

Lazard Fund Managers Limited

Lazard Investment Funds

Annual Report & Financial Statements
For the year ended 30 September 2018



Lazard Investment Funds – Annual Report and Financial Statements September 2018

Contents

Company Information and Director's Report	3
Notes to the Financial Statements of all Sub-funds	5
Lazard Developing Markets Fund	9
Lazard Emerging Markets Fund	19
Lazard European Alpha Fund	30
Lazard European Smaller Companies Fund	41
Lazard Global Equity Income Fund	52
Lazard Managed Balanced Fund	64
Lazard Managed Equity Fund	76
Lazard Multicap UK Income Fund	85
Lazard UK Omega Fund	95
Lazard UK Smaller Companies Fund	106
Statement of Authorised Corporate Director's Responsibilities	117
Statement of Depositary's Responsibilities	118
Independent Auditors' Report	119
Management & Professional Services	121

Lazard Investment Funds – Annual Report and Financial Statements September 2018

Company Information and Director's Report

Company

Lazard Investment Funds
Registered Number IC42

Registered Office

50 Stratton Street
London W1J 8LL

Director

The Authorised Corporate Director ('ACD') is Lazard Fund Managers Limited which is the sole director.

Board of Directors of the ACD

Jeremy Taylor Michael Allen
John Reinsberg Nathan Paul

Director's Report

The Director presents its report and financial statements of the Lazard Investment Funds ('the Company') for the year ended 30 September 2018.

Incorporation

The Company is an open-ended investment company with variable capital incorporated in England under registration number IC42. The Company is authorised by the FCA as a UCITS Scheme as defined in the Collective Investment Schemes Sourcebook (COLL), with ten constituent parts; Developing Markets Fund, Emerging Markets Fund, European Alpha Fund, European Smaller Companies Fund, Global Equity Income Fund, Managed Balanced Fund, Managed Equity Fund, Multicap UK Income Fund, UK Omega Fund, and UK Smaller Companies Fund. All of these Sub-funds have their own investment objective and policy.

The Company's investment and borrowing powers and restrictions are prescribed by the Open-Ended Investment Companies Regulations 2001 (SI 2001/1228) and the COLL as issued and amended by the FCA. Each Sub-fund can have several share classes with different characteristics. As a consequence each share class has a different price. There is a single price for buying, selling and switching shares in each share class of the Sub-funds. This price is derived from the net asset value of each Sub-fund attributable to the relevant share class.

The financial statements have been prepared to cover the year from 1 October 2017 to 30 September 2018.

The shareholders are not liable for the debts of the Company. Each Sub-fund would, if it were a separate investment company with variable capital, be a securities scheme.

Principal Activities

The Company's principal activity is to carry on business as an open-ended investment company.

The Company is structured as an umbrella company so that the Scheme Property of the Company may be divided among two or more Sub-funds. The assets of a Sub-fund belong exclusively to that Sub-fund and cannot be used to discharge directly or indirectly the liabilities of, or claims against, any other person or body, including the Company or any other Sub-fund, and shall not be available for any such purpose. While the OEIC Regulations provide for this "segregated liability" between Sub-funds, the concept is relatively new and so where claims are brought by local creditors in foreign courts or under foreign law contracts, it is not yet known how those foreign courts will react to the OEIC Regulations. New Sub-funds may be established from time to time by the ACD with the approval of the FCA and the agreement of the Depositary. If a new Sub-fund is introduced, a new prospectus will be prepared to set out the required information in relation to that Sub-fund.

Remuneration Policy

The ACD has approved and adopted a remuneration policy (the "Remuneration Policy") which reflects the remuneration practices of the Lazard Asset Management Group of companies. The Remuneration Policy aligns the interests of staff with the long-term interests of clients, the business, shareholders, and other stakeholders. It focuses on performance-related pay, together with an emphasis on ensuring that performance is not achieved by taking risks which fall outside the ACD's risk appetite. In the ACD's opinion, the Remuneration Policy is proportionate and consistent with sound and effective risk management in accordance with applicable UCITS requirements. Details of the ACD's up-to-date Remuneration Policy, including a description of how remuneration and benefits are calculated and the identities of the persons responsible for awarding such remuneration/benefits, can be accessed from the following website: www.lazardassetmanagement.co.uk. A paper copy of these policy details is also available free of charge from the ACD upon request.

Lazard Investment Funds – Annual Report and Financial Statements September 2018

Company Information and Director's Report continued

Remuneration Policy continued

Following the implementation of UCITS V in the UK on 18 March 2016, all authorised UCITS Managers are required to comply with the UCITS V Remuneration Code from the start of their next accounting year. Under the UCITS V Directive (2014/91/EU), the ACD is required to disclose information relating to the remuneration paid to its staff for the financial year. The table below provides an overview of the following:

- Aggregate total remuneration paid by the ACD to its staff (employees and members)
- Aggregate total remuneration paid by to all relevant UCITS code staff

	Headcount	Total Remuneration (£)
Remuneration paid to staff of the Manager	44	2,033,639
of which		
Fixed remuneration	44	479,175
Variable remuneration	44	1,554,465
Remuneration paid to UCITS Remuneration Code Staff of the Manager	44	20,033,639
of which		
Fixed remuneration	44	479,175
Variable remuneration	44	1,554,465

Change of depositary

With effect from 28 September 2018, BNY Mellon Trust & Depositary (UK) Limited was replaced as the depositary of the Company by The Bank of New York Mellon (International) Limited ("BNYMIL"). This change of depositary was initiated by Bank of New York Mellon Corporation as part of a reorganisation of its business in Europe.

Securities Financing Transactions Regulation

The Securities Financing Transactions Regulation, as published by the European Securities and Markets Authority, aims to improve the transparency of the securities financing markets.

During the year to 30 September 2018 and at the balance sheet date, the Company did not use SFTs or total return swaps, as such no disclosure is required.

Holdings in other Sub-funds of the Company

As at 30 September 2018, no Sub-funds held shares in any other Sub-fund of the Company.

Results

The results for each Sub-fund are set out in detail in the relevant section of this report.

On behalf of the ACD

Michael Allen

Jeremy Taylor

28 January 2019



Lazard Investment Funds – Annual Report and Financial Statements September 2018

Notes to the Financial Statements of all Sub-funds

1 Accounting policies

a) Basis of accounting

The financial statements of the Company comprise the financial statements of each of the sub-funds and have been prepared on a going concern basis in accordance with United Kingdom Generally Accepted Accounting Practice (UK GAAP) and the Statement of Recommended Practice “Financial Statements of UK Authorised Funds” issued by the Investment Management Association (now known as the Investment Association) in May 2014 (the “SORP”). In applying UK GAAP, the financial statements have been prepared in compliance with Financial Reporting Standard 102 (FRS 102). These amendments improve the consistency of fair value disclosures for financial instruments with those required by EU-adopted IFRS.

b) Recognition of revenue

Revenue from quoted equities and non-equity shares is recognised net of attributable tax credits when the security is quoted ex-dividend. Revenue from unquoted equity investments is recognised net of attributable tax credits when the dividend is declared.

Overseas revenue received after the deduction of withholding tax is shown gross of taxation, with the taxation consequences shown within the taxation charge.

Special cash dividends are treated as either revenue or capital depending on the facts of each particular case.

Bond revenue is accounted for on an effective yield basis, calculated with reference to the purchase price.

Underwriting commission is taken to revenue and recognised when the issue takes place except where the Company is required to take up all or some of the shares underwritten in which case an appropriate proportion of the commission is deducted from the cost of those shares.

c) Treatment of stock dividends

The ordinary element of equity dividends is treated as revenue and forms part of the distribution in accordance with the COLL Sourcebook. In the case of an enhanced equity dividend, the value of the enhancement is treated as capital and does not form part of the distribution.

d) Treatment of expenses

All expenses (other than those relating to the purchase and sale of investments and stamp duty reserve tax) are charged against revenue on an accruals basis.

e) Allocation of revenue and expenses to multiple share classes

The allocation of revenue and expenses to each share class is based upon the proportion of the Sub-funds’ net assets attributable to each share class, on the day the revenue is earned or expenses are suffered. However, revenue equalisation, annual management charges and registration expenses are specific to each share class.

f) Distribution policy

The whole of the net revenue attributable to a share class must be distributed at the year end. For any share class with a deficit of revenue, that deficit will be made up from the capital attributable to that share class.

In order to conduct a controlled dividend flow to shareholders, interim distributions will be at the ACD’s discretion, having regard to the policies stated above. Revenue attributable to accumulation shareholders is retained at the end of each distribution period and represents a reinvestment of revenue.

All or part of the management charge payable to the ACD, net of associated tax effect, may be added back for the purposes of calculating the distribution. During the year to 30 September 2018, 100% of the Multicap UK Income Fund’s management charge was added back (2017: 100%). 100% of the Global Equity Income Fund’s management charge was added back (2017: 100%), and in the case of Managed Balanced Fund 50% was added back (2017: 50%).

g) Basis of valuation of investments

The Company has exposure to North/South American and Asia Pacific equities whose closing market prices may be significantly stale at the time that the funds are priced, these stale prices carry potential for arbitrage opportunities as they may not be representative of a fair value given the potential market movements and world events occurring after the market has closed. From 1 February 2018, a fair value pricing strategy was introduced to produce a more accurate asset price. Equity prices which have been adjusted as a result of this policy have been shown as Level 2 in the “Valuation of financial instruments” section of the Financial Instruments note.

All investments are unaffected by the above valued at their fair value, being the bid or last traded price, as at close of business on 28 September 2018, being the last business day of the accounting year. The fair value for non-derivative securities is bid price, excluding any accrued interest and the fair value for forward currency contracts is the unrealised gain or loss at the balance sheet date.

h) Exchange rates

Assets and liabilities denominated in foreign currencies have been translated into Pounds Sterling at the rates of exchange ruling at close of business on 30 September 2018. Revenue and expenses in foreign currencies are recorded in Sterling at the rates ruling at the date of the transaction. Gains and losses arising on the translation are reported on as part of the return for the year.

i) Taxation

Provision is made for taxation at current rates on the excess of investment revenue over expenses, with relief for overseas taxation taken where appropriate.

Deferred tax is provided on all timing differences that have originated but not reversed by the balance sheet date, other than those differences that are regarded as permanent. Any liability to deferred tax is provided for at the average rate of tax expected to apply. Deferred tax assets and liabilities are not discounted to reflect the time value of money.

Lazard Investment Funds – Annual Report and Financial Statements September 2018

Notes to the Financial Statements of all Sub-funds continued

2 Financial instruments

Each Sub-fund's investment objective and strategy are stated within the investment manager's report for each Sub-fund. In pursuing its objectives, each Sub-fund holds financial instruments which expose the Sub-fund to various types of risk. The main risks and the ACD's policy for managing these risks, which were applied consistently throughout the current and preceding year, are set out below.

Liquidity risk

Liquidity risk is the risk that the Sub-funds cannot raise sufficient cash to meet their liabilities when due. One of the key factors influencing this will be the ability to sell investments at, or close to, the fair value without a significant loss being realised.

Under normal circumstances, the Sub-funds will remain close to fully invested. However, where circumstances require: either because a view of illiquid securities markets or high levels of redemptions in the Sub-fund, the Sub-fund may hold cash and/or more liquid assets. Temporary higher liquidity levels may also arise during the carrying out of a change in asset allocation policy, or following a large issue of shares.

The ACD manages the Sub-funds' cash to ensure they can meet their liabilities. The ACD receives daily reports of subscriptions and redemptions enabling the ACD to raise cash from the Sub-funds' portfolio in order to meet redemption requests. In addition the ACD monitors market liquidity of all securities, seeking to ensure the Sub-funds maintain sufficient liquidity to meet known and potential redemption activity. Sub-fund cash balances are monitored daily by the ACD and Administrator. Where investments cannot be realised in time to meet any potential liability, the Sub-fund may borrow up to 10% of its value to ensure settlement. All of the Sub-funds' financial liabilities are payable on demand or in less than one year.

Credit risk

Credit risk arises from two main sources. Firstly, the possibility that the issuer of a security will be unable to pay interest and principal in a timely manner. Secondly, there is counterparty risk, which is the risk that the counterparty will not deliver the investment for a purchase, or cash for a sale after the Sub-fund has fulfilled its responsibilities, which could result in the Sub-fund suffering a loss.

In order to manage credit risk the Sub-funds are subject to investment limits for issuers of securities. Issuer credit ratings are evaluated periodically and an approved issuer list is maintained and monitored. In addition the Sub-funds only buy and sell investments through brokers which have been approved by the ACD as an acceptable counterparty and limits are set and monitored to cover the exposure to any individual broker. Changes in brokers' financial ratings are periodically reviewed.

Market risk

Market risk arises mainly from uncertainty about future prices. The primary source of this risk to the Company is the potential movement in the value of financial instruments held as a result of price fluctuations. The ACD adheres to the investment guidelines and borrowing powers established in the Instrument of Incorporation, Prospectus and the Collective Investment Schemes Sourcebook governing the operation of open ended investment companies. In this way, the ACD monitors and controls the exposure to risk from any type of security, sector or issuer.

The Company may also use derivative instruments to mitigate risk and reduce costs. These instruments are for hedging purposes only and not utilised for speculation. Derivative transactions may be used for the purposes of efficient portfolio management, the ACD shall ensure that any such use complies with the FCA Rules and any other applicable regulatory guidelines. No derivatives were utilised during the current year.

Currency exposure profile

Foreign currency risk is the risk of movements in the value of overseas financial instruments as a result of fluctuations in exchange rates. This risk is managed by the utilisation of forward currency contracts as necessary. Forward currency contracts were utilised during the current and preceding year.

The currency exposure profile for each Sub-fund is detailed within the financial statements for each Sub-fund.

Interest rate risk profile

Interest rate risk is the risk of movements in the value of financial instruments as a result of fluctuations in interest rates. With the exception of the Lazard Managed Balanced Fund, the Company's only interest bearing financial instruments were its bank balances and overdraft facilities as disclosed in the Balance Sheet. Cash is deposited, and overdraft facilities utilised, on normal commercial terms and earn or bear interest based on LIBOR or its overseas equivalent.

In respect of the Lazard Managed Balanced Fund, this risk is also managed by the active monitoring and adjustment of the credit rating of the portfolios. The interest rate risk profile for this Sub-fund is detailed within the financial statements for the Sub-fund.

Derivative risk

Derivative risk arises from uncertainty about future market movements. This risk is managed by the policies shown within Market risk.

The disclosures in relation to derivative risk are detailed within the financial statements for each Sub-fund, where relevant.

Fair value*

The fair value of a financial instrument is the amount for which it could be exchanged between knowledgeable, willing parties in an arm's length transaction. There is no significant difference between the value of the financial assets and liabilities, as shown in the financial statements, and their fair value.

* Please refer to page 5 for details of the policy of applying the Fair Value Pricing Factor

Lazard Investment Funds – Annual Report and Financial Statements September 2018

Notes to the Financial Statements of all Sub-funds continued

2 Financial instruments continued

Sensitivity analysis

Currency exposure:

The following table details the Sub-funds' sensitivity to a 20% increase or decrease in sterling against the relevant foreign currency and the resultant impact that any such movement would have on the net return and net assets. The sensitivity analysis includes all foreign currency denominated items and adjusts their translation at the year end, for a 20% change in foreign currency rates.

Sub-fund Name	NAV (£'000)	% of portfolio invested in securities not denominated in base currency	Sub-fund return (%) if base currency appreciates by 20%	Change in Sub-fund value if base currency appreciates by 20% (£)
Developing Markets Fund	37,746	97.6%	(19.5)%	(7,370,433)
Emerging Markets Fund	1,025,532	93.3%	(18.7)%	(191,324,191)
European Alpha Fund	88,837	97.6%	(19.5)%	(17,344,970)
European Smaller Companies Fund	313,845	58.1%	(11.6)%	(36,478,629)
Global Equity Income Fund	117,405	88.1%	(17.6)%	(20,681,283)
Managed Balanced Fund	36,033	38.5%	(7.7)%	(2,777,617)
Managed Equity Fund	79,687	46.0%	(9.2)%	(7,335,545)
Multicap UK Income Fund	72,478	2.6%	(0.5)%	(381,486)
UK Omega Fund	221,364	0.0%	0.0%	(1)
UK Smaller Companies Fund	46,267	0.0%	0.0%	(2)

Market risk exposure:

A commonly-used measure of market price risk for equity securities is beta, where a value of 1.0 denotes the portfolio is expected to move in a similar manner to market prices.

The following illustrates the sensitivity of the net return and the net assets to an increase or decrease of 20% in the values of the Sub-funds' listed investments.

Sub-fund Name	NAV (£'000)	Beta (30.09.18)	Sub-fund return (%) if market fall by 20%	Change in Sub-fund value if market falls by 20% (£)
Developing Markets Fund	37,746	1.00	(19.9)%	(7,528,228)
Emerging Markets Fund	1,025,532	0.89	(17.7)%	(181,869,039)
European Alpha Fund	88,837	0.96	(19.2)%	(17,023,920)
European Smaller Companies Fund	313,845	0.96	(19.2)%	(60,413,229)
Global Equity Income Fund	117,405	0.92	(18.5)%	(21,692,644)
Managed Balanced Fund	36,033	0.70	(14.1)%	(5,066,274)
Managed Equity Fund	79,687	0.80	(16.1)%	(12,795,784)
Multicap UK Income Fund	72,478	0.97	(19.4)%	(14,050,159)
UK Omega Fund	221,364	1.06	(21.1)%	(46,776,180)
UK Smaller Companies Fund	46,267	0.92	(18.4)%	(8,506,124)

Interest rate exposure:

A bond's sensitivity to interest rates can be expressed in terms of Modified Duration, which gives the estimated percentage change (excluding the minus sign) in portfolio value, associated with a 1% increase in interest rates.

Sub-fund Name	NAV (£'000)	Modified Duration (years)	Sub-fund return (%) if interest rates rise by 1%	Change in Sub-fund value if interest rates rise by 1% (£)
Managed Balanced Fund	36,033	0.92	(0.9)%	(332,111)

Lazard Investment Funds – Annual Report and Financial Statements September 2018

Notes to the Financial Statements of all Sub-funds continued

3 Dilution levy

The Company's policy is to charge a dilution levy in certain circumstances and, in accordance with the FCA regulations, to pay this levy into the relevant Sub-fund. The dilution levy may be charged where;

- a Sub-fund is in continual decline
- a Sub-fund experiences high levels of net sales relative to its size
- a large deal triggers the need to charge a levy in the Authorised Corporate Directors opinion
- any other circumstances where the ACD is of the opinion that the interest of shareholders would require the imposition of a dilution levy.

Large deals are defined as 'one representing 5% or more of the net asset value of existing shares'.

Details of the dilution levy per Sub-fund are set out in the financial statements for each Sub-fund.

4 Related party disclosures

The Authorised Corporate Director, (ACD), is Lazard Fund Managers Limited (LFM). The Investment Advisor is Lazard Asset Management Limited (LAM). These companies are regarded as controlling parties by virtue of having the ability to act in concert in respect of the operations of the Company.

All management fees are disclosed in note 4 to the financial statements of each Sub-fund. The balance due to the ACD at the year end in respect of management charges for each Sub-fund are set out below.

	30.09.18 £'000	30.09.17 £'000
Lazard Developing Markets Fund	30	26
Lazard Emerging Markets Fund	812	917
Lazard European Alpha Fund	63	73
Lazard European Smaller Companies Fund	242	245
Lazard Global Equity Income Fund	80	104
Lazard Managed Balanced Fund	22	22
Lazard Managed Equity Fund	65	65
Lazard Multicap UK Income Fund	64	68
Lazard UK Omega Fund	129	108
Lazard UK Smaller Companies Fund	38	54
	1,545	1,682

The balance due from the ACD in respect of issued shares is shown in note 8 to the financial statements of each Sub-fund. The balance due to the ACD in respect of cancelled shares is shown in note 9 to the financial statements of each Sub-fund.

All investment purchases and sales are transacted with LAM, details of which are disclosed within each Sub-fund. Amounts receivable or payable at the year end are disclosed in notes 8 and 9 to the financial statements of each Sub-fund. LAM did not enter into any other transactions with the Company during the year.

LAM acts as Investment advisor to the Company. The fee for this service is included in the ACD's periodic charge paid by the Company to LFM. The ultimate party which is considered to have the ability to control both LFM and LAM is Lazard Asset Management LLC.

Lazard Asset Management LLC provided £10,000 seed investment in a new share class of European Alpha Fund on 17 July 2018. As at year end, Lazard Asset Management LLC held 9,990 shares.

Lazard Investment Funds – Annual Report and Financial Statements September 2018

Lazard Developing Markets Fund

Investment Manager's Report

Investment Objective

The objective of the Sub-fund is to seek long-term capital growth through a diversified portfolio primarily of equity and equity related shares and securities including warrants, depositary receipts, preference shares and other transferable securities.

Investment Review

Over the twelve month period ending 30 September 2018, the Lazard Developing Markets Fund (the "Fund") returned -4.36% in sterling terms, against the MSCI Emerging Market Index, which returned 2.05%⁽¹⁾.

Investment Policy

The Sub-fund will invest, with a growth bias, primarily in issuers that are domiciled, incorporated or listed in, or which have significant business activities in emerging market countries. It is likely to focus on, but not be limited to Latin America, the Pacific Basin and Europe. The Sub-fund may also invest in eligible collective investment schemes including eligible exchange traded Sub-funds and in listed closed ended vehicles. On an occasional basis the Sub-fund may invest in investment grade government and corporate fixed income securities including convertible debt securities.

Market review

Developing markets equities experienced a strong end to 2017 and then a more volatile and mostly politically and macro-economically driven period in the first nine months of 2018. This included a strong beginning to 2018 followed by a period of consolidation caused by concerns over inflation. The next six to seven months were dominated by increased sanctions on mainly Russian interests, severe pressures on several emerging markets currencies from a strong US dollar, and considerable trade rhetoric and actions.

Latin American markets fell by 6.5%, while Asian markets rose modestly and some Eastern European markets finished substantially higher. There was large performance divergence among several emerging markets countries. Currency weakness resulted in marked declines in the Turkish, Philippine, and Indonesian markets. Strong crude oil prices helped returns in Colombia, Qatar, and Russia.

From a sector perspective, energy markedly outperformed all other sectors. However, health care and materials also finished strongly. The worst-performing sectors were consumer discretionary and real estate.

Portfolio Review

What contributed to Returns

- Stock selection in Brazil and South Africa. An underweight in the real estate sector and an overweight in energy and China also helped
- Novatek, an independent Russian oil & gas producer, outperformed on the continued ramp-up of Yamal LNG and the announcement of partnerships for Arctic LNG 2
- Anhui Conch Cement, a Chinese cement producer, did well on the back of strength in pricing
- Ping An, a large insurance holding group in China, did well on the back of a significant improvement in its life insurance new business value

What detracted from Returns

- Stock selection in the communication services, consumer discretionary, consumer staples, energy, financials and the information technology sector. In addition, stock selection in China and Taiwan. An underweight in Thailand and an overweight in Argentina and Turkey also detracted
- Vipshop, a Chinese flash sales retailer, underperformed on slow progress from the JD.com and Tencent partnership
- Garanti, a big 4 bank in Turkey, was hurt after its central bank dithered on raising interest rates in the face of currency weakness
- X5 Retail, a Russian food retailer, declined over concerns that margins have peaked as competition increases.

All data contained herein is sourced by Lazard Asset Management unless otherwise noted as at 30 September 2018.

(1) Source: Lazard Asset Management, NAV to NAV Price, net income reinvested in sterling, A Accumulation share class net of fees, to 30 September 2018.

Figures refer to past performance which is not a reliable indicator of future results.

Lazard Investment Funds – Annual Report and Financial Statements September 2018

Lazard Developing Markets Fund continued

Outlook

Emerging markets have repeatedly proven their return potential and we do not expect any less going forward. We also expect the asset class to continue to be more volatile on average than developed markets equities, consistent with an investment area that is gaining in popularity but that is still relatively inefficient and little understood. The tremendous ability of emerging markets companies to evolve and innovate is clear when looking at how far they have come in the past 20 years.

More exciting, we believe the metamorphosis is far from over. E-sports and gaming have huge growth potential in our view, with much of that innovation stemming from emerging markets in East Asia. Health care, still a small component of the index, is showing promise, with Chinese companies driving cutting edge medical technology. Progress has been incremental, but viewed as a whole, it has been significant.

The economic potential of emerging markets countries and companies and their resourcefulness is the source of their long-term strength. Today, macro and fundamental trends are at odds, and markets are consolidating gains after a period of exuberance. Caution is warranted but the correction is also creating new entry points for active, bottom-up investors with a well-researched point of view and a longer-term outlook.

General Information as at 30 September 2018

Fund Size	£37.75 million
Net Yield	0.23% A Income 0.62% A Accumulation 0.02% B Income 0.00% B Accumulation 0.77% C Income 0.76% C Accumulation
Sector	Global Emerging Markets
Launch Date	30 September 2010
Fund Managers	Kevin O'Hare, Peter Gillespie and team

Lazard Investment Funds – Annual Report and Financial Statements September 2018

Lazard Developing Markets Fund continued

Portfolio statement (unaudited)

as at 30 September 2018

	Holding	Market Value £'000	% of Net Assets
Argentina (0.55%)		—	—
Brazil (3.95%)		2,936	7.78
Banco Bradesco ADR	52,408	284	0.75
CVC Brasil Operadora e			
Agencia de Viagens	74,800	618	1.64
Duratex	274,400	476	1.26
Notre Dame Intermedica Participacoes	113,300	574	1.52
PagSeguro Digital	13,600	288	0.76
Petrobras Distribuidora	76,700	287	0.76
Petroleo Brasileiro pref.	101,139	409	1.09
Canada (1.10%)		807	2.14
First Quantum Minerals	92,437	807	2.14
Cayman Islands (3.44%)		—	—
China (30.12%)		11,562	30.63
AAC Technologies	39,742	317	0.84
Agricultural Bank of China	1,821,000	685	1.82
Alibaba ADS	5,917	747	1.98
Anhui Conch Cement 'H'	225,000	1,041	2.76
Baidu ADR	8,154	1,430	3.79
Beijing Enterprises Water	1,146,000	467	1.24
China Medical System	246,000	262	0.69
China Merchants Bank 'H'	143,328	446	1.18
China State Construction	1,195,611	965	2.56
Kingsoft	233,000	341	0.90
Li Ning	389,500	281	0.74
New Oriental Education ADR	10,227	580	1.54
Ping An Insurance	114,500	892	2.36
Tencent	42,300	1,340	3.55
Weibo ADR	6,941	389	1.03
Zhuzhou CRRC Times Electric 'H'	217,198	949	2.51
Zto Express (Cayman) 'A'	33,859	430	1.14
Colombia (1.16%)		741	1.96
Bancolombia	23,141	741	1.96
Hong Kong (3.70%)		1,260	3.34
China Gas	109,600	237	0.63
Techtronic Industries	209,000	1,023	2.71
India (9.67%)		3,537	9.37
HDFC Bank ADS	11,677	843	2.23
ICICI Bank ADR	154,203	1,003	2.66
Reliance Industries	74,831	993	2.63
Shriram Transport Finance	57,244	698	1.85
Indonesia (2.57%)		590	1.56
Bank Rakyat Indonesia	3,649,700	590	1.56
Luxembourg (0.00%)		823	2.18
Tenaris ADR	31,999	823	2.18
Mexico (2.62%)		984	2.61
Grupo Financiero Banorte	177,700	984	2.61
Peru (2.04%)		962	2.55
Credicorp	5,626	962	2.55
Philippines (1.22%)		411	1.09
BDO Unibank	243,510	411	1.09
Portugal (2.09%)		1,010	2.68
Galp Energia	67,691	1,010	2.68
Russia (8.95%)		2,100	5.56
Mail.ru GDR	29,628	607	1.61
Novatek GDR	4,140	581	1.54
Sberbank	142,010	337	0.89
Yandex 'A'	22,786	575	1.52
South Africa (2.80%)		1,467	3.89
Capitec Bank	15,136	838	2.22
Petra Diamonds	361,768	137	0.36
Standard Bank	51,918	492	1.31

	Holding	Market Value £'000	% of Net Assets
South Korea (8.32%)		3,689	9.77
Doosan Bobcat	31,179	867	2.30
Korea Aerospace Industries	10,055	244	0.65
NCsoft	1,269	387	1.02
Netmarble Games	3,551	281	0.74
Partron	53,090	275	0.73
Samsung Electronics	50,906	1,635	4.33
Taiwan (9.03%)		4,056	10.74
Airtac International	39,000	292	0.77
ASE Technology	230,220	430	1.14
Catcher Technology	65,950	557	1.48
Hiwin Technologies	46,506	295	0.78
Largan Precision	4,328	395	1.05
MediaTek	123,000	760	2.01
Silicon Motion Technology ADR	20,095	827	2.19
Taiwan Semiconductor Manufacturing	76,000	500	1.32
Turkey (3.35%)		—	—
United Kingdom (0.96%)		181	0.48
KAZ Minerals	32,897	181	0.48
Portfolio of investments (97.64%)		37,116	98.33
Net other assets (2.36%)		630	1.67
Net assets attributable to Shareholders		37,746	100.00

Unless otherwise stated, all holdings are quoted in ordinary shares and listed on a recognised exchange.

The percentages in brackets show the equivalent comparative holdings at 30.09.17 (unaudited).

Lazard Investment Funds – Annual Report and Financial Statements September 2018

Lazard Developing Markets Fund continued

Statement of total return

for the year ended 30 September 2018

	Notes	30.09.18		30.09.17	
		£'000	£'000	£'000	£'000
Income					
Net capital (losses)/gains	2		(2,150)		5,821
Revenue	3	710		474	
Expenses	4	(423)		(354)	
Interest payable and similar charges	6	—		(1)	
Net revenue before taxation		287		119	
Taxation	5	(71)		(50)	
Net revenue after taxation			216		69
Total return before distributions			(1,934)		5,890
Distributions	7		(216)		(69)
Change in net assets attributable to Shareholders from investment activities			(2,150)		5,821

Balance sheet

as at 30 September 2018

	Notes	30.09.18		30.09.17	
		£'000	£'000	£'000	£'000
Assets					
Fixed assets					
Investments			37,116		31,833
Current assets					
Debtors	8	677		1,356	
Cash and bank balances		582		401	
Total other assets			1,259		1,757
Total assets			38,375		33,590
Liabilities					
Creditors					
Distribution payable	9	(1)		(1)	
Other creditors	9	(628)		(987)	
Total other liabilities			(629)		(988)
Total liabilities			(629)		(988)
Net assets attributable to Shareholders			37,746		32,602

Statement of change in net assets attributable to Shareholders

for the year ended 30 September 2018

		30.09.18		30.09.17	
		£'000	£'000	£'000	£'000
Opening net assets attributable to Shareholders			32,602		24,483
Amounts receivable on issue of shares	12,838			8,595	
Amounts payable on cancellation of shares	(5,765)			(6,367)	
			7,073		2,228
Change in net assets attributable to Shareholders from investment activities			(2,150)		5,821
Retained distribution on accumulation shares			221		70
Closing net assets attributable to Shareholders			37,746		32,602

Fund facts*

as at 30 September 2018

Synthetic Risk and Reward Indicator (SRRI)



The risk and reward category is calculated using historical data and may not be a reliable indicator of the Sub-fund's future risk profile. The risk and reward category may shift over time and is not a target or guarantee.

