

**French open-end  
investment fund**

**OBJECTIF CREDIT FI**

**ANNUAL REPORT**

As at March 31<sup>st</sup>, 2016

**Management company: Lazard Frères Gestion SAS**

**Custodian: Caceis Bank France**

**Statutory Auditor: Deloitte & Associés**

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## I. CHARACTERISTICS OF THE UCI

- **LEGAL FORM:**

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

- **CLASSIFICATION**

International bonds and other debt securities.

- **ALLOCATION OF DISTRIBUTABLE INCOME**

Distributable income consists of:

1) net income plus retained earnings, plus or minus the balance of the revenue adjustment account.

Net income for the financial year is equal to the amount of interest, arrears, dividends, bonuses and prizes, directors' fees and all income generated by the securities that make up the Fund's portfolio, plus income generated by temporary cash holdings, minus management fees and borrowing costs.

2) realised capital gains, net of expenses, minus 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.

The amounts referred to in 1) and 2) may be accumulated and/or distributed and/or retained independently of each other, in whole or in part.

For C, I, DH and R units: Distributable income is accumulated in full, with the exception of those amounts subject to compulsory distribution by law.

For G units: Distributable income is equal to net income as defined above plus or minus the balance of the revenue adjustment account for G units for the past financial year and retained earnings.

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

- **INVESTMENT OBJECTIVE**

The investment objective is to achieve a return (net of fees) above Eonia +2.70% for the C and G units, Eonia +2.30% for the I units, Eonia +2% for the R units and Eonia +2.25% for the DH units over a minimum period of three years.

- **BENCHMARK**

The capitalised Eonia (European Overnight Index Average) is the average rate for overnight transactions in the Eurozone. It is calculated by the European Central Bank (ECB) and represents the Eurozone risk-free rate.

- **INVESTMENT STRATEGY**

### 1. Strategies used

The investment objective is to achieve a return (net of fees) above Eonia +2.70% for the C and G units, Eonia +2.30% for the I units, Eonia +2% for the R units and Eonia +2.25% for the DH units over a minimum investment period of three years.

To achieve this investment objective, the Fund will be actively managed, mainly invested in subordinated debt (which is of higher risk than senior or secured debt) or any securities not deemed to be ordinary shares and issued by financial institutions. The Fund is managed by combining a top-down approach (which first looks at general economic and market trends before deciding in which geographical areas and securities to invest) and a bottom-up approach (which first looks at issuers' creditworthiness and the quality of individual securities), thus incorporating the regulatory conditions applying to this asset class. The Fund's interest rate exposure is between 0 and 8. The Fund is invested only in bonds or securities of issuers the registered offices of which are established in OECD-member countries and/or in securities listed on a financial market of one of these countries. The Fund is invested only in bonds that are traded in euros, US dollars or pounds sterling.

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

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

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

Information on the Fund's exposure levels is shown in the table below:

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

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

## 2. Assets (excluding embedded derivatives)

### Equities:

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

### 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. He also refers to agency ratings but does not rely on them solely and mechanically.

Up to 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 20% of the net assets in bonds or securities issued by speculative/high-yield issuers based on the management company's analysis, or rated below BBB- by Standard & Poor's or equivalent based on the management company's analysis, or not rated by a rating agency. Speculative/high yield bonds or securities may not exceed 50% of the Fund's net assets. Up to 30% of the net assets in convertible bonds and contingent convertible bonds.

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

### **UCITS:**

European money market, short-term money market or bond funds to a maximum of 10% provided that less than 10% of these funds' assets are invested in other UCIs.

These funds may be managed by the management company.

### **3. Derivatives**

- **Types of markets:**

- regulated
- organised
- OTC

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

- equities
- Interest rates
- currencies
- credit
- other.

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

- hedging
- exposure
- arbitrage
- other

- **Type of instruments used:**

- futures:**

- equity and equity index
- Interest rate: interest rate risk
- currency

- options:**

- equity and equity index
- Interest rate: interest rate and interest rate volatility risk
- currency: only on organised markets

- swaps:**

- equity swaps
- interest rate swaps: transformation of fixed-rate income to variable-rate income and vice versa
- currency swaps

- currency forwards**

- credit derivatives (CDS are limited to 20% of the assets)**

- **Derivatives strategy used 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 (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:

Temporary purchases and sales of financial instruments: 10% limit.

### • Type of transactions used:

- repurchase and reverse repurchase agreements in accordance with the French Monetary and Financial Code (*Code monétaire et financier*);
- securities lending and borrowing in accordance with the French Monetary and Financial Code;
- other (to be specified).

### • Types of transactions – all transactions must be limited to achieving the investment objective:

- cash management;
- optimising Fund income;
- possibly contributing to the Fund's leverage;
- other.

Additional information about fees is included in the fees and expenses section.

## 8. Information on financial guarantees

In connection with transactions involving temporary purchases and sales of securities and OTC derivatives 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 notably take into account the quality of credit and the price volatility of the securities.

## • RISK PROFILE

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

**Risk of capital loss:** The Fund may not achieve its performance objective. There is no guarantee or capital protection attached to this Fund. There is, therefore, a possibility that you may not get back the full amount of your initial investment.

**Interest rate risk:** There is a risk of a fall in the value of bonds and other fixed-income securities and instruments, and hence in the portfolio, resulting from a change in interest rates.

**Credit risk:** The issuer of a bond may default, and this could decrease the Fund's NAV. Even in cases where the issuer has not defaulted, changes in credit spreads could give rise to a negative performance. These risks will be even greater if the issuer's credit quality is low.

The decrease in NAV may be all the greater if the Fund is invested in speculative/high-yield debt. This Fund must, in part, be considered speculative because of investments in securities with low ratings. Consequently, the use of speculative/high-yield securities may give rise to a risk of a material decrease in NAV.

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

**Liquidity risk:** This relates to the difficulty or impossibility of selling the securities held in the portfolio at the appropriate time and at the portfolio's valuation price, on account of the reduced size of the market or the lack of volume on the market on which these securities are usually traded.

**Equity risk:** The Fund may be exposed to significant fluctuations in the underlying equities through possible investments in convertible bonds. Equity exposure will remain ancillary (less than 10%).

**Foreign exchange risk:** Besides euro-denominated securities, the Fund may invest up to 75% of its assets in securities denominated in US dollars and/or pounds sterling. The resulting exchange rate risk (unhedged) may not exceed 10% of the Fund's assets.

**Counterparty risk:** This is the risk associated with the Fund's use of forward financial instruments, OTC instruments and/or transactions involving temporary purchases and sales of securities. These transactions, entered into with one or more eligible counterparties, potentially expose the Fund to a risk of failure of any such counterparty, which may lead to default in payment.

**Derivatives risk:** The Fund may be synthetically exposed by up to 100% of its net assets to fixed-income and/or index instruments. The use of derivatives on organised or OTC markets may expose investors to sharp rises and falls in NAV, via underlyings that react strongly to market fluctuations.

**Guarantee or protection:**  
None.

#### • ELIGIBLE SUBSCRIBERS AND TYPICAL INVESTOR PROFILE

C units: All investors – the units are intended to be distributed directly to private investors by the management company.

R units: All investors – the units are intended to be distributed directly to private investors by the management company's partners or by third-party management companies.

I units: Reserved for institutional investors.

DH units: All subscribers.

G units: All investors, particularly Groupama and any entity directly or indirectly held, or managed, by Groupama.

This Fund is aimed at investors who are aware of the risks associated with investing in the international credit markets.

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

#### **Information relating to 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) all 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 1<sup>st</sup>, 2014, if the Fund invests directly or indirectly in US assets, the capital and income arising from such investments may be subject to withholding tax of 30%.

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

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

Recommended investment horizon: minimum three years.

## 2. SIGNIFICANT CHANGES IN THE UCI

### **Changes in the Fund**

The Chairman of Lazard Frères Gestion S.A.S. decided to appoint a new custodian and a new administrator for Objectif Crédit Fi. CACEIS BANK France replaced Lazard Frères Banque as the custodian, while CACEIS FUND ADMINISTRATION replaced Lazard Frères Gestion as the administrator.  
Effective date: November 23<sup>rd</sup>, 2015

The Chairman of Lazard Frères Gestion S.A.S. decided to create the following for Objectif Crédit Fi (C units: FR0010590950 - R units: FR0010752543 – I units: FR0011844034 – G units: FR0012074151):

- 1) DH units denominated in US dollars.
- 2) Investment in contingent convertible bonds (CoCos): A maximum of 30% of the net assets (instead of a maximum of 20%).

Effective date: January 5<sup>th</sup>, 2016.

#### EVOLUTION AND PERFORMANCE

The net assets of OBJECTIF CREDIT FI evolved as follows during the year:

Objectif Crédit FI C units: the net assets rose from € 185 007 122,11 on March 31<sup>st</sup>, 2015 to € 191 590 846,66 on March 31<sup>st</sup>, 2016.

There were 14 884,456 units in circulation as at March 31<sup>st</sup>, 2016.

The net asset value fell from € 13 417,95 on March 31<sup>st</sup>, 2015 to € 12 871,87 on March 31<sup>st</sup>, 2016, corresponding to a decline of -4.07%.

Objectif Crédit FI I units: the net assets rose from € 62 071 930,20 on March 31<sup>st</sup>, 2015 to € 73 325 714,11 on March 31<sup>st</sup>, 2016. There were 71 220,341 units in circulation as at March 31<sup>st</sup>, 2016.

The net asset value fell from € 1 076,79 on March 31<sup>st</sup>, 2015 to € 1 029,56 on March 31<sup>st</sup>, 2016, corresponding to a decline of -4.39%.

Objectif Crédit FI R units: the net assets fell from € 91 166 077,68 on March 31<sup>st</sup>, 2015 to € 83 423 166,00 on March 31<sup>st</sup>, 2016. There were 288 759,418 units in circulation as at March 31<sup>st</sup>, 2016.

The net asset value fell from € 303,22 on March 31<sup>st</sup>, 2015 to € 288,90 on March 31<sup>st</sup>, 2016, corresponding to a decline of -4.72%.

Objectif Crédit FI DH units: the net assets fell from € 450 000,00 on March 31<sup>st</sup>, 2015 to € 446 767,73 on March 31<sup>st</sup>, 2016.

There were 450 units in circulation as at March 31<sup>st</sup>, 2016.

The net asset value fell from € 1 000,00 on January 6<sup>th</sup>, 2016 to € 992,81 on March 31<sup>st</sup>, 2016, corresponding to a decline of -3.10%.

Objectif Crédit FI G units: the net assets rose from € 32 108 097,24 on March 31<sup>st</sup>, 2015 to € 43 131 204,59 on March 31<sup>st</sup>, 2016. There were 430,006 units in circulation as at March 31<sup>st</sup>, 2016.

The net asset value fell from € 107,02 on March 31<sup>st</sup>, 2015 to € 100,30 on March 31<sup>st</sup>, 2016, corresponding to a decline of -4.05%.

The benchmark lost -0,16 % over the period.

#### Information on movements in the portfolio over the period:

Purchased:

ISIN	Name	Net amount
XS0097772965	Dresdner 8,151%reg'S99-30jn31s	8 265 909,79
XS1385999492	Cloverie Plc Tv Emtn16-24jn46a	4 454 551,49
XS0356705219	Roy.bk Sc.6,934%emtn08-09ap18a	3 968 849,73
USF1R15XK441	BNP Paribas Tv(regs)16-30mr-S	2 954 077,52
XS0995102778	Ing Bk Tv (s115)emtn13-21no23s	1 944 481,13

Sold:

ISIN	Name	Net amount
XS0459088794	Lbg C.2 6,385%(emtn)09-12my20a	4 991 287,70
DE000A0KAAA7	Ht1 Funding Tv(perp)06-30jn-A	4 699 082,59
XS0459091236	Lbg C75/8%(s36-Coco)09-14oc20a	2 359 399,92
XS04717672761	Lbg Cap.tv (s1-Coco)09-15de-S	1 894 559,48
XS0969864916	Standard C.5,2% Regs13-26ja24s	1 689 723,92

**Temporary purchases and sales of securities:**

As part of daily cash management, the manager may undertake repurchase agreements. These repurchase agreements are undertaken solely with Lazard Frères Banque for a term of one day, with a possibility of renewal between April 1<sup>st</sup>, 2015 and November 20<sup>th</sup>, 2015.

Securities received by the UCI as collateral for the purpose of reducing counterparty risk will be shown, where applicable, in section "3.9 Other transactions" under additional information.

Income from these transactions is shown in the income statement, under "Income from temporary purchases and sales of securities".

**ECONOMIC ENVIRONMENT****Introduction**

Global growth remained gloomy over the last twelve months, slowing to +3,1% in 2015 according to the IMF's most recent estimates. This phenomenon can to a large extent be explained by the continued fall in activity in emerging economies, which is partly attributable to falling commodity prices, China's slowdown, geopolitical tensions, and internal woes within a certain number of economies. In the developed countries, the slow recovery continued, favouring private consumption, even if the fall in the oil price did not have the impact that was anticipated. The year was also impacted by the different monetary policies of the world's main central banks. In the US, after seven years of unchanged interest rates, the solidity of growth and progress achieved in employment provided the necessary environment for the Federal Reserve (FED) to raise the target range of its key rate by 25 basis points to 0,25%-0,50%. In the Eurozone, the recovery continued despite political uncertainties. The European Central Bank (ECB) adopted a series of measures to revive inflation, which included a massive asset purchase programme involving the purchase of government bonds and the corporate bonds of non-financial companies with a good credit rating. Activity in Japan remained weak over the year. To reach its inflation target of 2%, the Bank of Japan introduced a negative interest rate on a portion of banks' surplus reserves. In China, the rebalancing of the economy gave rise to a slowdown in growth. Monetary policy was eased several times to ensure a gradual effect. The central bank modified the Yuan fixing mechanism and said it would now be pegged to a basket of currencies comprising those of China's main trading partners. In the other emerging countries, growth remained strong in India while it continued to contract in Brazil and Russia.

