

# **French open-end investment fund (FCP)**

## **LAZARD CREDIT FI SRI**

### **ANNUAL REPORT**

at 31 March 2021

**Management company: Lazard Frères Gestion SAS**

**Custodian: Caceis Bank**

**Statutory auditor: Deloitte & Associés**

Lazard Frères Gestion SAS - 25 rue de Courcelles, 75008, Paris

## CONTENTS

1.	CHARACTERISTICS OF THE UCI	3
2.	CHANGES AFFECTING THE UCI	11
3.	MANAGEMENT REPORT	12
4.	REGULATORY INFORMATION	19
5.	CERTIFICATION BY THE STATUTORY AUDITOR	35
6.	ANNUAL FINANCIAL STATEMENTS	40

## 1. CHARACTERISTICS OF THE UCI

- **LEGAL FORM**

French open-end investment fund (*Fonds Commun de Placement*).

- **CLASSIFICATION**

International bonds and other debt securities.

- **ALLOCATION OF DISTRIBUTABLE INCOME**

RVC EUR, PC EUR, PVC EUR, PC H-USD, PC HCHF, TC EUR units:

Distributable income shall be fully accumulated, with the exception of those amounts subject to compulsory distribution by law.

RVD EUR, PD EUR, PVD EUR units:

Net income is distributed in full and the allocation of net realised capital gains is decided each year by the management company. It may pay interim dividends.

- **INVESTMENT OBJECTIVE**

RVC EUR units, RVD EUR units, PC EUR units, PD EUR units, PVC EUR units, PVD EUR units, TC EUR units:

The fund's investment objective is to achieve, by applying Socially Responsible Investment (SRI) type management, a performance net of management fees over the recommended investment period of 3 years that exceeds that of the following benchmark: ICE BofAML Euro Financial Index. The benchmark index is expressed in euros. Net dividends or coupons are reinvested.

PC H-USD units:

The fund's investment objective is to achieve, by applying Socially Responsible Investment (SRI) type management, a performance net of management fees over the recommended investment period of 3 years that exceeds that of the following benchmark: ICE BofAML Euro Financial Hedged USD Index. The benchmark index is expressed in USD and hedged against foreign exchange risk, with the USD as the reference currency. Net dividends or coupons are reinvested.

PC H-CHF units:

The fund's investment objective is to achieve, by applying Socially Responsible Investment (SRI) type management, a performance net of management fees over the recommended investment period of 3 years that exceeds that of the following benchmark: ICE BofAML Euro Financial Hedged CHF Index. The benchmark index is expressed in CHF and hedged against foreign exchange risk, with the CHF as the reference currency. Net dividends or coupons are reinvested.

- **BENCHMARK**

RVC EUR units, RVD EUR units, PC EUR units, PD EUR units, PVC EUR units, PVD EUR units, TC EUR units:

ICE BofAML Euro Financial Index.

The ICE BofAML Euro Financial Index tracks the performance of euro-denominated investment grade debt securities issued by European financial institutions. The securities must have an IG rating (based on the average rating of the rating agencies), have a maturity of at least one year and an outstanding amount of at least €250m.

Data are available at: [www.indices.theice.com](http://www.indices.theice.com)

PC H-USD units:

ICE BofAML Euro Financial Hedged USD Index.

The ICE BofAML Euro Financial Hedged USD Index, hedged against foreign exchange risk with the USD as the reference currency, tracks the performance of euro-denominated Investment Grade debt securities issued by European financial institutions. The securities must have an IG rating (based on the average rating of the rating agencies), have a maturity of at least one year and an outstanding amount of at least €250m.

Data are available at: [www.indices.theice.com](http://www.indices.theice.com)

PC H-CHF units:

The ICE BofAML Euro Financial Hedged CHF Index, hedged against foreign exchange risk with the CHF as the reference currency, tracks the performance of euro-denominated Investment Grade debt securities issued by European financial institutions. The securities must have an IG rating (based on the average rating of the rating agencies), have a maturity of at least one year and an outstanding amount of at least €250m.

Data are available at: [www.indices.theice.com](http://www.indices.theice.com)

As at the date of this prospectus, the benchmark index administrator, ICE Benchmark Administration Limited, is listed on ESMA's register of administrators and benchmark indices.

Additional information on the benchmark indices can be found on the administrators' websites at: [<https://www.theice.com/iba>]

The management company will ensure that the links are still valid in future updates of the UCI's prospectus.

## • INVESTMENT STRATEGY

### 1. Strategies used

The fund's investment objective is, by applying Socially Responsible Investment (SRI) type management, to outperform the benchmark index over a recommended minimum investment horizon of at least 3 years (performance net of management fees):

> ICE BofAML Euro Financial Index, expressed in euros, for the PVC EUR and PVD EUR, PC EUR, TC EUR, PD EUR, RVC EUR and RVD EUR,

> ICE BofAML Euro Financial Index, expressed in US dollars 100% hedged, for the PC H-USD units

> ICE BofAML Euro Financial Index, expressed in CHF 100% hedged, for the PC H-CHF units.

To achieve this investment objective, the Fund will be actively managed, mainly invested in subordinated debt (which is of higher risk than senior or secured debt) or any securities not deemed to be ordinary shares and issued by financial institutions. The Fund is managed by combining a top-down approach (which first looks at general economic and market trends before deciding in which geographical areas and securities to invest) and a bottom-up approach (which first looks at issuers' creditworthiness and the quality of individual securities), thus incorporating the regulatory conditions applying to this asset class. The modified duration is between 0 and 8. The Fund is invested only in bonds or securities of issuers the registered offices of which are established in OECD-member countries and/or in securities listed on a financial market of one of these countries. The Fund invests only in bonds that are traded in euros, US dollars or pounds sterling, or in any OECD currency other than the euro.

To build his portfolio, the manager conducts his own assessment of bonds or securities not deemed to be ordinary shares. He also refers to agency ratings but does not rely on them solely and mechanically.

The Fund will be able to invest in the bonds and securities of any issuer the registered office of which is established in an OECD-member country and/or in securities listed on a financial market of one of these countries. The Fund may not invest in bonds of issuers included on the FATF blacklist.

The Financial Action Task Force (FATF) is an intergovernmental organisation that draws up and promotes policies to combat money laundering and terrorist financing both at national and international levels.

Information on the Fund's sensitivity range is shown in the table below:

Interest rate sensitivity range within which the Fund is managed	Geographic zones of issuers of securities or underlying securities of securitisation products	Range of exposure to this zone
0 - 8	OECD zone	100%

Lastly, the fund may only invest in bonds traded in euros, US dollars, pounds sterling or any OECD currency other than the euro.

## **SRI management**

The UCI is managed in accordance with the principles of the SRI label defined by the French Ministry of the Economy and Finance. The inclusion of environmental, social and governance (ESG) criteria influences the analysis of companies held in the portfolio, selection of securities and weighting.

ESG analysis is based on a proprietary model shared by the teams in charge of financial management in the form of an internal ESG grid. Based on the various data provided by our ESG partners (non-financial analysis agencies, external service providers, etc.), annual reports and reports on the corporate social responsibility (CSR) of each company and direct exchanges with them, the analysts responsible for monitoring each stock draw up an internal ESG rating based on both a quantitative (energy intensity, staff turnover rate, board independence rate, etc.) and qualitative approach (environmental policy, employment strategy, competence of directors, etc.). It takes into account the companies' main negative impacts in terms of sustainability, or Principal Adverse Impacts (carbon emissions, energy consumption, water consumption, waste production) and the risks likely to affect their own sustainability, or Sustainability Risks (regulatory and physical risks, reputational risk through, among other factors, monitoring of controversies).

Each E, S and G pillar is rated from 1 to 5 (5 being the best rating) based on at least ten relevant key indicators per dimension. The company's overall ESG rating summarises the scores for each pillar according to the following weighting: 30% for Environment and Social and 40% for Governance.

The internal ESG analysis covers at least 90% of the UCI's investments.

On the basis of these internal ESG analysis grids, we have developed a fixed income process that:

- Limits to 30% of the portfolio the share of issuers with a rating of less than or equal to 3
- Excludes issuers with a rating of less than or equal to 2

As part of SRI management, the following impact indicators are reported at least once a year:

- Environmental criterion:
  - Carbon intensity in tonnes CO<sub>2</sub>eq/€m of revenue.
- Social criterion:
  - The percentage of companies subject to high or critical severity controversies relating to human resources.
- Human rights criterion:
  - The percentage of companies that are signatories to the United Nations Global Compact.
- Governance criterion:
  - The percentage of independent directors

In the context of SRI management, the analysts-managers ensure that an external ESG rating is maintained that is higher than that of a universe composed of securities from the Diversified Banks, General Financial Services, Insurance, Retail and Specialised Banks sectors in the "euro" zone, as well as companies falling into the "Greece" country category of our non-financial rating partner, after elimination of the 20% worst-rated securities.

The risk control department ensures compliance with this criterion on a monthly basis.

The external ESG ratings of the UCI and the universe correspond to the equally weighted average of the absolute E, S and G ratings provided by our non-financial rating partner.

The rating method is based on a model with data going back 17 years and 330 indicators grouped into 38 criteria in 6 areas. These 38 criteria are weighted from 0 to 3 depending on their materiality (relevance) for the sector.

The ESG analysis is broken down into 6 areas:

1. Human Resources: 7 criteria

Promotion of social dialogue / Promotion of employee profit-sharing / Promotion of individual career choices and employability / Controlled management of restructuring / Quality of remuneration systems / Improvement of health and safety conditions / Respect and organisation of working hours.

2. Environment: 11 criteria

Definition of the environmental and eco-design strategy / Consideration of pollution risks (soil, accidents) / Offer of green products and services / Prevention of risks of damage to biodiversity / Control of impacts on water / Control of energy consumption and reduction of polluting emissions / Control of impacts on air / Control and improvement of waste management / Control of local pollution levels / Control of impacts related to distribution-transport / Control of impacts related to the use and disposal of the product or service.

3. Customer/supplier relationships: 9 criteria

Product safety / Customer information / Contract guidance / Sustainable cooperation with suppliers / Integration of environmental factors in the supply chain / Integration of social factors in the supply chain / Prevention of corruption / Prevention of anti-competitive practices / Transparency and integrity of strategies and influencing practices.

4. Human rights: 4 criteria

Respect for fundamental rights and prevention of violations of these rights / Respect for the freedom to join trade unions and the right to collective bargaining / Non-discrimination and promotion of equal opportunities / Elimination of prohibited forms of work.

5. Community involvement: 3 criteria

Commitments in favour of the economic and social development of the area in which the company operates / Consideration of the societal impact of the products and services developed by the company / Contributions by the company to causes of general interest.

6. Governance: 4 criteria

Balance of powers and efficiency of the board of directors / Audit of control mechanisms / Shareholders' rights / Remuneration of executives.

The issuer's overall ESG score is equal to the weighted average of the Criteria scores.

An issuer's ESG rating is based on an absolute rating scale of 0 to 100, with 100 being the highest score.

The methodology used to calculate ESG ratings can be found in the Transparency Code published on the management company's website.

## **2. Assets (excluding embedded derivatives)**

### **Equities:**

Ordinary shares (maximum 10% of net assets) arising either from the conversion of debt or an offer by the issuer to exchange debt for shares, or from hedges through derivative instruments. The Fund will not actively invest in equities but may hold them to enable the manager to sell the equities received in the best market conditions and to maximise the exit price for unitholders.

### **Debt securities and money-market instruments:**

To build his portfolio, the manager conducts his own assessment of bonds or securities not deemed to be ordinary shares. He also refers to agency ratings but does not rely on them solely and mechanically.

Up to a maximum of 100% of the net assets in bonds or securities not deemed to be ordinary shares, issued by Investment Grade or equivalent issuers (as rated by the rating agencies) or an equivalent rating based on the management company's analysis, and up to a maximum of 20% of the net assets in bonds or securities issued by speculative/High Yield issuers (as rated by the rating agencies) or an equivalent rating based on the management company's analysis, or not rated by a rating agency. Speculative/High Yield bonds or securities may not exceed a maximum of 70% of the Fund's net assets.

Up to 30% of the net assets in convertible bonds and contingent convertible bonds (CoCo bonds). The Fund may invest up to 30% of the net assets in CoCo bonds. A contingent convertible bond is a subordinated debt security that is convertible

into equities of the issuing company if a pre-specified trigger event occurs, e.g. if the issuer's capital ratio falls below a certain threshold, and for which the nominal value may decrease in part or be wiped out.

Up to a maximum of 100% in bonds or securities not considered ordinary shares, traded in US dollars or pounds sterling, or in any OECD currency other than the euro. Exchange rate risk will be hedged so that exposure thereto shall not exceed 10% of the assets.

### **UCITS:**

Up to 10% of the net assets in money market UCITS, short-term money market funds or French or European bond funds provided that less than 10% of these funds' assets are invested in other UCIs. These funds may be managed by the management company.

### **3. Derivatives**

#### **• Types of markets:**

- regulated
- organised
- OTC

#### **• The manager intends to seek exposure to:**

- shares
- interest rates
- foreign exchange
- credit
- other

#### **• Types of transactions – all transactions must be limited to achieving the investment objective:**

- hedging
- exposure
- arbitrage
- other

#### **• Types of instruments used:**

##### **futures:**

- equity and equity indices (maximum 10%)
- interest rate: interest rate risk
- currency
- other

##### **options:**

- equity and equity indices (maximum 10%)
- interest rates: interest rate and interest rate volatility risk
- currency: only on organised markets
- other

##### **swaps:**

- equity swaps
- interest rate swaps: transformation of fixed-rate income to variable-rate income and vice versa
- currency swaps
- performance swaps

##### **currency forwards**

- credit derivatives:** CDS are limited to a maximum of 40% of the net assets)
- other

- **Derivatives strategy to achieve the investment objective:**
  - partial or general hedging of the portfolio, some risks and securities
  - creating synthetic exposure to assets and risks
  - increasing exposure to the market without leverage
  - maximum permitted and sought
  - other strategy

#### 4. **Securities with embedded derivatives**

The manager may invest in the following securities with embedded derivatives up to a maximum of 100% of the net assets: structured products, subordinated debt, puttable and callable bonds, convertible bonds and contingent convertible bonds (a maximum of 30% of the net assets for the latter).

#### 5. **Deposits:**

Up to 10% of the Fund's assets may be held in deposits.

#### 6. **Cash borrowings:**

The UCI may borrow cash within the limit of 10% of its net assets to meet specific cash requirements related to its operating needs.

#### 7. **Temporary purchases and sales of securities:**

None.

#### 8. **Information on financial guarantees:**

In connection with over-the-counter derivative transactions, and in accordance with Position paper 201306 issued by the French financial markets regulator (*Autorité des Marchés Financiers - AMF*), the sub-fund may receive collateral in the form of securities (such as bonds or other securities issued or guaranteed by a State or issued by international financing agencies and bonds or securities issued by high quality corporate issuers), or cash. Any cash collateral received is reinvested in accordance with the applicable rules. All such assets must be from high-quality issuers that are not an entity of the counterparty or its group, and must be liquid and diversified with low volatility. Discounts may be applied to the collateral received; they take into account the quality of credit and the price volatility of the securities.

#### • **RISK PROFILE**

Notice

Your money will be mainly invested in financial instruments selected by the management company. These instruments will be exposed to market trends and fluctuations.

##### ■ **Risk of capital loss**

The UCI provides no guarantee or protection. As such, the investor may not get back the full amount of the initial investment during redemption.

##### ■ **Risk associated with discretionary management**

Discretionary management is based on anticipation of market trends. The UCI's performance is dependent both on the selection of securities and UCIs picked by the manager and the manager's asset allocation. There is therefore a risk that the manager will not select the best performing securities and that the asset allocation may not be optimal.

##### ■ **Interest rate risk**

The risk of a decline in debt instruments as a result of changes in interest rates. This risk is measured by the level of sensitivity, such as the tendency for bond prices to move in the opposite direction to interest rates. The net asset value may decline during periods when there is an increase (positive sensitivity) or decrease (negative sensitivity) in interest rates.

##### ■ **Credit risk**

The risk of a deterioration in the credit quality of or default by a public or private issuer. The UCI's exposure to issuers either through direct investment or via other UCI may give rise to a decline in the net asset value. If the UCI is exposed to unrated or speculative/high yield debt, the credit risk is high and may lead to a decline in the UCI's net asset value.



■ **Foreign exchange risk**

The UCI may invest in securities and other UCI that in turn are authorised to acquire instruments denominated in currencies other than the fund's base currency. The value of these instruments may fall if the exchange rates vary, which may lead to a decrease in the UCI's net asset value. Where units (or shares) denominated in a currency other than the fund's base currency have been hedged, the foreign exchange risk is residual as a result of systematic hedging, potentially leading to a performance gap between the different units (or shares).

■ **Liquidity risk**

The risk that a financial market cannot absorb transaction volumes due to trading volumes being too low or pressure on the markets. Such a situation may impact the pricing or timing when the UCI liquidates, initiates or modifies positions and thus cause a decline in the UCI's net asset value.

■ **Equity risk**

Share price fluctuations may have a negative impact on the UCI's net asset value. The UCI's net asset value may decrease during periods in which the equity markets are falling.

■ **Counterparty risk:**

This is a risk linked to the use of forward financial instruments traded over the counter. A transaction of this type with one or more counterparties potentially exposes the UCI to a risk of insolvency of one or more of these counterparties, which could lead to default on payment and cause a decrease in the UCI's net asset value.

■ **Derivative financial instrument risk**

The risk arising from the UCI's use of forward financial instruments (derivatives), which may lead to a bigger decrease in the net asset value than on the markets or in the underlying assets in which the UCI has invested.

■ **Risk related to the holding of contingent convertible bonds (CoCos)**

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 defined in the issue prospectus, the supervisory authorities have the possibility of applying in a preventive manner these rules if the circumstances require based on an objective threshold, 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.

■ **Sustainability risk**

The risk that an environmental, social or governance event or situation will occur that could have a material adverse effect, actual or potential, on the value of an investment.

**Guarantee or protection**

None.

• **ELIGIBLE SUBSCRIBERS AND TYPICAL INVESTOR PROFILE**

This Fund is aimed at investors who are aware of the risks associated with investing in the international credit markets.

Subscribers are strongly advised to diversify their investments sufficiently to avoid exposure solely to the risks of this UCI.

**Information on US investors:**

The UCI is not registered as an investment vehicle in the United States and its units are not and will not be registered under the Securities Act of 1933 and, therefore, they may not be offered or sold in the United States to Restricted Persons, as defined hereafter.

