

LAZARD SMALL CAPS EURO

French open-end investment company (SICAV)

ANNUAL REPORT

At September 30th, 2019

Management company: Lazard Frères Gestion

SAS Custodian: Lazard Frères Banque

Statutory Auditor: Deloitte & Associés

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I. CHARACTERISTICS OF THE UCI

• LEGAL FORM

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

• CLASSIFICATION

Eurozone country equities.

• ALLOCATION OF DISTRIBUTABLE INCOME

Distributable income consists of:

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

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

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

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

For the I, R and T shares, the shareholders' meeting decides each year on the allocation of distributable income. It may pay interim dividends.

• INVESTMENT OBJECTIVE

The SICAV seeks to achieve capital growth at the end of the recommended investment period through exposure to small- and mid-cap markets.

• BENCHMARK

The SICAV does not have a benchmark. Performance may be compared against the Euromoney Smaller Euro index, net dividends reinvested, over the recommended investment horizon.

The Euromoney Smaller Euro is a capitalisation-weighted, free-float adjusted index comprising several hundred Eurozone companies.

• INVESTMENT STRATEGY

1. Strategies used

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

- Identifying companies with the best economic performance profiles.
- Verifying that performance through financial analysis and examination of underlying strategies.
- Selecting stocks from such companies according to the market's undervaluation of that performance at a given time.
- Building a portfolio within the Eurozone but with no other geographical or sectoral restrictions.

The focus on achieving the optimum ratio between the company's economic performance and valuation may result in wide divergences between the SICAV's performance and its sector and/or country mix and those of the underlying asset class, i.e. small and mid caps from the Eurozone.

The minimum degree of exposure to the Eurozone equity markets is 75% of the Fund's net assets.

2. Assets (excluding embedded derivatives)

Equities:

Eurozone small and mid caps.

Delisted stocks (to a maximum of 5% of net assets).

Debt securities and money market instruments:

French and foreign negotiable debt securities (mainly French and US treasury bills and BTAN medium-term treasury notes).

UCIs:

The manager may invest up to a maximum of 10% in UCITS-compliant or alternative investment funds.

These UCIs may be managed by the management company.

The SICAV is an eligible investment for a French equity savings plan (PEA) and therefore maintains a minimum of 75% of the assets as PEA eligible securities.

3. Derivatives

• **Types of markets:**

- regulated
- organised
- OTC

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

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

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

- hedging
- exposure
- arbitrage

• **Types of instruments used:**

futures:

- equity and equity index
- interest rate
- currency

options:

- equity and equity index
- interest rate
- currency

swaps:

- equity swaps
- interest rate swaps
- currency swaps

currency forwards

credit derivatives

- credit default swaps: issuer default risk hedging

currency hedging

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

- partial or general portfolio hedging
- creating synthetic exposure to assets and risks
- increasing exposure to the market without leverage
- maximum permitted and sought
- other strategy

4. Securities with embedded derivatives

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

5. Deposits

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

6. Cash borrowings

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

7. Temporary purchases and sales of securities

None.

8. Information on financial guarantees

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

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

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

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

9. Guarantee or protection

None.

▪ 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 SICAV does not provide any guarantees or capital protection. It is therefore possible that you may not recover the full amount of your initial investment.

▪ Equity market risk:

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

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

▪ Risk associated with investment in the futures markets:

The SICAV may invest up to 100% of its assets in forward financial instruments. Such exposure to markets, assets or indices through forward financial instruments may lead to falls in the NAV that are significantly more pronounced or faster than the change in the underlying assets.

▪ Counterparty risk:

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

▪ **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. Because of its sensitivity range, the value of this component of the portfolio may decrease, either in the case of a rise in interest rates if the portfolio's sensitivity is positive, or in the case of a fall in interest rates if the portfolio's sensitivity is negative.

▪ **ELIGIBLE SUBSCRIBERS AND TYPICAL INVESTOR PROFILE**

I and R shares: all subscribers.

T shares – Authorised investors and minimum subscription amount:

- No minimum subscription amount for (i) UCIs managed by the management company or (ii) the management company in the context of proprietary investment;
- No minimum subscription amount for (i) investors subject to MiFID II (solely and exclusively in the context of their independent advisory activities or the provision of third-party investment management services) or (ii) investors that do not receive retrocession payments on their activities in foreign countries that are not subject to this directive, subject to the prior agreement of the management company;
- An initial minimum subscription amount of €500.000 for all other investors.

The instruments and strategies used are that of an aggressive investment profile. The SICAV is intended for investors seeking exposure to small- and mid-cap markets. Subscribers are strongly advised to diversify their investments sufficiently to avoid exposure solely to the risks of this SICAV.

Information on US investors:

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

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

FATCA:

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

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

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

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

Recommended investment period: minimum five years.

2. CHANGES AFFECTING THE UCI

None.

