

| | | | | |
|------------------|------------|----------------|--------------|---------------------------------|
| Total net assets | 1388.63 M€ | Inception date | Oct 28, 2005 | MORNINGSTAR |
| NAV | 1434.06 € | ISIN Code | FR0010235507 | OVERALL ★★★★★ |
| | | Bloomberg Code | LAOBAOC | SFDR Classification : Article 8 |

Country of registration 

MANAGER(S)



Eléonore BUNEL

INVESTMENT POLICY

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

RISK SCALE**



Recommended investment period of 3 years

BENCHMARK INDEX

Ester capi + 2% since 01/01/2022; Ester capi + 1.75% from 02/03/20 to 01/01/22; Previously Eonia capi +1.75%

FEATURES

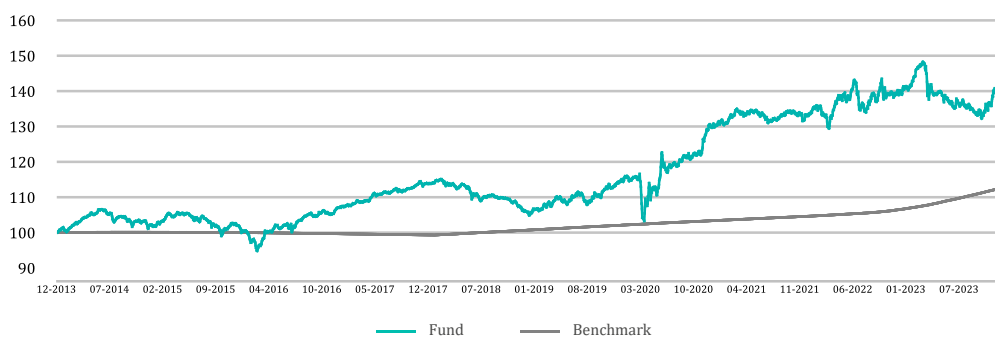
| | |
|---|---|
| Legal Form | SICAV |
| Legal Domicile | France |
| UCITS | Yes |
| AMF Classification | International bonds |
| Eligibility to PEA (personal equity savings plan) | No |
| Currency | EURO |
| Subscribers concerned | Institutional |
| Inception date | 28/10/2005 |
| Date of share's first NAV calculation | 28/10/2005 |
| Management company | Lazard Frères Gestion SAS |
| Custodian | CACEIS Bank FR S.A |
| Fund administration | CACEIS Fund Admin |
| Frequency of NAV calculation | Daily |
| Order execution | For orders placed before 12:00 pm subscriptions and redemptions on next NAV |
| Subscription terms | D (NAV date) + 2 business day |
| Settlement of redemptions | D (NAV date) + 2 business day |
| Share decimalisation | No |
| Minimum investment | 1 share |
| Subscription fees | Nil |
| Redemption fees | Nil |
| Management fees (max) | 1.00% |
| Performance fees ⁽¹⁾ | Nil |
| Current expenses | 1.01% |

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

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

⁽³⁾ Ratios calculated on a weekly basis

HISTORICAL NET ASSET VALUE (10 YEARS OR SINCE INCEPTION)



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

HISTORICAL PERFORMANCE

| | Cumulative | | | | | | Annualized | | |
|------------|------------|--------|--------|---------|---------|----------|------------|---------|----------|
| | 1 Month | YTD | 1 Year | 3 Years | 5 Years | 10 Years | 3 Years | 5 Years | 10 Years |
| Fund | 1.36% | -0.60% | -0.60% | 7.71% | 32.62% | 40.34% | 2.51% | 5.81% | 3.45% |
| Benchmark | 0.48% | 5.39% | 5.39% | 8.82% | 11.75% | 12.55% | 2.86% | 2.25% | 1.19% |
| Difference | 0.88% | -5.99% | -5.99% | -1.12% | 20.87% | 27.79% | -0.35% | 3.56% | 2.26% |

PERFORMANCE BY CALENDAR YEAR

| | 2023 | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 | 2013 |
|-----------|--------|-------|-------|--------|-------|--------|--------|--------|--------|-------|-------|
| Fund | -0.60% | 5.44% | 2.76% | 13.19% | 8.78% | -7.19% | 6.50% | 6.48% | -1.63% | 2.21% | 7.16% |
| Benchmark | 5.39% | 2.02% | 1.21% | 1.28% | 1.39% | 1.41% | -0.36% | -0.32% | -0.11% | 0.10% | 0.09% |

TRAILING 1Y PERFORMANCE

| | | |
|------------|--------|--------|
| 2023 12 31 | -0.60% | 5.39% |
| 2022 12 31 | 5.44% | 2.02% |
| 2021 12 31 | 2.76% | 1.21% |
| 2020 12 31 | 13.19% | 1.28% |
| 2019 12 31 | 8.78% | 1.39% |
| 2018 12 31 | -7.19% | 1.41% |
| 2017 12 31 | 6.50% | -0.36% |
| 2016 12 31 | 6.48% | -0.32% |
| 2015 12 31 | -1.63% | -0.11% |
| 2014 12 31 | 2.21% | 0.10% |