GDP volume growth (%)	2014	2015 (e)	2016 (e)	2017 (e)
World	3,4	3,1	3,2	3,5
Developed countries	1,8	1,9	1,9	2,0
Emerging countries	4,6	4,0	4,1	4,6
Eurozone	0,9	1,6	1,5	1,6
United States	2,4	2,4	2,4	2,5
Japan	0,0	0,5	0,5	-0,1
China	7,3	6,9	6,5	6,2
India	7,2	7,3	7,5	7,5
Brazil	0,1	-3,8	-3,8	0,0
Russia	0,7	-3,7	-1,8	0,8

IMF Economic Outlook, April 2016 update

The equity markets registered a mediocre performance over the last twelve months, interspersed with episodes of high volatility. In the second quarter, arm wrestling between Greece and its creditors weighed on investor sentiment. The markets picked up again in July when a resolution to the crisis seemed imminent, but worries around growth in China following the bank's modification of its currency regime on 11 August sparked another decline. Further hiccups were registered in September owing to the Fed's prudent tone concerning the global economy and the Volkswagen scandal. Anticipation of fresh stimulus measures by the ECB after its October 22<sup>nd</sup> meeting sparked a sharp rebound but it deflated after the new package of measures announced by Mario Draghi on December 3<sup>rd</sup> dampened investors' high expectations, in the context of falling oil prices.

Between the end of December and mid-February, the global equity markets tumbled twice more, but these were subsequently cancelled out in part. The first tumble was in line with oil prices, although China once again crystallised concerns in early January. The second was sparked primarily by fears surrounding a potential recession in the US after the publication of disappointing statistics and the health of European banks. Investors were preoccupied by banks' exposure to the energy sector and by their earnings prospects in an environment of low interest rates. The markets rebounded subsequently on the back of good economic data in the US, the rise in the oil price and very accommodative monetary policies by the central banks. Against this backdrop, the Eurostoxx, in local currency, shed 14,9%, the Topix shed 12,7%, the S&P 500 lost 0,4% and the emerging country dollar-denominated MSCI lost 14,1% over the year.

The government bond long-term yields of risk free countries fell over the year, largely in line with concerns around global growth and anticipations of the Fed and ECB's monetary policies. German 10-year yields fell from 0,18% to 0,15% over the twelve months, while US 10-year yields fell from 1,92% to 1,77%.

In relation to Germany, the credit spreads of Greece tightened sharply (-302 basis points), those of Italy remained stable, while in Spain (+25 basis points) and Portugal (+128 basis points) they widened. According to the Merrill Lynch indices, the credit spreads of good quality corporate bonds widened in relation to government bonds from 42 basis points to 121 basis points. This trend was more accentuated for high yield bonds, whose credit spreads widened from 106 basis points to 505 basis points.

Despite the difference in monetary policy between the Fed and the ECB, the euro rose by 6,0% against the dollar. The bulk of this increase came in 2016 amid concerns around growth in the US and downward revisions to the projected fed funds rate by the Federal Reserve. The euro fell by 0,6% against the yen.

Oil prices fell sharply over the summer because of resilient supply in the US and OPEC countries, and a predicted rise in Iranian production. The Brent barrel price moved back above \$50 between the end of August and the start of November, before falling again to a low of \$26 in mid-January. With the prospect of an agreement being reached by the main oil producers, it rose to \$39 at the end of March. The Brent barrel price fell by 27,4% year-on-year.

### **United States**

Growth in the US slowed in the second half of the year, reaching an annualised +1,4% in Q4 2015 (+2,0% year-on-year), partly due to a decrease in investment in the oil sector, lower inventories and weak exports.

The manufacturing ISM index continued to fall, reaching a low of 48,0 in December 2015. In March 2016, it was at 51,8, down by 0,5 of a point year-on-year. The non-manufacturing ISM index held up well until Q4 2015 before also declining. It stood at 54,5 in March 2016, down 2,4 points year-on-year.

The labour market remained strong despite the slowdown in activity. On average, over the last twelve months, 223 000 jobs were created in the private sector, facilitating a continued fall in the unemployment rate, from 5,5% in March 2015 to 5,0% in March 2016. Wage growth remained almost stable, rising just slightly from +2,2% year-on-year in March 2015 to +2,3% year-on-year in March 2016.

Household consumption remained strong but did not benefit fully from gains in purchasing power linked to the fall in oil prices, as part of these gains were put into savings. It increased by 2,8% year on year in February. At the same time, the savings rate increased from 4,9% of disposable income in March 2015 to 5,4% in February 2016.

The construction sector continued to recover. Building permits increased by 4,6% year-on-year while housing starts were up 14,2%. There was a stronger trend in individual housing than in collective housing while the confidence of home builders remained firm. After peaking at the end of autumn, the NAHB index fell back but remained close to its cyclical high.

In the residential sector, new house sales declined until autumn but picked up subsequently. They fell by 6,1% year-on-year in February. Sales of existing houses increased by 1,5% year-on-year.

Capital goods orders excluding defence and aviation fell by 0,6% year-on-year in February, penalised by a year-on-year decline of 45,6% in orders in the mining and oil sectors on the back of falling commodity prices.

The trade deficit remained more or less stable over the year, and stood at \$47 billion in February 2016. The trend towards a reduction of the oil deficit and a widening of the deficit excluding oil continued.

Inflation accelerated over the last twelve months, increasing from -0,1% year-on-year in March 2015 to +0,9% in March 2016 and from +1,8% year-on-year to +2,2% excluding energy and food.

After its 16 December meeting, the Fed revised up its target fed funds range by 25 basis points to 0,25%-0,50%.

## **Eurozone**

Economic recovery in the Eurozone continued despite weaker growth in the second half of the year due to a weakening of the external environment. GDP increased by 1,3% in annualised terms in the fourth quarter (+1,6% year on year). The PMI composite index for the Eurozone was more or less stable over the first nine months, at a level consistent with growth of close to 2%. It deteriorated in the first quarter to 53,1 in March, down 0,9 of a point year-on-year.

In Germany, external trade weighed on growth in the second half of the year. After reaching an annualised +1,6% in the second quarter of 2015, it slowed to +1,2% in annualised terms in the third and fourth quarters (+1,3% year-on-year). The composite PMI shed 1,4 points over the year, reaching 54,0 in March 2016. Unemployment remained low, reaching 4,3% in February 2016, the lowest level in Europe.

In France, investment and inventory trends underpinned growth in the second half of the year. GDP was stable in the second quarter of 2015, and increased by 1,2% in annualised terms in the third and fourth quarters (+1,4% year-on-year). The composite PMI fell by 2,4 points over the year, reaching 50,0 in March 2016. Unemployment remained high, falling from 10,3% in March 2015 to just 10,2% in February 2016.

In Italy, external trade and inventory trends weighed on activity in the second half of the year. Growth fell from +1,2% at an annualised rate in the second quarter of 2015 to +0,8% in the third quarter and +0,4% in the fourth quarter (+1,0% year-on-year). The composite PMI was stable year-on-year, coming out at 52,4 in March 2016. Unemployment remained high, but fell from 12,4% in March 2015 to 11,7% in February 2016.

In Spain, growth remained strong thanks to domestic demand, reaching +3,2% in annualised terms in the fourth quarter of 2015 (+3,5% year on year). Unemployment remained high at 20,4% in February 2016, but fell by 2,4 points in relation to March 2015. The regional elections in Catalonia were won by the pro-independence parties, which secured an absolute majority in parliament, while the results of the general election were not conclusive enough for the formation of a government. In Greece, after the closure of the banks for three weeks and the introduction of capital controls, a third bail-out package was finally ratified.

Eurozone inflation remained low in year-on-year terms, rising slightly from -0,1% in March 2015 to 0,0% in March 2016 and from +0,6% to +1,0% excluding energy and food.

After its meeting in December, the ECB decided to extend its asset purchasing programme to include bonds issued by regional and local administrations, to lengthen the duration of this programme by at least six months until the end of March 2017, and to lower its deposit facility interest rate by 10 basis points to -0,30 %. In March, the refinancing rate and marginal lending facility rate were lowered by 5 basis points to 0,00% and 0,25% respectively, while the deposit rate was cut by 10 basis points to -0,40%. In addition, the ECB increased its monthly asset purchases from €20 billion to €80 billion, adding non-financial corporate bonds with good credit ratings to its list of eligible assets, and announced a new series of four long-term targeted refinancing operations.

### **Japan**

Japanese economic activity was lacklustre over the last 12 months. GDP rebounded by 1,4% in annualised terms in the third quarter of 2015 after contracting in the second quarter, but it declined again in the fourth quarter by an annualised rate of 1,1% (+0,7% year-on-year). This decline is largely attributable to a fall in household consumption, while private investment was strong.

The labour market remained tight. Unemployment remained very low, falling from 3,4% in March 2015 to 3,3% in March 2016, with a very high number of job vacancies.

Inflation slowed year-on-year from +2,3% in March 2015 to +0,3% in March 2016 and from +2,1% to +0,8% excluding energy and food, attributable to base effects linked to the rise in VAT in April 2014.

After its 29 January meeting, the Bank of Japan introduced a negative interest rate on a portion of banks' surplus reserves.

### **China**

The rebalancing of the Chinese economy towards consumption and services gave rise to a gradual slowdown in growth to +6,7% year-on-year in Q1 2016 compared with +7,0% in Q2 2015. The government announced a growth target for 2016 of between 6,5% and 7,0%. The contribution by the manufacturing industry to GDP fell from 42,2% to 40,0% between the second quarter of 2015 and the first quarter of 2016 while that of the tertiary sector increased from 49,0% to 51,7%.

Based on the monthly activity data, growth in investment slowed from +13,2% year-on-year in March 2015 to +11,2% in March 2016, and dipped sharply until the end of the third quarter of 2015. Retail sales volumes were more stable, slowing to +9,8% in March 2016.

The property market gained in strength. Growth in house sales and housing starts accelerated to +40,3% and +21,9% respectively year-on-year in March 2016. Investment in the residential sector picked up towards the year-end, with property prices increasing by 7,4% year-on-year in March 2016 compared with -4,4% in March 2015.

The cumulative trade surplus over the last twelve months reached a record \$605,3 billion in March 2016.

The currency policy was modified twice. On 11 August, the central bank said that the Yuan would continue to trade 2% either way of the reference rate against the US dollar, but this reference rate would now be calculated based on the previous day's price rather than a predetermined price. In mid-December, a few weeks after the IMF decided to include the Yuan in its SDR basket, the authorities announced they would henceforth peg their currency to a basket of currencies rather than just the US dollar.

Inflation accelerated from +1,4% year-on-year in March 2015 to +2,3% in March 2016.

The central bank cut its key rate by 100 basis points in four moves between March 2015 and March 2016 and reduced the ratio of compulsory bank reserves on four occasions.

## INVESTMENT POLICY

### April 2015

The net asset value of Objectif Crédit Fi fell by -0,39% over the month (C units).

Spreads on financial debt narrowed during April. Spreads on tier 1 debt narrowed by 20 bps to 355 bps (versus government debt), on lower tier 2 debt by 4 bps to 221 bps and on senior debt by 4 bps to 75 bps, according to the JP Morgan SUSI indices. The OAS on CoCos narrowed by 14 bps to 457 bps according to the Barclays Global index.

The yield curve for German government bonds steepened significantly during the month, with 10-year yields rising by 19 bps to 0.37%, five-year yields rising by 11 bps to 0.01%, and two-year yields rising by 3 bps to -0,22%.

In 2015, Objectif Crédit Fi achieved a net performance of +3,35% compared with +2,43% for the JP Morgan SUSI Lower Tier 2 index and +3,84% for the SUSI Tier 1 index.

Objectif Crédit Fi registered 260-day volatility of 2,5% compared with 2,4% for the SUSI Lower Tier 2 index and 1,6% for the SUSI Tier 1 index.

The debt sell-off at end-April, when all government yield curves steepened by nearly 20 bps within two days for no particular reason and despite mediocre macroeconomic data, was one of the main events of the month. While technical factors remained strong thanks to the ECB's sovereign debt purchasing which created a negative net issuance situation in April, the market was caught wrong-footed. The suddenness of the movement left all sides without an explanation as to how or why it happened: the most plausible explanation being high sales of futures contracts in an illiquid market by just a few well-known American investors. One thing is sure: investors' ample liquidity on the back of the ECB's QE plan did not reappear on other markets since all or almost all assets show a decline this month.

First-quarter activity results in the banking sector show strikingly weak revenue growth. With the exception of those that generate part of their revenue in US dollars (favourable exchange rate) and/or from market activities (particularly strong issue volumes over the quarter), the banks struggled to offset falling margins via volumes. Some managed to maintain stable revenue or achieve slight growth thanks solely to trading gains (non-recurrent). However, capitalisation ratio targets were revised up again.

The primary market (excluding covered bonds) saw total gross issuance of €15 billion in senior unsecured debt according to Barclays, with net issuance by banks totalling -€9 billion over the month. Since the start of the year, there has been a gross issuance volume of €104bn and a net volume of -€20bn.

Objectif Crédit Fi shows a yield to maturity of 3,8% and a yield to call of 3,7% for sensitivity to interest rates of 6,0 and to credit of 7,1. Based on our own methodology, and using the lower of the yield to call and the yield to maturity ("at worst" yield) for all securities in the portfolio, excluding 8 Lower Tier 2 callables out of 41 for which we use the yield to call, we get an estimated yield for Objectif Crédit Fi of 3,5%.

### May 2015

The net asset value of Objectif Crédit Fi fell by -0,34% over the month (C units).

The spreads on financial debt widened slightly during May. Spreads on tier 1 debt widened by 6 bps to 361 bps (versus government debt), on lower tier 2 debt by 2 bps to 223 bps and on senior debt by 3 bps to 79 bps, according to the JP Morgan SUSI indices. The OAS on CoCos narrowed by 11 bps to 446 bps according to the Barclays Global index.

The German government bond yield curve steepened during the month, with 10-year yields rising by 12 bps to 0,48%, five-year yields rising by 1 bp to 0,00% and two-year yields remaining stable at -0.22%.

In 2015, Objectif Crédit Fi achieved a net performance of +3,00% compared with +2,38% for the JP Morgan SUSI Lower Tier 2 index and +3,85% for the SUSI Tier 1 index.

Objectif Crédit Fi registered 260-day volatility of 2,7% compared with 2,4% for the SUSI Lower Tier 2 index and 1,5% for the SUSI Tier 1 index.

