LAZARD
FRÈRES GESTION

March 2021

Lazard Capital FI SRI - PVC EUR

International bonds and debt securities	Share classes	ISIN code*	NAV €	Net assets (€ million)	Total net assets (€ million)
	PVC EUR unit	FR0010952788	2 112,14	309,59	**754,70**

** Not all share classes of the relevant sub-fund are registered*

for marketing in German and Austria

MORNINGSTAR Overall ★★★★★

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

AT1s in OAS tightened by -11 bps to 340 bps according to Bloomberg Barclays Global Index.

The horizon seems to be sustainably brightening for European banks, first of all EBA published its risk dashboard for Q4 2020 with NPL ratio continuing to decline and CET1 capital ratio reaching an all time high. Moratoriums fell -60% since Q2 2020 to 318bn, among expired one NPLs still represent a small portion (3.3%). No funding problem either with 331bn borrowed in the last TLTRO3 operation, which should push excess liquidity beyond the 4000bn mark.

On the issuer side, the end of the month was marked by the setbacks of the Archegos fund and the losses generated for its prime brokers, and in particular Credit Suisse, which was battered after issuing a statement indicating "a significant impact in Q1". CS finally communicated on an impact of CHF4.4bn, but which will translate "only" into a pre-tax loss of CHF900m thanks to an excellent Q1 on the revenue side. CS shares droped -19% over the last week and AT1s between -2% and -5%. S&P, Fitch and Moody's have placed the bank's rating on negative outlook.

The Greek bank Piraeus has announced its "Sunrise Plan" with an ambitious target of NPL below 10% within 12 months and 3% in the medium term (vs. 35% currently).

On the Legacy side, BNP and Op Corporate Bank called Legacy Tier 1 bonds that were trading well below par while Natwest launched a tender offer for two Legacy Tier 1s (already the target of a buyback offer in September 2020) and four Tier 2s.

The primary market has been active in financial credits, with Alpha Bank, Barclays, Société Générale and Hannover Re, Storebrand and AXA on the insurance side, the last two in green format. On the AT1 side we had HSBC with two bonds in $, CNP in $ (RT1), Sabadell in € and Natwest in £.

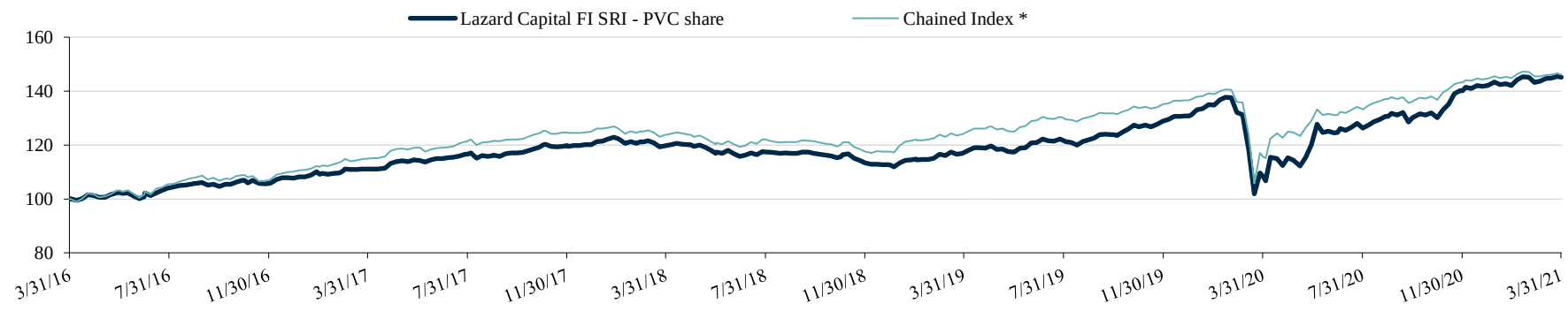
In Lazard Capital Fi, the most important contributors to the performance have been AT1 and RT1 with +1,54%, banks Tier 2 with +0,05% and Legacy with +0,05%. By country, the most important contributions came from Spain (+0,54%), UK (+0,29%), Germany (+0,28%) and Italy (+0,15%). By issuer, CaixaBank SA with +0,16%, Barclays PLC with +0,16% and Deutsche Bank AG with +0,13% are the most important contributions.

