

# **LAZARD ALPHA EUROPE**

**A French open-end  
investment company  
(SICAV)**

## **ANNUAL REPORT**

at June 28<sup>th</sup>, 2019

**Management company: Lazard Frères Gestion SAS**

**Custodian: Lazard Frères Banque**

**Statutory auditor: Ernst & Young et Autres**

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## 1 CHARACTERISTICS OF THE UCI

### • LEGAL FORM

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

### • CLASSIFICATION

International 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 A shares, distributable income shall be fully accumulated, with the exception of those amounts subject to compulsory distribution by law.

For R shares, the shareholders' meeting decides each year on the allocation of distributable income. It may pay interim dividends.

### • INVESTMENT OBJECTIVE

3) The investment objective is to outperform, net of long-term expenses, the Stoxx Europe 600 index, with net dividends reinvested.

### • BENCHMARK

The benchmark index is the Stoxx Europe 600.

It represents the major European stocks and is calculated on the basis of closing prices, with net dividends reinvested. It can be found on the website: [www.stoxx.com](http://www.stoxx.com).

### • 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 focused on 30-80 European large and mid-caps with good liquidity, without other sector-related 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. large and mid-caps from the Eurozone.

## 2. Assets (excluding embedded derivatives)

### Equities:

Investment in the shares of European large caps of at least 90% of the net assets.

### Debt securities and money-market instruments:

Debt securities and money market instruments up to a maximum of 10% of the net assets to meet cash flow requirements (mainly French and US treasury notes and BTAN French medium-term treasury notes).

### UCIs:

French or foreign UCITS or AIFs up to a maximum of 10% of the net assets. Investment solely in UCIs that invest less than 10% of their assets in other UCIs.

These UCIs may be managed by the management company.

## 3. Derivatives

### • Types of markets:

- ☒ regulated
- ☒ organised
- ☒ OTC

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

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

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

- ☒ hedging
- ☒ exposure
- ☐ arbitrage

### • Types of instruments used:

#### ☒ futures:

- ☒ equity and equity index
  - Hedging: minimum 0% maximum 30% of the net assets
  - Exposure: minimum 0% maximum 30% of the net assets
- ☐ interest rate
- ☒ currency: hedging foreign exchange risk
  - Exposure: minimum 0% maximum 30% of the net assets

#### ☒ options:

- ☐ equity and equity index
- ☐ interest rate
- ☐ currency

#### ☒ swaps:

- ☐ equity swaps
- ☐ interest rate swaps
- ☒ currency swaps

☒ currency forwards: solely to hedge physical assets denominated in a currency other than the SICAV's accounting currency.

☐ credit derivatives

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

- ☒ partial or general portfolio hedging
- ☒ creation of synthetic exposure to assets
- ☐ increasing exposure to the market without leverage
- ☐ maximum permitted and sought
- ☐ other strategy

#### **4. Securities with embedded derivatives**

The manager may invest in all securities with embedded derivatives permitted under the management company's business plan, notably subscription rights or warrants.

Within this framework, the manager may take positions with a view to hedging the portfolio against and/or exposing it to particular business sectors, geographic regions, shares (all capitalisation types), stocks and similar securities in order to achieve the investment objective.

#### **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.

### **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 provides no guarantee or protection. It is therefore possible that you may not recover the full amount of your initial investment.

#### **Equity market risk:**

Risk relating to changes in the valuation of the equities investment universe. This risk entails a decrease in the net asset value of the SICAV in the event of a decline in the equities markets.

#### **Derivatives risk:**

The SICAV may be synthetically exposed to the equities markets up to a maximum of 30% of its net assets. The use of derivatives on organised and OTC markets may cause exposure to strong upside or downside volatility in the net asset value through the underlyings, which react very strongly to market fluctuations.

#### **Foreign exchange risk:**

The SICAV may invest in securities and UCIs that are themselves permitted to purchase stocks denominated in currencies other than the euro. The value of live securities held by the SICAV and the UCIs' assets may fall if exchange rates fluctuate, which may lead to a fall in the SICAV's NAV.

#### **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 failure of any such counterparty, which may lead to default in payment.

**GUARANTEE OR PROTECTION**

None.

**ELIGIBLE SUBSCRIBERS AND TYPICAL INVESTOR PROFILE**

Any subscriber seeking exposure to equity risk.

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 1<sup>st</sup>, 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.

**Recommended investment period:** This SICAV may not be suitable for investors planning to withdraw their contributions within 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
Régis Bégue <i>Managing Director of Lazard Frères Gestion SAS</i>	4	Chairman and Chief Executive Officer of the SICAVs: . Lazard Alpha Euro . Lazard Alpha Europe . Norden Small Board member of: . Lazard Equity SRI
Axel Laroza <i>Director of Lazard Frères Gestion SAS</i>	3	Chairman of the board of the SICAV Lazard Actifs Réels CEO and board member of the SICAV Lazard Equity SRI Deputy CEO and board member of the SICAV Lazard Alpha Europe
Monica Nescaut <i>Managing Director of Lazard Frères Gestion SAS</i>	5	Member of the Boards of Directors of the SICAVs: . Lazard Small Caps Euro . Lazard Credit Opportunities . Norden . Lazard Alpha Europe . Lazard Equity SRI
Thomas Brenier <i>Managing Director of Lazard Frères Gestion SAS</i>	3	Board member of the following SICAVs: . Lazard Alpha Europe . Norden Small

### II. 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 June 28<sup>th</sup>, 2019.

### III. 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 June 28<sup>th</sup>, 2019.

### IV. Method of operation of the general management

The Board of Directors did not decide to separate the functions of Chairman from that of Chief Executive Officer, and will therefore be headed up by the Chairman and Chief Executive Officer.



### 3 MANAGEMENT REPORT

#### PERFORMANCE

The UCI's performance over the period was as follows: **-5,73%**.

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

The benchmark's performance over the period was as follows: **+4,28%**.

#### ECONOMIC ENVIRONMENT

##### Introduction

Global expansion continued but growth has slowed over the past year, both in advanced and emerging countries. Activity in the manufacturing sector slowed but contagion to the services sector was limited. Global growth was impacted by several factors including mounting trade tension between the US and China, tighter credit policy in China, disruptions in the German automotive sector, political uncertainty in Europe, natural disasters in Japan, the economic crisis in Turkey and slowing growth in India. The weakening of global growth and increasing uncertainties at international level have led to increased volatility in the financial markets as well as a change in the monetary policies of the major central banks. After adopting the principle of a pause in its rate hike cycle in January, the Federal Reserve (Fed) paved the way for pre-emptive rate cuts in June. It also said it would stop reducing its balance sheet from September. For its part, the European Central Bank (ECB) twice postponed a possible rise in interest rates and in parallel announced the launch of a new series of targeted long-term loans (TLTRO) for Eurozone banks. The Bank of Japan (BoJ) reaffirmed its commitment to buy government bonds to enable the ten-year yield to remain close to 0%. China's central bank (PBOC) cut the reserve requirement ratio for large banks four times.

