

Bonds and other euro-denominated debt securities	ISIN code	NAV €	Net assets (€m)
	FR0007055066	1 271.38	74.67

MANAGEMENT

INVESTMENT OBJECTIVE AND POLICY

The investment objective is to outperform the 3-month Euribor over a minimum recommended investment horizon of 12 months.

This objective is achieved through the management of primarily floating-rate bonds of any maturity and any subordination level. The nature of the investments will limit risk sensitivity. Credit risk is the primary vector of performance and risk. The fund has a sensitivity range of between 0 and 1. The risk, which is concentrated in financial institutions, particularly banks, is managed rigorously by using the internal financial analysis of the portfolio issuers.

MANAGEMENT COMMENTARY - Benjamin Le Roux

A month with mixed results for bonds: the continuing decline in political risk in France helped to dispel uncertainties about a possible breakup of the monetary zone. In addition, PMI indexes continued to show a positive trend, confirming the improvement in economic conditions in Europe, although this was offset at the end of the month by the slowdown in Eurozone inflation (from 1.9% to 1.4% in May), the resurgence of political risk in Italy and Brazil, the growing complexity of the cases involving Donald Trump, hampering the new administration's ability to push through reforms to support growth, and a lack of strong decisions by central banks.

The German government bond yield curve steepened slightly during the month in the 5-10 year segment, with the 10-year yield down 2bp to 0.30% and the 5-year yield down 4bp to -0.43%, while the 2-year yield fell 2bp to -0.73%.

Turning to peripheral bonds, spreads tightened across the board despite the resurgence of the political risk in Italy. Portugal remained buoyant, with the 10-year spread tightening by 48bp to 271bp.

Credit appreciated during the month. The spread against government bonds tightened by 3bp to 104bp for non-financial credit, by 6bp to 94bp for senior financial credit, and by 12bp to 195bp for financial subordinated credit (Merrill Lynch indices). The resurgence of political risk in Brazil weighed on spreads of Brazilian issuers as well as on those of non-Brazilian issuers exposed to the country, notably Casino, ABInBev and EDP.

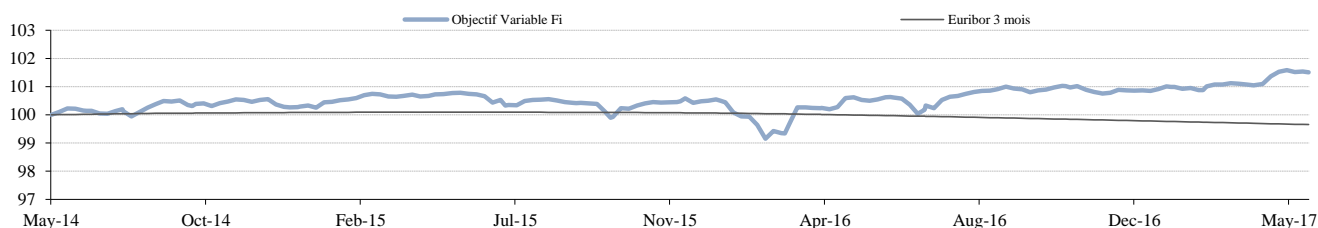
May was the strongest month this year so far in terms of primary issues.

The IG primary market, excluding covered bonds, totalled €30bn in gross issuance of financial bonds and €40bn of corporate bonds according to Barclays. Net bank issuance amounted to €11bn for financials and €28bn for corporate bonds. Since the beginning of the year, the issuance volume has reached €126bn in gross terms/-€24bn in net for financial debts and €138bn in gross terms/€70bn in net for corporate debts.

The portfolio's estimated margin against 3-month Euribor is 46bp. The modified duration is maintained close to zero. The allocation changed very marginally. The portfolio is invested 69% in senior debt and 25% in dated Lower Tier 2-type subordinated debt. The corresponding credit duration is stable at 2.6 years.

PERFORMANCES

HISTORICAL PERFORMANCE



Past performance indications is not a guarantee of current or future performance

PERFORMANCE

Cumulative performance*	1 month	3 months	YTD	1 year	3 years	5 years
Objectif Variable Fi	0.1%	0.6%	0.6%	0.9%	1.5%	14.9%
3-month Euribor*	0.0%	-0.1%	-0.1%	-0.3%	-0.3%	0.2%

Annualised performance*	2017	1 year	3 years	5 years
Objectif Variable Fi	1.6%	0.9%	0.5%	2.8%
3-month Euribor*	-0.3%	-0.3%	-0.1%	0.0%

Annual performance*	2017	2016	2015	2014	2013
Objectif Variable Fi	0.6%	0.3%	0.3%	1.5%	12.1%
3-month Euribor*	-0.1%	-0.3%	0.0%	0.2%	0.4%

* 3-month Euribor since 19 April 2012; previously capitalised Eonia.

Spread duration
Objectif Variable Fi
0.1

* The performance quoted represents past performance. Past performance does not guarantee future results.

