

PROMOTIONAL Document intended for professional investors.

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Lazard Frères Gestion | Fund Update

Lazard Credit Opportunities

September
2022



Investment objective: to achieve performance net of management fees over the recommended three-year investment period that exceeds the benchmark index: capitalised €STR + 2.00%. The benchmark is denominated in euros (PC EUR units).

Fund description : Lazard Credit Opportunities is a global, flexible and non-benchmarked fixed income fund. The fund can invest across the entire fixed income spectrum to seize the numerous opportunities offered by the various sub-asset classes (sovereign debt, investment grade and high yield corporate debt, senior and subordinated financial debt, and emerging market debt). This strategy uses a multitude of performance drivers, including yield curve positions, geographic and sector diversification, subordination levels, and actively managed interest rate and credit risk.

Tactical trades over the summer

- **Early July**, given the uncertainties in Europe regarding natural gas supply, we decided to:
 - **make neutral the overall portfolio modified duration** (from -4.7 to approx. 0.0)
 - **increase our credit risk hedging** (CDS on index) **in order to bring the spread duration around 0.**
- **On 21 July**, as the risk of a gas cut-off in Europe faded, we:
 - **repositioned the portfolio modified duration in negative territory** (approx. -4.7 | short positions on US and European 2Y and 5Y interest rates
 - **took advantage of the momentum** (return of investors to the Investment Grade segment, good earnings season in Q2) **to tactically increase the portfolio exposure to Investment Grade and High Yield credit.**
- **Early August**, after a credit risk premiums tightening, and with no shift in our fundamental view, **we took profits on our tactical credit positions initiated in late July** (« Main IG » and « Xover »). This positioning was supported by the **hawkish speeches of the Fed** in Jackson Hole at the end of the month and of the **ECB** at the beginning of September, with a first rate hike of 75 bp.

Portfolio positioning

- We maintain the overall **modified duration in negative territory**
- We favour **short maturity securities**
- We maintain a **cautious approach to credit.**

Key figures as of 31.08.2022

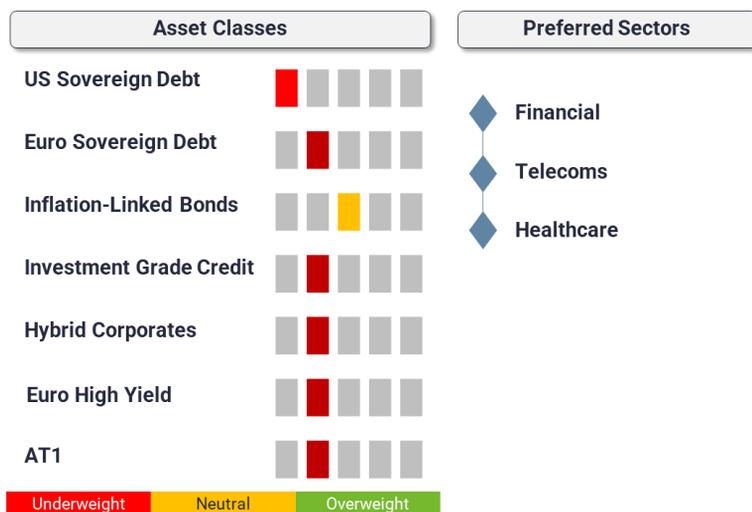
AUM	Yield to maturity / to worst	Modified duration	Spread duration
€ 647m	Gross 5.5% / 5.3% Net 4.4% / 4.3%	-2.8	2.1

Source: Lazard Frères Gestion, Bloomberg as of 31 August 2022. **Unaudited data. For illustration purposes only. Allocations can vary over time. This document is not delivering advice or any recommendation to buy or sell. Past performance does not guarantee future performance.** For more information on fund characteristics, please refer to the prospectus, which is available upon request from Lazard Frères Gestion, or on the website www.lazardfreresgestion.fr.
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Lazard Credit Opportunities

Fundamental outlook



Net performance as of 31/08/2022 (% in euros)



Annual performance (%)	New strategy									
	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Lazard Credit Opportunities – PC share	2.8%	13.2%	8.8%	-7.2%	6.5%	6.5%	-1.6%	2.2%	7.2%	24.4%
Index ²	1.2%	1.3%	1.4%	1.4%	-0.4%	-0.3%	-0.1%	0.1%	0.1%	0.2%

Risks ³	Volatility	
	Fund	Index
1 year	6.8%	0.0%
3 years	8.1%	0.0%

Source: Lazard Frères Gestion, as of 31 August 2022.

1. Source: Morningstar, comparison universe including open-ended funds distributed in Europe, referenced in the Morningstar database at the calculation date, priority to the institutional share class.

2. Index: €STER + 2%.

3. Calculated on a weekly basis over 1 and 3 years.

Past performance is not indicative of future performance. The above performance data is for information purposes only and should be assessed over the recommended investment period.

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Lazard Credit Opportunities

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Emerging and developing markets: Emerging and developing markets can face significant political, economic or structural challenges. The portfolio may experience delays in buying, selling and claiming ownership of investments and there is an increased risk that the portfolio may not get back the money invested.

Fixed income: Yields from bonds reflect in part the risk rating of the bond issuer. Investment in lower rated bonds increases the risk of default on repayment and the risk to capital of the portfolio. High yielding assets may carry a greater risk of capital values falling or have limited prospects of capital growth or recovery. Investment in high yield securities involves a high degree of risk to both capital and income. Yields from bonds reflect in part the risk rating of the bond issuer. Investment in lower rated bonds increases the risk of default on repayment and the risk to capital of the portfolio.

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Lazard Credit Opportunities

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