RISK RATIOS***

| | 1 Year | 3 Years |
|-------------------|--------|---------|
| Volatility | | |
| Fund | 8.20% | 6.95% |
| Benchmark | 0.10% | 0.26% |
| Tracking Error | 8.20% | 6.96% |
| Information ratio | -0.73 | -0.05 |
| Sharpe ratio | -0.48 | 0.23 |

PORTFOLIO CHARACTERISTICS

| | Yield to worst | Yield to call | Yield to maturity | Spread vs Govies (bps) | Modified Duration | Credit Sensitivity |
|--------------------------|----------------|---------------|-------------------|------------------------|-------------------|--------------------|
| Gross (Net hedge FX) | 5.0% | 5.8% | 5.7% | 217 | 2.2 | 2.1 |
| Net (hedged FX/CDS/Taux) | 3.6% | 4.3% | 4.2% | 217 | 2.8 | 2.1 |

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

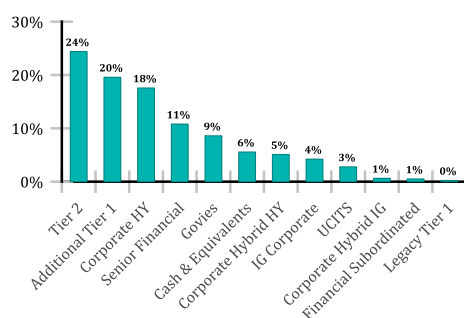
AVERAGE RATING

| Issues Rating* | Issuers Rating* |
|-----------------|-----------------|
| BB+ | BBB |
| *Average rating | |

MAIN HOLDINGS

| Holdings | Weight |
|---------------------------------|--------|
| LEASEPLAN TV 19-29MY--S | 1.6% |
| FRANCE TREASURY BILL ZCP 210224 | 1.4% |
| BBVA SA TV(COCO) 19-29MR--T | 1.2% |
| ACCOR SA TV (EMTN) 19-30OC--A | 1.1% |
| GRIFOLS 15/8%(REG S)19-15FE25S | 1.1% |

SUBORDINATION BREAKDOWN (%)

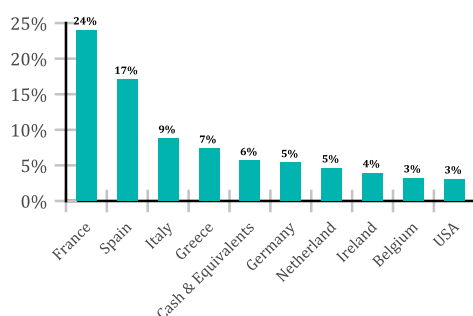


CURRENCY BREAKDOWN (%)

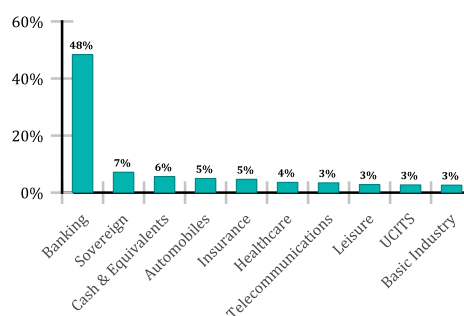
| Currencies | Net weight |
|------------|------------|
| EUR | 101.8% |
| USD | -4.3% |
| GBP | 0.0% |
| Others | 2.5% |

*Net exposure of FX hedges.

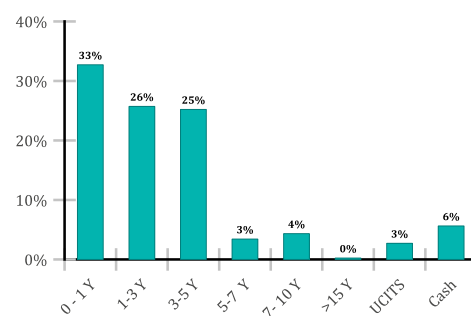
GEOGRAPHICAL BREAKDOWN % (Top Ten)



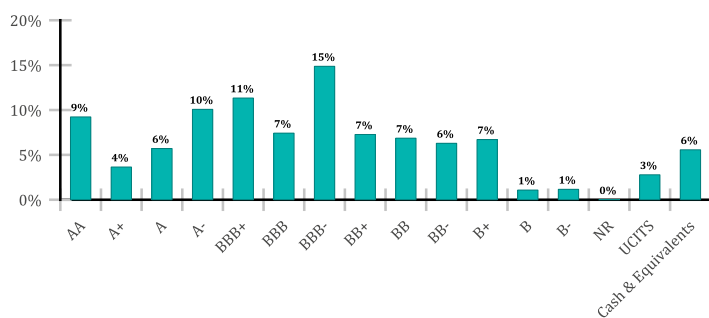
SECTOR BREAKDOWN % (Top Ten)