A Restricted Person is (i) any person or entity located in the United States (including US residents), (ii) any corporation or any other entity subject to the laws of the United States or any state thereof, (iii) any US military personnel or any employee of a US government department or agency located outside the United States, or (iv) any other person that would be considered a US Person under Regulation S of the Securities Act of 1933, as amended.

**FATCA:**

Pursuant to the provisions of the Foreign Account Tax Compliance Act ("FATCA") applicable as of July 1st, 2014, if the UCI invests directly or indirectly in US assets, the capital and income arising from such investments may be subject to withholding tax of 30%. To avoid paying the 30% withholding tax, France and the United States have entered into an intergovernmental agreement under which non-US financial institutions ("foreign financial institutions") agree to institute procedures for identifying direct or indirect investors who qualify as US taxpayers and to provide certain information about these investors to the French tax authorities, which will disclose said information to the US tax authority, the Internal Revenue Service.

As a foreign financial institution, the UCI undertakes to comply with the FATCA and to take all appropriate measures pursuant to the aforementioned intergovernmental agreement.

The amount that it is reasonable to invest in this UCI depends on each investor's personal circumstances.

To determine this, investors should take account of their personal financial situation, current needs and the recommended investment period, and should also consider their ability to assume risk or whether they prefer instead to opt for a more cautious investment.

This Fund may not be suitable for investors planning to withdraw their investment within three years.

## 2. CHANGES AFFECTING THE UCI

The Chairman of the management company Lazard Frères Gestion SAS made a decision concerning the **LAZARD CREDIT FI UCI (ISIN code: FR0010590950)**, as follows:

1) Modification of methods for calculating the performance fee:

30% of the outperformance above the ICE BofAML Euro Financial Index, expressed in euro + 75bp. This fee will be capped at 2%.\*

The first performance fee calculated in accordance with the terms and conditions applicable since April 1st, 2020, may only be charged as from the financial year ending March 31st, 2021.

2) Amendment to the wording of Derivatives:

Futures on equities and options on equities: removal of the statement "for hedging purposes only".

Consequently, the wording becomes: "**Derivatives:** Possibility to use equity futures and options, up to a maximum of 10%".

➤ **Effective date: 01/04/2020**

The Chairman of the management company Lazard Frères Gestion SAS made a decision concerning the **LAZARD CREDIT FI UCI (ISIN code: FR0010590950)**, to make the following changes:

- Change in the investment policy as part of obtaining the SRI (Socially Responsible Investment) label,
- Increase in the maximum weighting of foreign currency securities from 80% to 100%.
- Change of name: **LAZARD CREDIT FI SRI**

➤ **Effective date: 09/02/2021**

### 3. MANAGEMENT REPORT

At the date of preparation of the management report and in the context of uncertainty linked to the Covid-19 health crisis, the events listed below have not occurred:

- significant events occurring during the financial year such as changes in the methods of applying accounting methods (implementation of model valuation, activation of gates, suspension of NAV).
- other elements such as information relating to possible situations of suspension of subscriptions/redemptions, liquidation of funds or creation of a ring-fencing fund."

#### PERFORMANCE

**The UCI's performance over the period was as follows: +21,54% (Lazard Credit Fi - PVC units).**

*Performances vary over time and past performance is no guarantee of the UCI's future results.*

**The benchmark's performance over the period was: +8,68% (ICE BofAML Euro Financial Index EUR).**

#### ECONOMIC ENVIRONMENT

##### Economy

One year after the onset of the health crisis, the Covid-19 epidemic is still present. Global growth has bounced back from a historic fall last spring, but the pace of recovery varies across countries and sectors, depending on the disruption caused by health restrictions and the extent of the stimulus measures. The recovery is more advanced in the United States than in Europe, while it has taken a "V" shape in China. The impact of the restrictions is felt mainly on consumption and services. Business investment held up relatively better than expected and manufacturing sector activity bounced back sharply.

The exceptional support measures taken by public authorities and central banks have made it possible to preserve the ability of economies to rebound, at the cost of increasing fiscal deficits and a sharp increase in the money supply. Vaccination campaigns have begun around the world at varying speeds, with the expectation that activity will pick up strongly during 2021, once the epidemic is under control and health restrictions are lifted. In the short term, the main risk is that vaccines will be ineffective against the new Covid-19 strains. In the medium term, inflation remains the key issue.

In the United States, GDP fell by -2,4% year-on-year in Q4 2020. The unemployment rate rose from 4,4% to 6,7% with a peak of 14,8% in April 2020. Year-on-year inflation rose from +1,5% to +2,6% in headline terms and fell from +2,1% to +1,6% excluding food and energy. The Fed has kept its key interest rate in the 0%-0,25% range. In September 2020, Jerome Powell said that the Fed would tolerate inflation in excess of 2% to compensate for periods of lower inflation. Democratic candidate Joe Biden won the November 2020 presidential election. Democrats retained their majority in the House of Representatives and took control of the Senate. The US Congress adopted two massive fiscal stimulus packages during the period under review: a first package of \$900 billion in December 2020 and a second package of \$1 900 billion in March 2021.

In the Eurozone, GDP declined by -4,9% year-on-year in Q4 2020. By country, it fell by -3,7% in Germany, -4,9% in France, -6,6% in Italy and -8,9% in Spain. The unemployment rate rose from 7,1% to 8,3% with a peak of 8,7% in April 2020. Year-on-year inflation rose from +0,7% to +1,3% in headline terms and fell from +1,0% to +0,9% excluding food and energy. The ECB has left the deposit rate unchanged at -0,50%. The amount of the pandemic emergency purchase programme was increased by €600bn in June and by €500bn in December 2020, bringing the total envelope to €1 850bn. In March 2021, the ECB announced that it would significantly increase the pace at which it is investing this amount. In July 2020, EU countries reached an agreement on a European recovery plan of €750 billion, equivalent to 5,4% of GDP.

In China, GDP grew by +6,5% year-on-year in Q4 2020. The unemployment rate fell from 5,9% to 5,5%. Year-on-year inflation slowed from +4,3% to +0,4% in headline terms, due to a slowdown in food prices, and from +1,2% to +0,3% excluding food and energy. The Chinese central bank cut its key interest rate by 20 basis points to 2,95%. In March 2021, the government presented its economic priorities for the next twelve months and the five-year plan for the period 2021-2025. The government has announced that it is aiming for GDP growth "above 6%". The fiscal deficit is expected to fall from 3,7% to 3,2% of GDP. Monetary policy should remain "prudent, appropriate and flexible". The 2021-2025 five-year plan calls for continued structural reforms and makes innovation a top priority.

## **Markets**

After plummeting in the first quarter of 2020, equity markets bounced back strongly in the second quarter of 2020, thanks to the lifting of restrictive measures, a resumption of global activity and the strengthening of monetary and fiscal support measures. At the end of June 2020, equity markets had recovered much of their previous losses.

With hopes of further support measures and progress on vaccines, the catch-up continued at the beginning of the third quarter of 2020. It was interrupted by a correction in September 2020, driven by a sharp decline in US technology shares and concerns about further lockdowns in Europe.

Equity markets ended the year with stellar performance in the fourth quarter of 2020, thanks to good news on vaccines, approval of a new fiscal stimulus package in the United States and the Brexit deal taking precedence over the reintroduction of lockdown measures in Europe.

The equity market rally continued in the first quarter of 2021, benefiting stocks most exposed to a rebound in activity as fiscal stimulus in the United States is increased and vaccination becomes more prevalent. The expected strong economic recovery fuelled fears of an inflationary surge, but central banks maintained their accommodative stance.

All things considered, equity markets posted record gains, with the low basis of comparison automatically leading to very large year-on-year gains. The MSCI World All Country index in dollars gained +52,2%, the S&P 500 in dollars gained +53,7%, the Eurostoxx in euros gained +42,5%, the Topix in yen gained +39,3% and the MSCI emerging country index in dollars gained +55,1%.

The improvement in the growth and inflation outlook led to significant pressure on US interest rates, with the 10-year Treasury yield rising from 0,91% to 1,74%, after an all-time low of 0,51% on August 4th, 2020. Pressure was much more moderate in Europe as the German 10-year yield rose from -0,47% to -0,29%.

Peripheral countries' credit spreads in relation to Germany tightened significantly in Italy (-103 basis points), Greece (-99 basis points), Spain (-52 basis points) and Portugal (-82 basis points).

European corporate issuers' credit spreads also tightened and are close to the lows of recent years. According to the ICE Bank of America indices, they fell from 227 basis points to 90 basis points year-on-year for high-quality issuers and from 754 basis points to 314 basis points for high-yield issuers.

On the foreign exchange market, the euro appreciated by +6,3% against the dollar, by +9,5% against the yen and by +4,4% against the Swiss franc. However, it depreciated by +5,7% against the pound sterling. Emerging currencies appreciated on average by +5,2% against the dollar, according to the JPMorgan index.

In terms of commodities, the price of a barrel of Brent crude oil almost tripled, rising from \$21 to \$62, with a low point of \$17 on April 21st, 2020.

## MANAGEMENT POLICY

After a terrible month in March, several factors led to a nice rebound in credit in April. First, the massive outflows from bond funds were reversed, with significant inflows for several weeks, particularly in Investment Grade. The positive health news was then accompanied by new central bank support measures (new liquidity measures for the ECB and determination to do "whatever it takes", corporate credit purchase programmes by the Fed and the BoJ) and also new regulatory easing measures for banks (leverage ratio, provisioning of doubtful loans benefiting from government guarantees or forbearance measures linked to the Covid-19 epidemic, etc.).

The first earnings releases by banks were not as bad as expected: unsurprisingly, the cost of risk increased, particularly for exposures related to the oil sector. Overall, European banks made significant generic provisions, representing more than 50% of the total number of new provisions for the first quarter, which is based on estimates as uncertainty is still high. Virtually all banks generated profits, albeit sharply declining YoY. Capital ratios are slightly down but remain at high levels. Note the pleasant surprise for Deutsche Bank, which reported a slightly better-than-expected net profit thanks to the strong showing of its capital market activities and good cost control, despite the increase in the estimated cost of risk.

Tensions remain present in peripheral debt, particularly Italian debt, with the pleasant surprise as S&P maintained its BBB rating with a negative outlook, offset by Fitch's surprise downgrade to BBB with a stable outlook, outside the official timetable. However, the ECB's PEPP remained very active and managed to limit the widening of Italian spreads.

The primary market recovered tentatively, mainly in the senior segment for banks (Svenska, Crédit Agricole, BNP, UBS) but also in Tier 2 in GBP for UK institutions (Legal & General, Phoenix, Pension Insurance).

The ruling by the German Constitutional Court at the beginning of May had somewhat dampened investor optimism on peripheral debt. Concerns were finally swept away by several very clear statements on this ruling, on both the German and European sides, as well as by the ECB, which said it was prepared to strengthen its PEPP (which is no longer uncertain). The major event was the European Commission's announcement of a recovery plan based on the Macron/Merkel proposal for a €750bn "Recovery Fund" (of which €500bn in grants) financed by debt issued by the Commission. This plan paves the way for real European solidarity, for transfers between the countries of the North and the South and is clearly a "revolution" for Europe, which as often makes its most important advances in times of crisis.

Q1 earnings releases continued with several banks posting very small losses (Commerzbank and ABN Amro) due to the dual effect of market volatility and higher provisions. On the contrary, some banks were relatively optimistic, such as Intesa and BNP Paribas, which believed that its 2020 result would "only" be down by -15%/-20% compared with 2019. Italy finally reached an agreement with the EC on the transfer of NPL from Monte dei Paschi (68% state-owned), without this being considered as state aid, thereby not requiring contributions from subordinated creditors!

The primary market continued to reopen actively in the Tier 2 segment with RBS, Deutsche Bank, CommerzBank, ING, Credit Agricole, Swiss Re, Aviva, etc. The AT1 segment remained calm, with only Bank of Ireland refinancing the call for its AT1. On the other hand, Lloyds joined Santander, DB and Aareal in deciding not to call its AT1 on the first call date, albeit with a limited price impact.

The positive momentum in Europe continued in June with the support of the ECB, which surprised the market positively by increasing the size of its PEPP by €600bn and signalling that proceeds would be reinvested until at least 2022. In addition, purchasing Fallen Angels remains an option that can be activated if necessary. The dispute between the ECB and the Karlsruhe court also seems to have been resolved, according to the Bundestag. Banks actively participated in the TLTRO3 with €1,308 billion borrowed from the ECB (at a rate of -1%), i.e. €548 billion net of repayments.

In terms of issuers, Monte dei Paschi completed the sale of a large portfolio of non-performing loans (€8.14 billion) to the public company Amco, thereby improving its NPE ratio from 12,4% to 4,3%. The Wirecard scandal triggered some volatility in the securities of the banks involved (LBBW, ABN, ING and Commerzbank, for example), but the final impact is likely to be minimal. Generali announced that it would take part in the capital increase of the Italian life insurer Cattolica and become a 25% shareholder.

The primary market was very active for bank and insurance subordinated debt, with (inter alia) Hannover Re, Deutsche Bank, Socgen, CNP, Unicredit, etc. In AT1, the market was also lively with RBS, ABN, Nationwide, AIB, Legal & General and Commerzbank, most of which corresponded to refinancing of upcoming calls.

In July, the markets maintained their positive momentum, underpinned by the approval of the Recovery Fund at European level, despite dissensions between countries and after four days of marathon negotiations. The plan is a positive element for the cohesion of the European Union in supporting the countries hardest hit by the Covid epidemic. In the last week of July, however, financial credit was in consolidation mode.

Financial institutions reported fairly good half-year results. While provisions remain at a high level, many institutions are trying to anticipate the future cost of risk and provided guidance on a reduction in H2-20. The good surprises came from Trading revenue for banks with CIB activities, lower costs and higher capital than expected. The bad news is that net interest income declined despite an increase in loan outstandings, due in particular to the fall in interest rates for banks reporting in \$ or £. A number of institutions, amongst which Santander, ING and Société Générale, took advantage of the situation to write down their goodwill or deferred tax credit inventories.

The ECB has extended the uncertainty about the payment of dividends in 2020 to the end of 2020.

Intesa successfully completed its takeover bid for UBI Banca, having obtained 90% of its compatriot's shares.

The primary market remained active, with Bankinter, UBS, Raiffeisen Bank International, Rabobank and BBVA issuing in AT1 format, the latter inaugurating a Green bond. Insurance companies were also active in the Tier 2 category with Hannover Re, Uniqa (Green), CCR Re, Crédit Agricole Assurances and Generali, while Dutch bank De Volksbank also issued a Tier 2 Green bond. Banks are gradually stepping up their issuance of Green capital instruments. Banks' funding needs for the rest of 2020 are relatively minimal.

All European financial institutions have now released their first half results (with the exception of a very limited number of late entities) and the conclusion is fairly universal:

- 1) 2H20 revenues will be supported by volumes and margins, in particular thanks to the ECB's TLTRO 3 facility
- 2) Costs were better and will remain so (due to the impact of Covid-19 on business travel and event planning)
- 3) The provisioning peak took place during 1H20, mainly generic provisions related to models and new macroeconomic forecasts. Loan loss provisions in H2 will be lower.
- 4) The formation of impaired loans will remain slow to materialise thanks to forbearance measures. In any case, it will not jump as much as in the 2008-2012 period.
- 5) Some of the banks' corporate clients are loss-making but highly liquid, which means that default rates are still low, although they are expected to rise.
- 6) Financial institutions' funding needs are close to zero. By the end of September, all entities had completed their funding programmes for 2020 and could carry out some pre-funding over 2021. The conclusion of all the above is a confirmation of what we think: technical factors will lead to a tightening of spreads in the credit market due to a major lack of supply. Bank syndicates confirmed that new issuance in September would be lower than in 2019 (€80 billion), i.e. between €65 billion and €75 billion. From October, FIG primary should be close to zero. "Stay tuned, stay invested".

In August, we saw five new AT1 issues from Credit Suisse and Barclays in dollars, and Intesa (double tranche) and Bank of Ireland in euros. In Tier 2, Sampo came to the market in euros to finance the purchase of the British insurer Hastings, Danske Bank also issued a bond in euros while BNP Paribas and Natwest both issued in dollars.

The M&A theme remained strong in Europe in September: after Intesa and UBI in Italy, Caixabank's board of directors approved the merger with Bankia, which will hold a 25% market share in loans and 30% in savings in Spain.

HSBC came under pressure after fears that China could put the bank on its "unreliable entities" list. At the end of the month, however, Chinese insurer Ping An increased its stake in the bank, sending a positive message on this issue.

The release of the FinCen reports (a non-event in our view, as these reports refer to suspicious transactions already transmitted to regulators between 1999 and 2017) also affected the banking sector during the month. The subscription to the second tranche of the TLTRO 3 was greater than expected, with 388 banks borrowing €175 billion from the ECB at -1%. The Legacy theme was revived with an LME transaction led by Natwest (formerly RBS) on four bonds, including two Legacy Tier 1.

The primary market was active in terms of number of issuers, but the volume was not very large. Monte dei Paschi issued the Tier 2 "required" by the ECB to finalise the sale of NPL to AMCO. Still in the Tier 2 segment, we can mention Virgin Money, Erste, AIB, BPM and Munich Re. AT1 activity was quiet with BAWAG in € and Julius Baer and Svenska in \$.

Banks' first earnings releases for Q3 started in October and were generally better than expected, with two main trends: a very sharp fall in the cost of risk, far below the consensus expectations for 3Q20, which management expects to improve in 2021, and a further increase in CET1 Tier 1 capital ratios in QoQ terms. These excellent results were unable to obscure the bad news on the health front, although the reaction to the announcements of new light-lockdowns in Europe was limited. On the central bank side, there was no news yet, but Christine Lagarde promised to take action at the next monetary policy meeting in December.

The M&A theme continues to drive the market, with rumours in Italy between Banco BPM and Crédit Agricole as well as between UniCredit and Monte dei Paschi (with probably a capital increase of up to €2,5bn). In Spain, discussions on a

merger between Liberbank and Unicaja are continuing, while rumours of a merger between BBVA, Kuxtabank and Sabadell have emerged.

The EBA published its guidelines on legacy instruments and whether or not they could be included in banks' capital structure. The key recommendation was to call/repay or change the terms and conditions, which led to a positive reaction in the legacy market, which also performed well this month with Rabobank's tender for a legacy Tier 1.

AIB and Barclays exercised the call of the last two AT1s with a call date in 2020, so there were ultimately only three non-calls out of around twenty bonds in 2020, despite the uncertainty and difficulties associated with Covid.