The lowest category (i.e. category 1) does not mean "risk free".

The Sub-fund appears in the higher risk category on the risk and reward indicator.

This is because the Sub-fund invests primarily in shares, whose values tend to have higher price fluctuations.

The returns from your investment may be affected by changes in the exchange rate between the Sub-fund's base currency, and the currency of the Sub-fund's investments, your share class and where you live.

Emerging markets may also have less developed political, economic and legal systems and there is a higher risk that the Sub-fund may not get back its money.

There is no capital guarantee or protection of the value of the Sub-fund. The value of your investment and the income from it can go down as well as up and you may not get back the amount you invested.

See "Risk Factors" in the UCITS Prospectus for more information about risks.

* This section has not been audited.

Lazard Investment Funds – Annual Report and Financial Statements September 2018

Lazard Developing Markets Fund continued

Comparative tables (unaudited)

A Income shares

	30.09.18 (pence per share)	30.09.17 (pence per share)	30.09.16 (pence per share)
Change in net assets per share			
Opening net asset value per share	120.11	98.12	68.04
Return before operating charges ⁽¹⁾	(3.95)	23.53	31.67
Operating charges	(1.52)	(1.37)	(1.03)
Return after operating charges	(5.47)	22.16	30.64
Distributions	(0.25)	(0.17)	(0.56)
Closing net asset value per share	114.39	120.11	98.12
After direct transaction costs of ⁽¹⁾	(0.22)	(0.21)	(0.24)
Performance			
Return after charges	(4.55)%	22.58%	45.03%
Other information			
Closing net asset value (£'000)	18	39	44
Closing number of shares	15,715	32,802	45,147
Operating charges	1.23%	1.26%	1.30%
Direct transaction costs	0.17%	0.19%	0.30%
Prices			
Highest share price	131.70	124.00	100.70
Lowest share price	109.20	94.87	63.44

B Income shares

	30.09.18 (pence per share)	30.09.17 (pence per share)	30.09.16 (pence per share)
Change in net assets per share			
Opening net asset value per share	118.61	97.24	67.44
Return before operating charges ⁽¹⁾	(3.87)	23.26	31.29
Operating charges	(2.10)	(1.89)	(1.41)
Return after operating charges	(5.97)	21.37	29.88
Distributions	(0.02)	—	(0.08)
Closing net asset value per share	112.62	118.61	97.24
After direct transaction costs of ⁽¹⁾	(0.21)	(0.21)	(0.24)
Performance			
Return after charges	(5.03)%	21.98%	44.31%
Other information			
Closing net asset value (£'000)	46	49	52
Closing number of shares	40,871	41,221	53,592
Operating charges	1.73%	1.77%	1.80%
Direct transaction costs	0.17%	0.19%	0.30%
Prices			
Highest share price	129.90	122.40	99.37
Lowest share price	107.30	93.92	62.76

A Accumulation shares

	30.09.18 (pence per share)	30.09.17 (pence per share)	30.09.16 (pence per share)
Change in net assets per share			
Opening net asset value per share	124.21	101.33	69.86
Return before operating charges ⁽¹⁾	(4.09)	24.29	32.53
Operating charges	(1.57)	(1.41)	(1.06)
Return after operating charges	(5.66)	22.88	31.47
Distributions	(0.69)	(0.26)	(0.59)
Retained distributions on accumulation shares	0.69	0.26	0.59
Closing net asset value per share	118.55	124.21	101.33
After direct transaction costs of ⁽¹⁾	(0.22)	(0.22)	(0.25)
Performance			
Return after charges	(4.56)%	22.58%	45.05%
Other information			
Closing net asset value (£'000)	35,916	30,754	22,760
Closing number of shares	30,295,592	24,759,387	22,461,134
Operating charges	1.23%	1.25%	1.30%
Direct transaction costs	0.17%	0.19%	0.30%
Prices			
Highest share price	136.20	128.10	103.50
Lowest share price	112.90	97.96	65.15

B Accumulation shares

	30.09.18 (pence per share)	30.09.17 (pence per share)	30.09.16 (pence per share)
Change in net assets per share			
Opening net asset value per share	120.16	98.51	68.27
Return before operating charges ⁽¹⁾	(3.91)	23.56	31.67
Operating charges	(2.13)	(1.91)	(1.43)
Return after operating charges	(6.04)	21.65	30.24
Distributions	—	—	—
Retained distributions on accumulation shares	—	—	—
Closing net asset value per share	114.12	120.16	98.51
After direct transaction costs of ⁽¹⁾	(0.22)	(0.21)	(0.24)
Performance			
Return after charges	(5.03)%	21.98%	44.29%
Other information			
Closing net asset value (£'000)	113	186	144
Closing number of shares	99,379	155,211	146,066
Operating charges	1.73%	1.74%	1.80%
Direct transaction costs	0.17%	0.19%	0.30%
Prices			
Highest share price	131.60	124.00	100.60
Lowest share price	108.70	95.15	63.53

Lazard Investment Funds – Annual Report and Financial Statements September 2018

Lazard Developing Markets Fund continued

Comparative tables (unaudited) continued

C Income shares

	30.09.18 (pence per share)	30.09.17 (pence per share)	30.09.16 (pence per share)
Change in net assets per share			
Opening net asset value per share	118.31	96.62	67.00
Return before operating charges ⁽¹⁾	(3.91)	23.20	31.23
Operating charges	(1.31)	(1.20)	(0.90)
Return after operating charges	(5.22)	22.00	30.33
Distributions	(0.81)	(0.31)	(0.71)
Closing net asset value per share	112.28	118.31	96.62
After direct transaction costs of ⁽¹⁾	(0.21)	(0.21)	(0.24)
Performance			
Return after charges	(4.41)%	22.77%	45.27%
Other information			
Closing net asset value (£'000)	156	175	293
Closing number of shares	138,828	147,613	302,691
Operating charges	1.08%	1.14%	1.15%
Direct transaction costs	0.17%	0.19%	0.30%
Prices			
Highest share price	129.80	122.30	99.37
Lowest share price	107.70	93.44	62.51

C Accumulation shares

	30.09.18 (pence per share)	30.09.17 (pence per share)	30.09.16 (pence per share)
Change in net assets per share			
Opening net asset value per share	124.06	101.07	69.58
Return before operating charges ⁽¹⁾	(4.08)	24.23	32.42
Operating charges	(1.38)	(1.24)	(0.93)
Return after operating charges	(5.46)	22.99	31.49
Distributions	(0.86)	(0.42)	(0.72)
Retained distributions on accumulation shares	0.86	0.42	0.72
Closing net asset value per share	118.60	124.06	101.07
After direct transaction costs of ⁽¹⁾	(0.22)	(0.22)	(0.24)
Performance			
Return after charges	(4.40)%	22.75%	45.26%
Other information			
Closing net asset value (£'000)	1,497	1,399	1,190
Closing number of shares	1,261,877	1,127,865	1,177,450
Operating charges	1.08%	1.11%	1.15%
Direct transaction costs	0.17%	0.19%	0.30%
Prices			
Highest share price	136.10	127.90	103.20
Lowest share price	112.90	97.73	64.91

⁽¹⁾ Direct transaction costs comprise commission and taxes, principally applicable to equity investment purchases and sales.

Distribution tables

for the year ended 30 September 2018

Dividend distribution in pence per share.

Final Distribution

	Net revenue	Equalisation	Distribution payable 30.11.18	Distribution paid 30.11.17
A Income				
Group 1	0.2475	—	0.2475	0.1703
Group 2	0.2475	—	0.2475	0.1703
A Accumulation				
Group 1	0.6939	—	0.6939	0.2621
Group 2	0.5590	0.1349	0.6939	0.2621
B Income+				
Group 1	0.0234	—	0.0234	—
Group 2	0.0234	—	0.0234	—
B Accumulation+				
Group 1	—	—	—	—
Group 2	—	—	—	—
C Income				
Group 1	0.8147	—	0.8147	0.3106
Group 2	0.6261	0.1886	0.8147	0.3106
C Accumulation				
Group 1	0.8573	—	0.8573	0.4210
Group 2	0.5254	0.3319	0.8573	0.4210

Interim Distribution

	Net revenue	Equalisation	Distribution paid 31.05.18	Distribution paid 31.05.17
A Income+				
Group 1	—	—	—	—
Group 2	—	—	—	—
A Accumulation+				
Group 1	—	—	—	—
Group 2	—	—	—	—
B Income+				
Group 1	—	—	—	—
Group 2	—	—	—	—
B Accumulation+				
Group 1	—	—	—	—
Group 2	—	—	—	—
C Income+				
Group 1	—	—	—	—
Group 2	—	—	—	—
C Accumulation+				
Group 1	—	—	—	—
Group 2	—	—	—	—

+ Due to expenses exceeding revenue on this class there was no distribution.

Group 1: shares purchased prior to the distribution period.

Group 2: shares purchased during the distribution period.

Equalisation is the average amount of revenue included in the purchase price of all Group 2 shares and is refunded to holders of these shares as a return of capital. Being capital it is not liable for income tax but must be deducted from the cost of shares for capital gains tax purposes.

Lazard Investment Funds – Annual Report and Financial Statements September 2018

Lazard Developing Markets Fund continued

Notes to the Financial Statements

as at 30 September 2018

1 Accounting policies

The accounting policies for the Sub-fund are the same as those disclosed in the notes to the Financial Statements of all Sub-funds on page 5.

2 Net capital (losses)/gains

	30.09.18 £'000	30.09.17 £'000
The net capital (losses)/gains during the year comprise:		
Non-derivative securities	(2,109)	5,810
Currency (losses)/gains	(14)	10
Custodial transaction fees	(27)	1
Net capital (losses)/gains	(2,150)	5,821

3 Revenue

	30.09.18 £'000	30.09.17 £'000
Bank interest	2	1
Non-taxable overseas dividends	610	419
Taxable overseas dividends	96	54
UK dividends	2	—
Total revenue	710	474

4 Expenses

	30.09.18 £'000	30.09.17 £'000
Payable to the ACD, associates of the ACD and agents of either of them:		
ACD's periodic charge	365	283
Payable to the Depositary, associates of the Depositary and agents of either of them:		
Depositary's fees	10	8
Safe custody fees	15	16
	25	24
Other expenses:		
Audit fee	9	10
VAT on audit fee	2	2
Expenses refundable by ACD*	—	20
Legal and professional fees	15	3
Non-audit fees**	—	3
Other fees payable to the auditors with respect to taxation services	3	2
Registration fees	3	3
Sundry expenses	1	4
	33	47
Total expenses	423	354

* Previously expenses paid by the Sub-fund were capped at 0.3% (excluding the ACD's periodic charge) with any excess refunded by the ACD.

** Fees paid to firms affiliated with PricewaterhouseCoopers LLP.

5 Taxation

	30.09.18 £'000	30.09.17 £'000
a) Analysis of the charge in the year		
<i>Current tax:</i>		
Overseas tax	71	50
Total current tax (note 5b)	71	50
Deferred tax (note 5c)	—	—
Total taxation	71	50

b) Factors affecting taxation charge for the year

Net revenue before taxation	287	119
Net revenue before taxation at the applicable rate of corporation tax in the UK of 20% (2017: 20%)	57	24
Effects of:		
Movement in excess management expenses	68	61
Revenue not subject to tax	(122)	(84)
Overseas tax	71	50
Overseas tax expensed	(3)	(1)
Total current tax (note 5a)	71	50

c) Provision for Deferred tax

There is no Deferred tax provision in the current or preceding year.

At the year end there is a potential Deferred tax asset of £308,000 (2017: £240,000) due to surplus management expenses.

It is unlikely the Sub-fund will generate sufficient taxable profits in the future to utilise these amounts and therefore no Deferred tax asset has been recognised (2017: nil).

6 Interest payable and similar charges

	30.09.18 £'000	30.09.17 £'000
Interest	—	1
Total interest payable and similar charges	—	1

Lazard Investment Funds – Annual Report and Financial Statements September 2018

Lazard Developing Markets Fund continued

Notes to the Financial Statements continued

7 Distributions

The distributions take account of revenue received on the creation of shares and revenue deducted on the cancellation of shares and comprise:

	30.09.18 £'000	30.09.17 £'000
Final	222	70
	222	70
Add: Revenue deducted on cancellation of shares	3	3
Less: Revenue received on issue of shares	(9)	(4)
Net distributions for the year	216	69

The difference between the revenue after taxation and the distributions for the year are as follows:

	30.09.18 £'000	30.09.17 £'000
Net revenue after taxation	216	69
Net distributions for the year	216	69

Details of the distributions per share are set out in the tables on page 14.

8 Debtors

	30.09.18 £'000	30.09.17 £'000
Accrued revenue	63	32
Amounts receivable for issue of shares	—	790
Amounts receivable for FX contracts	253	493
Overseas tax recoverable	17	18
Prepaid expenses	3	—
Sales awaiting settlement	341	23
Total debtors	677	1,356

9 Creditors

	30.09.18 £'000	30.09.17 £'000
a) Distribution payable		
Net distribution payable	1	1
	1	1
b) Other creditors		
Accrued expenses	62	54
Amounts payable for cancellation of shares	28	—
Amounts payable for FX contracts	253	493
Purchases awaiting settlement	285	440
Total creditors	628	987

10 Contingent assets/(liabilities) and outstanding commitments

There were no contingent assets/(liabilities) or outstanding commitments at the balance sheet date (2017: £nil).

11 Related party disclosures

Details of the related party disclosures are included within note 4 of the notes to the Financial Statements of all Sub-funds on page 8.

12 Financial instruments

Details of the financial instruments risk disclosures are set out in note 2 of the notes to the Financial Statements of all Sub-funds on page 6.

a) Currency exposure profile

Net currency assets			
30.09.18 Currency	Monetary exposures £'000	Non-monetary exposures £'000	Total £'000
Brazilian Real	—	2,364	2,364
Canadian Dollar	—	807	807
Chinese Yuan	—	7	7
Euro	—	1,016	1,016
Hong Kong Dollar	4	9,271	9,275
Indian Rupee	—	1,701	1,701
Indonesian Rupiah	—	590	590
Korean Won	—	3,699	3,699
Mexican Peso	—	984	984
Philippine Peso	1	411	412
South African Rand	—	1,330	1,330
Taiwan Dollar	—	3,250	3,250
US Dollar	2	11,642	11,644
	7	37,072	37,079
Net currency assets/(liabilities)+			
30.09.17 Currency	Monetary exposures £'000	Non-monetary exposures £'000	Total £'000
Brazilian Real	—	303	303
Canadian Dollar	—	360	360
Chinese Yuan	—	7	7
Euro	—	685	685
Hong Kong Dollar	3	8,636	8,639
Indian Rupee	—	1,358	1,358
Indonesian Rupiah	—	836	836
Korean Won	—	2,717	2,717
Mexican Peso	—	854	854
Philippine Peso	1	397	398
Russian Rouble	—	(14)	(14)
South African Rand	—	767	767
Taiwan Dollar	—	2,570	2,570
Turkish Lira	—	1,093	1,093
US Dollar	—	10,908	10,908
	4	31,477	31,481

+Monetary exposure previously included all short-term debtors and creditors. This has been restated to include cash position only.

Lazard Investment Funds – Annual Report and Financial Statements September 2018

Lazard Developing Markets Fund continued

Notes to the Financial Statements continued

12 Financial instruments continued

b) Interest rate risk profile

The Sub-fund's only interest bearing financial instruments at the balance sheet date are represented by its cash balances and overdraft facility, which earn and pay interest on normal commercial terms based on LIBOR or its overseas equivalent.

c) Valuation of financial investments

The categorisation of financial investments in the tables below reflects the methodology used to measure their fair value.*

	Assets £'000	Liabilities £'000
30.09.18		
Level 1: The unadjusted quoted price in an active market for identical assets or liabilities the entity can access at measurement date	4,471	—
Level 2: Inputs other than quoted prices included within Level 1 that are observable (i.e. developed using market data) for the asset or liability, either directly or indirectly	32,645	—
Level 3: Inputs are unobservable (i.e. for which market data is unavailable) for the asset or liability	—	—
	37,116	—

30.09.17

Level 1: The unadjusted quoted price in an active market for identical assets or liabilities the entity can access at measurement date	31,833	—
Level 2: Inputs other than quoted prices included within Level 1 that are observable (i.e. developed using market data) for the asset or liability, either directly or indirectly	—	—
Level 3: Inputs are unobservable (i.e. for which market data is unavailable) for the asset or liability	—	—
	31,833	—

d) Credit risk

The Sub-fund did not enter into any derivative contracts during the year and therefore has no counterparty exposure.

e) Sensitivity analysis

Please refer to the disclosure in the notes to the Financial Statements of all Sub-funds on page 7.

* Please refer to page 5 for details of the policy of applying the Fair Value Pricing Factor

13 Portfolio transaction costs

For the year 1 October 2017 to 30 September 2018

	Value £'000	Commissions £'000	%	Taxes £'000	%
Purchases (excluding derivatives)					
Equity transactions (direct)	27,987	20	0.07	11	0.04
Corporate Actions	599	—	—	—	—
Total	28,586	20		11	
Total purchases including commission and taxes	28,617				
	£'000	£'000	%	£'000	%
Sales (excluding derivatives)					
Equity transactions (direct)	20,643	17	0.08	16	0.08
Corporate Actions	599	—	—	—	—
Total	21,242	17		16	
Total sales net of transaction costs	21,209				
Total transaction costs		37		27	
Total transaction costs as a % of average net assets		0.10%		0.07%	

Lazard Investment Funds – Annual Report and Financial Statements September 2018

Lazard Developing Markets Fund continued

Notes to the Financial Statements continued

13 Portfolio transaction costs continued

For the year 1 October 2016 to 30 September 2017

	Value £'000	Commissions £'000	%	Taxes £'000	%
Purchases (excluding derivatives)					
Equity transactions (direct)	15,550	18	0.12	8	0.05
Total	15,550	18		8	
Total purchases including commission and taxes	15,576				
	£'000	£'000	%	£'000	%
Sales (excluding derivatives)					
Equity transactions (direct)	13,461	17	0.13	11	0.08
Total	13,461	17		11	
Total sales net of transaction costs	13,433				
Total transaction costs		35		19	
Total transaction costs as a % of average net assets		0.12%		0.07%	

The above analysis covers any direct transaction costs suffered by the Sub-fund during the period. However it is important to understand the nature of other transaction costs associated with different investment asset classes and instruments types.

Separately identifiable direct transaction costs (commissions & taxes etc.) are attributable to the Sub-fund's purchase and sale of equity shares. Additionally for equity shares there is a dealing spread cost (the difference between the buying and selling prices) which will be suffered on purchase and sale transactions.

Dealing spread costs suffered by the Sub-fund vary considerably depending on a number of factors including transaction value and market sentiment. At the balance sheet date the average portfolio dealing spread (difference between bid and offer prices of all investments expressed as a percentage of the offer price value) was 0.25% (2017: 0.14%).

The dealing spreads disclosed above are as at the 30 September, which is a reflection of the dealing spread of the portfolio at a point in time. Dealing spreads throughout the year will vary depending on the make-up of the portfolio.

14 Share movement

For the year 1 October 2017 to 30 September 2018

	A Income shares	A Accumulation shares	B Income shares
Opening shares	32,802	24,759,387	41,221
Shares issued	11,490	9,477,688	2,015
Shares cancelled	(28,577)	(3,952,061)	(2,365)
Shares converted	—	10,578	—
Closing shares	15,715	30,295,592	40,871

	B Accumulation shares	C Income shares	C Accumulation shares
Opening shares	155,211	147,613	1,127,865
Shares issued	57,303	36,649	495,491
Shares cancelled	(102,194)	(45,434)	(361,479)
Shares converted	(10,941)	—	—
Closing shares	99,379	138,828	1,261,877

Lazard Investment Funds – Annual Report and Financial Statements September 2018

Lazard Emerging Markets Fund

Investment Manager's Report

Investment Objective

The investment objective of the Sub-fund is to seek long term capital growth.

Investment Review

Over the twelve month period ending 30 September 2018, the Lazard Emerging Markets Fund (the "Fund") returned -5.23% in sterling terms, against the MSCI Emerging Markets Index, which returned 2.05%⁽¹⁾.

Investment Policy

The Sub-fund will invest primarily in issues located, or doing significant business, in emerging market countries. It is likely to focus on, but not be limited to, Latin America, the Pacific Basin and Europe.

Market review

Emerging markets equities experienced a strong end to 2017 and then a more volatile and mostly politically and macro-economically driven period in the first nine months of 2018. This included a strong beginning to 2018 followed by a period of consolidation caused by concerns over inflation. The next six to seven months were dominated by increased sanctions on mainly Russian interests, severe pressures on several emerging markets currencies from a strong US dollar, and considerable trade rhetoric and actions.

Latin American markets fell by 6.5%, while Asian markets rose modestly and Eastern European markets finished substantially higher. There was large performance divergence among several emerging markets countries. Currency weakness resulted in marked declines in the Turkish, Philippine, and Indonesian markets. Strong crude oil prices helped returns in Colombia, Qatar, and Russia.

From a sector perspective, energy dramatically outperformed all other sectors. However, health care and materials also finished strongly. The worst-performing sectors were consumer discretionary and real estate.

Portfolio Review

What contributed to Returns

- Stock selection in China and India, and an overweight in Russia: an underweight in the consumer discretionary sector also helped
- Tata Consultancy Services, an Indian IT services provider, continued to benefit from a weaker rupee and improved sentiment regarding IT spending across the sector
- Taiwan Semiconductor Manufacturing, a Taiwanese semiconductor manufacturer, which is expected to gain market share in the next generation 7nm process node market as its only independent foundry competitor, Global Foundries, decided not to develop its own line
- The share price of Lukoil, a Russian energy company, followed oil prices higher over the year

What detracted from Returns

- Stock selection in Brazil, South Korea, and Turkey as well as an overweight to the latter, and an underweight in Taiwan. Stock selection in the financials, communication services, consumer staples, and industrials sectors also detracted
- Cielo, a Brazilian credit card processing company, weakened due to continued competition and on news of a planned IPO by StoneCo, a provider of financial technology solutions for merchants and e-commerce
- CCR, a Brazilian toll road operator, declined following allegations that company executives overpaid for sponsorship contracts during the 2009-2012 period to fund political campaigns
- Turk Telekom, a Turkish telecommunication services company, was hurt by the sudden significant depreciation in the lira, given its significant outstanding foreign currency denominated debt

Outlook

We expect volatility ahead as tightening financial conditions put pressure on economically vulnerable countries and US policy announcements could continue to challenge the status quo. Key global elections are also approaching and many are too close to call.

Emerging markets equities have the lowest valuations of any major asset class, and this year's underperformance has pushed the valuation discount to developed markets back to the 30% range. We believe that for the patient, prudent investor, fundamental analysis and security selection will be rewarded in the long term.

All data contained herein is sourced by Lazard Asset Management unless otherwise noted as at 30 September 2018.

(1) Source: Lazard Asset Management, NAV to NAV Price, net income reinvested in sterling, A Accumulation share class net of fees, to 30 September 2018.

Figures refer to past performance which is not a reliable indicator of future results.

Lazard Investment Funds – Annual Report and Financial Statements September 2018

Lazard Emerging Markets Fund continued

General Information as at 30 September 2018

Fund Size	£1,025.5 million
Net Yield	2.03% A Income
	2.00% A Accumulation
	1.47% B Income
	1.45% B Accumulation
	2.20% S Income
	2.17% S Accumulation
Sector	Global Emerging Markets
Launch Date	20 October 1999
Fund Managers	James Donald and team

Lazard Investment Funds – Annual Report and Financial Statements September 2018

Lazard Emerging Markets Fund continued

Portfolio statement (unaudited)

as at 30 September 2018

	Holding	Market Value £'000	% of Net Assets
Argentina (1.67%)		16,817	1.64
YPF Sociedad Anonima ADR	1,419,389	16,817	1.64
Brazil (11.53%)		81,945	7.99
Ambev ADR	3,301,900	11,546	1.13
Banco do Brasil	4,684,475	26,491	2.58
BB Seguridade Participacoes	2,761,800	12,760	1.24
CCR	4,479,500	7,268	0.71
Cielo	4,244,532	9,984	0.97
Petrobras Distribuidora	2,269,257	8,484	0.83
Saneamento Basico	1,194,800	5,412	0.53
China (17.60%)		205,021	20.00
AAC Technologies	1,160,000	9,242	0.90
Anhui Conch Cement 'H'	3,022,269	13,980	1.36
Baidu ADR	91,400	16,027	1.56
China Construction Bank 'H'	77,616,320	51,952	5.07
China Mobile ADR	1,031,900	38,719	3.78
China Shenhua Energy 'H'	4,834,827	8,472	0.83
CNOOC	8,416,000	12,784	1.25
ENN Energy	1,091,000	7,254	0.71
Hengan International	1,210,500	8,553	0.83
NetEase ADR	131,610	23,026	2.25
Weichai Power	15,808,588	15,012	1.46
Egypt (0.89%)		9,921	0.97
Commercial International Bank GDR	2,837,100	9,921	0.97
Hong Kong (0.00%)		7,433	0.72
ASM Pacific Technology	952,200	7,433	0.72
Hungary (2.30%)		17,912	1.75
OTP Bank	635,201	17,912	1.75
India (9.33%)		84,235	8.21
Axis Bank	3,093,966	20,184	1.97
Bajaj Auto	263,747	7,500	0.73
HCL Technologies	773,326	8,881	0.86
Hero Moto	371,705	11,455	1.12
Infosys ADR	1,109,400	8,643	0.84
Tata Consultancy Services	1,192,730	27,572	2.69
Indonesia (5.25%)		48,607	4.74
Astra	25,857,100	9,780	0.95
Bank Mandiri Persero	50,063,910	17,261	1.68
PT Telekomunikasi Indonesia ADR	785,200	14,740	1.44
Semen Indonesia	13,432,000	6,826	0.67
Malaysia (0.71%)		5,606	0.55
British American Tobacco - Malaysia	953,800	5,606	0.55
Mexico (3.42%)		35,591	3.47
America Movil ADR	1,649,560	20,315	1.98
Grupo Mexico	3,606,503	7,960	0.78
Kimberly-Clark de Mexico	5,373,500	7,316	0.71
Pakistan (1.51%)		14,121	1.38
Habib Bank	3,505,005	3,262	0.32
Oil & Gas Development	2,890,395	2,727	0.27
Pakistan Petroleum	6,192,782	8,132	0.79
Philippines (0.74%)		6,590	0.64
PLDT ADR	334,900	6,590	0.64
Russia (8.87%)		98,436	9.60
Alrosa	8,253,909	10,254	1.00
Gazprom ADR	3,290,180	12,570	1.23
LUKOIL PJSC ADR	347,764	20,396	1.99
Magnit GDR	634,535	6,897	0.67
Mobile Telesystems ADR	2,053,600	13,433	1.31
Sberbank	14,689,899	34,886	3.40

	Holding	Market Value £'000	% of Net Assets
South Africa (8.29%)		88,862	8.66
Bidvest	858,836	8,587	0.84
Imperial	956,576	9,071	0.88
Life Healthcare	4,850,330	6,429	0.63
Nedbank	710,360	10,152	0.99
PPC	9,471,116	3,305	0.32
Sanlam	2,236,005	9,585	0.93
Shoprite	1,396,578	14,499	1.41
Standard Bank	1,076,012	10,204	1.00
Vodacom	1,554,870	10,603	1.03
Woolworths	2,392,102	6,427	0.63
South Korea (14.26%)		157,369	15.34
Coway	209,827	12,562	1.22
Hanwha Life Insurance	1,911,065	6,976	0.68
Hyundai Mobis	95,970	15,094	1.47
KB Financial	384,864	14,394	1.40
KT&G	125,527	8,982	0.88
Samsung Electronics	1,420,933	45,628	4.45
Shinhan Financial	723,849	22,493	2.19
SK Hynix	618,185	31,240	3.05
Taiwan (5.22%)		51,920	5.06
Hon Hai Precision	6,676,710	13,264	1.29
Taiwan Semiconductor Manufacturing	5,874,580	38,656	3.77
Thailand (1.44%)		17,515	1.71
Kasikornbank	1,848,800	9,469	0.92
Siam Cement	760,850	8,046	0.79
Turkey (4.92%)		20,584	2.01
KOC	3,845,301	8,374	0.82
Tupras-Turkiye Petrol Rafinerileri	708,416	12,109	1.18
Türk Telekomunikasyon	218,439	101	0.01
Portfolio of investments (97.95%)		968,485	94.44
Net other assets (2.05%)		57,047	5.56
Net assets attributable to Shareholders		1,025,532	100.00

Unless otherwise stated, all holdings are quoted in ordinary shares and listed on a recognised exchange.

The percentages in brackets show the equivalent comparative holdings at 30.09.17 (unaudited).

Lazard Investment Funds – Annual Report and Financial Statements September 2018

Lazard Emerging Markets Fund continued

Statement of total return

for the year ended 30 September 2018

	Notes	30.09.18		30.09.17	
		£'000	£'000	£'000	£'000
Income					
Net capital (losses)/gains	2		(72,970)		116,579
Revenue	3	36,487		35,249	
Expenses	4	(11,715)		(11,426)	
Interest payable and similar charges	6	(6)		(7)	
Net revenue before taxation		24,766		23,816	
Taxation	5	(8,518)		(3,991)	
Net revenue after taxation			16,248		19,825
Total return before distributions			(56,722)		136,404
Distributions	7		(20,430)		(19,854)
Change in net assets attributable to Shareholders from investment activities			(77,152)		116,550

Balance sheet

as at 30 September 2018

	Notes	30.09.18		30.09.17	
		£'000	£'000	£'000	£'000
Assets					
Fixed assets					
Investments			968,485		1,064,459
Current assets					
Debtors	8	5,678		11,105	
Cash and bank balances		70,502		37,980	
Total other assets			76,180		49,085
Total assets			1,044,665		1,113,544
Liabilities					
Creditors					
Distribution payable	9	(8,470)		(8,633)	
Other creditors	9	(10,663)		(18,207)	
Total other liabilities			(19,133)		(26,840)
Total liabilities			(19,133)		(26,840)
Net assets attributable to Shareholders			1,025,532		1,086,704

Statement of change in net assets attributable to Shareholders

for the year ended 30 September 2018

	30.09.18		30.09.17	
	£'000	£'000	£'000	£'000
Opening net assets attributable to Shareholders		1,086,704		879,122
Amounts receivable on issue of shares	151,799		223,833	
Amounts payable on cancellation of shares	(145,259)		(141,620)	
Stamp duty reserve tax		6,540		82,213
Change in net assets attributable to Shareholders from investment activities		(77,152)		116,550
Retained distribution on accumulation shares		9,439		8,821
Unclaimed distributions		1		1
Closing net assets attributable to Shareholders		1,025,532		1,086,704

Fund facts*

as at 30 September 2018

Synthetic Risk and Reward Indicator (SRRI)

◀ Lower Risk Higher Risk ▶

Typically Lower Rewards				Typically Higher Rewards		
1	2	3	4	5	6	7

The risk and reward category is calculated using historical data and may not be a reliable indicator of the Sub-fund's future risk profile. The risk and reward category may shift over time and is not a target or guarantee.

The lowest category (i.e. category 1) does not mean "risk free".

The Sub-fund appears in the higher risk category on the risk and reward indicator.

This is because the Sub-fund invests primarily in shares, whose values tend to have higher price fluctuations.

