

Lazard High Yield Corporate Debt Strategy

(Benchmark index: Merrill Lynch HEAG net dividends)

Description: The High Yield Corporate Debt strategy invests primarily in High Yield corporate bonds – excluding financials – denominated in Euro. The strategy is based on a fundamental analysis at both the issuer and the issuance levels, in order to be focused on investment ideas translating Lazard's strong convictions.

Derivatives such as futures, swaps, CDS, options and forward exchange on regulated markets to hedge and/or expose to equity, interest rate, currency and volatility risk may be used.

Pure exposure to Euro High Yield corporate

Lazard High Yield Corporate Debt strategy provides **pure exposure to the corporate High Yield market segment** (excluding financials), denominated in **euro**

The strategy invests across the full rating spectrum, from "BB+" ratings to credits under pressure up to "CCC+"

Active and Flexible investment philosophy

Dual **top-down** and **bottom-up** approach

Active and flexible investment approach on both **beta** (directional) and **alpha** (stock selection)

Diversified portfolio in terms of number of issuers

Rigorous Credit Risk monitoring

Daily portfolio review

Weighting of securities according to the **credit risk profile**

Active and rigorous idiosyncratic risk management

High Yield universe features

1. Spread Volatility

Unlike the Investment Grade segment, **the volatility of spreads on the High Yield market is significantly higher** and requires an **active directional credit approach**.

The directional credit approach is predominant compared to the interest rate risk in the high yield

2. Default Risk

There are several investment approaches for addressing the default risk that is specific to high-yield issuers.

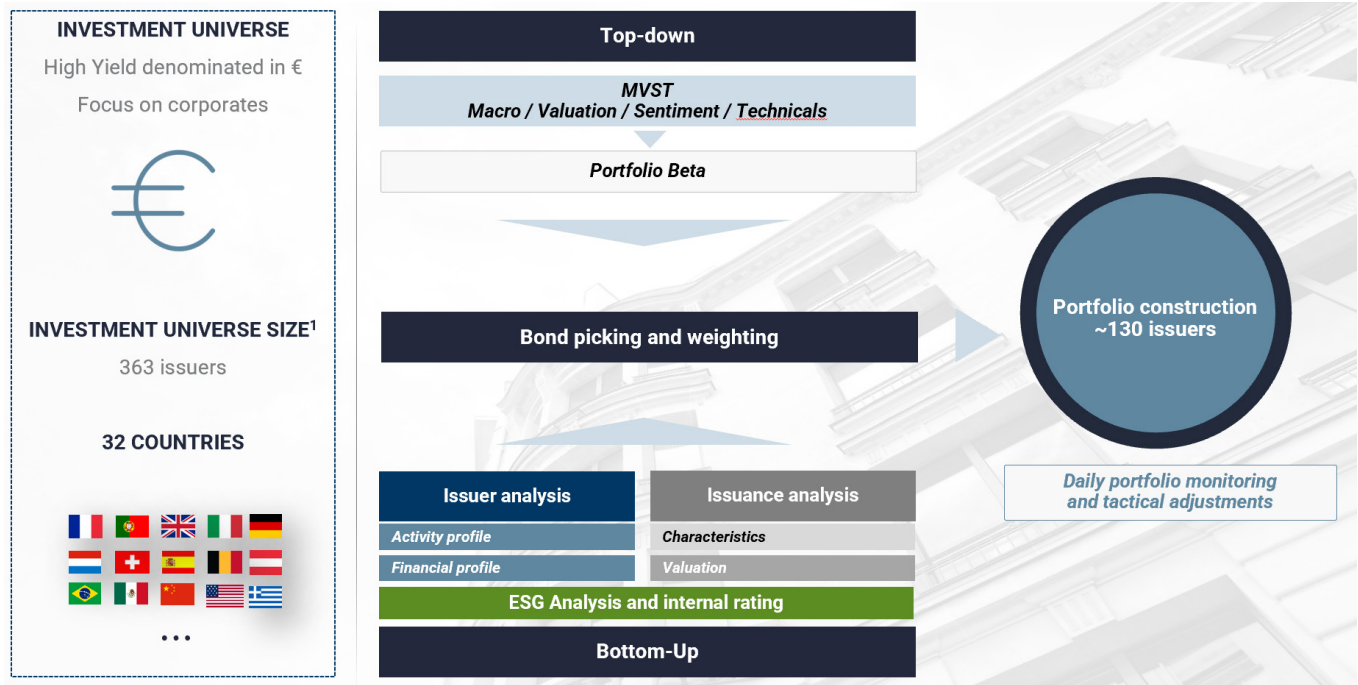
Average annual default rate: 2.7%¹ (2005-2020)

Active and rigorous idiosyncratic risk monitoring is essential


Source: Lazard Frères Gestion. For illustrative purpose only.