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

IMF Economic Outlook, April 2019

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

Over twelve months, the MSCI World index in dollars for global equity markets rose by 3,6%, with developed country equities rising by 4,3% and emerging country equities falling by -1,4%. The equity markets in developed countries showed a mixed performance. In their respective currencies, the S&P 500 gained 8,2%, the Euro Stoxx shed 0,3% and the Topix lost 10,4%.

In Q3 2018, the equity markets fluctuated according to the perception of the risk of a trade war between China and the United States, as well as the likelihood of Italy defying EU budgetary rules and of a crisis in emerging countries, as sharp depreciations in the Turkish lira and the Argentine peso in August 2018 fuelled fears of contagion to other countries. The equity markets subsequently experienced a sharp correction in Q4 2018. Disappointing economic data releases across the world and the inversion of the yield curve in the US led to renewed fears of a global recession,

against a backdrop of persistent trade tensions between China and the United States, political uncertainties in Europe and rapidly falling oil prices.

After this difficult end to the year, the equity markets returned to normal levels in Q1 2019, making up some of the losses suffered in Q4 2018. The return of risk appetite reflected more the allaying of fears of recession in the United States, the Federal Reserve's more accommodative stance and the progress of US-Chinese trade negotiations than an improvement in earnings prospects, which were revised downwards. The resurgence of trade tensions subsequently caused the equity markets to fall again in May before the accommodative statements by the Fed and the ECB led to a rebound in June.

Concerns about growth and the accommodative monetary policies adopted by the central banks caused US and German government bond yields to fall. Over the year, the US 10-year rate fell from 2,86% to 2,01%, with a high of 3,24% in November, and the German 10-year rate fell from 0,30% to -0,33%, after peaking at 0,57% in early October. In early December, the US 5-year rate fell below the two- and three-year borrowing rates.

The credit spreads of peripheral countries against Germany tightened for nearly all countries.

Credit spreads on corporate bonds were virtually stable year-on-year but there was strong tension at the end of 2018 and in May 2019. According to the ICE Bank of America Merrill Lynch indices, credit spreads on good quality corporate bonds versus government bonds tightened by 2 basis points to 112 basis points, while those on high yield bonds tightened by 21 basis points to 383 basis points.

The euro fell from \$1,17 to \$1,1368, a depreciation of 2,7% over the year. The euro depreciated by 5,2% against the yen and by 4,0% against the Swiss franc, and appreciated by 1,3% against sterling. Political uncertainties in Italy and the UK as well as the ECB's accommodative monetary policy weighed on the single currency.

The Brent crude price peaked at \$86 in early October before falling rapidly to a low of \$50 in December. It then rose to \$76 per barrel at the end of April before falling back to \$64,43 at the end of June, representing a decline of 18% over the year.

### **United States**

Despite fears of a recession, growth was strong in the US in 2018, at +3,4% in Q3 2018, +2,2% in Q4 2018 and +3,1% in Q1 2019, on an annualised basis. GDP grew by 3,2% year on year in Q1 2019.

Household consumption remained positive, apart from a soft patch in December 2018. By May 2019, it had risen by 2,7% year-on-year.

Job creation averaged 183,400 in the private sector, enabling the unemployment rate to continue falling from 4,0% in June 2018 to 3,7% in June 2019. The hourly wage accelerated gradually to reach a peak of +3,4% year-on-year in February 2019. It then moderated to +3,1% year-on-year in June 2019.

The ISM surveys fell, especially the manufacturing ISM which fell from 60 in June 2018 to 51,7 in June 2019. In December 2018, the new orders component fell by 11 points to 51,3. The non-manufacturing ISM held up better, falling from 58,7 to 55,1.

Residential investment continued to contract, falling by 2,9% year-on-year in Q1 2019. Property price growth slowed gradually to +3,5% year-on-year in April 2019. The NAHB home builder confidence index reached a high of 68 in October before falling over the next two months to a low of 56 in December. It then recovered, reaching 64 in June 2019. Non-residential investment was stronger than residential investment, rising by 5,3% year-on-year in Q1 2019.

Inflation slowed to +1,8% year-on-year overall in May 2019, compared with +2,9% in June 2018. Core inflation, measured by the consumer price deflator, also slowed to +x% year-on-year in May 2019, compared with +2,0% in June 2018.

The Federal Reserve raised its benchmark interest rate by 25 basis points in September and December, bringing it to a band of 2,25%-2,50%. On January 4<sup>th</sup>, 2019, Jerome Powell indicated that the Federal Reserve would be patient and

adjust its monetary policy in line with economic results. On March 20<sup>th</sup>, 2019, the Fed lowered its interest rate forecasts and indicated that it would stop reducing its balance sheet from September 2019. On June 19<sup>th</sup>, 2019, the Fed removed the reference to patience from its press release to indicate that it was ready to act. The members of the Monetary Policy Committee also lowered their interest rate forecasts.

The United States increased its tariffs on \$250 billion of Chinese products. China retaliated by increasing its tariffs on \$110 billion of US goods. The US trade deficit widened slightly during the period under review, reaching \$50,7 billion in April 2019.

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

### **Eurozone**

Eurozone growth remained moderate, increasing from +0,5% in Q3 2018 to +1,0% in Q4 2018 and +1,6% in Q1 2019, on an annualised basis. In Q1 2019, GDP grew by 1,2% year-on-year in the Eurozone, by 0,6% in Germany, by 0,8% in France and by 2,1% in Spain. It fell by 0,3% in Italy.

The Eurozone composite PMI fell from 54,9 to 52,1 between June 2018 and June 2019. It reached its lowest point in November 2018 and has been picking up gradually since then. The manufacturing PMI fell by 7,1 points and the services PMI by 1,8 points to 47,8 and 53,4 respectively.

The entry into force of WLTP standards on September 1<sup>st</sup>, 2018 led to a high level of volatility in car sales in the Eurozone. After jumping by 21,5% in July 2018, they fell by 37,2% in September. They subsequently returned gradually to normalised levels. Anti-pollution standards have also disrupted German automotive production, which fell by 43% in Q3 2018 before rebounding by 22% in Q4 2018, on an annualised quarterly basis.

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

At its meeting on December 13<sup>th</sup>, 2018, the ECB confirmed the end of its purchase programme, specifying that it would continue to reinvest redemptions from maturing securities for an extended period after beginning to raise interest rates. On March 7<sup>th</sup>, 2019, the ECB announced that it would keep interest rates unchanged "at least until the end of 2019" and launch a new wave of targeted longer-term refinancing operations (TLTROs) for Eurozone banks. The opening address of the Sintra forum was an opportunity for Mario Draghi to reiterate that the ECB could still use its entire monetary arsenal to support activity.