The returns from your investment may be affected by changes in the exchange rate between the Sub-fund's base currency, and the currency of the Sub-fund's investments, your share class and where you live.

Emerging markets may also have less developed political, economic and legal systems and there is a higher risk that the Sub-fund may not get back its money.

There is no capital guarantee or protection of the value of the Sub-fund. The value of your investment and the income from it can go down as well as up and you may not get back the amount you invested.

See "Risk Factors" in the UCITS Prospectus for more information about risks.

* This section has not been audited.

Lazard Investment Funds – Annual Report and Financial Statements September 2018

Lazard Emerging Markets Fund continued

Comparative tables (unaudited)

A Income shares

	30.09.18 (pence per share)	30.09.17 (pence per share)	30.09.16 (pence per share)
Change in net assets per share			
Opening net asset value per share	291.89	260.12	181.66
Return before operating charges ⁽¹⁾	(11.85)	40.10	84.23
Operating charges	(3.19)	(3.09)	(2.28)
Return after operating charges	(15.04)	37.01	81.95
Distributions	(5.37)	(5.24)	(3.49)
Closing net asset value per share	271.48	291.89	260.12
After direct transaction costs of ⁽¹⁾	(0.12)	(0.18)	(0.14)
Performance			
Return after charges	(5.15)%	14.23%	45.11%
Other information			
Closing net asset value (£'000)	121,052	199,677	201,130
Closing number of shares	44,588,969	68,409,105	77,321,291
Operating charges	1.08%	1.08%	1.08%
Direct transaction costs	0.04%	0.06%	0.07%
Prices			
Highest share price	324.00	310.60	268.10
Lowest share price	264.20	252.00	173.70

A Accumulation shares

	30.09.18 (pence per share)	30.09.17 (pence per share)	30.09.16 (pence per share)
Change in net assets per share			
Opening net asset value per share	357.87	313.33	215.79
Return before operating charges ⁽¹⁾	(14.68)	48.27	100.26
Operating charges	(3.92)	(3.73)	(2.72)
Return after operating charges	(18.60)	44.54	97.54
Distributions	(6.61)	(6.33)	(4.19)
Retained distributions on accumulation shares	6.61	6.33	4.19
Closing net asset value per share	339.27	357.87	313.33
After direct transaction costs of ⁽¹⁾	(0.15)	(0.22)	(0.17)
Performance			
Return after charges	(5.20)%	14.22%	45.20%
Other information			
Closing net asset value (£'000)	398,853	420,918	347,156
Closing number of shares	117,563,185	117,617,473	110,794,099
Operating charges	1.08%	1.08%	1.08%
Direct transaction costs	0.04%	0.06%	0.07%
Prices			
Highest share price	397.20	375.30	319.70
Lowest share price	325.10	303.50	206.30

B Income shares

	30.09.18 (pence per share)	30.09.17 (pence per share)	30.09.16 (pence per share)
Change in net assets per share			
Opening net asset value per share	293.30	261.42	182.66
Return before operating charges ⁽¹⁾	(11.88)	40.22	84.54
Operating charges	(4.69)	(4.53)	(3.37)
Return after operating charges	(16.57)	35.69	81.17
Distributions	(3.90)	(3.81)	(2.41)
Closing net asset value per share	272.83	293.30	261.42
After direct transaction costs of ⁽¹⁾	(0.12)	(0.18)	(0.14)
Performance			
Return after charges	(5.65)%	13.65%	44.44%
Other information			
Closing net asset value (£'000)	48,960	58,843	62,780
Closing number of shares	17,945,315	20,062,484	24,014,682
Operating charges	1.58%	1.58%	1.59%
Direct transaction costs	0.04%	0.06%	0.07%
Prices			
Highest share price	325.00	311.50	268.90
Lowest share price	264.80	253.10	174.30

B Accumulation shares

	30.09.18 (pence per share)	30.09.17 (pence per share)	30.09.16 (pence per share)
Change in net assets per share			
Opening net asset value per share	343.22	302.02	209.04
Return before operating charges ⁽¹⁾	(13.95)	46.44	96.84
Operating charges	(5.49)	(5.24)	(3.86)
Return after operating charges	(19.44)	41.20	92.98
Distributions	(4.57)	(4.42)	(2.78)
Retained distributions on accumulation shares	4.57	4.42	2.78
Closing net asset value per share	323.78	343.22	302.02
After direct transaction costs of ⁽¹⁾	(0.15)	(0.21)	(0.16)
Performance			
Return after charges	(5.66)%	13.64%	44.48%
Other information			
Closing net asset value (£'000)	28,134	30,954	28,870
Closing number of shares	8,689,366	9,018,698	9,558,856
Operating charges	1.58%	1.58%	1.59%
Direct transaction costs	0.04%	0.06%	0.07%
Prices			
Highest share price	380.30	360.10	308.20
Lowest share price	310.30	292.30	199.50

Lazard Investment Funds – Annual Report and Financial Statements September 2018

Lazard Emerging Markets Fund continued

Comparative tables (unaudited) continued

S Income shares

	30.09.18 (pence per share)	30.09.17 (pence per share)	30.09.16 (pence per share)
Change in net assets per share			
Opening net asset value per share	118.15	105.29	73.53
Return before operating charges ⁽¹⁾	(4.81)	16.24	34.12
Operating charges	(1.10)	(1.08)	(0.80)
Return after operating charges	(5.91)	15.16	33.32
Distributions	(2.36)	(2.30)	(1.56)
Closing net asset value per share	109.88	118.15	105.29
After direct transaction costs of ⁽¹⁾	(0.05)	(0.07)	(0.06)
Performance			
Return after charges	(5.00)%	14.40%	45.31%
Other information			
Closing net asset value (£'000)	363,080	324,415	200,910
Closing number of shares	330,443,061	274,584,145	190,819,624
Operating charges	0.93%	0.93%	0.93%
Direct transaction costs	0.04%	0.06%	0.07%
Prices			
Highest share price	131.20	125.80	108.60
Lowest share price	107.00	102.00	70.33

S Accumulation shares

	30.09.18 (pence per share)	30.09.17 (pence per share)	30.09.16 (pence per share)
Change in net assets per share			
Opening net asset value per share	129.35	113.09	77.76
Return before operating charges ⁽¹⁾	(5.33)	17.42	36.17
Operating charges	(1.21)	(1.16)	(0.84)
Return after operating charges	(6.54)	16.26	35.33
Distributions	(2.59)	(2.47)	(1.66)
Retained distributions on accumulation shares	2.59	2.47	1.66
Closing net asset value per share	122.81	129.35	113.09
After direct transaction costs of ⁽¹⁾	(0.05)	(0.08)	(0.06)
Performance			
Return after charges	(5.06)%	14.38%	45.43%
Other information			
Closing net asset value (£'000)	65,453	51,897	38,276
Closing number of shares	53,294,687	40,122,429	33,846,465
Operating charges	0.93%	0.93%	0.93%
Direct transaction costs	0.04%	0.06%	0.07%
Prices			
Highest share price	143.60	135.60	115.40
Lowest share price	117.70	109.50	74.37

⁽¹⁾ Direct transaction costs comprise commission and taxes, principally applicable to equity investment purchases and sales. Shareholders should note that additionally there are other transaction costs such as dealing spread which will also have reduced the Sub-fund and share class returns before operating charges.

Distribution tables

for the year ended 30 September 2018

Dividend distribution in pence per share.

Final Distribution

	Net revenue	Equalisation	Distribution payable 30.11.18	Distribution paid 30.11.17
A Income				
Group 1	4.2303	—	4.2303	4.2715
Group 2	2.4547	1.7756	4.2303	4.2715
A Accumulation				
Group 1	5.2084	—	5.2084	5.1650
Group 2	2.6091	2.5993	5.2084	5.1650
B Income				
Group 1	3.5310	—	3.5310	3.5467
Group 2	1.7421	1.7889	3.5310	3.5467
B Accumulation				
Group 1	4.1377	—	4.1377	4.1015
Group 2	1.6904	2.4473	4.1377	4.1015
S Income				
Group 1	1.8005	—	1.8005	1.8205
Group 2	1.1173	0.6832	1.8005	1.8205
S Accumulation				
Group 1	1.9809	—	1.9809	1.9623
Group 2	0.6729	1.3080	1.9809	1.9623

Interim Distribution

	Net revenue	Equalisation	Distribution paid 31.05.18	Distribution paid 31.05.17
A Income				
Group 1	1.1437	—	1.1437	0.9685
Group 2	0.8654	0.2783	1.1437	0.9685
A Accumulation				
Group 1	1.4042	—	1.4042	1.1671
Group 2	1.0302	0.3740	1.4042	1.1671
B Income				
Group 1	0.3708	—	0.3708	0.2613
Group 2	0.3582	0.0126	0.3708	0.2613
B Accumulation				
Group 1	0.4369	—	0.4369	0.3149
Group 2	0.4266	0.0103	0.4369	0.3149
S Income				
Group 1	0.5576	—	0.5576	0.4767
Group 2	0.3580	0.1996	0.5576	0.4767
S Accumulation				
Group 1	0.6097	—	0.6097	0.5108
Group 2	0.4459	0.1638	0.6097	0.5108

Group 1: shares purchased prior to the distribution period.

Group 2: shares purchased during the distribution period.

Equalisation is the average amount of revenue included in the purchase price of all Group 2 shares and is refunded to holders of these shares as a return of capital. Being capital it is not liable for income tax but must be deducted from the cost of shares for capital gains tax purposes.

Lazard Investment Funds – Annual Report and Financial Statements September 2018

Lazard Emerging Markets Fund continued

Notes to the Financial Statements

1 Accounting policies

The accounting policies for the Sub-fund are the same as those disclosed in the notes to the Financial Statements of all Sub-funds on page 5.

2 Net capital (losses)/gains

	30.09.18 £'000	30.09.17 £'000
The net capital (losses)/gains during the year comprise:		
Non-derivative securities	(72,810)	117,009
Currency losses	(160)	(274)
Forward currency contracts	25	(3)
Custodial transaction fees	(25)	(153)
Net capital (losses)/gains	(72,970)	116,579

3 Revenue

	30.09.18 £'000	30.09.17 £'000
Bank interest	15	3
Non-taxable overseas dividends	28,540	28,294
Stock dividends	335	652
Taxable overseas dividends	7,597	6,300
Total revenue	36,487	35,249

4 Expenses

	30.09.18 £'000	30.09.17 £'000
Payable to the ACD, associates of the ACD and agents of either of them:		
ACD's periodic charge	10,878	10,639
Payable to the Depositary, associates of the Depositary and agents of either of them:		
Depositary's fees	292	293
Safe custody fees	500	437
	792	730
Other expenses:		
Audit fee	9	10
VAT on audit fee	2	2
Legal and professional fees	16	4
Non-audit fees*	—	25
Other fees payable to the auditors with respect to taxation services	7	—
Registration fees	9	9
Sundry expenses	2	7
	45	57
Total expenses	11,715	11,426

* Fees paid to firms affiliated with PricewaterhouseCoopers LLP.

5 Taxation

	30.09.18 £'000	30.09.17 £'000
a) Analysis of the charge in the year		
<i>Current tax:</i>		
Overseas tax	4,349	3,991
Indian Capital Gains Tax	4,169	—
Total current tax (note 5b)	8,518	3,991
Deferred tax (note 5c)	—	—
Total taxation	8,518	3,991
b) Factors affecting taxation charge for the year		
Net revenue before taxation	24,766	23,816
Net revenue before taxation at the applicable rate of corporation tax in the UK of 20% (2017: 20%)	4,953	4,763
Effects of:		
Indian Capital Gains Tax	4,169	—
Movement in excess management expenses	997	1,189
Revenue not subject to tax	(5,775)	(5,789)
Overseas tax	4,349	3,991
Overseas tax expensed	(175)	(163)
Total current tax (note 5a)	8,518	3,991

c) Provision for Deferred tax

There is no Deferred tax provision in the current or preceding year.

At the year end there is a potential Deferred tax asset of £9,343,000 (2017: £8,346,000) due to surplus management expenses.

It is unlikely the Sub-fund will generate sufficient taxable profits in the future to utilise these amounts and therefore no Deferred tax asset has been recognised (2017: nil).

6 Interest payable and similar charges

	30.09.18 £'000	30.09.17 £'000
Interest	6	7
Total interest payable and similar charges	6	7

Lazard Investment Funds – Annual Report and Financial Statements September 2018

Lazard Emerging Markets Fund continued

Notes to the Financial Statements continued

7 Distributions

The distributions take account of revenue received on the creation of shares and revenue deducted on the cancellation of shares and comprise:

	30.09.18 £'000	30.09.17 £'000
Interim	4,390	3,747
Final	16,009	15,865
	20,399	19,612
Add: Revenue deducted on cancellation of shares	623	705
Less: Revenue received on issue of shares	(592)	(463)
Net distributions for the year	20,430	19,854

The difference between the revenue after taxation and the distributions for the year are as follows:

	30.09.18 £'000	30.09.17 £'000
Net revenue after taxation	16,248	19,825
Add: Capitalised fees	—	2
Add: Equalisation on conversions	13	27
Indian Capital Gains Tax	4,169	—
Net distributions for the year	20,430	19,854

Details of the distributions per share are set out in the tables on page 24.

8 Debtors

	30.09.18 £'000	30.09.17 £'000
Accrued revenue	2,170	2,347
Amounts receivable for FX contracts	1,594	3,528
Overseas tax recoverable	7	37
Prepaid expenses	1	2
Amounts receivable for issue of shares	841	1,156
Sales awaiting settlement	1,065	4,035
Total debtors	5,678	11,105

9 Creditors

	30.09.18 £'000	30.09.17 £'000
a) Distribution payable		
Net distribution payable	8,470	8,633
	8,470	8,633
b) Other creditors		
Accrued expenses	5,040	1,052
Amounts payable for cancellation of shares	3,462	11,172
Amounts payable for FX contracts	1,601	3,525
Purchases awaiting settlement	560	2,458
Total creditors	10,663	18,207

10 Contingent assets/(liabilities) and outstanding commitments

There were no contingent assets/(liabilities) or outstanding commitments at the balance sheet date (2017: £nil).

11 Related party disclosures

Details of the related party disclosures are included within note 4 of the notes to the Financial Statements of all Sub-funds on page 8.

Lazard Investment Funds – Annual Report and Financial Statements September 2018

Lazard Emerging Markets Fund continued

Notes to the Financial Statements continued

12 Financial instruments

Details of the financial instruments risk disclosures are set out in note 2 of the notes to the Financial Statements of all Sub-funds on page 6.

a) Currency exposure profile

30.09.18 Currency	Net currency assets/(liabilities)		
	Monetary exposures £'000	Non-monetary exposures £'000	Total £'000
Brazilian Real	602	70,446	71,048
Chinese Yuan	—	285	285
Euro	11	—	11
Hong Kong Dollar	39	135,041	135,080
Hungarian Forint	—	17,912	17,912
Indian Rupee	28	71,501	71,529
Indonesian Rupiah	—	33,867	33,867
Korean Won	—	157,730	157,730
Malaysian Ringgit	—	5,606	5,606
Mexican Peso	—	15,276	15,276
New Turkish Lira	—	20,584	20,584
Pakistani Rupee	4	14,161	14,165
South African Rand	—	89,050	89,050
Taiwan Dollar	—	51,920	51,920
Thai Baht	—	17,515	17,515
US Dollar	2	265,699	265,701
	686	966,593	967,279

30.09.17 Currency	Net currency assets/(liabilities)*		
	Monetary exposures £'000	Non-monetary exposures £'000	Total £'000
Brazilian Real	557	109,665	110,222
Chinese Yuan	—	243	243
Hong Kong Dollar	—	96,913	96,913
Hungarian Forint	—	24,984	24,984
Indian Rupee	—	101,382	101,382
Indonesian Rupiah	—	36,645	36,645
Korean Won	—	156,627	156,627
Malaysian Ringgit	—	7,764	7,764
Mexican Peso	—	15,138	15,138
Pakistani Rupee	75	16,444	16,519
South African Rand	—	90,177	90,177
Taiwan Dollar	—	56,724	56,724
Thai Baht	—	15,606	15,606
Turkish Lira	—	53,406	53,406
US Dollar	—	287,586	287,586
	632	1,069,304	1,069,936

*Monetary exposure previously included all short-term debtors and creditors. This has been restated to include cash position only.

b) Interest rate risk profile

The Sub-fund's only interest bearing financial instruments at the balance sheet date are represented by its cash balances and overdraft facility, which earn and pay interest on normal commercial terms based on LIBOR or its overseas equivalent.

c) Valuation of financial investments

The categorisation of financial investments in the tables below reflects the methodology used to measure their fair value.*

30.09.18	Assets £'000	Liabilities £'000
Level 1: The unadjusted quoted price in an active marked for identical assets or liabilities the entity can access at measurement date	236,402	—
Level 2: Inputs other than quoted prices included within Level 1 that are observable (i.e. developed using market data) for the asset or liability, either directly or indirectly	732,083	—
Level 3: Inputs are unobservable (i.e. for which market data is unavailable) for the asset or liability	—	—
	968,485	—

30.09.17

Level 1: The unadjusted quoted price in an active marked for identical assets or liabilities the entity can access at measurement date	1,064,459	—
Level 2: Inputs other than quoted prices included within Level 1 that are observable (i.e. developed using market data) for the asset or liability, either directly or indirectly	—	—
Level 3: Inputs are unobservable (i.e. for which market data is unavailable) for the asset or liability	—	—
	1,064,459	—

d) Credit risk

The Sub-fund did not enter into any derivative contracts during the year and therefore has no counterparty exposure.

e) Sensitivity analysis

Please refer to the disclosure in the notes to the Financial Statements of all Sub-funds on page 7.

* Please refer to page 5 for details of the policy of applying the Fair Value Pricing Factor

Lazard Investment Funds – Annual Report and Financial Statements September 2018

Lazard Emerging Markets Fund continued

Notes to the Financial Statements continued

13 Portfolio transaction costs

For the year 1 October 2017 to 30 September 2018

	Value £'000	Commissions £'000	%	Taxes £'000	%
Purchases (excluding derivatives)					
Equity transactions (direct)	144,506	113	0.08	65	0.04
Total	144,506	113		65	
Total purchases including commission and taxes	144,684				
	£'000	£'000	%	£'000	%
Sales (excluding derivatives)					
Equity transactions (direct)	168,462	151	0.09	135	0.08
Total	168,462	151		135	
Total sales net of transaction costs	168,176				
Total transaction costs		264		200	
Total transaction costs as a % of average net assets		0.02%		0.02%	

For the year 1 October 2016 to 30 September 2017

	Value £'000	Commissions £'000	%	Taxes £'000	%
Purchases (excluding derivatives)					
Equity transactions (direct)	210,449	275	0.13	110	0.05
Total	210,449	275		110	
Total purchases including commission and taxes	210,834				
	£'000	£'000	%	£'000	%
Sales (excluding derivatives)					
Equity transactions (direct)	131,102	178	0.14	119	0.09
Total	131,102	178		119	
Total sales net of transaction costs	130,805				
Total transaction costs		453		229	
Total transaction costs as a % of average net assets		0.04%		0.02%	

The above analysis covers any direct transaction costs suffered by the Sub-fund during the period. However it is important to understand the nature of other transaction costs associated with different investment asset classes and instruments types.

Separately identifiable direct transaction costs (commissions & taxes etc.) are attributable to the Sub-fund's purchase and sale of equity shares. Additionally for equity shares there is a dealing spread cost (the difference between the buying and selling prices) which will be suffered on purchase and sale transactions.

Dealing spread costs suffered by the Sub-fund vary considerably depending on a number of factors including transaction value and market sentiment. At the balance sheet date the average portfolio dealing spread (difference between bid and offer prices of all investments expressed as a percentage of the offer price value) was 0.16% (2017: 0.13%).

The dealing spreads disclosed above are as at the 30 September, which is a reflection of the dealing spread of the portfolio at a point in time. Dealing spreads throughout the year will vary depending on the make-up of the portfolio.

Lazard Investment Funds – Annual Report and Financial Statements September 2018

Lazard Emerging Markets Fund continued

Notes to the Financial Statements continued

14 Share movement

For the year 1 October 2017 to 30 September 2018

	A	A	B
	Income	Accumulation	Income
	shares	shares	shares
Opening shares	68,409,105	117,617,473	20,062,484
Shares issued	4,087,652	10,168,390	784,920
Shares cancelled	(15,084,243)	(8,256,466)	(2,853,430)
Shares converted	(12,823,545)	(1,966,212)	(48,659)
Closing shares	44,588,969	117,563,185	17,945,315

	B	S	S
	Accumulation	Income	Accumulation
	shares	shares	shares
Opening shares	9,018,698	274,584,145	40,122,429
Shares issued	970,961	72,695,755	7,680,503
Shares cancelled	(1,239,311)	(40,557,635)	(7,444,739)
Shares converted	(60,982)	23,720,796	12,936,494
Closing shares	8,689,366	330,443,061	53,294,687

Lazard Investment Funds – Annual Report and Financial Statements September 2018

Lazard European Alpha Fund

Investment Manager's Report

Investment Objective

The investment objective of the Sub-fund is to achieve capital growth at a rate greater than that of the FTSE World Europe ex UK Index, measured in Sterling.

Investment Review

Over the twelve month period ending 30 September 2018, the Lazard European Alpha Fund (the "Fund") returned 0.41% in sterling terms, against the FTSE World Europe ex-UK Index, which returned 2.01%⁽¹⁾.

Investment Policy

The portfolio will consist of actively managed investments in equity, equity-related and debt-related issues of continental European markets. The ACD will select investments by a combination of identifying attractive markets and selecting individual stock in all the markets of Continental Europe.

Market review

While European economic fundamentals remained broadly robust during the year, regional market sentiment for much of the period was dominated by political and macroeconomic events. This included trade wars between the United States and its major trading partners, weakness in emerging markets, while more recently the spread between Italian and German government bonds widened to a five-year high as the Italian government's budget proposals increased political uncertainty. The European Central Bank announced that it planned to wind down its bond-buying programme by the end of 2018, but it expected interest rates to remain at their current levels, at least until mid-2019.

All sectors rose over the year, with the exception of telecommunications and financials. The oil and gas sector was the best performing sector, buoyed by the oil price reaching a four-year high during the summer. The technology and basic materials sectors also rose strongly.

Portfolio Review

What contributed to Returns

- Stock selection and an overweight in the oil & gas sector. Stock selection in consumer services and financials, and an overweight in the technology sector also helped
- An overweight in Equinor (previously Statoil) was the best stock performer over the period, as the company benefited from the sustained strength in the oil pricing improving the economics across the industry
- Dutch information services provider Wolters Kluwer reported strong results, with organic revenue growth and margins beating consensus
- Video game developer Ubisoft's full year results beat expectations, with 22% revenue growth expected to continue next year

What detracted from Returns

- Stock selection in the industrials, consumer goods and health care sectors
- An overweight in automotive company Porsche, the holding company of Volkswagen, was the largest detractor as comments from President Donald Trump threatened trade tariffs on autos from the European Union
- Ryanair performed poorly as management reduced guidance for its second quarter yields due to industrial action and increased fuel costs
- Emerging market currency weakness weighed on an overweight in Turkish telecommunications company Turkcell

All data contained herein is sourced by Lazard Asset Management unless otherwise noted as at 30 September 2018.

(1) Source: Lazard, NAV to NAV Price, net income reinvested in Sterling, A Income share class net of fees, to 30 September 2018.

Figures refer to past performance which is not a reliable indicator of future results.

Lazard Investment Funds – Annual Report and Financial Statements September 2018

Lazard European Alpha Fund continued

Outlook

Concerns over US–China trade tariffs and rising volatility in emerging markets have given rise to pockets of idiosyncratic risks in European equity markets. However, European economic indicators have remained resilient in spite of market turbulence elsewhere, in a testament to the region’s underlying strength. Corporate earnings and lead indicators, such as the German Ifo Business Climate Index, point to a continued steady recovery for European economies. While we consider the greatest risks to European equities to be largely external, local political developments such as the Italian budget also warrant close attention, and is an area we continue to monitor closely. Brexit negotiations between the European Union and the United Kingdom remain an ongoing concern.

We continue to believe that a focused bottom-up stock selection approach is the best way to explore and uncover compelling opportunities.

General Information as at 30 September 2018

Fund Size	£88.8 million
Net Yield	1.95% A Income N/A A Accumulation 1.28% B Income 1.37% B Accumulation 2.21% C Income 2.17% C Accumulation
Sector	IA Europe excluding UK
Launch Date	27 August 1986
Fund Managers	Aaron Barnfather, Paul Selvey-Clinton and team

Lazard Investment Funds – Annual Report and Financial Statements September 2018

Lazard European Alpha Fund continued

Portfolio statement (unaudited)

as at 30 September 2018

	Holding	Market Value £'000	% of Net Assets
Austria (1.32%)		920	1.04
BAW	25,813	920	1.04
Belgium (3.34%)		1,076	1.21
Anheuser-Busch InBev	16,085	1,076	1.21
Denmark (4.17%)		2,678	3.01
Carlsberg series 'B' shares	21,111	1,944	2.19
Genmab	6,105	734	0.82
Finland (2.78%)		1,744	1.96
Sampo series 'A' shares	43,915	1,744	1.96
France (21.85%)		21,086	23.73
Amundi	25,105	1,440	1.62
AXA	106,373	2,160	2.43
BNP Paribas	31,159	1,457	1.64
Capgemini	14,460	1,385	1.56
Faurecia	40,808	1,881	2.12
Michelin	11,455	1,049	1.18
Orange	152,514	1,861	2.09
Safran	22,645	2,427	2.73
Saint-Gobain	45,147	1,489	1.68
Société Générale	45,854	1,503	1.69
SPIE	44,965	677	0.76
Ubisoft Entertainment	7,575	626	0.70
Vinci	16,418	1,187	1.34
Vivendi	100,101	1,944	2.19
Germany (13.23%)		10,809	12.17
Deutsche Wohnen	31,525	1,161	1.31
Fresenius	23,068	1,300	1.46
Linde	6,291	1,144	1.29
Porsche non-voting preference shares	42,889	2,216	2.49
SAP	36,364	3,442	3.88
Siemens (Regd.)	15,732	1,546	1.74
Ireland (5.92%)		3,731	4.20
CRH	31,960	802	0.90
Kerry class 'A' shares	17,842	1,517	1.71
Ryanair	120,235	1,412	1.59
Italy (5.02%)		3,445	3.88
Cerved Information Solutions	77,989	645	0.73
Italgas	313,398	1,304	1.47
UniCredit	129,571	1,496	1.68
Luxembourg (1.51%)		1,607	1.81
ArcelorMittal	67,388	1,607	1.81
Netherlands (9.77%)		7,806	8.79
ABN AMRO	104,314	2,160	2.43
Euronext	22,829	1,128	1.27
QIAGEN	37,855	1,102	1.24
Royal Dutch Shell class 'A' Shares	70,545	1,853	2.09
Wolters Kluwer	33,748	1,563	1.76
Norway (2.23%)		2,727	3.07
Asetek	37,229	236	0.27
Equinor	99,405	2,148	2.42
Petroleum Geo-Services	99,403	343	0.38
Portugal (1.48%)		1,867	2.10
Banco Comercial Portugues	3,917,416	887	1.00
Galp Energia	65,633	980	1.10
Spain (3.56%)		3,296	3.71
Bankia	459,964	1,383	1.56
Merlin Properties	88,722	923	1.04
Red Electrica	61,616	990	1.11

	Holding	Market Value £'000	% of Net Assets
Sweden (5.13%)		7,459	8.40
Assa Abloy	96,722	1,494	1.68
Epiroc AB	117,449	1,009	1.14
Hexagon series 'B' shares	32,515	1,462	1.65
Nordea Bank	280,159	2,349	2.64
SAAB	29,704	1,145	1.29
Switzerland (11.25%)		9,967	11.22
Compagnie Financiere Richemont	24,803	1,558	1.75
Credit Suisse	133,673	1,547	1.74
Julius Baer (Registered.)	33,823	1,304	1.47
Novartis	83,904	5,558	6.26
Turkey (1.53%)		382	0.43
Turkcell Iletism Hizmetleri	259,899	382	0.43
United Kingdom (4.57%)		5,517	6.21
CNH Industrial	166,506	1,534	1.73
RELX	113,964	1,777	2.00
Subsea 7	93,261	1,057	1.19
Unilever	27,018	1,149	1.29
Portfolio of investments (98.66%)		86,117	96.94
Net other assets (1.34%)		2,720	3.06
Net assets attributable to Shareholders		88,837	100.00

Unless otherwise stated, all holdings are quoted in ordinary shares and listed on a recognised exchange.

The percentages in brackets show the equivalent comparative holdings at 30.09.17 (unaudited).

Lazard Investment Funds – Annual Report and Financial Statements September 2018

Lazard European Alpha Fund continued

Statement of total return

for the year ended 30 September 2018

	Notes	30.09.18		30.09.17	
		£'000	£'000	£'000	£'000
Income					
Net capital (losses)/gains	2		(1,356)		17,140
Revenue	3	2,498		2,482	
Expenses	4	(883)		(904)	
Interest payable and similar charges	6	—		(2)	
Net revenue before taxation		1,615		1,576	
Taxation	5	64		(199)	
Net revenue after taxation			1,679		1,377
Total return before distributions			323		18,517
Distributions	7		(1,684)		(1,383)
Change in net assets attributable to Shareholders from investment activities			(1,361)		17,134

Balance sheet

as at 30 September 2018

	Notes	30.09.18		30.09.17	
		£'000	£'000	£'000	£'000
Assets					
Fixed assets					
Investments			86,117		96,183
Current assets					
Debtors	8	2,029		939	
Cash and bank balances		2,421		1,959	
Total other assets			4,450		2,898
Total assets			90,567		99,081
Liabilities					
Creditors					
Distribution payable	9	(548)		(466)	
Other creditors	9	(1,182)		(1,122)	
Total other liabilities			(1,730)		(1,588)
Total liabilities			(1,730)		(1,588)
Net assets attributable to Shareholders			88,837		97,493

Statement of change in net assets attributable to Shareholders

for the year ended 30 September 2018

	30.09.18		30.09.17	
	£'000	£'000	£'000	£'000
Opening net assets attributable to Shareholders		97,493		70,013
Amounts receivable on issue of shares	3,971		38,561	
Amounts payable on cancellation of shares	(12,310)		(29,035)	
		(8,339)		9,526
Change in net assets attributable to Shareholders from investment activities		(1,361)		17,134
Retained distribution on accumulation shares		1,042		817
Unclaimed distributions		2		3
Closing net assets attributable to Shareholders		88,837		97,493

Fund facts*

as at 30 September 2018

Synthetic Risk and Reward Indicator (SRRI)



The risk and reward category is calculated using historical data and may not be a reliable indicator of the Sub-fund's future risk profile. The risk and reward category may shift over time and is not a target or guarantee.

The lowest category (i.e. category 1) does not mean "risk free".

The Sub-fund appears in the higher risk category on the risk and reward indicator.

This is because the Sub-fund invests primarily in shares, whose values tend to have higher price fluctuations.

The returns from your investment may be affected by changes in the exchange rate between the Sub-fund's base currency, and the currency of the Sub-fund's investments, your share class and where you live.

There is no capital guarantee or protection of the value of the Sub-fund. The value of your investment and the income from it can go down as well as up and you may not get back the amount you invested.

See "Risk Factors" in the UCITS Prospectus for more information about risks.

* This section has not been audited.