Corporate governance (CSR) section

I. List of appointments

Directors' names	Number of offices held	List of offices and functions
Sylvain Mortera	5	<p>Chairman of the Board of Directors of</p> <ul style="list-style-type: none"> · Lazard Small Caps Euro <p>Member of the Board of Directors of:</p> <ul style="list-style-type: none"> · Lazard Convertible Global · CAAM Convertibles Euroland · Sicav CAAM Oblig Internationales Gareat, Assuratome
<p>François de Saint-Pierre Managing Director of Lazard Frères Gestion SAS</p>	5	<p>Chairman of the SICAV Objectif Monde's Board of Directors Chairman and Chief Executive Officer of Objectif Gestion Mondiale</p> <p>Member of the Boards of Directors of the SICAVs:</p> <ul style="list-style-type: none"> - Lazard Small Caps Euro - Lazard Equity SRI - T3SO
<p>François-Marc Durand Chairman of Lazard Frères Gestion SAS</p>	4	<p>Chairman and Chief Executive Officer of Norden Board Member of:</p> <ul style="list-style-type: none"> - Lazard Small Caps Euro - Lazard Credit Opportunities - Lazard Alpha Allocation
<p>Monica Nescaut Managing Director of Lazard Frères Gestion SAS</p>	5	<p>Member of the Boards of Directors of the SICAVs:</p> <ul style="list-style-type: none"> · Lazard Small Caps Euro · Lazard Credit Opportunities · Norden · Lazard Equity SRI
<p>Jean-Jacques de Gournay Managing Director of Lazard Frères Gestion SAS</p>	5	<p>Chairman of the Board of Directors of the Norden Family SICAV fund</p> <p>Member of the Boards of Directors of the SICAVs:</p> <ul style="list-style-type: none"> · Lazard Small Caps Euro · Lazard Equity SRI · Lazard Credit Opportunities

II. Directors' fees

Members of the Board of Directors	Directors' fees paid by the SICAV
Sylvain Mortera	€ 7 623
Jean-François Cardinet Managing Director of Lazard Frères Gestion SAS	0
James Ogilvy Managing Director of Lazard Frères Gestion SAS	0
Annabelle Vinatier Vice President of Lazard Frères Gestion SAS	0
François de Saint-Pierre Managing Director of Lazard Frères Gestion SAS	0
François-Marc Durand Chairman of Lazard Frères Gestion SAS	0
Monica Nescaut Managing Director of Lazard Frères Gestion SAS	0
Lazard Frères Gestion SAS represented by François Voss	0
Fonds de Garantie des assurances obligatoires de dommages Represented by Fabrice Zamboni	€ 1 525
Jean-Jacques de Gournay Managing Director of Lazard Frères Gestion SAS	0
SMAVie BTP Represented by Philippe Desurmont	€ 1 525
La Mondiale Represented by Olfa Ghoudi	€ 1 525
Acte lard S.A. Represented by Marc Wendling	€ 1 525
B2V Gestion represented by Frédéric Alexan	€ 1 525

III. Agreements covered by Article L.225-37-4 para.2 of the French Commercial Code (Code de commerce)

The SICAV was not informed of the conclusion of any agreements covered by Article L.225-37-4 para.2 of the French Commercial Code during the financial year ended September 30th, 2019.

IV. Table of currently valid delegations of powers granted by the shareholders' meeting, as stipulated in Article L.225-37-4 para.3 of the French Commercial Code

No delegations of power covered by Article L.225-37-4 para.3 of the French Commercial Code were granted or were ongoing during the financial year ended September 30th, 2019.

V. Method of operation of executive management

The Board of Directors decided to separate the functions of Chairman of the Board of Directors from that of Chief Executive Officer.

3. MANAGEMENT REPORT

PERFORMANCE

I shares

The net asset value decreased from €781,27 on September 28th, 2018 to €682,00 on September 30th, 2019, a decrease of -12,71%.

R shares

The net asset value decreased from €1 489,54 on September 28th, 2018 to €1 295,70 on September 30th, 2019, a decrease of -13,01%.

T shares

The net asset value decreased from €170,81 on September 28th, 2018 to €149,71 on September 30th, 2019, a decrease of -12,35%.

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

The performance of the EMIX Smaller Euroland index over the period was: -1,96%

ECONOMIC ENVIRONMENT

Introduction

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

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

IMF Economic Outlook, October 2019

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

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

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

The slight fall in the MSCI World index masked a bumpy trajectory, mainly due to the back-and-forth China-US trade tensions, concerns about global growth and political uncertainties in Europe. Faced with these international uncertainties, the Fed and the ECB switched to a more accommodative approach, as a precaution, which boosted the equity markets.

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

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

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

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

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

MANAGEMENT POLICY

The Lazard Small Caps Euro I share decreased by 12,71% over the past financial year, the R share decreased by 13,01%, while the T share lost 12,35% over the same period. For information, over the same period, the Euro Stoxx index rose by 4,20% while the EMIX Smaller Euroland index shed 1,96%. The average proportion of investments in securities over the year was 98,13%.

The equity markets fell during the first three months of the year, with the Euro Stoxx losing 12,9% between September 30th, 2018 and December 31st, 2018. The decline in small caps was more pronounced, with the EMIX Smaller Euroland losing 14,9% over the period. Note that the correction was more severe for French small caps in the EMIX Smaller France, which lost 18,9%. The majority of this decline was clawed back during the first three months of calendar year 2019, with the exception of the French small caps, which only partially returned to their level at the beginning of the year. The portfolio's exposure to France, at an average of 30% over the year, penalised its performance.

During the period, the equity markets followed no strict trend. Nevertheless, since June we have observed a certain upturn in volatility prompted by US interest rate moves, threats of increased customs duties and a political environment that may be less conducive to smooth international trade. Small market caps underperformed the large cap indices over the period.

