LAZARD CREDIT OPPORTUNITIES

LAZARD FRÈRES GESTION

03 / 2024 | PVC Share - EUR/International bonds

Total net assets	1356.83 M€	**Inception date**	14 Jan 2020	**MORNINGSTAR**	
NAV	1215.55 €	**ISIN Code**	FR0013432143	**OVERALL**	★★★★
		Bloomberg Code	LOOE18P	**SFDR Classification**	**Article 8**

Country of registration

MANAGER(S)

Eléonore BUNEL

INVESTMENT POLICY

The management objective is to obtain, over the recommended investment period of 3 years, a performance net of fees higher than that of the reference indicator Capitalized Ester + margin (from 1.25% to 2.40% depending on the units) for units expressed in Euro, Fed Funds + margin (1.25% to 2% depending on the units) for units expressed in USD and SARON + 2.40% for the unit expressed in CHF.

RISK SCALE**

– 1 2 3 4 5 6 7 +

Recommended investment period of 3 years

BENCHMARK INDEX

€ster capi + 2,4%

FEATURES

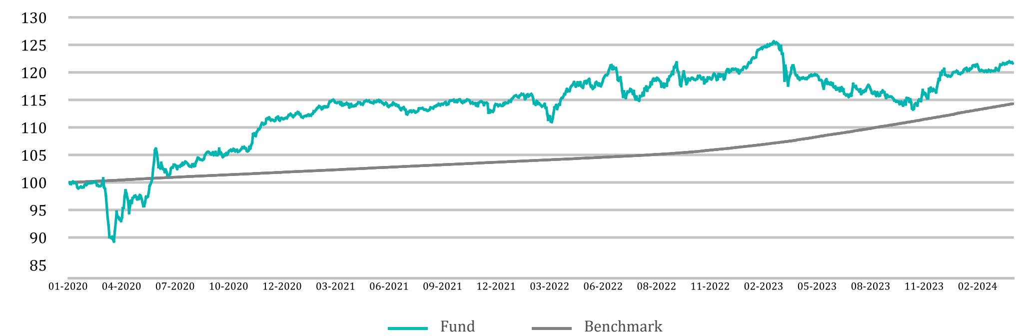
Legal Form	SICAV
Legal Domicile	France
UCITS	Yes
SFDR Classification	Article 8
AMF Classification	International bonds
Eligibility to PEA (personal equity savings plan)	No
Currency	EURO
Subscribers concerned	Institutional
Inception date	14/01/2020
Date of share's first NAV calculation	14/01/2020
Management company	Lazard Frères Gestion SAS
Custodian	CACEIS Bank FR S.A
Fund administration	CACEIS Fund Admin
Frequency of NAV calculation	Daily
Order execution	For orders placed before 12:00 pm subscriptions and redemptions on next NAV
Subscription terms	D (NAV date) + 2 business day
Settlement of redemptions	D (NAV date) + 2 business day
Share decimalisation	Yes
	No
Minimum investment	1 share
Subscription fees	Nil
Redemption fees	Nil
Management fees (max)	0.60%
Performance fees ([1])	20% of the performance over the benchmark
Current expenses	0.60%

**Risk scale : For the SRI methodology, please refer to Art. 14(c) , Art. 3 and Annexes II and III PRIIPs RTS

([1]) Please refer to the Prospectus for more details about the performance fees

(3) Ratios calculated on a weekly basis

HISTORICAL NET ASSET VALUE (10 YEARS OR SINCE INCEPTION)



Past performance is no guarantee of future performance and is assessed at the end of the recommended investment period.

HISTORICAL PERFORMANCE

	Cumulative						Annualized	
	1 Month	YTD	1 Year	3 Years	5 Years	Inception	3 Years	5 Years
Fund	1.12%	1.14%	0.34%	6.23%		21.65%	2.03%	
Benchmark	0.49%	1.59%	6.25%	11.67%		14.29%	3.75%	
Difference	0.63%	-0.45%	-5.91%	-5.45%		7.36%	-1.72%	

PERFORMANCE BY CALENDAR YEAR

	2023	2022	2021
Fund	-0.22%	5.11%	2.72%
Benchmark	5.82%	2.44%	1.88%

TRAILING 1Y PERFORMANCE

	Fund	Benchmark
2024 03 31	0.34%	6.25%
2023 03 31	4.01%	3.17%
2022 03 31	1.78%	1.88%
2021 03 31	22.24%	1.92%

RISK RATIOS***

	1 Year	3 Years
Volatility		
Fund	5.90%	6.34%
Benchmark	0.06%	0.27%
Tracking Error	5.89%	6.34%
Information ratio	-1.01	-0.27
Sharpe ratio	-0.57	0.12

PORTFOLIO CHARACTERISTICS

	Yield to worst	Yield to call	Yield to maturity	Spread vs Govies (bps)	Modified Duration	Credit Sensitivity
Gross (Net hedge FX)	5.3%	5.8%	6.2%	210	2.5	2.5
Net (hedged FX/CDS/Taux)	3.9%	4.4%	4.7%	210	3.8	2.5

Estimates of yields, OAS spreads or sensitivities are based on LFG's best judgment for all securities included in the portfolio as of the date mentioned (cash excluded). LFG does not provide any guarantee.

