

International bonds and debt securities	Share classes	ISIN code*	NAV €	Net assets (€ million)	Total net assets (€ million)
	PVC EUR unit	FR0010952788	1 893,27	#N/A	590,47

* 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 fell by 0,0% over the month versus +0,4% for the Barclays Global Contingent Capital € Hedged Index.

AT1s in OAS tightened by -2 bps to 466 bps according to Bloomberg Barclays Global Index. The German government bond yield curve flattened during the month, with the 10-year yield down -10 bps to -0,6%, the 5-year yielddown -11 bps to -0,8%, while the 2-year yield down -9 bps to -0,8%.

For 2020, Lazard Capital Fi posted a net performance of -0,5% vs +0,1% for the Barclays Global Contingent Capital € Hedged Index.

Lazard Capital Fi has a 260-day volatility of 16,7% vs 16,1% for the Barclays Global Contingent Capital € Hedged Index.

The first banks' publications for Q3 are better than expected in general with two main trends: a very sharp decline in the cost of risk and well below consensus expectations for 3Q20 and on which managers expect an improvement in 2021 and CET1 capital ratios still rising QoQ. These excellent results will not have succeeded to offset the bad news on the health front, however with limited reaction to announcements of new light-lockdowns in Europe. On the central bank side, no news yet, but Ms. Lagarde has promised to act at the next monetary policy meeting in December.

The M&A theme continues to drive the market, with rumors in Italy between Banco BPM and Crédit Agricole as well as between Unicredit and Monte dei Paschi (with probably a capital increase that could go up to 2.5 billion). In Spain, merger talks between Liberbank and Unicaja are continuing while rumors of a merger between BBVA, Kuxtabank and Sabadell have emerged.

The EBA has published its guidelines on Legacy instruments and their ability to be included or not in the capital structure of banks. The central recommendation is as follows: call / reimburse or modify the terms and conditions, which has led to a positive reaction in the Legacy market, also already well oriented this month with the Rabobank tender operation on a legacy Tier 1. AIB and Barclays have exercised the call of the last two AT1s with a call date in 2020, so there have been in the end only 3 "non-calls" out of around 20 bonds in 2020, despite the uncertainty and the difficulties related to Covid.

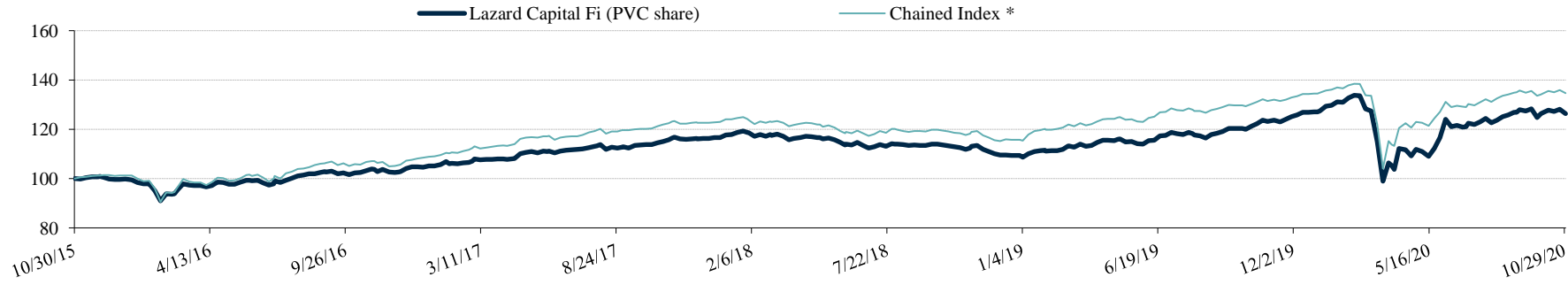
The primary market was calm with Caixabank, Crédit Agricole and Nykredit in AT1, the insurer Unipol in RT1, Santander and Banque Postale in Tier 2.

The primary market, excluding covered bonds, totaled 18 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 225 bn€ and net issuance +66 bn€.