The biggest increase in the portfolio was achieved by Altran (+96%), which was the subject of a public tender offer launched by Cap Gemini. Altran's economic performance also improved significantly over the period. Alten, whose activity is partly comparable to Altran, also published good results during the twelve months and its share price increased by 19%. The arrival of a new management team at the German laser technology specialist, LPKF (+66%), initiated a restructuring programme that coincided with the start of a new, very favourable product cycle. The share price increases seen by Somfy (+10%), Sto (+8%) and Amadeus Fire (+7%), boosted by very positive earnings releases, also contributed positively to performance. On the other hand, some cyclical stocks in the portfolio, such as Biesse (-65%), Prima Industrie (-58%) and Manitou (-42%), suffered from a slowdown in their order intake. However, we believe that the fall in share price of most of the cyclical stocks in the portfolio is excessive compared with the level of expected decline in earnings. Exel Industries (-57%) saw its sales of beet harvesters slow sharply following the adjustment of cultivated areas to the fall in sugar prices. Lastly, Draegerwerk's profitability (-37%) was more modest than expected due to significant operational investments.

Between September 30th, 2018 and September 30th, 2019, we sold three lines. The positions in Rapala and Bijou Brigitte each represented less than 1% of the net assets. In our opinion, the prospects for an improvement in economic performance did not justify strengthening these two lines so we decided to remove them from the portfolio. We also sold the balance of the position in Beter Bed. The recovery plan for its mattress sales business in Germany had initially convinced us, but the fall in the German market announced at the beginning of the year significantly reduced the probability of success of this strategy. We did not establish any new lines to offset these movements. On the other hand, we significantly increased our exposure (initiated during the previous year) to F.I.L.A.

Our discussions with the companies in the portfolio confirm a certain slowdown in economic growth. Following the price correction of certain cyclical companies in the portfolio during the past financial year, we believe the portfolio's valuation multiples are now slightly discounted.

For the future, we will continue to apply the same methodology to managing the portfolio: Lazard Small Caps Euro will continue to consist of stocks selected for the quality of their business models, their high recurring returns and their attractive valuations. This means that the SICAV is made up of companies with low gearing, high earnings visibility and a moderate beta. The companies of the portfolio show high, sustainable levels of profitability, healthy balance sheets and sound growth prospects. These companies seem to have a significant appreciation potential, given the strength of their earnings growth and their valuation levels.

Past performance is no guarantee of future results.

Main changes in the portfolio during the year

Securities	Changes (“accounting currency”)	
	Purchases	Sales
AMUNDI CASH CORPORATE IC	119 197 463,96	122 244 228,76
LAZARD EURO MONEY MARKET	11 534 253,06	11 527 795,38
ALTRAN TECHNOLOGIES	0,00	17 191 100,78
LAZARD EURO SHORT TERM MONEY MARKET	0,00	14 446 146,18
INTERPUMP GROUP	0,00	14 267 410,68
AMADEUS AG FUER ZEITARBEIT UND	0,00	12 697 103,19
ALTEN	0,00	12 344 078,45
FILA FABBRICA ITALI LAPIS ED AFFI SPA	10 365 554,18	0,00
MANITOU BF	0,00	10 230 658,04
IPSOS	0,00	9 649 040,50

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

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

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

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

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

- Underlying exposure through derivative financial instruments:
 - **Currency forwards:**
 - **Futures:**
 - **Options:**
 - **Swaps:**

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

Efficient portfolio management techniques	Derivative financial instruments (*)

(*) Excluding listed derivatives

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

Instrument type	Amount in the currency of the portfolio
<p>Efficient portfolio management techniques</p> <ul style="list-style-type: none"> . Term deposits . Equities . Bonds . UCITS . Cash (**) <p style="text-align: center;">Total</p>	
<p>Derivative financial instruments</p> <ul style="list-style-type: none"> . Term deposits . Equities . Bonds . UCITS . Cash <p style="text-align: center;">Total</p>	

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

d) Operating income and expenses related to efficient management techniques

Operating income and expenses	Amount in the currency of the portfolio
<ul style="list-style-type: none"> . Income (***) . Other income <p style="text-align: center;">Total income</p> <ul style="list-style-type: none"> . Direct operating expenses . Indirect operating expenses . Other expenses <p style="text-align: center;">Total expenses</p>	

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

4. REGULATORY INFORMATION

- **PROCEDURE FOR SELECTING AND ASSESSING INTERMEDIARIES AND COUNTERPARTIES**

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

- **BROKERAGE FEES**

Information about brokerage fees is available on the website: www.lazardfreresgestion.fr.

- **EXERCISING VOTING RIGHTS**

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

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

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

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

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

Our overall approach can be summarised as follows:

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

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

Information on ESG criteria is available on the website www.lazardfreresgestion.fr.

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

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

- **METHOD USED TO CALCULATE GLOBAL RISK**

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

- **PEA employee savings fund**

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

Proportion actually invested during the financial year: 90,59%.

- **REMUNERATION**

The fixed and variable remuneration paid during the financial year ended December 31st, 2018 by the management company to its personnel, pro rata their investment in the management of the UCITS, excluding the management of AIF, is shown below and in the company's annual report. The total variable remuneration is set by the Lazard Group based on different criteria, including the Lazard Group's financial performance over the past year, taking its earnings into account. The executive management decides on the total remuneration amount that will be split between the fixed and variable components, complying with the policy to maintain a complete separation between the fixed and variable components. All risks are incorporated into the calculation of the variable remuneration. It is then individualised and determined partly based on the performance of each identified member of staff.