There was continued volatility on government debt at the start of the month with the Bund reaching 0,77% during trading before gradually declining below 0,50% at the month-end. The reasons are the same: low cash flows with the ECB purchasing in the background and even announcing an acceleration of its asset purchasing plan given the prospect of lower liquidity during the summer period, and high derivative volumes, particularly concerning futures, now the main source of the rise in yields. Various different arguments underpin this situation globally from inflation to oil, the rise in the term premium, inflationary anticipations and real interest rates.

The abrupt and rapid movement in the fixed income segment took most investors off guard after recent months of searching for higher yields and long primary issues (10 years and over). Long duration now seems to have gone out of fashion, although certain institutional investors are taking advantage of the rise in interest rates to purchase 15-20-year government debt and 10-year credit or above at a low price.

Against this backdrop of high yield volatility and uncertainty surrounding the Greek saga, primary issuance of subordinated was very limited. Several issuers were forced to defer issues due to this yield volatility. The primary market (excluding covered bonds) saw total gross issuance of €23 billion in senior unsecured debt according to Barclays, with net issuance by banks totalling +€8 billion over the month. Since the start of the year, there has been a gross issuance volume of €131 billion and a net volume of -€7 billion.

Objectif Crédit Fi shows a yield to maturity of 4,1% and a yield to call of 4,0% for sensitivity to interest rates of 5,2 and to credit of 8,5. Based on our own methodology, and using the lower of the yield to call and the yield to maturity ("at worst" yield) for all securities in the portfolio, excluding 8 Lower Tier 2 callables out of 41 for which we use the yield to call, we get an estimated yield for Crédit Fi of 3,8%.

## **June 2015**

The net asset value of Objectif Crédit Fi fell by -2,55% over the month (C units).

The spreads on financial debt widened significantly in June. Spreads on tier 1 debt widened by 93 bps to 454 bps (versus government debt), on lower tier 2 debt by 40 bps to 264 bps and on senior debt by 22 bps to 100 bps, according to the JP Morgan SUSI indices. The OAS on CoCos widened by 22 bps to 468 bps according to the Barclays Global index.

The German government bond yield curve steepened during the month, with 10-year yields rising by 28 bps to 0.76%, five-year yields rising by 8 bps to 0.08% and two-year yields remaining stable at -0.22%.

In 2015, Objectif Crédit Fi achieved a net performance of +0,37% compared with -0,05% for the JP Morgan SUSI Lower Tier 2 index and +2,32% for the SUSI Tier 1 index.

Objectif Crédit Fi registered 260-day volatility of 3,0% compared with 2,5% for the SUSI Lower Tier 2 index and 1,9% for the SUSI Tier 1 index.

There were three themes this month: Interest rates, Greece and liquidity.

Last month's commentary could virtually be repeated word for word. The month began on a tumultuous note with German 10-year yields surging from 0,48% to 1,04% in the space of a week before returning to 0,76% at the end of the month. This led to very high yield volatility amid very limited liquidity, which was accentuated by the approach of the period-end and little appetite among investors due to uncertainty surrounding the negotiations on Greece.

Subsequent rumours followed by denials of an agreement being reached on Greece further fuelled volatility. In the end, the Greek prime minister decided to hold a referendum on whether to agree to the Troika's proposals. Greece in itself is not an issue for the financial sector as exposures at present are residual and ancillary. It is rather the risk of contagion in the event of a "Grexit" that is cause for concern, even if the macroeconomic environment in Europe is much better than it was in 2011-2012, the banks are financially stronger and the markets are underpinned by the ECB's asset purchase programmes.

As regards liquidity, we feel that the erratic price movements in certain subordinated debt segments are exaggerated. We even noted some price variations that exceed the equities of the same issuer. The riskiest

securities (CoCos and tier 1 debt) held up best while tier 2 debt and insurance company subordinated debt suffered significantly, not due to fundamental reasons or investor concerns, but rather for technical reasons linked to the positioning of investors on these two segments and the difficulty for banks in acting as counterparty and taking on risk in their trading portfolios. These securities suffered both from the rise in interest rates and the widening of spreads, a correlation that is rarely positive for very long.

The primary market (excluding covered bonds) saw total gross issuance of €16 billion in senior unsecured debt according to Barclays, with net issuance by banks totalling -€7 billion over the month. Since the start of the year, there has been a gross issuance volume of €152bn and a net volume of -€10bn.

Objectif Crédit Fi shows a yield to maturity of 4,4% and a yield to call of 4,5% for sensitivity to interest rates of 4,7 and to credit of 8,5. Based on our own methodology, and using the lower of the yield to call and the yield to maturity ("at worst" yield) for all securities in the portfolio, excluding 8 Lower Tier 2 callables out of 41 for which we use the yield to call, we get an estimated yield for Crédit Fi of 4,2%. The maximum net asset weighting of contingent convertible bonds in the fund was limited to 20%.

### **July 2015**

The net asset value of Objectif Crédit Fi gained +1,85% over the month (C units).

All spreads on financial debt narrowed during July. Spreads on tier 1 debt narrowed by 20 bps to 434 bps (versus government debt), on lower tier 2 debt by 20 bps to 244 bps and on senior debt by 8 bps to 93 bps, according to the JP Morgan SUSI indices. The OAS on CoCos narrowed by 15 bps to 454 bps according to the Barclays Global index.

The German government bond yield curve flattened out during the month, with 10-year yields dropping by 12 bps to 0.64%, five-year yields by 3 bps to 0.05% and two-year yields falling to -0.23%.

In 2015, Objectif Crédit Fi achieved a net performance of +2,23% compared with +1,87% for the JP Morgan SUSI Lower Tier 2 index and +3,96% for the SUSI Tier 1 index.

Objectif Crédit Fi registered 260-day volatility of 3,1% compared with 2,5% for the SUSI Lower Tier 2 index and 2,0% for the SUSI Tier 1 index.

The same themes as in June were at play this month, but in opposite directions. Credit spreads widened in June while yields rose, a counter intuitive positive correlation. In July, spreads narrowed and yields fell in a continuation of their positive correlation, but in the opposite direction.

The end of suspense around Greece provided great relief for investors who could take on risk again against a backdrop of liquidity, the summer season, and restriction arising from the light trading books of banks. The financial debt market registered an upside gap, recovering a large portion of the June correction.

Barring a few exceptions, the results of financial institutions confirmed an improvement in the economic environment in all European countries. There were just a few traces of market volatility during the second quarter, which at times penalised the improvement in solvency of certain institutions whose stock of unrealised capital gains had been reduced by the rise in yields over the period.

The primary market (excluding covered bonds) saw total gross issuance of €14 billion in senior unsecured debt according to Barclays, with net issuance by banks totalling -€12 billion over the month. Since the start of the year, there has been a gross issuance volume of €166bn and a net volume of -€22bn.

Objectif Crédit Fi shows a yield to maturity of 4,4% and a yield to call of 4,5% for sensitivity to interest rates of 4,5 and to credit of 8,9. Based on our own methodology, and using the lower of the yield to call and the yield to maturity ("at worst" yield) for all securities in the portfolio, excluding 8 Lower Tier 2 callables out of 41 for which we use the yield to call, we get an estimated yield for Crédit Fi of 4,2%.

### **August 2015**

The net asset value of Objectif Crédit Fi fell by 1,32% over the month (C units).

The spreads on financial debt showed varying trends in August. Spreads on tier 1 debt narrowed by 93 bps to 341 bps (versus government debt) attributable to a significant rebalancing of the index, spreads on lower tier 2 debt narrowed by 4 bps to 240 bps for similar reasons while spreads on senior debt widened by 2 bps to 95 bps, according to the JP Morgan SUSI indices. The OAS on CoCos widened by 21 bps to 475 bps according to the Barclays Global index.

The German government bond yield curve steepened during the month, with 10-year yields rising by 15 bps to 0.80%, five-year yields rising by 8 bps to 0.13% and two-year yields rising to -0.20%.

In 2015, Objectif Crédit Fi achieved a net performance of +0,88% compared with +1,25% for the JP Morgan SUSI Lower Tier 2 index and +3,86% for the SUSI Tier 1 index.

Objectif Crédit Fi registered 260-day volatility of 3,0% compared with 2,4% for the SUSI Lower Tier 2 index and 2,1% for the SUSI Tier 1 index.

Despite the resolution of the Greek situation, August was a bit more agitated than usual due to the impact of China and fears surrounding growth. The various asset classes fluctuated, significantly at times and in both directions.

With regard to China, in addition to its opaqueness and doubts over the reality of its figures, the change in the currency exchange regime to a floating rate, albeit controlled, and the public authorities' intervention to bolster the equity market impacted the country's currency reserves, which fell by \$122bn in August alone, after having fallen by \$50bn in July, according to Barclays. This rapid decline caused yields to rise, contrary to anticipations for the summer and risk aversion experienced on our side of the globe. An unusual paradox, partly linked to these flows, which was added to by the Central Bank of Denmark's sales and the lack of sovereign funds via the recycling of petro dollars, oil income having disappeared due to the fall in crude prices.

Against this backdrop, the spreads of financial debt widened but remained fairly defensive in relation to anticipated movements on the equity markets. Certain institutions operating in China and Asia, such as HSBC and Standard Chartered, suffered further but caused no undue concern.

Given the fall in the oil price and questions surrounding growth, the ECB's objective to converge inflation rates towards 2% were in vain. It therefore became highly likely that it would extend its QE plan for longer and/or increase its composition and magnitude on a monthly basis.

The primary market (excluding covered bonds) saw total gross issuance of €6 billion in senior unsecured debt according to Barclays, with net issuance by banks totalling -€8 billion over the month. Since the start of the year, there has been a gross issuance volume of €175bn and a net volume of -€27bn.

Objectif Crédit Fi shows a yield to maturity of 4,3% and a yield to call of 4,4% for sensitivity to interest rates of 4,4 and to credit of 8,2. Based on our own methodology, and using the lower of the yield to call and the yield to maturity ("at worst" yield) for all securities in the portfolio, excluding 8 Lower Tier 2 callables out of 41 for which we use the yield to call, we get an estimated yield for Crédit Fi of 4,1%.

### **September 2015**

The net asset value of Objectif Crédit Fi fell by 1,81% over the month (C units).

All spreads on financial debt widened during the month. Spreads on tier 1 debt widened by 12 bps to 353 bps (versus government debt), on lower tier 2 debt by 42 bps to 282 bps and on senior debt by 17 bps to 112 bps, according to the JP Morgan SUSI indices. The OAS on CoCos widened by 44 bps to 519 bps according to the Barclays Global index.

The German government bond yield curve flattened significantly during the month, with 10-year yields dropping by 21 bps to 0.59%, five-year yields by 13 bps to -0.01% and two-year yields falling to -0.25%. In 2015, Objectif Crédit Fi achieved a net performance of -0,95% compared with +0,03% for the JP Morgan SUSI Lower Tier 2 index and +3,97% for the SUSI Tier 1 index.

Objectif Crédit Fi registered 260-day volatility of 3,1% compared with 2,5% for the SUSI Lower Tier 2 index and 2,1% for the SUSI Tier 1 index.

All risky assets turned in a negative performance in September and for the third quarter of 2015. Concerns about the emerging markets were compounded by broader fears surrounding global growth which was revised down. Multiple idiosyncratic risks (VW, Glencore, Abengoa, etc.) wiped out any remaining investor confidence, in a context of very low liquidity. Risky assets turning in a positive YTD performance are few and far between.

In hindsight, however, we can say that it was flows rather than fundamentals that underpinned credit spreads during this quarter. Low nominal growth is sufficient for credit, but it must nevertheless be positive. There was no systemic risk, with no tension in this regard in Europe. Liquidity was abundant, as evidenced by Eurozone banks' surplus liquidity of €600bn. With each quarter, financial institutions saw their solvency grow stronger. As regards valuations, at their end-September levels, they put us nearly two years behind. Current valuations seem illogical, and are attractive on a medium-term horizon.

The primary market (excluding covered bonds) saw total gross issuance of €27 billion in senior unsecured debt according to Barclays, with net issuance by banks totalling -€4 billion over the month. Since the start of the year, there has been a gross issuance volume of €205bn and a net volume of -€27bn.

Objectif Crédit Fi shows a yield to maturity of 4,4% and a yield to call of 4,6% for sensitivity to interest rates of 4,2 and to credit of 9,0. Based on our own methodology, and using the lower of the yield to call and the yield to maturity ("at worst" yield) for all securities in the portfolio, excluding 8 Lower Tier 2 callables out of 41 for which we use the yield to call, we get an estimated yield for Crédit Fi of 4,2%.

### **October 2015**

The net asset value of Objectif Crédit Fi increased by +2,23% over the month (C units).

On the whole, spreads on financial debt narrowed during the month. Spreads on tier 1 debt widened by 54 bps to 406 bps (versus government debt), spreads on lower tier 2 debt narrowed by 36 bps to 246 bps and spreads on senior debt narrowed by 13 bps to 99 bps, according to the JP Morgan SUSI indices. The OAS on CoCos narrowed by 42 bps to 477 bps according to the Barclays Global index.

The German government bond yield curve flattened out during the month, with 10-year yields dropping by 7 bps to 0.52%, five-year yields by 7 bps to -0.08% and two-year yields by 6 bps to -0.32%.

In 2015, Objectif Crédit Fi achieved a net performance of +1,26% compared with +2,31% for the JP Morgan SUSI Lower Tier 2 index and +3,14% for the SUSI Tier 1 index.

Objectif Crédit Fi registered 260-day volatility of 3,0% compared with 2,5% for the SUSI Lower Tier 2 index and 2,1% for the SUSI Tier 1 index.

The months came and went... but no two were the same. October's trends contrasted with those of September. The extreme valuations at end-September prompted a sharp rally at the start of October, leading to a correction of 50-70% of the previous month's gains. The primary market reopened slowly and new generously-priced issues performed well on the secondary market: exactly the opposite to September's trend. The rally was accentuated by Mario Draghi's dovish statements during his press conference: the prospect of a cut in the deposit rate bringing it into negative territory (the market understood 10 bps) and an increase in and extension of the asset purchasing plan (€10-20bn and a further 6-9 months) were welcomed by the markets. European yields fell significantly as a result, dragging risky assets in their wake. The US came in for a cold shower with the Fed trying to boost anticipations of a rate hike and confirming that there was a real possibility that the first hike would come in December. The immediate effect was that of pressure on yields in general, but also an increase in the dollar in relation to other currency. Macroeconomic data were examined closely to predict whether December would see the first rate hike materialise. In all cases, what was important was the pace (measured) and end point (bottom) of the cycle of US rate hikes.

