

International bonds and debt securities	Share classes	ISIN code*	NAV \$	Net assets (\$ million)	Total net assets (€ million)
	PVC H-USD Unit	FR0013072733	1 540,75	4,50	685,39

* Not all share classes of the relevant sub-fund are registered

for marketing in German and Austria

MANAGEMENT

INVESTMENT POLICY

The fund's investment objective is to outperform the Barclays Global Contingent Capital € Hedged index for units PVC EUR, PVD EUR, RVC EUR, RVD EUR, SC EUR and TVD EUR, Barclays Global Contingent Capital Hedged USD for unit PVC H-USD and Barclays Global Contingent Capital Hedged CHF for PVC H-CHF.

To attain this objective, the strategy will rely on an active management of the portfolio mainly invested in subordinated securities (this type of debt is more risky than Senior Unsecured or Securitized debts), or any securities, not considered as common stocks, issued by European financial institutions. The investment process combine both a Top-down approach (strategic and geographical allocation approach which takes into consideration the macro and sectorial environments) and a Bottom-up approach (stock-picking based on fundamental analysis of the issuer and its securities) and then integrating the regulatory environment in which this asset class evolves. The modified duration will be managed in a 0 to 8 range. The fund only invests in bonds or securities issued by companies having their head office in an OECD member country and/or in issues or securities listed in a stock market of one of these countries. The FCP invests only in obligations negotiated in Euro, USD or Sterling.

FUND MANAGER'S COMMENT - François Lavier - Alexis Lautrette

The net asset value of Lazard Capital Fi rose by 0,0% over the month versus +0,1% for the Barclays Global Contingent Capital CHF Hedged Index.

AT1s in OAS tightened by 0 bps to 370 bps according to Bloomberg Barclays Global Index.

The German government bond yield curve steepened during the month, with the 10-year yield up +5 bps to -0,5%, the 5-year yieldup +1 bps to -0,7%, while the 2-year yield down -2 bps to -0,7%.

For 2021, Lazard Capital Fi posted a net performance of +0,0% vs +0,1% for the Barclays Global Contingent Capital € Hedged Index.

Lazard Capital Fi has a 260-day volatility of 16,8% vs 16,2% for the Barclays Global Contingent Capital € Hedged Index.

A month of status quo for central banks, no new announcements (as expected) and a probably “cautiously optimistic” speech for both the ECB and the Fed, the two institutions have in any case indicated that it was far too early to discuss any withdrawal of monetary support measures.

The ECB has finalized its guidelines on bank consolidation, which confirms the regulator's positive view on M&A : no automatic increase in required capital (Pillar 2) for an entity that would become larger and possibility to count the Badwill generated on acquisition as capital (but not to pay dividends).

The EBA has published its risk dashboard for Q3 2020, which shows the sharp decrease in loans under moratorium (-27% Q2 vs Q3), and among the 350bn of moratorium that expired only 2.6% are classified as NPL. Regarding loans guaranteed by the states, they increased from 185bn to 289bn, with an average guaranteed level of 70%.

The political noise in Italy after Matteo Renzi's departure from the coalition and the (technical) resignation of Prime Minister Conte have so far had little impact on the markets, the probability of new elections remaining very low (little appetite of the current majority and technical difficulties between the health situation and the “white semester” pre-presidential election).

Also in Italy, former UBS banker Andrea Orcel will succeed Jean-Pierre Mustier as head of Unicredit. The latter will undoubtedly be busy with the Monte dei Paschi case, in which the Italian state continues to do everything possible to be able to sell its stake. The latest rumors evoke the takeover by the public entity Amco of up to 20 billion NPLs of Unicredit's balance sheet, as well as the deconsolidation of € 10 billion of legal risks linked to Monte dei Paschi through a dedicated structure, supported by a group of private investors as well as by the insurer SACE.

Moreover, Monte dei Paschi gives some elements of the “Capital Plan” which will be presented to the ECB: the bank's priority is to find a structural solution such as a merger with a short-term “leading” partner. If this kind of solution cannot be considered, then the plan foresees a capital increase of € 2.5 billion in the third quarter.