On September 27<sup>th</sup>, the populist Italian government announced that it was targeting a budget deficit of 2,4% of GDP in 2019, triggering the launch by the European Commission of an excessive deficit procedure on November 21<sup>st</sup>. Ultimately, the Italian government's downward revision of its 2019 deficit target to 2,0% of GDP paved the way for an agreement with Brussels on December 19<sup>th</sup>. The spread remained high before falling at the end of the period when the prospect of sanctions receded following the increase in the probability of a budgetary slippage.

In Spain, after the failure of its draft budget, the new head of the socialist government, Pedro Sanchez, called early general elections for April 28<sup>th</sup>, 2019, which saw the PSOE take the lead but without giving it a clear majority.

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

### **Japan**

After a third quarter marked by bad weather that weighed on activity, growth picked up in Q4 2018 and Q1 2019 to around 2,0%. The manufacturing PMI fell to 50,8 in June 2019 compared with 52,1 a year earlier.

The labour market remained tight. The unemployment rate remained stable for nearly a year at 2,4%. The ratio between job offers and job applications was 1,6. Wage growth accelerated sharply, peaking at +1,3%

year-on-year in November. It moved into negative territory in January following a change in methodology.

Inflation stood at +0,7% year-on-year. Inflation excluding energy and fresh food products remained more or less stable at +0,5%.

The Bank of Japan modified its policy of controlling the yield curve in July 2018 by broadening the range within which the Japanese 10-year government bond yield could evolve versus an unchanged target of around 0%.

## China

Chinese growth has declined in recent quarters, reaching +6,2%, its lowest level in around thirty years. In March 2019, the government announced that it was targeting growth of between 6,0% and 6,5% this year. The manufacturing sector struggled, with the sector's PMI calculated by Markit dropping from 51,0 to 49,4 over twelve months.

Statistics show better growth over the last few months. Retail sales of goods re-accelerated in volume terms to +9,8% year-on-year in June 2019. Industrial production rebounded to +6,3% year-on-year. Investment growth slowed to +5,8% year-on-year in June 2019. Infrastructure spending slowed sharply until the summer of 2018 before rising again as local governments accelerated their debt issuance.

Exports were buoyant and then slowed from the end of 2018, probably due to concerns about the trade war.

Growth in the total credit outstanding slowed to 9,8% year-on-year in November 2018. It then rebounded to +10,9% in June 2019.

The Chinese authorities stepped up their monetary and fiscal stimulus measures. On the monetary front, the central bank reduced the level of mandatory bank reserves by 100 basis points in April 2018, by 50 basis points in July 2018, by 100 basis points in October 2018 and by 100 basis points in January 2019, bringing it to 13,50%. On the fiscal front, the government announced tax cuts for households and companies that amounted to around 2% of GDP in 2019. Local authorities also stepped up their bond issuance used to finance infrastructure projects.

## MANAGEMENT POLICY

Lazard Alpha Europe delivered a negative return of -5,73% over full-year 2019 versus +4,28% for its benchmark index, the Stoxx 600 with net dividends reinvested, representing an underperformance of 1001bp.

In the third quarter of 2018, the equity markets fluctuated in line with various uncertainties that arose in previous months. There was a particular focus on Italy and its stimulus budget which did not adhere to the public finances budgetary framework set for it by the European Union. Consequently, yields rose sharply and the spread in relation to the Bund swiftly reached 300bp. In relation to the trade war, no agreement was reached between China and the US, while threats by the US president to increase customs duties on all Chinese imports did not help matters. Concerns around growth in China and emerging countries in general were aggravated. The diplomatic crisis between Turkey and the US led to a sharp depreciation in the Turkish lira, sparking fears of contagion to the European banking system. In the meantime, Jerome Powell announced that the US economy was strong, growth was solid and inflation low and stable, which prompted the Federal Reserve to introduce another interest rate hike to a band of 2,00% to 2,25%. Against this backdrop, Lazard Alpha Europe closed the penultimate quarter of 2018 down 1,56% compared with an increase of 1,26% for the Stoxx 600 with net dividends reinvested. This underperformance is partly explained by a significant negative stock-picking effect in the agri-food and beverages sector due to the poor performance of *Associated British Foods* (-16,9%) and *Anheuser-Busch Inbev* (-13,0%) but also in the industrial goods sector via falls in *Weir Group* (-12,4%), *Adecco Group* (-10,4%) and *Spectris* (-9,6%). The fund's growth was also slowed, among other things, by the sharp declines of *RSA Insurance Group* (-14,9%) in insurance and *Danske Bank* (-15,6%) in banking. Conversely, the fund benefited mainly from a positive stock-picking effect in travel and leisure, healthcare, personal care and household products, as well as chemicals. The portfolio was underpinned by positive performances from *Air France* (+28,5%) and *Carrefour* (+19,0%) following good half-year earnings releases, as well as gains by *AstraZeneca* (+14,1%), *Reckitt Benckiser Group* (+12,9%) and *UCB* (+16,9%) which was sold during the quarter. The fund also benefited from the absence of *Bayer* (-18,9%) and *British American Tobacco* (-7,0%).

The last three months of 2018 were mainly marked by a sell-off across the indices in anticipation of a slowdown in global growth, underpinned by disappointing Eurozone and Chinese indicators. Moreover, the IMF, OECD and central banks revised down their growth projections. The outlook for the US economy was also a source of concern, particularly with the inversion of the yield curve, seen as a potential harbinger of a recession. This did not prevent the Fed from once again raising its key interest rates by 0,25% and stating that it would adapt its policy according to macroeconomic developments, while scaling back the number of tightening episodes earmarked for 2019. In the meantime, there was still no sign of a resolution to the Brexit problem, even though an agreement was reached between the European Union and the United Kingdom. The deal did not get through parliament, Theresa May having dropped plans to submit it to MPs on the day before the planned vote on fears that it would be rejected. The vote was postponed to the middle of January. Italy revised down its budget deficit from 2,40% to 2,04%, enabling it to avoid a European excessive deficit procedure for now. Against this backdrop, Lazard Alpha Europe ended the last quarter of 2018 on a sharp decline of 16,09% versus -11,57% for the Stoxx 600. The fund was particularly hurt by poor stock picks in commodities, including *Aperam* (-40,7%), *Imerys* (-34,0%) and *Arcelormittal* (-32,3%). The portfolio was also negatively affected by the retail sector, with losses by *Kingfisher* (-19,2%) and in particular *Dia* (-76,9%) following a profit warning. The other main negative contributions to the relative performance came from *Renault* (-26,8%) in the automotive industry, *Rexel* (-28,1%) and *Weir Group* (-26,3%) in industrial goods and *Credit Suisse* (-26,3%) and *Société Générale* (-24,8%) in banking. The fund's decline was nonetheless offset by positive stock-picking effects in chemicals, travel and leisure, healthcare and personal care and household products. The biggest contributors were *Air France* (+5,7%), *Novo-Nordisk* (+6,2% over the holding period) which was purchased this quarter, and *Merck Kgaa* (+1,1%). The absence of *British American Tobacco* (-28,5%) also contributed positively. Amid major question marks over global growth and fears of a supply glut, oil prices fell sharply (-35% over the period for Brent crude). As such, the absence of *Total* (-16,2%) and *BP* (-15,3%) benefited the fund.