Population at 31/12/2018: fixed-term and permanent contracts of LFG and LFG-Belgium

Headcount at December 31 st , 2018 of LFG and LFG-Belgium	Fixed annual remuneration in 2018 in €k	Variable remuneration awarded for 2018 (cash and deferred) in €k
160	14 542	19 267

Identified employees

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

Note: the amounts are stated excluding charges

- **OTHER INFORMATION**

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

LAZARD FRÈRES GESTION SAS
25, rue de Courcelles – 75008 PARIS,

France www.lazardfreresgestion.fr

5. CERTIFICATION BY THE STATUTORY AUDITOR

LAZARD SMALL CAPS EURO

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

121, Boulevard Haussmann
75008 Paris, France

STATUTORY AUDITOR'S REPORT ON THE ANNUAL FINANCIAL STATEMENTS

Financial year ended September 30th, 2019

LAZARD SMALL CAPS EURO

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

121, Boulevard Haussmann
75008 Paris, France

STATUTORY AUDITOR'S REPORT ON THE ANNUAL FINANCIAL STATEMENTS

Financial year ended September 30th, 2019

To the Shareholders' Meeting,

Opinion

In accordance with the terms of our appointment by your board of directors, we conducted our audit of the accompanying annual financial statements of the Undertaking for Collective Investment LAZARD SMALL CAPS EURO, as a French open-end investment company (SICAV), for the financial year ended September 30th, 2019.

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

Basis of our opinion

Audit standards

We conducted our audit in accordance with the professional standards applicable in France. We believe that our audit has provided us with sufficient relevant information on which to base our opinion.

Our responsibilities under these standards are set out in the section entitled "Statutory auditor's responsibilities concerning the audit of the financial statements" in this report.

Independence

We conducted our audit in accordance with the rules of independence applicable to us on the period from September 29th, 2018 to the date of issue of our report, and in particular we have not provided any services prohibited by the French code of ethics for statutory auditors.

Basis of our opinions

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

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

Verification of the management report and other documents sent to shareholders

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

Information provided in the management report, other financial reports and the annual financial statements addressed to the shareholders

We have no matters to report regarding the true and fair presentation of the information provided in the board of directors' management report and the other financial documents and annual reports, or its consistency with the annual financial statements

Information on corporate governance

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

Responsibilities of the management and persons charged with governance of the annual financial statements

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

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

The Board of Directors is responsible for the preparation of the annual financial statements.

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

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

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

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

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

- it assesses the overall presentation of the annual financial statements and whether they provide a true picture of the underlying operations and events.

Paris La Défense, January 14th, 2020

The statutory auditor

Deloitte & Associés

[signature]

Olivier Galienne

LAZARD SMALL CAPS EURO

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

121, Boulevard Haussmann
75008 Paris, France

STATUTORY AUDITOR'S REPORT ON THE ANNUAL FINANCIAL STATEMENTS

Financial year ended September 30th, 2019

To the Shareholders' Meeting,

In our capacity as statutory auditors of your company, we hereby present to you our report on related party agreements.

We are required to report to you, based on the information we have been provided, on the characteristics, the main terms and the details of the benefits for the company, of any agreements disclosed to us or that we may have discovered during our audit, without being required to comment on their relevance or substance, or to identify any other agreements. It is your responsibility, pursuant to the terms of Article R. 225-31 of the French Commercial Code (*Code de commerce*), to assess the benefits of entering into these agreements, prior to approving them.

We are also required, where applicable, to report to you as provided for in Article R. 225-31 of the French Commercial Code on the performance over the past year of any agreements already approved by the shareholders' meeting.

We have performed those checks that we considered necessary in accordance with the professional guidance issued by the national auditing body (*Compagnie nationale des commissaires aux comptes*) relating to this operation.

AGREEMENTS SUBMITTED FOR THE APPROVAL OF THE SHAREHOLDERS' MEETING

We hereby inform you that we have not been advised of any agreement authorised during the past financial year to be submitted for the approval of the shareholders' meeting pursuant to Article L. 225-38 of the French Commercial Code.

AGREEMENTS ALREADY APPROVED BY THE SHAREHOLDERS' MEETING

We hereby inform you that we have not been advised of any agreement already approved by the shareholders' meeting that remained effective during the past financial year.

Paris La Défense, January 14th, 2020

The statutory auditor

Deloitte & Associés

[signature]

Olivier Galienne

6. ANNUAL FINANCIAL STATEMENTS

• BALANCE SHEET in euros

ASSETS

	30/09/2019	28/09/2018
Net non-current assets		
Deposits		
Financial instruments	487 515 986,91	768 203 414,01
Equities and similar securities	475 374 336,45	738 490 988,87
Traded on a regulated or equivalent market	475 374 336,45	738 490 988,87
Not traded on a regulated or equivalent market		
Bonds and similar securities		
Traded on a regulated or equivalent market		
Not traded on a regulated or equivalent market		
Debt securities		
Traded on a regulated or equivalent market		
Negotiable debt securities		
Other debt securities		
Not traded on a regulated or equivalent market		
Undertakings for collective investment	12 141 650,46	29 712 425,14
General UCITS and general AIFs aimed at non-professionals and their equivalent in other countries	12,141,650,46	29 712 425,14
Other funds aimed at non-professionals and their equivalent in other countries that are Member States of the EU		
General funds aimed at professional investors and their equivalent in other Member States of the EU and listed securitisation entities		
Other funds aimed at professional investors and their equivalent in other Member States of the EU and unlisted securitisation entities		
Other non-European entities		
Temporary securities transactions		
Receivables on securities purchased under repurchase agreements		
Receivables on loaned securities		
Borrowed securities		
Securities sold under repurchase agreements		
Other temporary transactions		
Forward financial instruments		
Transactions on a regulated or equivalent market		
Other transactions		
Other financial instruments	389 163,51	611 637,03
Receivables		
Currency forward exchange transactions		
Other	389 163,51	611 637,03
Financial accounts	984 048,03	
Cash and cash equivalents	984 048,03	
Total assets	488 889 198,45	768 815 051,04