The first results for the Spanish banks BBVA, Bankinter, Caixabank and Bankia (the last two forming a single entity) are better than expected thanks to lower-than-expected provisions.

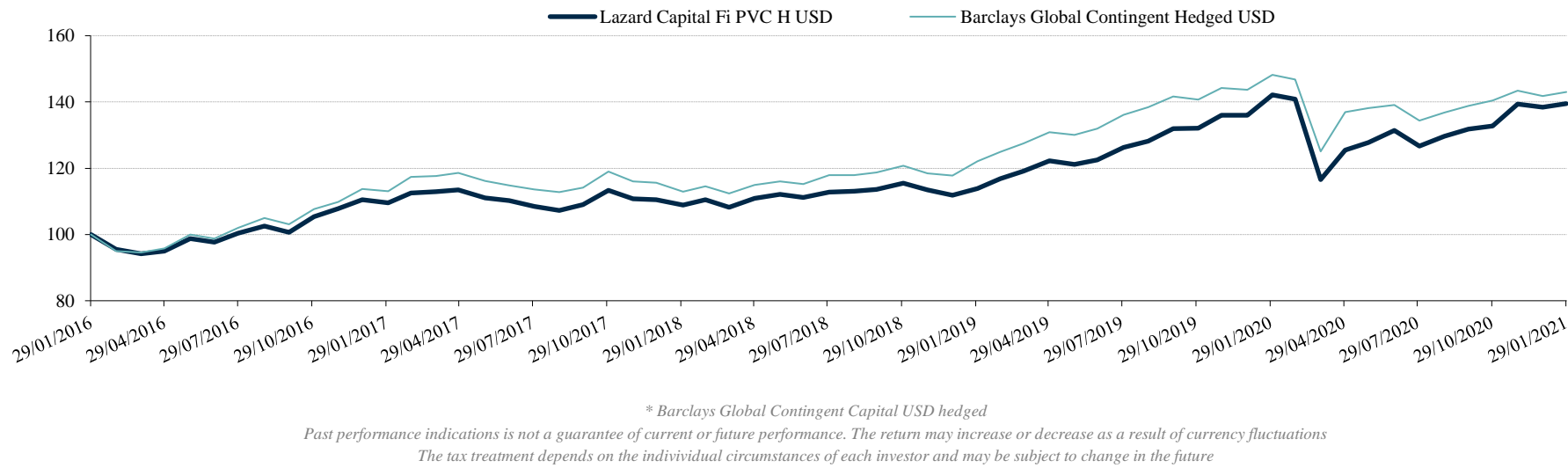
The primary was calm for January, we had on AT1 Standard Chartered, Abanca, banco BPM or EFG and on Tier 2 Deutsche Bank (placed under a positive outlook by Fitch!), BNP and La Banque Postale.

The primary market, excluding covered bonds, totaled 33 bn€ in gross issuance according to Barclays, with net bank issuance totaling +8 bn€ over the months. Since the beginning of the year, gross issuance has represented 33 bn€ and net issuance +8 bn€.

In Lazard Capital Fi, the most important contributors to the performance have been banks Tier 2 with +0,1% and AT1 and RT1 with -0,2%. By country, the most important contributions came from Greece (+0,07%), Belgium (+0,05%), Germany (-0,16%). By issuer, Piraeus Bank SA with +0,07%, Intesa Sanpaolo SpA with -0,06% and Deutsche Bank AG with -0,13% are the most important contributions.

PERFORMANCE

HISTORICAL PERFORMANCE



PERFORMANCE

Annual performance*	2020	2019	2018	2017	2016
Lazard Capital Fi PVC H USD	10,96%	19,32%	-3,61%	13,89%	-
<i>Barclays Global Contingent Capital Hedged USD</i>	<i>3,63%</i>	<i>19,77%</i>	<i>-2,96%</i>	<i>15,69%</i>	<i>-</i>

Cumulative performance*	Month	YTD	1 year	3 years	5 years
Lazard Capital Fi PVC H USD	0,05%	0,05%	7,58%	24,95%	-
<i>Barclays Global Contingent Capital Hedged USD</i>	<i>0,14%</i>	<i>0,14%</i>	<i>5,84%</i>	<i>17,58%</i>	<i>-</i>

* The performance quoted represents past performance. Past performance does not guarantee future results.

