

International bonds and debt securities		ISIN code	NAV €	Net assets (€ million)	Total net assets (€ million)
	IC unit	FR0010952788	1 708,19	210,75	313,06
	ID unit	FR0013043841	99 586,52	39,60	
	RD unit	FR0010952796	120,81	14,24	
	TD Unit	FR0013305968	91,39	12,22	
	RC Unit	FR0013306727	97,39	4,18	
	S Unit	FR0013311446	10 016,05	29,77	
		ISIN code	NAV \$	Net assets (\$ million)	
	IC USD Unit	FR0013072733	1 227,84	2,41	
		ISIN code	NAV CHF	Net assets (CHF million)	
	IC H-CHF Unit	FR0013236783	1 227,84	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 fell by -1,67% over the month (IC share): the Barclays Global Contingent Capital € Hedged Index fell by -1,39% over the same interval.

AT1s in OAS widened by 47 bps to end the month at 433 bps according to Bloomberg Barclays Global Index.

The German government bond yield curve flattened during the month, with the 10-year yield down 22 bps to -0,20% ,the 5-year yield fell 17 bps to -0,58% ,while the 2-year yield fell 8 bps to -0,67%.

Lazard Capital Fi posted a net performance of +4,30% year-to-date compared with +6,25% for the Barclays Global Contingent Capital € Hedged Index.

Lazard Capital Fi has a 260-day volatility of 3,8% compared with 3,9% for the Barclays Global Contingent Capital € Hedged Index.

The US-China trade war has resurfaced at the beginning of the month, the dialogue between the two parties seems complicated for now and we are witnessing the increase of sanctions currently. There was also a lot of volatility on Italy during the month with Matteo Salvini coming out stronger of European elections.

In this complicated context for risky assets, the fundamentals of financial issuers remain well oriented with the publication of the first quarter results. No particular surprises to report but always an improving asset quality in Italy, Ireland and Portugal. We also note the upgrade of one notch for RBS (S&P) and Banco BPM (Moody's) and that Barclays has moved into positive outlook (Moody's) this month.

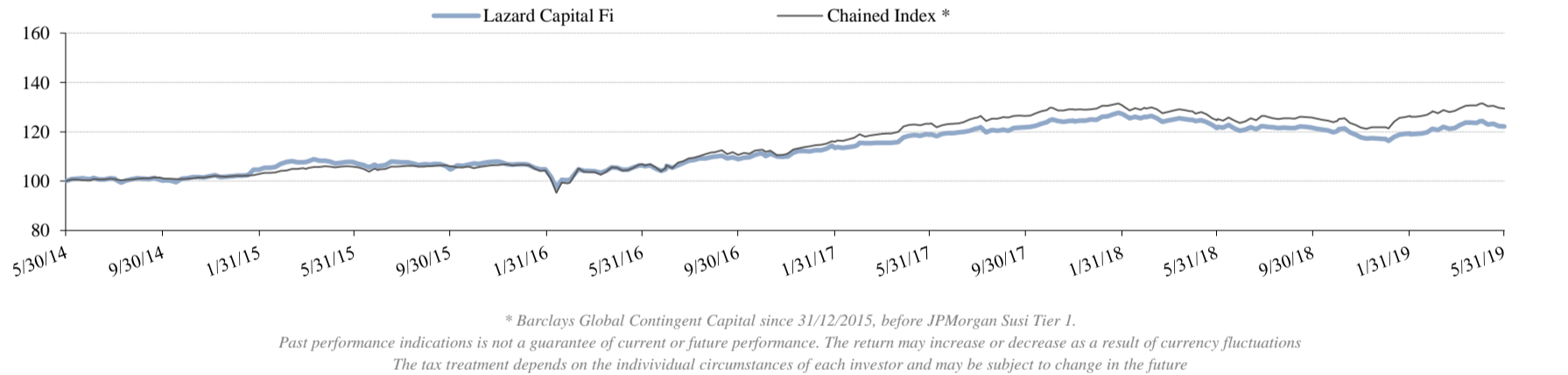
The primary have been active this month with new issuers such as the car leasing specialist LeasePlan in AT1 and the Finnish insurer Sampo in Tier 2.