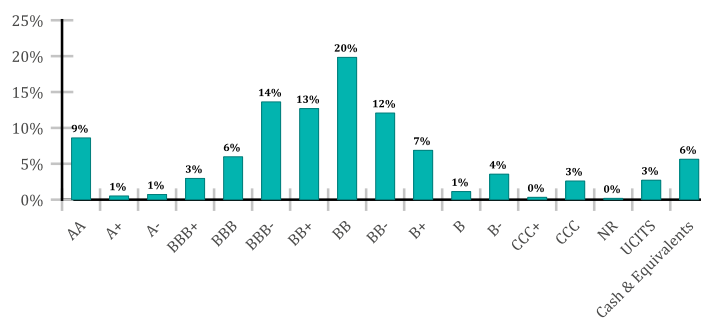
MATURITY BREAKDOWN (Maturity Date)



ISSUER RATING BREAKDOWN (%)



ISSUE RATING BREAKDOWN (%)



FUND MANAGERS COMMENT

December saw the disinflation process continue, allowing investors to factor in several rate cuts by central bankers in 2024. The US, German and UK ten-year yields eased by 45bp, 42bp and 64bp to end the year at 3,88%, 2,02% and 3,54% respectively. In the United States, yields continued to fall under the impetus of the Federal Reserve (Fed) and slowing inflation figures for November. The Fed left its rates unchanged at 5,25%-5,50% but made it clear that rates had reached their peak. Jerome Powell acknowledged the ongoing slowdown in inflation and validated a rate pivot in 2024. In the Eurozone, the ECB left its rates unchanged and was cautious in maintaining its message that they would remain high for an extended period. The central bank acknowledges the fall in inflation, but will not lower its guard for all that. For its part, the Bank of England kept its key interest rates at 5,25% and the publication of the November CPI index surprised on the downside, at 3,9% and 5,1% for its core component year-on-year. This latest bearish surprise, following the one in October, enabled UK yields to outperform the other fixed income markets. In Japan, ten-year yields fell by 6bp to 0,61%, as the Bank of Japan left its rates unchanged at -0,10% and did not shift to a more restrictive stance, as had been expected by most investors.

December was a very positive month for financial credit, with performances ranging from +1,9% for insurance senior debt to +4,6% for euro-denominated AT1s. This positive performance was due both to a downward movement in interest rates (around -40bp in euros and dollars, across all maturities) and to narrower spreads, with senior bank debt tightening by -6bp, IG-rated Tier 2 by -33bp and AT1s by -65bp to -90bp. In the primary market, new issues were very limited, with €6,6bn issued during the month for financials. Nevertheless, the banking syndicates are already actively preparing for January, which is likely to be a very busy month not only due to seasonality, but also because of the attractive yields for issuing new bonds after the rally in rates and spreads mentioned above.

In investment grade corporate credit, credit spreads tightened over the month, by -9bp for senior debt and by -19bp for hybrid debt, in an environment marked by a sharp fall in interest rates fuelled by the Fed's less aggressive stance and a slowdown in the primary market. Credit and interest rate effects were both positive for the asset class, which ended the month with a performance of +2,98%. Unsurprisingly, there was a tightening across all sectors. The best performer over the month was the property sector (Grand City Property, Aroundtown, Balder), which benefited from the momentum on interest rates, which was good for real estate. Conversely, sovereign-related issuers (Syngenta) and non-discretionary consumer goods (Heineken, Pepsi, Coca) underperformed. The primary market was sluggish, with only €3,2bn issued. However, Unibail made a comeback with its Green issue for €750m with a 7-year maturity and a yield of 4,23%. Investors largely oversubscribed (>4x), reflecting renewed appetite for the sector.

High-yield corporate credit put in a remarkable performance in December, rising by +2,82% to close the year with an annual performance of +12,08%. Yields continued to fall (-43bp on the German 5-year), supported by expectations of a cut in key rates. Spreads also tightened by -37bp to end the month at 412bp. The primary market was moderately active, with four issuers raising €2,05bn in new issues. Against this backdrop, the lowest-rated issuers outperformed. All sectors recorded positive performances. The property sector (CPI Property, Heimstaden) performed well, supported by expectations of a rate cut sooner rather than later. Telecoms (Altice, Telecom Italia) were buoyed both by Altice, which has received bids for its business in Portugal, and by Telecom Italia, whose network sale is going according to plan. The technology sector (Atos, Ams OSRAM) did well thanks to Atos, which has received a capital increase from its main shareholder Onepoint, and Airbus, which has returned to the fray in the cybersecurity and big data sectors.

The widespread fall in interest rates meant that the month ended with a positive rate effect. The credit effect was also positive. However, credit protection once again weighed on performance. The portfolio ended the month with a modified duration reduced to around 3. The credit hedge was fully withdrawn. Nevertheless, the overall positioning remains defensive with a liquidity compartment (cash, BTF, money market UCI) close to 13%.

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