The primary market (excluding covered bonds) saw total gross issuance of €14 billion in senior unsecured

debt according to Barclays, with net issuance by banks totalling -€8 billion over the month. Since the start of the year, the gross issue volume is €218bn and the net volume is -€36bn.

Objectif Crédit Fi shows a yield to maturity of 4,5% and a yield to call of 4,6% for sensitivity to interest rates of 5,1 and to credit of 8,5. Based on our own methodology, and using the lower of the yield to call and the yield to maturity ("at worst" yield) for all securities in the portfolio, excluding 8 Lower Tier 2 callables out of 41 for which we use the yield to call, we get an estimated yield for Crédit Fi of 4,3%.

### **November 2015**

The net asset value of Objectif Crédit Fi increased by +1,13% over the month (C units).

On the whole, spreads on financial debt narrowed. Spreads on tier 1 debt narrowed by 26 bps to 380 bps (versus government debt), on lower tier 2 debt by 6 bps to 239 bps and on senior debt by 7 bps to 92 bps, according to the JP Morgan SUSI indices. The OAS on CoCos narrowed by 11 bps to 467 bps according to the Barclays Global index.

The German government bond yield curve steepened during the month, with 10-year yields dropping by 4 bps to 0.47%, five-year yields by 10 bps to -0.18% and two-year yields by 10 bps to -0.42%.

In 2015, Objectif Crédit Fi achieved a net performance of +2,40% compared with +3,31% for the JP Morgan SUSI Lower Tier 2 index and +4,44% for the SUSI Tier 1 index.

Objectif Crédit Fi registered 260-day volatility of 3,1% compared with 2,4% for the SUSI Lower Tier 2 index and 2,2% for the SUSI Tier 1 index.

November was mainly impacted by the prospect of an impending easing of monetary conditions by the ECB during its December 4<sup>th</sup> meeting. Expectations were high with the market having revised up its anticipations of a cut in the deposit rate of -10 bps to -20 bps and an increase in scope, monthly amount and duration of the asset purchasing programme. These expectations prompted a decline in the euro, and a fall in short and medium-term yields (0-5 years) and in risk assets showing strong performances.

The primary market (excluding covered bonds) saw total gross issuance of €22 billion in senior unsecured debt according to Barclays, with net issuance by banks totalling -€5 billion over the month. Since the start of the year, the gross issue volume is €244bn and the net volume is -€38bn.

Objectif Crédit Fi shows a yield to maturity of 4,4% and a yield to call of 4,6% for sensitivity to interest rates of 5,2 and to credit of 8,6. Based on our own methodology, and using the lower of the yield to call and the yield to maturity ("at worst" yield) for all securities in the portfolio, excluding 7 Lower Tier 2 callables out of 44 for which we use the yield to call, we get an estimated yield for Objectif Crédit Fi of 4,2%.

We changed our custodian/administrative agent on November 23<sup>rd</sup>, and are now working with CACEIS. We introduced swing pricing and modified our subscription and redemption settlement times to D+2 and D+3 respectively (compared with D+1 previously in both cases). We also cancelled transaction fees on forward markets.

The Fund can now invest up to 75% of its assets in US dollar and pounds sterling-denominated securities (vs 50% previously), with the net exposure to foreign exchange risk remaining unchanged at a maximum of 10%. Up to 20% of the Fund's assets may also be invested in CDS for exposure and hedging purposes.

## December 2015

The net asset value of Objectif Crédit Fi fell by 1,23% over the month (C units).

On the whole, spreads on financial debt widened. Spreads on tier 1 debt narrowed by 2 bps to 378 bps (versus government debt), spreads on lower tier 2 debt widened by 8 bps to 248 bps and on senior debt by 2 bps to 94 bps, according to the JP Morgan SUSI indices. The OAS on CoCos widened by 7 bps to 474 bps according to the Barclays Global index.

The yield curve for German government bonds steepened significantly during the month, with 10-year yields rising by 16 bps to 0.63%, five-year yields rising by 14 bps to -0.05%, and two-year yields rising by 7 bps to -0,35%.

In 2015, Objectif Crédit Fi achieved a net performance of +1,14% compared with +2,51% for the JP Morgan SUSI Lower Tier 2 index and +4,50% for the SUSI Tier 1 index.

Objectif Crédit Fi registered 260-day volatility of 3,2% compared with 2,5% for the SUSI Lower Tier 2 index and 2,3% for the SUSI Tier 1 index.

Complicated. Such was the month of December, in which nothing came out unscathed, in a context of very low liquidity, as is natural at the end of the year. First of all, the ECB disappointed the markets with a 10 bps cut in its deposit facility rate (versus 20 bps anticipated) and a six-month extension to its asset purchasing plan, which was brought to a total of €1 500 bn. The market had expected more, notably with an increase in the monthly rate of purchases, potentially to €70 or €80 bn compared with the current level of €60 bn. Yields rose significantly on foot of these announcements, taking many investors off guard. Spreads therefore widened broadly over the month, accentuated by an illiquid market and the announcement of the closure of a US credit fund positioned on the distressed asset segment and managed by Third Avenue.

On top of this came a decline in the Yuan and the oil price, moderate macroeconomic data, and the commencement of tighter short rates by the Fed which introduced a 25 bps increase in its Fed Funds target range to 0,25-0,50%.

Finally, on a more macroeconomic note, against all expectations Lloyds finally won its appeal on whether it was eligible to redeem existing CoCos in advance: which were subsequently penalised during the month. December therefore was a complicated month in a volatile year, with the Bank of Portugal transferring the senior bank debt of Novo Banco to "bad bank" BES as part of a bail-in: these securities lost 80% the next day. This created a precedent in that all senior creditors were not on the same footing. We have no positions in relation to Novo Banco's senior debt.

The primary market (excluding covered bonds) saw total gross issuance of €9 billion in senior unsecured debt according to Barclays, with net issuance by banks totalling -€33 billion over the month. Since the start of the year, the gross issue volume is €258bn and the net volume is -€65bn.

Objectif Crédit Fi shows a yield to maturity of 4,3% and a yield to call of 4,6% for sensitivity to interest rates of 4,8 and to credit of 8,3. Based on our own methodology, and using the lower of the yield to call and the yield to maturity ("at worst" yield) for all securities in the portfolio, excluding 7 Lower Tier 2 callables out of 44 for which we use the yield to call, we get an estimated yield for Objectif Crédit Fi of 4,2%. We are launching a dollar-denominated hedge on foreign exchange risk from January 5<sup>th</sup>.

## January 2016

The net asset value of Objectif Crédit Fi fell by 1,88% over the month (C units).

On the whole, spreads on financial debt widened significantly. Spreads on tier 1 debt widened by 111 bps to 489 bps (versus government debt), spreads on lower tier 2 debt widened by 49 bps to 296 bps and on senior debt by 9 bps to 103 bps, according to the JP Morgan SUSI indices. The OAS on CoCos widened by 54 bps to 527 bps according to the Barclays Global index.

The German government bond yield curve flattened out significantly during the month, with 30-year yields dropping by 10 bps to 0.33%, five-year yields by 27 bps to -0.31% and two-year yields by 14 bps to -0.49%.

In 2016, Objectif Crédit Fi achieved a net performance of -1,88% compared with -0,72% for the JP Morgan SUSI Lower Tier 2 index and -1,98% for the SUSI Tier 1 index.

Objectif Crédit Fi registered 260-day volatility of 3,4% compared with 2,7% for the SUSI Lower Tier 2 index and 2,6% for the SUSI Tier 1 index.

To summarise, and in no particular order, the following factors were the subject of investor concerns in January: China, US growth, the Yuan, oil, Italian banks and the bad bank project, the 2015 losses of Crédit Suisse and Deutsche Bank (after setting aside significant provisions for goodwill impairment between 1999 and 2000), fears surrounding Deutsche Bank's capacity to pay interest on its tier 1 debt despite the management's confirmation (and mention in its annual presentation) of its determination to do so. In short, all factors that weighed on investor appetite for risk.

Surprisingly, US banks (in the line of fire when it comes to shale oil and the US economy) and Chinese banks came out relatively unscathed over the month. In Europe, systemic risk indicators were very quiet.

So, what other factors were at play? Asset sales by sovereign funds in the Middle East notably, accompanied by the short positions of hedge funds in a "risk-off" environment by European investors surely impacted a number of situations.

The primary market (excluding covered bonds) saw total gross issuance of €24 billion in senior unsecured debt according to Barclays, with net issuance by banks totalling -€8 billion over the month.

Objectif Crédit Fi shows a yield to maturity of 4,7% and a yield to call of 5,4% for sensitivity to interest rates of 5,3 and to credit of 6,3.

We launched a dollar-denominated hedge on foreign exchange risk on January 5<sup>th</sup>.

## **February 2016**

The net asset value of Objectif Crédit Fi fell by -3,06% over the month (C units).

On the whole, spreads on financial debt widened significantly. Spreads on tier 1 debt widened by 128 bps to 617 bps (versus government debt), spreads on lower tier 2 debt widened by 38 bps to 335 bps and on senior debt by 18 bps to 121 bps, according to the JP Morgan SUSI indices. The OAS on CoCos widened by 71 bps to 597 bps according to the Barclays Global index.

The German government bond yield curve flattened out significantly during the month, with 22-year yields dropping by 10 bps to 0.11%, five-year yields by 10 bps to -0.41% and two-year yields by 8 bps to -0.57%.

In 2016, Objectif Crédit Fi achieved a net performance of -4,89% compared with -1,51% for the JP Morgan SUSI Lower Tier 2 index and -4,32% for the SUSI Tier 1 index.

Objectif Crédit Fi registered 260-day volatility of 4,1% compared with 3,4% for the SUSI Lower Tier 2 index and 3,4% for the SUSI Tier 1 index.

The markets got off to a very negative start in February, particularly in the hybrid financial debt segment. In addition to concerns about the macroeconomic situation, the results of European banks were uneventful if not poor. Deutsche Bank, Credit Suisse and Standard Chartered were all in the red last year. With dividends being reduced or cancelled, investors began to fear for their Additional Tier 1 and Legacy Tier 1 interest payments, in an environment of exacerbated regulatory uncertainty. Prices and spreads fluctuated significantly as a result, although this came more as a result of very low liquidity in a "risk-off" climate. The liquidity constraints on funds subject to large redemptions also weighed at the beginning of the month.

We continued to be very constructive as regards this asset class because systemic risk did not increase and shows little sign of increasing. Consequently, the likelihood that the financial sector will cause more significant market fluctuations seems very low. Current prices and the yields on most bank and insurance securities look very attractive, notably in an environment of durably low interest rates.

The primary market (excluding covered bonds) saw total gross issuance of €21 billion in senior unsecured debt according to Barclays, with net issuance by banks totalling +€7 billion over the month. Gross issuance year-to-date reached €48 billion and net issuance +€2 billion.

Objectif Crédit Fi shows a yield to maturity of 4,8% and a yield to call of 5,5% for sensitivity to interest rates of 5,4 and to credit of 6,3.

### **March 2016**

The net asset value of Objectif Crédit Fi increased by +3,46% over the month (C units).

On the whole, spreads on financial debt narrowed significantly. Spreads on tier 1 debt narrowed by 105 bps to 512 bps (versus government debt), on lower tier 2 debt by 42 bps to 293 bps and on senior debt by 17 bps to 104 bps, according to the JP Morgan SUSI indices. The OAS on CoCos narrowed by 45 bps to 552 bps according to the Barclays Global index.

The yield curve for German government bonds flattened slightly during the month, with 10-year yields rising by 5 bps to 0.15%, five-year yields rising by 8 bps to -0.33%, and two-year yields rising by 8 bps to -0,49%.

In 2016, Objectif Crédit Fi achieved a net performance of -1,59% compared with +0,36% for the JP Morgan SUSI Lower Tier 2 index and -1,55% for the SUSI Tier 1 index.

Objectif Crédit Fi registered 260-day volatility of 4,4% compared with 3,6% for the SUSI Lower Tier 2 index and 3,4% for the SUSI Tier 1 index.

March saw two overriding trends: initially a strong rally that peaked a few days after the ECB's announcement of a €60 - €80 billion increase in and a broadening of its asset purchase plan to include corporate debt. This was followed by a phase of "consolidation" as the market languished, marked by a busy reopening of the primary market (March 2016 seems to have been the second most active month in fifteen years) and the now traditional and seasonal quarter-end when the market making banks lie low.

On March 10<sup>th</sup>, the European Parliament published a very explicit press release on the subject of Additional Tier 1 debt, in which it asked the ECB and the European Commission to revise the rules in order to better "protect" creditors, make the risks on these instruments more transparent and visible, and to reduce the "rigidities weighing on this market segment". The announcement was followed up by the EC and ECB and should give rise to positive developments for these complex instruments.

The primary market (excluding covered bonds) saw total gross issuance of €31 billion in senior unsecured debt according to Barclays, with net issuance by banks totalling -€0 billion over the month. Gross issuance year-to-date reached €83 billion and net issuance +€5 billion.

Objectif Crédit Fi shows a yield to maturity of 4,5% and a yield to call of 4,9% for sensitivity to interest rates of 5,4 and to credit of 6,1.