Lazard Investment Funds – Annual Report and Financial Statements September 2018

Lazard European Alpha Fund continued

Comparative tables (unaudited)

A Income shares

	30.09.18 (pence per share)	30.09.17 (pence per share)	30.09.16 (pence per share)
Change in net assets per share			
Opening net asset value per share	781.63	660.29	569.12
Return before operating charges ⁽¹⁾	10.50	139.08	107.87
Operating charges	(8.36)	(7.76)	(6.79)
Return after operating charges	2.14	131.32	101.08
Distributions	(13.49)	(9.98)	(9.91)
Closing net asset value per share	770.28	781.63	660.29
After direct transaction costs of ⁽¹⁾	(1.41)	(2.19)	(1.35)
Performance			
Return after charges	0.27%	19.89%	17.76%
Other information			
Closing net asset value (£'000)	5,465	5,728	20,356
Closing number of shares	709,468	732,786	3,082,884
Operating charges	1.07%	1.08%	1.12%
Direct transaction costs	0.18%	0.30%	0.22%
Prices			
Highest share price	816.50	800.00	675.00
Lowest share price	730.60	619.50	537.60

A Accumulation shares+

	30.09.18 (pence per share)
Change in net assets per share	
Opening net asset value per share	100.00
Return before operating charges ⁽¹⁾	(0.09)
Operating charges	(0.22)
Return after operating charges	(0.31)
Distributions	(0.36)
Retained distributions on accumulation shares	0.36
Closing net asset value per share	99.69
After direct transaction costs of ⁽¹⁾	(0.04)
Performance	
Return after charges	(0.31)%
Other information	
Closing net asset value (£'000)	15
Closing number of shares	14,990
Operating charges	1.08%
Direct transaction costs	0.18%
Prices	
Highest share price	102.01
Lowest share price	97.04

B Income shares

	30.09.18 (pence per share)	30.09.17 (pence per share)	30.09.16 (pence per share)
Change in net assets per share			
Opening net asset value per share	782.84	661.61	568.28
Return before operating charges ⁽¹⁾	10.52	138.86	107.33
Operating charges	(12.26)	(11.35)	(9.96)
Return after operating charges	(1.74)	127.51	97.37
Distributions	(8.85)	(6.28)	(4.04)
Closing net asset value per share	772.25	782.84	661.61
After direct transaction costs of ⁽¹⁾	(1.41)	(2.19)	(1.34)
Performance			
Return after charges	(0.22)%	19.27%	17.13%
Other information			
Closing net asset value (£'000)	10,095	16,618	19,855
Closing number of shares	1,307,268	2,122,728	3,000,906
Operating charges	1.57%	1.58%	1.65%
Direct transaction costs	0.18%	0.30%	0.22%
Prices			
Highest share price	816.50	798.40	670.80
Lowest share price	730.60	620.20	535.70

B Accumulation shares

	30.09.18 (pence per share)	30.09.17 (pence per share)	30.09.16 (pence per share)
Change in net assets per share			
Opening net asset value per share	874.05	732.89	625.62
Return before operating charges ⁽¹⁾	11.72	153.73	118.04
Operating charges	(13.69)	(12.57)	(10.77)
Return after operating charges	(1.97)	141.16	107.27
Distributions	(10.71)	(6.86)	(7.06)
Retained distributions on accumulation shares	10.71	6.86	7.06
Closing net asset value per share	872.08	874.05	732.89
After direct transaction costs of ⁽¹⁾	(1.57)	(2.42)	(1.48)
Performance			
Return after charges	(0.23)%	19.26%	17.15%
Other information			
Closing net asset value (£'000)	1,632	1,584	1,787
Closing number of shares	187,120	181,237	243,814
Operating charges	1.57%	1.58%	1.62%
Direct transaction costs	0.18%	0.30%	0.22%
Prices			
Highest share price	911.60	884.30	738.50
Lowest share price	815.70	687.00	589.80

Lazard Investment Funds – Annual Report and Financial Statements September 2018

Lazard European Alpha Fund continued

Comparative tables (unaudited) continued

C Income shares

	30.09.18 (pence per share)	30.09.17 (pence per share)	30.09.16 (pence per share)
Change in net assets per share			
Opening net asset value per share	776.25	655.70	565.27
Return before operating charges ⁽¹⁾	10.40	138.22	107.09
Operating charges	(6.37)	(5.93)	(5.18)
Return after operating charges	4.03	132.29	101.91
Distributions	(15.19)	(11.74)	(11.48)
Closing net asset value per share	765.09	776.25	655.70
After direct transaction costs of ⁽¹⁾	(1.40)	(2.17)	(1.34)
Performance			
Return after charges	0.52%	20.18%	18.03%
Other information			
Closing net asset value (£'000)	19,381	19,733	21,218
Closing number of shares	2,533,182	2,542,085	3,235,949
Operating charges	0.82%	0.83%	0.86%
Direct transaction costs	0.18%	0.30%	0.22%
Prices			
Highest share price	811.50	795.20	671.10
Lowest share price	725.70	615.50	534.50

C Accumulation shares

	30.09.18 (pence per share)	30.09.17 (pence per share)	30.09.16 (pence per share)
Change in net assets per share			
Opening net asset value per share	907.07	754.71	639.46
Return before operating charges ⁽¹⁾	12.21	159.19	121.12
Operating charges	(7.45)	(6.83)	(5.87)
Return after operating charges	4.76	152.36	115.25
Distributions	(17.79)	(13.59)	(12.97)
Retained distributions on accumulation shares	17.79	13.59	12.97
Closing net asset value per share	911.83	907.07	754.71
After direct transaction costs of ⁽¹⁾	(1.64)	(2.50)	(1.52)
Performance			
Return after charges	0.52%	20.19%	18.02%
Other information			
Closing net asset value (£'000)	52,249	53,830	6,797
Closing number of shares	5,730,091	5,934,542	900,662
Operating charges	0.82%	0.83%	0.86%
Direct transaction costs	0.18%	0.30%	0.22%
Prices			
Highest share price	948.20	917.00	760.40
Lowest share price	849.80	708.30	604.50

⁽¹⁾ Direct transaction costs comprise commission and taxes, principally applicable to equity investment purchases and sales. Shareholders should note that additionally there are other transaction costs such as dealing spread which will also have reduced the Sub-fund and share class returns before operating charges.

+ A Accumulation class commenced 19 July 2018.

Distribution tables

for the year ended 30 September 2018

Dividend distribution in pence per share.

Final Distribution

	Net revenue	Equalisation	Distribution payable 30.11.18	Distribution paid 30.11.17
A Income				
Group 1	12.6304	—	12.6304	9.4590
Group 2	3.3152	9.3152	12.6304	9.4590
A Accumulation*				
Group 1	0.3559	—	0.3559	n/a
Group 2	0.3559	0.0000	0.3559	n/a
B Income				
Group 1	8.8473	—	8.8473	6.2831
Group 2	3.8192	5.0281	8.8473	6.2831
B Accumulation				
Group 1	10.7118	—	10.7118	6.8555
Group 2	6.7368	3.9750	10.7118	6.8555
C Income				
Group 1	13.5231	—	13.5231	10.3600
Group 2	5.2883	8.2348	13.5231	10.3600
C Accumulation				
Group 1	15.8371	—	15.8371	11.9429
Group 2	5.7467	10.0904	15.8371	11.9429

Interim Distribution

	Net revenue	Equalisation	Distribution paid 31.05.18	Distribution paid 31.05.17
A Income				
Group 1	0.8615	—	0.8615	0.5207
Group 2	0.8614	0.0001	0.8615	0.5207
B Income+				
Group 1	—	—	—	—
Group 2	—	—	—	—
B Accumulation+				
Group 1	—	—	—	—
Group 2	—	—	—	—
C Income				
Group 1	1.6645	—	1.6645	1.3821
Group 2	1.3571	0.3074	1.6645	1.3821
C Accumulation				
Group 1	1.9496	—	1.9496	1.6471
Group 2	1.8080	0.1416	1.9496	1.6471

* Share class launched 19 July 2018.

+ Due to expenses exceeding revenue on this class there was no distribution.

Group 1: shares purchased prior to the distribution period.

Group 2: shares purchased during the distribution period.

Equalisation is the average amount of revenue included in the purchase price of all Group 2 shares and is refunded to holders of these shares as a return of capital. Being capital it is not liable for income tax but must be deducted from the cost of shares for capital gains tax purposes.

Lazard Investment Funds – Annual Report and Financial Statements September 2018

Lazard European Alpha Fund continued

Notes to the Financial Statements

as at 30 September 2018

1 Accounting policies

The accounting policies for the Sub-fund are the same as those disclosed in the notes to the Financial Statements of all Sub-funds on page 5.

2 Net capital (losses)/gains

	30.09.18 £'000	30.09.17 £'000
The net capital (losses)/gains during the year comprise:		
Non-derivative securities	(1,346)	17,104
Currency (losses)/gains	(5)	44
Custodial transaction fees	(5)	(8)
Net capital (losses)/gains	(1,356)	17,140

3 Revenue

	30.09.18 £'000	30.09.17 £'000
Bank interest	65	11
Non-taxable overseas dividends	2,355	2,395
Property distributions	34	26
Taxable overseas dividends	44	50
Total revenue	2,498	2,482

4 Expenses

	30.09.18 £'000	30.09.17 £'000
Payable to the ACD, associates of the ACD and agents of either of them:		
ACD's periodic charge	820	842
Payable to the Depositary, associates of the Depositary and agents of either of them:		
Depositary's fees	24	24
Safe custody fees	17	16
	41	40
Other expenses:		
Audit fee	9	10
VAT on audit fee	2	2
Legal and professional fees	5	—
Registration fees	5	6
Sundry expenses	1	4
	22	22
Total expenses	883	904

5 Taxation

	30.09.18 £'000	30.09.17 £'000
a) Analysis of the charge in the year		
<i>Current tax:</i>		
French ECJ reclaims	(241)	—
Overseas tax	177	199
Total current tax (note 5b)	(64)	199
Deferred tax (note 5c)	—	—
Total taxation	(64)	199

b) Factors affecting taxation charge for the year

Net revenue before taxation	1,615	1,576
Net revenue before taxation at the applicable rate of corporation tax in the UK of 20% (2017: 20%)	323	315
Effects of:		
Movement in excess management expenses	155	165
Overseas tax	(64)	199
Overseas tax expensed	(1)	(3)
Prior year adjustment to excess management expenses	1	7
Revenue not subject to tax	(478)	(484)
Total current tax (note 5a)	(64)	199

c) Provision for Deferred tax

At the year end there is a potential Deferred tax asset of £2,416,000 (2017: £2,261,000) due to surplus management expenses.

It is unlikely the Sub-fund will generate sufficient taxable profits in the future to utilise these amounts and therefore no Deferred tax asset has been recognised (2017: nil).

6 Interest payable and similar charges

	30.09.18 £'000	30.09.17 £'000
Interest	—	2
Total interest payable and similar charges	—	2

Lazard Investment Funds – Annual Report and Financial Statements September 2018

Lazard European Alpha Fund continued

Notes to the Financial Statements continued

7 Distributions

The distributions take account of revenue received on the creation of shares and revenue deducted on the cancellation of shares and comprise:

	30.09.18 £'000	30.09.17 £'000
Interim	162	141
Final	1,476	1,187
	1,638	1,328
Add: Revenue deducted on cancellation of shares	65	129
Less: Revenue received on issue of shares	(19)	(74)
Net distributions for the year	1,684	1,383

The difference between the revenue after taxation and the distributions for the year are as follows:

	30.09.18 £'000	30.09.17 £'000
Net revenue after taxation	1,679	1,377
Add: Equalisation on conversions	5	6
Net distributions for the year	1,684	1,383

Details of the distributions per share are set out in the tables on page 35.

8 Debtors

	30.09.18 £'000	30.09.17 £'000
Accrued revenue	—	16
Amounts receivable for FX contracts	832	156
Amounts receivable for issue of shares	9	18
Overseas tax recoverable	356	391
Sales awaiting settlement	832	358
Total debtors	2,029	939

9 Creditors

	30.09.18 £'000	30.09.17 £'000
a) Distribution payable		
Net distribution payable	548	466
	548	466
b) Other creditors		
Accrued expenses	84	92
Amounts payable for cancellation of shares	185	310
Amounts payable for FX contracts	832	157
Interest payable	81	81
Purchases awaiting settlement	—	482
Total creditors	1,182	1,122

10 Contingent assets/(liabilities) and outstanding commitments

There were no contingent assets/(liabilities) or outstanding commitments at the balance sheet date (2017 - £94,312). The prior year amount related to reclaims made to recover withholding tax previously withheld by tax authorities in France which have now been resolved.

Accounting standards permit the reclaims to be included as an asset in the balance sheet only where the receipt is “virtually certain.” In the opinion of the Manager, receipt is probable rather than virtually certain and accordingly the reclaims are regarded as a contingent or potential asset rather than an actual asset for the purposes of preparing the financial statements.

Notwithstanding the treatment for the purposes of the preparation of financial statements, an appropriate adjustment to reflect the reclaims has been made for the purposes of daily pricing.

There were no contingent liabilities or outstanding commitments at the balance sheet date (2017: £nil).

11 Related party disclosures

Details of the related party disclosures are included within note 4 of the notes to the Financial Statements of all Sub-funds on page 8.

Lazard Investment Funds – Annual Report and Financial Statements September 2018

Lazard European Alpha Fund continued

Notes to the Financial Statements continued

12 Derivatives and other Financial instruments

Details of the financial instruments risk disclosures are set out in note 2 of the notes to the Financial Statements of all Sub-funds on page 6.

a) Currency exposure profile

Net currency assets			
	Monetary exposures	Non-monetary exposures	Total
30.09.18 Currency	£'000	£'000	£'000
Danish Krone	—	2,708	2,708
Euro	316	62,138	62,454
Norwegian Krone	—	3,819	3,819
Swedish Krona	—	7,459	7,459
Swiss Franc	—	9,967	9,967
Turkish Lira	—	383	383
	316	86,474	86,790

Net currency assets*			
	Monetary exposures	Non-monetary exposures	Total
30.09.17 Currency	£'000	£'000	£'000
Danish Krone	—	4,086	4,086
Euro	6	72,827	72,833
Norwegian Krone	—	2,207	2,207
Swedish Krona	—	5,000	5,000
Swiss Franc	—	10,967	10,967
Turkish Lira	—	1,496	1,496
	6	96,583	96,589

*Monetary exposure previously included all short-term debtors and creditors. This has been restated to include cash position only.

b) Interest rate risk profile

The Sub-fund's only interest bearing financial instruments at the balance sheet date are represented by its cash balances and overdraft facility, which earn and pay interest on normal commercial terms based on LIBOR or its overseas equivalent.

c) Valuation of financial investments

The categorisation of financial investments in the tables below reflects the methodology used to measure their fair value.

	Assets £'000	Liabilities £'000
30.09.18		
Level 1: The unadjusted quoted price in an active market for identical assets or liabilities the entity can access at measurement date	86,117	—
Level 2: Inputs other than quoted prices included within Level 1 that are observable (i.e. developed using market data) for the asset or liability, either directly or indirectly	—	—
Level 3: Inputs are unobservable (i.e. for which market data is unavailable) for the asset or liability	—	—
	86,117	—
30.09.17		
Level 1: The unadjusted quoted price in an active market for identical assets or liabilities the entity can access at measurement date	96,183	—
Level 2: Inputs other than quoted prices included within Level 1 that are observable (i.e. developed using market data) for the asset or liability, either directly or indirectly	—	—
Level 3: Inputs are unobservable (i.e. for which market data is unavailable) for the asset or liability	—	—
	96,183	—

d) Credit risk

The Sub-fund did not enter into any derivative contracts during the year and therefore has no counterparty exposure.

e) Sensitivity analysis

Please refer to the disclosure in the notes to the Financial Statements of all Sub-funds on page 7.

Lazard Investment Funds – Annual Report and Financial Statements September 2018

Lazard European Alpha Fund continued

Notes to the Financial Statements continued

13 Portfolio transaction costs

For the year 1 October 2017 to 30 September 2018

	Value £'000	Commissions £'000	%	Taxes £'000	%
Purchases (excluding derivatives)					
Equity transactions (direct)	58,935	38	0.06	82	0.14
Total	58,935	38		82	
Total purchases including commission and taxes	59,055				
	£'000	£'000	%	£'000	%
Sales (excluding derivatives)					
Equity transactions (direct)	67,823	47	0.07	—	—
Total	67,823	47		—	
Total sales net of transaction costs	67,776				
Total transaction costs		85		82	
Total transaction costs as a % of average net assets		0.09%		0.09%	

For the year 1 October 2016 to 30 September 2017

	Value £'000	Commissions £'000	%	Taxes £'000	%
Purchases (excluding derivatives)					
Equity transactions (direct)	100,565	86	0.09	106	0.11
Corporate Actions	623	—	—	—	—
Total	101,188	86		106	
Total purchases including commission and taxes	101,380				
	£'000	£'000	%	£'000	%
Sales (excluding derivatives)					
Equity transactions (direct)	90,583	82	0.09	—	—
Total	90,583	82		—	
Total sales net of transaction costs	90,501				
Total transaction costs		168		106	
Total transaction costs as a % of average net assets		0.18%		0.12%	

The above analysis covers any direct transaction costs suffered by the Sub-fund during the year. However it is important to understand the nature of other transaction costs associated with different investment asset classes and instruments types.

Separately identifiable direct transaction costs (commissions & taxes etc.) are attributable to the Sub-fund's purchase and sale of equity shares. Additionally for equity shares there is a dealing spread cost (the difference between the buying and selling prices) which will be suffered on purchase and sale transactions.

Dealing spread costs suffered by the Sub-fund vary considerably depending on a number of factors including transaction value and market sentiment. At the balance sheet date the average portfolio dealing spread (difference between bid and offer prices of all investments expressed as a percentage of the offer price value) was 0.74% (2017: 0.05%).

The dealing spreads disclosed above are as at the 30 September, which is a reflection of the dealing spread of the portfolio at a point in time. Dealing spreads throughout the year will vary depending on the make-up of the portfolio.

Lazard Investment Funds – Annual Report and Financial Statements September 2018

Lazard European Alpha Fund continued

Notes to the Financial Statements continued

14 Share movement

For the year 1 October 2017 to 30 September 2018

	A	A	B
	Income shares	Accumulation shares	Income shares
Opening shares	732,786	—	2,122,728
Shares issued	17,874	14,990	4,904
Shares cancelled	(429,736)	—	(96,995)
Shares converted	388,544	—	(723,369)
Closing shares	709,468	14,990	1,307,268

	B	C	C
	Accumulation shares	Income shares	Accumulation shares
Opening shares	181,237	2,542,085	5,934,542
Shares issued	61,102	14,719	346,922
Shares cancelled	(55,219)	(357,267)	(554,346)
Shares converted	—	333,645	2,973
Closing shares	187,120	2,533,182	5,730,091

Lazard Investment Funds – Annual Report and Financial Statements September 2018

Lazard European Smaller Companies Fund

Investment Manager's Report

Investment Objective

The objective of the Sub-fund is to achieve long term capital growth by investing in European Smaller Companies.

Investment Review

Over the twelve-month period ending 30 September 2018, the Lazard European Smaller Companies Fund (the "Fund") returned 1.47% in sterling terms, against the MSCI Europe Small Cap Index, which returned 4.50%.

Investment Policy

The Sub-fund will achieve this by generally investing in the smallest 10% of European listed companies, measured by market capitalisation.

At the discretion of the ACD, the Sub-fund may retain its investments in companies which were within that bracket at the time of acquisition but which grow beyond it in the course of time.

Market review

While European economic fundamentals remained broadly robust during the year, regional market sentiment for much of the period was dominated by political and macroeconomic events. This included trade wars between the United States and its major trading partners, weakness in emerging markets, while more recently the spread between Italian and German government bonds widened to a five-year high as the Italian government's budget proposals increased political uncertainty. The European Central Bank announced that it planned to wind down its bond-buying programme by the end of 2018, but it expected interest rates to remain at their current levels, at least until mid-2019.

In European companies, the energy sector rose the most during the year, while health care was also strong. Consumer discretionary and industrials were the two sectors that declined. The Norwegian, Danish and Irish markets rose the most, while France was the weakest small-cap market during the year.

Portfolio Review

What contributed to Returns

- Stock selection and an overweight in communication services, and stock selection in industrials and financials were the major contributors to relative performance. Stock selection in Switzerland and Denmark, and underweighting France also performed strongly
- UK-listed but US-domiciled Burford Capital is the specialist leader in finance and investment management in the litigation finances market. The market is rapidly developing and in its latest results, Burford once again announced a major increase in earnings, assets, and returns
- Danish brewer and multi-beverage company Royal Unibrew contributed strongly. At the end of August, the company announced another extremely strong set of earnings, with solid organic growth augmented by high profit growth

What detracted from Returns

- Stock selection in the health care and consumer discretionary sectors detracted, as did stock selection in materials and an underweight and stock selection in information technology
- UK firm Conviviality, which owned and operated off-license and convenience store chains, delivered a profit warning in March. This was triggered primarily by two issues: weak margins due to 'giveaways' on listing fees and promotional offers, and what the chief financial officer described as a spreadsheet error, that affected financial forecasting
- Italian retailer OVS outperformed all its domestic and international rivals in its space in Italy. In spite of this, it faced tough market conditions complicated by political uncertainty and very poor weather, and it announced negative like-for-like sales for early 2018. Moreover, OVS's acquisition of a Swiss retailer proved more challenging than expected: this triggered equity and receivables write-downs and led to the announcement of OVS's decision not to pay a dividend

All data contained herein is sourced by Lazard Asset Management unless otherwise noted as at 30 September 2018.

(1) Source: Lazard Asset Management, NAV to NAV Price, net income reinvested in sterling, A Accumulation share class net of fees, to 30 September 2018.

Figures refer to past performance which is not a reliable indicator of future results.

Lazard Investment Funds – Annual Report and Financial Statements September 2018

Lazard European Smaller Companies Fund continued

Outlook

Concerns over US–China trade tariffs and rising volatility in emerging markets have given rise to pockets of idiosyncratic risks in European equity markets. However, European economic indicators have remained resilient in spite of market turbulence elsewhere, in a testament to the region’s underlying strength. Corporate earnings and lead indicators, such as the German Ifo Business Climate Index, point to a continued steady recovery for European economies. While we consider the greatest risks to European equities to be largely external, local political developments such as the Italian budget also warrant close attention, and is an area we continue to monitor closely. Brexit negotiations between the European Union and the United Kingdom remain an ongoing concern, but are unlikely to be clarified in the near term.

We continue to believe that a focused bottom-up stock selection approach is the best way to explore and uncover compelling opportunities.

General Information as at 30 September 2018

Fund Size	£313.85 million
Net Yield	1.17% A Accumulation 0.57% B Accumulation 1.47% C Accumulation
Sector	European Smaller Companies
Launch Date	31 May 2000
Fund Managers	Edward Rosenfeld and team

Lazard Investment Funds – Annual Report and Financial Statements September 2018

Lazard European Smaller Companies Fund continued

Portfolio statement (unaudited)

as at 30 September 2018

	Holding	Market Value £'000	% of Net Assets
Belgium (2.11%)		10,425	3.32
Barco	44,983	4,487	1.43
Kinepolis	129,947	5,938	1.89
Denmark (3.14%)		6,003	1.91
Royal Unibrew	95,103	6,003	1.91
Finland (1.88%)		7,217	2.30
Altia	510,954	3,601	1.15
Huhtamaki	146,727	3,616	1.15
France (2.98%)		8,448	2.69
Chargeurs	243,336	4,556	1.45
Kaufman & Broad	108,214	3,892	1.24
Germany (13.63%)		44,337	14.13
Aroundtown	966,249	6,575	2.10
Aurelius	88,505	3,588	1.14
CompuGroup Medical	99,716	4,423	1.41
Corestate Capital	113,108	4,030	1.29
Dermapharm SE	186,962	4,821	1.54
FinTech	175,378	4,686	1.49
GRENKE	27,467	2,515	0.80
JOST Werke	159,556	4,590	1.46
Norma	107,184	5,246	1.67
Patrizia Immobilien	260,960	3,863	1.23
Ireland (5.45%)		15,462	4.93
Dalata Hotel	992,492	6,020	1.92
Glenveagh Properties	3,857,642	3,333	1.06
Hostelworld	1,330,668	2,908	0.93
Total Produce	1,711,158	3,201	1.02
Israel (0.97%)		3,596	1.15
Taptica International	985,140	3,596	1.15
Italy (6.81%)		17,755	5.66
Banca Generali	169,054	3,352	1.07
Carel Industries	357,163	3,111	0.99
Cerved Information Solutions	687,901	5,689	1.81
DiaSorin	28,300	2,277	0.73
El.En.	176,488	3,326	1.06
Jersey (0.00%)		4,771	1.52
JTC	1,217,130	4,771	1.52
Luxembourg (1.92%)		7,907	2.52
Orion Engineered Carbons	139,400	3,426	1.09
Stabilus	70,855	4,481	1.43
Netherlands (3.21%)		11,931	3.80
Aalberts Industries	125,569	4,101	1.30
IMCD	64,965	3,790	1.21
Van Lanschot	200,697	4,040	1.29
Norway (2.03%)		3,443	1.10
Skandiabanken	412,683	3,443	1.10
Portugal (2.27%)		4,506	1.43
Corticeira Amorim	443,731	4,506	1.43
Spain (1.89%)		—	—
Sweden (11.22%)		34,360	10.95
Ahlstrom-Munksjo	303,313	4,458	1.42
Alimak	328,329	3,545	1.13
Dometic AB	652,678	4,395	1.40
Granges	424,254	3,885	1.24
HEXPOL	527,618	4,477	1.43
Indutrade	213,953	4,435	1.41
Lifco	152,284	5,233	1.67
Loomis 'B'	158,656	3,932	1.25

	Holding	Market Value £'000	% of Net Assets
Switzerland (2.10%)		6,412	2.04
Kardex	49,384	6,412	2.04
United Kingdom (32.76%)		111,965	35.67
Arrow Global	1,262,276	2,903	0.92
Ascential	1,013,940	4,238	1.35
Auto Trader	994,454	4,441	1.41
BCA Marketplace	1,942,561	3,963	1.26
Big Yellow	407,035	3,737	1.19
Burford Capital	336,827	6,541	2.08
Clinigen	559,746	4,733	1.51
CVS	398,020	3,696	1.18
Electrocomponents	654,990	4,703	1.50
EMIS	282,167	2,850	0.91
Equiniti	1,655,977	4,397	1.40
Howden Joinery	713,331	3,344	1.07
Hunting	536,597	4,188	1.33
Huntsworth	3,522,297	4,051	1.29
ITE	3,453,763	2,487	0.79
On the Beach	761,146	3,768	1.20
Polypipe	1,641,569	5,847	1.86
Quilter	1,915,831	2,573	0.82
Rentokil Initial	1,265,719	4,026	1.28
Rightmove	996,126	4,692	1.50
RPC	389,820	3,099	0.99
Sabre Insurance	1,248,316	3,296	1.05
Savills	537,452	4,195	1.34
Senior	1,026,786	3,206	1.02
Smart Metering Systems	746,799	4,600	1.47
Subsea 7	264,421	2,998	0.96
Victoria	474,419	3,302	1.05
Volusion	2,507,036	4,713	1.50
Workspace	140,376	1,378	0.44
United States of America (0.81%)		3,727	1.19
Core Laboratories	41,965	3,727	1.19
Portfolio of investments (95.18%)		302,265	96.31
Net other assets (4.82%)		11,580	3.69
Net assets attributable to Shareholders		313,845	100.00

Unless otherwise stated, all holdings are quoted in ordinary shares and listed on a recognised exchange.

The percentages in brackets show the equivalent comparative holdings at 30.09.17 (unaudited).

Lazard Investment Funds – Annual Report and Financial Statements September 2018

Lazard European Smaller Companies Fund continued

Statement of total return

for the year ended 30 September 2018

Notes	30.09.18		30.09.17	
	£'000	£'000	£'000	£'000
Income				
Net capital gains	2	135	62,731	
Revenue	3	6,946	6,953	
Expenses	4	(3,175)	(2,859)	
Interest payable and similar charges	6	(1)	(2)	
Net revenue before taxation		3,770	4,092	
Taxation	5	(211)	(226)	
Net revenue after taxation		3,559	3,866	
Total return before distributions		3,694	66,597	
Distributions	7	(3,561)	(3,866)	
Change in net assets attributable to Shareholders from investment activities		133	62,731	

Balance sheet

as at 30 September 2018

Notes	30.09.18		30.09.17	
	£'000	£'000	£'000	£'000
Assets				
Fixed assets				
Investments		302,265	311,063	
Current assets				
Debtors	8	1,065	1,530	
Cash and bank balances		11,231	15,109	
Total other assets		12,296	16,639	
Total assets		314,561	327,702	
Liabilities				
Creditors				
Other creditors	9	(716)	(879)	
Total other liabilities		(716)	(879)	
Total liabilities		(716)	(879)	
Net assets attributable to Shareholders		313,845	326,823	

Statement of change in net assets attributable to Shareholders

for the year ended 30 September 2018

	30.09.18		30.09.17	
	£'000	£'000	£'000	£'000
Opening net assets attributable to Shareholders		326,823	282,614	
Amounts receivable on issue of shares	26,019		24,497	
Amounts payable on cancellation of shares	(42,555)		(46,798)	
		(16,536)	(22,301)	
Change in net assets attributable to Shareholders from investment activities		133	62,731	
Retained distribution on accumulation shares		3,425	3,779	
Closing net assets attributable to Shareholders		313,845	326,823	

Fund facts*

as at 30 September 2018

Synthetic Risk and Reward Indicator (SRRI)



The risk and reward category is calculated using historical data and may not be a reliable indicator of the Sub-fund's future risk profile. The risk and reward category may shift over time and is not a target or guarantee.

The lowest category (i.e. category 1) does not mean "risk free".

The Sub-fund appears in the higher risk category on the risk and reward indicator.

This is because the Sub-fund invests primarily in shares, whose values tend to have higher price fluctuations.

The returns from your investment may be affected by changes in the exchange rate between the Sub-fund's base currency, and the currency of the Sub-fund's investments, your share class and where you live.

It may not be possible to sell the shares of smaller companies as easily as those of larger companies and this may cause the share class price to fall.

There is no capital guarantee or protection of the value of the Sub-fund. The value of your investment and the income from it can go down as well as up and you may not get back the amount you invested.

See "Risk Factors" in the UCITS Prospectus for more information about risks.

* This section has not been audited.