Lazard Frères Gestion informs you that the management company has updated the provisions relating to the inclusion of environmental, social and governance (ESG) criteria in the DICI and prospectus of its Funds in accordance with the EU Regulation 2019/2088 on sustainability reporting in the financial services sector and the AMF Position-Recommendation 2020-03 on collective investments integrating extra-financial approaches.

For more information, please consult the relevant fund sheet on our website http://www.lazardfreresgestion.fr/FR/Fonds_71.html or contact your sales representative.

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 indivividual circumstances of each investor and may be subject to change in the future

PERFORMANCE

Annual performance*	2020	2019	2018	2017	2016
Lazard Capital FI SRI - PVC	**8,65%**	**16,23%**	**-6,26%**	**11,48%**	**4,77%**
Chained Index	*5,90%*	*5,90%*	*16,18%*	*-5,83%*	*13,41%*

Cumulative performance*	Month	YTD	1 year	3 years	5 years
Lazard Capital FI SRI - PVC	**1,40%**	**2,12%**	**33,89%**	**21,30%**	**45,15%**
Chained Index	*0,52%*	*1,01%*	*26,52%*	*18,24%*	*46,15%*

** The performance quoted represents past performance. Past performance does not guarantee future results.*
The performance less than one year is given for illustrative purposes.

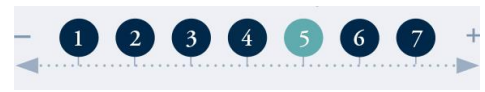
Modified duration	**3,4**	**Spread duration**	**3,9**
Yield to maturity (Without hedging costs)	**5,0%**		
Yield to call (Without hedging costs)	**4,9%**		
Yield to Worst	**4,4%**		

Average rating (issuer)[1]	**BBB**
Average rating (issues)[1]	**BB-**
Yield to call (With hedging costs)	**4,7%**
Spread vs Govt.	**508**

[1] *Average rating for each security*

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 SRI - PVC	11,84%	13,69%
Chained Index	*8,10%*	*11,84%*
Tracking error	5,01%	3,51%
Information ratio	1,13	0,24

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

Gross currency exposure:
71% EUR / 18% USD / 11% GBP

Net currency exposure:
95% EUR / 5% USD

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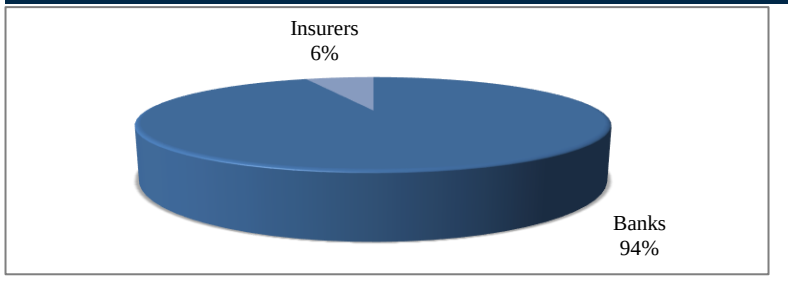
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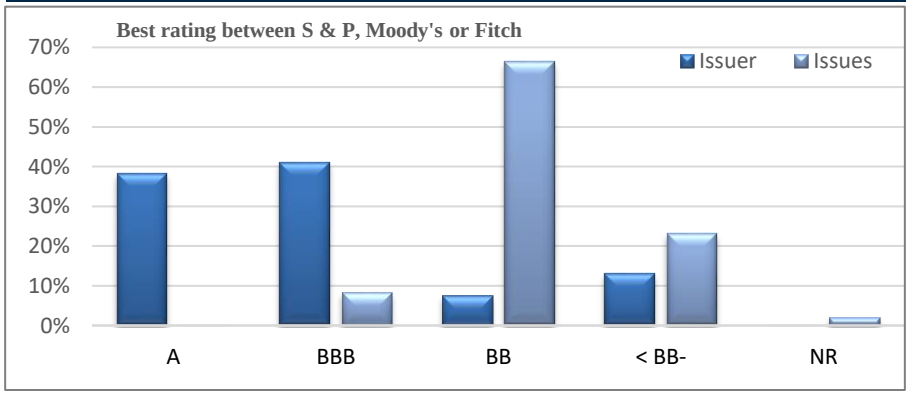
MAIN HOLDINGS