The first quarter of 2019 was marked by a strong rebound in most global markets, allowing the previous quarter's losses to be all but reversed. This recovery was mainly due to the Federal Reserve's more accommodative stance and an about-turn by its Chair. Citing the slowdown in global growth and the tightening of financial conditions in the markets, Jerome Powell ended the cycle of benchmark interest rate hikes initiated in December 2015. As for the ECB, Mario Draghi announced that he would not raise interest rates at least until the end of 2019, while launching a wave of targeted long-term loans (TLTROs) to cushion the negative interest rate impact on Eurozone banks. The easing of trade tensions between the United States and China and the hope of an agreement between the two parties were also major factors that reassured the markets. With regard to the United Kingdom, the climate of uncertainty persisted as, for the third time, Parliament rejected the exit agreement negotiated by Theresa May with the European Union. Against this backdrop, Lazard Alpha Europe ended the quarter with a sharp increase of 10,74% compared with +13,02% for its benchmark index. Technology topped the list of positive contributors with a good selection that notably included *Ingenico* (+28,4%) and *ASML* (+21,9%). The portfolio also benefited from gains by *Weir Group* (+24,9%) in industrial goods and *Anheuser-Busch Inbev* (+29,6%) in agri-food and beverages. It stood out from its benchmark thanks to the presence of *Dia* (+41,1%) in the retail sector, which was the subject of a public tender offer, and the absence of *Bayer* (-4,9%) in the chemicals sector. However, the fund was penalised by its stock selection in the commodities sector, which was partly due to the absence of *Rio Tinto* (+34,0%) and the mixed performance of *Arcelormittal* (-0,4%). It was also hurt by a negative stock-picking effect in the media sector following poor results published by *Publicis* (-4,7%), which dragged *WPP in its wake* (-0,4%). Lastly, Lazard Alpha Europe was hurt by the declines of *Société Générale* (-7,3%) and *Danske Bank* (-3,3%) in banking, *Vodafone* (-4,9%) in telecommunications, and the absence of *British American Tobacco* (+35,0%) in personal care and household products.

Following the strong market rally in the first quarter of 2019 (+14,5% for the MSCI World net dividends reinvested expressed in euros), the global markets came to a halt in May, but ended the second quarter in the green (+2,5%). While the trend seen in the first quarter continued in April (+3,7%), renewed tensions around a trade war and a slowdown in global growth combined with the continuous fall in sovereign interest rates sparked a sharp fall in the markets in May (-5,2%). They picked up in June (+4,3%), helped by the increasingly accommodative stance by the central banks, ready to act if necessary, and by hopes of a resolution to the trade dispute between China and the United States at the end of the G20 summit. With regard to the United Kingdom, the postponement of the Brexit deadline to October 31<sup>st</sup> made it possible to rule out the risk of a no-deal Brexit in the short term, while also prolonging the period of uncertainty. Under these conditions, Lazard Alpha Europe ended the second quarter of 2019 with a gain of 3,06% compared with 3,04% for the Stoxx 600 with net dividends reinvested. The fund was underpinned by excellent stock picking in the technology, media, industrial goods and insurance sectors. Specifically, the portfolio benefited from the gains by *Ingenico* (+24,05%), *WPP* (+22,5%), *Adecco* (+16,0%) and *Prudential* (+7,7%). Still

eschewing oil stocks, Lazard Alpha Europe benefited from the stagnation in the Brent barrel price during the quarter (+0,1%), which fluctuated in line with OPEC's restrictions and US-Chinese and US-Iranian tensions. Conversely, it was hurt mainly by poor selection in travel and leisure, telecommunications and banking, with *Air France* (-15,7%), *Vodafone* (-8,1%) and *Danske Bank* (-11,2%), respectively. *Arcelormittal* (-11,8%), *Merck Kgaa* (-8,3%) and *Kingfisher* (-8,5%) also contributed negatively to the relative performance.

*Past performance is no guarantee of future results.*

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

<b>Securities</b>	<b>Changes ("accounting currency")</b>	
	<b>Purchases</b>	<b>Sales</b>
ORANGE	2 078 516,92	3 675 877,35
ASTRAZENECA PLC	1 740 563,97	3 575 024,86
AIR FRANCE KLM	1 714 010,40	3 519 007,68
LAZARD EURO SHORT TERM MONEY MARKET	2 599 937,00	2 599 684,00
HENKEL AG AND CO.KGAA NON VTG PRF	2 619 261,60	2 449 953,41
PEUGEOT	2 133 227,67	2 309 046,01
NOVO NORDISK AS	2 614 333,99	1 399 490,78
UNILEVER	203 976,00	3 640 267,32
RENAULT SA	634 909,50	3 130 464,78
NESTLE NOM.	2 460 967,96	1 266 456,10

#### **Transparency of securities financing transactions and the reuse of financial instruments – SFTR – in the UCI's accounting currency (EUR)**

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

• **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**

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

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

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

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

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



## 4 REGULATORY INFORMATION

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

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

### • BROKERAGE FEES

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

### • EXERCISING VOTING RIGHTS

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

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

Lazard Frères Gestion firmly believes that the integration of environmental, social and governance (ESG) criteria in the management of assets provides an additional guarantee in terms of a durable economic performance.

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

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

Our overall approach can be summarised as follows:

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

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

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

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

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

- **METHOD USED TO CALCULATE GLOBAL RISK**

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

- **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: 81,02%.

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

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

- **REMUNERATION**

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

**Population at December 31<sup>st</sup>, 2018: fixed-term and permanent contracts of LFG and LFG-Belgique**  
(including interns and apprentices and excluding LFG-Courtage)

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

**Identified employees**

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

Note: the amounts are stated excluding charges

- **OTHER INFORMATION**

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

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

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

## 5 CERTIFICATION BY THE STATUTORY AUDITOR



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Cedex, France

Tel.: +33 (0) 1 46 93 60 00  
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## Lazard Alpha Europe

Financial year ended June 28<sup>th</sup>, 2019

### Statutory auditor's report on the annual financial statements

To the shareholders' meeting of Lazard Alpha Europe,

#### 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 Alpha Europe, as a French open-end investment company (SICAV), for the financial year ended June 28<sup>th</sup>, 2019.

