

International bonds and debt securities	ISIN code	NAV €	Net assets (€ million)	Total net assets (€ million)
IC unit	FR0010952788	1 669,25	208,12	299,32
ID unit	FR0013043841	101 860,80	34,79	
RD unit	FR0010952796	123,03	14,52	
TD Unit	FR0013305968	93,39	13,50	
	ISIN code	NAV \$	Net assets (\$ million)	
IC USD Unit	FR0013072733	1 188,60	1,23	
	ISIN code	NAV CHF	Net assets (\$ million)	
IC H-CHF Unit	FR0013236783	1 024,90	0,17	

MANAGEMENT

INVESTMENT POLICY

The fund's investment objective is to outperform the Barclays Global Contingent Capital € Hedged index for units IC, ID and RD, Barclays Global Contingent Capital Hedged USD for unit IC USD 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 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 1,92% over the month (IC share): the Barclays Global Contingent Capital € Hedged Index rose by +3,77% over the same interval.

AT1s in OAS tightened by 58 bps to end the month at 419 bps according to Bloomberg Barclays Global Index.

The German government bond yield curve flattened during the month, with the 10-year yield down 9 bps to 0,15% ,the 5-year yield rose 0 bps to -0,32% ,while the 2-year yield rose 5 bps to -0,57%.

Lazard Capital Fi posted a net performance of +1,92% year-to-date compared with +3,77% for the Barclays Global Contingent Capital € Hedged Index.

Lazard Capital Fi has a 260-day volatility of 3,7% compared with 4,2% for the Barclays Global Contingent Capital € Hedged Index.

After a first week with the same bearish tone as December, the rest of January has marked a sharp bounce for all risky assets.

The renewed optimism about Brexit, the less "hawkish" statements of the Fed as well as the progress of the US-China talks will have prevailed over the shutdown of the US government and the first mixed results of US companies.

The earnings season is starting for European banks with so far few publications but nevertheless mixed: UBS, Bankia and SwedBank publish below expectations, BankInter, Santander and SEB beyond. February will allow us to see if this trend is valid for the whole sector, the cost of risk remains in any case low for these institutions, as it was already the case for US ones.

The primary market have been active mainly for the MREL part (Non Preferred Senior OpCo / Senior HoldCo) with good premiums offered by BNP, Unicredit or Danske Bank.

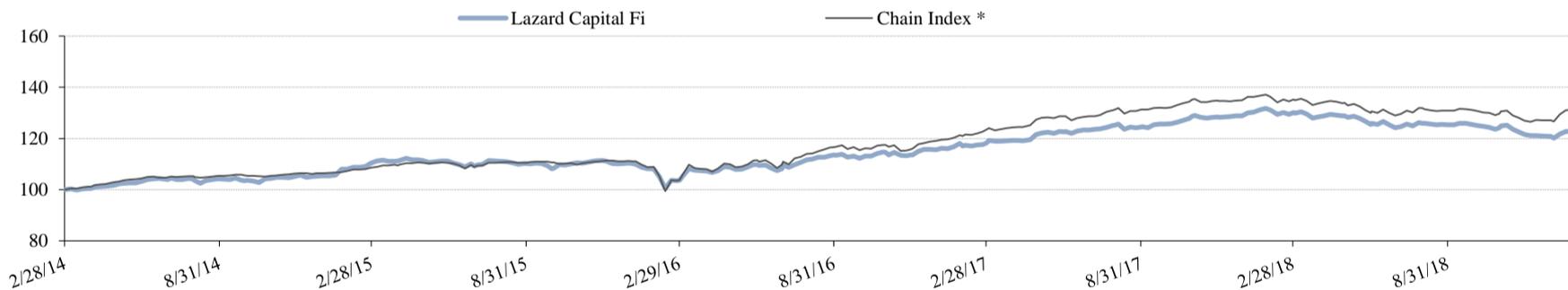
Moreover, Banco Commercial Portugues has issued for the first time an Additional Tier 1 with a coupon of 9.25% in €.

The primary market, excluding covered bonds, totaled €25,2bn in gross issuance according to Barclays, with net bank issuance totaling €200m over the month. Since the beginning of the year, gross issuance has represented €25,2bn and net issuance €200m.

We have used CDS of indices (Xover) for hedging purposes during the month.

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. The return may increase or decrease as a result of currency fluctuations

The tax treatment depends on the individual circumstances of each investor and may be subject to change in the future

PERFORMANCE

Annual performance*	2018	2017	2016	2015	2014
Lazard Capital Fi	-6,26%	11,48%	4,77%	4,70%	8,69%
Chain Index	-5,83%	13,41%	7,00%	4,50%	8,84%

Cumulative performance*	Month	YTD	1 year	3 years	5 years
Lazard Capital Fi	1,92%	1,92%	-6,21%	13,85%	24,94%
Chain Index	3,77%	3,77%	-3,31%	21,17%	32,73%

* 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 3,8 Spread duration 2,8

Average rating (issuer)* BBB+

Yield to maturity (Without hedging costs) 5,2%

Average rating (issues)* BB

0,047813

*Average of the best rating for each security

Yield to call (Without hedging costs) 5,4%

Yield to call (With hedging costs) 4,1%

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	4,43%	5,69%
Chain Index	5,25%	6,77%
Tracking error	1,38%	1,84%
Information ratio	-2,21	-1,12