*Past performance is no guarantee of future results.*

### Main movements in the portfolio over the financial year

Securities	Movements (accounting currency)	
	Acquisitions	Sales
DRES DR FIN 8.151% 30/06/31*USD	8 286 902,00	0,00
LBG CAPITAL N°2 6.385% 12/05/2020	721 877,29	4 991 287,80
HT1 FDG TF/TV PERP *EUR	0,00	4 699 082,59
CLOVERIE FIX 24-06-46	4 446 464,15	0,00
FRENCH REP ZCP 20-07-16	4 007 233,61	0,00
RBS 6.934% 04/18	3 968 849,73	0,00
BNP PARIBAS 7.625% PERP	2 953 020,13	0,00
LBG CAPITAL 7.625% 14/10/2020	0,00	2 359 400,00
INTNED 4 1/8 11/21/23	1 943 106,29	0,00
UBS GROU FUND 4.125% 15-04-26	1 784 077,60	0,00

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

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

- Exposure obtained through efficient portfolio management techniques: **none.**
- Underlying exposure through derivative financial instruments: **175 781 816,09**
  - **Currency forwards: 132 969 686,30**
  - **Futures: 42 812 129,79**
  - **Options: 0,00**
  - **Swaps: 0,00**

**b) Identity of the counterparty or counterparties used as part of efficient portfolio management techniques and derivative financial instruments**

Efficient portfolio management techniques	Derivative financial instruments (*)

(\*) Excluding listed derivatives

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

Types of instruments	Amount in currency of the portfolio
<b>Efficient portfolio management techniques</b>	
. Term deposits	0,00
. Equities	0,00
. Bonds	0,00
. UCITS	0,00
. Cash	0,00
<b>Total</b>	<b>0,00</b>
<b>Derivative financial instruments</b>	
. Term deposits	0,00
. Equities	0,00
. Bonds	0,00
. UCITS	0,00
. Cash	0,00
<b>Total</b>	<b>0,00</b>

**d) Operating income and expenses linked to efficient portfolio management techniques**

Operating income and expenses	Amount in currency of the portfolio
. Income (**)	0,00
. Other income	0,00
<b>Total income</b>	<b>0,00</b>
. Direct operating expenses	0,00
. Indirect operating expenses	0,00
. Other expenses	0,00
<b>Total expenses</b>	<b>0,00</b>

(\*\*) Income on loans and repurchase agreements

## 4. REGULATORY INFORMATION

- **BROKER AND COUNTERPARTY SELECTION AND EVALUATION PROCEDURE**

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.

- **TRADING FEES**

Trading fees are levied by Lazard Frères Banque. They are not broken down into different services according to a specific formula. Between April 1<sup>st</sup>, 2015 and November 20<sup>th</sup>, 2015, these charges were levied within the context of the joint venture arrangement between Lazard Frères Banque and Lazard Frères Gestion SAS whereby they have pooled their resources for financial, administrative and accounting management, custody of securities and trade execution.

- **EXERCISE OF VOTING RIGHTS**

The voting rights of eligible shareholders are exercised freely and independently. On receipt of the information and issuer documents from the discretionary manager or custodian, the portfolio manager gives authorisation to the company chairman, votes by correspondence or participates in shareholder meetings in accordance with the position adopted and the interests of the shareholders. In accordance with article 322-76 of the General Regulations of the AMF, Lazard Frères Gestion prepares a report within four months of the year-end closure of its accounts on the conditions under which it has exercised the voting rights. This report can be consulted at the head office on request.

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

The incorporation of extra-financial considerations in investment decisions is central to our socially responsible investment (SRI) equity investment philosophy. Our SRI management philosophy is based on the firm belief that a company's economic performance is sustainable only if certain extra-financial factors are taken into account. The development of "human capital" and the prevention of all types of environmental risks are factors that guarantee this sustainability.

The quality of corporate governance is assessed for all companies whose shares are held by UCIs managed by Lazard Frères Gestion, even when the portfolios in question are not specifically pursuing SRI strategies. As such, the OBJECTIF CREDIT FI fund managed by Lazard Frères Gestion takes corporate governance factors into account, without necessarily considering them alongside social or environmental criteria.

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

- **METHOD USED TO CALCULATE OVERALL RISK**

The UCI's aggregate risk is calculated using the commitment method.

- **OTHER INFORMATION**

The prospectus, latest annual and periodic reports, as well as the composition of assets will be sent out within eight working days upon written request to:

Lazard Frères Gestion SAS  
25 rue de Courcelles  
75008 Paris  
France.

The prospectus is also available at [www.lazardfreresgestion.fr](http://www.lazardfreresgestion.fr)

**Designated contact:**

Client Services – Monday to Friday

9 a.m. to 5 p.m.

Tel.: + 33 (0)1.44.13.01.79

where further information may be obtained if necessary.

## OBJECTIF CREDIT FI

Open-end investment fund (FCP)

Management company: Lazard Frères Gestion

SAS, 25 rue de Courcelles,  
75008 Paris, France

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## STATUTORY AUDITOR'S REPORT ON THE ANNUAL FINANCIAL STATEMENTS

For the financial year ended March 31<sup>st</sup>, 2016

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In accordance with the terms of our appointment by the management company, we hereby report to you on the following matters in relation to the financial year ended March 31<sup>st</sup>, 2016:

- the audit of the accompanying financial statements of OBJECTIF CREDIT FI, drawn up in euros, and appended to this report,
- the basis of our opinions,
- the specific verifications and disclosures required by law.

The management company is responsible for the preparation of the annual financial statements. Our role is to express an opinion on these financial statements, based on our audit.

### 1. OPINION ON THE ANNUAL FINANCIAL STATEMENTS

We conducted our audit in accordance with the professional standards applicable in France. These standards require that we plan and perform the audit so as to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit consists of examining, by audit sampling and other selective testing procedures, evidence supporting the amounts and disclosures in the annual financial statements. It also involves assessing the accounting principles used, the significant estimates made by the management, and the overall presentation of the financial statements. We believe that the information that we have gathered provides sufficient and appropriate evidence on which to base our opinion.

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

OBJECTIF CREDIT FI

## 2. BASIS OF OUR OPINIONS

Pursuant to Article L.823-9 of the French Commercial Code (*Code de commerce*) relating to the basis of our opinions, we hereby inform you that our assessments focused on the suitability of the accounting principles applied.

The assessments we have made are part of our audit of the annual financial statements as a whole and have therefore contributed to our opinion expressed in the first part of this report.

## 3. SPECIFIC VERIFICATIONS AND DISCLOSURES

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

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

Neuilly-sur-Seine, June 20<sup>th</sup>, 2016

Le Commissaire aux Comptes

Deloitte & Associés



Olivier Galienne

## 6. ANNUAL FINANCIAL STATEMENTS

### • BALANCE SHEET in EUR

#### ASSETS

	31/03/2016	31/03/2015
<b>Net non-current assets</b>		
<b>Deposits</b>		
<b>Financial instruments</b>		
<b>Shares and similar securities</b>	<b>371 906 644,23</b>	<b>381 443 266,70</b>
Traded on a regulated or similar market		
Not traded on a regulated or similar market		
<b>Bonds and similar securities</b>	<b>361 001 622,95</b>	<b>359 021 679,56</b>
Traded on a regulated or similar market	361 001 622,95	359 021 679,56
Not traded on a regulated or similar market		
<b>Debt securities</b>	<b>4 005 385,02</b>	<b>2 301 832,12</b>
Traded on a regulated or similar market	4 005 385,02	2 301 832,12
Negotiable debt securities	4 005 385,02	2 301 832,12
Other debt securities		
Not traded on a regulated or similar market		
<b>Undertakings for collective investment</b>	<b>6 021 992,67</b>	<b>19 998 793,96</b>
UCITS and general AIF aimed at non-professionals and their equivalent in other countries	6 021 992,67	19 998 793,96
Other funds aimed at non-professionals and their equivalent in other countries that are Member States of the EU		
General funds aimed at professional investors and their equivalent in other Member States of the EU and listed securitisation entities		
Other funds aimed at professional investors and their equivalent in other Member States of the EU and unlisted securitisation entities		
Other non-European entities		
<b>Temporary securities transactions</b>		
Receivables on securities purchased under repurchase agreements		
Receivables on loaned securities		
Borrowed securities		
Securities sold under repurchase agreements		
Other temporary transactions		
<b>Forward financial instruments</b>	<b>877 643,59</b>	<b>120 961,06</b>
Transactions on a regulated or similar market	877 643,59	120 961,06
Other transactions		
<b>Other financial instruments</b>		
Receivables	<b>133 742 008,15</b>	<b>2 997 791,41</b>
<b>Forward foreign exchange transactions</b>	<b>132 969 686,30</b>	<b>21 346,07</b>
<b>Other</b>	<b>772 321,85</b>	<b>2 976 445,34</b>
<b>Financial accounts</b>	<b>19 409 004,93</b>	<b>1 040,06</b>
<b>Cash and cash equivalents</b>	<b>19 409 004,93</b>	<b>1 040,06</b>
<b>Total assets</b>	<b>525 057 657,31</b>	<b>384 442 098,17</b>

## LIABILITIES AND SHAREHOLDERS' EQUITY

	31/03/2016	31/03/2015
<b>Shareholders' equity</b>		
<b>Capital</b>		
Undistributed net capital gains and losses recognised in previous years (a)	371 135 320,07	369 894 906,67
Retained earnings (a)	2 747,47	
Net capital gains and losses for the year (ab)	4 869 548,54	-7 454 094,26
Net income for the year (ab)	15 855 371,56	7 912 414,83
<b>Total shareholders' equity (= amount representing net assets)</b>	<b>391 862 987,64</b>	<b>370 353 227,24</b>
<b>Financial instruments</b>	<b>857 679,57</b>	<b>120 961,06</b>
<b>Sales of financial instruments</b>		
<b>Temporary financial securities transactions</b>		
Liabilities on securities sold under repurchase agreements		
Liabilities on borrowed securities		
Other temporary transactions		
<b>Forward financial instruments</b>	<b>857 679,57</b>	<b>120 961,06</b>
Transactions on a regulated or similar market	857 679,57	120 961,06
Other transactions		
<b>Liabilities</b>	<b>132 336 990,10</b>	<b>6 980 345,86</b>
<b>Forward foreign exchange transactions</b>	<b>129 055 730,20</b>	
<b>Other</b>	<b>3 281 259,90</b>	<b>6 980 345,86</b>
<b>Financial accounts</b>		<b>6 987 564,01</b>
<b>Bank overdrafts</b>		<b>6 987 564,01</b>
<b>Borrowings</b>		
<b>Total liabilities and shareholders' equity</b>	<b>525 057 657,31</b>	<b>384 442 098,17</b>

(a) Including accrued income

(b) Less interim dividends paid for the financial year

- **OFF BALANCE SHEET ITEMS *in EUR***

	<b>31/03/2016</b>	<b>31/03/2015</b>
<b>Hedging transactions</b>		
<b>Commitments on regulated or equivalent markets</b>		
<b>Futures contracts</b>		
Purchase 600 EUR/USD IMM 06/15		75 118 505,44
CME CME GBP/USD 0616	10 246 533,72	
CME EUR/USD0616	32 565 596,07	
Sale 295 GBP/USD IMM 06/15		25 343 636,72
<b>Commitments on OTC markets</b>		
<b>Other commitments</b>		
<b>Other transactions</b>		
<b>Commitments on regulated equivalent markets</b>		
<b>Commitments on OTC markets</b>		
<b>Other commitments</b>		

• **INCOME STATEMENT in EUR**

	<b>31/03/2016</b>	<b>31/03/2015</b>
<b>Income from financial transactions</b>		
Income from deposits and financial accounts	-4 874,06	
Income from shares and similar securities	10 192,50	
Income from bonds and similar securities	17 169 966,37	11 078 680,95
Income from debt securities	-494,75	639,07
Income from temporary purchases and sales of financial securities		
Income from forward financial instruments		0,40
Other financial income		
<b>Total (1)</b>	<b>17 174 790,06</b>	<b>11 079 320,42</b>
<b>Charges on financial transactions</b>		
Charges on temporary purchases and sales of financial securities		291,27
Charges on forward financial instruments		
Charges on financial debt	2 316,51	7 226,71
Other financial charges		
<b>Total (2)</b>	<b>2 316,51</b>	<b>7 517,98</b>
<b>Income from financial transactions (1 - 2)</b>	<b>17 172 473,55</b>	<b>11 071 802,44</b>
Other income (3)		
Management fees and depreciation and amortisation (4)	2 006 711,95	5 239 342,98
<b>Net income for the financial year (L. 214-17-1) (1 - 2 + 3 - 4)</b>	<b>15 165 761,60</b>	<b>5 832 459,46</b>
Income adjustment for the financial year (5)	689 609,96	2 079 955,37
Interim dividends paid on net income for the financial year (6)		
<b>Net income (1 - 2 + 3 - 4 + 5 + 6)</b>	<b>15 855 371,56</b>	<b>7 912 414,83</b>

## NOTES TO THE FINANCIAL STATEMENTS

### ACCOUNTING RULES AND METHODS

The annual financial statements are presented in the format set out under ANC regulation 2014-01 of the French accounting standards body (*Autorité des Normes Comptables - ANC*) repealing French Accounting Regulatory Committee (*Comité de la Réglementation Comptable – CRC*) regulation 2003-02 and successive amendments.

The following general accounting principles are applied:

- true and fair view, comparability, business continuity
- order, accuracy,
- prudence,
- permanence of 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 exclusive of costs.

The portfolio's reference currency for accounting purposes is the euro.

The financial year covers twelve months.

### Asset valuation rules

The financial instruments are recorded at their historical cost and are stated in the balance sheet at their present value, which is determined on the basis of the last known market value or where no market exists using any external means or financial model.

Differences between the present values used to calculate the net asset value and the historical cost of marketable securities when included in the portfolio are recorded under "valuation differences".

Securities that are not denominated in the portfolio currency are valued as set out above and then converted into the portfolio currency on the basis of the exchange rate on the valuation date.

### Deposits:

Deposits with a remaining maturity of less than or equal to 3 months are valued using the straight-line method.

### Shares, bonds and other securities traded on a regulated or similar market:

In order to calculate their net asset value, shares and other securities traded on a regulated or similar market are valued on the basis of the day's closing price.

Bonds and similar securities are valued on the basis of the closing price communicated by the various financial service providers.

### Shares, bonds and other securities not traded on a regulated or similar market:

Securities not traded on a regulated market are valued by the management company using methods based on the asset value and yield and taking into account the prices involved in recent major transactions.

### Negotiable debt securities:

Negotiable debt securities and similar instruments which are not subject to significant transactions are valued using an actuarial method based on a reference rate, as defined below, to which a gap may be added if necessary representing the intrinsic characteristics of the issuer:

NDS maturing in 1 year or less: Euribor rate;

NDS maturing after 1 year: Negotiable treasury bonds (French BTAN) or French OAT bonds maturing shortly after 1 year.

Negotiable debt securities with a residual maturity of less than or equal to 3 months may be valued using the straight-line method.

