

International bonds and debt securities	ISIN code	NAV €	Net assets (€ million)	Total net assets (€ million)
IC unit	FR0010952788	1 703,86	198,47	244,33
ID unit	FR0013043841	108 357,77	20,09	
R unit	FR0010952796	131,17	24,46	
	ISIN code	NAV \$	Net assets (\$ million)	
DH unit	FR0013072733	1 171,06	1,12	
	ISIN code	NAV CHF	Net assets (\$ million)	
IC H-CHF Unit	FR0013236783	1 054,12	0,41	

MANAGEMENT

INVESTMENT POLICY

The fund's investment objective is to outperform the Barclays Global Contingent Capital € Hedged index for units IC, ID and R, Barclays Global Contingent Capital Hedged USD for unit DH 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

The net asset value of Capital Fi increased by 0,91% over the month (1 share), while the Barclays Global Contingent Capital € Hedged index rose 0,48% over the period.

Spreads on financial debt declined in September. Tier 1 bonds tightened by 22bp to 200bp against government bonds, Tier 2 bonds by 4bp to 176bp, while Senior debts widened by 1bp to end the month at 77bp according to JP Morgan's SUSI indices. CoCos tightened by 22bp in OAS to end the month at 356bp according to Barclays' Global index.

The German government bond yield curve steepened during the month, with the 10-year yield up 10bp to 0,46% and the 5-year yield up 8bp to -0,27%, while the 2-year yield rose 4bp to -0,69%.

Capital Fi posted a net performance of +8,72% year-to-date compared with +10,81% for the Barclays Global Contingent Capital € Hedged.

The fund has a 260-day volatility of 3,5% compared with 3,5% for the Barclays Global Contingent Capital € Hedged.

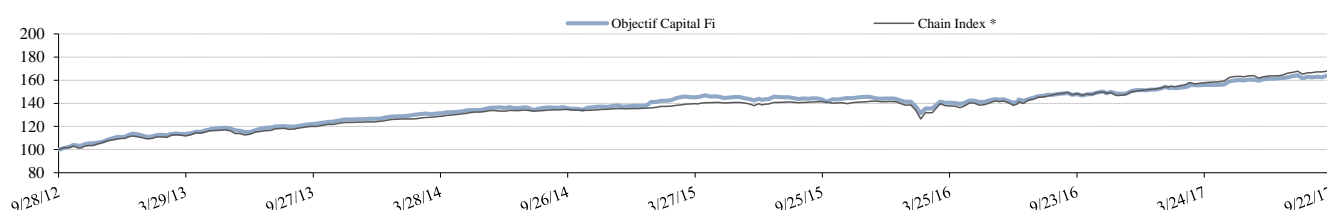
September was a relatively quiet month in the financial sector: little primary activity (as expected, and this is set to continue until the end of the year), few important events (with the exception of the hurricane season affecting reinsurers, but this will essentially impact income statements rather than undermine the sector's solvency). The Fed announced it would start reducing its balance sheet from October to the tune of \$10 billion per month to begin with. A number of new issuers entered the market in the Tier 2 or AT1 segments, essentially small Dutch, Danish or Italian institutions.

The primary market, excluding covered bonds, totalled €28bn in gross issuance of Senior Unsecured debt according to Barclays, with **net bank issuance totalling -€2bn over the month**. Since the beginning of the year, gross issuance has totalled €199bn and net issuance is negative to the tune of €34bn.

Capital Fi has a yield to maturity of 5,6% and a yield to call of 4,8% with a modified duration of 1,8 and a credit duration of 4,0.

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

PERFORMANCE

Annual performance*	2017	2016	2015	2014	2013
Objectif Capital Fi	8,72%	4,77%	4,70%	8,69%	14,24%
Chain Index	10,81%	7,00%	4,50%	8,84%	13,51%

Cumulative performance*	Month	YTD	1 year	3 years	5 years
Objectif Capital Fi	0,91%	8,72%	11,92%	21,47%	64,32%
Chain Index	0,48%	10,81%	14,27%	25,01%	67,91%

* Performances données à titre indicatif s'appréciant à l'issue de la durée de placement recommandée

Modified duration	1,8	Spread duration	4,0	Average rating (issuer)*	A
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Yield to call	4,8%	Average rating (issues)*	BB+
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*Average of the best rating for each security

Yield to maturity	5,6%
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SCALE RISK**



**Risk scale calculated from the volatility of the UCITS over a period of 5 years (see detail on the back)

RISK RATIOS

	1 year	3 years
Volatility		
Objectif Capital Fi	4,28%	5,63%
Chain Index	4,41%	5,94%
Tracking error	2,19%	3,01%
Information ratio	-0,95	-0,32

