

International bonds and debt securities		ISIN code	NAV €	Net assets (€ million)	Total net assets (€ million)
	IC unit	FR0010952788	1 700,28	210,25	309,64
	ID unit	FR0013043841	99 125,50	35,61	
	RD unit	FR0010952796	120,40	14,52	
	TD Unit	FR0013305968	90,96	13,14	
	RC Unit	FR0013306727	97,07	4,09	
	S Unit	FR0013311446	9 965,12	30,89	
		ISIN code	NAV \$	Net assets (\$ million)	
	IC USD Unit	FR0013072733	1 216,09	1,10	
		ISIN code	NAV CHF	Net assets (\$ million)	
	IC H-CHF Unit	FR0013236783	1 216,09	1,10	

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 0,37% over the month (IC share): the Barclays Global Contingent Capital € Hedged Index rose by +0,31% over the same interval.

AT1s in OAS widened by 26 bps at 425 bps according to Bloomberg Barclays Global Index.

The German government bond yield curve flattened during the month, with the 10-year yield down 25 bps to -0,07% ,the 5-year yield fell 17 bps to -0,45% ,while the 2-year yield fell 8 bps to -0,61% .

Lazard Capital Fi posted a net performance of +3,81% year-to-date compared with +5,45% for the Barclays Global Contingent Capital € Hedged Index.

Lazard Capital Fi has a 260-day volatility of 3,6% compared with 4,1% for the Barclays Global Contingent Capital € Hedged Index.

Once again, central banks affected the market in March. First of all, the ECB confirmed the need for a still accommodating monetary policy, officially announcing a new TLTRO 3 and the postponement of a possible rate hike to 2020. Then it was the Fed that opted for a definitely more "dovish" tone, going from a forecast of two rate hikes in December to no increase in rates in 2019 and the total cessation of its plan to reduce its balance sheet as of next September, with a start of implementation in May. The result is a further decline in sovereign yields, with the negative entry into the German 10-year territory for the first time since June 2016, a Gilt below 1% and a US T-Notes below 2.4. %.

The Brexit theme seems to be a little neglected by investors, who seem jaded on the subject, the main adjustment variable remaining the currency. UK banks are still well supported in the markets and some issuers like Lloyds or Coventry are launching tender offers on Tier 2 or AT1 capital instruments.

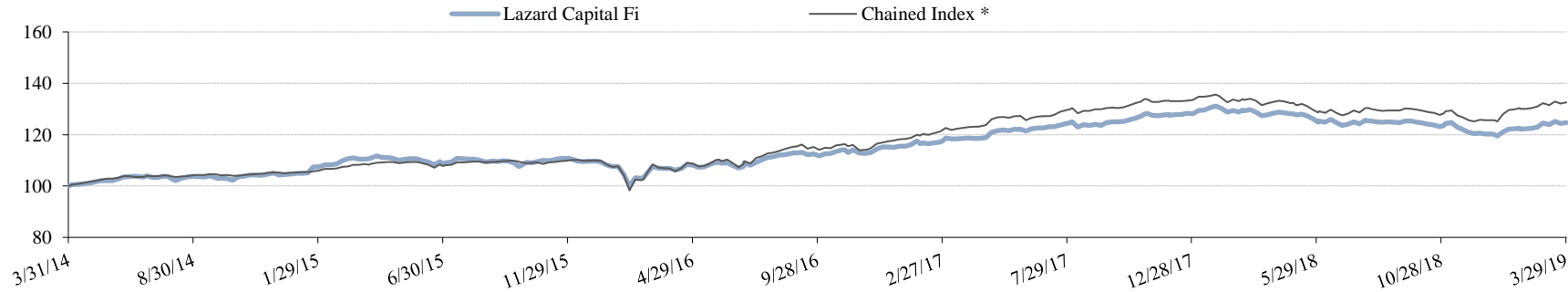
On the banks, attention has focused on the merger project Deutsche Bank - Commerzbank which is now officially studied by both parties as well as on the issues of money laundering. After Danske Bank last year, it is SwedBank's turn to undergo US court investigations into money transfers through its Baltic subsidiaries of its non-resident clients. The Swedbank share yields -34% over the year in a market up + 4%.

The abundant primary at the beginning of the month had a little more trouble being "digested", resulting in widening spreads at the end of the month. Many issuers have come to refinance their AT1s early, which should limit emissions in the coming months. Santander will probably remain the only bank not to have exercised his call on his AT1 for the moment.

The primary market, excluding covered bonds, totaled €20bn in gross issuance according to Barclays, with net bank issuance totaling -€3,3bn over the month. Since the beginning of the year, gross issuance has represented €73,8bn and net issuance +€17,2bn.