Treasury bonds are valued on the basis of the market rate communicated daily by the Banque de France.

***UCI held:***

Units or shares of UCIs are valued at the last known NAV.

***Temporary securities transactions:***

Securities received under repurchase agreements are recorded under assets under “receivables on securities purchased under repurchase agreements” in the amount set out in the contract plus accrued interest.

Securities sold under repurchase agreements are recorded in the long portfolio at their present value. Liabilities on securities sold under repurchase agreements are recorded in the short portfolio based on the value set out in the contract plus accrued interest.

Loaned securities are valued at their present value and are recorded under assets under “receivables on loaned securities” at their present value plus accrued interest.

Borrowed securities are recorded under assets under “borrowed securities” in the amount set out in the contract, and under liabilities under “liabilities on borrowed securities” in the amount set out in the contract plus accrued interest.

***Forward financial instruments:***

**Forward financial instruments traded on a regulated or similar market:**

Forward financial instruments traded on regulated markets are valued at the settlement price of that day.

**Forward financial instruments not traded on a regulated or similar market:**

***Swaps:***

Interest rate swaps and/or currency swaps are valued at their market value by discounting future interest payments at the interest rate and/or currency exchange rate prevailing on the market. This price is adjusted for credit risk.

Equity index swaps are valued using an actuarial method based on a reference rate provided by the counterparty.

Other swaps are valued at their market value or a value estimated using the management company's approved procedures.

***Off-balance sheet commitments:***

Forward contracts are recorded under off-balance sheet commitments based at their market value at the price used in the portfolio.

Conditional forward contracts are translated into the equivalent value in the underlying stock.

Swap commitments are presented at their nominal value, or at an equivalent amount where there is no nominal value.

**Management fees**

The management fees are calculated on each net asset value date excluding UCI managed by Lazard Frères Gestion. These fees are charged to the income statement of the UCI.

The management fees are paid in full to the management company, which takes responsibility for all of the UCI operating expenses.

The management fees do not include transaction charges.

The rate applied on the basis of the net asset value excluding UCI managed by Lazard Frères Gestion is:

0,30% for C units  
1,00% for R units,  
0,70% for I units,  
0,75% for DH units,  
and 0,30% for G units.

Variable management fees are applied only to C, R and G units. They amount to 30% of the outperformance above Eonia +3%. This performance fee will be capped at 2%.

Principle: the performance is calculated by comparing changes in the Fund's assets with those of the assets of a benchmark fund with a performance exactly equal to the EONIA +3% (having as its initial value that of the assets of 28/03/2013). This benchmark fund records the same changes in subscriptions and redemptions as the actual Fund. A high water mark system is used whereby the management company only qualifies for performance fees if the Fund outperforms the indexed portfolio over the reference period.

The reference period begins on the last closing date on which variable management fees were collected by the management period and ends on the next closing date on which management fees will be calculated.

If the Fund has outperformed the benchmark assets at the end of the financial year, a performance fee will be charged. The variable portion of management fees will be 30% of the difference between the Fund's performance and that of the benchmark fund. This performance is calculated on each NAV calculation date.

If the Fund underperforms the benchmark assets, the variable portion of management fees is adjusted by a reversal of provisions up to the level of the existing charge to provisions.

In the case of redemptions, the proportion of the provision for variable management fees corresponding to the number of units redeemed is permanently retained by the management company. These fees will be collected at the close of the financial year.

#### **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 awards, dividends, directors' fees and all other income generated by the securities that make up the Fund's portfolio, plus income generated by temporary cash holdings, minus management fees and borrowing costs.

Retained earnings are added on with the addition or subtraction of 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.

##### ***Details of allocated distributable income:***

<b><i>Distributable income</i></b>	<b><i>C, R, I and DH units</i></b>	<b><i>G units</i></b>
Allocation of net income	Accumulation	Distribution
Allocation of net realised capital gains or losses	Accumulation	Accumulation and/or distribution And/or retained as decided by the management

### **Swing pricing adjustments to the net asset value (NAV) as of November 23<sup>rd</sup>, 2015:**

In order to protect the Fund's long-term shareholders, a swing factor will be applied to subscriptions and redemptions that have a significant impact on the Fund's outstandings, which may generate costs for shareholders entering and leaving the Fund that would otherwise have been allocated across all shareholders in the Fund. Therefore, if, on a particular NAV calculation date, the total net subscription/redemption orders of investors across all categories of units in the Fund 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 Fund, 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 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 category in the Fund.

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 Fund.

Insofar as this adjustment mechanism is linked to the net balance of subscriptions/redemptions within the Fund, it is not possible to accurately predict a given time in the future at which it 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 2,5% of the NAV. Investors should be aware that the volatility of the Fund's NAV may not reflect solely that of the securities in the portfolio arising from the application of swing pricing.

- **EVOLUTION OF NET ASSETS in EUR**

	<b>31/03/2016</b>	<b>31/03/2015</b>
<b>Net assets at start of year</b>	<b>370 353 227,24</b>	<b>202 416 878,72</b>
Subscriptions (including subscription fees retained by the UCI)	261 327 894,60	273 849 243,47
Redemptions (net of redemption fees retained by the UCI)	-221 247 164,60	-124 544 923,77
Realised capital gains on deposits and financial instruments	4 611 902,80	6 666 162,75
Realised capital losses on deposits and financial instruments	-1 990 323,50	-3 067 018,61
Realised capital gains on forward financial instruments	12 979 336,65	1 897 971,94
Realised capital losses on forward financial instruments	-10 866 676,35	-12 580 353,34
Transaction charges	-69 975,33	-23 749,35
Translation differences	-8 428 129,17	70 929,89
Change in valuation difference of deposits and financial instruments	-29 596 988,01	19 562 299,81
Valuation difference for financial year N	5 551 754,99	35 148 743,00
Valuation difference for financial year N-1	-35 148 743,00	-15 586 443,19
Change in valuation difference of forward financial instruments	656 154,91	273 326,26
Valuation difference for financial year N	777 115,97	120 961,06
Valuation difference for financial year N-1	-120 961,06	152 365,20
Distribution of prior year's net capital gains and losses		
Dividends paid in the previous financial year	-1 032 033,20	
Net profit/loss for the financial year prior to	15 165 761,60	5 832 459,46
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*		0,01
<b>Net assets at end of year</b>	<b>391 862 987,64</b>	<b>370 353 227,24</b>

\*Financial year 2015: decimals rounded to the nearest hundredth.

• **FINANCIAL INSTRUMENTS BROKEN DOWN BY LEGAL OR ECONOMIC FORM**

	Amount	%
<b>Assets</b>		
<b>Bonds and similar securities</b>		
Other bonds (index-linked, participating interests)	3 569 344,71	0,91
Fixed-rate bonds traded on a regulated or similar market	337 710 146,77	86,18
Floating/adjustable rate bonds traded on a regulated or similar market	18 827 418,79	4,80
Convertible bonds traded on a regulated or similar market	894 712,68	0,23
<b>TOTAL bonds and similar securities</b>	<b>361 001 622,95</b>	<b>92,12</b>
<b>Debt securities</b>		
Treasury bills	4 005 385,02	1,02
<b>TOTAL Debt securities</b>	<b>4 005 385,02</b>	<b>1,02</b>
<b>Liabilities</b>		
<b>Sales of financial instruments</b>		
<b>TOTAL Sales of financial instruments</b>		
<b>Off-balance sheet items</b>		
<b>Hedging transactions</b>		
Foreign exchange	42 812 129,79	10,93
<b>TOTAL Hedging transactions</b>	<b>42 812 129,79</b>	<b>10,93</b>
<b>Other transactions</b>		
<b>TOTAL Other transactions</b>		

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

	Fixed rate	%	Variable rate	%	Adjustable rate	%	Other	%
<b>Assets</b>								
Deposits								
Bonds and similar securities	339 025 699,00	86,52			18 827 418,79	4,80	3 148 505,16	0,80
Debt securities	4 005 385,02	1,02						
Temporary securities transactions								
Financial accounts							19 409 004,93	4,95
<b>Liabilities</b>								
Temporary securities transactions								
Financial accounts								
<b>Off-balance sheet items</b>								
Hedging transactions								
Other transactions								

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

	< 3 months	%	[3 months - 1 year]	%	[1 - 3 years]	%	[3 - 5 years]	%	> 5 years	%
<b>Assets</b>										
Deposits										
Bonds and similar securities			8 195 995,65	2,09	10 923 081,08	2,79			341 882 546,22	87,25
Debt securities			4 005 385,02	1,02						
Temporary securities transactions										
Financial accounts	19 409 004,93	4,95								
<b>Liabilities</b>										
Temporary securities transactions										
Financial accounts										
<b>Off-balance sheet items</b>										
Hedging transactions										
Other transactions										

Positions in interest rate futures are presented according to the maturity of the underlying asset.

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

	USD		GBP		DEM		Other currencies	
	Amount	%	Amount	%	Amount	%	Amount	%
<b>Assets</b>								
Deposits								
Shares and similar securities								
Bonds and similar securities	101 203 344,18	25,83	56 523 134,24	14,42	1 925 755,31	0,49		
Debt securities								
UCI	428 094,42	0,11						
Temporary securities								
Receivables	536 764,48	0,14						
Financial accounts	1 745 708,84	0,45	2 172 890,23	0,55				
<b>Liabilities</b>								
Sales of financial instruments								
Temporary securities transactions								
Liabilities	80 733 622,92	20,60	48 605 182,52	12,40				
Financial accounts								
<b>Off-balance sheet items</b>								
Hedging transactions	42 812 129,79	10,93						
Other transactions								

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

	Type of debit/credit	31/03/2016
Receivables	Forward currency purchases	391 382,56
	Funds receivable on forward currency sales	132 578 303,74
	Deferred settlement sale	3 878,72
	Subscriptions receivable	120 689,93
	Interest and dividends in cash	647 753,20
<b>Total receivables</b>		<b>133 742 008,15</b>
Liabilities	Forward currency sales	128 661 982,63
	Funds payable on forward currency purchases	393 747,57
	Deferred settlement purchase	2 442 515,40
	Redemptions payable	347 749,86
	Management fees	487 592,61
	Variable management expenses	3 402,03
<b>Total liabilities</b>		<b>132 336 990,10</b>

- NUMBER OF SECURITIES ISSUED OR REDEEMED**

	In units	In amount
<b>C units</b>		
Units subscribed during the year	10 616,189	138 444 619,04
Units redeemed during the year	-9 519,755	-123 864 723,47
Net balance of subscriptions/redemptions	1 096,434	14 579 895,57
<b>I units</b>		
Units subscribed during the year	40 065,935	42 252 892,06
Units redeemed during the year	-26 490,929	-27 808 317,25
Net balance of subscriptions/redemptions	13 575,006	14 444 574,81
<b>R units</b>		
Units subscribed during the year	114 263,681	33 896 601,62
Units redeemed during the year	-126 163,505	-36 894 342,88
Net balance of subscriptions/redemptions	-11 899,824	-2 997 741,26
<b>G units</b>		
Units subscribed during the year	441 356,000	46 315 177,23
Units redeemed during the year	-311 350,000	-32 679 781,00
Net balance of subscriptions/redemptions	130 006,000	13 635 396,23
<b>DH units</b>		
Units subscribed during the year	450,000	418 604,65
Units redeemed during the year		
Net balance of subscriptions/redemptions	450,000	418 604,65

- SUBSCRIPTION AND/OR REDEMPTION FEES**

	In amount
<b>C units</b>	
Redemption fees credited to the fund	
Subscription fees credited to the fund	
Total fees credited to the fund	
<b>I units</b>	
Redemption fees credited to the fund	
Subscription fees credited to the fund	
Total fees credited to the fund	
<b>R units</b>	
Redemption fees credited to the fund	
Subscription fees credited to the fund	
Total fees credited to the fund	
<b>G units</b>	
Redemption fees credited to the fund	
Subscription fees credited to the fund	
Total fees credited to the fund	
<b>DH units</b>	
Redemption fees credited to the fund	
Subscription fees credited to the fund	
Total fees credited to the fund	

- MANAGEMENT FEES**

	<b>31/03/2016</b>
<b>C units</b>	
Guarantee fees	
Fixed management fees	522 254,17
Percentage of fixed management fees	0,29
Variable management fees	2 046,11
Management fees paid on	
<b>I units</b>	
Guarantee fees	
Fixed management fees	465 380,70
Percentage of fixed management fees	0,68
Variable management fees	
Management fees paid on	
<b>R units</b>	
Guarantee fees	
Fixed management fees	894 573,58
Percentage of fixed management fees	0,97
Variable management fees	1 011,42
Management fees paid on	
<b>G units</b>	
Guarantee fees	
Fixed management fees	120 406,73
Percentage of fixed management fees	0,29
Variable management fees	344,50
Management fees paid on	
<b>DH units</b>	
Guarantee fees	
Fixed management fees	694,74
Percentage of fixed management fees	0,75
Variable management fees	
Management fees paid on	

- COMMITMENTS RECEIVED AND GIVEN**

**Guarantees received by the UCITS**

None.

**Other commitments received and/or given**

None.