Lazard Investment Funds – Annual Report and Financial Statements September 2018

Lazard European Smaller Companies Fund continued

Comparative tables (unaudited)

A Accumulation shares

	30.09.18 (pence per share)	30.09.17 (pence per share)	30.09.16 (pence per share)
Change in net assets per share			
Opening net asset value per share	679.59	543.83	436.00
Return before operating charges ⁽¹⁾	14.74	142.02	112.85
Operating charges	(7.26)	(6.26)	(5.02)
Return after operating charges	7.48	135.76	107.83
Distributions	(6.89)	(7.39)	(4.66)
Retained distributions on accumulation shares	6.89	7.39	4.66
Closing net asset value per share	687.07	679.59	543.83
After direct transaction costs of ⁽¹⁾	(0.93)	(0.77)	(0.78)
Performance			
Return after charges	1.10%	24.96%	24.73%
Other information			
Closing net asset value (£'000)	186,805	202,664	179,221
Closing number of shares	27,188,598	29,821,337	32,955,433
Operating charges	1.05%	1.05%	1.04%
Direct transaction costs	0.14%	0.13%	0.16%
Prices			
Highest share price	718.20	679.20	544.60
Lowest share price	649.20	510.40	430.70

B Accumulation shares

	30.09.18 (pence per share)	30.09.17 (pence per share)	30.09.16 (pence per share)
Change in net assets per share			
Opening net asset value per share	634.03	509.94	410.97
Return before operating charges ⁽¹⁾	13.74	132.73	106.04
Operating charges	(9.97)	(8.64)	(7.07)
Return after operating charges	3.77	124.09	98.97
Distributions	(3.11)	(4.07)	(1.67)
Retained distributions on accumulation shares	3.11	4.07	1.67
Closing net asset value per share	637.80	634.03	509.94
After direct transaction costs of ⁽¹⁾	(0.86)	(0.72)	(0.74)
Performance			
Return after charges	0.59%	24.33%	24.08%
Other information			
Closing net asset value (£'000)	6,610	7,794	6,067
Closing number of shares	1,036,406	1,229,337	1,189,777
Operating charges	1.55%	1.55%	1.56%
Direct transaction costs	0.14%	0.13%	0.16%
Prices			
Highest share price	667.00	633.90	510.70
Lowest share price	604.10	478.20	405.20

C Accumulation shares

	30.09.18 (pence per share)	30.09.17 (pence per share)	30.09.16 (pence per share)
Change in net assets per share			
Opening net asset value per share	656.82	524.32	419.33
Return before operating charges ⁽¹⁾	14.24	137.11	108.71
Operating charges	(5.35)	(4.61)	(3.72)
Return after operating charges	8.89	132.50	104.99
Distributions	(8.39)	(8.57)	(5.64)
Retained distributions on accumulation shares	8.39	8.57	5.64
Closing net asset value per share	665.71	656.82	524.32
After direct transaction costs of ⁽¹⁾	(0.90)	(0.74)	(0.76)
Performance			
Return after charges	1.35%	25.27%	25.04%
Other information			
Closing net asset value (£'000)	120,430	116,365	97,326
Closing number of shares	18,090,599	17,716,542	18,562,350
Operating charges	0.80%	0.80%	0.80%
Direct transaction costs	0.14%	0.13%	0.16%
Prices			
Highest share price	695.70	656.30	525.10
Lowest share price	628.20	492.30	414.60

⁽¹⁾ Direct transaction costs comprise commission and taxes, principally applicable to equity investment purchases and sales.

Lazard Investment Funds – Annual Report and Financial Statements September 2018

Lazard European Smaller Companies Fund continued

Distribution tables

for the year ended 30 September 2018

Dividend distribution in pence per share.

Final Distribution

	Net revenue	Equalisation	Distribution payable 30.11.18	Distribution paid 30.11.17
A Accumulation				
Group 1	6.8942	—	6.8942	7.0759
Group 2	2.5835	4.3107	6.8942	7.0759
B Accumulation				
Group 1	3.1115	—	3.1115	4.0703
Group 2	1.1795	1.9320	3.1115	4.0703
C Accumulation				
Group 1	8.3916	—	8.3916	7.6087
Group 2	3.1463	5.2453	8.3916	7.6087

Interim Distribution

	Net revenue	Equalisation	Distribution paid 31.05.18	Distribution paid 31.05.17
A Accumulation+				
Group 1	—	—	—	0.3149
Group 2	—	—	—	0.3149
B Accumulation+				
Group 1	—	—	—	—
Group 2	—	—	—	—
C Accumulation+				
Group 1	—	—	—	0.9659
Group 2	—	—	—	0.9659

+ Due to expenses exceeding revenue on this class there was no distribution.

Group 1: shares purchased prior to the distribution period.

Group 2: shares purchased during the distribution period.

Equalisation is the average amount of revenue included in the purchase price of all Group 2 shares and is refunded to holders of these shares as a return of capital. Being capital it is not liable for income tax but must be deducted from the cost of shares for capital gains tax purposes.

Lazard Investment Funds – Annual Report and Financial Statements September 2018

Lazard European Smaller Companies Fund continued

Notes to the Financial Statements

as at 30 September 2018

1 Accounting policies

The accounting policies for the Sub-fund are the same as those disclosed in the notes to the Financial Statements of all Sub-funds on page 5.

2 Net capital gains

	30.09.18 £'000	30.09.17 £'000
The net capital gains during the year comprise:		
Non-derivative securities	189	62,809
Currency losses	(39)	(72)
Custodian transaction fees	(15)	(6)
Net capital gains	135	62,731

3 Revenue

	30.09.18 £'000	30.09.17 £'000
Bank interest	21	7
Non-taxable overseas dividends	4,457	4,774
Property distributions	480	197
Taxable overseas dividends	168	199
UK franked dividends	1,820	1,776
Total revenue	6,946	6,953

4 Expenses

	30.09.18 £'000	30.09.17 £'000
Payable to the ACD, associates of the ACD and agents of either of them:		
ACD's periodic charge	3,034	2,726
Payable to the Depositary, associates of the Depositary and agents of either of them:		
Depositary's fees	87	81
Safe custody fees	33	33
	120	114
Other expenses:		
Audit fee	9	10
VAT on audit fee	2	2
Legal and professional fees	6	—
Registration fees	3	3
Sundry expenses	1	4
	21	19
Total expenses	3,175	2,859

5 Taxation

	30.09.18 £'000	30.09.17 £'000
a) Analysis of the charge in the year		
<i>Current tax:</i>		
Overseas tax	211	226
Total current tax (note 5b)	211	226
Deferred tax (note 5c)	—	—
Total taxation	211	226

b) Factors affecting taxation charge for the year

Net revenue before taxation	3,770	4,092
Net revenue before taxation at the applicable rate of corporation tax in the UK of 20% (2017: 20%)	754	818
Effects of:		
Movement in excess management expenses	530	498
Overseas tax	211	226
Prior year adjustment to excess management expenses	1	—
Relief on overseas tax expensed	(6)	(6)
Revenue not subject to tax	(1,279)	(1,310)
Total current tax (note 5a)	211	226

c) Provision for Deferred tax

There is no Deferred tax provision in the current or preceding year.

At the year end there is a potential Deferred tax asset of £3,361,000 (2017: £2,831,000) due to surplus management expenses.

It is unlikely the Sub-fund will generate sufficient taxable profits in the future to utilise these amounts and therefore no Deferred tax asset has been recognised (2017: nil).

6 Interest payable and similar charges

	30.09.18 £'000	30.09.17 £'000
Interest	1	2
Total interest payable and similar charges	1	2

Lazard Investment Funds – Annual Report and Financial Statements September 2018

Lazard European Smaller Companies Fund continued

Notes to the Financial Statements continued

7 Distributions

The distributions take account of revenue received on the creation of shares and revenue deducted on the cancellation of shares and comprise:

	30.09.18 £'000	30.09.17 £'000
Interim	—	271
Final	3,425	3,508
	3,425	3,779
Add: Revenue deducted on cancellation of shares	177	253
Less: Revenue received on issue of shares	(41)	(166)
Net distributions for the year	3,561	3,866

The differences between the revenue after taxation and the distributions for the year are as follows:

	30.09.18 £'000	30.09.17 £'000
Net revenue after taxation	3,559	3,866
Add: Equalisation on conversions	2	—
Net distributions for the year	3,561	3,866

Details of the distributions per share are set out in the tables on page 46.

8 Debtors

	30.09.18 £'000	30.09.17 £'000
Accrued revenue	322	367
Amounts receivable for FX contracts	—	224
Amounts receivable for issue of shares	22	196
Overseas tax recoverable	530	575
Sales awaiting settlement	191	168
Total debtors	1,065	1,530

9 Creditors

	30.09.18 £'000	30.09.17 £'000
a) Distribution payable		
Net distribution payable	—	—
	—	—
b) Other creditors		
Accrued expenses	271	273
Amounts payable for FX contracts	—	224
Amounts payable for cancellation of shares	433	167
Interest payable	12	12
Purchases awaiting settlement	—	203
Total creditors	716	879

10 Contingent assets/(liabilities) and outstanding commitments

There were no contingent assets/(liabilities) or outstanding commitments at the balance sheet date (2017 - £18,428). The prior year amount related to reclaims made to recover withholding tax previously withheld by tax authorities in France which have been resolved.

Accounting standards permit the reclaims to be included as an asset in the balance sheet only where the receipt is “virtually certain”. In the opinion of the ACD, receipt is probable rather than virtually certain and accordingly the reclaims are regarded as a contingent or potential asset rather than an actual asset for the purposes of preparing the financial statements.

Notwithstanding the treatment for the purposes of the preparation of financial statements, an appropriate adjustment to reflect the reclaims has been made for the purposes of daily pricing.

There were no contingent liabilities or outstanding commitments at the balance sheet date (2017: £nil).

11 Related party disclosures

Details of the related party disclosures are included within note 4 of the notes to the Financial Statements of all Sub-funds on page 8.

Lazard Investment Funds – Annual Report and Financial Statements September 2018

Lazard European Smaller Companies Fund continued

Notes to the Financial Statements continued

12 Financial instruments

Details of the financial instruments risk disclosures are set out in note 2 of the notes to the Financial Statements of all Sub-funds on page 6.

a) Currency exposure profile

Net currency assets			
	Monetary exposures	Non-monetary exposures	Total
30.09.18 Currency	£'000	£'000	£'000
Danish Krone	—	6,086	6,086
Euro	146	126,524	126,670
Norwegian Krone	—	6,457	6,457
Swedish Krona	—	29,924	29,924
Swiss Franc	—	6,412	6,412
US Dollar	18	7,160	7,178
	164	182,563	182,727

Net currency assets*			
	Monetary exposures	Non-monetary exposures	Total
30.09.17 Currency	£'000	£'000	£'000
Danish Krone	—	10,316	10,316
Euro	54	132,420	132,474
Norwegian Krone	—	6,637	6,637
Swedish Krona	—	33,597	33,597
Swiss Franc	—	6,874	6,874
US Dollar	—	2,649	2,649
	54	192,493	192,547

*Monetary exposure previously included all short-term debtors and creditors. This has been restated to include cash position only.

b) Interest rate risk profile

The Sub-fund's only interest bearing financial instruments at the balance sheet date are represented by its cash balances and overdraft facility, which earn and pay interest on normal commercial terms based on LIBOR or its overseas equivalent.

c) Valuation of financial investments

The categorisation of financial investments in the tables below reflects the methodology used to measure their fair value.

	Assets £'000	Liabilities £'000
30.09.18		
Level 1: The unadjusted quoted price in an active market for identical assets or liabilities the entity can access at measurement date	302,265	—
Level 2: Inputs other than quoted prices included within Level 1 that are observable (i.e. developed using market data) for the asset or liability, either directly or indirectly	—	—
Level 3: Inputs are unobservable (i.e. for which market data is unavailable) for the asset or liability	—	—
	302,265	—

30.09.17

Level 1: The unadjusted quoted price in an active market for identical assets or liabilities the entity can access at measurement date	311,063	—
Level 2: Inputs other than quoted prices included within Level 1 that are observable (i.e. developed using market data) for the asset or liability, either directly or indirectly	—	—
Level 3: Inputs are unobservable (i.e. for which market data is unavailable) for the asset or liability	—	—
	311,063	—

d) Credit risk

The Sub-fund did not enter into any derivative contracts during the year and therefore has no counterparty exposure.

e) Sensitivity analysis

Please refer to the disclosure in the notes to the Financial Statements of all Sub-funds on page 7.

Lazard Investment Funds – Annual Report and Financial Statements September 2018

Lazard European Smaller Companies Fund continued

Notes to the Financial Statements continued

For the year 1 October 2016 to 30 September 2017

13 Portfolio transaction costs

For the year 1 October 2017 to 30 September 2018

	Value £'000	Commissions £'000	%	Taxes £'000	%
Purchases (excluding derivatives)					
Equity transactions (direct)	170,343	88	0.05	254	0.15
Total	170,343	88		254	
Total purchases including commission and taxes	170,685				
Sales (excluding derivatives)					
Equity transactions (direct)	179,502	102	0.06	—	—
Total	179,502	102		—	
Total sales net of transaction costs	179,400				
Total transaction costs		190		254	
Total transaction costs as a % of average net assets		0.06%		0.08%	

	Value £'000	Commissions £'000	%	Taxes £'000	%
Purchases (excluding derivatives)					
Equity transactions (direct)	100,851	85	0.08	179	0.18
Corporate actions	1,264	—	—	—	—
Total	102,115	85		179	
Total purchases including commission and taxes	102,379				
Sales (excluding derivatives)					
Equity transactions (direct)	132,406	115	0.09	—	—
Total	132,406	115		—	
Total sales net of transaction costs	132,291				
Total transaction costs		200		179	
Total transaction costs as a % of average net assets		0.07%		0.06%	

The above analysis covers any direct transaction costs suffered by the Sub-fund during the year. However it is important to understand the nature of other transaction costs associated with different investment asset classes and instruments types.

Separately identifiable direct transaction costs (commissions & taxes etc.) are attributable to the Sub-fund's purchase and sale of equity shares. Additionally for equity shares there is a dealing spread cost (the difference between the buying and selling prices) which will be suffered on purchase and sale transactions.

Dealing spread costs suffered by the Sub-fund vary considerably depending on a number of factors including transaction value and market sentiment. At the balance sheet date the average portfolio dealing spread (difference between bid and offer prices of all investments expressed as a percentage of the offer price value) was 0.64% (2017: 0.21%).

The dealing spreads disclosed above are as at the 30 September, which is a reflection of the dealing spread of the portfolio at a point in time. Dealing spreads throughout the year will vary depending on the make-up of the portfolio.

Lazard Investment Funds – Annual Report and Financial Statements September 2018

Lazard European Smaller Companies Fund continued

Notes to the Financial Statements continued

14 Share movement

For the year 1 October 2017 to 30 September 2018

	A	B	C
	Accumulation	Accumulation	Accumulation
	shares	shares	shares
Opening shares	29,821,337	1,229,337	17,716,542
Shares issued	532,967	154,039	3,187,007
Shares cancelled	(3,039,303)	(307,411)	(2,981,619)
Shares converted	(126,403)	(39,559)	168,669
Closing shares	27,188,598	1,036,406	18,090,599

Lazard Investment Funds – Annual Report and Financial Statements September 2018

Lazard Global Equity Income Fund

Investment Manager's Report

Investment Objective

The objective of the Sub-fund is to seek to generate substantial income as well as long term capital growth.

Investment Review

Over the twelve month period ending 30 September 2018, the Lazard Global Equity Income Fund (the "Fund") returned 5.81% in sterling terms, against the MSCI ACWI, which returned 12.94%⁽¹⁾.

Investment Policy

The Sub-fund will invest in global securities, seeking to diversify income stream through exposure to a portfolio of high-yielding securities, comprising primarily of equities, a proportion of which may be in emerging markets.

Market review

Global equities rose and global economies retained their solid footing, but the synchronised growth theme subsequently faded. The US stock market led the way, lifted by sound corporate fundamentals and robust economic drivers. Despite progress in talks with a number of trading partners, concerns lingered as a trade agreement with China remained elusive. As the European Central Bank gradually moved towards a normalisation of interest rates, European markets lagged, weighed down by renewed political anxiety. The United Kingdom also underperformed as progress on Brexit stalled. Emerging markets were beset by slowing growth and economic uncertainty.

Portfolio Review

What contributed to Returns

- Stock selection and an overweight in energy
- Shares in Occidental Petroleum Corporation, an integrated oil company
- Shares of Alumina, an Australian resources company

What detracted from Returns

- Stock selection in the information technology, communication services and consumer discretionary sectors.
- Shares of Cielo, a Brazilian electronic payment solutions company in the tech sector, declined.
- Shares in Macau casino operator, Sands China.

Outlook

Throughout most of the period since the global financial crisis, the relative performance of value has tracked cyclical indicators as well as inflation expectations quite closely. This relationship began to fade during the past year, however, as global manufacturing accelerated but the slow and steady normalisation of inflation expectations did not lead to improvement in the relative performance of the value style. Regarding the economic cycle, we have maintained that economic cycles should not be measured in time periods but in terms of economic slack. Because the current recovery has been so much more sluggish than recoveries in the past, it has shown little sign of quickening inflation, an indication in our view that slack persists in the global economy.

Currently, value stock valuations are quite attractive versus history, particularly for high dividend-yielding stocks. Were trade tensions to abate, the global economy would likely accelerate, an outcome few investors expect considering the substantial valuation gap between cyclicals and defensives. And if a full blown trade war does transpire, one likely outcome is an increase in inflation as tariffs boost the price of imported goods and generally reduce efficiency in the global economy. It would rather lead to a shift in market leadership, as rising interest rates weighed on the valuation of growth stocks by increasing their discount rate while supporting the profitability of financials, a major component of value indices.

All data contained herein is sourced by Lazard Asset Management unless otherwise noted as at 30 September 2018.

(1) Source: Lazard Asset Management, NAV to NAV Price, net income reinvested in sterling, A Accumulation share class net of fees, to 30 September 2018.

Figures refer to past performance which is not a reliable indicator of future results.

Lazard Investment Funds – Annual Report and Financial Statements September 2018

Lazard Global Equity Income Fund continued

General Information as at 30 September 2018

Fund Size	£117.41 million
Net Yield	5.12% A Income
	4.98% A Accumulation
	5.10% B Income
	4.98% B Accumulation
	5.11% C Income
	4.96% C Accumulation
Sector	IA Global Equity Income
Launch Date	22 October 2007
Fund Managers	Patrick Ryan and team

Lazard Investment Funds – Annual Report and Financial Statements September 2018

Lazard Global Equity Income Fund continued

Portfolio statement (unaudited)

as at 30 September 2018

	Holding	Market Value £'000	% of Net Assets
Australia (1.50%)		3,113	2.65
Alumina	1,340,410	2,060	1.75
Whitehaven Coal	348,678	1,053	0.90
Belgium (0.98%)		1,715	1.46
Anheuser-Busch InBev	25,637	1,715	1.46
Brazil (1.87%)		1,225	1.04
BB Seguridade Participacoes	161,647	747	0.63
Cielo	203,341	478	0.41
Canada (2.99%)		1,561	1.33
Alaris Royalty	130,095	1,561	1.33
China (6.13%)		9,167	7.81
Agricultural Bank of China	9,261,000	3,485	2.97
China Construction Bank 'H'	3,479,240	2,329	1.98
China Mobile ADR	60,744	2,279	1.94
JNBY Design	797,500	1,074	0.92
Finland (0.89%)		—	—
France (2.67%)		5,984	5.10
Michelin	8,904	815	0.70
Suncor Energy	35,980	1,067	0.91
Total	82,794	4,102	3.49
Germany (0.00%)		784	0.67
Aroundtown	115,169	784	0.67
Hong Kong (2.05%)		1,858	1.58
Sands China	535,600	1,858	1.58
India (2.64%)		373	0.32
Indiabulls Housing Finance	41,142	373	0.32
Italy (1.53%)		—	—
Japan (4.71%)		5,162	4.40
Amada	202,700	1,659	1.41
Sumitomo Mitsui Financial	89,500	2,770	2.36
Tokyo Electron	6,960	733	0.63
Luxembourg (3.07%)		906	0.77
SES Global FDR	54,062	906	0.77
Mexico (1.00%)		576	0.49
Fibra Uno Administracion	567,804	576	0.49
Netherlands (3.94%)		6,735	5.73
ABN AMRO	130,369	2,700	2.30
Royal Dutch Shell 'B' (UK Regd.)	150,043	4,035	3.43
Norway (0.55%)		—	—
Peru (0.00%)		696	0.59
Credicorp	4,070	696	0.59
Portugal (1.26%)		699	0.59
Galp Energia	46,858	699	0.59
Russia (1.78%)		2,042	1.74
Mobile Telesystems ADR	216,146	1,414	1.20
Severstal GDR	49,555	628	0.54
Singapore (1.08%)		2,675	2.28
BOC Aviation	168,900	1,002	0.85
DBS	52,700	771	0.66
NetLink NBN Trust	2,060,600	902	0.77
South Africa (2.24%)		—	—
Sweden (1.65%)		1,360	1.16
Nordea Bank	162,207	1,360	1.16
Switzerland (1.59%)		2,220	1.89
Novartis (Regd.)	33,508	2,220	1.89
Taiwan (6.86%)		3,851	3.28
Hon Hai Precision Industry	868,340	1,725	1.47
Taiwan Semiconductor Manufacturing ADS	62,793	2,126	1.81

	Holding	Market Value £'000	% of Net Assets
Turkey (1.82%)		—	—
United Kingdom (6.46%)		8,335	7.10
BP	218,639	1,289	1.10
Cineworld	192,476	607	0.52
Legal & General	401,472	1,053	0.89
Rio Tinto (UK Regd.)	84,418	3,275	2.79
St. James's Place Capital	184,552	2,111	1.80
United States (35.05%)		54,096	46.08
Analog Devices	19,670	1,395	1.19
AT&T	95,868	2,469	2.10
Blackstone Mortgage Trust 'A'	123,760	3,179	2.71
Brandywine Realty Trust	101,728	1,225	1.04
Cheesecake Factory	16,700	686	0.58
Chevron	12,213	1,145	0.98
Cisco Systems	143,871	5,368	4.57
Citizens Financial	27,585	816	0.69
Coca-Cola	93,615	3,315	2.82
CVS Health	15,805	954	0.81
Cypress Semiconductor	108,733	1,209	1.03
Eaton	82,895	5,513	4.70
Extra Space Storage	20,053	1,332	1.13
Intel	21,190	768	0.65
Johnson & Johnson	21,788	2,308	1.97
Leggett & Platt	40,425	1,357	1.16
Lowe's	11,546	1,017	0.87
Occidental Petroleum	59,732	3,763	3.21
PacWest Bancorp	44,697	1,633	1.39
Pattern Energy	210,005	3,200	2.73
Pfizer	161,038	5,442	4.64
Rockwell Automation	6,450	928	0.79
Starbucks	23,552	1,027	0.87
SunTrust Banks	53,720	2,751	2.34
Valero Energy	9,400	820	0.70
Whirlpool	5,232	476	0.41
Portfolio of investments (96.31%)		115,133	98.06
Net other assets (3.69%)		2,272	1.94
Net assets attributable to Shareholders		117,405	100.00

Unless otherwise stated, all holdings are quoted in ordinary shares and listed on a recognised exchange.

The percentages in brackets show the equivalent comparative holdings at 30.09.17 (unaudited).

Lazard Investment Funds – Annual Report and Financial Statements September 2018

Lazard Global Equity Income Fund continued

Statement of total return

for the year ended 30 September 2018

Notes	30.09.18		30.09.17	
	£'000	£'000	£'000	£'000
Income				
Net capital gains	2	2,871	19,987	
Revenue	3	6,624	10,604	
Expenses	4	(1,170)	(2,001)	
Interest payable and similar charges	6	—	(2)	
Net revenue before taxation		5,454	8,601	
Taxation	5	(353)	(770)	
Net revenue after taxation		5,101	7,831	
Total return before distributions		7,972	27,818	
Distributions	7	(6,158)	(9,658)	
Change in net assets attributable to Shareholders from investment activities		1,814	18,160	

Balance sheet

as at 30 September 2018

Notes	30.09.18		30.09.17	
	£'000	£'000	£'000	£'000
Assets				
Fixed assets				
Investments		115,133	140,531	
Current assets				
Debtors	8	2,942	5,039	
Cash and bank balances		2,076	5,202	
Total other assets		5,018	10,241	
Total assets		120,151	150,772	
Liabilities				
Creditors				
Distribution payable	9	(1,348)	(1,538)	
Other creditors	9	(1,398)	(3,325)	
Total other liabilities		(2,746)	(4,863)	
Total liabilities		(2,746)	(4,863)	
Net assets attributable to Shareholders		117,405	145,909	

Statement of change in net assets attributable to Shareholders

for the year ended 30 September 2018

	30.09.18		30.09.17	
	£'000	£'000	£'000	£'000
Opening net assets attributable to Shareholders		145,909	272,568	
Amounts receivable on issue of shares	6,431		8,151	
Amounts payable on cancellation of shares	(38,112)		(154,509)	
		(31,681)	(146,358)	
Dilution levy		—	24	
Change in net assets attributable to Shareholders from investment activities		1,814	18,160	
Retained distribution on accumulation shares		1,353	1,511	
Unclaimed distributions		10	4	
Closing net assets attributable to Shareholders		117,405	145,909	

Fund facts*

as at 30 September 2018

Synthetic Risk and Reward Indicator (SRRI)



The risk and reward category is calculated using historical data and may not be a reliable indicator of the Sub-fund's future risk profile. The risk and reward category may shift over time and is not a target or guarantee.

The lowest category (i.e. category 1) does not mean "risk free".

The Sub-fund appears in the higher risk category on the risk and reward indicator.

This is because the Sub-fund invests primarily in shares, whose values tend to have higher price fluctuations.

The returns from your investment may be affected by changes in the exchange rate between the Sub-fund's base currency, and the currency of the Sub-fund's investments, your share class and where you live.

High yielding assets may carry a greater risk of capital values falling or have limited prospects of capital growth or recovery.

The securities markets may be less developed in emerging markets and there is a greater risk that the Sub-fund may experience delays in buying, selling and claiming ownership of its investments. Emerging markets may also have less developed political, economic and legal systems and there is a higher risk that the Sub-fund may not get back its money.

The annual management charge is deducted from the capital of the Sub-fund. This will increase the income from the Sub-fund but may constrain or erode potential for capital growth.

Emerging markets may also have less developed political, economic and legal systems and there is a higher risk that the Sub-fund may not get back its money.

There is no capital guarantee or protection of the value of the Sub-fund. The value of your investment and the income from it can go down as well as up and you may not get back the amount you invested.

See "Risk Factors" in the UCITS Prospectus for more information about risks.

* This section has not been audited.

Lazard Investment Funds – Annual Report and Financial Statements September 2018

Lazard Global Equity Income Fund continued

Comparative tables (unaudited)

A Income shares

	30.09.18 (pence per share)	30.09.17 (pence per share)	30.09.16 (pence per share)
Change in net assets per share			
Opening net asset value per share	108.13	102.44	85.48
Return before operating charges ⁽¹⁾	7.68	12.45	22.25
Operating charges	(1.17)	(1.15)	(0.98)
Return after operating charges	6.51	11.30	21.27
Distributions	(5.26)	(5.61)	(4.31)
Closing net asset value per share	109.38	108.13	102.44
After direct transaction costs of ⁽¹⁾	(0.11)	(0.27)	(0.23)
Performance			
Return after charges	6.02%	11.03%	24.88%
Other information			
Closing net asset value (£'000)	9,772	13,341	158,114
Closing number of shares	8,933,970	12,338,132	154,345,981
Operating charges	1.08%	1.05%	1.07%
Direct transaction costs	0.10%	0.24%	0.25%
Prices			
Highest share price	114.10	114.50	104.50
Lowest share price	101.30	101.90	77.37

B Income shares

	30.09.18 (pence per share)	30.09.17 (pence per share)	30.09.16 (pence per share)
Change in net assets per share			
Opening net asset value per share	102.80	97.82	82.07
Return before operating charges ⁽¹⁾	7.28	11.89	21.27
Operating charges	(1.63)	(1.63)	(1.40)
Return after operating charges	5.65	10.26	19.87
Distributions	(4.96)	(5.28)	(4.12)
Closing net asset value per share	103.49	102.80	97.82
After direct transaction costs of ⁽¹⁾	(0.10)	(0.25)	(0.22)
Performance			
Return after charges	5.50%	10.49%	24.21%
Other information			
Closing net asset value (£'000)	2,644	4,756	6,252
Closing number of shares	2,554,441	4,626,993	6,392,130
Operating charges	1.58%	1.57%	1.60%
Direct transaction costs	0.10%	0.24%	0.25%
Prices			
Highest share price	108.30	109.00	99.79
Lowest share price	96.10	97.20	74.14

A Accumulation shares

	30.09.18 (pence per share)	30.09.17 (pence per share)	30.09.16 (pence per share)
Change in net assets per share			
Opening net asset value per share	176.83	159.18	126.99
Return before operating charges ⁽¹⁾	13.01	19.48	33.69
Operating charges	(1.95)	(1.83)	(1.50)
Return after operating charges	11.06	17.65	32.19
Distributions	(8.79)	(8.79)	(6.51)
Retained distributions on accumulation shares	8.79	8.79	6.51
Closing net asset value per share	187.89	176.83	159.18
After direct transaction costs of ⁽¹⁾	(0.18)	(0.42)	(0.35)
Performance			
Return after charges	6.25%	11.09%	25.35%
Other information			
Closing net asset value (£'000)	650	619	1,378
Closing number of shares	346,278	350,262	865,382
Operating charges	1.08%	1.06%	1.09%
Direct transaction costs	0.10%	0.24%	0.25%
Prices			
Highest share price	189.10	181.30	160.80
Lowest share price	169.10	158.20	115.90

B Accumulation shares

	30.09.18 (pence per share)	30.09.17 (pence per share)	30.09.16 (pence per share)
Change in net assets per share			
Opening net asset value per share	167.43	151.48	121.42
Return before operating charges ⁽¹⁾	12.27	18.50	32.14
Operating charges	(2.69)	(2.55)	(2.08)
Return after operating charges	9.58	15.95	30.06
Distributions	(8.27)	(8.33)	(6.22)
Retained distributions on accumulation shares	8.27	8.33	6.22
Closing net asset value per share	177.01	167.43	151.48
After direct transaction costs of ⁽¹⁾	(0.17)	(0.40)	(0.33)
Performance			
Return after charges	5.72%	10.53%	24.76%
Other information			
Closing net asset value (£'000)	4,051	4,973	6,107
Closing number of shares	2,288,641	2,970,110	4,031,505
Operating charges	1.58%	1.56%	1.58%
Direct transaction costs	0.10%	0.24%	0.25%
Prices			
Highest share price	178.20	171.90	153.10
Lowest share price	159.70	150.50	110.60

Lazard Investment Funds – Annual Report and Financial Statements September 2018

Lazard Global Equity Income Fund continued

Comparative tables (unaudited) continued

C Income shares

	30.09.18 (pence per share)	30.09.17 (pence per share)	30.09.16 (pence per share)
Change in net assets per share			
Opening net asset value per share	106.72	100.76	83.88
Return before operating charges ⁽¹⁾	7.59	12.30	21.86
Operating charges	(0.89)	(0.87)	(0.74)
Return after operating charges	6.70	11.43	21.12
Distributions	(5.20)	(5.47)	(4.24)
Closing net asset value per share	108.22	106.72	100.76
After direct transaction costs of ⁽¹⁾	(0.11)	(0.26)	(0.23)
Performance			
Return after charges	6.28%	11.34%	25.18%
Other information			
Closing net asset value (£'000)	77,320	98,598	77,435
Closing number of shares	71,447,398	92,387,231	76,848,231
Operating charges	0.83%	0.81%	0.82%
Direct transaction costs	0.10%	0.24%	0.25%
Prices			
Highest share price	112.70	112.90	102.70
Lowest share price	100.10	100.20	76.00

C Accumulation shares

	30.09.18 (pence per share)	30.09.17 (pence per share)	30.09.16 (pence per share)
Change in net assets per share			
Opening net asset value per share	173.92	156.15	124.22
Return before operating charges ⁽¹⁾	12.82	19.14	33.04
Operating charges	(1.48)	(1.37)	(1.11)
Return after operating charges	11.34	17.77	31.93
Distributions	(8.64)	(8.63)	(6.37)
Retained distributions on accumulation shares	8.64	8.63	6.37
Closing net asset value per share	185.26	173.92	156.15
After direct transaction costs of ⁽¹⁾	(0.18)	(0.41)	(0.34)
Performance			
Return after charges	6.52%	11.38%	25.70%
Other information			
Closing net asset value (£'000)	22,968	23,622	23,282
Closing number of shares	12,397,554	13,582,140	14,909,405
Operating charges	0.83%	0.81%	0.82%
Direct transaction costs	0.10%	0.24%	0.25%
Prices			
Highest share price	186.40	178.20	157.70
Lowest share price	166.50	155.30	113.50

⁽¹⁾ Direct transaction costs comprise commission and taxes, principally applicable to equity investment purchases and sales. Shareholders should note that additionally there are other transaction costs such as dealing spread which will also have reduced the Sub-fund and share class returns before operating charges.