LIABILITIES AND SHAREHOLDERS' EQUITY

	30/09/2019	28/09/2018
Shareholders' equity		
Capital	486 812 886,44	687 254 119,37
Undistributed net capital gains and losses recognised in previous years (a)		
Retained earnings (a)		
Net capital gains and losses for the year (a, b)	-1 531 544,24	68 132 895,88
Net income for the year (a, b)	2 674 987,77	642 728,72
Total shareholders' equity (= amount representing net assets)	487 956 329,97	756 029 743,97
Financial instruments		
Sales of financial instruments		
Temporary securities transactions		
Payables on securities purchased under repurchase agreements		
Payables on loaned securities		
Other temporary transactions		
Forward financial instruments		
Transactions on a regulated or equivalent market		
Other transactions		
	932 868,48	12 487 030,62
Liabilities		
Currency forward exchange transactions		
Other	932 868,48	12 487 030,62
Financial accounts		
Bank overdrafts		298 276,45
Borrowings		298 276,45
Total liabilities and shareholders' equity	488 889 198,45	768 815 051,04

(a) Including accrued income

(b) Less interim dividends paid for the financial year

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

	30/09/2019	28/09/2018
Hedging transactions		
Commitments on regulated or similar markets		
Commitments on OTC markets		
Other commitments		
Other transactions		
Commitments on regulated or similar markets		
Commitments on OTC markets		
Other commitments		

- **INCOME STATEMENT in euros**

	30/09/2019	28/09/2018
Income from financial transactions		
Income from deposits and financial accounts	2 358,26	1 424,39
Income from equities and similar securities	14 602 834,29	18 841 126,93
Income from bonds and similar securities		
Income from debt securities		
Income from temporary purchases and sales of financial securities		
Income from forward financial instruments		
Other financial income		
Total (1)	14 605 192,55	18 842 551,32
Expenses related to financial transactions		
Charges on temporary purchases and sales of financial securities		
Charges on forward financial instruments		
Expenses related to financial liabilities		
Other financial charges		
Total (2)		
Income from financial transactions (1 - 2)	14 605 192,55	18 842 551,32
Other income (3)		
Management fees and depreciation and amortisation (4)	11 683 031,74	18 376 095,55
Net income for the financial year (L. 214-17-1) (1 - 2 + 3 - 4)	2 922 160,81	466 455,77
Revenue adjustment for the financial year (5) Interim dividends paid on net income for the financial year (6)	-247 173,04	176 272,95
Net income (1 - 2 + 3 - 4 + 5 - 6)	2 674 987,77	642 728,72

NOTES TO THE FINANCIAL STATEMENTS

ACCOUNTING RULES AND PRINCIPLES

The annual financial statements are presented in accordance with regulation 2014-01, as amended, of the French accounting standards body (*Autorité des Normes Comptables* - ANC).

The general accounting principles apply:

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

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

Purchases and sales of securities are recorded excluding expenses.

The accounting currency of the portfolio is the euro.

The financial year comprises 12 months.

Asset valuation rules

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

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

- **Fixed-income securities**

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

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

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

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

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

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

- **Negotiable debt securities**

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

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

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

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

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

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

○ **UCIs**

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

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

○ **Temporary purchases and sales of securities**

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

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

○ **Futures and options**

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

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

➤ **Financial instruments and securities not traded on a regulated market**

All of the UCI's financial instruments are traded on regulated markets.

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

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

The commitment value for futures contracts is equal to the price (in the SICAV's currency) multiplied by the number of contracts multiplied by the face value.

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

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

Management fees

Management fees are calculated on each valuation day.

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

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

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

These fees do not include transaction charges.

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

<i>Expenses charged to the SICAV</i>	<i>Basis</i>	<i>Rate</i>		
Financial management fees	Net assets	I shares: Maximum 1,83% incl. tax R shares: Maximum 2,18% incl. tax T shares: Maximum 1,43% incl. tax		
Administrative fees external to the management company	Net assets	I, R and T shares: Maximum 0,02% incl. tax		
Turnover commission (incl. taxes): (0 to 100% received by the management company and 0 to 100% received by the custodian)	Maximum charge on each transaction	French equities	Up to €100 000	0,48%
			From €100 001 to €200 000	0,31%
			From €200 001 to €300 000	0,24%
			Over €300 000	0,17%
		Eurozone equities excluding France	Up to €100 000	0,72%
			From €100 001 to €200 000	0,47%
			From €200 001 to €300 000	0,36%
			Over €300 000	0,25%
Fixed-income instruments	None			
Futures and other transactions	between €0 and €450 incl. tax per contract			
Performance fee T shares	Net assets	20% of the Fund's outperformance relative to the benchmark index*		

The method used to calculate retrocession amounts is set out in the sales and marketing agreements.

- If the amount is significant, a provision is recognised in account 617.
- The final amount is recognised upon settlement of invoices after reversal of any provisions.

* Calculation of the performance fee (for T shares only):

Performance fees are calculated using a high water mark system based on a comparison of the performance of each share of the SICAV's assets (excluding variable management fees) with the assets of a benchmark fund:

- with a baseline value equal to the value of the SICAV's assets at the close of the last year to date in which performance fees were charged;
- In addition to which there must be a daily performance equal to that of the Euromoney Smaller Euro (net dividends reinvested), in euros and with the same variations in subscription and redemption as the SICAV.