The primary market was quiet with Caixabank, Crédit Agricole and Nykredit in AT1, and Unipol in RT1, Santander and Banque Postale in Tier 2.

The 3Q20 earnings season ended in November with the same positive trend: 1) higher net interest income thanks to the ECB-subsidised TLTRO 3, 2) lower costs thanks to Covid and absence of travel/events, but above all 3) significant positive surprises on loan loss provisions (LLPs) which declined and were well below expectations. We therefore confirm that the LLP peak was 2020 and that it is already behind us. The second positive surprise concerned capital, which continued to grow in the third quarter. This left banks with higher capital ratios than ever before.

In terms of M&A, we had Crédit Agricole's bid for Italian bank Credito Valtellinese (and not Banco BPM), BBVA, which sold its US branch and entered into merger talks with Sabadell, which quickly ended 10 days later with a "No", for now. The potential Unicredit/Monte dei Paschi merger claimed a victim with Unicredit CEO JP Mustier, who will retire next year after refusing to change his mind on mergers and acquisitions.

After the EBA in October, in legacy land the PRA confirmed the EBA's opinion on legacy instruments and asked all UK banks for an action plan by March 31st, 2021. On the same day, Lloyds launched an exchange offer for five heritage instruments, with a premium.

The ECB therefore decided to focus on duration rather than on the intensity of its monetary policy at its December meeting. The PEPP was increased by €500 billion until March 2022, the increase in borrowing capacity under the TLTRO for banks was increased to 55% of the stock of eligible collateral (vs. 50%) and the bonus rate (-1%) was extended by one year until June 2022 (if banks show net loan growth between October 2020 and December 2021). On the other hand, there was no change in the level of interest rates or in tiering.

European regulators very partially lifted the ban on dividend payments while specifying that the decision would remain on a case-by-case basis. The ECB remains the most conservative, allowing only a payment equal to 15% of 2019 and 2020 earnings (BUT without exceeding 0,2% of the CET1 ratio) compared with, for example, 25% for the UK regulator.

The sale of Monte dei Paschi, 64% owned by the Italian state, seems to be accelerating with a potential agreement with Unicredit in the first half of 2021. Monte aims to maintain a CET1 ratio of over 12% and will present the ECB with a "capital plan" that includes an increase in its own funds estimated at between €2 billion and €2.5 billion.

LME operations continue with a Barclays tender on a Tier 2 "CoCo" and BBVA, which called several legacy floating rate notes at par.

The primary market was very quiet with CNP in Tier 3, Banco BPM in Tier 2, Credit Suisse and HSBC in AT1 in \$.

January was a month of status quo for central banks, with no new announcements (as expected) and a cautiously optimistic message from both the ECB and the Fed. In any case, the two central banks indicated that it was far too early to discuss any tapering of their monetary support measures.

The ECB has finalised its guidelines on banking consolidation, which confirms the regulator's positive view on the M&A issue: no automatic increase in capital requirements (Pillar 2) for an entity that becomes larger and the possibility of using the badwill generated at the time of acquisition as equity (but not to pay dividends).

The EBA Published its risk dashboard for Q3 2020, which shows the sharp decrease in loans under moratorium (-27% Q2 vs Q3), and of the 350bn moratorium that had expired, only 2,6% were classified as NPL. For government-guaranteed loans, however, they increased from 185bn to 289bn, with an average guarantee level of 70%.

The political noise in Italy following the departure of Matteo Renzi from the coalition and the (technical) resignation of Prime Minister Conte has had little impact on the markets for the moment, as the likelihood of new elections remains very low (lack of appetite on the part of the present majority and technical difficulties between the health situation and the 'white semester' prior to the presidential elections).

Also in Italy, former UBS banker Andrea Orsel will take over from Jean-Pierre Mustier as head of UniCredit. The latter will no doubt be busy with the Monte dei Paschi case, on which the Italian state continues to do everything possible to sell its stake. The latest rumours suggest that the public entity Amco will take over up to 20 billion in NPLs from Unicredit's balance sheet, as well as deconsolidating the €10 billion in legal risks related to Monte dei Paschi through a dedicated structure, supported by a group of private investors and the insurer SACE. In addition, Monte dei Paschi provides some elements of



the "Capital Plan" that will be presented to the ECB: the bank's priority is to find a structural solution such as a merger with a "leading" partner in the short term. If this type of solution cannot be envisaged, the plan provides for a capital increase of €2.5 billion in the third quarter.

The first results for the Spanish banks BBVA, Bankinter, Caixabank and Bankia (the latter two now forming a single entity) were better than expected thanks to lower-than-expected provisions.

The primary market was calm for a month of January, with on the AT1 side Standard Chartered, Abanca, Banco BPM and EFG, and on the Tier 2 side Deutsche Bank (whose outlook was revised to positive by Fitch!), BNP and La Banque Postale.

We got off to a good start in February thanks to Italian politics and the appointment of Mario Draghi as the new prime minister. Italian issuers as well as the entire credit sector rallied strongly on this news. The earnings season will be over in three weeks and the early conclusion we can draw is exactly what we expected:

- 1) banks were profitable despite the increase in the cost of risk
- 2) cost of risk peaked in 2020 and for most banks in 1H20 (e.g. in the case of Standard Chartered 2/3 of its loan loss provisions were taken at 1H20)
- 3) Guidance confirms that the cost of risk will decrease significantly in 2021
- 4) Moratoriums are evolving much, much, much better than everyone thought

February then ended badly due to the drastic rise in sovereign yields. We need some stabilisation (which should come soon) on this front before investors return to the credit market with more confidence. The good news is that yields on the whole are now much higher and prices more reasonable.

The horizon seemed to be brightening for European banks in March, one year after the start of the epidemic. Firstly EBA published its risk dashboard for Q4 2020 with an NPL ratio that continued to fall and a CET1 Tier 1 capital ratio that reached an all-time high. Moratoriums have fallen by 60% since Q2 2020 to 318bn, of which NPLs still account for a small portion (3,3%). No financing problems in sight either, with €331bn borrowed in the last TLTROIII transaction, which should increase the liquidity surpluses placed at the ECB to above €4 trillion. Among issuers, the end of the month was marked by the setbacks of the Archegos fund and the losses incurred by its prime brokers, particularly Credit Suisse which came in for a battering after issuing a statement indicating "a significant impact in Q1". CS finally reported an impact of CHF4.4bn, but this should result in a pre-tax loss of "only" CHF 900m thanks to stellar Q1 revenues. The CS share fell by 19% in the last week of the month and the AT1 by between 2% and 5%. S&P, Fitch and Moody's placed the bank's rating on negative outlook. Greek bank Piraeus announced its "Sunrise Plan" with an ambitious target of NPL under 10% within 12 months and 3% in the medium term (vs. 35% currently).

On the Legacy side, BNP and Op Corporate Bank called Legacy Tier 1 bonds that were trading well below par while Natwest launched a tender offer for two Legacy Tier 1 bonds (already the target of a tender offer in September 2020) and four Tier 2 bonds.

The primary market was active in financial credit, with Tier 2 banks including Alpha Bank, Barclays, Société Générale and, on the insurance side, Hannover Re, Storebrand and AXA, the last two in green format. In AT1, issuers included HSBC, with two issues in \$, CNP in \$ (RT1), Sabadell in € and Natwest in £.

Lazard Frères Gestion informs you that the management company has updated the provisions relating to the inclusion of environmental, social and governance (ESG) criteria in the KIIDs and prospectuses of its Funds in accordance with EU Regulation 2019/2088 on the publication of sustainability information in the financial services sector and with AMF Position-Recommendation 2020-03 on collective investments incorporating non-financial approaches.

For further details, please consult the relevant Fund fact sheet on our website [http://www.lazardfreresgestion.fr/FR/Fonds\\_71.html](http://www.lazardfreresgestion.fr/FR/Fonds_71.html) or contact your sales agent.

#### Main changes in the portfolio during the year

Securities	Changes ("accounting currency")	
	Purchases	Sales
LAZARD EURO MONEY MARKET "B"	481 004 783,69	444 545 900,03
CYBG PLC 8.0% PERP	42 777 145,61	
INTE 5.5% PERP EMTN	17 223 508,50	18 597 406,17
BUPA FINANCE 1.75% 14-06-27	13 240 307,68	13 470 484,26
VIRGIN MONEY UK 2.875% 24-06-25	10 933 934,44	11 739 788,10
BANKIA SA 6.0% PERP	22 403 330,72	
IKB DEUTSCHE INDUSTRIEBANK AG 4.0% 31-01-28	22 294 190,28	
CRED SUIS SA GROUP AG 7.5% PERP	21 316 865,74	
CMZB FRANCFORT 4.0% 05-12-30	21 306 117,81	
FONDIARIA SAI 5.75% 31-12-99	20 168 925,50	

## 4. REGULATORY INFORMATION

- **TRANSPARENCY OF SECURITIES FINANCING TRANSACTIONS AND THE REUSE OF FINANCIAL INSTRUMENTS - SFTR - IN THE ACCOUNTING CURRENCY OF THE UCI (€)**

The UCI carried out no transactions during the year in the context of the SFTR.

- **EFFICIENT PORTFOLIO MANAGEMENT TECHNIQUES AND DERIVATIVE FINANCIAL INSTRUMENTS (ESMA) IN EUROS**

**a) Exposure through efficient portfolio management techniques and derivative financial instruments**

- **Exposure through efficient management techniques:**

- Securities lending:
- Securities borrowing:
- Repurchase agreements:
- Reverse repurchase agreements:

- **Underlying exposure through derivative financial instruments: 434 869 240,63**

- Currency forwards: 434 869 240,63
- Futures:
- Options:
- Swaps:

**b) Identity of the counterparty or counterparties for efficient portfolio management techniques and derivative financial instruments**

Efficient portfolio management techniques	Derivative financial instruments (*)
	BNP PARIBAS FRANCE CACEIS BANK, LUXEMBOURG BRANCH J.P.MORGAN AG FRANKFURT

(\*) Excluding listed derivatives

**c) Financial guarantees received by the UCITS to reduce counterparty risk**

<b>Instrument types</b>	<b>Amount in the currency of the portfolio</b>
<b>Efficient portfolio management techniques</b> . Term deposits . Equities . Bonds . UCITS . Cash (*) <p style="text-align: right;"><b>Total</b></p>	
<b>Derivative financial instruments</b> . Term deposits . Equities . Bonds . UCITS . Cash <p style="text-align: right;"><b>Total</b></p>	

(\*) The Cash account also includes liquidity from reverse repurchase agreements.

**d) Operating income and expenses related to efficient management techniques**

<b>Operating income and expenses</b>	<b>Amount in the currency of the portfolio</b>
. Income (*)	14 361,36
. Other income	
<b>Total income</b>	<b>14 361,36</b>
. Direct operating expenses	8 491,25
. Indirect operating expenses	
. Other expenses	
<b>Total expenses</b>	<b>8 491,25</b>

(\*) Income on securities lending and repurchase agreements

- **PROCEDURE FOR SELECTING AND ASSESSING INTERMEDIARIES AND COUNTERPARTIES**

The brokers used by the management company are selected on the basis of various evaluation criteria, covering research, quality of order execution and processing and the range of services offered. The management company's "Broker Committee" validates any updates to the list of authorised brokers. Each investment division (fixed income and equities) reports to the Broker Committee at least twice a year on the evaluation of the services provided by the various brokers and the breakdown of the volume of transactions handled.

The information can be consulted on the management company's website: [www.lazardfreresgestion.fr](http://www.lazardfreresgestion.fr)

- **BROKERAGE FEES**

Information about brokerage fees is available on the website: [www.lazardfreresgestion.fr](http://www.lazardfreresgestion.fr).

- **EXERCISING VOTING RIGHTS**

The scope and procedures for Lazard Frères Gestion SAS' exercise of the voting rights attached to the securities held in the UCIs managed by it are set out in the guidelines it has drawn up on its voting policy. This document can be consulted on the management company's website: [www.lazardfreresgestion.fr](http://www.lazardfreresgestion.fr).

- **DISCLOSURE OF ENVIRONMENTAL, SOCIAL AND GOVERNANCE (ESG) CRITERIA**

Lazard Frères Gestion firmly believes that the integration of environmental, social and governance (ESG) criteria in the management of assets provides an additional guarantee in terms of a sustainable economic performance.

In fact, the long-term performance of investments is not limited solely to adherence to the financial strategy, but must also take the company's interactions with its social, economic and financial environment into account.

The incorporation of ESG criteria therefore is a natural component of our investment process.

Our overall approach can be summarised as follows:

- ✓ Rigorous financial analysis of the company covering the quality of assets, financial solidity, predictability of cash flows and their reinvestment by the company, the strength of economic profitability, profit sustainability, and quality of management.

- ✓ This sustainability is strengthened by incorporating non-financial criteria:

- Social criteria: through the development of human capital.
- Environmental criteria: through the prevention of all environmental risks.
- Governance criteria: by respecting the balance between the managerial and shareholder structures so as to prevent potential conflicts of interest and safeguard the interests of minority shareholders.

The intensity and methods by which we incorporate ESG criteria may vary depending on the asset class and investment process involved, but the common objective is to ensure better apprehension of ESG risks that are likely to have a strong impact on the value of a company or sovereign asset.

Information on ESG criteria is available on the website: [www.lazardfreresgestion.fr](http://www.lazardfreresgestion.fr).

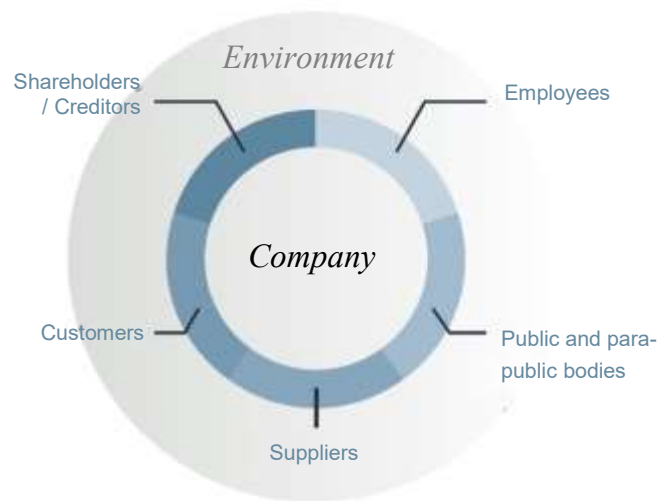
• **CARBON LAW**  
**REPORTING OBLIGATIONS UNDER ARTICLE 173**

*General procedure for incorporating ESG criteria*

Lazard Frères Gestion aims to offer its clients conviction-based management with a long-term investment perspective. Our investment process is characterised by active management based on stock-picking that aims to optimise the risk/return ratio, particularly by taking into account environmental, social and governance (ESG) parameters.

We have always attached paramount importance to governance as the cornerstone of a credible financial and non-financial strategy. Above all, we invest in companies that we want to support over the long term, with clear development models, effective control bodies and quality management with which we establish a strong relationship of trust over the course of our meetings.

Lazard Frères Gestion is convinced that companies that have integrated ESG issues into their strategy offer an additional guarantee of long-term performance. They are better able to take their stakeholders into account, which is essential for companies' value creation and long-term competitiveness. We traditionally consider five stakeholders:



It was with the aim of assessing the degree of integration of ESG challenges by companies and respect for stakeholders that non-financial analysis naturally enriched our financial analysis.

ESG analysis takes into account the parameters that we believe are essential to the company's solidity, stability and financial sustainability. It enables us to identify major ESG issues, detect potentially damaging risks for the company and its investors, but also future opportunities.

It is therefore important to select companies that integrate the following non-financial issues into their development model:

## E

### ENVIRONMENTAL ISSUES

*Any company wishing to ensure its economic sustainability must protect the natural capital by constantly seeking to limit and/or optimise the environmental and climate impacts of its activities, products and services.*

*A company's environmental analysis consists of an analysis of its activities, products and services likely to have a significant impact (positive or negative) on the environment.*

## S

### SOCIAL ISSUES

*"Human capital" is one of the two driving forces of a company, along with financial capital. Valuing, caring for and developing this human capital throughout the value chain must be part of a company's strategy.*

*Monitoring and analysing multiple indicators makes it possible to understand the company's social policy and to identify potential risks.*

## G

### GOVERNANCE ISSUES

*Satisfactory governance guarantees transparency and a balance of power, with a right to input by the shareholders. Lazard Frères Gestion believes that best practices in terms of corporate governance are a risk control factor that favour the creation of value and contribute to a broad alignment of the interests of all stakeholders.*

*Governance is analysed using numerous quantitative and qualitative indicators to objectively assess its architecture and quality.*

ESG criteria taken into account

An internal ESG analysis process has been developed and implemented by Lazard Frères Gestion's analyst-manager teams in the form of an internal ESG grid. Analysis construction requires an in-depth, informed, forward-looking and, if necessary, critical study. ESG analyses are carried out directly by our analysts-managers in accordance with our desire to reject a "silo" ESG approach. The result of a rigorous methodology, our ESG analysis process summarises the information relating to each company in an internal grid shared by all analysts-managers. The Equity and Fixed income teams therefore have a common analysis to support the implementation of integration processes adapted to the different asset classes. The analysis grid includes various data provided by our ESG partners (Vigeo Eiris, Trucost, Carbon Delta), Bloomberg, each company's CSR reports, the Vigeo controversy monitoring tool and direct exchanges with companies. The sector analysts, responsible for monitoring each security, establish an internal ESG rating based on a quantitative and qualitative approach: for each E, S and G pillar, around fifteen key indicators are monitored and then aggregated in a summary rating. Depending on the sector, operational, geographic and regulatory environment, the most relevant criteria are used for each company in accordance with the materiality table developed by Lazard Frères Gestion.

In managing the **Lazard Credit Fi SRI** fund, particular attention is paid to the following criteria:

	BANKS	INSURANCE
<b>ENVIRONMENT</b>		
Responsible sourcing of raw materials (palm oil, cocoa, etc.)	█	█
Green products and SRI	█	█
Climate change	█	█
<b>HUMAN RESOURCES</b>		
Diversity and inclusion	█	█
<b>HUMAN RIGHTS</b>		
Non-discrimination	█	█
<b>SOCIAL COMMITMENT</b>		
Tax transparency	█	█
Financial inclusion	█	█
<b>BUSINESS PRACTICES</b>		
Data privacy and security	█	█
Information to customers	█	█
Responsible customers relations	█	█
Corruption and money laundering	█	█
Responsible lobbying	█	█
<b>CORPORATE GOVERNANCE</b>		
Boards of Directors	█	█
Internal controls and risk management	█	█
Audit independence	█	█
Executive compensation	█	█
Shareholders' rights	█	█



■ Environmental criteria

**Objective:** promoting companies that adopt environmentally-friendly behaviours, control their polluting emissions, participate in the sustainable management of natural resources and implement innovations in energy and environmental matters.