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 IC	-6,26%	11,48%	4,77%	4,70%	8,69%
Chained Index	-5,83%	13,41%	7,00%	4,50%	8,84%

Cumulative performance*	Month	YTD	1 year	3 years	5 years
Lazard Capital Fi IC	0,37%	3,81%	-2,35%	16,85%	24,75%
Chained Index	0,31%	5,45%	0,33%	24,01%	32,54%

* 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	4,0	Average rating (issuer) ¹	A-
Yield to maturity (Without hedging costs)	5,7%			Average rating (issues) ¹	BB
Yield to call (Without hedging costs)	5,2%			¹ Average rating for each security	
Yield to Worst	4,8%			Yield to call (With hedging costs)	4,3%
				Spread vs Govt.	480

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 IC	4,45%	4,80%
Chained Index	5,06%	5,69%
Tracking error	1,36%	1,77%
Information ratio	-1,99	-1,12

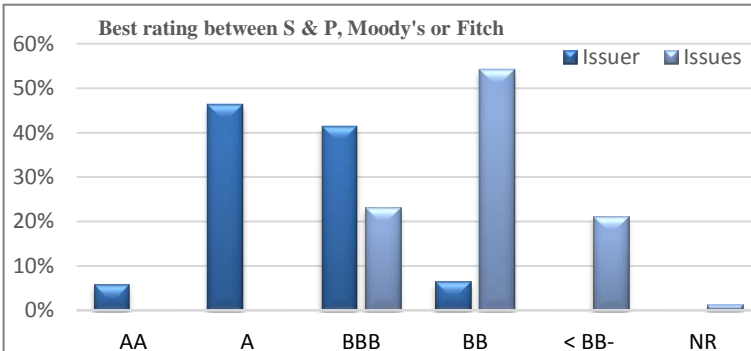
Ratios calculated on a weekly basis over 1 year and a monthly basis over 3 years

MAIN HOLDINGS

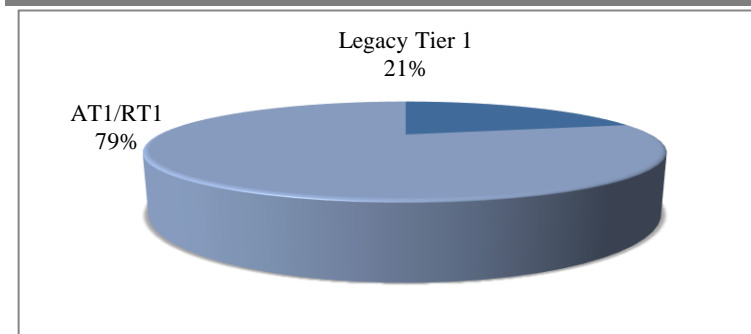
Main holdings

Fortis Bank Perp	Banques Legacy T1	3,2%
Caixa SA Perp	Banques AT1	2,9%
Hsbc Capital Perp	Banques Legacy T1	2,8%
Dresdner Trust 06/2031	Banques Legacy T1	2,6%
Caixa Ge Perp	Banques AT1	2,6%

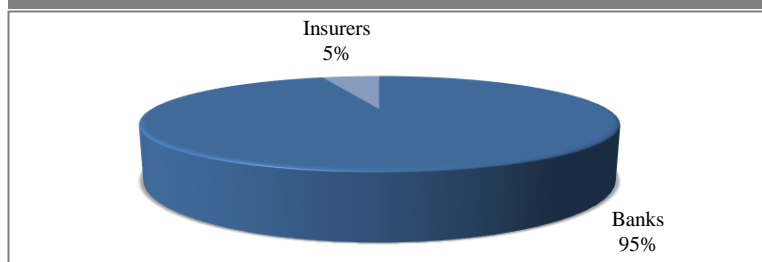
RATING ALLOCATION



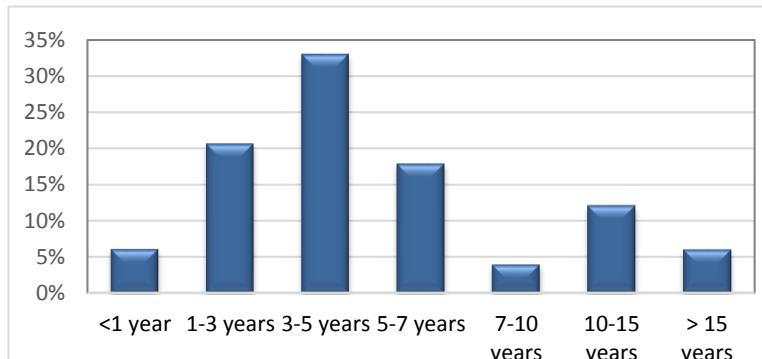
BREAKDOWN BY LEVEL OF SUBORDINATION



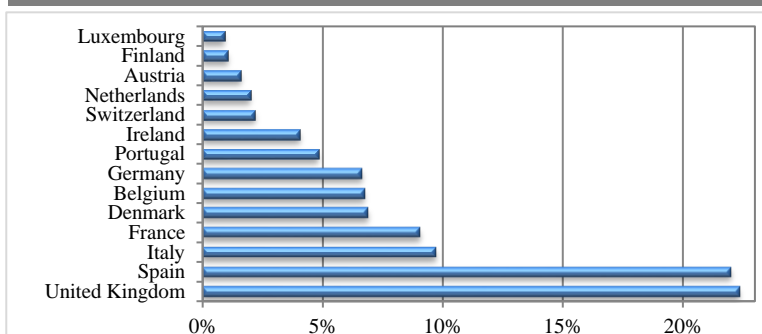
SECTOR ALLOCATION



BREAKDOWN BY MATURITY (AT CALL)



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	Fund Administration	Caceis FA		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			
Currency	Euro				
Investment horizon	Minimum 5 years				
Valuation	Daily				
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.

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Publication of NAVs :
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registered at the Paris RCS under the number SIRET 352 213 599.

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