CREDIT INTERNATIONAL BANQUE SA 2.625% 18-0230	in euros	3,000,000	2,500,577.21	0.27
SOCGEN TV 11/49	USD	5,000,000	3,108,849.93	0.34
SOGECAP SA 4.125% 29-12-49	in euros	11,000,000	10,754,799.18	1.18
<b>TOTAL FRANCE</b>			<b>96,178,098.61</b>	<b>10.54</b>
<b>GREECE</b>				
ALPHA BANK 4.25% 13-02-30 EMTN	in euros	5,400,000	3,591,215.41	0.39
BANK OF PIRAEUS 5.5% 19-02-30	in euros	5,600,000	3,343,153.79	0.37
NATL BANK OF GREECE 8.25% 18-07-29	in euros	7,900,000	6,858,868.07	0.75
<b>TOTAL GREECE</b>			<b>13,793,237.27</b>	<b>1.51</b>
<b>GUERNSEY</b>				
EFG INTERNATIONAL GUERNSEY LTD 5.0% 05-04-27	USD	4,000,000	3,655,623.91	0.40
<b>TOTAL GUERNSEY</b>			<b>3,655,623.91</b>	<b>0.40</b>
<b>HONG KONG</b>				
HONGKONG SHANGHAI BANKING CORP LTD THE L3RUSD PERP	USD	14,100,000	8,488,021.54	0.93
<b>TOTAL HONG KONG</b>			<b>8,488,021.54</b>	<b>0.93</b>
<b>CAYMAN ISLANDS</b>				
PHOENIX GROUP 5.375% 06-07-27	USD	2,000,000	1,746,794.77	0.19
<b>TOTAL CAYMAN ISLANDS</b>			<b>1,746,794.77</b>	<b>0.19</b>
<b>IRELAND</b>				
AIB GROUP 5.25% PERP	in euros	5,200,000	4,233,003.67	0.46
BANK IRELAND 10% 19/12/2022	in euros	5,000,000	5,999,817.62	0.66