**ENVIRONMENT PILLAR**

Area	Objectives	Criteria
<b>Environmental policy</b>	<ul style="list-style-type: none"> <li>- Development of an environmental management strategy and system</li> <li>- Integration of environmental factors adapted to sector issues</li> </ul>	<ul style="list-style-type: none"> <li>- Definition and formulation of guidelines, priorities, appropriate means and precise numerical objectives</li> <li>- Incorporation of sector-related regulations</li> </ul>
<b>Impact control environmental</b>	<ul style="list-style-type: none"> <li>- Responsible water and waste management</li> <li>- Controlling risks associated with climate change</li> <li>- Preservation of biodiversity</li> </ul>	<ul style="list-style-type: none"> <li>- Optimising water use, limiting environmental discharges</li> <li>- Limiting GHG emissions and anticipating the physical consequences of climate change</li> <li>- Measuring the impact of activities on biodiversity and reducing the exploitation of sensitive areas, ecosystems, plants and organisms</li> </ul>
<b>Environmental impact of product or service</b>	<ul style="list-style-type: none"> <li>- Environmental innovation</li> <li>- Ecodesign of products or services</li> </ul>	<ul style="list-style-type: none"> <li>- Development of technological innovations and energy efficiency solutions</li> <li>- Reducing the impact of the manufacture, use and disposal of products or services, developing the circular economy</li> </ul>

■ Social criteria

**Objective:** promoting companies that favour the development of human capital by guaranteeing satisfactory working conditions through an appropriate human resources policy, fair pay, the development of employees' skills, the promotion of diversity and gender equality, and good management of the social aspect in the event of restructuring. Also promoting companies that foster responsible customer relations in the financial services industry, leading to interactions that benefit all stakeholders.

**SOCIAL PILLAR**

Area	Objectives	Criteria
<b>Respect for human rights</b>	<ul style="list-style-type: none"> <li>- Prevention of situations or acts of complicity in human rights violations</li> <li>- Respect for the right to safety and security of persons</li> <li>- Privacy and data protection</li> </ul>	<ul style="list-style-type: none"> <li>- Respect for fundamental human rights, elimination of prohibited forms of labour, in particular child labour and forced or compulsory labour</li> <li>- Protection of employees against potential threats, particularly in high-risk regions</li> <li>- Compliance with personal data protection regulations</li> </ul>
<b>Human resources management</b>	<ul style="list-style-type: none"> <li>- Constructive social dialogue</li> <li>- Training and career management conducive to human development</li> <li>- Promoting diversity</li> <li>- Health, safety and well-being at work</li> </ul>	<ul style="list-style-type: none"> <li>- Respect for and promotion of freedom of association and the right to collective bargaining</li> <li>- Employment strategy: training plan, sector transition, internal development policy and restructuring management</li> <li>- Principle of equal opportunities and treatment of persons</li> <li>- Prevention of workplace accidents and occupational diseases and continuous improvement of health and safety conditions at work</li> </ul>
<b>Value chain management</b>	<ul style="list-style-type: none"> <li>- Responsible supply chain management</li> <li>- Product quality, safety and traceability</li> </ul>	<ul style="list-style-type: none"> <li>- Elimination of prohibited forms of work at suppliers and subcontractors and sustainable cooperation with suppliers</li> <li>- Protection and respect for customer/consumer rights: prevention of anti-competitive practices, security, contractual protection and customer information</li> </ul>

■ Analysis of governance

**Objective:** promoting good governance practices, in particular the prevention of conflicts of interest, fair treatment of shareholders, audits and internal controls.

**GOVERNANCE PILLAR**

Area	Objectives	Criteria
<b>Board of Directors or Supervisory Board</b>	<ul style="list-style-type: none"> <li>- Independence of the Board</li> <li>- Competence and diversity of the Board</li> <li>- Limitation on combining mandates</li> </ul>	<ul style="list-style-type: none"> <li>- BD capable of controlling and advising executive officers to ensure a balance of power:               <ul style="list-style-type: none"> <li>■ Separation of the positions of Chairman and CHIEF EXECUTIVE OFFICER</li> <li>■ Diversity and complementarity of expertise</li> <li>■ Significant proportion of independent members allowing for objective and impartial control over management</li> </ul> </li> </ul>
<b>Quality of management</b>	<ul style="list-style-type: none"> <li>- Quality of strategy</li> <li>- Business ethics</li> <li>- Effectiveness of audit and control mechanisms</li> </ul>	<ul style="list-style-type: none"> <li>- Formulation and implementation of a strategy consistent with the external environment and internal resources</li> <li>- Prevention of all forms of corruption, from private actors to public officials</li> <li>- Internal control system capable of identifying and assessing the company's risks while ensuring confidence in the independence and objectivity of the external auditors</li> </ul>
<b>Quality of financial and non-financial communication</b>	<ul style="list-style-type: none"> <li>- Confidence in forecasts and transparency</li> <li>- Accessibility of management</li> </ul>	<ul style="list-style-type: none"> <li>- History of profit warnings</li> <li>- Disclosure of quantitative data and qualitative explanations giving a true and fair view of the company's current situation and its prospects on financial and non-financial issues</li> </ul>
<b>Executive compensation</b>	<ul style="list-style-type: none"> <li>- Clear formulation of executive compensation</li> <li>- Transparency of compensation</li> <li>- Consistency with results obtained</li> </ul>	<ul style="list-style-type: none"> <li>- Compensation policy describes its principles, mechanisms and details the various components</li> <li>- Integration of ESG objectives into compensation</li> <li>- Compensation in line with strategy, linked to the company's performance and the trend in the value of the company's share over the long term</li> </ul>

*Content, frequency and means of informing clients about ESG criteria*

*Investors are informed of the fund's SRI management by the following means:*

- *The website on which the following are available:*
  - *The funds' transparency code*
  - *ESG policy documents*
  - *Monthly fund reports*
  - *"Impact Indicator Reporting" documents (quarterly)*
  - *Carbon footprint and energy transition reporting (quarterly)*
  - *The annual report*
- *Social networks*

### *Information used to analyse ESG criteria*

In managing the **Lazard Credit Fi SRI** fund, Lazard Frères Gestion draws on several sources of information when assessing ESG criteria for each company analysed:

- Public sources: CSR reports, company annual reports, NGOs, press
- Direct communication with the companies
- External research: non-financial rating agencies (Vigeo-Eiris, MSCI), brokers, carbon data providers (Trucost)

### *ESG analysis methodology and results*

#### ■ ESG analysis methods

In 2019, a proprietary ESG analysis process was developed in the form of an internal ESG grid. This table centralises the quantitative and qualitative information that we consider most relevant in terms of environmental, social and governance issues and allows for a summary follow-up of each issuer.

Based on the various data provided by our ESG partners (Vigeo Eiris, Gaïa Rating, Trucost, Carbon Delta), Bloomberg, the CSR reports of each company, the Vigeo controversy monitoring tool and direct exchanges with companies, the sector analysts responsible for monitoring each stock draw up an internal ESG rating based on a quantitative and qualitative approach.

Each pillar is rated out of 5 based on around fifteen key indicators per dimension and the company's overall ESG rating summarises the E, S and G scores according to the following weighting: 30% for Environment and Social and 40% for Governance. This last element has always been an essential criterion in our analysis. We believe that, in the long term, good corporate governance ensures the protection of the interests of minority shareholders, but also of all the other stakeholders in the company. It is also a prerequisite for a credible environmental and social policy and is therefore a decisive criterion in securities selection.

The proprietary ESG analysis grids are updated annually. However, qualitative criteria may be reassessed or corrections on quantitative data may be incorporated as necessary.

The manner in which issuers take physical risks and transition risks into account in their development model is analysed according to the following methodology:

#### - Assessment of physical risks

An assessment of the level of control of these risks by the issuers, and an examination of:

- Whether companies have identified and quantified the physical climate risks to which they may be exposed
- Measures taken to prevent, adapt and mitigate these risks
- Indicators reflecting the results of these efforts to anticipate and mitigate the consequences that the physical impacts of climate change could have on their activities
  - Impacts on company assets (damage, destruction of buildings or production equipment, early retirement of existing assets, etc.)
  - Supply chain impacts (reduced availability/increased costs of raw materials, components or equipment, etc.)
  - Cost impacts (insurance costs, investment costs, operating costs, etc.)
  - Impacts on the company's ability to carry out its activities and operations (reduction or disruption of production capacity, impacts on the management and planning of the workforce, etc.)

#### - Assessment of transition risks

Three transition risks are identified:

- The risk associated with changes in energy prices

The commitments of issuers to reduce their energy consumption and associated emissions are measured, or how companies change their energy mix.

- The risk associated with advances in technology

These risks correspond to companies' exposure to obsolescence risks due to lack of technological innovation, and substitution of existing products and services by others with lower emissions.

This is followed by the efforts made by companies to develop and market products and services with a reduced climate impact, and their implications in R&D activities for ecological products and services.

- Risk associated with regulatory changes

This entails measuring how companies anticipate regulatory changes:

- Carbon footprint/carbon price: a measurement of the carbon footprint makes it possible to assess the sectors and companies that emit the most greenhouse gases and are therefore the most exposed to climate regulations
- Stranded asset/impairment risk: identification of issuers whose revenues derive from fossil energies and those with fossil fuel reserves to identify those most exposed to the risk of depreciation of their assets
- Compliance with 2-degree scenario targets: a measure of the level of commitment of issuers to the energy transition of their economic model. Assessment of commitments made and efficiency of the measures taken to reduce their GHG emissions, change their energy mix and reduce their energy consumption

- How ESG criteria are taken into account in the investment decision-making process

## 1 - Selection rules

In fixed income management, the bond analyst-managers actively participate in proprietary ESG analysis and complete internal grids for issuers not covered by the equity team. The team also relies on the ESG specialist to coordinate the entire non-financial analysis of fixed income portfolios.

Together, they ensure that the bond portfolios integrate the most advanced issuers in terms of ESG practices and engagement while checking that the spread remains attractive from a credit risk perspective. The analyst-managers take a non-exclusive approach to ESG and focus on dialogue with corporate leaders to understand the nature of any problems and what is at stake in their resolution or possible improvement. The investment process quantitatively integrates proprietary ESG analysis both in terms of stock picking and to manage the weight of securities held in the portfolio. The analyst-managers ensure that the credit spreads on the issuers in the portfolio are consistent with their ESG ratings, and prefer, at comparable spread levels and with similar risk profiles, the companies with the best ratings from our internal ESG analysis grid.

The internal ESG analysis grid is also used to filter the investment universe. Each company has an ESG rating of 1 to 5 (with 5 being the highest score). The bond management team excludes issuers whose internal ratings are considered low ( $\leq 2/5$ ). Moreover, for Investment Grade issues, the proportion of issuers rated between  $2/5$  and  $3/5$  is limited to 30% of the securities in the portfolio. For High Yield portfolios, which are more exposed to smaller and traditionally lower-rated issuers, this proportion is limited to 50% of the securities in the portfolios.

ESG analysis, which is integrated into our fundamental analysis, therefore directly impacts investment decisions so as to favour the allocation of investments to issuers with the best ESG practices.

Quantitative integration of proprietary ESG analysis within the investment process:

Issuer type	Internal memo	Exclusion	Exposure limit
All issuers	Score $\leq 2$ out of 5	Yes	-
Investment Grade	$2 < \text{Score} \leq 3$	-	Max 30%
High-yield	$2 < \text{Score} \leq 3$	-	Max 50%

In this fund, the weight of issuers scored between  $2/5$  and  $3/5$  (including a score of 3) is limited to 30% of the securities in the portfolio.

In addition, for issuers with the lowest non-financial ratings (overall "Weak" score), with the help of the qualitative analysis provided by Vigeo-Eiris, the ESG team writes a summary comment which is also sent to the fund manager each quarter. This comment serves as the basis for the engagement actions carried out by the Fixed Income teams.

These fact sheets are then centralised in a database that is accessible to all analysts/managers in the management unit.

## 2 - Exclusion rules

### a. Standard exclusions

Lazard Frères Gestion complies with regulations in accordance with the Ottawa and Oslo treaties. For example, we exclude from all our investments any company involved in the manufacture or trade of anti-personnel mines (APM), cluster bombs (CBM), chemical and biological weapons.

To ensure this monitoring, we have established a partnership with the ISS-Ethix agency. Based on the information provided by our partner ISS-Ethix, an internal list of exclusions is established and monitored by our Risk department.

In addition to complying with the regulations in force in France (Law no. 2010-819 of 20 July 2010 on the elimination of cluster munitions and Law no. 2343-2 of 2 July 8 on the elimination of anti-personnel mines), we can also apply tailor-made exclusion policies (sectors on tobacco, arms, alcohol, etc.), when our clients ask us to do so in our dedicated funds.

### b. Sector exclusions

#### Disengagement from coal

In 2020, Lazard Frères Gestion defined a strategy to exclude thermal coal, which applies to all portfolios under management. It aims to combat climate change and reduce human pollution while taking into account the financial, regulatory, physical and reputational risks associated with carbon assets in the context of the energy transition.

Lazard Frères Gestion therefore excludes any investment in companies where:

- More than 30% of revenue comes from thermal coal-related activities,
- More than 30% of the energy mix (per MW h generated) is based on coal,
- Annual thermal coal production exceeds 20 MT per year,
- Installed coal-fired capacity exceeds 10 GW,
- The projects involve the development of thermal coal mines or coal-fired power plants.

#### Tobacco

The tobacco industry in particular is subject to numerous ESG controversies regarding child labour in tobacco farming, transparency on product composition and deforestation. In response to these major ESG issues, Lazard Frères Gestion excludes from its investment universe companies whose core business is the production of tobacco or tobacco related products<sup>1</sup>.

## 3 - Controversy management process

Lazard Frères Gestion continuously monitors controversies affecting companies in its universe using various sources and external data. Since January 2020, this monitoring has been enriched by the analysis of ESG controversies carried out by Vigeo Eiris. This analysis makes it possible to understand any event that could impact the company's reputation, legal and economic security and financial value. It is an important component of the company's ESG risk analysis and is included in Lazard Frères Gestion's proprietary ESG analysis grid. Information from the media and brokers also constantly alerts analysts-managers about possible controversies that could affect companies in their investment universe.

Controversies deemed relevant and particularly severe by the analyst-manager are analysed in depth. If deemed necessary, the analyst manager will revise the issuer's E, S or G rating based on his/her analysis of the controversy. He/she therefore directly integrates the effects of the controversy on the internal ESG valuation of the company's shares.

In addition, by assessing each controversy according to its severity, frequency and the company's responsiveness, Vigeo Eiris informs the analysts-managers about the issuers' ability to manage controversies. The data provided are used as a decision-making tool and an alert database. Companies affected by severe, frequent controversies that do not provide appropriate responses are placed on a warning list. They receive particular attention from analysts/managers and are prime targets for carrying out engagement initiatives.

---

<sup>1</sup> Exclusion of tobacco: the exclusion policy does not concern companies indirectly involved in the tobacco industry via secondary products and/or services (e.g. packaging suppliers, airlines, airport sales services), as their activity is not exclusively focused on tobacco.

#### 4 - Issuer assessment process based on shareholder dialogue/exercise of voting rights

##### Implementation of an engagement strategy relating to issuers

ESG criteria are monitored by holding regular meetings with the companies' management. Lazard Frères Gestion only invests in companies with whose management it has established a strong relationship of trust, and therefore holds regular meetings with or pays regular onsite visits to 100% of the companies in the portfolio.

These exchanges provide an opportunity to identify and share best practices, particularly with regard to governance, human rights, social, societal and environmental issues.

We encourage companies to take these issues into account by formulating concrete areas for improvement. In this way, we encourage them to adopt best practices and to be more transparent about the resources put in place and the results obtained.

In addition, the Fixed Income team discusses with issuers about their ESG rating provided by our ESG rating providers. Priority is given to 'low' ESG ratings in bond portfolios.

Lazard Frères Gestion publishes a report covering the various initiatives undertaken and their outcome. This document is available at the following address: [http://www.lazardfreresgestion.fr/FR/Notre-approche-ESG-ISR-Actionnariat\\_116.html](http://www.lazardfreresgestion.fr/FR/Notre-approche-ESG-ISR-Actionnariat_116.html)

In addition, the ESG specialist carries out a complete monthly ESG analysis of the funds and a summary comment is also sent to the fund manager. This comment serves as a basis for engagement actions.

Details on the integration of ESG criteria within the different asset classes are available in our ESG policy, accessible via the following link: [http://www.lazardfreresgestion.fr/FR/Lazard-freres-gestion\\_79.html](http://www.lazardfreresgestion.fr/FR/Lazard-freres-gestion_79.html).

- Monitoring of ESG indicators
- Carbon footprint

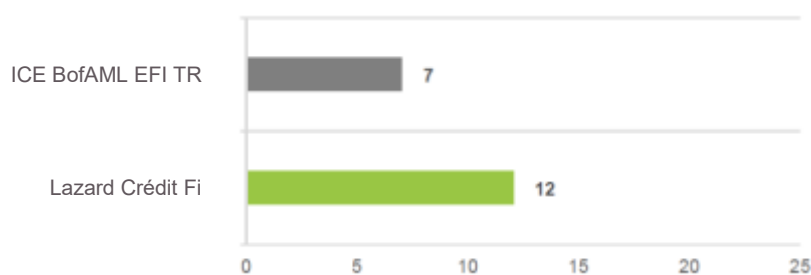
In the context of Article 173 of the law of August 17th, 2015, LAZARD Frères Gestion made a decision to report its carbon footprint.

- To obtain the data needed to calculate the carbon footprint, we decided to establish a partnership with TRUCOST in 2016.
- LAZARD Frères Gestion use the carbon intensity indicator, which is expressed in CO2 equivalent tonnes per million euros of income.
- The carbon footprint assessment takes into account scope 1 and 2 greenhouse gas (GHG) emissions.
  - Scope 1: All direct emissions linked to the use of fossil fuels to manufacture a product.
  - Scope 2: Direct emissions linked to the production of energy (electricity, etc.) that is consumed by the company.
- Measurement is solely conducted on securities that are directly owned.
- Listed companies on which we have no carbon data are weighted proportionally based on the weight of other companies in the same sector, in order to maintain the initial sector weightings.
- The weight of each stock in the portfolio is re-based to obtain a total weighting equal to 100%.
- The method used to calculate the portfolio's carbon intensity is the weighted average GHG emissions divided by the income of each position. We thus get the following formula:

$$\text{Carbon intensity of a portfolio} = \sum \left[ \left( \frac{\text{Emissions (scope 1 + 2)}}{\text{Revenue}} \right) \text{ of each security} \times \text{weight of each security} \right]$$

- A company's CO2 emission levels are highly dependent on its area of activity. Some sectors are structurally higher "emitters" than others.
- Lazard Frères Gestion's fundamental stock picking approach entails sector exposure gaps between the funds and their benchmark indices.
- To make up for these sector biases, we have defined a method that involves neutralising these gaps by re-weighting the sectors of the benchmark index so that they correspond to those of the portfolio. The weight of each stock is maintained within each sector of the benchmark index.