AVERAGE RATING

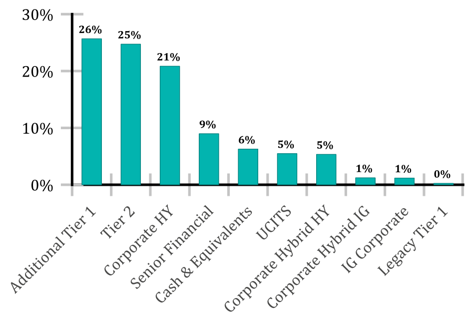
Issues Rating*	Issuers Rating*
BB	BBB-

**Average rating*

MAIN HOLDINGS

Holdings	Weight
LEASEPLAN TV 19-29MY--S	1.3%
ACCOR SA TV (EMTN) 19-30OC--A	1.1%
CARNIVAL CORP 75/8%20-01MR26S	1.1%
AIB GROUP PLC TV 19-19NO29A	1.0%
CAIXABANK SA TV 23-30MY34A	1.0%

SUBORDINATION BREAKDOWN (%)

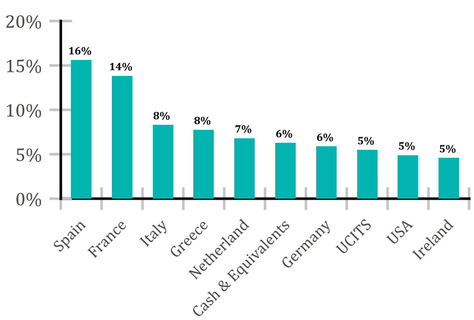


CURRENCY BREAKDOWN (%)

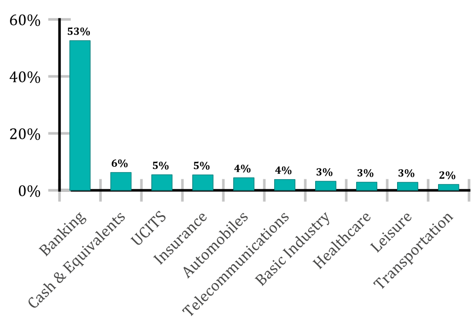
Currencies	Net weight
EUR	99.6%
USD	-1.9%
JPY	2.3%

**Net exposure of FX hedges.*

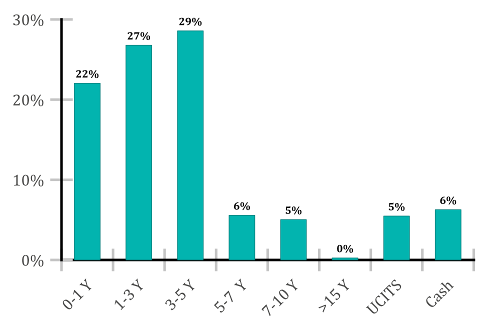
GEOGRAPHICAL BREAKDOWN % (Top Ten)



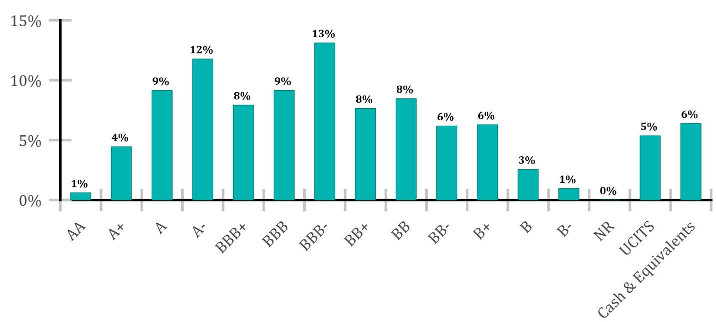
SECTOR BREAKDOWN % (Top Ten)



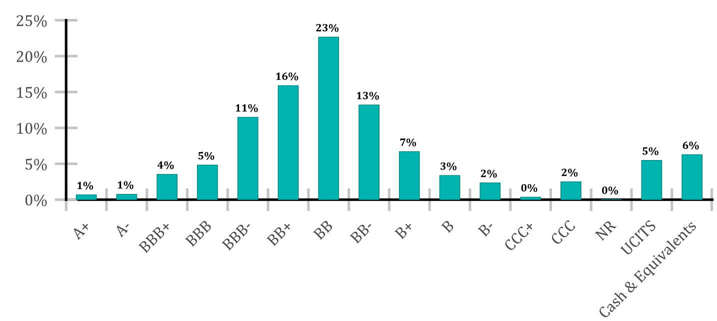
MATURITY BREAKDOWN (Maturity Date)



ISSUER RATING BREAKDOWN (%)



ISSUE RATING BREAKDOWN (%)