Description of security	Currency	Quantity No. or nominal	Present value	% Net assets
BANK OF IRELAND GROUP PLC 3.125% 19-09-27	GBP	2,500,000	2,800,273.96	0.31
BANK OF IRELAND GROUP PLC 4.125% 19-09-27	USD	4,000,000	3,447,489.93	0.38
BEAZLEY RE 5.5% 10-09-29	USD	5,000,000	4,769,952.66	0.52
BK IRELAND 2.375% 14-10-29	in euros	3,300,000	3,097,499.83	0.34
PERMANENT TSB GROUP 2.125% 26-09-24	in euros	10,000,000	9,251,633.61	1.01
<b>TOTAL IRELAND</b>			<b>33,599,671.28</b>	<b>3.68</b>
<b>ITALY</b>				
ASSICURAZIONI GENERALI 4.596% PERP	in euros	4,000,000	4,004,445.25	0.44
BANCO BPM 1.625% 18-02-25 EMTN	in euros	7,900,000	6,788,774.56	0.74
FONDIARIA SAI 5.75% 31-12-99	in euros	6,700,000	6,537,009.14	0.72
INTE 3.75% PERP	in euros	5,300,000	3,782,375.58	0.41
MONTE PASCHI 10.5% 23-07-29	in euros	12,300,000	9,694,046.39	1.06
MONTE PASCHI 3.625% 24-09-24	in euros	3,200,000	2,851,799.52	0.31
MONTE PASCHI 5.375% 18-01-28	in euros	6,200,000	3,344,244.93	0.37
MONTE PASCHI 8.0% 22-01-30	in euros	10,000,000	6,404,391.26	0.70
UBI BANCA UNIONE DI BANCHE ITALIANE 5.875% PERP	in euros	2,300,000	1,727,778.16	0.19
UBI BANCA UNIONE DI BANCHE ITALIANE 5.875% 04-03-29	in euros	3,750,000	3,574,154.28	0.39
UNICREDIT SPA 5.861% 19-06-32	USD	20,000,000	16,837,529.68	1.84
UNICREDIT 2.731% 15-01-32	in euros	10,200,000	8,208,757.67	0.90
UNICREDIT 4.875% 20-02-29 EMTN	in euros	12,100,000	11,365,097.57	1.25
UNICREDIT 7.296% 02-04-34 EMTN	USD	18,000,000	15,782,091.59	1.73
<b>TOTAL ITALY</b>			<b>100,902,495.58</b>	<b>11.05</b>
<b>JERSEY</b>				
HBOS STERLING FINANCE JERSEY LP 7.881% PERP	GBP	6,243,000	11,048,308.02	1.21
HSBC CAPIT TF/TV PERP PF *EUR	USD	9,536,000	13,123,963.64	1.44
<b>TOTAL JERSEY</b>			<b>24,172,271.66</b>	<b>2.65</b>
<b>LUXEMBOURG</b>				
AGEASFINLUX SA E3M 12/99 CV	in euros	4,000,000	2,553,134.78	0.28
BANQUE INTLE A LUXEMBOURG 5.25% PERP	in euros	4,200,000	3,714,375.00	0.41
<b>TOTAL LUXEMBOURG</b>			<b>6,267,509.78</b>	<b>0.69</b>
<b>NORWAY</b>				
KOMM LAND AS 4.25% 10-06-45	in euros	3,000,000	3,072,353.11	0.34
<b>TOTAL NORWAY</b>			<b>3,072,353.11</b>	<b>0.34</b>
<b>NETHERLANDS</b>				
ABN AMRO BANK NV 6.25% 27/04/22	USD	70,000	68,790.09	0.01
DEME INVE BV FOR 4.375% PERP	in euros	3,000,000	3,101,354.51	0.34
LEASEPLAN CORPORATION NV 7.375% PERP	in euros	3,750,000	3,148,748.39	0.34
<b>TOTAL NETHERLANDS</b>			<b>6,318,892.99</b>	<b>0.69</b>
<b>PORTUGAL</b>				
BANCO ESPIRITO SANTO SA 7.125% 28/11/2023	in euros	4,500,000	50,310.54	0.01
BCP 3.871% 27-03-30 EMTN	in euros	8,000,000	5,920,530.63	0.65
BCP 4.5% 07-12-27 EMTN	in euros	7,200,000	5,586,733.77	0.61
BCP 9.25% PERP	in euros	8,400,000	6,745,792.67	0.74
CAIXA GEN 5.75% 28-06-28 EMTN	in euros	10,000,000	9,561,519.67	1.05
CAIXA GERAL DE DEPOSITOS 10.75% PERP	in euros	12,000,000	11,941,646.67	1.30
NOVO BAN 8.5% 06-07-28	in euros	10,000,000	8,224,871.58	0.90
<b>TOTAL PORTUGAL</b>			<b>48,031,405.53</b>	<b>5.26</b>