**Emissions in millions of euros of revenue (tonnes of CO2 eq./€m of revenue)**



Date: 31/03/2021  
Fund coverage rate: 80%

➤ Contribution to energy transition indicator

We apply an energy transition score to measure the company's level of engagement in the energy transition of their business model. Each issuer in the portfolio is assessed based on the efficiency of the measures taken to reduce their GHG emissions, change their energy mix and reduce their energy consumption.

Our partner Vigeo Eiris is responsible for applying this score.

For this, specific climate change criteria are analysed as are the main energy transition objectives of the companies and the relevant sectors. The score measures the efforts made by companies to reduce their carbon footprint and thus contribute to the international objective of limiting global warming to 2°C.

The portfolio's contribution to the energy transition is measured as follows:

$$\text{Energy Transition Score of a portfolio} = \sum [\text{Score Energy Transition score of each security}] \times \text{weight of each security}$$

It is based on the scoring scale set out below:

**Energy Transition Strategy Scale**

Categories	Low	Underway	Convincing	Advanced
Score	0-29	30-49	50-59	60-100

**Energy Transition Score**

<b>LAZARD CREDIT FI</b>	<b>Convincing</b>	<b>52</b>
ICE BofAML Euro Financial Index Total Return	Advanced	62

**• USE OF FINANCIAL INSTRUMENTS MANAGED BY THE MANAGEMENT COMPANY OR AN AFFILIATED COMPANY**

The table of financial instruments managed by the management company or an affiliated company can be found in the notes to the UCI's annual financial statements.

**• METHOD USED TO CALCULATE GLOBAL RISK**

The Fund uses the commitment method to calculate its global risk on financial contracts.



- **SWING PRICING**

In order to protect the UCI's long-term unitholders, a swing factor will be applied to subscriptions and redemptions that have a significant impact on the UCI's outstandings, which may generate costs for unitholders entering and leaving the UCI that would otherwise have been allocated across all unitholders in the UCI.

Therefore, if, on a particular NAV calculation date, the total net subscription/redemption orders of investors across all categories of UCI units or shares exceeds a threshold predetermined by the management company on the basis of objective criteria and expressed as a percentage of the net assets in the UCI, the NAV may be adjusted upwards or downwards to take account of the readjustment costs attributable to the net subscription/redemption orders. The NAV of each unit or share category shall be calculated separately, but any adjustment shall have an identical impact, expressed as a percentage, on all of the NAV calculations of each unit or share category in the UCI.

The cost parameters and trigger level shall be determined by the management company and shall be reviewed periodically, and at least every six months. These costs shall be estimated by the management company based on transaction fees, bid/offer spreads and tax charges applicable to the UCI.

Insofar as this adjustment mechanism is linked to the net balance of subscriptions/redemptions within the UCI, it is not possible to accurately predict a given time in the future at which swing pricing will be applied. Consequently, neither is it possible to predict the precise frequency at which the management company will have to make such adjustments, which shall not exceed 1% of the NAV (see prospectus). Investors should be aware that the volatility of the UCI's NAV may not reflect solely that of the securities in the portfolio arising from the application of swing pricing.

- **INFORMATION ON DISTRIBUTED INCOME ELIGIBLE FOR THE 40% ALLOWANCE (FOR DISTRIBUTING UCIs)**

Pursuant to the provisions of Article 41 sexdecies H of the French General Tax Code, income on distributing shares is subject to an allowance of 40%.

- **REMUNERATION**

The fixed and variable remuneration paid during the financial year ended on December 31st, 2020 by the management company to its personnel, in proportion to their investment in the management of the AIFs, excluding the management of the UCITS and discretionary mandates, can be obtained on request by post from the UCI legal department of Lazard Frères Gestion, and are included in the company's annual report. The total variable remuneration is set by the Lazard Group based on different criteria, including the Lazard Group's financial performance over the past year, taking its earnings into account. The General Management decides on the total remuneration amount that will be split between the fixed and variable components, complying with the policy to maintain a complete separation between the fixed and variable components. All risks are incorporated into the calculation of the variable remuneration. It is then individualised and determined partly based on the performance of each identified member of staff.

**Population at 31/12/2020: fixed-term and permanent contracts of LFG and LFG Belgique  
(therefore excluding interns and apprentices and excluding LFG Courtagé)**

<b>Headcount at December 31st, 2020 LFG - LFG-Belgium</b>	<b>Fixed annual remuneration 2020 in €</b>	<b>Variable remuneration for 2020 (cash paid in 2021 and deferred compensation allocated in 2021) in €</b>
179	16 522 853	22 155 596

**“Identified employees”**

<b>Category</b>	<b>Number of employees</b>	<b>2020 aggregate fixed and variable remuneration (annual salaries and cash and deferred bonuses)</b>
Senior management	3	4 310 982
Other	51	21 362 196
<b>Total</b>	<b>54</b>	<b>25 673 178</b>

**Note: the amounts are stated excluding charges**

- **OTHER INFORMATION**

The UCI's full prospectus and the most recent annual and interim reports will be sent out within one week of request in writing by unitholders to:

LAZARD FRERES GESTION SAS  
25, Rue de Courcelles – 75008 Paris, France

[www.lazardfreresgestion.fr](http://www.lazardfreresgestion.fr)

## 5. CERTIFICATION BY THE STATUTORY AUDITOR

## LAZARD CREDIT FI SRI

Open-end investment fund (*fonds commun de placement* – FCP)

Management company:

Lazard Frères Gestion SAS

75008 Paris, France

75008 Paris, France

### Statutory Auditor's report on the annual financial statements

Financial year ended March 31st, 2021

---

To the unitholders of the FCP LAZARD CREDIT FI SRI UCI,

#### Opinion

In accordance with the terms of our appointment by your Board of Directors, we conducted our audit of the accompanying annual financial statements of the Undertaking for Collective Investment LAZARD CREDIT FI SRI, as a French open-end investment fund (*fonds commun de placement* - FCP), for the financial year ended March 31st, 2021.

We certify that the annual financial statements provide a true and fair view of the results of operations for the financial year under review and of the financial position and assets and liabilities of the Fund at the end of said financial year, in accordance with the accounting rules and principles generally accepted in France.

#### Opinion on the annual financial statements

##### Audit standards

We conducted our audit in accordance with the professional standards applicable in France. We believe that our audit has provided us with sufficient relevant information on which to base our opinion.

Our responsibilities under these standards are set out in the section entitled "Statutory auditor's responsibilities concerning the audit of the financial statements" in this report.

## **Independence**

We conducted our audit in accordance with the rules of independence set out in the French Commercial Code and the code of ethics for statutory auditors, for the period from January 1st, 2020 to the date of issue of our report.

## **Basis of our opinions**

The global crisis linked to the COVID-19 pandemic creates special conditions for the preparation and audit of the financial statements for this financial year. Indeed, this crisis and the exceptional measures taken in the context of a health emergency have multiple consequences for funds, their investments and the valuation of the corresponding assets and liabilities. Some of these measures, such as travel restrictions and remote working, have also had an impact on the operational management of funds and on audit implementation methods.

In this complex and changing context, in accordance with the provisions of Articles L. 823-9 and R. 823-7 of the French Commercial Code relating to the justification of our assessments, we inform you that the most important assessments we carried out, in our professional judgement, focused on the appropriateness of the accounting principles applied, notably with regard to the financial instruments in the portfolio, and the overall presentation of the financial statements in accordance with the chart of accounts for open-end collective investment undertakings.

The assessments we have made are part of our audit of the annual financial statements as a whole and the opinion expressed above. We express no opinion on the elements of the annual financial statements taken in isolation.

## **Specific verifications**

We have also performed, in accordance with applicable professional standards in France, the specific verifications required by the laws and regulations.

We have no matters to report regarding the true and fair presentation of the information provided in the management report prepared by the management company, or its consistency with the annual financial statements.

## **Responsibilities of the management company concerning the annual financial statements**

It is the management company's role to draw up annual financial statements that give a fair and true picture in accordance with French accounting rules and principles and to implement the necessary internal control to be able to provide reasonable assurance that they are free from material misstatement, whether due to fraud or error.

As part of the preparation of the annual financial statements, the management company is responsible for assessing the Fund's capacity to continue operating as a going concern, to present in its financial statements, where necessary, information concerning business continuity, and to apply the accounting conventions of a going concern, unless it is planned to liquidate the Fund or terminate its activity.

The management company has prepared the annual financial statements.

## **Statutory auditor's responsibilities concerning the audit of the annual financial statements**

Our role is to prepare a report on the annual financial statements and to obtain reasonable assurance that the annual financial statements as a whole are free of material misstatements. Reasonable assurance means a high but not absolute level of assurance that an audit performed in accordance with professional standards is free of material misstatement. Anomalies may stem from fraud or errors and are considered material when it can reasonably be expected that, taken individually or together, they could influence the economic decisions of users of the financial statements.

As stipulated in Article L. 823-10-1 of the French Commercial Code (Code de commerce), our audit assignment does not consist in guaranteeing the viability or quality of the management of the FCP.

In the context of an audit performed in accordance with professional standards applicable in France, the statutory auditor must exercise its judgement throughout the course of the audit. Moreover:

- It identifies and assess the risks that the annual financial statements may contain material misstatements, whether from fraud or error, defines and implements audit procedures to resolve these risks, and collects all elements deemed necessary and appropriate in order to give its opinion. The risk of failure to detect a material misstatement resulting from fraud is higher than that resulting from an error because fraud may involve collusion, falsification, deliberate omissions, false statements or by-passing of internal controls;
- it takes due note of the internal control relevant to the audit in order to define audit procedures that are appropriate to the circumstances, and not with a view to expressing an opinion on the efficiency of the internal control;
- it assesses the appropriateness of the accounting methods used and the reasonable nature of the accounting estimates made by the management company, and the related information provided in the annual financial statements;
- it assesses the appropriateness of the management company's application of the accounting policy for a going concern and, based on the information collected, whether there is a significant uncertainty linked to events or circumstances that is likely to call into question the FCP's capacity to continue operating as a going concern. This assessment is based on the information collected up to the date of the report, bearing in mind nevertheless that subsequent circumstances or events could jeopardise the continuity of operation. If the statutory auditor observes the existence of a material uncertainty, it shall draw the attention of the readers of its report to the information provided in the annual financial statements on the subject of this uncertainty, or if this information has not been provided or is not relevant, it shall attach reservations to its certification or shall refuse to certify the accounts;

- it assesses the overall presentation of the annual financial statements and whether they provide a true picture of the underlying operations and events.

Paris La Défense, le July 15th, 2021

The statutory auditor

Deloitte & Associés

[signature]

Olivier GALIENNE

## 6. ANNUAL FINANCIAL STATEMENTS

BALANCE SHEET AS AT 31/03/2021 in euros

### ASSETS

	31/03/2021	31/03/2020
<b>NET NON-CURRENT ASSETS</b>		
<b>DEPOSITS</b>		
<b>FINANCIAL INSTRUMENTS</b>	<b>1 441 172 821,63</b>	<b>892 540 460,07</b>
<b>Equities and similar securities</b>		
Traded on a regulated or equivalent market		
Not traded on a regulated or equivalent market		
<b>Bonds and similar securities</b>	<b>1 351 751 222,65</b>	<b>835 613 647,13</b>
Traded on a regulated or equivalent market	1 351 751 222,65	835 613 647,13
Not traded on a regulated or equivalent market		
<b>Debt securities</b>		
Traded on a regulated or equivalent market		
Negotiable debt securities		
Other debt securities		
Not traded on a regulated or equivalent market		
<b>Undertakings for collective investment</b>	<b>89 421 598,98</b>	<b>50 314 384,69</b>
General UCITS and general AIFs aimed at non-professionals and their equivalent in other countries	89 421 598,98	50 314 384,69
Other funds aimed at non-professionals and their equivalent in other EU Member States		
General funds aimed at professional investors and their equivalent in other Member States of the EU and listed securitisation entities		
Other funds aimed at professional investors and their equivalent in other Member States of the EU and unlisted securitisation entities		
Other non-European entities		
<b>Temporary securities transactions</b>		
Receivables on securities purchased under repurchase agreements		
Receivables on loaned securities		
Borrowed securities		
Securities sold under repurchase agreements		
Other temporary transactions		
<b>Forward financial instruments</b>		<b>6 612 428,25</b>
Transactions on a regulated or equivalent market		919 343,81
Other transactions		5 693 084,44
<b>Other financial instruments</b>		
<b>RECEIVABLES</b>	<b>453 957 568,78</b>	<b>399 503 832,21</b>
Currency forward exchange transactions	434 869 240,63	393 640 692,78
Other	19 088 328,15	5 863 139,43
<b>FINANCIAL ACCOUNTS</b>	<b>31 157 420,37</b>	<b>41 692 095,99</b>
Cash and cash equivalents	31 157 420,37	41 692 095,99
<b>TOTAL ASSETS</b>	<b>1 926 287 810,78</b>	<b>1 333 736 388,27</b>



## LIABILITIES AND SHAREHOLDERS' EQUITY

	31/03/2021	31/03/2020
<b>SHAREHOLDERS' EQUITY</b>		
Share capital	1 345 120 990,76	875 337 197,42
Undistributed net capital gains and losses recognised in previous years (a)		
Retained earnings (a)	8 303,80	5 462,54
Net capital gains and losses for the year (a, b)	52 526 992,40	6 071 965,49
Net income for the year (a,b)	21 338 962,51	31 323 803,24
<b>TOTAL SHAREHOLDERS' EQUITY*</b>	<b>1 418 995 249,47</b>	<b>912 738 428,69</b>
<i>* Sum representing the net assets</i>		
<b>FINANCIAL INSTRUMENTS</b>		<b>3 765 886,03</b>
Sales of financial instruments		
Temporary securities transactions		
Liabilities on securities sold under repurchase agreements		
Liabilities on borrowed securities		
Other temporary transactions		
Forward financial instruments		3 765 886,03
Transactions on a regulated or equivalent market		919 343,81
Other transactions		2 846 542,22
<b>LIABILITIES</b>	<b>507 292 561,31</b>	<b>416 771 230,58</b>
Currency forward exchange transactions	445 404 032,00	395 795 474,12
Other	61 888 529,31	20 975 756,46
<b>FINANCIAL ACCOUNTS</b>		<b>460 842,97</b>
Bank overdrafts		460 842,97
Borrowings		
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>1 926 287 810,78</b>	<b>1 333 736 388,27</b>

(a) Including accrued income

(b) Less interim dividends paid for the financial year

**OFF-BALANCE SHEET ITEMS AT 31/03/2021 in euros**

	31/03/2021	31/03/2020
<b>HEDGING TRANSACTIONS</b>		
Commitments on regulated or similar markets		
Futures contracts		
TY CBOT YST 1 0620		189 593 301,44
Commitments on OTC markets		
Credit Default Swaps		
ITRAXX EUR XOVER S33		200 000 000,00
ITRAXX EUR XOVER S33		100 000 000,00
Other commitments		
<b>OTHER TRANSACTIONS</b>		
Commitments on regulated or similar markets		
Commitments on OTC markets		
Other commitments		

**INCOME STATEMENT AT 31/03/2021 in euros**

	31/03/2021	31/03/2020
<b>Income from financial transactions</b>		
Income from deposits and financial accounts	53,52	3 593,51
Income from equities and similar securities		
Income from bonds and similar securities	48 193 580,37	35 183 622,19
Income from debt securities		60,75
Income from temporary purchases and sales of securities	14 361,36	947,01
Income from forward financial instruments		
Other financial income		
<b>TOTAL (1)</b>	<b>48 207 995,25</b>	<b>35 188 223,46</b>
<b>Expenses related to financial transactions</b>		
Expenses related to temporary purchases and sales of securities	8 491,25	5 264,29
Expenses related to forward financial instruments		
Expenses related to financial liabilities	20 989,49	19 683,33
Other financial charges		
<b>TOTAL (2)</b>	<b>29 480,74</b>	<b>24 947,62</b>
<b>INCOME FROM FINANCIAL TRANSACTIONS (1 - 2)</b>	<b>48 178 514,51</b>	<b>35 163 275,84</b>
Other income (3)		
Management fees and depreciation and amortisation (4)	28 772 967,73	5 426 504,05
<b>Net income for the financial year (L. 214-17-1) (1 - 2 + 3 - 4)</b>	<b>19 405 546,78</b>	<b>29 736 771,79</b>
Income adjustment for the financial year (5)	1 933 415,73	1 587 031,45
Interim dividends paid on net income for the financial year (6)		
<b>Net income (1 - 2 + 3 - 4 + 5 - 6)</b>	<b>21 338 962,51</b>	<b>31 323 803,24</b>

## NOTES TO THE FINANCIAL STATEMENTS

### 1. ACCOUNTING RULES AND PRINCIPLES

The annual financial statements are presented in accordance with regulation 2014-01, as amended, of the French accounting standards body (*Autorité des Normes Comptables* - ANC).

The general accounting principles apply:

- true and fair view, comparability, business continuity,
- regularity, truthfulness,
- prudence,
- permanence of the accounting methods used each year.

Income from fixed-income securities is recorded on the basis of accrued interest.

Purchases and sales of securities are recorded excluding expenses.

The accounting currency of the portfolio is the euro.

The financial year comprises 12 months.

#### Information on the impact of the COVID-19 crisis

These financial statements were prepared by the management company on the basis of available information in the context of the evolving COVID-19 crisis.

#### Asset valuation rules

Financial instruments and securities traded on a regulated market are valued at their market price.

- **Shares and similar securities** are valued on the basis of the last known price on their main market.

If applicable, prices are translated into euros using the exchange rate prevailing in Paris on the valuation day (as published by WM Closing).

- **Fixed-income securities:**

Fixed-income securities are for the most part marked to market based on either Bloomberg prices (BGN)<sup>®</sup> derived from averages of contributed prices, or on those of direct contributors.