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

#### Basis of our opinion

##### ϕ 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 of this report entitled "Statutory auditor's responsibilities concerning the audit of the annual financial statements".

##### ϕ Independence

We conducted our audit in accordance with the rules of independence applicable to us on the period from July 1<sup>st</sup>, 2019 to the date of issue of our report, and in particular we have not provided any services prohibited by the French code of ethics for statutory auditors.



## Basis of our opinions

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

## Specific verifications

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

### Information provided in the management report and other documents on the financial position 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 in the documents sent to shareholders on the company's financial position and the annual financial statements, or its consistency with the annual financial statements.

### Corporate governance report

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

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, our audit assignment does not consist in guaranteeing the viability or quality of the management of the SICAV.

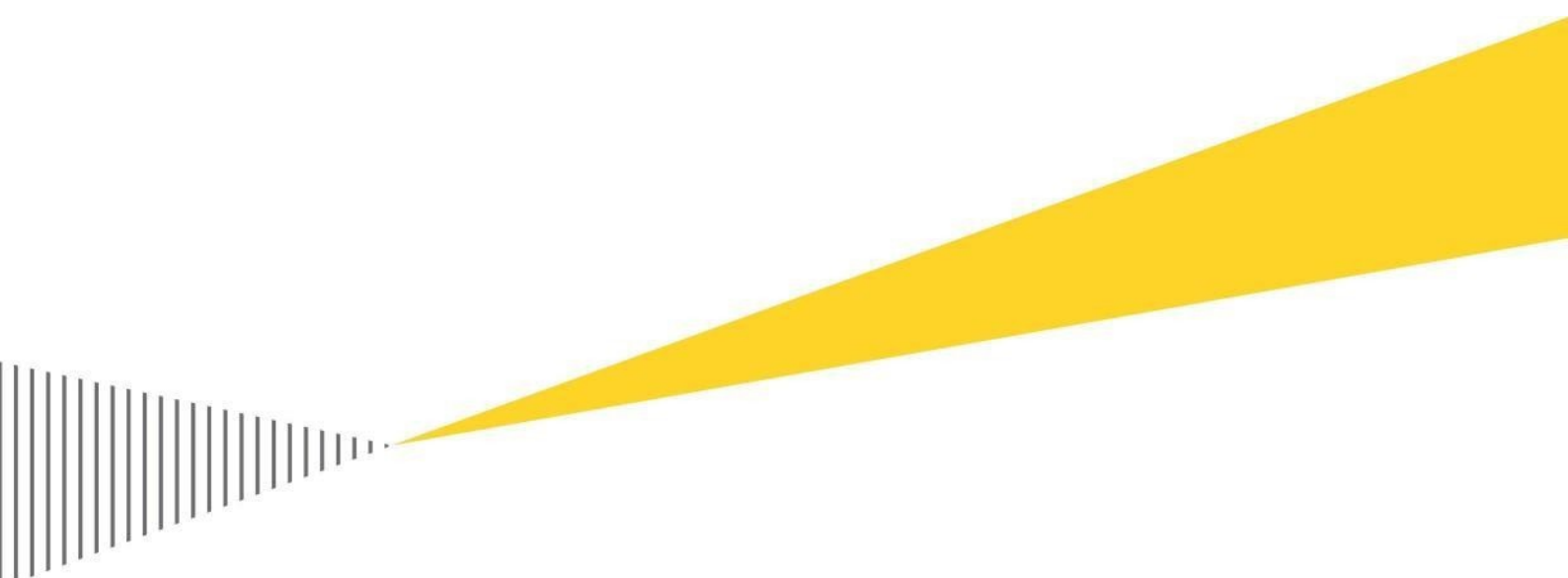
In the context of an audit performed in accordance with professional standards applicable in France, the statutory auditor must exercise its judgement throughout the course of the audit. Moreover:

- ▶ 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's application of the accounting policy for a going concern and, based on the information collected, whether there is any significant uncertainty linked to events or circumstances that is likely to call into question the SICAV'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, September 17<sup>th</sup>, 2019



## **Lazard Alpha**

Shareholders' meeting to approve the financial statements for the financial year ended June 28<sup>th</sup>, 2019

### **Statutory auditor's special report on regulated agreements**

ERNST & YOUNG et Autres





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[www.ey.com/fr](http://www.ey.com/fr)

## Lazard Alpha Europe

Shareholders' meeting to approve the financial statements for the financial year ended June 28<sup>th</sup>, 2019

### Statutory auditor's special report on regulated agreements

To the shareholders' meeting of Lazard Alpha Europe,

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 or signed 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, September 17<sup>th</sup>, 2019

The Statutory Auditor

Ernst & Young et Autres

A handwritten signature in blue ink, appearing to be 'Bernard Charrue', with a stylized, cursive script.

Bernard Charrue

## 6 ANNUAL FINANCIAL STATEMENTS

### • BALANCE SHEET *in euros*

#### ASSETS

	28/06/2019	29/06/2018
<b>Net non-current assets Deposits</b>		
<b>Financial instruments</b>		
<b>Equities and similar securities</b>	<b>65 312 074,33</b>	<b>124 400 702,41</b>
Traded on a regulated or similar market	<b>65 312 074,33</b>	<b>124 400 702,41</b>
Not traded on a regulated or similar market	65 312 074,33	124 400 702,41
<b>Bonds and similar securities</b>		
Traded on a regulated or similar market		
Not traded on a regulated or similar market		
<b>Debt securities</b>		
Traded on a regulated or equivalent market		
Negotiable debt securities		
Other debt securities		
Not traded on a regulated or equivalent market		
<b>Undertakings for collective investment</b>		
General UCITS and general AIFs aimed at non-professionals and their equivalent in other countries		
Other funds aimed at non-professionals and their equivalent in other countries that are Member States of the EU		
General funds aimed at professional and equivalent investors in other EU Member States and listed securitisation entities		
Other professional investment funds and equivalents in other EU Member States and unlisted securitisation entities		
Other non-European entities		
<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>		
Transactions on a regulated or equivalent market		
Other transactions		
<b>Other financial instruments</b>	<b>392 292,50</b>	<b>523 457,21</b>
<b>Receivables</b>		
<b>Currency forward exchange transactions</b>	<b>392 292,50</b>	<b>523 457,21</b>
<b>Other</b>	<b>1 043 956,06</b>	<b>877 228,11</b>
<b>Financial accounts</b>	<b>1 043 956,06</b>	<b>877 228,11</b>
<b>Cash and cash equivalents</b>		
<b>Total assets</b>	<b>66 748 322,89</b>	<b>125 801 387,73</b>