Lazard Investment Funds – Annual Report and Financial Statements September 2018

Lazard Global Equity Income Fund continued

Distribution tables

for the year ended 30 September 2018

Dividend distribution in pence per share.

Final Distribution

	Net revenue	Equalisation	Distribution payable 30.11.18	Distribution paid 30.11.17
A Income				
Group 1	1.6417	—	1.6417	1.4402
Group 2	1.3213	0.3204	1.6417	1.4402
A Accumulation				
Group 1	2.8112	—	2.8112	2.3115
Group 2	1.7775	1.0337	2.8112	2.3115
B Income				
Group 1	1.5235	—	1.5235	1.3564
Group 2	0.5303	0.9932	1.5235	1.3564
B Accumulation				
Group 1	2.6192	—	2.6192	2.1802
Group 2	1.2506	1.3686	2.6192	2.1802
C Income				
Group 1	1.6264	—	1.6264	1.4039
Group 2	0.9239	0.7025	1.6264	1.4039
C Accumulation				
Group 1	2.7528	—	2.7528	2.2616
Group 2	1.6972	1.0556	2.7528	2.2616

2nd Interim Distribution

	Net revenue	Equalisation	Distribution paid 31.05.18	Distribution paid 31.05.17
A Income				
Group 1	1.5322	—	1.5322	1.1682
Group 2	0.9669	0.5653	1.5322	1.1682
A Accumulation				
Group 1	2.5174	—	2.5174	1.7669
Group 2	1.7408	0.7766	2.5174	1.7669
B Income				
Group 1	1.4538	—	1.4538	1.0721
Group 2	1.1437	0.3101	1.4538	1.0721
B Accumulation				
Group 1	2.3790	—	2.3790	1.6764
Group 2	1.6893	0.6897	2.3790	1.6764
C Income				
Group 1	1.5117	—	1.5117	1.1121
Group 2	1.0420	0.4697	1.5117	1.1121
C Accumulation				
Group 1	2.4765	—	2.4765	1.7343
Group 2	1.7650	0.7115	2.4765	1.7343

3rd Interim Distribution

	Net revenue	Equalisation	Distribution paid 31.08.18	Distribution paid 31.08.17
A Income				
Group 1	1.4548	—	1.4548	2.1180
Group 2	0.5892	0.8656	1.4548	2.1180
A Accumulation				
Group 1	2.4303	—	2.4303	3.3402
Group 2	1.2017	1.2286	2.4303	3.3402
B Income				
Group 1	1.3790	—	1.3790	2.0120
Group 2	0.9562	0.4228	1.3790	2.0120
B Accumulation				
Group 1	2.2919	—	2.2919	3.1659
Group 2	1.2043	1.0876	2.2919	3.1659
C Income				
Group 1	1.4386	—	1.4386	2.0784
Group 2	0.8144	0.6242	1.4386	2.0784
C Accumulation				
Group 1	2.3932	—	2.3932	3.2803
Group 2	1.4272	0.9660	2.3932	3.2803

1st Interim Distribution

	Net revenue	Equalisation	Distribution paid 28.02.18	Distribution paid 26.02.17
A Income				
Group 1	0.6308	—	0.6308	0.8857
Group 2	0.4106	0.2202	0.6308	0.8857
A Accumulation				
Group 1	1.0314	—	1.0314	1.3692
Group 2	0.7510	0.2804	1.0314	1.3692
B Income				
Group 1	0.5993	—	0.5993	0.8368
Group 2	0.3985	0.2008	0.5993	0.8368
B Accumulation				
Group 1	0.9758	—	0.9758	1.3048
Group 2	0.6892	0.2866	0.9758	1.3048
C Income				
Group 1	0.6227	—	0.6227	0.8713
Group 2	0.3270	0.2957	0.6227	0.8713
C Accumulation				
Group 1	1.0148	—	1.0148	1.3521
Group 2	0.6409	0.3739	1.0148	1.3521

Group 1: shares purchased prior to the distribution period.

Group 2: shares purchased during the distribution period.

Equalisation is the average amount of revenue included in the purchase price of all Group 2 shares and is refunded to holders of these shares as a return of capital. Being capital it is not liable for income tax but must be deducted from the cost of shares for capital gains tax purposes.

Lazard Investment Funds – Annual Report and Financial Statements September 2018

Lazard Global Equity Income Fund continued

Notes to the Financial Statements

as at 30 September 2018

1 Accounting policies

The accounting policies for the Sub-fund are the same as those disclosed in the notes to the Financial Statements of all Sub-funds on page 5.

2 Net capital gains

	30.09.18 £'000	30.09.17 £'000
The net capital gains during the year comprise:		
Non-derivative securities	2,943	20,339
Currency losses	(67)	(352)
Custodial transaction fees	(5)	—
Net capital gains	2,871	19,987

3 Revenue

	30.09.18 £'000	30.09.17 £'000
Bank interest	58	36
Non-taxable overseas dividends	5,134	8,287
Property distributions	—	655
Taxable overseas dividends	430	844
UK franked dividends	655	782
US REIT dividends	347	—
Total revenue	6,624	10,604

4 Expenses

	30.09.18 £'000	30.09.17 £'000
Payable to the ACD, associates of the ACD and agents of either of them:		
ACD's periodic charge	1,063	1,888
Payable to the Depositary, associates of the Depositary and agents of either of them:		
Depositary's fees	34	57
Safe custody fees	23	25
	57	82
Other expenses:		
Audit fee	9	10
VAT on audit fee	2	2
Other fees payable to the auditors with respect to taxation services	2	11
Registration fees	6	6
Dividend collection fees	9	—
Legal and professional fees	21	—
Sundry	1	—
Tax computation	—	2
	50	31
Total expenses	1,170	2,001

5 Taxation

	30.09.18 £'000	30.09.17 £'000
a) Analysis of the charge in the year		
<i>Current tax:</i>		
French ECJ reclaims	(219)	(270)
Indian Capital Gains Tax	39	—
Overseas tax	533	1,040
Total current tax (note 5b)	353	770
Deferred tax (note 5c)	—	—
Total taxation	353	770

b) Factors affecting taxation charge for the year

Net revenue before taxation	5,454	8,601
Net revenue before taxation at the applicable rate of corporation tax in the UK of 20% (2017: 20%)	1,091	1,720
Effects of:		
Indian Capital Gains Tax	39	—
Prior year adjustment	22	—
Movement in excess management expenses	73	159
French ECJ reclaims	(219)	(270)
Revenue not subject to tax	(1,158)	(1,814)
Overseas tax	533	1,040
Overseas tax expensed	(28)	(65)
Total current tax (note 5a)	353	770

c) Provision for Deferred tax

There is no Deferred tax provision in the current or preceding year.

At the year end there is a potential Deferred tax asset of £1,522,000 (2017: £1,437,000) due to excess management expenses.

It is unlikely the Sub-fund will generate sufficient taxable profits in the future to utilise these amounts and therefore no Deferred tax asset has been recognised (2017: nil).

6 Interest payable and similar charges

	30.09.18 £'000	30.09.17 £'000
Interest	—	2
Total interest payable and similar charges	—	2

Lazard Investment Funds – Annual Report and Financial Statements September 2018

Lazard Global Equity Income Fund continued

Notes to the Financial Statements continued

7 Distributions

The distributions take account of revenue received on the creation of shares and revenue deducted on the cancellation of shares and comprise:

	30.09.18 £'000	30.09.17 £'000
1st Interim	766	2,192
2nd Interim	1,823	1,702
3rd Interim	1,697	3,017
Final	1,759	1,917
	6,045	8,828
Add: Revenue deducted on cancellation of shares	142	881
Less: Revenue received on issue of shares	(29)	(51)
Net distributions for the year	6,158	9,658

The difference between the revenue after taxation and the distributions for the year are as follows:

	30.09.18 £'000	30.09.17 £'000
Net revenue after taxation	5,101	7,831
Add: Capitalised fees	1,063	1,888
Add: Indian Capital Gains Tax	39	—
Less: Tax relief on capitalised fees	(45)	(61)
Net distributions for the year	6,158	9,658

Details of the distributions per share are set out in the tables on page 58.

8 Debtors

	30.09.18 £'000	30.09.17 £'000
Accrued revenue	434	701
Amounts receivable for FX contracts	851	1,862
Amounts receivable for issue of shares	24	14
Overseas tax recoverable	778	933
Prepaid expenses	2	—
Sales awaiting settlement	853	1,529
Total debtors	2,942	5,039

9 Creditors

	30.09.18 £'000	30.09.17 £'000
a) Distribution payable		
Net distribution payable	1,348	1,538
	1,348	1,538
b) Other creditors		
Accrued expenses	110	135
Amounts payable for cancellation of shares	435	122
Amounts payable for FX contracts	853	1,867
Purchases awaiting settlement	—	1,201
Total creditors	1,398	3,325

10 Contingent assets/(liabilities) and outstanding commitments

There were no contingent assets/(liabilities) or outstanding commitments at the balance sheet date (2017- £544,076). The prior year amount related to reclaims made to recover withholding tax previously withheld by tax authorities in France which have now been resolved. Accounting standards permit the reclaims to be included as an asset in the balance sheet only where the receipt is “virtually certain”. In the opinion of the Manager, receipt is probable rather than virtually certain and accordingly the reclaims are regarded as a contingent or potential asset rather than an actual asset for the purposes of preparing the financial statements.

Notwithstanding the treatment for the purposes of the preparation of financial statements, an appropriate adjustment to reflect the reclaims has been made for the purposes of daily pricing.

There were no contingent liabilities or outstanding commitments at the balance sheet date (2017: nil).

11 Related party disclosures

Details of the related party disclosures are included within note 4 of the notes to the Financial Statements of all Sub-funds on page 8.

Lazard Investment Funds – Annual Report and Financial Statements September 2018

Lazard Global Equity Income Fund continued

Notes to the Financial Statements continued

12 Derivatives and other Financial instruments

Details of the financial instruments risk disclosures are set out in note 2 of the notes to the Financial Statements of all Sub-funds on page 6.

a) Currency exposure profile

30.09.18 Currency	Net currency assets		
	Monetary	Non-monetary	Total
	exposures £'000	exposures £'000	
Australian Dollar	1	3,113	3,114
Brazilian Real	25	1,228	1,253
Canadian Dollar	—	2,637	2,637
Euro	275	12,296	12,571
Hong Kong Dollar	—	9,764	9,764
Indian Rupee	—	373	373
Japanese Yen	—	5,253	5,253
Mexican Peso	—	578	578
Norwegian Krone	—	121	121
Singapore Dollar	—	1,673	1,673
South African Rand	—	7	7
Swedish Krona	—	1,360	1,360
Swiss Franc	—	2,220	2,220
Taiwan Dollar	—	1,725	1,725
US Dollar	169	61,627	61,796
	470	103,975	104,445

30.09.17 Currency	Net currency assets ⁺		
	Monetary	Non-monetary	Total
	exposures £'000	exposures £'000	
Australian Dollar	—	2,187	2,187
Brazilian Real	—	2,742	2,742
Canadian Dollar	—	3,209	3,209
Euro	3	17,299	17,302
Hong Kong Dollar	—	9,950	9,950
Indian Rupee	—	3,853	3,853
Israeli Shekel	—	13	13
Japanese Yen	—	6,969	6,969
Mexican Peso	—	1,464	1,464
Norwegian Krone	—	923	923
Singapore Dollar	—	1,029	1,029
South African Rand	—	3,272	3,272
Swedish Krona	—	2,406	2,406
Swiss Franc	—	2,322	2,322
Taiwan Dollar	—	4,008	4,008
Turkish Lira	—	2,656	2,656
US Dollar	79	64,985	65,064
	82	129,287	129,369

⁺Monetary exposure previously included all short-term debtors and creditors. This has been restated to include cash position only.

b) Interest rate risk profile

The Sub-fund's only interest bearing financial instruments at the balance sheet date are represented by its cash balances and overdraft facility, which earn and pay interest on normal commercial terms based on LIBOR or its overseas equivalent.

c) Valuation of financial investments

The categorisation of financial investments in the tables below reflects the methodology used to measure their fair value.*

	Assets £'000	Liabilities £'000
30.09.18		
Level 1: The unadjusted quoted price in an active market for identical assets or liabilities the entity can access at measurement date	28,299	—
Level 2: Inputs other than quoted prices included within Level 1 that are observable (i.e. developed using market data) for the asset or liability, either directly or indirectly	86,834	—
Level 3: Inputs are unobservable (i.e. for which market data is unavailable) for the asset or liability	—	—
	115,133	—

30.09.17

Level 1: The unadjusted quoted price in an active market for identical assets or liabilities the entity can access at measurement date	140,531	—
Level 2: Inputs other than quoted prices included within Level 1 that are observable (i.e. developed using market data) for the asset or liability, either directly or indirectly	—	—
Level 3: Inputs are unobservable (i.e. for which market data is unavailable) for the asset or liability	—	—
	140,531	—

d) Credit risk

The Sub-fund did not enter into any derivative contracts during the year and therefore has no counterparty exposure.

e) Sensitivity analysis

Please refer to the disclosure in the notes to the Financial Statements of all Sub-funds on page 7.

* Please refer to page 5 for details of the policy of applying the Fair Value Pricing Factor

Lazard Investment Funds – Annual Report and Financial Statements September 2018

Lazard Global Equity Income Fund continued

Notes to the Financial Statements continued

13 Portfolio transaction costs

For the year 1 October 2017 to 30 September 2018

	Value £'000	Commissions £'000	%	Taxes £'000	%
Purchases (excluding derivatives)					
Equity transactions (direct)	61,537	31	0.05	28	0.05
Total	61,537	31		28	
Total purchases including commission and taxes	61,596				
	£'000	£'000	%	£'000	%
Sales (excluding derivatives)					
Equity transactions (direct)	89,956	56	0.06	15	0.02
Total	89,956	56		15	
Total sales net of transaction costs	89,885				
Total transaction costs		87		43	
Total transaction costs as a % of average net assets		0.07%		0.03%	

For the year 1 October 2016 to 30 September 2017

	Value £'000	Commissions £'000	%	Taxes £'000	%
Purchases (excluding derivatives)					
Equity transactions (direct)	147,978	142	0.10	91	0.06
Total	147,978	142		91	
Total purchases including commission and taxes	148,211				
	£'000	£'000	%	£'000	%
Sales (excluding derivatives)					
Equity transactions (direct)	289,525	236	0.08	38	0.01
Total	289,525	236		38	
Total sales net of transaction costs	289,251				
Total transaction costs		378		129	
Total transaction costs as a % of average net assets		0.18%		0.06%	

The above analysis covers any direct transaction costs suffered by the Sub-fund during the year. However it is important to understand the nature of other transaction costs associated with different investment asset classes and instruments types.

Separately identifiable direct transaction costs (commissions & taxes etc.) are attributable to the Sub-fund's purchase and sale of equity shares. Additionally for equity shares there is a dealing spread cost (the difference between the buying and selling prices) which will be suffered on purchase and sale transactions.

Dealing spread costs suffered by the Sub-fund vary considerably depending on a number of factors including transaction value and market sentiment. At the balance sheet date the average portfolio dealing spread (difference between bid and offer prices of all investments expressed as a percentage of the offer price value) was 0.18% (2017: 0.09%).

The dealing spreads disclosed above are as at the 30 September, which is a reflection of the dealing spread of the portfolio at a point in time. Dealing spreads throughout the year will vary depending on the make-up of the portfolio.

Lazard Investment Funds – Annual Report and Financial Statements September 2018

Lazard Global Equity Income Fund continued

Notes to the Financial Statements continued

14 Share movement

For the year 1 October 2017 to 30 September 2018

	A	A	B
	Income	Accumulation	Income
	shares	shares	shares
Opening shares	12,338,132	350,262	4,626,993
Shares issued	398,789	51,011	47,504
Shares cancelled	(4,211,448)	(69,721)	(650,799)
Shares converted	408,497	14,726	(1,469,257)
Closing shares	8,933,970	346,278	2,554,441

	B	C	C
	Accumulation	Income	Accumulation
	shares	shares	shares
Opening shares	2,970,110	92,387,231	13,582,140
Shares issued	165,644	3,799,347	857,794
Shares cancelled	(829,752)	(25,741,932)	(2,039,732)
Shares converted	(17,361)	1,002,752	(2,648)
Closing shares	2,288,641	71,447,398	12,397,554

Lazard Investment Funds – Annual Report and Financial Statements September 2018

Lazard Managed Balanced Fund

Investment Manager's Report

Investment Objective

The objective of the Sub-fund is to achieve capital growth whilst maintaining a reasonable yield.

Investment Review

Over the twelve-month period ending 30 September 2018, the Lazard Managed Balanced Fund (the "Fund") returned 8.03% in sterling, against the composite benchmark of the 50% FTSE All-Share Index, 25% MSCI All Countries World Index and 25% FTSE UK Government All Stocks Index, which returned 6.39%⁽¹⁾.

Investment Policy

The Sub-fund will invest in diversified investments largely in equity markets with a bias towards UK and international equities, fixed income securities issued by governments, corporations and bank deposits.

Market review

In the United Kingdom, domestic economic data remained mixed for much of the year. Stimulated by the rise in the oil price, domestic household inflation increased, which led the Bank of England to twice raise interest rates during the review period, the first increases in a decade. As departure from the European Union drew closer, UK companies reiterated that Brexit uncertainty was an important factor holding back new investment. Oil and gas was the strongest performing sector during the year; basic materials and health care also did well. In contrast, the telecommunications, utilities and technology sectors detracted the most. Risks for a no-deal Brexit scenario increased after the European Union summit in Salzburg.

Global equities rose, led by the US stock market, which had been supported by sound corporate fundamentals and robust economic drivers. The US Federal Reserve stayed its course of rate hikes at a measured pace. European markets lagged, on concerns regarding Italy's finances, the lack of pace regarding Brexit negotiations and Turkey's teetering economy. Emerging markets also underperformed; in China, a number of economic readings showed signs of softening.

Portfolio Review

What contributed to Returns

- In our UK holdings, strength in the oil price meant that stock selection and an overweight in the oil & gas sector contributed to relative performance. This benefited overweight positions in BP and Hurricane Energy
- Within the global equity component, stock selection in the industrials sector also contributed to relative performance. An overweight in online payment services provider Worldpay outperformed as the share price rose significantly following the merger with Vantiv at a substantial premium
- In the fixed income component, an overweight position in the financials, telecommunications and basic industries sectors contributed to absolute performance

What detracted from Returns

- Stock selection in the UK consumer services sector detracted from relative performance. An overweight in Thomas Cook was the major detractor, after hot summer weather kept UK holidaymakers at home, leading to discounting activity and a profit warning from the company
- In global equities, stock selection and an underweight in the energy sector detracted from relative performance. Stock selection in the consumer discretionary sector also detracted; shares in Continental, an auto parts supplier declined after management cut its profit outlook
- In the fixed income component, an overweight position in the insurance and media sectors hurt the Fund's absolute performance

All data contained herein is sourced by Lazard Asset Management unless otherwise noted as at 30 September 2018.

(1) Source: Lazard Asset Management, NAV to NAV Price, net income reinvested in sterling, A Accumulation share class net of fees, to 30 September 2018.

Figures refer to past performance which is not a reliable indicator of future results.

Lazard Investment Funds – Annual Report and Financial Statements September 2018

Lazard Managed Balanced Fund continued

Outlook

UK equity valuations are at a near 30-year low versus global peers, which we do not believe is justified, even when factoring in current market risks. Important milestones in the coming months could serve as catalysts to refocus investors' attention on positive UK fundamentals, should clarity on key issues emerge. On fixed income, with 10-year UK government yields trading close to two year highs, UK government bonds have become more attractive against the background of the possibility of a disorderly Brexit.

Internationally, we are more cautious on the outlook due to a tightening monetary cycle, rising trading tensions, and the valuations of major equity indices. We believe that US economic and market fundamentals are strong, but we also note that political and policy risks have grown considerably. Outside the United States, the global economy has become less supportive.

General Information as at 30 September 2018

Fund Size	£36.0 million
Net Yield	2.21% A Income 2.18% A Accumulation 1.95% B Income
Sector	IA Mixed Investment 40-85% Shares
Launch Date	1 June 1999
Fund Managers	Alan Custis, Andrew Lacey, Ulrich Teutsch and team

Lazard Investment Funds – Annual Report and Financial Statements September 2018

Lazard Managed Balanced Fund continued

Portfolio statement (unaudited)

as at 30 September 2018

	Holding	Market Value £'000	% of Net Assets
Equities (89.73%)		27,649	76.73
Australia (0.60%)		353	0.98
Berkeley Energia	49,205	17	0.05
BHP Billiton (London listing)	20,096	336	0.93
Belgium (0.00%)		170	0.47
Anheuser-Busch InBev	2,535	170	0.47
Brazil (0.81%)		47	0.13
Cielo	20,160	47	0.13
Canada (1.88%)		660	1.83
CAE	8,810	137	0.38
Canadian National Railway	3,995	275	0.76
National Bank of Canada	6,490	248	0.69
China (1.36%)		302	0.84
Alibaba ADS	960	121	0.34
Tencent	5,700	181	0.50
Denmark (0.53%)		—	—
Finland (0.43%)		175	0.49
Sampo 'A'	4,402	175	0.49
France (0.48%)		244	0.68
Ubisoft Entertainment	2,946	244	0.68
Germany (1.77%)		176	0.49
Symrise	2,516	176	0.49
Guernsey (0.00%)		91	0.25
Trian Investors	91,300	91	0.25
Hong Kong (0.64%)		509	1.41
AIA	36,600	251	0.70
Hang Seng Bank	12,400	258	0.71
India (0.94%)		119	0.33
Indiabulls Housing Finance	13,078	119	0.33
Ireland (0.73%)		—	—
Isle Of Man (0.29%)		69	0.19
Eddie Stobart Logistics	60,636	69	0.19
Israel (0.33%)		167	0.46
Israel Discount Bank	65,413	167	0.46
Japan (3.20%)		1,028	2.85
Daiwa House	7,301	166	0.46
Kansai Paint	8,200	116	0.32
Kao	2,800	173	0.48
Ryohin Keikaku	900	205	0.57
TechnoPro	3,800	181	0.50
Yamaha	4,600	187	0.52
Netherlands (0.69%)		350	0.97
Wolters Kluwer	7,555	350	0.97
Singapore (0.10%)		238	0.66
Oversea-Chinese Banking	37,100	238	0.66
South Africa (0.29%)		223	0.62
Distell	20,786	119	0.33
Sanlam	24,209	104	0.29
Sweden (1.40%)		654	1.82
Assa Abloy 'B'	8,045	124	0.34
Epiroc	18,243	144	0.40
Hexagon 'B'	4,248	191	0.54
Nordea Bank	23,265	195	0.54
Switzerland (1.18%)		414	1.15
Ferguson	3,057	199	0.55
Glencore	32,638	108	0.30
Julius Baer (Regd.)	2,770	107	0.30
Taiwan (0.45%)		165	0.46
Taiwan Semiconductor Manufacturing ADS	4,884	165	0.46

	Holding	Market Value £'000	% of Net Assets
United Kingdom (46.20%)		13,023	36.14
Oil & Gas Producers (6.17%)		1,857	5.15
BP	150,082	884	2.45
Hurricane Energy	124,031	72	0.20
Royal Dutch Shell 'B' (UK Regd.)	33,519	901	2.50
Oil Equipment, Services & Distribution (0.21%)		92	0.26
Hunting	11,816	92	0.26
Mining (2.09%)		487	1.35
Rio Tinto (UK Regd.)	12,542	487	1.35
Construction & Materials (0.29%)		226	0.63
Melrose Industries	79,240	158	0.44
Volusion	36,346	68	0.19
Aerospace & Defence (0.45%)		96	0.27
Senior	30,774	96	0.27
General Industrials (0.98%)		274	0.76
DS Smith	29,231	140	0.39
Vesuvius	20,718	134	0.37
Industrial Engineering (0.61%)		111	0.31
Weir	6,305	111	0.31
Support Services (1.92%)		955	2.65
Ashtead	17,642	430	1.19
Bunzl	9,342	225	0.62
Essentra	21,245	86	0.24
Rentokil Initial	38,205	122	0.34
Smart Metering Systems	14,925	92	0.26
Automobiles & Parts (0.72%)		—	—
Beverages (2.74%)		443	1.23
Britvic	1,404	11	0.03
Coca-Cola European Partners	5,410	189	0.53
Diageo	8,942	243	0.67
Food Producers (1.83%)		672	1.86
Unilever	15,927	672	1.86
Household Goods & Home Construction (0.00%)		311	0.86
Reckitt Benckiser	3,092	217	0.60
Taylor Wimpey	54,538	94	0.26
Tobacco (3.17%)		645	1.79
British American Tobacco	17,986	645	1.79
Health Care Equipment & Services (1.32%)		154	0.43
Smith & Nephew	11,001	154	0.43
Pharmaceuticals & Biotechnology (2.10%)		633	1.76
AstraZeneca	1,266	76	0.21
GlaxoSmithKline	36,270	557	1.55
Personal Goods (0.62%)		—	—
Food & Drug Retailers (0.76%)		249	0.69
Tesco	103,772	249	0.69
General Retailers (1.15%)		139	0.39
Lookers	62,849	67	0.19
Saga	55,318	72	0.20
Media (1.83%)		764	2.12
Future	18,402	89	0.25
Informa	15,217	116	0.32
ITV	72,801	115	0.32
RELX	28,075	444	1.23
Travel & Leisure (1.52%)		762	2.11
Cineworld	33,944	107	0.30
Compass	22,925	391	1.08
GVC	11,825	109	0.30
Thomas Cook	142,746	83	0.23
Whitbread	1,525	72	0.20

Lazard Investment Funds – Annual Report and Financial Statements September 2018

Lazard Managed Balanced Fund continued

Portfolio statement (unaudited) continued

as at 30 September 2018

	Holding	Market Value £'000	% of Net Assets
Fixed Line Telecommunications (1.04%)		232	0.64
BT	103,104	232	0.64
Mobile Telecommunications (0.45%)		253	0.70
Vodafone	153,778	253	0.70
Gas, Water & Multiutilities (0.55%)		69	0.19
Penon	9,724	69	0.19
Banks (4.93%)		1,256	3.49
Barclays	176,475	303	0.84
HSBC (UK Regd.)	77,406	518	1.44
Royal Bank of Scotland	84,497	211	0.59
Standard Chartered	35,248	224	0.62
Life Insurance (3.14%)		730	2.03
Aviva	45,376	222	0.62
Prudential	28,842	508	1.41
Real Estate Investment & Services (0.52%)		95	0.26
Savills	12,180	95	0.26
Real Estate Investment Trusts (1.09%)		286	0.79
Derwent London	5,198	149	0.41
Shaftesbury	15,156	137	0.38
Financial Services (3.75%)		1,092	3.03
3i	12,959	122	0.34
Amigo	26,573	65	0.18
Legal & General	75,056	197	0.54
London Stock Exchange	2,900	133	0.37
Man	78,498	138	0.38
Quilter	42,592	57	0.16
RSA Insurance	50,637	291	0.81
St. James's Place Capital	7,816	89	0.25
Software & Computer Services (0.25%)		140	0.39
Blue Prism	2,437	58	0.16
Micro Focus International	3,534	50	0.14
Wandisco	4,986	32	0.09
United Arab Emirates (0.49%)		143	0.40
NMC Health	4,209	143	0.40
United States (24.94%)		8,329	23.11
Accenture	2,303	301	0.83
Alphabet 'A'	543	503	1.40
Aon 'A'	2,688	317	0.88
Biogen	1,420	385	1.07
Charles Schwab	6,074	229	0.63
Cisco Systems	5,694	212	0.59
Coca-Cola	9,860	349	0.97
Comerica	2,345	162	0.45
Eaton	3,890	259	0.72
eBay	4,920	125	0.35
Honeywell International	2,310	295	0.82
Intercontinental Exchange	4,880	280	0.78
IQVIA	3,534	352	0.98
Johnson & Johnson	3,410	361	1.00
Microsoft	4,979	437	1.21
Motorola Solutions	2,065	206	0.57
Procter & Gamble	4,175	266	0.74
Rockwell Automation	1,272	183	0.51
S&P Global	1,646	247	0.68
Schlumberger	4,099	191	0.53
Shire	8,024	371	1.03
Snap-on	1,280	180	0.50
Starbucks	5,545	242	0.67
Thermo Fisher Scientific	2,055	385	1.07
United Technologies	1,863	200	0.55
Visa	2,794	321	0.89
Welbilt	14,550	233	0.65
Worldpay	5,410	420	1.16
Zoetis	4,516	317	0.88

	Holding	Market Value £'000	% of Net Assets
Fixed Interest (8.65%)		7,367	20.45
Government Stocks (0.70%)		3,089	8.57
UK Treasury 1.25% 22/7/2027	£120,000	118	0.33
UK Treasury 1.625% 22/10/2028	£500,000	502	1.39
UK Treasury 1.75% 07/9/2037	£800,000	782	2.17
UK Treasury 4.5% 07/12/2042	£500,000	749	2.08
UK Treasury 4.75% 07/12/2030	£700,000	938	2.60
Corporate Bonds (7.95%)		4,278	11.88
AT&T 2.9% 04/12/2026	£200,000	197	0.55
Aviva 5.125% 04/6/2050	£100,000	98	0.27
Barclays 2.375% 06/10/2023	£200,000	196	0.54
BAT 2.125% 15/8/2025	£200,000	191	0.53
BP Capital Markets 2.03% 14/2/2025	£200,000	199	0.55
British Telecommunications 3.125% 21/11/2031	£200,000	194	0.54
Comcast 5.5% 23/11/2029	£100,000	124	0.35
Compass 2% 05/9/2025	£200,000	199	0.55
Credit Suisse 2.125% 12/9/2025	£150,000	143	0.40
Eversholt Funding 6.697% 22/2/2035	£200,000	252	0.70
Gatwick Funding 3.25% 26/2/2048	£100,000	96	0.27
Go-Ahead 2.5% 06/7/2024	£200,000	193	0.54
Goldman Sachs 3.125% 25/7/2029	£150,000	147	0.41
Goldman Sachs 4.25% 29/1/2026	£100,000	108	0.30
HBOS Sterling Finance 7.881% Perpetual	£30,000	43	0.12
HSBC Funding 5.844% FRN Perpetual	£100,000	120	0.33
HSBC 2.256% 13/11/2026	£200,000	190	0.53
InterContinental Hotels 2.125% 24/8/2026	£200,000	188	0.52
Koninklijke KPN 5% 18/11/2026	£200,000	228	0.63
National Express 2.5% 11/11/2023	£150,000	148	0.41
Orange 5.375% 22/11/2050	£200,000	267	0.74
Petroleos Mexicanos 3.75% 16/11/2025	£200,000	189	0.53
Prudential 5.625% FRN	£100,000	101	0.28
Saint-Gobain 5.625% 15/11/2024	£50,000	59	0.16
SSE 3.875% Perpetual	£200,000	202	0.56
Verizon Communications 4.75% 17/2/2034	£100,000	115	0.32
Vodafone 3.375% 08/8/2049	£100,000	91	0.25
Portfolio of investments (98.38%)		35,016	97.18
Net other assets (1.62%)		1,017	2.82
Net assets attributable to Shareholders		36,033	100.00

Unless otherwise stated, all holdings are quoted in ordinary shares and listed on a recognised exchange.