There may be a discrepancy between the carrying amounts, valued as indicated above, and the actual disposal prices that would be obtained if a portion of these portfolio assets were to be sold.

- Bonds and similar instruments are valued on the basis of the average of the closing prices gathered from several contributors.

Financial instruments whose prices have not been determined on the valuation day or whose prices have been adjusted are valued at their probable trading price under the responsibility of the management company of the Fund.

These valuations and the related supporting documentation will be provided to the statutory auditor during audits.

However, the following instruments are valued using the following specific methods:

- **Negotiable debt securities:**

- **Negotiable debt securities with a residual maturity of more than three months:**

Negotiable debt securities traded in large volumes are valued at market price.

In the absence of significant trading volumes, these securities are valued using an actuarial method, with a benchmark rate plus, where applicable, a margin representative of the issuer's intrinsic characteristics.

Benchmark rate	
Negotiable debt securities in euros	Negotiable debt securities in other currencies
Euribor, OIS swaps and BTFs - 3 - 6 - 9 - 12 BTANs - 18 months, 2 – 3 – 4 – 5 years	Official key rates in the relevant countries

**- Negotiable debt securities with a residual maturity of three months or less:**

Negotiable debt securities with a residual maturity of three months or less are valued using the straight-line method. However, this method would not be applied if any of these securities were particularly sensitive to market movements.

○ **UCIs:**

Units or shares of UCIs are valued at the last known net asset value.

Units or shares of UCIs for which net asset values are published monthly may be valued on the basis of interim net asset values calculated from estimated prices.

○ **Temporary purchases and sales of securities:**

Securities purchased under repurchase agreements are valued at their contract price using an actuarial method with a benchmark rate (overnight EONIA, one- or two-week interbank rates, one- to 12-month EURIBOR) corresponding to the term of the contract.

Collateral received or given in the form of cash in the context of temporary securities transactions (securities lending/borrowing, cash collateral, delivered repos) is recorded as an asset under the heading "Liquidity".

Securities sold under repurchase agreements continue to be valued at their market price. Liabilities on securities sold under repurchase agreements are calculated using the same method as that used for securities purchased under repurchase agreements.

○ **Futures and options:**

Futures and options are valued on the basis of intraday trading prices the timing of which is based on that of the valuation of the underlying assets.

Positions taken on the futures or options markets and over the counter are valued at their market price or at the value of the equivalent underlying asset.

➤ **Financial instruments and securities not traded on a regulated market**

All of the UCI's financial instruments are traded on regulated markets.

➤ **Valuation methods for off-balance sheet commitments**

Off-balance sheet transactions are valued at the commitment value.

The commitment value for futures contracts is equal to the price (in the Fund's currency) multiplied by the number of contracts multiplied by the face value.

The commitment value for options is equal to the price of the underlying security (in the Fund's currency) multiplied by the number of contracts multiplied by the delta multiplied by the face value of the underlying security.

The commitment value for swaps is equal to the face value of the contract (in the Fund's currency).

**SWING PRICING**

The management company has been applying a swing pricing adjustment to the UCI's net asset value with a trigger level since November 2<sup>nd</sup>, 2016.

This mechanism involves making investors bear, during significant subscription and redemption movements, the cost of rearranging the portfolio as a result of investment or divestment transactions that may result from transaction charges, buy/sell spreads and taxes or duties applicable to the UCI.

When the net balance of investors' subscription and redemption orders exceeds a predetermined threshold, known as the trigger threshold, the net asset value is adjusted.

The net asset value is adjusted upwards or downwards if the balance of subscriptions and redemptions is positive or negative, respectively, in order to take into account the readjustment costs attributable to net subscription and redemption orders.

The trigger amount is expressed as a % of the UCI's net assets.

Unitholders can consult information on this mechanism in the UCI's prospectus, which is available at the management company's head office and on its website: [www.assetmanagement.hsbc.com/fr](http://www.assetmanagement.hsbc.com/fr).

## Management fees

Management fees are calculated on each valuation day.

The annual management fee rate is applied to gross assets (equal to net assets before deduction of the day's management fees) less UCIs managed by Lazard Frères gestion SAS using the following formula:

$$\frac{\text{Gross assets - UCIs managed by Lazard Frères gestion} \times \text{operating and management fees rate} \times \text{no. of days between the calculated NAV and the previous NAV}}{365 \text{ (or 366 in a leap year)}}$$

This amount is then recorded in the Fund's income statement and paid in full to the management company.

The management company pays the Fund's operating fees, including for:

- . financial management;
- . administration and accounting;
- . custody services;
- other operating fees:
  - . statutory auditors' fees;
  - . legal notices (Balo, Petites Affiches, etc.) if applicable.

These fees do not include transaction charges. The fees break down as follows, as set out in the regulations:

<i>Costs charged to the UCI</i>	<i>Basis</i>	<i>Units</i>	<i>Rate (maximum incl. taxes)</i>
Financial management fees	Net assets excluding UCIs managed by Lazard Frères Gestion	RVC EUR	0,965%
		RVD EUR	0,965%
		PC EUR	0,665%
		PD EUR	0,665%
		PVC EUR	0,265%
		PVD EUR	0,265%
		PC H-USD	0,715%
		PC H-CHF	0,715%
		TC EUR	0,665%
Administrative fees external to the management company	Net assets	Applied to all units	0,035%
Indirect charges (management fees and expenses)	NA	Applied to all units	None
Turnover commission (0% to 100% received by the management company and 0% to 100% received by the custodian)	Maximum charge on each transaction	Applied to all units	None
Performance fee	Net assets	RVC EUR, RVD EUR, PVC EUR, PVD EUR	30% of the Fund's outperformance relative to the benchmark index +75 bp. This fee will be capped at 2%. *
		PC EUR, PD EUR, PC H- USD, PC H-CHF, TC EUR	None

The method used to calculate retrocession amounts is set out in the sales and marketing agreements.

- If the amount is significant, a provision is recognised in account 617.
- The final amount is recognised upon settlement of invoices after reversal of any provisions.

## Allocation of distributable income

### Definition of distributable income:

Distributable income consists of:

### Net income:

Net income for the financial year is equal to the amount of interest, arrears, bonuses and prizes, dividends, directors' fees and all other income generated by the securities that make up the portfolio, plus income generated by temporary cash holdings, minus the amount of management fees and borrowing costs.

Retained earnings are added, plus or minus the balance of the revenue adjustment account.

### Capital gains and losses:

Realised capital gains, net of expenses, less realised capital losses, net of expenses, recognised for the financial year, plus any net capital gains of the same kind recognised over previous years that have not been distributed or accumulated, plus or minus the balance of the capital gains adjustment account.

### Allocation of distributable income:

<i>Unit(s)</i>	<i>Allocation of net income</i>	<i>Allocation of net realised capital gains or losses</i>
PC EUR units	Accumulation	Accumulation
PC H-CHF units:	Accumulation	Accumulation
Pc H-USD units:	Accumulation	Accumulation
PD EUR units	Distribution	Accumulation and/or Distribution and/or Retention as decided by the management company
PVC EUR units	Accumulation	Accumulation
PVD EUR units	Distribution	Accumulation and/or Distribution and/or Retention as decided by the management company
RVC EUR units	Accumulation	Accumulation
RVD EUR units	Distribution	Accumulation and/or Distribution and/or Retention as decided by the management company
TC EUR units	Accumulation	Accumulation

## 2. CHANGE IN NET ASSETS AT 31/03/2021 in euros

	31/03/2021	31/03/2020
<b>NET ASSETS AT START OF YEAR</b>	<b>912 738 428,69</b>	<b>791 388 088,71</b>
Subscriptions (including subscription fees retained by the Fund)	538 022 444,40	506 188 222,11
Redemptions (net of redemption fees retained by the Fund)	-250 039 248,29	-312 622 586,49
Realised capital gains on deposits and financial instruments	43 708 843,93	20 636 740,10
Realised capital losses on deposits and financial instruments	-6 002 739,51	-4 492 963,29
Realised capital gains on forward financial instruments	37 915 132,05	51 907 603,01
Realised capital losses on forward financial instruments	-21 704 953,25	-64 356 338,43
Transaction fees	-31 308,46	-36 303,92
Exchange rate differences	-17 209 592,26	4 388 210,89
Changes in valuation difference of deposits and financial instruments	171 523 245,95	-108 716 873,28
<i>Valuation difference for financial year N</i>	<i>68 017 682,17</i>	<i>-103 505 563,78</i>
<i>Valuation difference for financial year N-1</i>	<i>103 505 563,78</i>	<i>-5 211 309,50</i>
Changes in valuation difference of forward financial instruments	-3 765 886,03	3 765 886,03
<i>Valuation difference for financial year N</i>		<i>3 765 886,03</i>
<i>Valuation difference for financial year N-1</i>	<i>-3 765 886,03</i>	
Distribution of prior year's net capital gains and losses		
Dividends paid in the previous financial year	-5 564 664,53	-5 048 028,54
Net profit/loss for the financial year prior to income adjustment	19 405 546,78	29 736 771,79
Interim dividend(s) paid on net capital gains/losses during the financial year		
Interim dividend(s) paid on net income during the financial year		
Other items		
<b>NET ASSETS AT END OF YEAR</b>	<b>1 418 995 249,47</b>	<b>912 738 428,69</b>



### 3. ADDITIONAL INFORMATION (\*)

#### 3.1. BREAKDOWN OF FINANCIAL INSTRUMENTS BY LEGAL OR ECONOMIC STATUS

	Amount:	%
<b>ASSETS</b>		
<b>BONDS AND SIMILAR SECURITIES</b>		
Fixed-rate bonds traded on a regulated or similar market	1 252 888 931,72	88,29
Fixed-rate bonds traded on a regulated or similar market	65 229 860,41	4,60
Convertible bonds traded on a regulated or equivalent market	33 632 430,52	2,37
<b>TOTAL BONDS AND SIMILAR SECURITIES</b>	<b>1 351 751 222,65</b>	<b>95,26</b>
<b>DEBT SECURITIES</b>		
<b>TOTAL DEBT SECURITIES</b>		
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
<b>SALES OF FINANCIAL INSTRUMENTS</b>		
<b>TOTAL SALES OF FINANCIAL INSTRUMENTS</b>		
<b>OFF-BALANCE SHEET</b>		
<b>HEDGING TRANSACTIONS</b>		
<b>TOTAL HEDGING TRANSACTIONS</b>		
<b>OTHER TRANSACTIONS</b>		
<b>TOTAL OTHER TRANSACTIONS</b>		

### 3.2. BREAKDOWN OF ASSET, LIABILITY AND OFF-BALANCE SHEET ITEMS BY INTEREST RATE TYPE

	Fixed rate	%	Variable rate	%	Revisable rate	%	Other	%
<b>ASSETS</b>								
Deposits								
Bonds and similar securities	1 252 888 931,72	88,29			98 862 290,93	6,97		
Debt securities								
Temporary securities transactions								
Financial accounts							31 157 420,37	2,20
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>								
Temporary securities transactions								
Financial accounts								
<b>OFF-BALANCE SHEET</b>								
Hedging transactions								
Other transactions								

### 3.3. BREAKDOWN OF ASSET, LIABILITY AND OFF-BALANCE SHEET ITEMS BY RESIDUAL MATURITY

	< 3 months	%	]3 months - 1 year]	%	]1-3 years]	%	]3-5 years]	%	> 5 years	%
<b>ASSETS</b>										
Deposits										
Bonds and similar securities	3 393 198,21	0,24			4 821 229,47	0,34	31 948 902,99	2,25	1 311 587 891,98	92,43
Debt securities										
Temporary securities transactions										
Financial accounts	31 157 420,37	2,20								
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>										
Temporary securities transactions										
Financial accounts										
<b>OFF-BALANCE SHEET</b>										
Hedging transactions										
Other transactions										

(\*) Forward interest rate positions are presented according to the maturity of the underlying.

### 3.4. BREAKDOWN OF ASSET, LIABILITY AND OFF-BALANCE SHEET ITEMS BY LISTING OR VALUATION CURRENCY (EXCLUDING EUROS)

	Currency 1 USD		Currency 2 DKK		Currency 3 CHF		Currency N OTHER	
	Amount:	%	Amount:	%	Amount:	%	Amount:	%
<b>ASSETS</b>								
Deposits								
Equities and similar securities								
Bonds and similar securities	278 773 337,72	19,65	6 079 014,05	0,43	900 050,73	0,06	217 546 326,86	15,33
Debt securities								
UCIs	669 918,32	0,05						
Temporary securities transactions								
Receivables	5 863 569,23	0,41			3 780 223,09	0,27	4 904 619,36	0,35
Financial accounts	7 657 619,33	0,54	6 819,16		8 974,40		5 669 348,28	0,40
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>								
Sales of financial instruments								
Temporary securities transactions								
Liabilities	219 032 481,06	15,44			927 541,47	0,07	219,755,825.56	15,49
Financial accounts								
<b>OFF-BALANCE SHEET</b>								
Hedging transactions								
Other transactions								

### 3.5. RECEIVABLES AND PAYABLES: BREAKDOWN BY TYPE

	Debit/credit item	31/03/2021
<b>RECEIVABLES</b>		
	Forward currency purchases	13 465 955,07
	Receivables on forward currency sales	421 403 285,56
	Subscription receivables	6 957 191,20
	Coupons and dividends in cash	2 161 136,95
	Collateral	9 970 000,00
<b>TOTAL RECEIVABLES</b>		<b>453 957 568,78</b>
<b>LIABILITIES</b>		
	Forward currency sales	432 080 457,13
	Payables on forward currency purchases	13 323 574,87
	Deferred settlement purchase	37 186 211,69
	Redemptions payable	615 745,44
	Fixed management fees	625 585,47
	Variable management fees	23 460 986,71
<b>TOTAL LIABILITIES</b>		<b>507 292 561,31</b>
<b>TOTAL LIABILITIES AND RECEIVABLES</b>		<b>-53 334 992,53</b>

### 3.6. SHAREHOLDERS' EQUITY

#### 3.6.1. Number of securities issued or redeemed

	In units	In amounts
<b>PC EUR units</b>		
Units subscribed during the financial year	127 701,350	168 053 327,52
Units redeemed during the financial year	-62 341,982	-83 506 788,56
Net balance of subscriptions/redemptions	65 359,368	84 546 538,96
Number of outstanding units at end of financial year	162 316,934	
<b>PC H-CHF units:</b>		
Units subscribed during the financial year	2 652,600	2 867 446,23
Units redeemed during the financial year	-429,000	-464 570,60
Net balance of subscriptions/redemptions	2 223,600	2 402 875,63
Number of outstanding units at end of financial year	3 495,442	
<b>PC H-USD units:</b>		
Units subscribed during the financial year	3 464,469	4 062 891,33
Units redeemed during the financial year	-657,105	-763 530,40
Net balance of subscriptions/redemptions	2 807,364	3 299 360,93
Number of outstanding units at end of financial year	3 837,454	
<b>PD EUR units</b>		
Units subscribed during the financial year	48 518,870	46 754 506,96
Units redeemed during the financial year	-6 175,819	-5 813 199,08
Net balance of subscriptions/redemptions	42 343,051	40 941 307,88
Number of outstanding units at end of financial year	85 198,598	
<b>PVC EUR units</b>		
Units subscribed during the financial year	12 646,438	198 723 048,10
Units redeemed during the financial year	-5 870,190	-92 137 933,28
Net balance of subscriptions/redemptions	6 776,248	106 585 114,82
Number of outstanding units at end of financial year	46 323,103	
<b>PVD EUR units</b>		
Units subscribed during the financial year	223 881,430	23 980 025,00
Units redeemed during the financial year	-79 637,168	-8 482 150,19
Net balance of subscriptions/redemptions	144 244,262	15 497 874,81
Number of outstanding units at end of financial year	1 273 000,872	
<b>RVC EUR units</b>		
Units subscribed during the financial year	225 397,074	77 538 386,17
Units redeemed during the financial year	-84 010,490	-28 920 366,13
Net balance of subscriptions/redemptions	141 386,584	48 618 020,04
Number of outstanding units at end of financial year	348 870,058	

### 3.6.1. Number of securities issued or redeemed

	In units	In amounts
<b>RVD EUR units</b>		
Units subscribed during the financial year	1 296,409	257 633,72
Units redeemed during the financial year	-1 755,000	-345 059,50
Net balance of subscriptions/redemptions	-458,591	-87 425,78
Number of outstanding units at end of financial year	3 112,540	
<b>TC EUR units</b>		
Units subscribed during the financial year	74 637,486	15 785 179,37
Units redeemed during the financial year	-134 336,070	-29 605 650,55
Net balance of subscriptions/redemptions	-59 698,584	-13 820 471,18
Number of outstanding units at end of financial year	192 578,950	

### 3.6.2. Subscription and/or redemption fees

	In amounts
<b>PC EUR units</b>	
Total fees acquired	
Subscription fees acquired	
Redemption fees acquired	
<b>PC H-CHF units:</b>	
Total fees acquired	
Subscription fees acquired	
Redemption fees acquired	
<b>PC H-USD units:</b>	
Total fees acquired	
Subscription fees acquired	
Redemption fees acquired	
<b>PD EUR units</b>	
Total fees acquired	
Subscription fees acquired	
Redemption fees acquired	
<b>PVC EUR units</b>	
Total fees acquired	
Subscription fees acquired	
Redemption fees acquired	
<b>PVD EUR units</b>	
Total fees acquired	
Subscription fees acquired	
Redemption fees acquired	
<b>RVC EUR units</b>	
Total fees acquired	
Subscription fees acquired	
Redemption fees acquired	

### 3.6.2. Subscription and/or redemption fees

	In amounts
<b>RVD EUR units</b>	
Total fees acquired	
Subscription fees acquired	
Redemption fees acquired	
<b>TC EUR units</b>	
Total fees acquired	
Subscription fees acquired	
Redemption fees acquired	

### 3.7. MANAGEMENT FEES

	31/03/2021
<b>PC EUR units</b>	
Guarantee fees	
Fixed management fees	1 182 683,15
Percentage of fixed management fees	0,66
Variable management fees	
Retrocessions of management fees	
<b>PC H-CHF units:</b>	
Guarantee fees	
Fixed management fees	16 620,65
Percentage of fixed management fees	0,71
Variable management fees	
Retrocessions of management fees	
<b>PC H-USD units:</b>	
Guarantee fees	
Fixed management fees	22 210,60
Percentage of fixed management fees	0,71
Variable management fees	
Retrocessions of management fees	
<b>PD EUR units</b>	
Guarantee fees	
Fixed management fees	505 630,55
Percentage of fixed management fees	0,66
Variable management fees	
Retrocessions of management fees	

### 3.7. MANAGEMENT FEES

	31/03/2021
<b>PVC EUR units</b>	
Guarantee fees	
Fixed management fees	1 946 845,12
Percentage of fixed management fees	0,29
Variable management fees	17 389 561,19
Retrocessions of management fees	
<b>PVD EUR units</b>	
Guarantee fees	
Fixed management fees	344 020,27
Percentage of fixed management fees	0,29
Variable management fees	3 021 463,74
Retrocessions of management fees	
<b>RVC EUR units</b>	
Guarantee fees	
Fixed management fees	936 221,45
Percentage of fixed management fees	0,95
Variable management fees	3 030 305,53
Retrocessions of management fees	
<b>RVD EUR units</b>	
Guarantee fees	
Fixed management fees	6 172,94
Percentage of fixed management fees	0,95
Variable management fees	19 656,25
Retrocessions of management fees	
<b>TC EUR units</b>	
Guarantee fees	
Fixed management fees	351 576,29
Percentage of fixed management fees	0,67
Variable management fees	
Retrocessions of management fees	

(\*) Variable management fees are capped at 2% of the net assets as at the closing date e, in accordance with the prospectus.