The primary market, excluding covered bonds, totaled €22,1bn in gross issuance according to Barclays, with net bank issuance totaling +€6,4bn over the month. Since the beginning of the year, gross issuance has represented €122,1bn and net issuance +€28,5bn.

We have reduced from 20 M to 15 M the minimum subscription amount on the S share class of the Fund.

PERFORMANCE

HISTORICAL PERFORMANCE



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	-1,67%	4,30%	0,41%	14,77%	22,09%
Chained Index	-1,39%	6,25%	3,88%	21,15%	29,45%

* 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	3,7	Spread duration	2,8	Average rating (issuer) ¹	BBB+
Yield to maturity (Without hedging costs)	5,4%			Average rating (issues) ¹	BB
Yield to call (Without hedging costs)	5,2%			Yield to call (With hedging costs)	4,5%
Yield to Worst	4,6%			Spread vs Govt.	514

¹ Average rating for each security

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	4,62%	5,00%
Chained Index	5,03%	5,80%
Tracking error	1,27%	1,76%
Information ratio	-2,67	-1,02

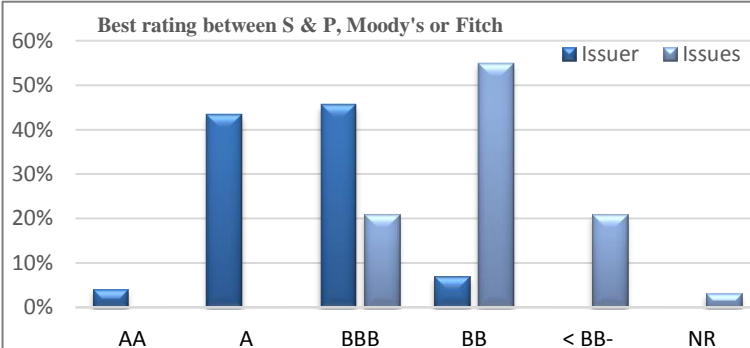
Ratios calculated on a weekly basis over 1 year and a monthly basis over 3 years

MAIN HOLDINGS

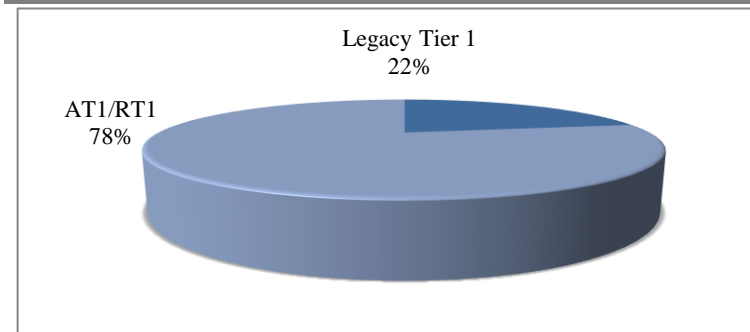
Main holdings

Caixa GE 10,75 12/49	Banks AT1	3,3%
Unicredit Spa 7,5 12/49	Banks AT1	3,2%
Fortis Bank 1,69 12/49	Banks Legacy Tier 1	3,2%
Caixabank SA SA 6,75 12/49	Banks AT1	2,9%
HSBC Capi TV 12/49	Banks Legacy Tier 1	2,9%