The percentages in brackets show the equivalent comparative holdings at 30.09.17 (unaudited).

Lazard Investment Funds – Annual Report and Financial Statements September 2018

Lazard Managed Balanced Fund continued

Statement of total return

for the year ended 30 September 2018

Notes	30.09.18		30.09.17	
	£'000	£'000	£'000	£'000
Income				
Net capital gains	2		2,104	2,682
Revenue	3	961	916	
Expenses	4	(313)	(292)	
Interest payable and similar charges	6	—	—	
Net revenue before taxation		648	624	
Taxation	5	(19)	(25)	
Net revenue after taxation		629	599	
Total return before distributions		2,733	3,281	
Distributions	7	(766)	(724)	
Change in net assets attributable to Shareholders from investment activities		1,967	2,557	

Balance sheet

as at 30 September 2018

Notes	30.09.18		30.09.17	
	£'000	£'000	£'000	£'000
Assets				
Fixed assets				
Investments		35,016		34,056
Current assets				
Debtors	8	783		382
Cash and bank balances		685		856
Total other assets		1,468		1,238
Total assets		36,484		35,294
Liabilities				
Creditors				
Distribution payable	9	(125)		(149)
Other creditors	9	(326)		(528)
Total other liabilities		(451)		(677)
Total liabilities		(451)		(677)
Net assets attributable to Shareholders		36,033		34,617

Statement of change in net assets attributable to Shareholders

for the year ended 30 September 2018

	30.09.18		30.09.17	
	£'000	£'000	£'000	£'000
Opening net assets attributable to Shareholders		34,617		26,136
Amounts receivable on issue of shares	6,787		11,102	
Amounts payable on cancellation of shares	(7,854)		(5,655)	
		(1,067)		5,447
Change in net assets attributable to Shareholders from investment activities		1,967		2,557
Retained distribution on accumulation shares		516		477
Closing net assets attributable to Shareholders		36,033		34,617

Fund facts*

as at 30 September 2018

Synthetic Risk and Reward Indicator (SRRI)



The risk and reward category is calculated using historical data and may not be a reliable indicator of the Sub-fund's future risk profile. The risk and reward category may shift over time and is not a target or guarantee.

The lowest category (i.e. category 1) does not mean "risk free".

The Sub-fund appears in the moderate risk category on the risk and reward indicator.

This is because the Sub-fund invests primarily in assets, whose values tend to have moderate price fluctuations.

The returns from your investment may be affected by changes in the exchange rate between the Sub-fund's base currency, and the currency of the Sub-fund's investments, your share class and where you live.

Investment in lower rated bonds increases the risk of default on repayment and the risk to capital of the Sub-fund.

50% of the annual management charge is deducted from the capital of the Sub-fund. This will increase the income from the Sub-fund but may constrain or erode potential for capital growth.

There is no capital guarantee or protection of the value of the Sub-fund. The value of your investment and the income from it can go down as well as up and you may not get back the amount you invested.

See "Risk Factors" in the UCITS Prospectus for more information about risks.

* This section has not been audited.

Lazard Investment Funds – Annual Report and Financial Statements September 2018

Lazard Managed Balanced Fund continued

Comparative tables (unaudited)

A Income shares

	30.09.18 (pence per share)	30.09.17 (pence per share)	30.09.16 (pence per share)
Change in net assets per share			
Opening net asset value per share	167.03	155.82	134.39
Return before operating charges ⁽¹⁾	14.51	16.27	26.10
Operating charges	(1.55)	(1.48)	(1.35)
Return after operating charges	12.96	14.79	24.75
Distributions	(3.68)	(3.58)	(3.32)
Closing net asset value per share	176.31	167.03	155.82
After direct transaction costs of ⁽¹⁾	(0.24)	(0.37)	(0.29)
Performance			
Return after charges	7.76%	9.49%	18.42%
Other information			
Closing net asset value (£'000)	9,682	11,816	2,636
Closing number of shares	5,491,193	7,073,883	1,691,839
Operating charges	0.89%	0.91%	0.95%
Direct transaction costs	0.14%	0.23%	0.20%
Prices			
Highest share price	182.20	170.80	158.70
Lowest share price	163.80	151.30	129.40

B Income shares

	30.09.18 (pence per share)	30.09.17 (pence per share)	30.09.16 (pence per share)
Change in net assets per share			
Opening net asset value per share	161.14	150.71	130.36
Return before operating charges ⁽¹⁾	13.97	15.69	25.24
Operating charges	(2.33)	(2.31)	(2.26)
Return after operating charges	11.64	13.38	22.98
Distributions	(3.12)	(2.95)	(2.63)
Closing net asset value per share	169.66	161.14	150.71
After direct transaction costs of ⁽¹⁾	(0.23)	(0.36)	(0.28)
Performance			
Return after charges	7.23%	8.88%	17.63%
Other information			
Closing net asset value (£'000)	436	567	680
Closing number of shares	257,095	352,138	450,799
Operating charges	1.39%	1.47%	1.64%
Direct transaction costs	0.14%	0.23%	0.20%
Prices			
Highest share price	175.20	164.60	153.30
Lowest share price	157.80	146.20	125.20

A Accumulation shares

	30.09.18 (pence per share)	30.09.17 (pence per share)	30.09.16 (pence per share)
Change in net assets per share			
Opening net asset value per share	208.00	189.95	160.17
Return before operating charges ⁽¹⁾	18.24	19.83	31.37
Operating charges	(1.94)	(1.78)	(1.59)
Return after operating charges	16.30	18.05	29.78
Distributions	(4.61)	(4.39)	(4.01)
Retained distributions on accumulation shares	4.61	4.39	4.01
Closing net asset value per share	224.30	208.00	189.95
After direct transaction costs of ⁽¹⁾	(0.30)	(0.46)	(0.35)
Performance			
Return after charges	7.84%	9.50%	18.59%
Other information			
Closing net asset value (£'000)	25,915	22,234	22,820
Closing number of shares	11,553,875	10,689,535	12,013,679
Operating charges	0.89%	0.89%	0.93%
Direct transaction costs	0.14%	0.23%	0.20%
Prices			
Highest share price	228.90	210.20	191.30
Lowest share price	205.70	184.40	154.30

⁽¹⁾ Direct transaction costs comprise commission and taxes, principally applicable to equity investment purchases and sales. Shareholders should note that additionally there are other transaction costs such as dealing spread which will also have reduced the Sub-fund and share class returns before operating charges.

Lazard Investment Funds – Annual Report and Financial Statements September 2018

Lazard Managed Balanced Fund continued

Distribution tables

for the year ended 30 September 2018

Dividend distribution in pence per share.

Final Distribution					Interim Distribution				
	Net revenue	Equalisation	Distribution payable 30.11.18	Distribution paid 30.11.17		Net revenue	Equalisation	Distribution paid 31.05.18	Distribution paid 31.05.17
A Income					A Income				
Group 1	2.1882	—	2.1882	2.0161	Group 1	1.4938	—	1.4938	1.5600
Group 2	0.7724	1.4158	2.1882	2.0161	Group 2	0.8242	0.6696	1.4938	1.5600
A Accumulation					A Accumulation				
Group 1	2.7506	—	2.7506	2.4806	Group 1	1.8599	—	1.8599	1.9062
Group 2	0.7585	1.9921	2.7506	2.4806	Group 2	0.7399	1.1200	1.8599	1.9062
B Income					B Income				
Group 1	1.8944	—	1.8944	1.7417	Group 1	1.2305	—	1.2305	1.2096
Group 2	0.4784	1.4160	1.8944	1.7417	Group 2	1.2042	0.0263	1.2305	1.2096

Group 1: shares purchased prior to the distribution period.

Group 2: shares purchased during the distribution period.

Equalisation is the average amount of revenue included in the purchase price of all Group 2 shares and is refunded to holders of these shares as a return of capital. Being capital it is not liable for income tax but must be deducted from the cost of shares for capital gains tax purposes.

Lazard Investment Funds – Annual Report and Financial Statements September 2018

Lazard Managed Balanced Fund continued

Notes to the Financial Statements

as at 30 September 2018

1 Accounting policies

The accounting policies for the Sub-fund are the same as those disclosed in the notes to the Financial Statements of all Sub-funds on page 5.

2 Net capital gains

	30.09.18 £'000	30.09.17 £'000
The net capital gains during the year comprise:		
Non-derivative securities	2,120	2,666
Currency (losses)/gains	(7)	24
Custodial transaction fees	(9)	(8)
Net capital gains	2,104	2,682

3 Revenue

	30.09.18 £'000	30.09.17 £'000
Bank interest	1	—
Interest on debt securities	145	143
Non-taxable overseas dividends	240	219
Property distributions	5	4
Stock dividends	5	—
Taxable overseas dividends	4	—
UK franked dividends	561	550
Total revenue	961	916

4 Expenses

	30.09.18 £'000	30.09.17 £'000
Payable to the ACD, associates of the ACD and agents of either of them:		
ACD's periodic charge	273	250
Payable to the Depositary, associates of the Depositary and agents of either of them:		
Depositary's fees	10	9
Safe custody fees	5	7
	15	16
Other expenses:		
Audit fee	9	10
VAT on audit fee	2	2
Legal and professional fees	9	5
Other fees payable to the auditors with respect to taxation services	2	—
Registration fees	3	4
Sundry expenses	—	3
Tax computation fees	—	2
	25	26
Total expenses	313	292

5 Taxation

	30.09.18 £'000	30.09.17 £'000
a) Analysis of the charge in the year		
<i>Current tax:</i>		
French ECJ reclaim	(1)	—
Overseas tax	20	25
Total current tax (note 5b)	19	25
Deferred tax (note 5c)	—	—
Total taxation	19	25

b) Factors affecting taxation charge for the year

Net revenue before taxation	648	624
Net revenue before taxation at the applicable rate of corporation tax in the UK of 20% (2017: 20%)	130	125
Effects of:		
French ECJ reclaim	(1)	—
Movement in excess management expenses	32	29
Overseas tax	20	25
Revenue not subject to tax	(162)	(154)
Total current tax (note 5a)	19	25

c) Provision for Deferred tax

There is no Deferred tax provision in the current or preceding year.

At the year end there is a potential Deferred tax asset of £106,000 (2017: £74,000) due to surplus management expenses.

It is unlikely the Sub-fund will generate sufficient taxable profits in the future to utilise these amounts and therefore no Deferred tax asset has been recognised (2017: nil).

6 Interest payable and similar charges

	30.09.18 £'000	30.09.17 £'000
Interest	—	—
Total interest payable and similar charges	—	—

Lazard Investment Funds – Annual Report and Financial Statements September 2018

Lazard Managed Balanced Fund continued

Notes to the Financial Statements continued

7 Distributions

The distributions take account of revenue received on the creation of shares and revenue deducted on the cancellation of shares and comprise:

	30.09.18 £'000	30.09.17 £'000
Interim	308	324
Final	443	414
	751	738
Add: Revenue deducted on cancellation of shares	63	31
Less: Revenue received on issue of shares	(48)	(45)
Net distributions for the year	766	724

The difference between the revenue after taxation and the distributions for the year are as follows:

	30.09.18 £'000	30.09.17 £'000
Net revenue after taxation	629	599
ACD's periodic charge to capital	137	125
Less: Tax relief on capitalised fees	—	—
Net distributions for the year	766	724

Details of the distributions per share are set out in the tables on page 70.

8 Debtors

	30.09.18 £'000	30.09.17 £'000
Accrued revenue	135	96
Amounts receivable for FX contracts	—	163
Amounts receivable for issue of shares	272	9
Overseas tax recoverable	7	9
Prepaid expenses	2	—
Sales awaiting settlement	367	105
Total debtors	783	382

9 Creditors

	30.09.18 £'000	30.09.17 £'000
a) Distribution payable		
Net distribution payable	125	149
	125	149
b) Other creditors		
Accrued expenses	43	40
Amounts payable for cancellation of shares	—	58
Amounts payable for FX contracts	—	163
Interest payable	3	3
Purchases awaiting settlement	280	264
Total creditors	326	528

10 Contingent assets/(liabilities) and outstanding commitments

There were no contingent assets/(liabilities) or outstanding commitments at the balance sheet date (2017: nil).

11 Related party disclosures

Details of the related party disclosures are included within note 4 of the notes to the Financial Statements of all Sub-funds on page 8.

Lazard Investment Funds – Annual Report and Financial Statements September 2018

Lazard Managed Balanced Fund continued

Notes to the Financial Statements continued

12 Financial instruments

Details of the financial instruments risk disclosures are set out in note 2 of the notes to the Financial Statements of all Sub-funds on page 6.

a) Currency exposure profile

30.09.18 Currency	Net currency assets		
	Monetary exposures	Non-monetary exposures	Total
	£'000	£'000	£'000
Brazilian Real	3	47	50
Canadian Dollar	1	662	663
Danish Krone	—	1	1
Euro	2	1,390	1,392
Hong Kong Dollar	1	690	691
Indian Rupee	—	119	119
Israeli Shekel	—	167	167
Japanese Yen	2	1,032	1,034
Singapore Dollar	—	241	241
South African Rand	—	223	223
Swedish Krona	—	655	655
Swiss Franc	—	107	107
US Dollar	3	8,440	8,443
	12	13,774	13,786

30.09.17 Currency	Net currency assets*		
	Monetary exposures	Non-monetary exposures	Total
	£'000	£'000	£'000
Australian Dollar	—	145	145
Brazilian Real	2	283	285
Canadian Dollar	1	653	654
Danish Krone	—	186	186
Euro	—	1,254	1,254
Hong Kong Dollar	—	481	481
Indian Rupee	—	160	160
Israeli Shekel	—	113	113
Japanese Yen	2	1,110	1,112
South African Rand	—	100	100
Swedish Krona	—	483	483
Swiss Franc	—	135	135
US Dollar	1	8,593	8,594
	6	13,696	13,702

*Monetary exposure previously included all short-term debtors and creditors. This has been restated to include cash position only.

b) Interest rate risk profile

The Sub-fund invests in debt securities. The fair value or cash flow of this type of instrument may be affected by interest rate movements, exposing the Sub-fund to interest rate risk. The Sub-fund's also has cash balances and overdraft facility, which earn and pay interest on normal commercial terms based on LIBOR or its overseas equivalent.

The interest rate profile for the Sub-fund's investment assets at the balance sheet date was:

	Floating rate £'000	Fixed rate £'000	No interest £'000	Total £'000
30.09.18				
Investment assets	—	7,367	27,649	35,016
30.09.17				
Investment assets	—	2,993	31,063	34,056

Lazard Investment Funds – Annual Report and Financial Statements September 2018

Lazard Managed Balanced Fund continued

Notes to the Financial Statements continued

12 Financial instruments continued

c) Valuation of financial investments

The categorisation of financial investments in the tables below reflects the methodology used to measure their fair value.*

	Assets £'000	Liabilities £'000
30.09.18		
Level 1: The unadjusted quoted price in an active market for identical assets or liabilities the entity can access at measurement date	16,436	—
Level 2: Inputs other than quoted prices included within Level 1 that are observable (i.e. developed using market data) for the asset or liability, either directly or indirectly	18,580	—
Level 3: Inputs are unobservable (i.e. for which market data is unavailable) for the asset or liability	—	—
Total	35,016	—
30.09.17		
Level 1: The unadjusted quoted price in an active market for identical assets or liabilities the entity can access at measurement date	31,063	—
Level 2: Inputs other than quoted prices included within Level 1 that are observable (i.e. developed using market data) for the asset or liability, either directly or indirectly	2,993	—
Level 3: Inputs are unobservable (i.e. for which market data is unavailable) for the asset or liability	—	—
	34,056	—

d) Credit risk

The Sub-fund did not enter into any derivative contracts during the year and therefore has no counterparty exposure.

The credit quality of the Sub-fund's investment in debt securities at the balance sheet date was:

	30.09.18 % of Net Assets	30.09.17 % of Net Assets
Investment grade	20.33	8.23
Non-investment grade	0.12	0.13
Not rated	—	0.29
Total bonds	20.45	8.65

e) Sensitivity analysis

Please refer to the disclosure in the notes to the Financial Statements of all Sub-funds on page 7.

13 Portfolio transaction costs

For the year 1 October 2017 to 30 September 2018

	Value £'000	Commissions £'000	%	Taxes £'000	%
Purchases (excluding derivatives)					
Equity transactions (direct)	12,200	6	0.05	36	0.30
Debt transactions (direct)	8,978	—	—	—	—
Corporate Actions	164	—	—	—	—
Total	21,342	6		36	
Total purchases including commission and taxes	21,384				
	£'000	£'000	%	£'000	%
Sales (excluding derivatives)					
Equity transactions (direct)	17,969	7	0.04	1	0.01
Debt transactions (direct)	4,379	—	—	—	—
Corporate Actions	164	—	—	—	—
Total	22,512	7		1	
Total sales net of transaction costs	22,504				
Total transaction costs		13		37	
Total transaction costs as a % of average net assets		0.04%		0.10%	

* Please refer to page 5 for details of the policy of applying the Fair Value Pricing Factor

Lazard Investment Funds – Annual Report and Financial Statements September 2018

Lazard Managed Balanced Fund continued

Notes to the Financial Statements continued

13 Portfolio transaction costs continued

For the year 1 October 2016 to 30 September 2017

	Value £'000	Commissions £'000	%	Taxes £'000	%
Purchases (excluding derivatives)					
Equity transactions (direct)	23,752	15	0.06	51	0.21
Debt instruments (direct)	6,419	—	—	—	—
Total	30,171	15		51	
Total purchases including commission and taxes	30,237				
	£'000	£'000	%	£'000	%
Sales (excluding derivatives)					
Equity transactions (direct)	15,634	10	0.06	—	—
Debt instruments (direct)	8,620	—	—	—	—
Total	24,254	10		—	
Total sales net of transaction costs	24,244				
Total transaction costs		25		51	
Total transaction costs as a % of average net assets		0.08%		0.15%	

The above analysis covers any direct transaction costs suffered by the Sub-fund during the year. However it is important to understand the nature of other transaction costs associated with different investment asset classes and instruments types.

For the Sub-fund's investment transactions in debt instruments any applicable transaction charges form part of the dealing spread for these instruments.

Separately identifiable direct transaction costs (commissions & taxes etc.) are attributable to the Sub-fund's purchase and sale of equity shares. Additionally for equity shares there is a dealing spread cost (the difference between the buying and selling prices) which will be suffered on purchase and sale transactions.

Dealing spread costs suffered by the Sub-fund vary considerably depending on a number of factors including transaction value and market sentiment. At the balance sheet date the average portfolio dealing spread (difference between bid and offer prices of all investments expressed as a percentage of the offer price value) was 0.23% (2017: 0.15%).

The dealing spreads disclosed above are as at the 30 September, which is a reflection of the dealing spread of the portfolio at a point in time. Dealing spreads throughout the year will vary depending on the make-up of the portfolio.

14 Share movement

For the year 1 October 2017 to 30 September 2018

	A Income shares	A Accumulation shares	B Income shares
Opening shares	7,073,883	10,689,535	352,138
Shares issued	1,072,583	2,215,679	55,722
Shares cancelled	(2,795,806)	(1,351,339)	(4,996)
Shares converted	140,533	—	(145,769)
Closing shares	5,491,193	11,553,875	257,095

Lazard Investment Funds – Annual Report and Financial Statements September 2018

Lazard Managed Equity Fund

Investment Manager's Report

Investment Objective

The objective of the Sub-fund is to achieve capital growth.

Investment Review

Over the twelve-month period ending 30 September 2018, the Lazard Managed Equity Fund (the "Fund") returned 11.15% in sterling terms, against the composite benchmark of 50% FTSE All-Share Index and 50% FTSE World ex-UK Index, which returned 10.32%⁽¹⁾.

Investment Policy

The Sub-fund will achieve its objective by investing in a diversified portfolio of global equities, with a minimum of 50% exposure to the UK market.

Market review

In the United Kingdom, domestic economic data remained mixed for much of the year. Stimulated by the rise in the oil price, domestic household inflation increased, which led the Bank of England to raise interest rates for only the second time in a decade. As departure from the European Union drew closer, UK companies reiterated that Brexit uncertainty was an important factor holding back new investment. Oil and gas was the strongest performing UK sector during the year; basic materials and health care also did well. In contrast, the telecommunications, utilities and technology sectors detracted the most.

Global equities rose, led by the US stock market, which had been supported by sound corporate fundamentals and robust economic drivers. Technology was the best performing sector over the period, while basic materials and industrials were also strong. The US Federal Reserve stayed its course of rate hikes at a measured pace. European markets lagged, on concerns regarding Italy's finances, the lack of pace regarding Brexit negotiations and Turkey's teetering economy.

Portfolio Review

What contributed to Returns

- In the United Kingdom, stock selection in industrials and technology, and stock selection and a slight overweight in health care. An overweight and stock selection in oil & gas was also helpful, as was underweighting utilities.
- Globally, stock selection in industrials, health care and financials contributed. Regionally, North America and Continental Europe performed strongly.
- An overweight position in BP benefited from a sustained strength in the oil price improving economics across the industry. This has been helped by corporates lowering their breakeven point, stimulated by the use of more technology, and an improved focus on cash and returns.
- Within the global equity component, an overweight in Worldpay outperformed as the company has leadership positions, exposure to high-growth channels and the potential to significantly compound earnings.

What detracted from Returns

- In the United Kingdom, stock selection in consumer goods, and stock selection and a slight overweight in financials.
- Internationally, European markets underperformed. An underweight and stock selection in the energy sector detracted, as did stock selection in the consumer discretionary sector.
- Clothing retailer Superdry was the largest detractor in the United Kingdom over the period. A pre-close trading update disappointed, as forward guidance for 'high single digit' revenue growth fell short of consensus expectations, in turn leading to a sharp drop in the share price.
- Shares of Indian housing finance company, Indiabulls, fell on concerns of tighter liquidity in the Indian financial system.

All data contained herein is sourced by Lazard Asset Management unless otherwise noted as at 30 September 2018.

(1) Source: Lazard Asset Management, NAV to NAV Price, net income reinvested in sterling, A Accumulation share class net of fees, to 30 September 2018.

Figures refer to past performance which is not a reliable indicator of future results.

Lazard Investment Funds – Annual Report and Financial Statements September 2018

Lazard Managed Equity Fund continued

Outlook

UK equity valuations are at a near 30-year low versus global peers, which we do not believe is justified, even when factoring in current market risks. Important milestones in the coming months could serve as catalysts to refocus investors' attention on positive UK fundamentals, should clarity on key issues emerge.

Internationally, we are more cautious on the outlook due to a tightening monetary cycle, rising trading tensions, and the valuations of major equity indices. We believe that US economic and market fundamentals are strong, but we also note that political and policy risks have grown considerably. Outside the United States, the global economy has become less supportive.

General Information as at 30 September 2018

Fund Size	£79.7 million
Net Yield	1.70% A Accumulation
Sector	IA Global
Launch Date	16 September 2002
Fund Managers	Lloyd Whitworth, Andrew Lacey and team

Lazard Investment Funds – Annual Report and Financial Statements September 2018

Lazard Managed Equity Fund continued

Portfolio statement (unaudited)

as at 30 September 2018

	Holding	Market Value £'000	% of Net Assets
Australia (0.47%)		1,332	1.67
BHP Billiton	79,684	1,332	1.67
Belgium (0.00%)		723	0.91
Anheuser-Busch InBev	10,800	723	0.91
Canada (2.46%)		2,108	2.64
CAE	25,100	390	0.49
Canadian National Railway	13,900	956	1.20
National Bank of Canada	19,900	762	0.95
Denmark (0.89%)		—	—
Finland (0.48%)		731	0.92
Sampo 'A'	18,421	731	0.92
France (0.54%)		690	0.87
Ubisoft Entertainment	8,350	690	0.87
Germany (1.61%)		1,002	1.26
Symrise	6,355	445	0.56
TUI	37,843	557	0.70
Guernsey (0.00%)		613	0.77
Triam Investors	613,100	613	0.77
Hong Kong (0.77%)		1,425	1.79
AIA	110,600	758	0.95
Hang Seng Bank	32,000	667	0.84
India (0.59%)		—	—
Ireland (1.25%)		—	—
Israel (0.41%)		643	0.81
Israel Discount Bank	251,400	643	0.81
Japan (4.05%)		3,019	3.79
Daiwa House	22,400	509	0.64
Kansai Paint	21,300	301	0.38
Kao	10,700	663	0.83
Ryohin Keikaku	2,500	570	0.72
TechnoPro	10,100	481	0.60
Yamaha	12,200	495	0.62
Netherlands (4.58%)		4,673	5.86
Royal Dutch Shell 'B' (UK Regd.)	138,668	3,729	4.68
Wolters Kluwer	20,392	944	1.18
Singapore (0.00%)		610	0.77
Oversea-Chinese Banking	95,100	610	0.77
Sweden (1.64%)		1,833	2.30
Assa Abloy 'B'	24,359	376	0.47
Epiroc	47,000	372	0.47
Hexagon 'B'	13,000	584	0.73
Nordea Bank	59,700	501	0.63
Switzerland (1.54%)		1,017	1.28
Ferguson	10,645	693	0.87
Julius Baer (Regd.)	8,400	324	0.41
United Arab Emirates (0.93%)		779	0.98
NMC Health	22,961	779	0.98
United Kingdom (45.49%)		34,030	42.69
3i	82,495	776	0.97
Ashtead	31,415	766	0.96
AstraZeneca	10,774	642	0.81
Aviva	180,465	883	1.11
BP	533,698	3,145	3.95
British American Tobacco	27,505	986	1.24
Britvic	4,995	39	0.05
BT	421,379	949	1.19
Bunzl	31,625	763	0.96
Coca-Cola European Partners	19,470	679	0.85
DS Smith	145,680	697	0.87
Essentra	137,360	556	0.70
GlaxoSmithKline	133,447	2,051	2.57
GVC	54,862	504	0.63

	Holding	Market Value £'000	% of Net Assets
United Kingdom (continued)			
HSBC (UK Regd.)	351,959	2,357	2.96
Informa	46,090	351	0.44
ITV	338,218	534	0.67
Man	277,428	489	0.61
Melrose Industries	371,746	743	0.93
NatWest Markets	553,001	1,382	1.73
Phoenix	73,998	500	0.63
Prudential	71,761	1,263	1.58
Quilter	332,715	447	0.56
RELX	72,227	1,166	1.46
Rentokil Initial	223,368	711	0.89
Rio Tinto (UK Regd.)	36,858	1,430	1.79
RSA Insurance	105,199	605	0.76
Segro	93,558	597	0.75
Senior	148,954	465	0.58
Shire	22,162	1,025	1.29
Smith & Nephew	53,912	754	0.95
Standard Chartered	114,581	729	0.92
Taylor Wimpey	440,118	756	0.95
Tesco	442,709	1,062	1.33
Unilever	33,510	1,413	1.77
Vesuvius	110,861	715	0.90
Vodafone	331,748	546	0.69
Wandisco	16,353	105	0.13
Weir	25,478	449	0.56
United States (28.15%)		22,748	28.54
Accenture	7,310	954	1.20
Alphabet 'A'	1,651	1,529	1.92
Biogen Idec	3,960	1,073	1.35
Charles Schwab	20,220	762	0.96
Cisco Systems	16,750	625	0.78
Coca-Cola	35,105	1,243	1.56
Comerica	8,405	581	0.73
Eaton	10,110	672	0.84
eBay	12,785	324	0.41
Honeywell International	7,560	965	1.21
Intercontinental Exchange	17,420	1,000	1.26
IQVIA	11,590	1,153	1.45
Johnson & Johnson	10,015	1,061	1.33
Microsoft	15,920	1,397	1.75
Motorola Solutions	6,185	617	0.77
Procter & Gamble	11,160	712	0.89
Rockwell Automation	3,245	467	0.59
S&P Global	3,905	585	0.73
Schlumberger	12,000	561	0.70
Snap-on	3,370	474	0.59
Starbucks	14,430	629	0.79
Thermo Fisher Scientific	5,835	1,092	1.37
United Technologies	4,940	530	0.67
Visa	8,524	981	1.23
Walmart	37,435	599	0.75
Worldpay	17,050	1,324	1.66
Zoetis	11,940	838	1.05
Portfolio of investments (95.85%)		77,976	97.85
Net other assets (4.15%)		1,711	2.15
Net assets attributable to Shareholders		79,687	100.00

Unless otherwise stated, all holdings are quoted in ordinary shares and listed on a recognised exchange.

The percentages in brackets show the equivalent comparative holdings at 30.09.17 (unaudited).

Lazard Investment Funds – Annual Report and Financial Statements September 2018

Lazard Managed Equity Fund continued

Statement of total return

for the year ended 30 September 2018

	Notes	30.09.18		30.09.17	
		£'000	£'000	£'000	£'000
Income					
Net capital gains	2		7,128		7,843
Revenue	3	2,195		2,165	
Expenses	4	(841)		(847)	
Interest payable and similar charges	6	—		—	
Net revenue before taxation		1,354		1,318	
Taxation	5	(44)		(72)	
Net revenue after taxation			1,310		1,246
Total return before distributions			8,438		9,089
Distributions	7		(1,310)		(1,246)
Change in net assets attributable to Shareholders from investment activities			7,128		7,843

Balance sheet

as at 30 September 2018

	Notes	30.09.18		30.09.17	
		£'000	£'000	£'000	£'000
Assets					
Fixed assets					
Investments			77,976		76,202
Current assets					
Debtors	8	576		1,113	
Cash and bank balances		2,312		3,340	
Total other assets			2,888		4,453
Total assets			80,864		80,655
Liabilities					
Creditors					
Other creditors	9	(1,177)		(1,151)	
Total other liabilities			(1,177)		(1,151)
Total liabilities			(1,177)		(1,151)
Net assets attributable to Shareholders			79,687		79,504

Statement of change in net assets attributable to Shareholders

for the year ended 30 September 2018

		30.09.18		30.09.17	
		£'000	£'000	£'000	£'000
Opening net assets attributable to Shareholders			79,504		81,636
Amounts receivable on issue of shares		4,290		3,349	
Amounts payable on cancellation of shares		(12,522)		(14,540)	
			(8,232)		(11,191)
Change in net assets attributable to Shareholders from investment activities			7,128		7,843
Retained distribution on accumulation shares			1,287		1,216
Closing net assets attributable to Shareholders			79,687		79,504

Fund facts*

as at 30 September 2018

Synthetic Risk and Reward Indicator (SRRI)

◀ Lower Risk Higher Risk ▶

Typically Lower Rewards				Typically Higher Rewards		
1	2	3	4	5	6	7

The risk and reward category is calculated using historical data and may not be a reliable indicator of the Sub-fund's future risk profile. The risk and reward category may shift over time and is not a target or guarantee.