- **PRESENT VALUE OF SECURITIES HELD TEMPORARILY**

	<b>31/03/2016</b>
Securities held under repurchase agreements	
Securities borrowed	

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

	<b>31/03/2016</b>
Financial instruments given as security deposits and maintained under their original item heading	4 005 385,02
Financial instruments received as security despot's and not recorded in the balance sheet	

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

	<b>ISIN code</b>	<b>Heading</b>	<b>31/03/2016</b>
Equities			
Bonds			
Negotiable debt securities			
UCI			6 021 992,67
	FR0013072733	OBJECTIF CAPITAL FI DH	428 094,42
	FR0010952788	OBJECTIF CAPITAL FI IC	5 593 898,25
Forward financial instruments			

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

	31/03/2016	31/03/2015
<b>SUMS TO BE APPROPRIATED</b>		
Retained earnings	2 747,47	
Profit (Loss)	15 855 371,56	7 912 414,83
<b>Total</b>	<b>15 858 119,03</b>	<b>7 912 414,83</b>

	31/03/2016	31/03/2015
<b>C units</b>		
<b>Appropriation</b>		
Distribution		
Balance brought forward for the financial year		
Accumulation	8 173 488,33	3 819 031,13
<b>Total</b>	<b>8 173 488,33</b>	<b>3 819 031,13</b>

	31/03/2016	31/03/2015
<b>I units</b>		
<b>Appropriation</b>		
Distribution		
Balance brought forward for the financial year		
Accumulation	2 847 479,54	2 090 484,01
<b>Total</b>	<b>2 847 479,54</b>	<b>2 090 484,01</b>

	31/03/2016	31/03/2015
<b>R units</b>		
<b>Appropriation</b>		
Distribution		
Balance brought forward for the financial year		
Accumulation	2 989 058,71	1 274 173,78
<b>Total</b>	<b>2 989 058,71</b>	<b>1 274 173,78</b>

	31/03/2016	31/03/2015
<b>G units</b>		
<b>Appropriation</b>		
Distribution	1 844 725,74	726 000,00
Balance brought forward for the financial year	822,11	2 725,91
Accumulation		
<b>Total</b>	<b>1 845 547,85</b>	<b>728 725,91</b>
<b>Information on units with dividend rights</b>		
Number of units	430 006,000	300 000,000
Dividend per share	4,29	2,42
<b>Tax credits</b>		
Tax credits attached to the distribution of earnings		

	31/03/2016	31/03/2015
<b>DH units</b>		
<b>Appropriation</b>		
Distribution		
Balance brought forward for the financial year		
Accumulation	2 544,60	
<b>Total</b>	<b>2 544,60</b>	

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

	31/03/2016	31/03/2015
<b>SUMS TO BE APPROPRIATED</b>		
Undistributed net capital gains and losses recognised in previous years		
Net capital gains and losses for the year	4 869 548,54	-7 454 094,26
Interim dividends paid on net capital gains/losses for the financial year		
<b>Total</b>	<b>4 869 548,54</b>	<b>-7 454 094,26</b>

	31/03/2016	31/03/2015
<b>C units</b>		
Appropriation		
Distribution		
Undistributed net capital gains and losses		
Accumulation	2 387 587,20	-3 723 635,78
<b>Total</b>	<b>2 387 587,20</b>	<b>-3 723 635,78</b>

	31/03/2016	31/03/2015
<b>I units</b>		
Appropriation		
Distribution		
Undistributed net capital gains and losses		
Accumulation	915 295,72	-1 249 320,88
<b>Total</b>	<b>915 295,72</b>	<b>-1 249 320,88</b>

	31/03/2016	31/03/2015
<b>R units</b>		
Appropriation		
Distribution		
Undistributed net capital gains and losses		
Accumulation	1 043 322,35	-1 834 898,38
<b>Total</b>	<b>1 043 322,35</b>	<b>-1 834 898,38</b>

	31/03/2016	31/03/2015
<b>G units</b>		
Appropriation		
Distribution		
Undistributed net capital gains and losses		
Accumulation	538 035,30	-646 239,23
<b>Total</b>	<b>538 035,30</b>	<b>-646 239,23</b>

	31/03/2016	31/03/2015
<b>DH units</b>		
Appropriation		
Distribution		
Undistributed net capital gains and losses		
Accumulation	-14,692.03	
<b>Total</b>	<b>-14,692.03</b>	

• **TABLE OF RESULTS AND OTHER SIGNIFICANT ITEMS OVER THE LAST FIVE YEARS**

	<b>30/03/2012</b>	<b>28/03/2013</b>	<b>31/03/2014</b>	<b>31/03/2015</b>	<b>31/03/2016</b>
<b>Total net assets in EUR</b>	<b>146 082 808,67</b>	<b>144 927 985,30</b>	<b>202 416 878,72</b>	<b>370 353 227,24</b>	<b>391 862 987,64</b>
<b>OBJECTIF CREDIT FI C</b>					
Total net assets in EUR	113 031 209,71	119 057 437,23	164 439 924,17	185 007 122,11	191 590 846,66
Number of securities	11 392,106	10 489,562	13 126,963	13 788,022	14 884,456
Net asset value per share in USD	9 921,88	11 350,08	12 526,88	13 417,95	12 871,87
Accumulation per share pertaining to net capital gains/losses in euros			899,27	-270,06	160,40
Accumulation per share pertaining to income in euros	460,40	104,93	166,96	276,98	549,12
<b>OBJECTIF CREDIT FI I</b>					
Total net assets in EUR				62 071 930,20	73 325 714,11
Number of securities				57 645,335	71 220,341
Net asset value per share in USD				1 076,79	1 029,56
Accumulation per share pertaining to net capital gains/losses in euros				-21,67	12,85
Accumulation per share pertaining to income in euros				36,26	39,98
<b>OBJECTIF CREDIT FI R</b>					
Total net assets in EUR	33 051 598,96	25 870 548,08	37 976 954,55	91 166 077,68	83 423 166,00
Number of securities	144 438,000	99 499,071	133 229,052	300 659,242	288 759,418
Net asset value per share in USD	228,82	260,00	285,05	303,22	288,90
Accumulation per share pertaining to net capital gains/losses in euros			20,45	-6,10	3,61
Accumulation per share pertaining to income in euros	10,62	2,60	3,63	4,24	10,35
<b>OBJECTIF CREDIT FI G</b>					
Total net assets in EUR				32 108 097,24	43 131 204,59
Number of securities				300 000,000	430 006,000
Net asset value per share in USD				107,02	100,30
Accumulation per share pertaining to net capital gains/losses in euros				-2,15	1,25
Dividend per share pertaining to income in euros				2,42	4,29
Retained earnings per share pertaining to income in euros					
Tax credit per share in euros					*

\* The tax credit per share will only be calculated on the distribution date, as set out in the prevailing tax regulations.

• **TABLE OF RESULTS AND OTHER SIGNIFICANT ITEMS OVER THE LAST FIVE YEARS**

	<b>30/03/2012</b>	<b>28/03/2013</b>	<b>31/03/2014</b>	<b>31/03/2015</b>	<b>31/03/2016</b>
<b>Total net assets in EUR</b>	<b>146 082 808,67</b>	<b>144 927 985,30</b>	<b>202 416 878,72</b>	<b>370 353 227,24</b>	<b>391 862 987,64</b>
<b>OBJECTIF CREDIT FI DH</b>					
Net assets in USD					446 767,73
Number of securities					450,000
Net asset value per unit in USD					992,81
Accumulation per share pertaining to net capital gains/losses in euros					-32,64
Accumulation per share pertaining to income in euros					5,65

\* The tax credit per share will only be calculated on the distribution date, as set out in the prevailing tax regulations.

• **INVENTORY in EUR**

Designation of securities	Currency	Quantity (No./nominal)	Present value	% Assets Net
<b>Bonds and similar securities</b>				
<b>Bonds and similar securities traded on a regulated or similar market</b>				
<b>GERMANY</b>				
AARB 4 1/4 03/18/26	EUR	1 000 000	1 027 399,45	0,26
ALLIANZ SE 2.241% 07-07-45	EUR	2 000 000	1 936 377,56	0,49
ALLIANZ SE 5.625% 17-10-42	EUR	5 000 000	6 014 535,25	1,53
COMMERZBANK AG 8.125% 19/09/2023	USD	2 000 000	1 998 053,81	0,51
DELTA LLOYD LEVENSVERZEK 9% 29/08/2042	EUR	2 000 000	2 417 444,92	0,62
DEUTSC 1.125% 17-03-25 EMTN	EUR	3 400 000	3 226 446,30	0,82
DEUTSCHE BANK AG 0% 15/10/2026	DEM	5 000 000	1 925 755,31	0,49
DEUTSCHE BANK 4.296% 05/28	USD	6 000 000	4 617 889,52	1,18
DEUTSCHE BANK 6% 31/12/2099	EUR	1 400 000	1 219 144,79	0,31
DEUTSCHE BK 4.5% 01-04-25	USD	3 000 000	2 291 509,81	0,58
KRED WIED KFW ZCP 29-09-37	USD	5 000 000	2 387 653,02	0,61
MUNICH RE 6.25% 26/05/2042	EUR	2 000 000	2 566 880,44	0,66
NORDDEUTSCHE LANDESBANK 6.25% 10/04/2024	USD	7 000 000	6 025 438,40	1,55
<b>TOTAL GERMANY</b>			<b>37 654 528,58</b>	<b>9,61</b>
<b>AUSTRIA</b>				
BACA 2 5/8 01/30/18	EUR	1 500 000	1 555 202,83	0,40
ERSTE BK E3R 19/07/17	EUR	4 950 000	4 859 564,60	1,24
ERSTE GROUP BANK AG 7.125% 10/10/2022	EUR	1 500 000	1 865 560,45	0,48
UNIQ VERS AG 6.0% 27-07-46	EUR	500 000	521 240,74	0,13
UNIQA INSURANCE 6.875% 31/07/2043	EUR	4 000 000	4 435 898,80	1,13
VIENNA INSURANCE GRP AGW 5.5% 09/10/43	EUR	1 500 000	1 615 632,95	0,41
<b>TOTAL AUSTRIA</b>			<b>14 853 100,37</b>	<b>3,79</b>
<b>BELGIUM</b>				
AGSBB 3 1/2 06/30/47	EUR	3 000 000	2 930 929,07	0,74
KBC GROU 1.875% 11-03-27 EMTN	EUR	1 500 000	1 471 039,32	0,38
<b>TOTAL BELGIUM</b>			<b>4 401 968,39</b>	<b>1,12</b>
<b>DENMARK</b>				
DANI PENS 4.375% 29-09-45	EUR	1 500 000	1 540 969,02	0,39
DANSKE BA 5.875% PERP EMTN	EUR	1 000 000	1 030 033,96	0,26
DANSKE BANK A/S L3RGBP	GBP	2 000 000	2 542 513,24	0,65
<b>TOTAL DENMARK</b>			<b>5 113 516,22</b>	<b>1,30</b>
<b>SPAIN</b>				
B BILB VIZC ARGE 6.75% PERP	EUR	3 400 000	3 157 631,00	0,81
BANCO BILBAO VIZCAYA ARGENTARIA SA 9% 29/05/2049	USD	600 000	550 196,13	0,14
BCO SANTANDER CENTRAL 6.375% 29/12/2049	USD	1 000 000	801 771,53	0,20
BCO SANTANDER 6.25% PERP	EUR	1 000 000	906 019,44	0,23
IBERCAJA 5.0% 28-07-25	EUR	7 000 000	6 777 397,32	1,73
<b>TOTAL SPAIN</b>			<b>12 193 015,42</b>	<b>3,11</b>
<b>UNITED STATES</b>				
RBS CAPI T E3R+1.69% PERP	EUR	3 080 000	2 964 260,08	0,76
<b>TOTAL UNITED STATES</b>			<b>2 964 260,08</b>	<b>0,76</b>

Designation of securities	Currency	Quantity (No./nominal)	Present value	% Assets Net
<b>FRANCE</b>				
ACAFF 7 7/8 01/29/49	USD	500 000	417 715,33	0,11
AXA TV PERP SERIE A	USD	3 825 000	3 509 908,96	0,90
AXA 5.625% 16-01-54 EMTN	GBP	1 000 000	1 224 810,99	0,31
BNP PARIBAS 7.195%/LIBOR PERPETUELLE SERIE REGS	USD	3 000 000	2 891 341,61	0,74
BNP PARIBAS 7.625% PERP	USD	3 300 000	2 913 860,55	0,74
BNP 2.875% 20/03/2026	EUR	500 000	510 975,75	0,13
BNP 4.032 12/31/49	EUR	3 000 000	2 956 714,43	0,75
BPCE 5.70% 10/23	USD	3 000 000	2 873 393,01	0,73
CA ASSURANCES 4.25% PERP	EUR	2 200 000	2 128 284,09	0,54
CA 4.375% 17-03-25	USD	2 500 000	2 167 494,84	0,55
CNP ASSU 4.25% 05-06-45	EUR	3 000 000	3 009 181,64	0,77
CNP ASSUR TV 2040	EUR	2 400 000	2 724 572,85	0,70
CNP ASSURANCES TF/TV 30/09/2041	EUR	2 000 000	2 365 472,73	0,60
CNP ASSURANCES 4.0% PERP	EUR	3 000 000	2 877 335,90	0,73
CRED AGRI ASSU 4.5% PERP	EUR	4 000 000	3 939 760,00	1,01
CRED AGRI SA 6.625% PERP	USD	2 200 000	1 826 698,55	0,47
CREDIT LOGEMENT TV PERPETUELLE	EUR	6 000 000	4 532 326,00	1,16
GROUPAMA SA 6.375% PERP	EUR	7 100 000	6 838 040,26	1,75
HUMA PREV 5.75% 22-10-25	EUR	2 500 000	2 523 805,33	0,64
LA BANQUE POSTALE 23/04/2026	EUR	1 000 000	1 048 732,40	0,27
LAMON 5.05 12/17/49	EUR	5 769 000	5 804 131,00	1,48
SCOR 3.25% 05-06-47	EUR	800 000	823 907,63	0,21
SOCIETE GENERALE 7.875 31/12/2099	USD	1 000 000	843 022,47	0,22
SOGECAP SA 4.125% 29-12-49	EUR	8 000 000	7 708 755,41	1,96
<b>TOTAL FRANCE</b>			<b>68 460 241,73</b>	<b>17,47</b>
<b>GUERNESEY</b>				
CRED SUI 1.25% 14-04-22 EMTN	EUR	2 500 000	2 409 721,17	0,61
<b>TOTAL GUERNESEY</b>			<b>2 409 721,17</b>	<b>0,61</b>
<b>IRELAND</b>				
CLOV PLC SUB 4.5% 11-09-44	USD	3 000 000	2 606 673,69	0,67
CLOVERIE FIX 24-06-46	USD	5 000 000	4 527 543,77	1,16
UT2 FDG 5.321% 30/06/16	EUR	3 000 000	3 148 505,16	0,80
WILLOW N 4.25% 01-10-45 EMTN	USD	3 000 000	2 600 592,34	0,66
<b>TOTAL IRELAND</b>			<b>12 883 314,96</b>	<b>3,29</b>
<b>ITALY</b>				
ASSICURAZIONI GENERALI 10.125% 10/07/2042	EUR	1 000 000	1 383 445,98	0,35
FONDIARIA SAI 5.75% 31-12-99	EUR	2 150 000	2 134 385,01	0,54
INTESA SANPAOLO SPA 6.625% 13/09/2023	EUR	1 000 000	1 239 786,23	0,32
UNICREDIT SPA 6.75% PERP	EUR	1 000 000	825 525,60	0,21
<b>TOTAL ITALY</b>			<b>5 583 142,82</b>	<b>1,42</b>
<b>JERSEY</b>				
HALIFAX EURO FINANCE 7.881% 12/49	GBP	6 243 000	10 034 276,36	2,56
HSBC CAPIT TF/TV PERP PF *EUR	USD	8 000 000	10 449 692,13	2,67
UBS GROU FUND 4.125% 15-04-26	USD	2 000 000	1 755 745,69	0,45
<b>TOTAL JERSEY</b>			<b>22 239 714,18</b>	<b>5,68</b>
<b>LUXEMBOURG</b>				
DEXIA BIL FRN 27/02/17 CV *EUR	EUR	2 600 000	2 574 054,17	0,66