The performance less than one year is given for illustrative purposes.

Modified duration	3,4	Spread duration	3,9
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Yield to maturity (Without hedging costs)	4,5%
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Yield to call (Without hedging costs)	4,4%
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Yield to Worst	4,0%
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Average rating (issuer)¹	BBB+
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Average rating (issues)¹	BB-
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¹ Average rating for each security

Yield to call (With hedging costs)	5,1%
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Spread vs Govt.	463
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Estimates on yields in different currencies, spreads or sensitivities are based on the best judgment from Lazard Freres Gestion for all the securities included into the portfolio at the mentioned date. LFG does not provide any guarantee on its accuracy or on the methodology used.

SCALE RISK**



**Risk scale calculated from the volatility of the UCITS over a period of 5 years (see detail on the back). Risk 1 does not mean a risk-free investment. This indicator may change over time.

RISK RATIOS

	1 year	3 years
Volatility		
Lazard Capital Fi PVC H USD	23,91%	14,24%
<i>Barclays Global Contingent Capital Hedged USD</i>	<i>22,03%</i>	<i>13,20%</i>
Tracking error	6,04%	3,65%
Information ratio	0,29	0,12

Ratios calculated on a weekly basis over 1 year and a monthly basis over 3 years

Gross currency exposure:
75% EUR / 12% USD / 13% GBP

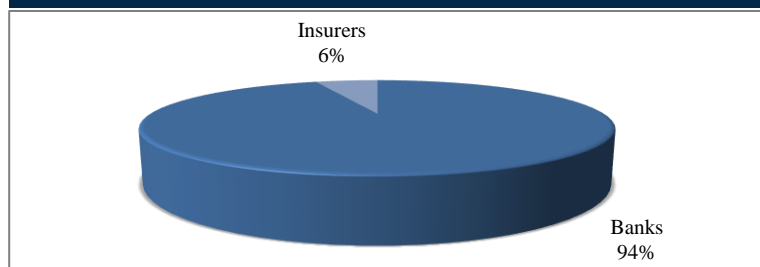
Net currency exposure:
95% EUR / 5% USD

MAIN HOLDINGS

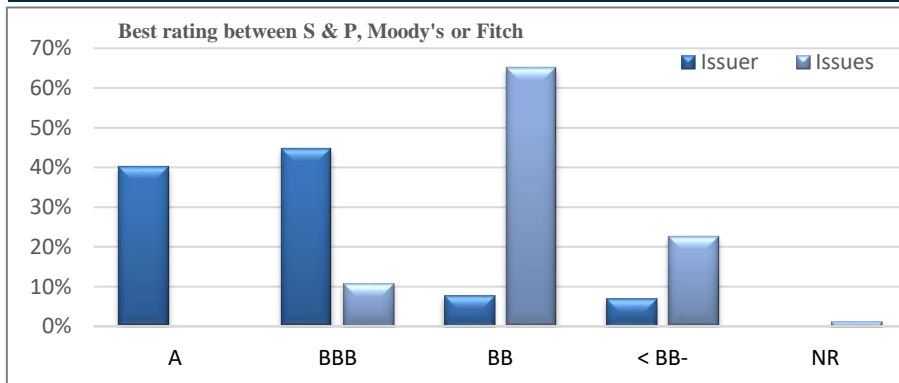
Main holdings

Barclays PLC 5,875% Perp	Banks AT1	4,0%
Commerzbank AG 6,125% Perp	Banks AT1	3,7%
Bankia SA 6% Perp	Banks AT1	3,2%
Caixa Bank 5,25% Perp	Banks AT1	3,0%
Bank of Ireland 6% Perp	Banks AT1	2,9%