If, at the close of the financial year, the SICAV's assets (excluding variable management fees) exceed those of the benchmark fund, a performance fee will be charged equal to 20% (including taxes) of the difference in value between the SICAV's assets and the benchmark fund.

The performance fee will first be deducted after a period of 12 months or more from the creation of the T shares.

If the SICAV underperforms the benchmark fund between two net asset value dates, any provision previously recognised will be reversed. Amounts deducted from provisions may not exceed the amount previously accumulated.

This variable portion will only be definitively transferred to the management company at the end of the reference period if the SICAV outperforms the benchmark fund over the reference period.

These fees (fixed portion and variable portion, if any) are directly charged to the SICAV's income statement. Redemptions occurring during the life of the SICAV will give rise to the early payment of the corresponding portion of the variable fees.

Where redemptions occur, the performance provision will be adjusted pro rata to the amounts redeemed, and the reversed provision will revert to the management company.

Allocation of distributable income

Definition of distributable income:

Distributable income consists of:

Net income:

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

Capital gains and losses:

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

Allocation of distributable income:

Distributable income	I, R and T shares
Allocation of net income	accumulation and/or distribution and/or retention
Allocation of net realised capital gains or losses	accumulation and/or distribution and/or retention

- **CHANGE IN NET ASSETS in euros**

	30/09/2019	28/09/2019
Net assets at start of year	756 029 743,97	1 044 341 009,50
Subscriptions (including subscription fees retained by the Fund)	124 277 057,20	309 468 435,90
Redemptions (net of redemption fees retained by the Fund)	-298 787 763,44	-461 870 572,73
Realised capital gains on deposits and financial instruments	52 302 215,98	83 601 935,24
Realised capital losses on deposits and financial instruments	-50 237 913,14	-6 263 293,12
Realised capital gains on forward financial instruments		
Realised capital losses on forward financial instruments		
Transaction charges	-967 673,97	-1 248 689,77
Exchange rate differences		
Changes in valuation difference of deposits and financial instruments	-97 581 497,44	-212 465 536,82
Valuation difference for financial year N	-30 429 715,00	67 151 782,44
Valuation difference for financial year N-1	-67 151 782,44	-279 617 319,26
Changes in valuation difference of forward financial instruments		
Valuation difference for financial year N		
Valuation difference for financial year N-1		
Distribution of prior year's net capital gains and losses		
Dividends paid in the previous financial year		
Net profit/loss for the financial year prior to income adjustment	2 922 160,81	466 455,77
Interim dividend(s) paid on net capital gains/losses during the financial year		
Interim dividend(s) paid on net income during the financial year		
Other items		
Net assets at end of year	487 956 329,97	756 029 743,97

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

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

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

	Fixed rate	%	Variable rate	%	Revisable rate	%	Other	%
Assets								
Deposits								
Bonds and similar securities								
Debt securities								
Temporary securities transactions								
Financial accounts							984 048,03	0,20
Liabilities								
Temporary securities transactions								
Financial accounts								
Off-balance sheet items								
Hedging transactions								
Other transactions								

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

	< 3 months	%	3 months-1 year	%	1-3 years	%	3-5 years	%	> 5 years	%
Assets										
Deposits										
Bonds and similar securities										
Debt securities										
Temporary securities transactions										
Financial accounts	984 048,03	0,20								
Liabilities										
Temporary securities transactions										
Financial accounts										
Off-balance sheet items										
Hedging transactions										
Other transactions										

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

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

							Other currencies	
	Amount	%	Amount	%	Amount	%	Amount	%
Assets								
Deposits								
Equities and similar securities								
Bonds and similar securities								
Debt securities								
UCIs								
Temporary securities transactions								
Receivables								
Financial accounts								
Liabilities								
Sales of financial instruments								
Temporary securities transactions								
Financial accounts								
Off-balance sheet items								
Hedging transactions								
Other transactions								

- RECEIVABLES AND PAYABLES: BREAKDOWN BY TYPE

	Debit/credit item	30/09/2019
Receivables	Deferred settlement sale	377 942,62
	Subscription receivables	11 220,89
Total receivables		389 163,51
Liabilities	Redemptions payable	93 475,97
	Management fees	839 392,51
Total liabilities		932 868,48

- NUMBER OF SECURITIES ISSUED OR REDEEMED**

	In shares	In amounts
I shares		
Shares subscribed during the financial year	167 824,805	113 512 106,23
Shares redeemed during the financial year	-347 320,477	-237 892 598,74
Net balance of subscriptions/redemptions	-179 495,672	-124 380 492,51
R shares		
Shares subscribed during the financial year	5 402,885	7 001 424,34
Shares redeemed during the financial year	-31 242,639	-41 033 645,37
Net balance of subscriptions/redemptions	-25 839,754	-34 032 221,03
T shares		
Shares subscribed during the financial year	25 081,518	3 763 526,63
Shares redeemed during the financial year	-131 539,909	-19 861 519,33
Net balance of subscriptions/redemptions	-106 458,391	-16 097 992,70

- SUBSCRIPTION AND/OR REDEMPTION FEES**

	In amounts
I shares	
Redemption fees retained Subscription fees retained Total fees retained	
R shares	
Redemption fees retained Subscription fees retained Total fees retained	
T shares	
Redemption fees retained Subscription fees retained Total fees retained	

- MANAGEMENT FEES**

	30/09/2019
I shares	
Guarantee fees	
Fixed management fees	10 107 582,09
Percentage of fixed management fees	1,85
Variable management fees	
Retrocessions of management fees	-134,76
R shares	
Guarantee fees	
Fixed management fees	1 392 202,74
Percentage of fixed management fees	2,20
Variable management fees	
Retrocessions of management fees	-18,05
T shares	
Guarantee fees	
Fixed management fees	183 088,58
Percentage of fixed management fees	1,45
Variable management fees	
Retrocessions of management fees	-5,52

- **COMMITMENTS RECEIVED AND GIVEN**

Guarantees received by the Fund:

None.