## LIABILITIES AND SHAREHOLDERS' EQUITY

	28/06/2019	29/06/2018
<b>Shareholders' equity</b>		
<b>Capital</b>	<b>71 612 277,66</b>	<b>111 764 171,07</b>
Undistributed net capital gains and losses recognised in previous years (a)		
Retained earnings (a)	-6 452 882,12	11 829 231,18
Net capital gains and losses for the year (a, b)	1 341 903,37	1 908 720,24
Net income for the year (a, b)	66 501 298,91	125 502 122,49
<b>Total shareholders' equity (= amount representing net assets)</b>		
<b>Financial instruments</b>		
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	247 023,98	299 265,24
Other transactions		
<b>Liabilities</b>	<b>247 023,98</b>	<b>299 265,24</b>
Currency forward exchange transactions		
Other		
<b>Financial accounts</b>		
Bank overdrafts Borrowings		
<b>Total liabilities and shareholders' equity</b>	<b>66 748 322,89</b>	<b>125 801 387,73</b>

(a) Including accrued income

(b) Less interim dividends paid for the financial year

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

	28/06/2019	29/06/2018
<b>Hedging transactions</b>		
<b>Commitments on regulated or similar markets</b>		
<b>Commitments on OTC markets</b>		
<b>Other commitments</b>		
<b>Other operations</b>		
<b>Commitments on regulated or similar markets</b>		
<b>Commitments on OTC markets</b>		
<b>Other commitments</b>		

• **INCOME STATEMENT in euros**

	28/06/2019	29/06/2018
<b>Income from financial transactions</b>		
Income from deposits and financial accounts		
Income from equities and similar securities	2 537 192,87	3 766 229,40
Income from bonds and similar securities		
Income from debt securities		
Income from temporary purchases and sales of securities		
Income from forward financial instruments		
Other financial income		
<b>Total (1)</b>	<b>2 537 192,87</b>	<b>3 766 229,40</b>
<b>Expenses related to financial transactions</b>		
Expenses related to temporary purchases and sales of securities		
Expenses related to forward financial instruments		
Expenses related to financial liabilities		
Other financial charges		
<b>Total (2)</b>		
<b>Income from financial transactions (1 - 2)</b>	<b>2 537 192,87</b>	<b>3 766 229,40</b>
Other income (3)		
Management fees and depreciation and amortisation (4)	1 105 878,78	1 792 741,32
<b>Net income for the financial year (L. 214-17-1) (1 - 2 + 3 - 4)</b>	<b>1 431 314,09</b>	<b>1 973 488,08</b>
Income adjustment for the financial year (5)	-89 410,72	-64 767,84
Interim dividends paid on net income for the financial year (6)		
<b>Net income (1 - 2 + 3 - 4 + 5 - 6)</b>	<b>1 341 903,37</b>	<b>1 908 720,24</b>

## NOTES TO THE FINANCIAL STATEMENTS

### ACCOUNTING RULES AND PRINCIPLES

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

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

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

Purchases and sales of securities are recorded excluding expenses. The accounting currency of the portfolio is the euro. The financial year comprises 12 months.

### Asset valuation rules

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

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

- **Fixed-income securities:**

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

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

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

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

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, overnight indexed swaps (OIS) and French treasury bills (BTF) - 3 – 6 – 9 – 12 months Fixed-rate treasury bills with annual interest (BTAN) - 18 months, 2 - 3 - 4 - 5 years	Main official rates of the countries concerned.

- **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:



Gross assets x operating and management fees rate x number of days between the NAV calculation date and the previous NAV calculation date

365 (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:

<b>Expenses charged to the SICAV</b>	<b>Basis</b>	<b>Rate</b>	
Financial management fees	Net assets	A shares: Maximum 1,08% incl. taxes R shares: Maximum 2,08% incl. taxes	
Administrative fees external to the management company	Net assets	Maximum 0,02% incl. taxes	
Turnover commission (0% to 100% received by the (management company and 0% to 100% received by the custodian)	Maximum charge on each transaction	Equities, bonds, debt securities, foreign exchange	0% to 0,20%, incl. taxes
		Futures and other transactions	From €0 to €450 incl. taxes per contract
Performance fee	n/a	15% of the outperformance relative to the Stoxx Europe 600 with dividends reinvested*	

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:

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 Stoxx Europe 600 with 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 15% (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. Performance fees are accrued on each NAV calculation date and are levied with effect from the closing date of each financial year. A provision reversal will be booked every time that the difference between the two asset values decreases. In the event of underperformance (the asset value of the SICAV is lower than the asset value of the benchmark fund), the provisions will be reversed until the entire allocation is extinguished, excluding variable management fees payable to the fund. The provisions in existence at the end of the financial year, and the portion of the fee deriving from purchases of shares during the financial year, will be paid to the management company.

(\*) The fund paid exceptional charges amounting to €22 549,20 on debt collection in relation to withholding tax on dividends received from foreign companies.

## **Allocation of distributable income**

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

Distributable income consists of:

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

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

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

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

### ***Allocation of distributable income:***

<b>Distributable income</b>	<b>A shares</b>	<b>R shares</b>
Allocation of net income	Accumulation	accumulation and/or distribution and/or retention
Allocation of net realised capital gains or losses	Accumulation	accumulation and/or distribution and/or retention

• **CHANGE IN NET ASSETS in euros**

	28/06/2019	29/06/2018
<b>Net assets at start of year</b>	<b>125 502 122,49</b>	<b>137 179 075,88</b>
Subscriptions (including subscription fees retained by the Fund)	4 539 159,94	12 863 064,29
Redemptions (net of redemption fees retained by the Fund)	-56 454 254,55	-19 261 103,77
Realised capital gains on deposits and financial instruments	5 052 564,47	16 705 562,46
Realised capital losses on deposits and financial instruments	-12 484 539,80	-3 107 891,77
Realised capital gains on forward financial instruments		
Realised capital losses on forward financial instruments		
Transaction charges	-593 246,55	-1 184 384,84
Exchange rate differences	83 149,08	12 897,61
Changes in valuation difference of deposits and financial instruments	-574 970,26	-19 678 585,45
Valuation difference for financial year N	-7 907 680,48	-7 332 710,22
Valuation difference for financial year N-1	7 332 710,22	-12 345 875,23
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	1 431 314,09	1 973 488,08
Interim dividend(s) paid on net capital gains/losses during the financial year		
Interim dividend(s) paid on net income during the financial year		
Other items		
<b>Net assets at end of year</b>	<b>66 501 298,91</b>	<b>125 502 122,49</b>