SCALE RISK**



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

RISK RATIOS

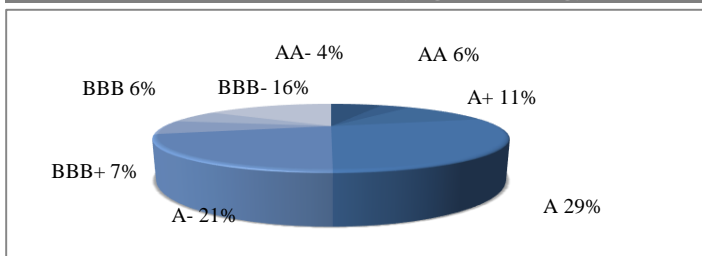
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Volatility	
Objectif Variable Fi	0.76%
3-month Euribor*	0.00%
Information ratio	1.56

Ratios calculated weekly

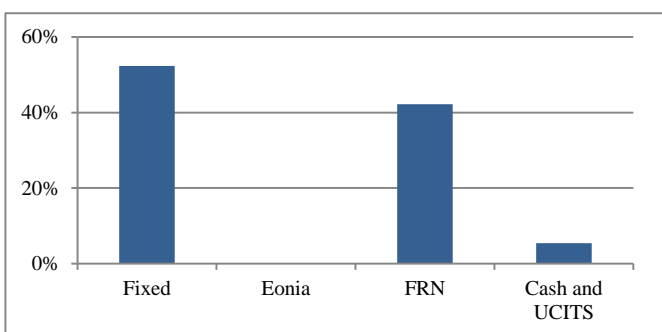
MAIN HOLDINGS

Main holdings (excluding UCITS)	%
Intesa Sanpaolo 06/2020 Senior	3.13%
HSBC Hold TV 09/2022	2.84%
BFCM 0,25% 06/2019 Senior	2.70%
CFCM Nord 07/2019 Senior	2.70%
Deutsche Bank TV 08/17	2.68%

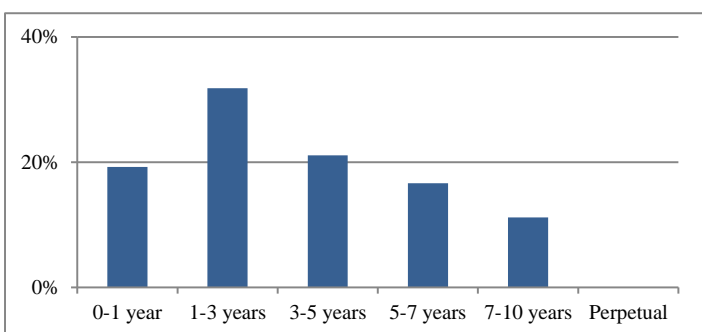
BREAKDOWN OF RATINGS (highest rating)



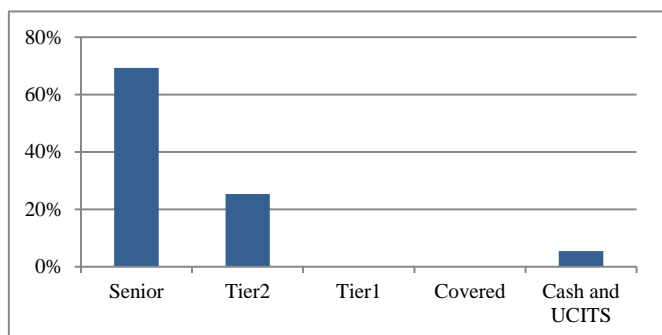
COUPON TYPE



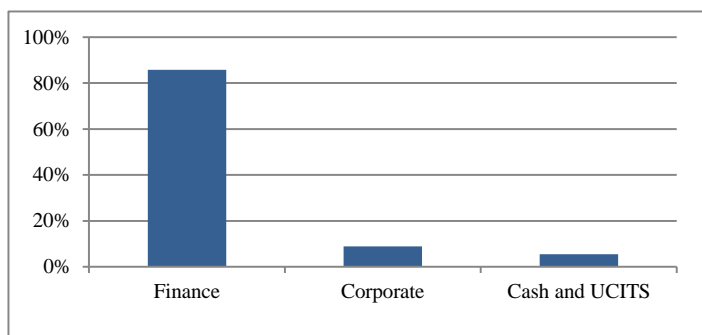
BREAKDOWN BY MATURITY (final maturity)



BREAKDOWN OF SUBORDINATION LEVEL



BREAKDOWN BY SECTOR



CARACTERISTIQUES

■ ISIN Code	FR0007055066	■ Custodian	Lazard Frères Banque	■ Subscription fees	
■ Bloomberg Code	OALLMEN FP	■ Management company	Lazard Frères Gestion SAS		maximum of 4% inclusive of taxes
■ Legal form	FCP	■ Taxation	Capitalization	■ Redemption fees	None
■ UCITS-Compliant		■ Inception date	2 February 2001	■ Outperformance fees	20% of the outperformance in excess of 3-month Euribor
■ AMF classification	Euro bonds	■ Management fees	0,30% inclusive of taxes	■ Subscription terms	Each business day by 11 am
■ Currency	Euro				<i>Settlement and value date:</i>
■ Investment horizon	Minus 12 months				<i>D (date of the NAV) + 1 business day</i>
■ Valuation	Daily				<i>Minimum subscription: 1 unit</i>
■ Modified duration	0 to 1				

** 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

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