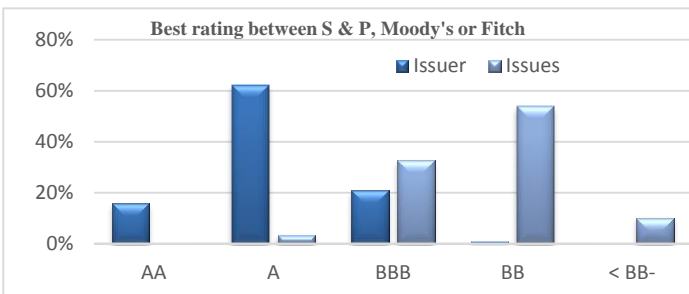
Ratios calculated on a weekly basis over 1 year and a monthly basis over 3 years

MAIN HOLDINGS

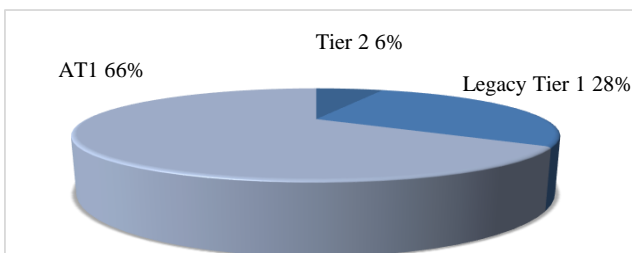
Main holdings

Bankia Sa 18/07/2099	AT1	4,2%
Dresdner 8,151% 30/06/2031	Legacy Tier 1	3,2%
HBOs Sterl.Fce 7,881% 09/12/2099	Legacy Tier 1	2,7%
Unicredit 22/05/2099	AT1	2,6%
Barclays Plc 10/08/2099	AT1	2,5%

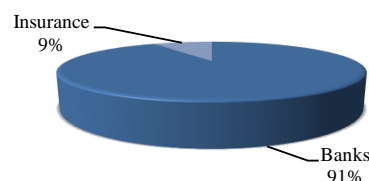
RATING ALLOCATION



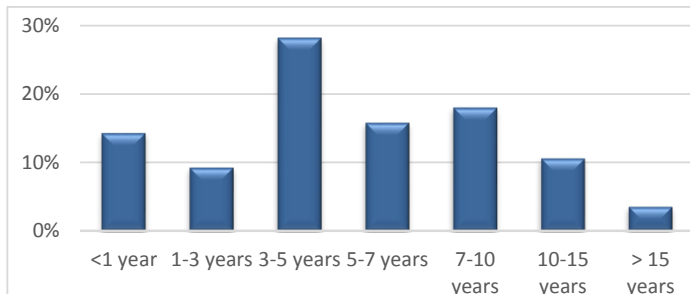
BREAKDOWN BY LEVEL OF SUBORDINATION



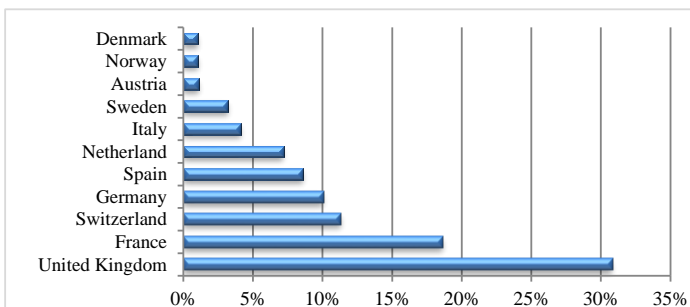
SECTOR ALLOCATION



BREAKDOWN BY MATURITY (AT CALL)



GEOGRAPHICAL DISTRIBUTION



FUND DETAILS

■ ISIN Code	IC Unit	FR0010952788	■ Custodian	CACEIS	■ 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
	R Unit	FR0010952796				R Unit : maximum of 1,75% inclusive of taxes
	DH Unit	FR0013072733				DH Unit : maximum of 1% inclusive of taxes
	IC H-CHF Unit	FR0013236783				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 & R 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					

**** 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 :
www.lazardfreresgestion.fr

Please consider a fund's investment objectives, risks, charges, and expenses carefully before investing. Read the prospectus or summary prospectus carefully before you invest. The prospectus and summary prospectus contain investment objectives, risks, charges, expenses, and other information about the Portfolio(s) and The Lazard Frères Gestion Funds that may not be detailed in this document. Distributed by Lazard Frères Gestion.

"The prospectus for Switzerland, the KIID, the articles of incorporation, the annual and semi-annual reports, as well as the list of the buying and selling transactions can be obtained free of charge from the representative of the Fund in Switzerland, ACOLIN Fund Services AG, Affolternstrasse 56, 8050 Zürich, Switzerland. The paying agent is Banque Cantonale de Genève, 17 Quai de l'Île, 1204 Geneva, Switzerland."