

International bonds and debt securities	ISIN code	NAV €	Net assets (€ million)	Total net assets (€ million)
IC unit	FR0010952788	1 672,15	189,24	229,74
ID unit	FR0013043841	106 340,75	17,66	
R unit	FR0010952796	128,97	22,84	
	ISIN code	NAV \$	Net assets (\$ million)	
DH unit	FR0013072733	1 143,38	1,09	
	ISIN code	NAV CHF	Net assets (\$ million)	
IC H-CHF Unit	FR0013236783	1 035,04	0,11	

MANAGEMENT

INVESTMENT POLICY

The fund's investment objective is to outperform the Barclays Global Contingent Capital € Hedged index for units IC, ID and R, Barclays Global Contingent Capital Hedged USD for unit DH and Barclays Global Contingent Capital Hedged CHF for IC 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 Securitised 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

The net asset value of Objectif Capital Fi increased by 0,57% over the month (1 share), while the Barclays Global Contingent Capital € Hedged index was flat over the period.

Spreads on financial debt have all tightened. Tier 1 bonds tightened by 41bp to 227bp against government bonds, Tier 2 bonds by 8bp to 188bp and Senior debts by 10bp to end the month at 79bp according to JP Morgan's SUSI indices. CoCos tightened by 20bp in OAS to end the month at 390bp according to Barclays' Global index.

The German government bond yield curve rose during the month, with the 10-year yield up 16bp to 0,47% and the 5-year yield up 21bp to -0,22%, while the 2-year yield rose 14bp to -0,57%.

Objectif Capital Fi posted a net performance of 6,7% year-to-date compared with 8,07% for the Barclays Global Contingent Capital € Hedged.

The fund has a 260-day volatility of 3,9% compared with 4,0% for the Barclays Global Contingent Capital € Hedged.

The banking sector's consolidation is continuing, in Spain with the takeover of Banco Popular (to which we were not exposed) by Santander (for a symbolic euro – Santander will finance the acquisition with a €7bn capital increase), with the implementation of "burden sharing" for subordinated creditors (AT1 and Tier 2), **the acquisition of Banco Mare Nostrum by Bankia and the acquisition of Veneto Banca and Banca Vincenza by Intesa Sanpaolo** for €1 but with a €4,8bn capital increase reserved to the Italian State. We are still waiting for the Monte dei Paschi dossier to be resolved.

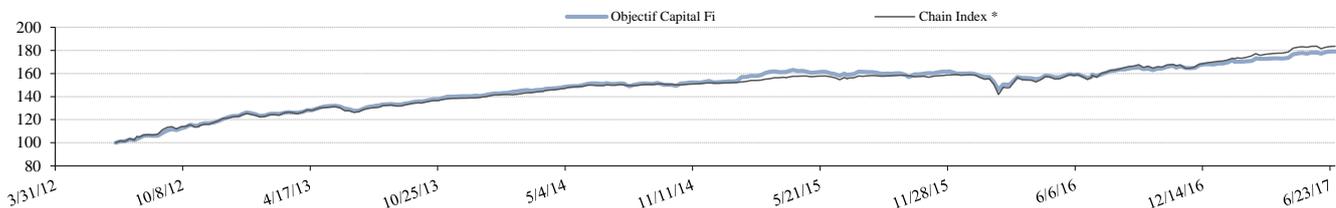
The end of the month was marked by volatility on G3 interest rates following generally fairly hawkish comments by central bankers: whether this was by design or by coincidence is a moot point, but the markets reacted by a strong steepening of yield curves.

The primary market, excluding covered bonds, totalled €18bn in gross issuance of Senior Unsecured debt according to Barclays, **with net bank issuance totalling -€7bn over the month**. Since the beginning of the year, gross issuance has totalled €149bn and net issuance is negative to the tune of €26bn.

Objectif Capital Fi has a yield to maturity of 5,4% and a yield to call of 4,6% with a modified duration of 2,7 and a credit duration of 5,1.

PERFORMANCE

HISTORICAL PERFORMANCE



* Barclays Global Contingent Capital since 31/12/2015, before JPMorgan Susi Tier 1.

Past performance indications is not a guarantee of current or future performance

PERFORMANCE

Annual performance*	2017	2016	2015	2014	2013
Objectif Capital Fi	6,70%	4,77%	4,70%	8,69%	14,24%
Chain Index	8,07%	7,00%	4,50%	8,84%	13,51%

Cumulative performance*	Month	YTD	1 year	3 years	5 years
Objectif Capital Fi	0,57%	6,70%	14,05%	18,59%	79,05%
Chain Index	0,00%	8,07%	17,20%	22,81%	83,58%

* Performances données à titre indicatif s'appréciant à l'issue de la durée de placement recommandée

Modified duration	2,7	Spread duration	5,1
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Yield to call	4,6%
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Yield to maturity	5,4%
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SCALE RISK**



**Risk scale calculated from the volatility of the UCITS over a period of 5 years (see detail on the back)

RISK RATIOS

	1 year	3 years
Volatility		
Objectif Capital Fi	4,12%	5,63%
Chain Index	4,86%	5,88%
Tracking error	2,49%	3,01%
Information ratio	-1,09	-0,39