FUND MANAGERS COMMENT

March was marked by the status quo from the Federal Reserve (Fed) and the European Central Bank (ECB), the decoupling of the US and Eurozone economies, and the end of the negative interest rate policy in Japan, as the Bank of Japan raised rates for the first time in 17 years. In the United States, while the CPI index for February, which came in higher than expected, raised fears of nasty surprises on the inflation front, the fact that the February PCE index came in at +0,3% as expected reduced the risk of a negative surprise for the Fed. At the same time, activity and employment remained buoyant. In the Eurozone, although some figures published during the month were encouraging, the situation remains complex. Inflation is slowing down, but the economy remains sluggish. Germany continues to send out less than reassuring signals, with manufacturing sector figures showing just how fragile it is. In addition, the publication of declining retail sales indicates that consumers are nervous. In France, the fiscal deficit overrun calls for additional efforts to reassure the various rating agencies, which could be costly in terms of growth. At the end of March, the markets only priced in between two and three 25bp cuts in the United States and between three and four 25bp cuts in the Eurozone. German and US 10-year yields fell by 11bp to 2,30% and by 5bp to 4,30%, respectively. The rebound in Brent crude oil of almost 8% over the month, which went unnoticed, had very little impact on inflation expectations, which remained broadly stable on both sides of the Atlantic.

Financial debt performed well in March, with spreads tightening by -12bp Senior, -16bp T2 to -70bp (AT1 in euros), despite a busy primary market with €41,7 billion issued by European banks, the bulk of which was senior debt (78% of the total amount issued). For subordinated debt, we saw a lot of refinancing, with issuers buying back existing bonds at the same time to facilitate the reinvestment process. Despite new issue premiums close to zero (sometimes negative), supply was well absorbed by the market thanks to the support of inflows into credit funds. The earnings season ended with reports from insurers and small banks, including record results from German banks LBBW and Helaba, which allayed fears about the German CRE, and those from Deutsche Pfandbriefbank, which were well received. The results were less 'historic' for insurers, but nonetheless solid and consistent, with the weaker underwriting results of some P&C companies offset by strong investment returns, and solvency remaining well above management targets and often above 200%.

On investment grade corporate credit, credit spreads tightened over the month for Seniors (-8bp) and hybrids (-12bp). The combination of positive interest rate and credit effects enabled the asset class to generate a positive performance of +1,19% over the month. Sectors tightened across the board. Real estate continued to outperform, as it has since the start of the year. The health, leisure and services sectors also performed well. Overall, results continued to be in line with expectations. The primary market remains very active, with over €40 billion of issues. Responsible formats accounted for over 30% of volumes issued. Multi-tranche issues were well represented and issuers took advantage of the curve profile to significantly lengthen maturities, which averaged 10 years. The largest deal was Ab Inbev, which issued a triple tranche (7, 13 and 20 years) for €4 billion. In hybrids, Tennet presented a double NC5 and NC8 green tranche for a total of €1,1 billion, with yields of 4,7% and 4,9% respectively. Arkema and Orange also issued in the segment. Overall, demand was strong, supported by inflows into the asset class, with order books oversubscribed by an average of more than 4x and limited or even negative concessions.

High Yield corporate credit posted a performance of +0,44% in March thanks to carry trades and the positive contribution from the fall in sovereign yields (-11bp for the German 5-year). Risk premiums widened slightly (+4bp) with single-B ratings widening against BBs. Over the month, BB credit clearly outperformed CCC ratings and, to a lesser extent, single-B credit. Against this backdrop, primary market issuance hit a record €10,4 billion, the largest monthly volume since November 2021. Only the telecommunications and capital goods sectors posted negative performances, affected by idiosyncratic risk of certain issuers. The best performers continued to be the real estate sector, and in particular bonds trading at a deep discount (CPI, Heimstaden), which continued the recovery that began at the end of the year. The energy sector was up, buoyed by oil prices and good momentum in the oil industry.

The fund posted a positive performance across all units. The interest rate effect was positive given the widespread fall in rates. The long yen position made a negative contribution to performance. The credit effect was positive thanks to carry and the favourable change in risk premiums. The fund is actively managed within a modified duration range of 0 to 5.

CONTACTS AND ADDITIONAL INFORMATION

Glossary :

Alpha represents the return of a portfolio that is attributable to the manager's investment decisions.
Beta measures a fund's sensitivity to movements in the overall market.
Information ratio represents the value added by the manager (excess return) divided by the tracking error.
Sharpe ratio measures return in excess of the risk free rate for every unit of risk taken.
Tracking error measures the volatility of the difference between a portfolio's performance and the benchmark.
Volatility is a measure of the fund's returns in relation to its historic average.
Yield to Maturity indicates the rate of return generated if a security is held to its maturity date.
Coupon Yield is the annual coupon value divided by the price of the bond.
Average Credit Spread is the credit spread of a bond over LIBOR, taking into account the value of the embedded option.

Average Rating is the weighted average credit rating of bonds held by the Fund.

Modified Duration is the percentage change in the value of a bond resulting from a 1% interest rate change.

Average Maturity is the average time to maturity of all bonds held by the Fund.

Spread Duration is the sensitivity of a bond price to a change in spreads.

Yield is the internal rate of return of a bond if held to maturity, but not accounting for conversion features of a convertible bond.

Delta represents the sensitivity of convertible bonds held by the Fund to a change in the underlying security price.

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