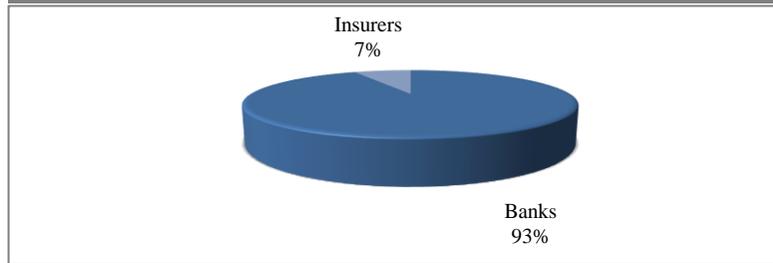
Ratios calculated on a weekly basis over 1 year and a monthly basis over 3 years

MAIN HOLDINGS

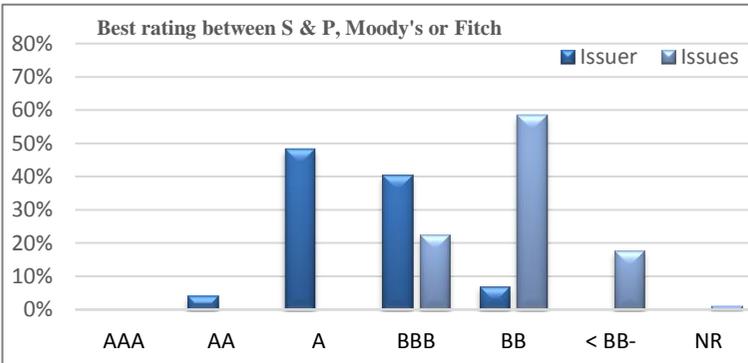
Main holdings

Fortis Bank Perp	Banque Legacy T1	3,4%
Caixa SA Perp	Banque AT1	3,0%
Hsbc Capital Perp	Banque Legacy T1	2,7%
Caixa Ge Perp	Banque AT1	2,7%
Bankinter 8.63 Perp	Banque AT1	2,5%

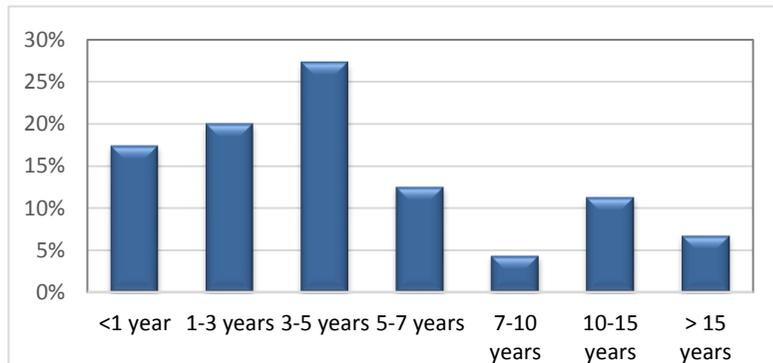
SECTOR ALLOCATION



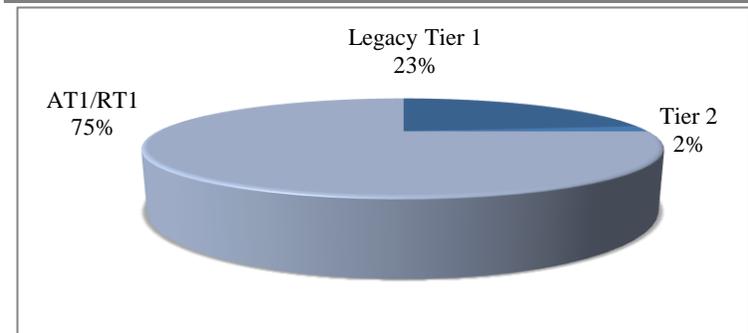
RATING ALLOCATION



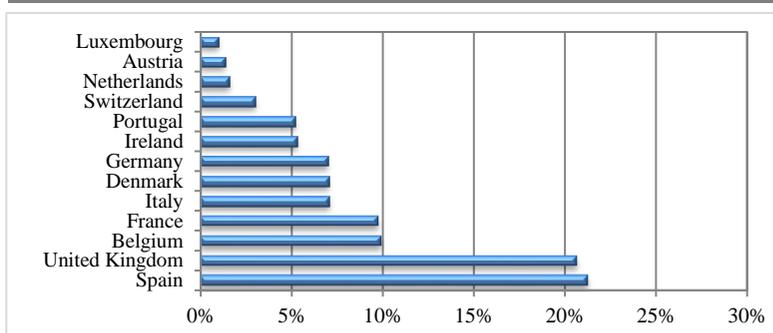
BREAKDOWN BY MATURITY (AT CALL)



BREAKDOWN BY LEVEL OF SUBORDINATION



GEOGRAPHICAL DISTRIBUTION



FUND DETAILS

ISIN Code	IC Unit: FR0010952788	Custodian	CACEIS Bank	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
	RD Unit: FR0010952796				TD Unit : maximum of 0,965% inclusive of taxes
	TD Unit: FR0013305968				RD Unit : maximum of 1,75% inclusive of taxes
	IC USD Unit: FR0013072733				IC USD Unit : maximum of 1% inclusive of taxes
	IC H-CHF Unit: FR0013236783				S Unit : maximum of 0,735% inclusive of taxes
	S Unit: FR0013311446				RC Unit : maximum of 1,75% inclusive of taxes
	RC Unit: FR0013306727				IC H-CHF Unit : maximum of 1% inclusive of taxes
Bloomberg Code	LAZOBCI/LAZOBCR FP	Taxation	IC Unit : Capitalization	Subscription fees	Maximum of 4% inclusive of taxes
Legal Form	FCP		ID & C 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				
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.*

Contacts :
Subscription/Redemption
CACEIS Bank
+33 1.57.78.14.14

Additional information :
Commercial service
01.44.13.01.79

Publication of NAVs :
www.lazardfreresgestion.fr

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Portfolio Management Company approved by "the Autorité des Marchés Financiers" under number GP 04 000068."

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