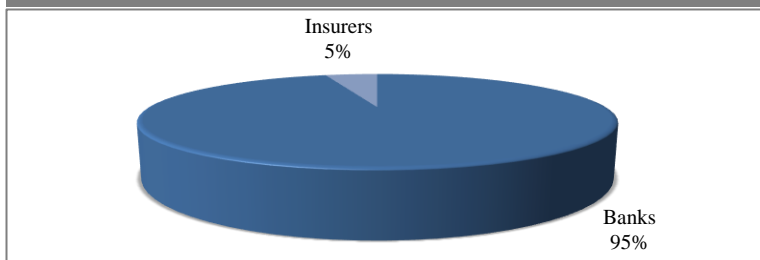
RATING ALLOCATION



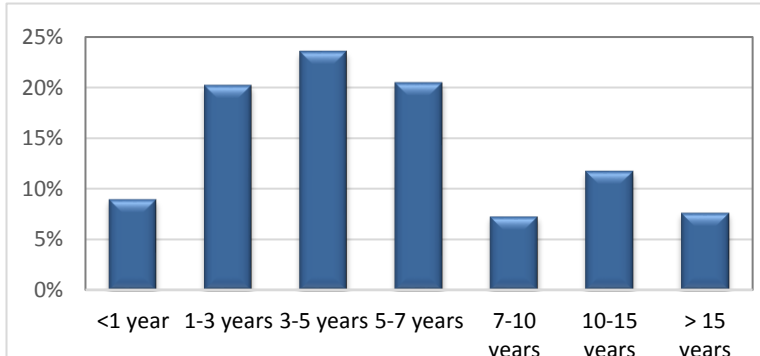
BREAKDOWN BY LEVEL OF SUBORDINATION



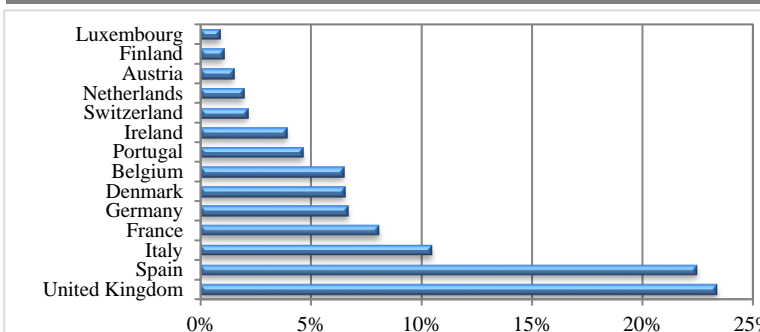
SECTOR ALLOCATION



BREAKDOWN BY MATURITY (AT CALL)



GEOGRAPHICAL DISTRIBUTION



FUND DETAILS

ISIN Code IC Unit: FR0010952788 ID Unit: FR0013043841 RD Unit: FR0010952796 TD Unit: FR0013305968 IC USD Unit: FR0013072733 IC H-CHF Unit: FR0013236783 S Unit: FR0013311446 RC Unit: FR0013306727 Bloomberg Code : LAZOBCI/LAZOBCR FP Legal Form : FCP UCITS-Compliant : Yes AMF Classification : International bonds 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	Custodian : CACEIS Bank Management company : Lazard Frères Gestion SAS Fund Administration : Caceis FA Taxation : IC Unit : Capitalization ID & C Unit : Distribution 30/11/2010 Inception date Subscription terms : Each business day by 12 am Settlement and value date : Subscription: J (date of the NAV) + 2 business days Redemption: J + 2 business days	Management fees IC Unit : maximum of 1% inclusive of taxes ID Unit : maximum of 1% inclusive of taxes TD Unit : maximum of 0,965% inclusive of taxes RD Unit : maximum of 1,75% inclusive of taxes IC USD Unit : maximum of 1% inclusive of taxes S Unit : maximum of 0,735% inclusive of taxes RC Unit : maximum of 1,75% inclusive of taxes IC H-CHF Unit : maximum of 1% inclusive of taxes Subscription fees : Maximum of 4% inclusive of taxes Redemption fees : Maximum of 4% inclusive of taxes Outperformance fees : 15% of the outperformance in excess of each units' respective indexes.
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**** 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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Lazard Frères Gestion SAS, 25 rue de courcelles - 75008 Paris with a capital of € 14,487,500

registered at the Paris RCS under the number SIRET 352 213 599.

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

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