

International bonds and debt securities	ISIN code	NAV €	Net assets (€ million) :	Total net assets (€ million) :
IVC unit	FR0010590950	14 415,48	462,23	<b>780,39</b>
RC unit created on 07/03/2009	FR0010752543	321,05	79,79	
IC unit created on 04/14/2014	FR0011844034	1 165,81	98,69	
IVD unit created on 08/08/2014	FR0012074151	100,84	56,44	
ID unit created on 14/03/2018	FR0013306743	957,76	48,20	
TC unit created on 01/31/2018	FR0013305935	190,08	30,28	
	<b>ISIN code</b>	<b>NAV \$</b>	<b>Net assets (\$ million) :</b>	
IC USD unit created on 01/07/2016	FR0013305935	1 184,25	4,21	
	<b>ISIN code</b>	<b>NAV CHF</b>	<b>Net assets (\$ million) :</b>	
IC H-CHF unit created on 03/20/2017	FR0013076932	1 026,18	1,19	

**MANAGEMENT**

**INVESTMENT POLICY**

The management objective aims to achieve, on a minimum investment horizon of 3 years, a performance net of fees of Eonia + 2,70% for the IVC and IVD shares, Eonia + 2,30% for the I shares, Eonia + 2% for the RC shares, ICE Libor USD Overnight denominated in USD for the IC USD share and Libor CHF denominated in CHF for the IC H-CHF share. 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 UCIT will only invest into debts or securities issued by companies incorporated in an OECD country and/or in issues or securities listed on a stock exchange of those countries. The UCIT only invests in securities negotiated in Euro, dollar and sterling.

**FUND MANAGER'S COMMENT - François Lavier - Alexis Lautrette**

The net asset value of Lazard Credit Fi fell by -1,14% over the month (IVC share).

Spreads on financial debt have all widened. Tier 2 bonds increased by 30 bps to end the month at 250 bps and Senior debts by 11 bps to 111 bps according to JP Morgan's SUSI indices. AT1s in OAS widened by 26 bps to end at 412 bps according to Bloomberg Barclays Global Index.

The German government bond yield curve shifted down during the month, with the 10-year yield down 9 bps to 0,38% ,the 5-year yield fell 10 bps to -0,19% ,while the 2-year yield decreased 9 bps to -0,62%.

Lazard Credit Fi posted a net performance of -2,83% year-to-date compared with -1,85% for the JP Morgan SUSI Lower Tier 2 and -3,86% for the Barclays Global Contingent Capital € Hedged Index.

Lazard Credit Fi has a 260-day volatility of 2,1% vs 2,0% for the SUSI Lower Tier 2 and 3,5% for the Barclays Global Contingent Capital € Hedged Index.

The quick rise of American Rates at the beginning of the month (up to 3.25% for the 10Y) and in uncharted territory has driven in negative territory risky assets, among which Equities.

Italian risk came back in October, with a more aggressive tone between the EU and the local government, which resulted in a large widening of the BTP-Bund spread (326 bps at the widest before ending the month at 304 bps) and therefore on subordinated debts of Financials, Italian's ones in the lead. However, the worst case scenario did not occur with rating agencies: downgrade to Baa3 by Moody's but with a stable outlook and an affirmation by S&P at BBB but with a negative outlook.

Spanish banks have been hit following an unexpected judgment by the Supreme Court on the payment of a local tax on mortgages, and its possible retroactivity that appears however unlikely. On the Brexit side, both parties seem close to an agreement if we believe the statements of Dominic Raab, Secretary of State for exiting the EU.

The first results of Q3 have been relatively boring, which is a good news for creditors. We can highlight the moderate impact of Turkey for BBVA and ING, the very solid results of Caixa Geral de Depositos as well as an excellent generation of capital for Danske Bank.