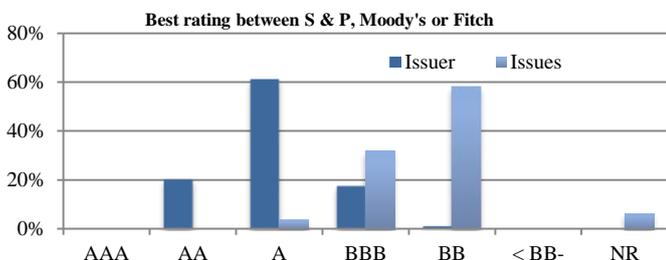
Ratios calculated on a weekly basis over 1 year and a monthly basis over 3 years

MAIN HOLDINGS

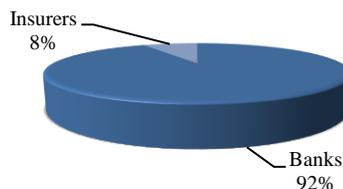
Main holdings

Dresdner Fndg Trust I	Legacy Tier 1	3,4%
Hbos Sterling Fin Jersey (PERP)	Legacy Tier 1	2,7%
Unicredit Spa (PERP)	Titres contingents	2,6%
Hsbc Capital Funding Usd (PERP)	Legacy Tier 1	2,4%
Standard Chartered Plc (PERP)	Titres contingents	2,4%

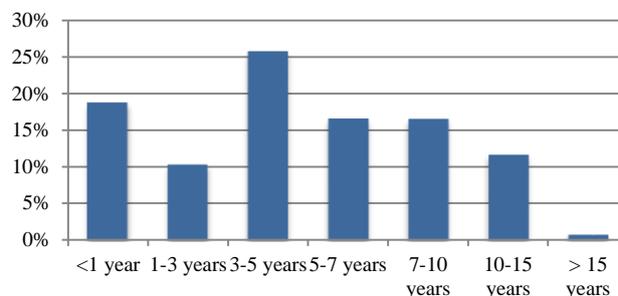
RATING ALLOCATION



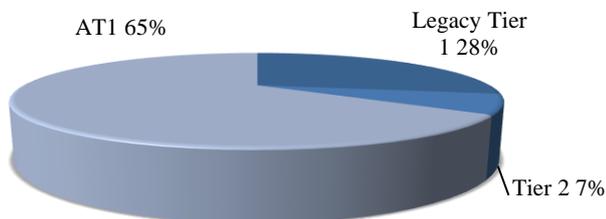
SECTOR ALLOCATION



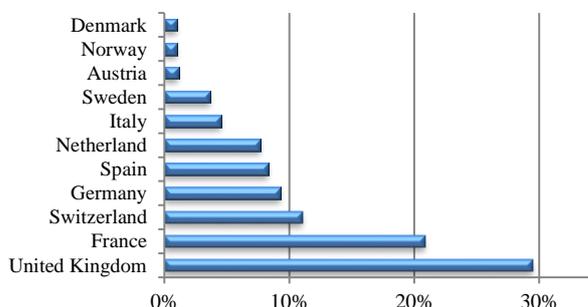
BREAKDOWN BY MATURITY (AT CALL)



BREAKDOWN BY LEVEL OF SUBORDINATION



GEOGRAPHICAL DISTRIBUTION



FUND DETAILS

ISIN Code	IC Unit FR0010952788	Custodian	CACEIS	Management fees	IC Unit : maximum of 1% inclusive of taxes
	ID Unit FR0013043841	Management company	Lazard Frères Gestion SAS		ID Unit : maximum of 1% inclusive of taxes
	R Unit FR0010952796				R Unit : maximum of 1,75% inclusive of taxes
	DH Unit FR0013072733				DH Unit : maximum of 1% inclusive of taxes
	IC H-CHF Unit FR0013236783				IC H-CHF Unit : maximum of 1% inclusive of taxes
Bloomberg Code	LAZOBICI/LAZOBCR FP	Taxation	IC Unit : Capitalization	Subscription fees	Maximum of 4% inclusive of taxes
Legal Form	FCP		ID & R Unit : Distribution	Redemption fees	Maximum of 4% inclusive of taxes
UCITS-Compliant	Yes	Inception date	30/11/2010	Outperformance fees	15% of the outperformance in excess of each units' respective indexes.
AMF Classification	International bonds	Subscription terms	Each business day by 12 am		
Currency	Euro		Settlement and value date :		
Investment horizon	Minimum 5 years		Subscription: J (date of the NAV) + 2 business days		
Valuation	Daily		Redemption: J + 2 business days		
Modified duration	0 to 8				

** 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 :
 www.lazardfreresgestion.fr

Please consider a fund's investment objectives, risks, charges, and expenses carefully before investing. Read the prospectus or summary prospectus carefully before you invest. The prospectus and summary prospectus contain investment objectives, risks, charges, expenses, and other information about the Portfolio(s) and The Lazard Frères Gestion Funds that may not be detailed in this document. Distributed by Lazard Frères Gestion.