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

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

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

	Fixed rate	%	Variable rate	%	Revisable rate	%	Other	%
<b>Assets</b>								
Deposits								
Bonds and similar securities								
Debt securities								
Temporary securities transactions								
Financial accounts							1 043 956,06	1,57
<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										
Debt securities										
Temporary securities transactions										
Financial accounts	1 043 956,06	1,57								
<b>Liabilities</b>										
Temporary securities transactions										
Financial accounts										
<b>Off-balance sheet items</b>										
Hedging transactions										
Other transactions										

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

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

	GBP		CHF		SEK		Other currencies	
	Amount:	%	Amount:	%	Amount:	%	Amount:	%
<b>Assets</b>								
Deposits								
Equities and similar securities	14 458 948,37	21,74	6 590 087,81	9,91	3 334 173,77	5,01	3 083 779,38	4,64
Bonds and similar securities								
Debt securities								
UCIs								
Temporary securities transactions								
Receivables	134 528,39	0,20						
Financial accounts	112 515,84	0,17						
<b>Liabilities</b>								
Sales of financial instruments								
Temporary securities transactions								
Financial accounts								
<b>Off-balance sheet items</b>								
Hedging transactions								
Other transactions								

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

	Debit/credit item	28/06/2019
Receivables	Deferred settlement sale	79 467,31
	Coupons and dividends in cash	312 825,19
<b>Total receivables</b>		<b>392 292,50</b>
Liabilities	Deferred settlement purchase	180 017,14
	Redemptions payable	7 740,45
	Management fees	59 266,39
<b>Total liabilities</b>		<b>247 023,98</b>

• **NUMBER OF SECURITIES ISSUED OR REDEEMED**

	In shares	In amounts
<b>A shares</b>		
Shares subscribed during the financial year	6 956,870	3 562 811,47
Shares redeemed during the financial year	-73 957,853	-38 688 000,58
Net balance of subscriptions/redemptions	-67 000,983	-35 125 189,11
<b>R shares</b>		
Shares subscribed during the financial year	3 418,483	976 348,47
Shares redeemed during the financial year	-60 212,215	-17 766 253,97
Net balance of subscriptions/redemptions	-56 793,732	-16 789 905,50

• **SUBSCRIPTION AND/OR REDEMPTION FEES**

	In amounts
<b>A shares</b>	
Redemption fees retained	
Subscription fees retained	
Total fees retained	
<b>R shares</b>	
Redemption fees retained	
Subscription fees retained	
Total fees retained	

• **MANAGEMENT FEES**

	28/06/2019
<b>A shares</b>	
Guarantee fees	
Fixed management fees	818 594,81
Percentage of fixed management fees	1,10
Variable management fees Retrocessions of management fees	
<b>R shares</b>	
Guarantee fees	
Fixed management fees	264 734,77
Percentage of fixed management fees	2,10
Variable management fees Retrocessions of management fees	

- **COMMITMENTS RECEIVED AND GIVEN**

**Guarantees received by the Fund:**

None.

**Other commitments received and/or given:**

None.



- **PRESENT VALUE OF SECURITIES HELD TEMPORARILY**

	28/06/2019
Securities held under repurchase agreements	
Borrowed securities	

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

	28/06/2019
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	28/06/2019
Shares			
Bonds			
Negotiable debt securities			
UCIs			
Forward financial instruments			

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

	28/06/2019	29/06/2018
<b>Remaining amounts to be allocated</b>		
Retained earnings		
Net income	1 341 903,37	1 908 720,24
<b>Total</b>	<b>1 341 903,37</b>	<b>1 908 720,24</b>

	28/06/2019	29/06/2018
<b>A shares</b>		
<b>Appropriation</b>		
Distribution		
Balance brought forward for the financial year		
Accumulation	1 266 518,98	1 740 229,50
<b>Total</b>	<b>1 266 518,98</b>	<b>1 740 229,50</b>

	28/06/2019	29/06/2018
<b>R shares</b>		
<b>Appropriation</b>		
Distribution		
Balance brought forward for the financial year		
Accumulation	75 384,39	168 490,74
<b>Total</b>	<b>75 384,39</b>	<b>168 490,74</b>

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

	28/06/2019	29/06/2018
<b>Remaining amounts to be allocated</b>		
Prior net gains and losses not distributed		
Net gains and losses for the year	-6 452	11 829
Interim dividends paid on net capital gains/losses for the financial year	882,12	231,18
<b>Total</b>	<b>-6 452 882,12</b>	<b>11 829 231,18</b>

	28/06/2019	29/06/2018
<b>A shares</b>		
<b>Appropriation</b>		
Distribution		
Undistributed net capital gains and losses		
Accumulation	-5 804 242,40	9 457 339,08
<b>Total</b>	<b>-5 804 242,40</b>	<b>9 457 339,08</b>

	28/06/2019	29/06/2018
<b>R shares</b>		
Appropriation		
Distribution		
Undistributed net capital gains and losses		
Accumulation	-648 639,72	2 371 892,10
<b>Total</b>	<b>-648 639,72</b>	<b>2 371 892,10</b>

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

	30/06/2015	30/06/2016	30/06/2017	29/06/2018	28/06/2019
<b>Global net assets in euros</b>	<b>130 791 310,00</b>	<b>114 862 963,41</b>	<b>137 179 075,88</b>	<b>125 502 122,49</b>	<b>66 501 298,91</b>
<b>LAZARD ALPHA EUROPE "A"</b>					
Net assets in euros	110 792 715,62	97 475 489,49	114 969 150,50	100 443 699,83	59 842 334,14
Number of units	197 595,468	219 721,954	200 414,146	182 054,392	115 053,409
Net asset value per unit in euros	560,70	443,63	573,65	551,72	520,12
Accumulation per share pertaining to net capital gains/losses in euros	51,80	-26,04	28,43	51,94	-50,44
Accumulation per share in euros in euros	6,35	7,54	7,10	9,55	11,00
<b>LAZARD ALPHA EUROPE "R"</b>					
Net assets in euros	19 998 594,38	17 387 473,92	22 209 925,39	25 058 422,66	6 658 964,77
Number of units	60 505,066	67 157,144	67 005,822	79 399,166	22 605,434
Net asset value per share in euros	330,52	258,90	331,46	315,60	294,57
Accumulation per share pertaining to net capital gains/losses in euros	30,54	0,01	16,43	29,87	-28,69
Accumulation per share in euros in euros	0,66	1,48	1,06	2,12	3,33