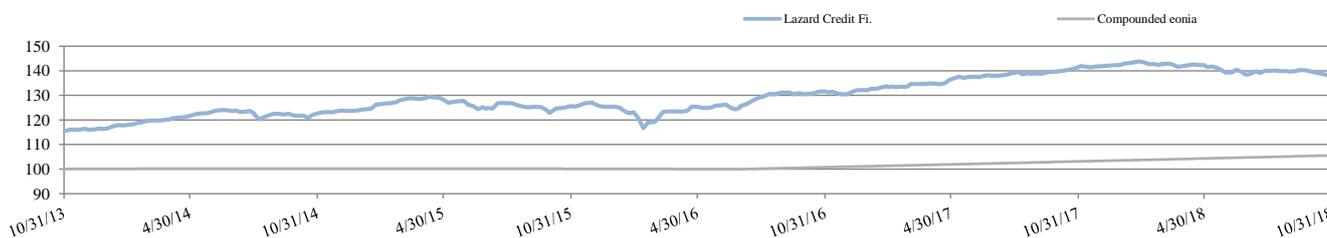
We reduced the weight of securities in US\$ and increased our exposure to Danske Bank, Caixa Geral de Depositos and Spanish banks following the judgment sell-off.

On the primary side, the market was not very active with Lloyds in \$ AT1. The primary market, excluding covered bonds, totaled €7 bn in gross issuance according to Barclays, with net bank issuance totaling -€5 bn over the month. Since the beginning of the year, gross issuance has represented €222 bn and net issuance +€75 bn.

Lazard Credit Fi has a yield to maturity of 4,2% (without hedging costs), a yield to call of 3,8% (without hedging costs) and 2,7% to call in EUR (with hedging costs) with a modified duration of 2,6 and a credit duration of 4,4.

**PERFORMANCE**

**HISTORICAL PERFORMANCE**



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

**PERFORMANCE**

Annualized performance	2018	2017	2016	2015	2014
<b>Lazard Credit Fi.</b>	<b>-2,83%</b>	<b>7,74%</b>	<b>5,27%</b>	<b>1,14%</b>	<b>6,53%</b>
Compounded eonia	1,97%	2,36%	1,03%	-0,11%	0,10%

Cumulative performance*	Month	YTD	1 year	3 years	5 ans
<b>Lazard Credit Fi.</b>	<b>-1,14%</b>	<b>-2,83%</b>	<b>-2,29%</b>	<b>10,08%</b>	<b>19,76%</b>
Compounded eonia	0,21%	1,97%	2,36%	5,42%	5,47%

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

Modified duration	2,6	Spread duration	4,4
Yield to maturity (Without hedging costs)	4,2%	Average rating (issuer)*	BBB+
Yield to call (Without hedging costs)	3,8%	Average rating (issues)*	BBB-
Yield to call (With hedging costs)	2,7%		

\*Average of the best 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 RATIOS**

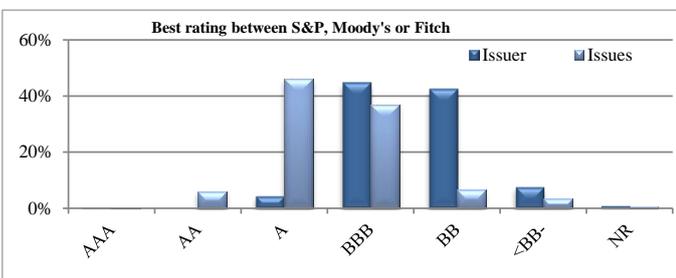
	1 year	3 years
<b>Volatility</b>		
Lazard Credit Fi.	2,58%	4,57%
Compounded eonia	0,01%	0,32%
<b>Tracking error</b>	2,58%	4,09%
<b>Information ratio</b>	-1,80	0,35

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

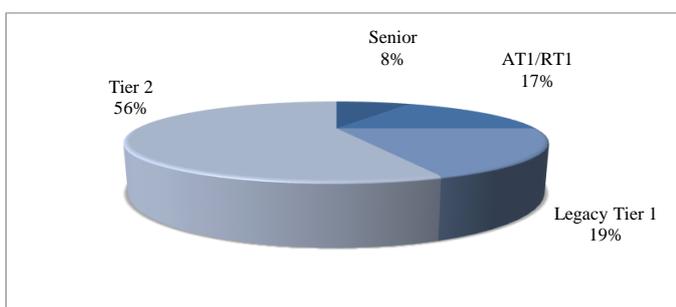
## MAIN HOLDINGS

Main holdings		%
Fortis Bank 31/12/2049	Legacy Tier 1	2,4%
Dresdner 8,151% 06/2031	Legacy Tier 1	2,2%
Caixa SA 2,75% 07/2028	Tier 2	1,8%
HSBC TV Perp 05/11/2099	Legacy Tier 1	1,6%
Caixa Geral 5,75% 06/2028	Tier 2	1,0%