In Lazard Capital Fi, the most important contributors to the performance have been Legacy with +0,3%, AT1 and RT1 with -0,2% and banks Tier 2 with -0,3%. By country, the most important contributions came from UK (+0,2%), Germany (+0,2%) and Belgium (+0,1%). By issuer, Deutsche Bank with +0,2% and BNP Paribas with +0,2% are the most important contributions.

PERFORMANCE

HISTORICAL PERFORMANCE



* Barclays Global Contingent Capital € hedged 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*	2019	2018	2017	2016	2015
Lazard Capital Fi PVC	16,23%	-6,26%	11,48%	4,77%	4,70%
<i>Chained Index</i>	<i>16,18%</i>	<i>-5,83%</i>	<i>13,41%</i>	<i>7,00%</i>	<i>4,50%</i>

Cumulative performance*	Month	YTD	1 year	3 years	5 years
Lazard Capital Fi PVC	0,00%	-0,54%	2,63%	8,51%	26,37%
<i>Chained Index</i>	<i>0,41%</i>	<i>0,08%</i>	<i>2,34%</i>	<i>9,23%</i>	<i>34,61%</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	3,9	Spread duration	3,8
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Yield to maturity (Without hedging costs)	5,4%
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Yield to call (Without hedging costs)	7,0%
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Yield to Worst	5,3%
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Average rating (issuer)¹	BBB+
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Average rating (issues)¹	BB-
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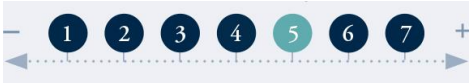
¹ Average rating for each security

Yield to call (With hedging costs)	6,8%
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Spread vs Govt.	741
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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	24,76%	13,15%
<i>Chained Index</i>	<i>23,50%</i>	<i>11,66%</i>
Tracking error	6,18%	3,11%
Information ratio	0,04	-0,07

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

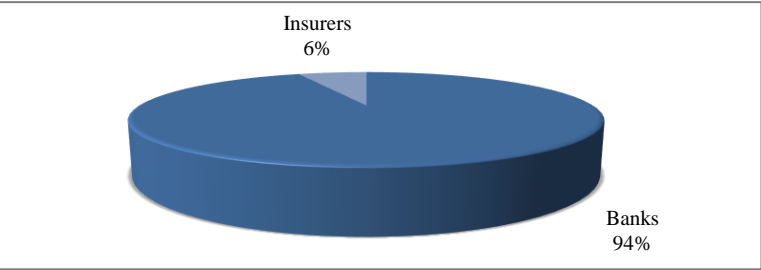
Gross currency exposure:	
70% EUR / 14% USD / 16% GBP	

Net currency exposure:	
100% EUR	

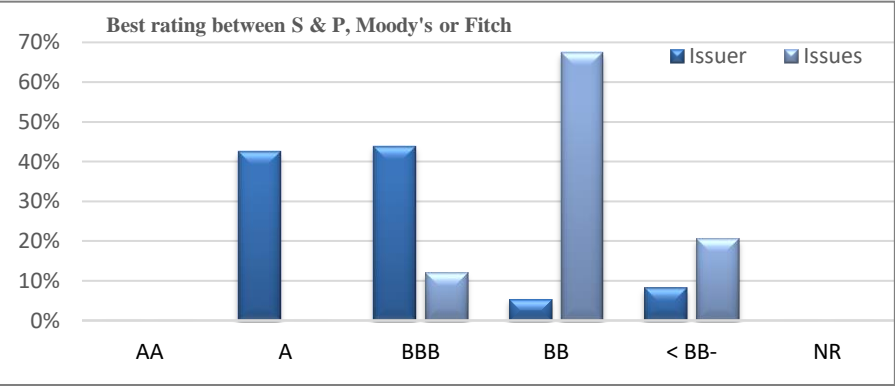
MAIN HOLDINGS

Main holdings		
Barclays PLC 5,875% Perp	Banks AT1	4,3%
Commerzbank FR 6,125% Perp	Banks AT1	3,9%
Caixa Bank 5,25% Perp	Banks AT1	3,0%
Bank of Ireland 6% Perp	Banks AT1	3,0%
KBC Group 4,25% Perp	Banks AT1	2,5%