Description of security	Currency	Quantity No. or nominal	Present value	% Net assets
<b>UNITED KINGDOM</b>				
BARCLAYS PLC 2.0% 07-02-28	in euros	11,000,000	10,125,230.11	1.11
BARCLAYS PLC 5.875% PERP	GBP	3,500,000	2,816,507.79	0.31
BARCLAYS 10% 21/05/2021	GBP	2,121,000	2,751,096.93	0.30
BARCLAYS 3.375% 02-04-25 EMTN	in euros	5,300,000	5,384,270.00	0.59
BARCLAYS 8.0% PERP	USD	4,000,000	3,367,610.95	0.37
COVENTRY BLDG 6.875% PERP	GBP	8,000,000	8,176,854.42	0.90
CYBG 4.0% 03/09/2027	GBP	10,000,000	10,558,038.99	1.16
DIRECT LINE INSURANCE PLC 4.75% PERP	GBP	5,000,000	4,306,500.32	0.47
DRESDR FIN 8.151% 30/06/31*USD	USD	24,500,000	26,184,867.25	2.88
HBOS CAPITAL FUNDING LP	USD	6,000,000	5,193,779.90	0.57
HBOS 6.0% 01/11/1933	USD	2,594,000	2,776,873.53	0.30
HSBC BANK TV85-PERP.	USD	1,810,000	1,100,769.41	0.12
HSBC BANK 5.844% PERP EMTN	GBP	2,497,000	3,825,120.49	0.42
HSBC BK L6RUSD+0.1% PERP	USD	5,950,000	3,609,369.89	0.40
HSBC LIB6US PERP	USD	9,220,000	5,589,372.57	0.61
HSBC 3.0% 29/05/1930	GBP	7,000,000	7,882,043.26	0.86
HSBC 4.95% 31/03/1930	USD	3,000,000	3,011,196.17	0.33
LEGA AND GEN 10% 23-07-41 EMTN	GBP	1,417,000	1,776,895.85	0.19
LEGAL AND GENERAL GROUP 3.75% 26-11-49	GBP	6,000,000	6,263,601.40	0.69
LLOYDS BANKING GROUP 3.5% 01-04-26	in euros	2,000,000	2,077,671.78	0.23
LLOYDS BANKING GROUP 4.5% 18-03-30	in euros	10,717,000	11,251,412.75	1.23
LLOYDS TSB TV PERP SERIE B	GBP	6,935,000	13,727,712.87	1.50
NATIONAL WESTMINSTER BANK PLC AUTRE R+0.0% PERP	USD	2,310,000	1,622,528.07	0.18
NAT.WESTM.TV99-PERP EMTN SUB.	in euros	9,225,000	8,066,431.48	0.88
PIRAEUS GROUP FINANCE 9.75% 26-06-29	in euros	6,600,000	4,938,625.28	0.54
PRUDENTIAL 3.875% 20-07-49	GBP	6,500,000	6,597,704.14	0.72
RBS GROUP TF/TV PERP *USD	USD	10,000,000	11,871,644.65	1.30
RL FINANCE BONDS NO 4 PLC 4.875% 07-10-49	GBP	8,000,000	7,684,836.85	0.84
STANDARD CHARTERED 4.644% 01-04-31	USD	3,000,000	2,827,198.91	0.31
STANDARD LIFE PLC 4.25% 30-06-48	USD	3,000,000	2,630,625.04	0.29
<b>TOTAL UNITED KINGDOM</b>			<b>187,996,391.05</b>	<b>20.60</b>
<b>SLOVENIA</b>				
NOVA LJUBLJANSKA BANKA DD 3.4% 05-02-30	in euros	4,000,000	3,176,232.13	0.35
<b>TOTAL SLOVENIA</b>			<b>3,176,232.13</b>	<b>0.35</b>
<b>SWEDEN</b>				
SKANDINAVISKA ENSKILDA BANKEN AB 5.125% PERP	USD	6,400,000	5,183,676.76	0.57
<b>TOTAL SWEDEN</b>			<b>5,183,676.76</b>	<b>0.57</b>
<b>SWITZERLAND</b>				
CRED SUIS SA GROUP AG 3.25% 02-04-26	in euros	3,000,000	3,104,040.00	0.34
CRED SUIS SA GROUP AG 3.5% PERP	CHF	1,000,000	869,394.08	0.10
<b>TOTAL SWITZERLAND</b>			<b>3,973,434.08</b>	<b>0.44</b>
<b>TOTAL bonds and similar securities traded on a regulated or equivalent market</b>			<b>835,613,647.13</b>	<b>91.55</b>
<b>TOTAL Bonds and similar securities</b>			<b>835,613,647.13</b>	<b>91.55</b>
<b>Undertakings for collective investment</b>				
<b>General UCITS and general AIFs aimed at non-professionals and their equivalent in other countries</b>				
<b>FRANCE</b>				
LAZARD CAPI PVC H-USD	USD	500	526,639.33	0.06