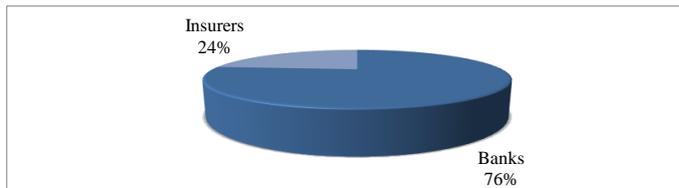
## RATING ALLOCATION



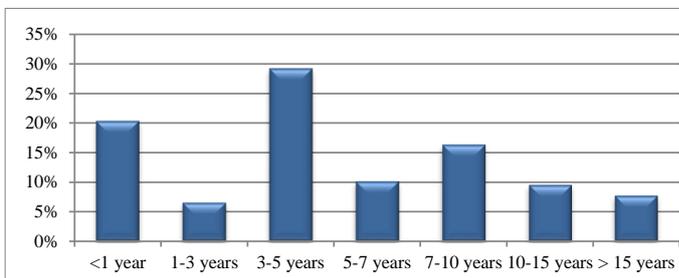
## BREAKDOWN BY LEVEL OF SUBORDINATION



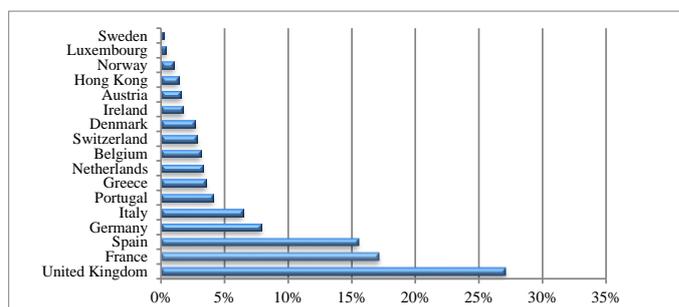
## SECTOR ALLOCATION



## BREAKDOWN BY MATURITY (AT CALL)



## GEOGRAPHICAL DISTRIBUTION



## FUND DETAILS

■ <b>ISIN Code</b>	IVC unit: FR0010590950 RC unit: FR0010752543 IC unit: FR0011844034 IVD unit: FR0012074151 IC USD: FR0013076932 TC Unit: FR0013305935 IC H-CHF Unit: FR0013236791 RD Unit: FR0013306735 ID Unit: FR0013306743	■ <b>Custodian</b>	CACEIS Bank	■ <b>Management fees</b>	IVC unit: maximum of 0,3% inclusive of taxes RC unit: maximum of 1% inclusive of taxes IC unit: maximum of 0,7% inclusive of taxes IVD unit: maximum of 0,3% inclusive of taxes TC unit: maximum of 0,7% inclusive of taxes IC USD unit: maximum of 0,75% inclusive of taxes RD unit: maximum of 1% inclusive of taxes ID unit: maximum of 0,7% inclusive of taxes
■ <b>Bloomberg Code</b>	LFOBJFI/LFOBJFR/ LAZOCFI/LAZOCFG	■ <b>Taxation</b>	Capitalization	■ <b>Subscription fees</b>	IC H-CHF unit: maximum of 0,75% inclusive of taxes
■ <b>Legal form</b>	FCP	■ <b>Subscription terms</b>	IVD Unit : Distribution	■ <b>Redemption fees</b>	maximum of 4% inclusive of taxes
■ <b>UCITS-Compliant</b>	Yes	■ <b>Subscription date</b>	03/07/2008	■ <b>Outperformance fees:</b>	RC, TC, RD, ID unit: maximum of 2% inclusive of taxes; else units: none
■ <b>AMF classification</b>	International bonds	■ <b>Settlement and value date:</b>	Each business day by 12 am	■ <b>IC, RC and IVD units:</b>	30% of the outperformance in excess of Eonia + 3% These fees will be limited to 2%
■ <b>Currency</b>	Euro	■ <b>Subscription:</b>	J (date of the NAV) + 2 business days	■ <b>IC, IC USD et IC H-CHF unit:</b>	none
■ <b>Investment horizon</b>	> 3 years	■ <b>Redemption:</b>	J + 2 business days		
■ <b>Valuation</b>	Daily	■ <b>Total expense ratio and transaction fees</b>			
■ <b>Modified duration</b>	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."