Main holdings		
Barclays PLC 5,875% Perp	Banks AT1	4,1%
Credit Suisse AG 6,375% Perp	Banks AT1	3,6%
Commerzbank AG 6,125% Perp	Banks AT1	3,4%
Bankia SA 6% Perp	Banks AT1	3,0%
Caixa Bank 5,25% Perp	Banks AT1	2,8%

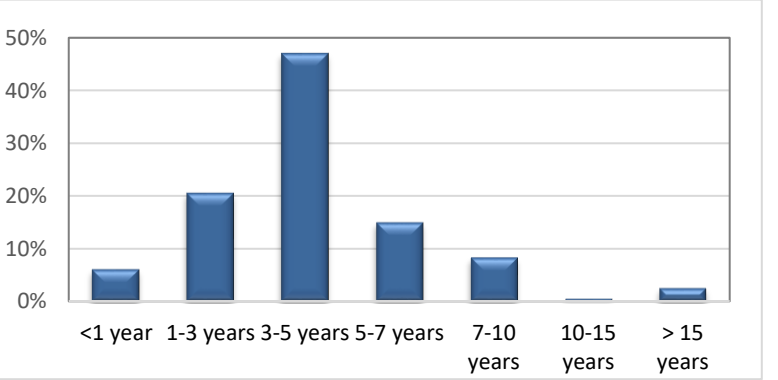
SECTOR ALLOCATION



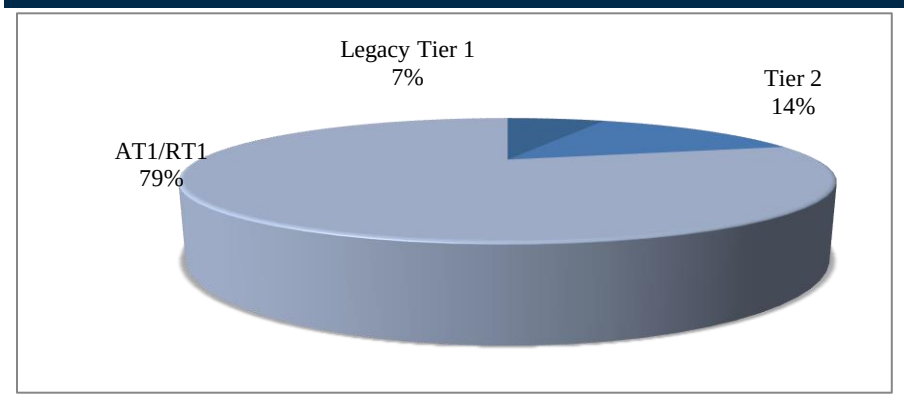
RATING ALLOCATION



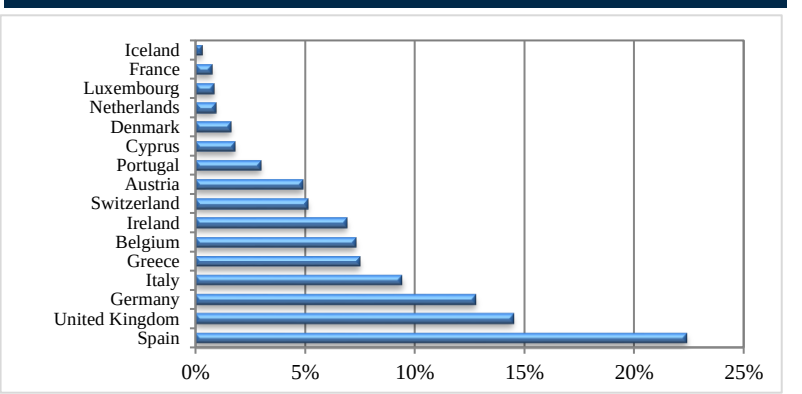
BREAKDOWN BY MATURITY (AT CALL)



BREAKDOWM BY LEVEL OF SUBORDINATION



GEOGRAPHICAL DISTRIBUTION



FUND DETAILS

- **ISIN Code** PVC EUR Unit — FR0010952788
- **Bloomberg Code** — LAZOBCI 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** — Capitalization
- **Inception date** — 30/11/2010
- **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**

PVC EUR : maximum of 1% inclusive of taxes

- **Subscription fees** — Maximum of 4% inclusive of taxes
- **Redemption fees** — None
- **Outperformance fees**

15% of the outperformance in excess of each units' respective indexes.

*** 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 posibility 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 and data information :
Commercial service
01.44.13.01.79

Publication of NAVs :
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