Other commitments received and/or given:

None.

- **PRESENT VALUE OF SECURITIES HELD TEMPORARILY**

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

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

	30/09/2019
Financial instruments given as security and retained under their original classification	
Financial instruments received as security and not recorded on the balance sheet	

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

	ISIN code	Description	30/09/2019
Equities			
Bonds			
Negotiable debt securities			
UCIs			
			3 504 526,51
	FR0011637164	LAZARD INVESTISSEMENT PEA-PME	143,16
	FR0011429521	LAZARD MID CAPS EUROPE	3 504 240,00
	FR0011429539	LAZARD MID CAPS EUROPE R	143,35
Forward financial instruments			

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

	30/09/2019	28/09/2018
Remaining amounts to be allocated		
Retained earnings		
Net income	2 674 987,77	642 728,72
Total	2 674 987,77	642 728,72

	30/09/2019	28/09/2018
I shares		
Appropriation		
Distribution		
Balance brought forward for the financial year		
Accumulation	2 513 989,29	686 428,91
Total	2 513 989,29	686 428,91

	30/09/2019	28/09/2018
R shares		
Appropriation		
Distribution		
Balance brought forward for the financial year		
Accumulation	90 891,36	-244 857,00
Total	90 891,36	-244 857,00

	30/09/2019	28/09/2018
T shares		
Appropriation		
Distribution		
Balance brought forward for the financial year		
Accumulation	70 107,12	201 156,81
Total	70 107,12	201 156,81

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

	30/09/2019	28/09/2018
Remaining amounts to be allocated		
Undistributed net capital gains and losses recognised in previous years		
Net capital gains and losses for the year	-1 531 544,24	68 132 895,88
Interim dividends paid on net capital gains/losses for the financial year		
Total	-1 531 544,24	68 132 895,88

	30/09/2019	28/09/2018
I shares		
Appropriation		
Distribution		
Undistributed net capital gains and losses		
Accumulation	-1 377 762,08	57 899 480,30
Total	-1 377 762,08	57 899 480,30

	30/09/2019	28/09/2018
R shares		
Appropriation		
Distribution		
Undistributed net capital gains and losses		
Accumulation	-130 937,68	7 863 702,04
Total	-130 937,68	7 863 702,04

	30/09/2019	28/09/2018
T shares		
Appropriation		
Distribution		
Undistributed net capital gains and losses		
Accumulation	-22 844,48	2 369 713,54
Total	-22 844,48	2 369 713,54

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

	30/09/2015	30/09/2016	29/09/2017	28/09/2018	30/09/2019
Global net assets in euros	643 051 561,11	699 876 448,68	1 044 341 009,50	756 029 743,97	487 956 329,97
LAZARD SMALL CAPS EURO - I					
Net assets in euros	537 781 167,02	579 109 360,51	834 712 084,30	642 532 391,31	438 473 842,49
Number of units	867 652,545	808 124,603	920 945,976	822 418,267	642 922,595
Net asset value per share in euros	619,81	716,60	906,36	781,27	682,00
Accumulation per share pertaining to net capital gains/losses in euros	68,99	43,50	49,01	70,40	-2,14
Accumulation per share pertaining to net income in euros	4,32	2,94	-0,93	0,83	3,91
LAZARD SMALL CAPS EURO - R					
Net assets in euros	105 270 394,09	120 767 088,17	209 628 925,18	87 164 636,58	42 341 106,76
Number of units	88 169,898	87 786,715	120 888,158	58 517,731	32 677,977
Net asset value per unit in euros	1 193,94	1 375,68	1 734,07	1 489,54	1 295,70
Accumulation per share pertaining to net capital gains/losses in euros	132,90	83,52	93,77	134,38	-4,00
Accumulation per share pertaining to net income in euros	4,36	1,26	-7,16	-4,18	2,78
LAZARD SMALL CAPS EURO - T					
Net assets in euros				26 332 716,08	7 141 380,72
Number of units				154 159,305	47 700,914
Net asset value per unit in euros				170,81	149,71
Accumulation per share pertaining to net capital gains/losses in euros				15,37	-0,47
Accumulation per share pertaining to net income in euros				1,30	1,46