¹ Moody's.

Investment Process: Lazard High Yield Corporate Debt GIPS Strategy representative account



Lazard's Euro High Yield Capabilities




Alexia Latorre, CFA | Head of | Portfolio Manager – Analyst | Head of Corporate High Yield Debt
17 years of experience at Lazard Frères Gestion

- In charge of the strategy since its launch in 2007
- Relying on global resources:** 16 European credit analysts (11 analysts in Paris | 5 analysts in Frankfurt) / Monthly meeting with the Global Fixed Income team
- Collaboration with equity analysts**
- A **proven track record** and rewarding results
- Corporate High Yield strategy AUM: **approximately € 500M**

3 analysts covering the European High Yield universe | **+60 one-on-one meetings with issuers in 2021**



Andreea Grecu
Portfolio Manager - Analyst



Qihang Zhang
Portfolio Manager - Analyst



Source: Lazard Frères Gestion, as of 31 December 2021.

¹ Bloomberg : HEAE Index, index composition as of December 2021.

Environmental, social and governance (ESG) criteria are integrated into our investment approach through an internal analysis and rating model that directly influences investment decisions without being a determining factor in decision making.

Our team is traditionally stable, unfortunately, we are unable to guarantee the presence of the managers listed above during the life of the product. The information listed above is current as of the date of this presentation.

Main risks

Risk of capital loss: The strategy does not provide any guarantees or capital protection. It is therefore possible that you may not recover the full amount of your initial investment.

Interest rate risk: Risk of a fall in the value of equities, and hence in the portfolio, resulting from a change in interest rates. Because of its sensitivity range, the value of this component of the portfolio may decrease, either in the case of a rise in interest rates if the portfolio's sensitivity is positive, or in the case of a fall in interest rates if the portfolio's sensitivity is negative.

Credit risk: Credit risk is the risk that the borrower does not repay his debt or cannot pay the coupons during the lifetime of the security. Risk of a fall in the value of equities, and hence in the portfolio, due to a change in the credit quality of the issuers or to the change in credit spreads. Because of its credit sensitivity range, the value of this component of the portfolio may decrease, either in the case of a rise in spreads, if the portfolio's credit sensitivity is positive, or in the case of a fall in spreads if the portfolio's credit sensitivity is negative.

Risks linked to contingent or subordinated securities: The strategy may be exposed to contingent or subordinated securities. Subordinated debt and contingent convertible bonds are subject to specific risks of non-payment of coupons and capital loss in certain circumstances. At a certain solvency threshold, referred to as the "trigger" threshold, the issuer may or must suspend the payment of coupons and/or reduce the nominal value of the security or convert such bonds into shares. Notwithstanding the thresholds specified in the issuing prospectuses, the supervisory authorities may apply these rules preventively if the circumstances require, based on a subjective threshold known as the "point of non-viability". These securities expose holders to either a total or partial loss of their investment following their conversion into shares at a predetermined price or because of the application of a discount provided for contractually in the issuing prospectus or applied arbitrarily by a supervisory authority. Holders of these securities are also exposed to potentially large price fluctuations in the event that the issuer has insufficient equity or experiences difficulties.

Currency risk: The strategy may invest in securities and UCIs that are themselves permitted to purchase stocks denominated in currencies other than the euro. The value of these assets may decline in line with changes in the exchange rates.

Liquidity risk: This is the risk that a financial market can absorb the volumes of sell (or buy) transactions only by significantly decreasing (or increasing) the price of assets when trade volumes are low or when there are market tensions, resulting in a possible decrease in the fund's net asset value.

Equity risk: Investors are exposed to equity risk. Fluctuations in share prices may have a negative impact on the fund's net asset value. The fund's NAV may decrease during periods in which equity markets are falling.

Counterparty risk: Counterparty risk is related to the use of over-the-counter products. The strategy is exposed to the risk of non-payment or delivery by the counterparty with which the transaction is negotiated. This risk may result in a decline in the fund's NAV.

Risk associated with investment in the futures markets: The use of derivatives may cause exposure to an upward or downward change of the fund's net asset value.

Sustainability risk : Any environmental, social or governance event or situation that, if it occurs, could have an actual or potential negative impact on the value of the investment. Specifically, the negative effects of sustainability risks can affect issuers via a range of mechanisms, including: 1) lower revenues; 2) higher costs; 3) damage or impairment of asset value; 4) higher cost of capital; and 5) fines or regulatory risks. Due to the nature of sustainability risks and specific issues such as climate change, the likelihood of sustainability risks impacting returns on financial products is likely to increase in the longer term.

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