• **INVENTORY in euros**

Description of security	Currency	Quantity No. or nominal	Present value	% Net assets
<b>Equities and similar securities</b>				
<b>Bonds and similar securities traded on a regulated or similar market</b>				
<b>GERMANY</b>				
ALLIANZ SE	EUR	7 850	1 664 200,00	2,51
DAIMLER AG	EUR	34 000	1 663 450,00	2,50
MERCK KGA	EUR	17,600	1 618 496,00	2,43
MUENCHENER RUECKVERSICHERUNG AG	EUR	7,500	1 655 250,00	2,49
<b>TOTAL GERMANY</b>			<b>6 601 396,00</b>	<b>9,93</b>
<b>BELGIUM</b>				
ANHEUSER BUSCH INBEV SA/NV	EUR	21 100	1 642 424,00	2,47
<b>TOTAL BELGIUM</b>			<b>1 642 424,00</b>	<b>2,47</b>
<b>DENMARK</b>				
DANSKE BANK AS	DKK	109 000	1 515 176,89	2,28
NOVO NORDISK AS	DKK	35,000	1 568 602,49	2,36
<b>TOTAL DENMARK</b>			<b>3 083 779,38</b>	<b>4,64</b>
<b>SPAIN</b>				
BANCO SANTANDER S.A.	EUR	407 000	1 660 763,50	2,50
<b>TOTAL SPAIN</b>			<b>1 660 763,50</b>	<b>2,50</b>
<b>FRANCE</b>				
AIR FRANCE KLM	EUR	202 000	1 707 304,00	2,57
AXA	EUR	72 000	1 663 200,00	2,50
CAPGEMINI SE	EUR	14 500	1 585 575,00	2,38
CARREFOUR	EUR	94 000	1 596 120,00	2,40
CARREFOUR SA RTS	EUR	94 000		
IMERYS EX IMETAL	EUR	36 000	1 678 320,00	2,52
INGENICO	EUR	21 000	1 633 380,00	2,46
INGENICO GROUP SA RTS	EUR	21 000		
MICHELIN - CATEGORY B	EUR	15 000	1 673 250,00	2,52
ORANGE	EUR	118 000	1 636 070,00	2,46
PUBLICIS GROUPE SA	EUR	36 000	1 671 480,00	2,51
PUBLICIS GROUPE SA RTS 17-07-19	EUR	32 000		
REXEL	EUR	148 000	1 652 420,00	2,48
SAINT-GOBAIN	EUR	49 500	1 696 612,50	2,55
SOCIETE GENERALE SA	EUR	78 000	1 733 160,00	2,60
<b>TOTAL FRANCE</b>			<b>19 926 891,50</b>	<b>29,95</b>
<b>JERSEY</b>				
WPP PLC	GBP	147 000	1 626 725,53	2,45
<b>TOTAL JERSEY</b>			<b>1 626 725,53</b>	<b>2,45</b>
<b>LUXEMBOURG</b>				
APERAM	EUR	66 000	1 638 780,00	2,47
ARCELORMITTAL	EUR	96 000	1 510 656,00	2,27
<b>TOTAL LUXEMBOURG</b>			<b>3 149 436,00</b>	<b>4,74</b>
<b>NETHERLANDS</b>				
ASML HOLDING NV	EUR	9,100	1 672 034,00	2,51

Description of security	Currency	Quantity No. or nominal	Present value	% Net assets
HEINEKEN	EUR	16 600	1 629 124,00	2,45
<b>TOTAL NETHERLANDS</b>			<b>3 301 158,00</b>	<b>4,96</b>
<b>UNITED KINGDOM</b>				
ASTRAZENECA PLC	GBP	23 000	1 654 827,89	2,49
KINGFISHER PLC NEW	GBP	615 000	1 477 017,21	2,22
PRUDENTIAL PLC	GBP	87 565	1 679 275,15	2,53
RECKITT BENCKISER PLC	GBP	23 250	1 614 612,20	2,43
RSA INSURANCE GROUP PLC	GBP	258 000	1 663 102,37	2,50
SPECTRIS PLC	GBP	52,000	1,672,507,82	2,52
VODAFONE GROUP PLC	GBP	1 060 500	1 532 676,13	2,30
WEIR GROUP (THE)	GBP	89 000	1 538 204,07	2,31
<b>TOTAL UNITED KINGDOM</b>			<b>12 832 222,84</b>	<b>19,30</b>
<b>SWEDEN</b>				
AUTOLIV SWED.DEPOSIT.RECEIPTS	SEK	26 600	1 653 499,91	2,49
SVENSKA KULLAGERFABRIKEN AB -B-	SEK	104 000	1 680 673,86	2,52
<b>TOTAL SWEDEN</b>			<b>3 334 173,77</b>	<b>5,01</b>
<b>SWITZERLAND</b>				
ADECCO GROUP AG-REG	CHF	32 100	1 695 849,06	2,55
CREDIT SUISSE GROUP	CHF	152 000	1 602 341,60	2,41
LAFARGEHOLCIM LTD	EUR	36 400	1 563 016,00	2,35
NESTLE NOM.	CHF	18 300	1 665 599,14	2,50
ROCHE HOLDING	CHF	6 600	1 626 298,01	2,45
<b>TOTAL SWITZERLAND</b>			<b>8 153 103,81</b>	<b>12,26</b>
<b>TOTAL Equities and similar securities traded on a regulated or equivalent market</b>			<b>65 312 074,33</b>	<b>98,21</b>
<b>TOTAL Equities and similar securities</b>			<b>65 312 074,33</b>	<b>98,21</b>
<b>Receivables</b>			<b>392 292,50</b>	<b>0,59</b>
<b>Liabilities</b>			<b>-247 023,98</b>	<b>-0,37</b>
<b>Financial accounts</b>			<b>1 043 956,06</b>	<b>1,57</b>
<b>Net assets</b>			<b>66 501 298,91</b>	<b>100,00</b>
<b>LAZARD ALPHA EUROPE "R"</b>	<b>EUR</b>	<b>22 605,434</b>	<b>294,57</b>	
<b>LAZARD ALPHA EUROPE "A"</b>	<b>EUR</b>	<b>115 053,409</b>	<b>520,12</b>	

## 0 TEXT OF RESOLUTIONS

### **LAZARD ALPHA EUROPE**

A 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. 377 963 178

### **ALLOCATION OF INCOME RESOLUTION PROPOSED TO THE COMBINED SHAREHOLDERS' MEETING**

**FINANCIAL YEAR ENDED JUNE 28<sup>th</sup>, 2019**

#### **Second resolution**

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

<b>€1 341 903,37</b>	distributable amount pertaining to net income;
<b>-€6 452 882,12</b>	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**

**€1 341 903,37** share capital pursuant to Article 27 of the company's articles of association.

#### **2. Distributable income relating to net capital gains and losses**

**€-6 452 882,12** Accumulation.

**For information:** There were no dividends paid over the last five years.

Year ended	Amount per unit/share
2017-2018	no dividend was paid
2016-2017	no dividend was paid
2015-2016	no dividend was paid
2014-2015	no dividend was paid
2013-2014	no dividend was paid