• **INVENTORY in euros**

Description of security	Currency	Quantity No. or nominal	Present value	% Net assets
Equities and similar securities				
Equities and similar securities traded on a regulated or similar market				
GERMANY				
AMADEUS AG FUER ZEITARBEIT UND	EUR	48 610	4 929 054,00	1,01
CEWE COLOR HOLDING	EUR	156 000	12 027 600,00	2,46
DRAGERWERK AG.	EUR	332 380	10 752 493,00	2,20
KSB AG PREF	EUR	60 674	16 685 350,00	3,42
LPKF LASER ELECTRO	EUR	1 189 700	15 109 190,00	3,10
STO AG VORZ.	EUR	200 781	19 254 897,90	3,95
SURTECO GROUP AG	EUR	611 585	12 476 334,00	2,56
TAKKT AG	EUR	1 569 000	19 079 040,00	3,91
TECHNOTRANS NOM.	EUR	380 000	8 398 000,00	1,72
VOSSLOH AG	EUR	514 460	19 446 588,00	3,98
WASH TEC AG	EUR	233 937	11 053 523,25	2,27
TOTAL GERMANY			149 212 070,15	30,58
AUSTRIA				
MAYR-MELNHOF KARTON	EUR	110 650	12 215 760,00	2,50
ROSENBAUER INTERNATIONAL	EUR	376 000	14 776 800,00	3,03
ZUMTOBEL AG	EUR	1 744 090	12 034 221,00	2,47
TOTAL AUSTRIA			39 026 781,00	8,00
BELGIUM				
DECEUNINCK	EUR	6 220 000	11 413 700,00	2,34
JENSENGROUP NV	EUR	228 469	7 927 874,30	1,62
VAN DE VELDE	EUR	384 200	9 028 700,00	1,85
TOTAL BELGIUM			28 370 274,30	5,81
FINLAND				
CARGOTEC OYJ B	EUR	580 862	17 147 046,24	3,51
TOTAL FINLAND			17 147 046,24	3,51
FRANCE				
ALTEN	EUR	48 000	5 030 400,00	1,03
ALTRAN TECHNOLOGIES	EUR	1 800 000	25 938 000,00	5,31
AXWAY SOFTWARE	EUR	871 771	9 240 772,60	1,89
EXEL INDUSTRIES	EUR	213 000	8 690 400,00	1,78
GROUPE CRIT	EUR	190 000	12 578 000,00	2,58
IPSOS	EUR	730 000	19 089 500,00	3,91
MANITOU BF	EUR	517 560	9 316 080,00	1,91
MANUTAN INTERNATIONAL	EUR	257 542	17 152 297,20	3,52
NEXITY	EUR	280 000	12 230 400,00	2,51
SOMFY	EUR	121 000	10 043 000,00	2,06
SOPRA STERIA	EUR	136 000	15 544 800,00	3,19
TOTAL FRANCE			144 853 649,80	29,69
GREECE				
ELEKTRONIKI ATHENS	EUR	261 666	2 616,66	
TOTAL GREECE			2 616,66	

Description of security	Currency	Quantity No. or nominal	Present value	% Net assets
ITALY				
BIESSE	EUR	550 000	5 841 000,00	1,20
DE LONGHI SPA	EUR	691 491	11 962 794,30	2,45
FILA FABBRICA ITALI LAPIS ED AFFI SPA	EUR	1 150 143	15 756 959,10	3,23
INTERPUMP GROUP	EUR	455 000	13 195 000,00	2,70
PRIMA IND SPA	EUR	518 000	6 257 440,00	1,28
TOTAL ITALY			53 013 193,40	10,86
NETHERLANDS				
LUCAS BOLLS NV	EUR	597 339	8 422 479,90	1,73
ORDINA NV	EUR	5 350 000	8 998 700,00	1,84
TOTAL NETHERLANDS			17 421 179,90	3,57
PORTUGAL				
ALTRI SGPS	EUR	1 780 000	10 849 100,00	2,22
CORTICEIRA AMORIM	EUR	1 552 500	15 478 425,00	3,18
TOTAL PORTUGAL			26 327 525,00	5,40
TOTAL Equities and similar securities traded on regulated or similar markets			475 374 336,45	97,42
TOTAL Equities and similar securities			475 374 336,45	97,42
Undertakings for collective investment				
General UCITS and general AIFs aimed at non-professionals and their equivalent in other countries				
FRANCE				
AMUNDI CASH CORPORATE IC	EUR	37	8 637 123,95	1,77
LAZARD INVESTISSEMENT PEA-PME	EUR	1	143,16	
LAZARD MID CAPS EUROPE	EUR	24 800	3 504 240,00	0,72
LAZARD MID CAPS EUROPE R	EUR	1	143,35	
TOTAL FRANCE			12 141 650,46	2,49
TOTAL general UCITS and general AIFs aimed at non-professionals and their equivalent in other countries			12 141 650,46	2,49
TOTAL Undertakings for collective investment			12 141 650,46	2,49
Receivables			389 163,51	0,08
Liabilities			-932 868,48	-0,19
Financial accounts			984 048,03	0,20
Net assets			487 956 329,97	100,00

LAZARD SMALL CAPS EURO - I	EUR	642 922,595	682,00	
LAZARD SMALL CAPS EURO - T	EUR	47 700,914	149,71	
LAZARD SMALL CAPS EURO - R	EUR	32 677,977	1 295,70	

LAZARD SMALL CAPS EURO
French open-end investment company
(Société d'Investissement à Capital Variable)
Registered office: 121, Boulevard Haussmann, 75008 Paris, France
Paris Trade and Companies Register No. 484 947 627

**RESOLUTION CONCERNING THE ALLOCATION OF DISTRIBUTABLE INCOME
PROPOSED AT THE ORDINARY SHAREHOLDERS' MEETING**

FINANCIAL YEAR ENDED SEPTEMBER 30th, 2019

Second resolution

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

€2 674 987,7 distributable amount pertaining to net income;
€-1 531 544,24 distributable amount pertaining to net capital gains and losses.

and decides that they shall be allocated as follows:

1. Distributable amount relating to net income

- I shares: Accumulation: €2 513 989,29
- R shares: Accumulation: €90 891,36
- T shares: Accumulation: €70 107,12

2. Distributable income relating to net capital gains and losses

- I shares: Accumulation: €-1 377 762,08
- R shares: Accumulation: €-130 937,68
- T shares: Accumulation: €-22 844,48

There were no dividends paid over the last four years.