Designation of securities	Currency	Quantity (No./nominal)	Present value	% Assets Net
TALANX FINANZ 8.3673% 15/06/2042	EUR	1 300 000	1 727 287,56	0,44
<b>TOTAL LUXEMBOURG</b>			<b>4 301 341,73</b>	<b>1,10</b>
<b>NORWAY</b>				
KOMM LAND AS 4.25% 10-06-45	EUR	3 500 000	3 528 104,81	0,90
STOREBRAND LIVSFORSIKRIN TV 04/04/2043	EUR	3 000 000	3 325 680,00	0,85
<b>TOTAL NORWAY</b>			<b>6 853 784,81</b>	<b>1,75</b>
<b>NETHERLANDS</b>				
ABN AMRO BANK NV 6.25% 27/04/22	USD	2 000 000	1 989 130,70	0,51
ACHMEA BV TF/TV 04/04/2043	EUR	5 000 000	5 313 000,00	1,36
ACHMEA BV 4.25% PERP EMTN	EUR	13 328 000	12 154 699,02	3,10
AEGON 4 04/25/44	EUR	1 100 000	1 110 015,41	0,28
ALLIANZ FI.TV11-080741 EMTN	EUR	5 000 000	6 000 425,68	1,53
ATRA FINA BV 5.25% 23-09-44	EUR	234 000	203 345,50	0,05
DELT LLOY NV 4.375% 31-12-99	EUR	600 000	512 029,51	0,13
DELTA LLOYD NV 4.25% 17/11/17	EUR	500 000	535 710,36	0,14
DEME SWIS RE 5.75% 15-08-50	USD	2 000 000	1 800 536,76	0,46
GENERALI FI 4.596% PERP EMTN	EUR	8 000 000	7 668 979,67	1,96
GENERALI FIN. 5.479% 07-57	EUR	1 450 000	1 489 633,10	0,38
ING BANK 5.80% 09/23	USD	1 000 000	958 124,79	0,24
ING GROEP NV 6.5% PERP	USD	1 600 000	1 338 512,76	0,34
INTNED 4 1/8 11/21/23	USD	2 000 000	1 802 552,91	0,46
NNGRNV 1 03/18/22	EUR	1 000 000	1 009 395,75	0,26
NNGRNV 4.625% 04/08/2044	EUR	2 000 000	2 164 549,07	0,55
RABO NEDE 5.5% PERP	EUR	1 000 000	981 666,50	0,25
RABOBK 5.75% 01-12-43	USD	1 000 000	1 040 143,53	0,27
<b>TOTAL NETHERLANDS</b>			<b>48 072 451,02</b>	<b>12,27</b>
<b>PORTUGAL</b>				
BANCO ESPIRITO SANTO SA 7.125% 28/11/2023	EUR	4 500 000	69 120,00	0,02
<b>TOTAL PORTUGAL</b>			<b>69 120,00</b>	<b>0,02</b>
<b>UNITED KINGDOM</b>				
ABBE NAT 1.125% 14-01-22 EMTN	EUR	1 500 000	1 498 244,63	0,38
ABBEY NATI TF/TV PERP	USD	3 000 000	3 571 363,33	0,91
ABBEY 1 1/8 03/10/25	EUR	2 000 000	1 921 201,10	0,49
BARCLAYS PLC 6.5% 31-12-99	EUR	2 000 000	1 784 681,11	0,46
BARCLAYS PLC 8% 12/15/2049	EUR	1 050 000	1 023 605,33	0,26
BARCLAYS 10% 21/05/2021	GBP	2 121 000	3 590 648,13	0,92
BARCLAYS 7.75% 10/04/2023	USD	1 500 000	1 441 073,60	0,37
COVE BUIL SOC 6.375% 31-12-99	GBP	800 000	924 529,27	0,24
DIRECT LINE INSURANCE PL	GBP	1 000 000	1 568 288,02	0,40
DRESDR FIN 8.151% 30/06/31*USD	USD	14 136 000	14 649 477,95	3,73
FC FINA PLC 9.0% 20-12-16	GBP	1 829 000	2 473 436,32	0,63
HBOS PLC 4.50% 18/03/30	EUR	2 000 000	2 203 971,78	0,56
HSBC BANK 5.844% PERP EMTN	GBP	2 497 000	3 432 297,27	0,88
HSBC HOLDINGS PLC 5.25% PERP	EUR	1 200 000	1 079 796,72	0,28
HSBC HOLDINGS PLC 6.375% PERP	USD	600 000	492 693,17	0,13
HSBC 5 1/4 03/14/44	USD	2 000 000	1 783 919,09	0,46
LBG CAP.7,5884%09-120520 S.1	GBP	500 000	613 254,46	0,16
LEGA AND GEN 10% 23-07-41 EMTN	GBP	417 000	677 913,73	0,17
LEGA AND GENE 5.5% 27-06-64	GBP	2 000 000	2 325 804,50	0,59

Designation of securities	Currency	Quantity (No./nominal)	Present value	% Assets Net
LLOY BANK GRO 7.0% 31-12-99	GBP	2 000 000	2 418 393,74	0,62
LLOYDS TSB TV PERP SERIE B	GBP	935 000	1 989 189,14	0,51
NAT.WESTM.TV99-PERP EMTN SUB.	EUR	4 225 000	3 897 213,94	0,99
NWIDE 6.875% 29/12/2049	GBP	2 000 000	2 421 318,53	0,62
OLD MUTUAL PLC 03/06/21	GBP	3 285 000	4 459 558,91	1,14
OLD MUTUAL 7.875% 03-11-25	GBP	2 350 000	3 064 680,28	0,78
PRUFIN 5.7 12/19/63	GBP	2 750 000	3 289 261,30	0,84
RBS GROUP TF/TV PERP *USD	USD	1 000 000	1 029 557,47	0,26
RBS 6.934% 04/18	EUR	3 400 000	3 972 603,29	1,01
RL FINANCE 6.125% 30/11/2043	GBP	500 000	671 227,89	0,17
ROYA AND SUN 5.125% 10-10-45	GBP	2 000 000	2 452 909,97	0,63
ROYA BANK OF S 7.5% PERP CV	USD	1 100 000	894 712,68	0,23
ROYAL BK SCOTLAND 5,5% PERP	EUR	7 000 000	6 780 627,78	1,73
ROY.BANK 5.25%05-PERP	EUR	9 688 000	9 615 130,09	2,44
RSALN 9 3/8 05/20/39	GBP	1 000 000	1 572 790,83	0,40
SANTANDER UK PLC 7.375% PERP	GBP	800 000	932 064,82	0,24
SCOTTISH WIDOWS 7% 06/43	GBP	855 000	1 204 492,91	0,31
STAN CHAR PLC 6.5% PERP	USD	2 250 000	1 713 146,64	0,44
STANDARD LIFE PLC	GBP	2 000 000	2 639 473,63	0,67
STANLN 5.7 03/26/44	USD	2 710 000	2 159 751,85	0,55
<b>TOTAL UNITED KINGDOM</b>			<b>104 234 305,20</b>	<b>26,60</b>
<b>SWEDEN</b>				
NORD BANK AB 5.25% PERP EMTN	USD	1 000 000	848 705,63	0,22
SEB 5 3/4 11/29/49	USD	1 000 000	874 056,28	0,22
<b>TOTAL SWEDEN</b>			<b>1 722 761,91</b>	<b>0,44</b>
<b>SWITZERLAND</b>				
AQUARIUS AND INV ZURICH TF/TV 02/10/2043	EUR	2 000 000	2 231 644,48	0,57
CS 7 1/2 12/11/49	USD	1 300 000	1 153 876,68	0,29
SWISS REINSURANCE CO LTD 8.25% PERP.	USD	2 000 000	1 973 818,61	0,50
UBS GROUP AG FIX PERP	USD	750 000	655 484,16	0,17
UBS GROUP AG 6.875% PERP	USD	1 100 000	976 510,43	0,25
<b>TOTAL SWITZERLAND</b>			<b>6 991 334,36</b>	<b>1,78</b>
<b>TOTAL bonds and similar securities traded on a regulated or similar market</b>			<b>361 001 622,95</b>	<b>92,12</b>
<b>TOTAL bonds and similar securities</b>			<b>361 001 622,95</b>	<b>92,12</b>
<b>Undertakings for collective investment</b>				
<b>UCITS and general AIF aimed at non-professionals and their equivalent in other countries</b>				
<b>FRANCE</b>				
OBJECTIF CAPITAL FI DH	USD	500	428 094,42	0,11
OBJECTIF CAPITAL FI IC	EUR	3 845	5 593 898,25	1,43
<b>TOTAL FRANCE</b>			<b>6 021 992,67</b>	<b>1,54</b>
<b>TOTAL UCITS and general AIF aimed at non-professional investors and their equivalent in other countries</b>			<b>6 021 992,67</b>	<b>1,54</b>
<b>TOTAL Undertakings for collective investment</b>			<b>6 021 992,67</b>	<b>1,54</b>

Designation of securities	Currency	Quantity (No./nominal)	Present value	% Assets Net
<b>Securities under custody</b>				
<b>Negotiable debt securities traded on a regulated or similar market</b>				
FRENCH REP ZCP 20-07-16	EUR	4 000 000	4 005 385,02	1,02
<b>TOTAL negotiable debt securities traded on a regulated or similar market</b>			<b>4 005 385,02</b>	<b>1,02</b>
<b>TOTAL Securities under custody</b>			<b>4 005 385,02</b>	<b>1,02</b>
<b>Forward financial instruments</b>				
<b>Futures</b>				
<b>Futures traded on a regulated or similar market</b>				
CME CME GBP/USD 0616	USD	-130	-100 527,62	-0,03
CME EUR/USD0616	USD	260	877 643,59	0,23
<b>TOTAL futures traded on a regulated market</b>			<b>777 115,97</b>	<b>0,20</b>
<b>TOTAL futures</b>			<b>777 115,97</b>	<b>0,20</b>
<b>TOTAL forward financial instruments</b>			<b>777 115,97</b>	<b>0,20</b>
<b>Margin calls</b>				
Margin call C.A.Indo in USD	USD	-862 812,51	-757 151,95	-0,19
<b>TOTAL Margin calls</b>			<b>-757 151,95</b>	<b>-0,19</b>
<b>Receivables</b>			<b>133 742 008,15</b>	<b>34,13</b>
<b>Payables</b>			<b>-132 336 990,10</b>	<b>-33,77</b>
<b>Financial accounts</b>			<b>19 409 004,93</b>	<b>4,95</b>
<b>Net assets</b>			<b>391 862 987,64</b>	<b>100,00</b>

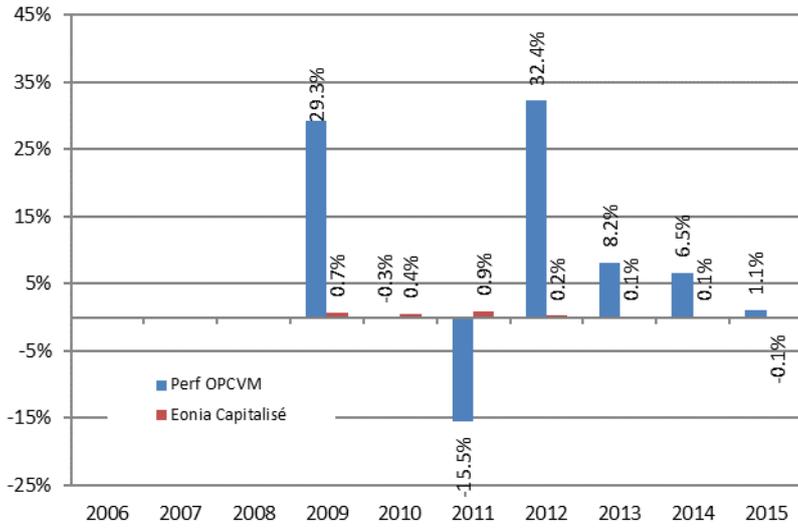
OBJECTIF CREDIT FI G	EUR	430 006,000	100,30
OBJECTIF CREDIT FI DH	USD	450,000	992,81
OBJECTIF CREDIT FI I	EUR	71 220,341	1 029,56
OBJECTIF CREDIT FI R	EUR	288 759,418	288,90
OBJECTIF CREDIT FI C	EUR	14 884,456	12 871,87

- **ADDITIONAL INFORMATION ON THE TAXATION OF INTEREST**

INTEREST BREAKDOWN

	<b>TOTAL NET INTEREST</b>	<b>CURRENCY</b>	<b>NET INTEREST PER UNIT</b>	<b>CURRENCY</b>
Income subject to non-definitive withholding tax	1 677 023,40	EUR	3,90	EUR
Shares eligible for a rebate and subject to non-definitive withholding tax				
Other income not eligible for a rebate and subject to non-definitive withholding tax	167 702,34	EUR	0,39	EUR
Non-declarable and non-taxable income				
Amounts distributed in relation to capital gains and losses				
<b>TOTAL</b>	<b>1 844 725,74</b>	<b>EUR</b>	<b>4,29</b>	<b>EUR</b>

## Past performance



- Past performance is not a guide to future performance and may fluctuate.
- The performances are calculated net of charges taken from the Fund.
- Year of Fund's inception: 2008.
- Currency: Euro.
- C units were chosen to calculate performance.