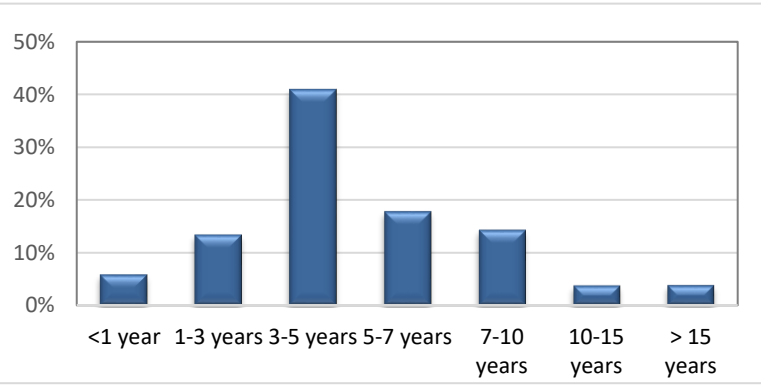
SECTOR ALLOCATION



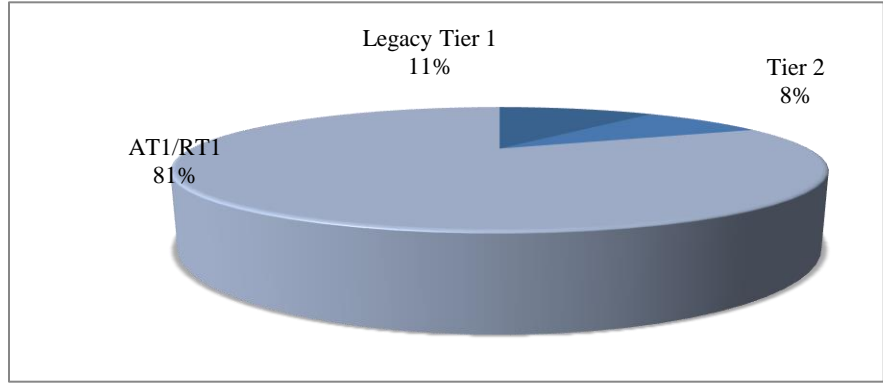
RATING ALLOCATION



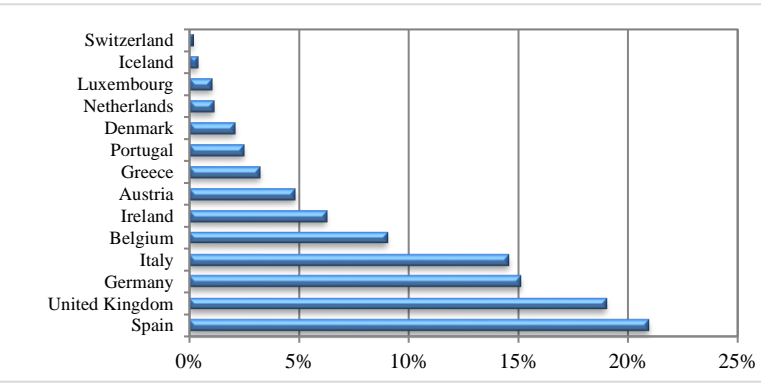
BREAKDOWN BY MATURITY (AT CALL)



BREAKDOWN BY LEVEL OF SUBORDINATION



GEOGRAPHICAL DISTRIBUTION



FUND DETAILS

■ ISIN Code	PVC EUR Unit	FR0010952788	■ Custodian	CACEIS Bank	■ Management fees	PVC EUR : maximum of 1% inclusive of taxes
			■ Management company	Lazard Frères Gestion SAS		
			■ Fund Administration	Caceis FA		
■ Bloomberg Code	LAZOBCI 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	30/11/2010	■ 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.

Contacts :	Additional and data information :	Publication of NAVs :
Subscription/Redemption	Commercial service	www.lazardfreresgestion.fr
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