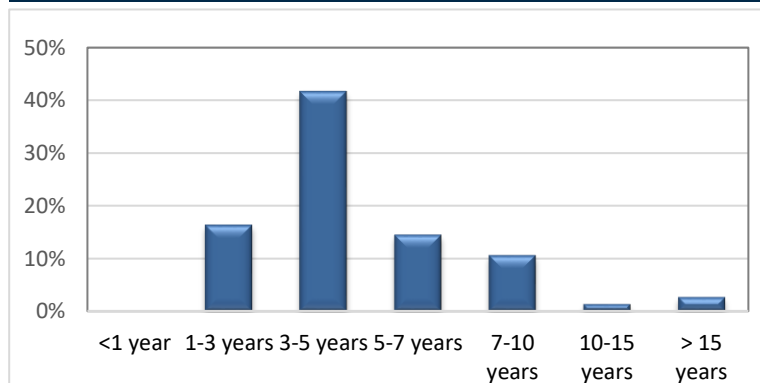
SECTOR ALLOCATION



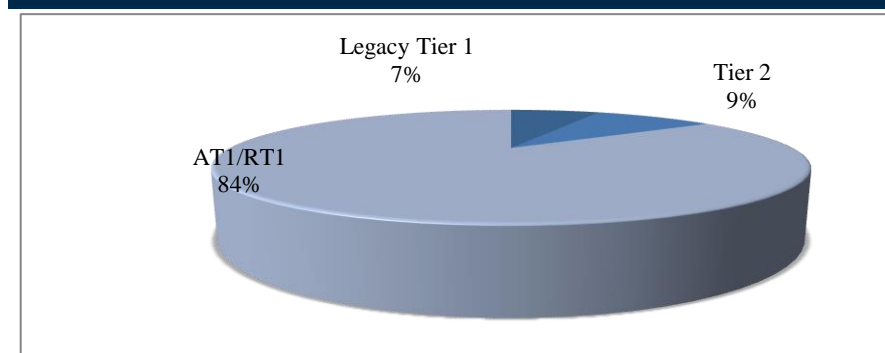
RATING ALLOCATION



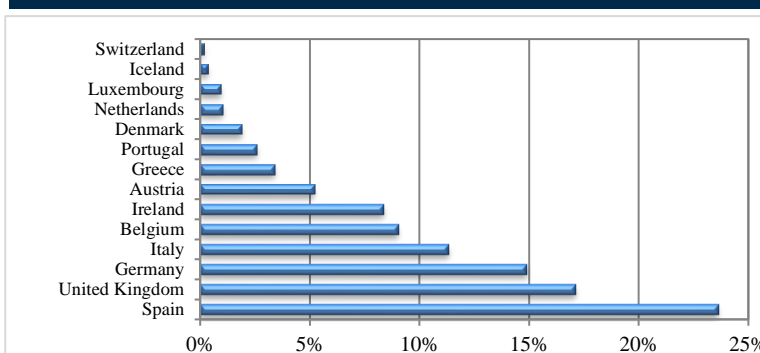
BREAKDOWN BY MATURITY (AT CALL)



BREAKDOWN BY LEVEL OF SUBORDINATION



GEOGRAPHICAL DISTRIBUTION



FUND DETAILS

ISIN Code	PVC H-USD Unit	FR0013072733	Custodian	CACEIS Bank	Management fees	
			Management company	Lazard Frères Gestion SAS		PVC H-USD : maximum of 1% inclusive of taxes
			Fund Administration	Caceis FA		
Bloomberg Code	LAZOBBDH FP					
Legal Form	FCP		Taxation	Capitalization	Subscription fees	Maximum of 4% inclusive of taxes
UCITS-Compliant	Yes				Redemption fees	None
AMF Classification	International bonds		Inception date	06/01/2016	Outperformance fees	15% of the outperformance in excess of each units' respective indexes.
Currency	Euro		Subscription terms	Each business day by 12 am		
Investment horizon	Minimum 5 years			Settlement and value date :		
Valuation	Daily			Subscription: J (date of the NAV) + 2 business days		
Modified duration	0 to 8			Redemption: J + 2 business days		
Total expense ratio and transaction fees						

For more information, please check our prospectus on www.lazardfreresgestion.fr

**** Risk scale :** calculated from the historic volatility of the UCITS over a period of 5 years, If the fund is not 5 years old of history, the level of risk is calculated from the target volatility of the strategy. The management company saves itself the possibility of adjusting the level of risk calculated according to the specific risk of the fund. This risk scale supplied as a rough guide and may be modified without advance notice.

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Publication of NAVs :
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