### 3.8. COMMITMENTS RECEIVED AND GIVEN

#### 3.8.1. Guarantees received by the UCI:

None.

#### 3.8.2. Other commitments received and/or given:

None.

### 3.9. OTHER INFORMATION

#### 3.9.1. Present value of financial instruments held temporarily

	31/03/2021
Securities held under repurchase agreements	
Borrowed securities	

#### 3.9.2. Present value of financial instruments representing security deposits

	31/03/2021
Financial instruments given as security and retained under their original classification	
Financial instruments received as security and not recorded on the balance sheet	

#### 3.9.3. Financial instruments held, issued and/or managed by the Group

	ISIN code	Name	31/03/2021
Equities			
Bonds			
Negotiable debt securities			
UCIs			89 421 598,98
	FR0010952788	LAZARD CAPITAL FI SRI PVC EUR	8 115 103,20
	FR0013072733	LAZARD CAPITAL FI SRI PVC H-USD	669 918,32
	FR0010941815	LAZARD EURO MONEY MARKET "B"	77 773 415,71
	FR0013314440	LAZ GL HYBR BD EV EUR	2 863 161,75
Forward financial instruments			
<b>Total group securities</b>			<b>89 421 598,98</b>



### 3.10. APPROPRIATION OF DISTRIBUTABLE AMOUNTS

Table of appropriation of distributable income pertaining to net income

	31/03/2021	31/03/2020
<b>Remaining amounts to be allocated</b>		
Retained earnings	8 303,80	5 462,54
Net income	21 338 962,51	31 323 803,24
<b>Total</b>	<b>21 347 266,31</b>	<b>31 329 265,78</b>

	31/03/2021	31/03/2020
<b>PC EUR units</b>		
<b>Appropriation</b>		
Distribution		
Balance brought forward for the financial year		
Accumulation	6 961 105,66	3 854 558,42
<b>Total</b>	<b>6 961 105,66</b>	<b>3 854 558,42</b>

	31/03/2021	31/03/2020
<b>PC H-CHF units:</b>		
<b>Appropriation</b>		
Distribution		
Balance brought forward for the financial year		
Accumulation	119 644,94	39 772,22
<b>Total</b>	<b>119 644,94</b>	<b>39 772,22</b>

	31/03/2021	31/03/2020
<b>PC H-USD units:</b>		
<b>Appropriation</b>		
Distribution		
Balance brought forward for the financial year		
Accumulation	148 244,31	37 753,40
<b>Total</b>	<b>148 244,31</b>	<b>37 753,40</b>

	31/03/2021	31/03/2020
<b>PD EUR units</b>		
<b>Appropriation</b>		
Distribution	2 823 481,54	1 359 806,51
Balance brought forward for the financial year	187,06	190,33
Accumulation		
<b>Total</b>	<b>2 823 668,60</b>	<b>1 359 996,84</b>
<b>Information on units with dividend rights</b>		
Number of units	85 198,598	42 855,547
Dividend per unit	33,14	31,73
<b>Tax credit</b>		
Tax credit attached to the distribution of earnings		

	31/03/2021	31/03/2020
<b>PVC EUR units</b>		
<b>Appropriation</b>		
Distribution		
Balance brought forward for the financial year		
Accumulation	7 858 252,29	19 041 891,85
<b>Total</b>	<b>7 858 252,29</b>	<b>19 041 891,85</b>

	31/03/2021	31/03/2020
<b>PVD EUR units</b>		
<b>Appropriation</b>		
Distribution	1 565 791,07	3 612 021,15
Balance brought forward for the financial year	12,37	7 018,45
Accumulation		
<b>Total</b>	<b>1 565 803,44</b>	<b>3 619 039,60</b>
<b>Information on units with dividend rights</b>		
Number of units	1 273 000,872	1 128 756,610
Dividend per unit	1,23	3,20
<b>Tax credit</b>		
Tax credit attached to the distribution of earnings		

	31/03/2021	31/03/2020
<b>RVC EUR units</b>		
<b>Appropriation</b>		
Distribution		
Balance brought forward for the financial year		
Accumulation	522 766,06	1 730 256,00
<b>Total</b>	<b>522 766,06</b>	<b>1 730 256,00</b>

	31/03/2021	31/03/2020
<b>RVD EUR units</b>		
<b>Appropriation</b>		
Distribution	1 245,02	10 677,68
Balance brought forward for the financial year	14,68	11,57
Accumulation		
<b>Total</b>	<b>1 259,70</b>	<b>10 689,25</b>
<b>Information on units with dividend rights</b>		
Number of units	3 112,540	3 571,131
Dividend per unit	0,40	2,99
<b>Tax credit</b>		
Tax credit attached to the distribution of earnings		

	31/03/2021	31/03/2020
<b>TC EUR units</b>		
<b>Appropriation</b>		
Distribution		
Balance brought forward for the financial year		
Accumulation	1 346 521,31	1 635 308,20
<b>Total</b>	<b>1 346 521,31</b>	<b>1 635 308,20</b>

**Table of allocation of distributable amounts pertaining to net capital gains and losses**

	31/03/2021	31/03/2020
<b>Remaining amounts to be allocated</b>		
Undistributed net capital gains and losses recognised in previous years		
Net capital gains and losses for the year	52 526 992,40	6 071 965,49
Interim dividends paid on net capital gains/losses for the financial year		
<b>Total</b>	<b>52 526 992,40</b>	<b>6 071 965,49</b>

	31/03/2021	31/03/2020
<b>PC EUR units</b>		
<b>Appropriation</b>		
Distribution		
Undistributed net capital gains and losses		
Accumulation	8 408 587,26	710 639,13
<b>Total</b>	<b>8 408 587,26</b>	<b>710 639,13</b>

	31/03/2021	31/03/2020
<b>PC H-CHF units:</b>		
<b>Appropriation</b>		
Distribution		
Undistributed net capital gains and losses		
Accumulation	-21 066,25	97 154,33
<b>Total</b>	<b>-21 066,25</b>	<b>97 154,33</b>

	31/03/2021	31/03/2020
<b>PC H-USD units:</b>		
<b>Appropriation</b>		
Distribution		
Undistributed net capital gains and losses		
Accumulation	-56 988,25	56 095,25
<b>Total</b>	<b>-56 988,25</b>	<b>56 095,25</b>

	31/03/2021	31/03/2020
<b>PD EUR units</b>		
<b>Appropriation</b>		
Distribution		
Undistributed net capital gains and losses		
Accumulation	3 389 767,75	250 782,76
<b>Total</b>	<b>3 389 767,75</b>	<b>250 782,76</b>

	31/03/2021	31/03/2020
<b>PVC EUR units</b>		
<b>Appropriation</b>		
Distribution		
Undistributed net capital gains and losses		
Accumulation	29 134 687,54	3 549 679,52
<b>Total</b>	<b>29 134 687,54</b>	<b>3 549 679,52</b>

	31/03/2021	31/03/2020
<b>PVD EUR units</b>		
<b>Appropriation</b>		
Distribution		
Undistributed net capital gains and losses		
Accumulation	5 221 484,05	687 108,48
<b>Total</b>	<b>5 221 484,05</b>	<b>687 108,48</b>

	31/03/2021	31/03/2020
<b>RVC EUR units</b>		
<b>Appropriation</b>		
Distribution		
Undistributed net capital gains and losses		
Accumulation	4 799 638,75	414 739,08
<b>Total</b>	<b>4 799 638,75</b>	<b>414 739,08</b>

	31/03/2021	31/03/2020
<b>RVD EUR units</b>		
<b>Appropriation</b>		
Distribution		
Undistributed net capital gains and losses		
Accumulation	24 364,73	4 275,92
<b>Total</b>	<b>24 364,73</b>	<b>4 275,92</b>

	31/03/2021	31/03/2020
<b>TC EUR units</b>		
<b>Appropriation</b>		
Distribution		
Undistributed net capital gains and losses		
Accumulation	1 626 516,82	301 491,02
<b>Total</b>	<b>1 626 516,82</b>	<b>301 491,02</b>

**3.11. TABLE OF THE ENTITY'S INCOME AND OTHER SIGNIFICANT ITEMS OVER THE PAST FIVE FINANCIAL YEARS**

	31/03/2017	29/03/2018	29/03/2019	31/03/2020	31/03/2021
<b>Global net assets in euros</b>	<b>487 010 285,62</b>	<b>790 108 527,66</b>	<b>791 388 088,71</b>	<b>912 738 428,69</b>	<b>1 418 995 249,47</b>
<b>LAZARD CREDIT FI SRI PC EUR in euros</b>					
Net assets	65 281 670,99	137 963 655,96	97 293 173,26	108 630 696,92	226 238 380,68
Number of units	57 678,866	115 070,427	82 216,090	96 957,566	162 316,934
Net asset value per unit	1 131,81	1 198,94	1 183,38	1 120,39	1 393,80
Accumulation per unit pertaining to net capital gains/losses	1,93	26,75	-40,44	7,32	51,80
Accumulation per unit pertaining to income	47,11	42,34	43,13	39,75	42,88
<b>LAZARD CREDIT FI SRI PC H-CHF in CHF</b>					
Net assets in Swiss francs	107 228,24	1 058 668,75	186 027,75	1 244 774,56	4 242 798,32
Number of units	107,000	1 001,000	179,000	1 271,842	3 495,442
Net asset value per unit in Swiss francs	1 002,13	1 057,61	1 039,26	978,71	1 213,80
Accumulation per unit pertaining to net capital gains/losses in euros	-0,15	-49,37	25,95	76,38	-6,02
Accumulation per unit pertaining to income (in euros)	1,52	32,54	32,74	31,27	34,22
<b>LAZARD CREDIT FI SRI PC H USD in USD</b>					
Net assets in US dollars	3 333 730,10	2 789 534,91	2 992 923,47	1 220 555,67	5 711 145,00
Number of units	3 011,000	2 326,298	2 460,090	1 030,090	3 837,454
Net asset value per unit in US dollars	1 107,18	1 199,13	1 216,59	1 184,90	1 488,26
Accumulation per unit pertaining to net capital gains/losses in euros	83,09	-113,52	83,94	54,45	-14,85
Accumulation per unit pertaining to income (in euros)	41,21	35,16	37,28	36,65	38,63

	31/03/2017	29/03/2018	29/03/2019	31/03/2020	31/03/2021
<b>LAZARD CREDIT FI SRI PD EUR in euros</b>					
Net assets		5 946 290,56	49 983 520,86	38 055 424,02	91 112 754,50
Number of units		6 013,481	51 412,599	42 855,547	85 198,598
Net asset value per unit		988,82	972,20	887,99	1 069,41
Accumulation per unit pertaining to net capital gains/losses			-33,26	5,85	39,78
Distribution of income per unit (*)		3,77	35,48	31,73	33,14
Tax credit per unit					*
<b>LAZARD CREDIT FI SRI PVC EUR in euros</b>					
Net assets	283 890 266,77	463 251 069,55	470 041 174,27	548 580 184,05	781 019 644,93
Number of units	20 190,879	31 317,756	32 074,177	39 546,855	46 323,103
Net asset value per unit	14 060,32	14 791,96	14 654,81	13 871,65	16 860,26
Accumulation per unit pertaining to net capital gains/losses	24,31	329,51	-500,29	89,75	628,94
Accumulation per unit pertaining to income	498,86	425,28	587,51	481,50	169,64
<b>LAZARD CREDIT FI SRI PVD EUR in euros</b>					
Net assets	61 144 877,42	69 363 020,31	70 077 236,08	105 192 087,15	139 891 743,05
Number of units	581 037,469	650 750,933	683 533,854	1 128 756,610	1 273 000,872
Net asset value per unit	105,23	106,58	102,52	93,19	109,89
Accumulation per unit pertaining to net capital gains/losses	0,20	2,38	-3,52	0,60	4,10
Distribution of income per unit (*)	4,00	3,06	4,14	3,20	1,23
Tax credit per unit					*

\* Tax credit per unit will only be calculated on the distribution date, in accordance with applicable tax regulations.

	31/03/2017	29/03/2018	29/03/2019	31/03/2020	31/03/2021
<b>LAZARD CREDIT FI SRI RVC EUR in euros</b>					
Net assets	73 476 362,15	86 369 120,72	66 971 421,51	63 282 294,68	127 625 954,11
Number of units	232 622,603	261 128,837	205 733,975	207 483,474	348 870,058
Net asset value per unit	315,86	330,75	325,52	304,99	365,82
Accumulation per unit pertaining to net capital gains/losses	0,55	7,43	-11,13	1,99	13,75
Accumulation per unit pertaining to income	11,49	8,57	10,95	8,33	1,49
<b>LAZARD CREDIT FI SRI RVD EUR in euros</b>					
Net assets		198,67	195,22	627 968,60	649 483,83
Number of units		1,000	1,000	3 571,131	3 112,540
Net asset value per unit		198,67	195,22	175,84	208,66
Accumulation per unit pertaining to net capital gains/losses			-6,66	1,19	7,82
Distribution of income per unit (*)		0,34	6,54	2,99	0,40
Tax credit per unit					*
<b>LAZARD CREDIT FI SRI TC EUR in euros</b>					
Net assets		24 048 051,66	34 189 540,94	46 084 905,74	43 762 335,47
Number of units		123 012,889	177 190,083	252 277,534	192 578,950
Net asset value per unit		195,49	192,95	182,67	227,24
Accumulation per unit pertaining to net capital gains/losses		1,54	-6,59	1,19	8,44
Accumulation per unit pertaining to income		0,90	7,03	6,48	6,99

\* Tax credit per unit will only be calculated on the distribution date, in accordance with applicable tax regulations.



### 3.12. DETAILED INVENTORY OF FINANCIAL INSTRUMENTS *in euros*

Description of security	Currency	Quantity No. or nominal	Present value	% Net assets
<b>Bonds and similar securities</b>				
<b>Bonds and similar securities traded on a regulated or similar market</b>				
<b>GERMANY</b>				
CMZB FRANCFORT 4.0% 05-12-30	EUR	20 000 000	22 514 293,15	1,59
CMZB FRANCFORT 6.125% PERP	EUR	12 200 000	13 688 346,52	0,96
DEUT P CMS10R+0.025% 31-12-99	EUR	7 496 000	7 283 863,20	0,52
DEUTSCHE BANK 4.296% 05/28	USD	19 550 000	17 321 902,15	1,22
DEUTSCHE BANK AG ZCP 28-10-26	DEM	5 000 000	2 370 425,86	0,17
DEUTSCHE BK 1.875% 22-12-28	GBP	3 000 000	3 455 093,87	0,24
DEUTSCHE BK 5.625% 19-05-31	EUR	19 700 000	23 982 549,27	1,69
DEUTSCHE PFANDBRIEFBANK AG 4.6% 22-02-27	EUR	4 000 000	4 206 036,71	0,30
IKB DEUTSCHE INDUSTRIEBANK AG 4.0% 31-01-28	EUR	21 800 000	22 330 574,67	1,57
LBBW 4.0% PERP EMTN	EUR	10 000 000	10 481 086,99	0,73
<b>TOTAL GERMANY</b>			<b>127 634 172,39</b>	<b>8,99</b>
<b>AUSTRIA</b>				
RAIFFEISEN BANK INTERNATIONAL AG 6.125% PERP	EUR	12 400 000	13 296 038,31	0,94
RAIFFEISEN BANK INTL AG 2.875% 18-06-32	EUR	10 000 000	11 005 900,00	0,77
UNIQA VERSICHERUNGEN AG 3.25% 09-10-35	EUR	3 700 000	3 983 931,92	0,28
VILKSBANK WIEN AG 2.75% 06-10-27	EUR	7 600 000	7 865 295,70	0,56
VILKSBANK WIEN AG 7.75% PERP	EUR	5 000 000	5 534 981,32	0,39
<b>TOTAL AUSTRIA</b>			<b>41 686 147,25</b>	<b>2,94</b>
<b>BELGIUM</b>				
FORTIS BK TV07-191272 CV	EUR	35 000 000	30 588 168,21	2,15
<b>TOTAL BELGIUM</b>			<b>30 588 168,21</b>	<b>2,15</b>
<b>BERMUDA</b>				
LANCASHIRE 5.625% 18-09-41	USD	15 000 000	12 861 195,01	0,91
<b>TOTAL BERMUDA</b>			<b>12 861 195,01</b>	<b>0,91</b>
<b>CAYMAN, ISLANDS</b>				
PHOENIX GROUP 5.375% 06-07-27	USD	2 000 000	1 919 760,91	0,14
PHOENIX GROUP 5.625% 28-04-31	GBP	4 400 000	6 379 623,40	0,45
<b>TOTAL CAYMAN, ISLANDS</b>			<b>8 299 384,31</b>	<b>0,59</b>
<b>CYPRUS</b>				
BANK OF CYPRUS PUBLIC COMPANY 9.25% 19-01-27	EUR	10 166 000	10 670 779,50	0,75
<b>TOTAL CYPRUS</b>			<b>10 670 779,50</b>	<b>0,75</b>
<b>DENMARK</b>				
DANSKE BA 5.875% PERP EMTN	EUR	23 000 000	23 971 980,00	1,69
DANSKE BK CIBO3R+4.75% PERP	DKK	40 000 000	5 530 440,58	0,39
JYSKE BANK DNK CIBO3R+5.3% PERP	DKK	4 000 000	548 573,47	0,04
JYSKE BANK DNK EUAR10+0.15% PERP	EUR	3 425 000	3 216 461,26	0,23
JYSKE BANK DNK STIB3R+5.0% PERP	SEK	17 000 000	1 757 798,50	0,12
<b>TOTAL DENMARK</b>			<b>35 025 253,81</b>	<b>2,47</b>
<b>SPAIN</b>				
ABANCA CORPORACION BANCARIA 4.625% 07-04-30	EUR	14 700 000	16 314 769,83	1,15
ABANCA CORPORACION BANCARIA 6.0% PERP	EUR	8 200 000	8 472 212,67	0,59
ABANCA CORPORACION BANCARIA 6.125% 18-01-29	EUR	13 400 000	14 856 299,15	1,05