Description of security	Currency	Quantity No. or nominal	Present value	% Net assets
LAZARD CAPITAL FI PVC EUR	in euros	3,845	6,027,152.85	0.66
LAZARD EURO MONEY MARKET	in euros	40.463	41,513,920.01	4.54
LAZARD GLOBAL HYBRID BONDS EV EUR	in euros	25	2,246,672.50	0.25
<b>TOTAL FRANCE</b>			<b>50,314,384.69</b>	<b>5.51</b>
<b>TOTAL general UCITS and general AIFs aimed at non-professionals and their equivalent in other countries</b>			<b>50,314,384.69</b>	<b>5.51</b>
<b>TOTAL Undertakings for collective investment</b>			<b>50,314,384.69</b>	<b>5.51</b>
<b>Forward financial instruments</b>				
<b>Futures contracts</b>				
<b>Futures contracts on a regulated or equivalent market</b>				
TY CBOT YST 1 0620	USD	1,500	919,343.81	0.10
<b>TOTAL Futures contracts on a regulated or equivalent market</b>			<b>919,343.81</b>	<b>0.10</b>
<b>TOTAL Futures contracts</b>			<b>919,343.81</b>	<b>0.10</b>
<b>Other forward financial instruments</b>				
<b>Credit Default Swap</b>				
ITRAXX EUR XOVER S33	in euros	-200,000,000	5,693,084.44	0.62
ITRAXX EUR XOVER S33	in euros	100,000,000	-2,846,542.22	0.31
<b>TOTAL Credit Default Swap</b>			<b>2,846,542.22</b>	<b>0.31</b>
<b>TOTAL Other forward financial instruments</b>			<b>2,846,542.22</b>	<b>0.31</b>
<b>TOTAL Forward financial instruments</b>			<b>3,765,886.03</b>	<b>0.41</b>
<b>Margin call</b>				
Margin calls for C.A.Indo in US dollars	USD	-1,008,750	-919,343.81	0.10
<b>TOTAL Margin call</b>			<b>-919,343.81</b>	<b>0.10</b>
<b>Receivables</b>			<b>399,503,832.21</b>	<b>43.77</b>
<b>Liabilities</b>			<b>-416,771,230.58</b>	<b>45.66</b>
<b>Financial accounts</b>			<b>41,231,253.02</b>	<b>4.52</b>
<b>Net assets</b>			<b>912,738,428.69</b>	<b>100.00</b>

LAZ CRED FI PC H-USD	USD	1,030.090	1,184.90
LAZ CRED FI RVC EUR	in euros	207,483.474	304.99
LAZ CRED FI PC H-CHF	CHF	1,271.842	978.71
LAZ CRED FI PD EUR	in euros	42,855.547	887.99
LAZ CRED FI RVD EUR	in euros	3,571.131	175.84
LAZ CRED FI TC EUR	in euros	252,277.534	182.67
LAZ CRED FI PVC EUR	in euros	39,546.855	13,871.65
LAZ CRED FI PVD EUR	in euros	1,128,756.610	93.19
LAZ CRED FI PC EUR	in euros	96,957.566	1,120.39

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

BREAKDOWN OF INTEREST: RVD EUR

	NET OVERALL	CURRENCY	NET PER UNIT	CURRENCY
Revenue subject to non-definitive withholding tax				
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				

BREAKDOWN OF INTEREST: PD EUR

	NET OVERALL	CURRENCY	NET PER UNIT	CURRENCY
Revenue subject to non-definitive withholding tax				
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				

BREAKDOWN OF INTEREST: PVD EUR

	NET OVERALL	CURRENCY	NET PER UNIT	CURRENCY
Revenue subject to non-definitive withholding tax				
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				