**3.12. DETAILED INVENTORY OF FINANCIAL INSTRUMENTS in euros (continued)**

Description of security	Currency	Quantity No. or nominal	Present value	% Net assets
BANC DE 5.625% 06-05-26 EMTN	EUR	15 500 000	18 875 926,54	1,33
BANCO BILBAO VIZCAYA ARGENTARIA SA 5.875% PERP	EUR	4 000 000	4 190 704,61	0,30
BANCO DE BADELL 2.5% 15-04-31	EUR	9 200 000	9 186 089,10	0,65
BANCO DE BADELL 5.375% 12-12-28	EUR	13 000 000	14 411 214,11	1,02
BANCO DE BADELL 5.75% PERP	EUR	3 600 000	3 672 405,00	0,26
BANCO DE SABADELL SA 6.125% PERP	EUR	6 400 000	6 530 439,19	0,46
BANCO SANTANDER SA 6.75% PERP	EUR	12 000 000	12 821 010,00	0,91
BANCO SANTANDER SA EUAR10+0.05% PERP	EUR	7 964 000	7 668 413,49	0,54
BANKIA 6.375% PERP	EUR	5 000 000	5 457 616,03	0,38
BANKIA SA 6.0% PERP	EUR	29 200 000	30 961 636,00	2,18
BANKINTERSA 8.625% PERP	EUR	200 000	204 677,03	0,01
BBVA 6.0% PERP	EUR	10 000 000	10 882 093,48	0,77
IBERCAJA 2.75% 23-07-30	EUR	22 200 000	22 429 836,90	1,58
IBERCAJA 7.0% PERP	EUR	4 200 000	4 400 781,00	0,31
LIBERBANK SA 6.875% 14-03-27	EUR	7 400 000	7 847 901,22	0,55
UNICAJA BAN 2.875% 13-11-29	EUR	19 100 000	19 556 632,60	1,38
<b>TOTAL SPAIN</b>			<b>218 740 657,95</b>	<b>15,42</b>
<b>UNITED STATES</b>				
DEUT BANK CAPI F AUTRE V PERP	EUR	10 366 000	10 411 024,65	0,73
DEUT POST CMS10R+0.125% PERP	EUR	4 116 000	4 011 206,07	0,29
DEUTSCHE BK NEW YORK 4.875% 01-12-32	USD	15 000 000	13 746 793,37	0,97
DEUTSCHE BK NEW YORK 5.882% 08-07-31	USD	14 250 000	13 790 881,83	0,97
<b>TOTAL UNITED STATES</b>			<b>41 959 905,92</b>	<b>2,96</b>
<b>FRANCE</b>				
AXA 8.6%00-15/12/30	USD	11 490 000	15 229 641,16	1,07
CNP ASSURANCES 4.875% PERP	USD	9 600 000	8 208 804,56	0,58
CRED AGRI ASSU 4.5% PERP	EUR	11 200 000	13 038 928,00	0,92
GROUPAMA ASSURANCES MUTUELLES SA 6.375% PERP	EUR	16 000 000	19 472 044,93	1,37
LAMON 5.05 12/17/49	EUR	5 769 000	6 809 232,49	0,48
SOGECAP SA 4.125% 29-12-49	EUR	9 000 000	10 224 464,79	0,72
<b>TOTAL FRANCE</b>			<b>72 983 115,93</b>	<b>5,14</b>
<b>GREECE</b>				
ALPHA BANK 4.25% 13-02-30 EMTN	EUR	5 400 000	5 147 251,89	0,36
ALPHA BANK 5.5% 11-06-31	EUR	12 300 000	12 231 708,04	0,86
NATL BANK OF GREECE 8.25% 18-07-29	EUR	7 900 000	9 324 482,01	0,66
PIRAEUS FINANCIAL 5.5% 19-02-30	EUR	12 000 000	11 328 078,08	0,80
PIRAEUS FINANCIAL 9.75% 26-06-29	EUR	6 600 000	7 584 739,89	0,54
<b>TOTAL GREECE</b>			<b>45 616 259,91</b>	<b>3,22</b>
<b>HONG KONG</b>				
HONGKONG SHANGHAI BANKING CORP LTD THE L3RUSD PERP	USD	14 100 000	10 629 497,09	0,75
<b>TOTAL HONG KONG</b>			<b>10 629 497,09</b>	<b>0,75</b>
<b>HUNGARY</b>				
OTP BANK PLC 2.875% 15-07-29	EUR	8 006 000	8 359 811,46	0,59
<b>TOTAL HUNGARY</b>			<b>8 359 811,46</b>	<b>0,59</b>
<b>IRELAND</b>				
AIB GROUP 2.875% 30-05-31 EMTN	EUR	11 400 000	12 271 167,70	0,87
AIB GROUP 5.25% PERP	EUR	5 200 000	5 613 257,00	0,40
BANK OF IRELAND GROUP PLC 3.125% 19-09-27	GBP	4 000 000	4 863 474,41	0,34
BANK OF IRELAND GROUP PLC 4.125% 19-09-27	USD	4 500 000	3 921 765,19	0,27

**3.12. DETAILED INVENTORY OF FINANCIAL INSTRUMENTS in euros (continued)**

Description of security	Currency	Quantity No. or nominal	Present value	% Net assets
BEAZLEY RE 5.5% 10-09-29	USD	5 000 000	4 675 906,08	0,33
BK IRELAND 2.375% 14-10-29	EUR	7 450 000	7 806 310,54	0,55
BK IRELAND GROUP 6.0% PERP	EUR	5 800 000	6 389 973,48	0,45
PERMANENT TSB GROUP 2.125% 26-09-24	EUR	16 492 000	16 873 428,33	1,19
PERMANENT TSB GROUP 7.875% PERP	EUR	4 000 000	4 385 121,88	0,31
PERMANENT TSB PLC 8.625% PERP	EUR	3 387 000	3 393 198,21	0,24
ZURICH FINANCE IRELAND DESIGNATED 3.0% 19-04-51	USD	16 000 000	13 280 745,57	0,93
<b>TOTAL IRELAND</b>			<b>83 474 348,39</b>	<b>5,88</b>
<b>ICELAND</b>				
ARION BANK NIB03R+3.65% 09-07-29	NOK	30 000 000	3 107 878,26	0,22
<b>TOTAL ICELAND</b>			<b>3 107 878,26</b>	<b>0,22</b>
<b>ITALY</b>				
ASSICURAZIONI GENERALI 4.596% PERP	EUR	6 000 000	6 845 818,93	0,49
CATTOLICA DI ASSICURAZIONI 4.25% 14-12-47	EUR	8 300 000	8 994 731,03	0,63
CORDUSIO RMBS 3 SRL 5.0% 05-04-27	USD	5 950 000	5 188 943,15	0,37
CREDITO VALTELLINESE SCARL 8.25% 12-04-27	EUR	6 641 000	7 662 145,63	0,54
FONDIARIA SAI 5.75% 31-12-99	EUR	25 000 000	28 389 000,00	2,00
INTE 1.35% 24-02-31 EMTN	EUR	8 800 000	8 669 508,66	0,61
INTE 3.75% PERP	EUR	3 000 000	2 904 019,39	0,20
MONTE PASCHI 1.875% 09-01-26	EUR	15 000 000	15 075 474,66	1,06
MONTE PASCHI 10.5% 23-07-29	EUR	2 250 000	2 916 138,39	0,21
MONTE PASCHI 5.375% 18-01-28	EUR	6 200 000	5 556 634,07	0,39
MONTE PASCHI 8.0% 22-01-30	EUR	9 000 000	8 986 762,60	0,63
UBI BANCA UNIONE DI BANCHE ITALIANE 5.875% PERP	EUR	18 300 000	20 130 913,49	1,42
UNICREDIT 2.731% 15-01-32	EUR	7 000 000	7 196 389,03	0,51
UNICREDIT 4.875% 20-02-29 EMTN	EUR	12 100 000	13 324 583,82	0,94
UNICREDIT 5.459% 30-06-35	USD	17 100 000	15 696 300,43	1,11
UNICREDIT 7.296% 02-04-34 EMTN	USD	18 000 000	18 040 136,14	1,27
UNICREDIT SPA 5.861% 19-06-32	USD	18 000 000	17 216 015,91	1,21
UNICREDIT SPA 6.75% PERP	EUR	6 000 000	6 166 364,67	0,43
<b>TOTAL ITALY</b>			<b>198 959 880,00</b>	<b>14,02</b>
<b>JERSEY</b>				
HSBC CAPIT TF/TV PERP PF *EUR	USD	9 536 000	13 551 424,37	0,96
<b>TOTAL JERSEY</b>			<b>13 551 424,37</b>	<b>0,96</b>
<b>LUXEMBOURG</b>				
AGEASFINLUX SA E3M 12/99 CV	EUR	4 000 000	3 044 262,31	0,21
BANQUE INTLE A LUXEMBOURG 5.25% PERP	EUR	4 200 000	4 398 254,00	0,31
<b>TOTAL LUXEMBOURG</b>			<b>7 442 516,31</b>	<b>0,52</b>
<b>NETHERLANDS</b>				
ABN AMRO BANK NV 6.25% 27/04/22	USD	70 000	64 700,56	
DEME INVE BV FOR 4.375% PERP	EUR	3 000 000	3 504 764,18	0,25
LEASEPLAN CORPORATION NV 7.375% PERP	EUR	3 750 000	4 196 746,31	0,30
<b>TOTAL NETHERLANDS</b>			<b>7 766 211,05</b>	<b>0,55</b>
<b>PORTUGAL</b>				
BANCO ESPIRITO SANTO SA 7.125% 28/11/2023	EUR	4 500 000	17,091,23	
BCP 3.871% 27-03-30 EMTN	EUR	14 400 000	13 847 119,89	0,98
BCP 4.5% 07-12-27 EMTN	EUR	7 200 000	7 280 096,55	0,51
BCP 9.25% PERP	EUR	8 400 000	8 534 139,98	0,60
CAIXA GEN 5.75% 28-06-28 EMTN	EUR	10 000 000	11 413 296,58	0,80

**3.12. DETAILED INVENTORY OF FINANCIAL INSTRUMENTS in euros (continued)**

Description of security	Currency	Quantity No. or nominal	Present value	% Net assets
CAIXA GERAL DE DEPOSITOS 10.75% PERP	EUR	15 000 000	16 401 550,00	1,16
NOVO BAN 8.5% 06-07-28	EUR	12 000 000	11 923 118,63	0,84
<b>TOTAL PORTUGAL</b>			<b>69 416 412,86</b>	<b>4,89</b>
<b>UNITED KINGDOM</b>				
AVIVA 4.0% 03/06/1955	GBP	4 000 000	5 195 874,26	0,36
BARCLAYS PLC 5.875% PERP	GBP	10 000 000	12 363 998,69	0,87
COVENTRY BLDG 6.875% PERP	GBP	8 000 000	10 547 064,32	0,74
CYBG 4.0% 03/09/2027	GBP	10 798 000	13 979 162,32	0,99
CYBG 7.875% 14-12-28 EMTN	GBP	5 000 000	6 863 779,52	0,48
CYBG PLC 8.0% PERP	GBP	36 014 000	45 874 519,74	3,23
DIRECT LINE INSURANCE PLC 4.75% PERP	GBP	5 000 000	5 874 651,29	0,42
DRES DR FIN 8.151% 30/06/31*USD	USD	24 500 000	30 007 153,07	2,12
HBOS 6.0% 01-11-33	USD	2 594 000	2 912 432,70	0,20
HSBC BANK 5.844% PERP EMTN	GBP	2 497 000	4 196 832,07	0,30
LEGAL AND GENERAL GROUP 3.75% 26-11-49	GBP	6 000 000	7 567 990,43	0,53
LEGAL AND GENERAL GROUP 4.5% 01-11-50	GBP	10 000 000	13 298 612,02	0,94
LLOYDS BANKING GROUP PLC	GBP	20 250 000	23 973 058,20	1,69
NAT.WESTM.TV99-PERP EMTN SUB.	EUR	9 225 000	9 152 076,38	0,65
NATIONAL WESTMINSTER BANK PLC AUTRE R+0.0% PERP	USD	2 310 000	1 912 627,46	0,14
PRUD 5.0% 20-07-55 EMTN	GBP	5 000 000	6 811 629,03	0,48
PRUDENTIAL 3.875% 20-07-49	GBP	6 500 000	8 137 306,84	0,57
REASSURE GROUP PLC 5.867% 13-06-29	GBP	4 000 000	5 686 609,94	0,40
RL FINANCE BONDS NO 4 PLC 4.875% 07-10-49	GBP	8 000 000	10 570 965,85	0,75
ROYAL BK SCOTLAND GROUP 3.622% 14-08-30	GBP	7 500 000	9 427 564,86	0,66
STANDARD CHARTERED PLC 7.75% PERP	USD	12 047 000	11 157 759,72	0,78
STANDARD LIFE PLC 4.25% 30-06-48	USD	3 000 000	2 730 434,78	0,19
VIRGIN MONEY UK 5.125% PERP	GBP	4 000 000	5 242 413,18	0,37
<b>TOTAL UNITED KINGDOM</b>			<b>253 484 516,67</b>	<b>17,86</b>
<b>SLOVENIA</b>				
NOVA LJUBLJANSKA BANKA DD 3.4% 05-02-30	EUR	4 000 000	3 885 118,76	0,27
<b>TOTAL SLOVENIA</b>			<b>3 885 118,76</b>	<b>0,27</b>
<b>SWITZERLAND</b>				
CRED SUIS SA GROUP AG 3.5% PERP	CHF	1 000 000	900 050,73	0,07
CRED SUIS SA GROUP AG 7.5% PERP	USD	23 000 000	21 094 096,55	1,48
CS 6.5% 08/08/2023	USD	5 000 000	4 739 437,68	0,33
CS 7 1/2 12/11/49	USD	20 000 000	18 874 982,28	1,33
<b>TOTAL SWITZERLAND</b>			<b>45 608 567,24</b>	<b>3,21</b>
<b>TOTAL Bonds and similar securities traded on a regulated or similar market</b>			<b>1 351 751 222,65</b>	<b>95,26</b>
<b>TOTAL Bonds and similar securities Undertakings for collective investment</b>			<b>1 351 751 222,65</b>	<b>95,26</b>
<b>General UCITS and general AIFs aimed at non-professionals and their equivalent in other countries</b>				
<b>FRANCE</b>				
LAZARD CAPITAL FI SRI PVC EUR	EUR	3 845	8 115 103,20	0,57
LAZARD CAPITAL FI SRI PVC H-USD	USD	500	669 918,32	0,05
LAZARD EURO MONEY MARKET "B"	EUR	76,069	77 773 415,71	5,48
LAZ GL HYBR BD EV EUR	EUR	25	2 863 161,75	0,20
<b>TOTAL FRANCE</b>			<b>89 421 598,98</b>	<b>6,30</b>

3.12. DETAILED INVENTORY OF FINANCIAL INSTRUMENTS in euros (continued)

Description of security	Currency	Quantity No. or nominal	Present value	% Net assets
TOTAL general UCITS and general AIFs aimed at non-professionals and their equivalent in other countries			89 421 598,98	6,30
TOTAL Undertakings for collective investment			89 421 598,98	6,30
Receivables			453 957 568,78	31,99
Liabilities			-507 292 561,31	-35,75
Financial accounts			31 157 420,37	2,20
Net assets			1 418 995 249,47	100,00

LAZARD CREDIT FI SRI PD EUR	EUR	85 198,598	1 069,41
LAZARD CREDIT FI SRI PVD EUR	EUR	1 273 000,872	109,89
LAZARD CREDIT FI SRI RVD EUR	EUR	3 112,540	208,66
LAZARD CREDIT FI SRI TC EUR	EUR	192 578,950	227,24
LAZARD CREDIT FI SRI PC EUR	EUR	162 316,934	1 393,80
LAZARD CREDIT FI SRI PC H-CHF	CHF	3 495,442	1 213,80
LAZARD CREDIT FI SRI RVC EUR	EUR	348 870,058	365,82
LAZARD CREDIT FI SRI PVC EUR	EUR	46 323,103	16 860,26
LAZARD CREDIT FI SRI PC H USD	USD	3 837,454	1 488,26

## ADDITIONAL INFORMATION ON THE TAX REGIME APPLICABLE TO INTEREST PAYMENTS

Breakdown of interest: PD EUR unit

	NET OVERALL	CURRENCY	NET PER UNIT	CURRENCY
Revenue subject to non-definitive withholding tax	2 823 481,54	EUR	33,14	EUR
Equities eligible for a tax allowance and subject to non-definitive withholding tax				
Other income not eligible for a tax allowance and subject to non-definitive withholding tax				
Non-declarable and non-taxable income				
Amounts paid out in relation to capital gains and losses				
<b>TOTAL</b>	<b>2 823 481,54</b>	<b>EUR</b>	<b>33,14</b>	<b>EUR</b>

Breakdown of interest: PVD EUR unit

	NET OVERALL	CURRENCY	NET PER UNIT	CURRENCY
Revenue subject to non-definitive withholding tax	1 565 791,07	EUR	1,23	EUR
Equities eligible for a tax allowance and subject to non-definitive withholding tax				
Other income not eligible for a tax allowance and subject to non-definitive withholding tax				
Non-declarable and non-taxable income				
Amounts paid out in relation to capital gains and losses				
<b>TOTAL</b>	<b>1 565 791,07</b>	<b>EUR</b>	<b>1,23</b>	<b>EUR</b>

Breakdown of interest: RVD EUR unit

	NET OVERALL	CURRENCY	NET PER UNIT	CURRENCY
Revenue subject to non-definitive withholding tax	1 245,02	EUR	0,40	EUR
Equities eligible for a tax allowance and subject to non-definitive withholding tax				
Other income not eligible for a tax allowance and subject to non-definitive withholding tax				
Non-declarable and non-taxable income				
Amounts paid out in relation to capital gains and losses				
<b>TOTAL</b>	<b>1 245,02</b>	<b>EUR</b>	<b>0,40</b>	<b>EUR</b>