The lowest category (i.e. category 1) does not mean "risk free".

The Sub-fund appears in the higher risk category on the risk and reward indicator.

This is because the Sub-fund invests primarily in shares, whose values tend to have higher price fluctuations.

The returns from your investment may be affected by changes in the exchange rate between the Sub-fund's base currency, and the currency of the Sub-fund's investments, your share class and where you live.

There is no capital guarantee or protection of the value of the Sub-fund. The value of your investment and the income from it can go down as well as up and you may not get back the amount you invested.

See "Risk Factors" in the UCITS Prospectus for more information about risks.

* This section has not been audited.

Lazard Investment Funds – Annual Report and Financial Statements September 2018

Lazard Managed Equity Fund continued

Comparative table (unaudited)

A Accumulation shares

	30.09.18 (pence per share)	30.09.17 (pence per share)	30.09.16 (pence per share)
Change in net assets per share			
Opening net asset value per share	329.21	294.10	242.82
Return before operating charges ⁽¹⁾	39.92	38.45	54.07
Operating charges	(3.69)	(3.34)	(2.79)
Return after operating charges	36.23	35.11	51.28
Distributions	(5.77)	(4.93)	(4.18)
Retained distributions on accumulation shares	5.77	4.93	4.18
Closing net asset value per share	365.44	329.21	294.10
After direct transaction costs of ⁽¹⁾	(0.80)	(0.52)	(0.64)
Performance			
Return after charges	11.01%	11.94%	21.12%
Other information			
Closing net asset value (£'000)	79,687	79,504	81,636
Closing number of shares	21,805,668	24,149,929	27,757,351
Operating charges	1.06%	1.06%	1.07%
Direct transaction costs	0.23%	0.17%	0.25%
Prices			
Highest share price	371.70	333.00	295.40
Lowest share price	322.70	287.00	229.50

⁽¹⁾ Direct transaction costs comprise commission and taxes, principally applicable to equity investment purchases and sales. Shareholders should note that additionally there are other transaction costs such as dealing spread which will also have reduced the Sub-fund and share class returns before operating charges.

Distribution tables

for the year ended 30 September 2018

Dividend distribution in pence per share.

Final Distribution

	Net revenue	Equalisation	Distribution payable 30.11.18	Distribution paid 30.11.17
A Accumulation				
Group 1	3.5743	—	3.5743	2.8233
Group 2	1.3256	2.2487	3.5743	2.8233

Interim Distribution

	Net revenue	Equalisation	Distribution paid 31.05.18	Distribution paid 31.05.17
A Accumulation				
Group 1	2.1929	—	2.1929	2.1119
Group 2	1.0827	1.1102	2.1929	2.1119

Group 1: shares purchased prior to the distribution period.

Group 2: shares purchased during the distribution period.

Equalisation is the average amount of revenue included in the purchase price of all Group 2 shares and is refunded to holders of these shares as a return of capital. Being capital it is not liable for income tax but must be deducted from the cost of shares for capital gains tax purposes.

Lazard Investment Funds – Annual Report and Financial Statements September 2018

Lazard Managed Equity Fund continued

Notes to the Financial Statements

as at 30 September 2018

1 Accounting policies

The accounting policies for the Sub-fund are the same as those disclosed in the notes to the Financial Statements of all Sub-funds on page 5.

2 Net capital gains

	30.09.18 £'000	30.09.17 £'000
The net capital gains during the year comprise:		
Non-derivative securities	7,149	7,812
Currency (losses)/gains	(16)	33
Custodial transaction fees	(5)	(2)
Net capital gains	7,128	7,843

3 Revenue

	30.09.18 £'000	30.09.17 £'000
Bank interest	4	—
Non-taxable overseas dividends	665	681
Non-taxable stock dividends	15	—
Taxable overseas dividends	14	16
UK franked dividends	1,497	1,468
Total revenue	2,195	2,165

4 Expenses

	30.09.18 £'000	30.09.17 £'000
Payable to the ACD, associates of the ACD and agents of either of them:		
ACD's periodic charge	794	801
Payable to the Depositary, associates of the Depositary and agents of either of them:		
Depositary's fees	21	22
Safe custody fees	7	6
	28	28
Other expenses:		
Audit fee	9	10
VAT on audit fee	2	2
Legal and professional fees	4	2
Registration fees	4	4
	19	18
Total expenses	841	847

5 Taxation

	30.09.18 £'000	30.09.17 £'000
a) Analysis of the charge in the year		
<i>Current tax:</i>		
Overseas tax	44	72
Total current tax (note 5b)	44	72
Deferred tax (note 5c)	—	—
Total taxation	44	72

b) Factors affecting taxation charge for the year

Net revenue before taxation	1,354	1,318
Net revenue before taxation at the applicable rate of corporation tax in the UK of 20% (2017: 20%)	271	264
Effects of:		
Movement in excess management expenses	165	166
Revenue not subject to tax	(436)	(430)
Overseas tax	44	72
Total current tax (note 5a)	44	72

c) Provision for Deferred tax

There is no Deferred tax provision in the current or preceding year.

At the year end there is a potential Deferred tax asset of £1,365,000 (2017: £1,200,000) due to surplus management expenses.

It is unlikely the Sub-fund will generate sufficient taxable profits in the future to utilise these amounts and therefore no Deferred tax asset has been recognised (2017: nil).

6 Interest payable and similar charges

	30.09.18 £'000	30.09.17 £'000
Interest	—	—
Total interest payable and similar charges	—	—

Lazard Investment Funds – Annual Report and Financial Statements September 2018

Lazard Managed Equity Fund continued

Notes to the Financial Statements continued

7 Distributions

The distributions take account of revenue received on the creation of shares and revenue deducted on the cancellation of shares and comprise:

	30.09.18 £'000	30.09.17 £'000
Interim	507	534
Final	780	682
	1,287	1,216
Add: Revenue deducted on cancellation of shares	42	41
Less: Revenue received on issue of shares	(19)	(11)
Net distributions for the year	1,310	1,246

Details of the distributions per share are set out in the tables on page 80.

8 Debtors

	30.09.18 £'000	30.09.17 £'000
Accrued revenue	138	109
Amounts receivable for FX contracts	—	402
Overseas tax recoverable	24	45
Sales awaiting settlement	414	557
Total debtors	576	1,113

9 Creditors

	30.09.18 £'000	30.09.17 £'000
a) Distribution payable		
Net distribution payable	—	—
	—	—
b) Other creditors		
Accrued expenses	82	82
Amounts payable for cancellation of shares	96	95
Amounts payable for FX contracts	—	402
Purchases awaiting settlement	999	572
Total creditors	1,177	1,151

10 Contingent assets/(liabilities) and outstanding commitments

There were no contingent assets/(liabilities) or outstanding commitments at the balance sheet date (2017 - £nil).

11 Related party disclosures

Details of the related party disclosures are included within note 4 of the notes to the Financial Statements of all Sub-funds on page 8.

12 Financial instruments

Details of the financial instruments risk disclosures are set out in note 2 of the notes to the Financial Statements of all Sub-funds on page 6.

a) Currency exposure profile

Net currency assets/(liabilities)			
30.09.18 Currency	Monetary exposures		Total £'000
	£'000	Non-monetary exposures £'000	
Canadian Dollar	4	2,114	2,118
Danish Krone	—	6	6
Euro	18	3,560	3,578
Hong Kong Dollar	3	1,425	1,428
Israeli Shekel	—	643	643
Japanese Yen	4	3,032	3,036
Singapore Dollar	—	620	620
Swedish Krona	—	1,833	1,833
Swiss Franc	—	324	324
US Dollar	3	23,453	23,456
	32	37,010	37,042

Net currency assets ⁺			
30.09.17 Currency	Monetary exposures		Total £'000
	£'000	Non-monetary exposures £'000	
Australian Dollar	—	380	380
Canadian Dollar	3	1,959	1,962
Danish Krone	—	713	713
Euro	—	3,454	3,454
Hong Kong Dollar	—	607	607
Israeli Shekel	—	328	328
Japanese Yen	5	3,230	3,235
Norwegian Krone	—	2	2
Swedish Krona	—	1,302	1,302
Swiss Franc	—	370	370
US Dollar	3	23,918	23,921
	11	36,263	36,274

⁺Monetary exposure previously included all short-term debtors and creditors. This has been restated to include cash position only.

b) Interest rate risk profile

The Sub-fund's only interest bearing financial instruments at the balance sheet date are represented by its cash balances and overdraft facility, which earn and pay interest on normal commercial terms based on LIBOR or its overseas equivalent.

Lazard Investment Funds – Annual Report and Financial Statements September 2018

Lazard Managed Equity Fund continued

Notes to the Financial Statements continued

12 Financial instruments continued

c) Valuation of financial investments

The categorisation of financial investments in the tables below reflects the methodology used to measure their fair value.

	Assets £'000	Liabilities £'000
30.09.18		
Level 1: The unadjusted quoted price in an active market for identical assets or liabilities the entity can access at measurement date	77,976	—
Level 2: Inputs other than quoted prices included within Level 1 that are observable (i.e. developed using market data) for the asset or liability, either directly or indirectly	—	—
Level 3: Inputs are unobservable (i.e. for which market data is unavailable) for the asset or liability	—	—
	77,976	—

30.09.17

Level 1: The unadjusted quoted price in an active market for identical assets or liabilities the entity can access at measurement date	76,202	—
Level 2: Inputs other than quoted prices included within Level 1 that are observable (i.e. developed using market data) for the asset or liability, either directly or indirectly	—	—
Level 3: Inputs are unobservable (i.e. for which market data is unavailable) for the asset or liability	—	—
	76,202	—

d) Credit risk

The Sub-fund did not enter into any derivative contracts during the year and therefore has no counterparty exposure.

e) Sensitivity analysis

Please refer to the disclosure in the notes to the Financial Statements of all Sub-funds on page 7.

13 Portfolio transaction costs

For the year 1 October 2017 to 30 September 2018

	Value £'000	Commissions £'000	%	Taxes £'000	%
Purchases (excluding derivatives)					
Equity transactions (direct)	39,149	20	0.05	141	0.36
Corporate Actions	499	—	—	—	—
Total	39,648	20		141	
Total purchases including commission and taxes	39,809				
	£'000	£'000	%	£'000	%
Sales (excluding derivatives)					
Equity transactions (direct)	44,641	22	0.05	—	—
Corporate Actions	499	—	—	—	—
Total	45,140	22		—	
Total sales net of transaction costs	45,118				
Total transaction costs		42		141	
Total transaction costs as a % of average net assets		0.05%		0.18%	

Lazard Investment Funds – Annual Report and Financial Statements September 2018

Lazard Managed Equity Fund continued

Notes to the Financial Statements continued

13 Portfolio transaction costs continued

For the year 1 October 2016 to 30 September 2017

	Value £'000	Commissions £'000	%	Taxes £'000	%
Purchases (excluding derivatives)					
Equity transactions (direct)	31,136	25	0.08	77	0.25
Total	31,136	25		77	
Total purchases including commission and taxes	31,238				
	£'000	£'000	%	£'000	%
Sales (excluding derivatives)					
Equity transactions (direct)	41,597	30	0.07	1	0.00
Total	41,597	30		1	
Total sales net of transaction costs	41,566				
Total transaction costs		55		78	
Total transaction costs as a % of average net assets		0.07%		0.10%	

The above analysis covers any direct transaction costs suffered by the Sub-fund during the year. However it is important to understand the nature of other transaction costs associated with different investment asset classes and instruments types.

Separately identifiable direct transaction costs (commissions & taxes etc.) are attributable to the Sub-fund's purchase and sale of equity shares. Additionally for equity shares there is a dealing spread cost (the difference between the buying and selling prices) which will be suffered on purchase and sale transactions.

Dealing spread costs suffered by the Sub-fund vary considerably depending on a number of factors including transaction value and market sentiment. At the balance sheet date the average portfolio dealing spread (difference between bid and offer prices of all investments expressed as a percentage of the offer price value) was 0.15% (2017: 0.06%).

The dealing spreads disclosed above are as at the 30 September, which is a reflection of the dealing spread of the portfolio at a point in time. Dealing spreads throughout the year will vary depending on the make-up of the portfolio.

14 Share movement

For the year 1 October 2017 to 30 September 2018

	A Accumulation shares
Opening shares	24,149,929
Shares issued	1,262,646
Shares cancelled	(3,606,907)
Shares converted	—
Closing shares	21,805,668

Lazard Investment Funds – Annual Report and Financial Statements September 2018

Lazard Multicap UK Income Fund

Investment Manager's Report

Investment Objective

The objective of the Sub-fund is to achieve a reasonable level of income combined with capital growth.

Investment Review

Over the twelve month period ending 30 September 2018, the Lazard Multicap UK Income Fund (the "Fund") returned 2.75% in sterling, against the FTSE All-Share Index, which returned 5.87%⁽¹⁾.

Investment Policy

The Sub-fund will invest primarily in equity investments listed in the United Kingdom. The Sub-fund will not be restricted in respect of choice of investments by company size or industry, and up to a maximum of 20% of the Sub-fund may be invested in equities listed outside the United Kingdom and in other securities, either listed in the United Kingdom or listed on other exchanges outside the United Kingdom, including but not limited to preference shares, convertibles, fixed income or shares in listed open and closed end funds.

Market review

Domestic economic data remained mixed for much of the year, with areas of strength in the labour market and manufacturing and services sectors offset by weakness in the new car market and retail sales. Stimulated by the rise in the oil price, which reached a four year high during the summer, UK household inflation rose for the first time in nearly a year. This led the Bank of England to raise interest rates by 25 basis points for only the second time in a decade.

As the date of the United Kingdom's departure from the European Union drew closer, UK companies reiterated that Brexit uncertainty was an important factor holding back new investment. Speculation about a no-deal outcome had increased by the end of September.

The ongoing global economic recovery offered support to UK stocks during the year, as did the passing of new US tax legislation at the beginning of the period. Oil and gas was the strongest performing sector during the year; basic materials and health care also did well. In contrast, the telecommunications, utilities and technology sectors detracted the most. Large cap stocks were the best performing segment over the year, followed by small caps and then mid-caps.

Portfolio Review

What contributed to Returns

- Stock selection in technology and basic materials, an overweight in oil & gas, and an underweight in consumer good and utilities
- An overweight in BP was the best performing stock in the portfolio, as it benefited from the sustained strength in the oil price, which has improved the economics across the industry
- An overweight in Rio Tinto was helped by the strength of commodity prices
- Pfizer was supported by strong results at the end of the period. Both revenues and earnings were ahead of consensus expectations

What detracted from Returns

- Stock selection in consumer services, consumer goods, and an overweight and stock selection in financials and telecommunications, and an underweight and stock selection in industrials
- Conviviality was the UK's largest drinks distributor, but after reporting results showing good growth and market share gains at the beginning of the year, a series of events that stemmed from an internal forecasting error led to a rapid collapse of the business in March. The stock's subsequent suspension prevented our full exit before it entered administration
- An overweight in catalogue retailer N Brown, where the market is becoming increasingly concerned with the quality of earnings and the lack of organic growth from its cash paying customers
- In telecommunications, an overweight in BT detracted, as results earlier in the year were mixed, and were accompanied by a weak outlook. Guidance for earnings and free cash flow were below consensus, and management announced significant cost cutting plans

All data contained herein is sourced by Lazard Asset Management unless otherwise noted as at 30 September 2018.

(1) Source: Lazard Asset Management, NAV to NAV Price, net income reinvested in sterling, A Accumulation share class net of fees, to 30 September 2018.

Figures refer to past performance which is not a reliable indicator of future results.

Lazard Investment Funds – Annual Report and Financial Statements September 2018

Lazard Multicap UK Income Fund continued

Outlook

UK economic and corporate fundamentals remain relatively positive in light of the current uncertainty around Brexit. However, UK equity valuations are at a near 30-year low versus global peers, which we do not believe is justified, even when factoring in current market risks. Important milestones in the coming months could serve as catalysts to refocus investors' attention on positive UK fundamentals, should clarity on key issues emerge. Still, uncertainty could persist should rhetoric on trade policy escalate or negotiations between the European Union and the United Kingdom break down. Details from upcoming EU summits will be important in gauging the level of progress being achieved.

We continue to think that UK equity markets remain undervalued by investors and that share prices often fail to reflect strong company fundamentals, offering fertile opportunity for active stock pickers.

General Information as at 30 September 2018

Fund Size	£72.5 million
Net Yield	4.88% A Income 4.74% A Accumulation 4.89% B Income 4.76% B Accumulation
Sector	IA UK Equity Income
Launch Date	20 October 1999
Fund Managers	Alan Clifford, Alan Custis and team

Lazard Investment Funds – Annual Report and Financial Statements September 2018

Lazard Multicap UK Income Fund continued

Portfolio statement (unaudited)

as at 30 September 2018

	Holding	Market Value £'000	% of Net Assets
EQUITIES (98.34%)		71,039	98.01
Oil & Gas Producers (13.44%)		12,023	16.59
BP	890,541	5,248	7.24
Lekoil	1,343,547	214	0.30
Royal Dutch Shell 'B' (UK Regd.)	243,987	6,561	9.05
Mining (5.98%)		4,785	6.60
BHP Billiton	116,827	1,952	2.69
Rio Tinto (UK Regd.)	73,006	2,833	3.91
Construction & Materials (2.28%)		2,233	3.08
Ferguson	14,915	971	1.34
Low & Bonar	554,702	217	0.30
Melrose Industries	332,468	665	0.92
Norcross	180,849	380	0.52
General Industrials (1.07%)		342	0.47
RPC	43,076	342	0.47
Electronic & Electrical Equipment (0.65%)		766	1.06
DiscoverIE	104,458	392	0.54
XP Power	12,634	374	0.52
Industrial Engineering (0.99%)		765	1.06
Weir	43,399	765	1.06
Industrial Transportation (1.46%)		416	0.57
Eddie Stobart Logistics	364,967	416	0.57
Support Services (4.02%)		2,488	3.43
Essentra	134,047	543	0.75
Gateley	241,614	394	0.54
Northgate	114,216	475	0.66
SThree	175,478	661	0.91
Sureserve	294,082	103	0.14
Vianet	283,401	312	0.43
Automobiles & Parts (1.06%)		—	—
Beverages (0.96%)		60	0.08
Britvic	7,274	60	0.08
Food Producers (3.47%)		2,357	3.25
Unilever	55,916	2,357	3.25
Household Goods & Home Construction (2.02%)		1,416	1.95
Headlam	116,662	552	0.76
Taylor Wimpey	502,826	864	1.19
Tobacco (6.04%)		3,135	4.33
British American Tobacco	87,464	3,135	4.33
Health Care Equipment & Services (0.00%)		776	1.07
Smith & Nephew	55,480	776	1.07
Pharmaceuticals & Biotechnology (7.84%)		6,356	8.77
AstraZeneca	19,189	1,144	1.58
GlaxoSmithKline	207,675	3,191	4.40
Pfizer	33,900	1,146	1.58
Shire	18,918	875	1.21
Food & Drug Retailers (1.82%)		1,054	1.45
Tesco	439,536	1,054	1.45
General Retailers (1.83%)		1,257	1.73
Brown (N)	215,526	294	0.40
Lookers	458,920	486	0.67
Marks & Spencer	165,100	477	0.66
Media (3.03%)		2,215	3.06
Informa	98,906	754	1.04
ITV	456,794	721	1.00
Nahl	297,800	307	0.42
Tarsus	154,894	433	0.60

	Holding	Market Value £'000	% of Net Assets
Travel & Leisure (3.09%)		2,707	3.73
Compass	72,535	1,237	1.71
Greene King	113,007	554	0.76
GVC	64,935	596	0.82
Hostelworld	146,255	320	0.44
Fixed Line Telecommunications (2.47%)		972	1.34
BT	431,512	972	1.34
Mobile Telecommunications (2.97%)		2,079	2.87
Vodafone	1,263,947	2,079	2.87
Gas, Water & Multiutilities (1.49%)		734	1.01
Pennon	102,892	734	1.01
Banks (9.88%)		8,375	11.56
HSBC (UK Regd.)	685,476	4,591	6.34
Nordea Bank	91,130	764	1.05
Royal Bank of Scotland	653,184	1,632	2.25
Standard Chartered	218,035	1,388	1.92
Nonlife Insurance (1.75%)		1,542	2.13
Randall & Quilter Investment	265,657	536	0.74
RSA Insurance	174,942	1,006	1.39
Life Insurance (8.70%)		5,948	8.21
Aviva	301,948	1,478	2.04
Legal & General	572,764	1,502	2.07
Phoenix	166,015	1,122	1.55
Prudential	104,899	1,846	2.55
Real Estate Investment & Services (0.47%)		768	1.06
Belvoir Lettings	405,101	421	0.58
Palace Capital	115,585	347	0.48
Real Estate Investment Trusts (2.47%)		983	1.36
Assura	923,666	500	0.69
Hansteen	499,360	483	0.67
Financial Services (5.83%)		3,588	4.95
Arrow Global	161,987	373	0.51
Brewin Dolphin	199,638	685	0.94
Intermediate Capital	67,807	739	1.02
Man	405,988	715	0.99
Morses Club	246,489	340	0.47
Mortgage Advice Bureau	57,647	339	0.47
XPS Pensions	240,552	397	0.55
Software & Computer Services (1.26%)		899	1.24
Computacenter	33,011	418	0.58
FDM	49,567	481	0.66
Portfolio of investments (98.34%)		71,039	98.01
Net other assets (1.66%)		1,439	1.99
Net assets attributable to Shareholders		72,478	100.00

Unless otherwise stated, all holdings are quoted in ordinary shares and listed on a recognised exchange.

The percentages in brackets show the equivalent comparative holdings at 30.09.17 (unaudited).

Lazard Investment Funds – Annual Report and Financial Statements September 2018

Lazard Multicap UK Income Fund continued

Statement of total return

for the year ended 30 September 2018

	Notes	30.09.18		30.09.17	
		£'000	£'000	£'000	£'000
Income					
Net capital (losses)/gains	2		(667)		7,422
Revenue	3	3,366		3,547	
Expenses	4	(862)		(958)	
Interest payable and similar charges	6	—		—	
Net revenue before taxation		2,504		2,589	
Taxation	5	(5)		(26)	
Net revenue after taxation			2,499		2,563
Total return before distributions			1,832		9,985
Distributions	7		(3,309)		(3,458)
Change in net assets attributable to Shareholders from investment activities			(1,477)		6,527

Balance sheet

as at 30 September 2018

	Notes	30.09.18		30.09.17	
		£'000	£'000	£'000	£'000
Assets					
Fixed assets					
Investments			71,039		74,772
Current assets					
Debtors	8	502		233	
Cash and bank balances		1,549		1,694	
Total other assets			2,051		1,927
Total assets			73,090		76,699
Liabilities					
Creditors					
Distribution payable	9	(330)		(339)	
Other creditors	9	(282)		(322)	
Total other liabilities			(612)		(661)
Total liabilities			(612)		(661)
Net assets attributable to Shareholders			72,478		76,038

Statement of change in net assets attributable to Shareholders

for the year ended 30 September 2018

	30.09.18		30.09.17	
	£'000	£'000	£'000	£'000
Opening net assets attributable to Shareholders		76,038		92,921
Amounts receivable on issue of shares	2,335		2,391	
Amounts payable on cancellation of shares	(6,450)		(28,016)	
		(4,115)		(25,625)
Dilution levy		—		95
Change in net assets attributable to Shareholders from investment activities		(1,477)		6,527
Retained distribution on accumulation shares		2,024		2,117
Unclaimed distributions		8		3
Closing net assets attributable to Shareholders		72,478		76,038

Fund facts*

as at 30 September 2018

Synthetic Risk and Reward Indicator (SRRI)

◀ Lower Risk Higher Risk ▶

Typically Lower Rewards				Typically Higher Rewards		
1	2	3	4	5	6	7

The risk and reward category is calculated using historical data and may not be a reliable indicator of the Sub-fund's future risk profile. The risk and reward category may shift over time and is not a target or guarantee.

The lowest category (i.e. category 1) does not mean "risk free".

The Sub-fund appears in the higher risk category on the risk and reward indicator.

This is because the Sub-fund invests primarily in shares, whose values tend to have higher price fluctuations.

High yielding assets may carry a greater risk of capital values falling or have limited prospects of capital growth or recovery.

The annual management charge is deducted from the capital of the Sub-fund.

This will increase the income from the Sub-fund but may constrain or erode potential for capital growth.

There is no capital guarantee or protection of the value of the Sub-fund. The value of your investment and the income from it can go down as well as up and you may not get back the amount you invested.

See "Risk Factors" in the UCITS Prospectus for more information about risks.

* This section has not been audited.

Lazard Investment Funds – Annual Report and Financial Statements September 2018

Lazard Multicap UK Income Fund continued

Comparative tables (unaudited)

A Income shares

	30.09.18 (pence per share)	30.09.17 (pence per share)	30.09.16 (pence per share)
Change in net assets per share			
Opening net asset value per share	689.30	637.07	599.83
Return before operating charges ⁽¹⁾	24.21	86.98	69.83
Operating charges	(5.71)	(5.52)	(4.85)
Return after operating charges	18.50	81.46	64.98
Distributions	(30.68)	(29.23)	(27.74)
Closing net asset value per share	677.12	689.30	637.07
After direct transaction costs of ⁽¹⁾	(1.08)	(1.36)	(1.34)
Performance			
Return after charges	2.68%	12.79%	10.83%
Other information			
Closing net asset value (£'000)	19,053	18,639	18,732
Closing number of shares	2,813,788	2,704,117	2,940,400
Operating charges	0.82%	0.82%	0.80%
Direct transaction costs	0.15%	0.21%	0.22%
Prices			
Highest share price	730.50	706.00	648.90
Lowest share price	649.90	620.00	541.10

A Accumulation shares

	30.09.18 (pence per share)	30.09.17 (pence per share)	30.09.16 (pence per share)
Change in net assets per share			
Opening net asset value per share	1,091.15	966.29	869.30
Return before operating charges ⁽¹⁾	38.71	133.36	104.13
Operating charges	(9.17)	(8.50)	(7.14)
Return after operating charges	29.54	124.86	96.99
Distributions	(49.37)	(45.03)	(40.88)
Retained distributions on accumulation shares	49.37	45.03	40.88
Closing net asset value per share	1,120.69	1,091.15	966.29
After direct transaction costs of ⁽¹⁾	(1.74)	(2.10)	(1.97)
Performance			
Return after charges	2.71%	12.92%	11.16%
Other information			
Closing net asset value (£'000)	6,890	5,564	5,295
Closing number of shares	614,843	509,891	548,013
Operating charges	0.82%	0.82%	0.80%
Direct transaction costs	0.15%	0.21%	0.22%
Prices			
Highest share price	1,176.00	1,096.00	973.70
Lowest share price	1,038.00	940.30	790.30

B Income shares

	30.09.18 (pence per share)	30.09.17 (pence per share)	30.09.16 (pence per share)
Change in net assets per share			
Opening net asset value per share	637.42	592.13	560.44
Return before operating charges ⁽¹⁾	22.34	80.60	64.92
Operating charges	(8.48)	(8.36)	(7.69)
Return after operating charges	13.86	72.24	57.23
Distributions	(28.29)	(26.95)	(25.54)
Closing net asset value per share	622.99	637.42	592.13
After direct transaction costs of ⁽¹⁾	(1.00)	(1.26)	(1.25)
Performance			
Return after charges	2.17%	12.20%	10.21%
Other information			
Closing net asset value (£'000)	8,214	11,209	11,464
Closing number of shares	1,318,541	1,758,451	1,936,062
Operating charges	1.32%	1.34%	1.36%
Direct transaction costs	0.15%	0.21%	0.22%
Prices			
Highest share price	674.50	654.00	603.10
Lowest share price	599.40	576.00	504.50

B Accumulation shares

	30.09.18 (pence per share)	30.09.17 (pence per share)	30.09.16 (pence per share)
Change in net assets per share			
Opening net asset value per share	1,416.01	1,260.36	1,139.73
Return before operating charges ⁽¹⁾	50.13	173.45	135.81
Operating charges	(19.12)	(17.80)	(15.18)
Return after operating charges	31.01	155.65	120.63
Distributions	(63.90)	(58.57)	(53.50)
Retained distributions on accumulation shares	63.90	58.57	53.50
Closing net asset value per share	1,447.02	1,416.01	1,260.36
After direct transaction costs of ⁽¹⁾	(2.25)	(2.73)	(2.57)
Performance			
Return after charges	2.19%	12.35%	10.58%
Other information			
Closing net asset value (£'000)	38,321	40,626	57,430
Closing number of shares	2,648,228	2,869,037	4,556,606
Operating charges	1.32%	1.32%	1.30%
Direct transaction costs	0.15%	0.21%	0.22%
Prices			
Highest share price	1,522.00	1,423.00	1,270.00
Lowest share price	1,343.00	1,226.00	1,034.00

⁽¹⁾ Direct transaction costs comprise commission and taxes, principally applicable to equity investment purchases and sales.

Lazard Investment Funds – Annual Report and Financial Statements September 2018

Lazard Multicap UK Income Fund continued

Distribution tables

for the year ended 30 September 2018

Dividend distribution in pence per share.

Final Distribution

	Net revenue	Equalisation	Distribution payable 30.11.18	Distribution paid 30.11.17
A Income				
Group 1	8.2081	—	8.2081	7.8443
Group 2	2.9161	5.2920	8.2081	7.8443
A Accumulation				
Group 1	13.4253	—	13.4253	12.2777
Group 2	4.8504	8.5749	13.4253	12.2777
B Income				
Group 1	7.5446	—	7.5446	7.2366
Group 2	1.7404	5.8042	7.5446	7.2366
B Accumulation				
Group 1	17.3505	—	17.3505	15.9434
Group 2	5.4198	11.9307	17.3505	15.9434

3rd Interim Distribution

	Net revenue	Equalisation	Distribution paid 31.08.18	Distribution paid 31.08.17
A Income				
Group 1	9.5922	—	9.5922	8.5282
Group 2	3.4026	6.1896	9.5922	8.5282
A Accumulation				
Group 1	15.4645	—	15.4645	13.1627
Group 2	12.5255	2.9390	15.4645	13.1627
B Income				
Group 1	8.8445	—	8.8445	7.9204
Group 2	2.7157	6.1288	8.8445	7.9204
B Accumulation				
Group 1	20.0081	—	20.0081	17.1115
Group 2	8.7661	11.2420	20.0081	17.1115

2nd Interim Distribution

	Net revenue	Equalisation	Distribution paid 31.05.18	Distribution paid 31.05.17
A Income				
Group 1	7.1310	—	7.1310	7.5053
Group 2	2.8631	4.2679	7.1310	7.5053
A Accumulation				
Group 1	11.3785	—	11.3785	11.4701
Group 2	4.2897	7.0888	11.3785	11.4701
B Income				
Group 1	6.5581	—	6.5581	6.9017
Group 2	5.0293	1.5288	6.5581	6.9017
B Accumulation				
Group 1	14.7355	—	14.7355	14.9338
Group 2	7.4025	7.3330	14.7355	14.9338

1st Interim Distribution

	Net revenue	Equalisation	Distribution paid 28.02.18	Distribution paid 28.02.17
A Income				
Group 1	5.7516	—	5.7516	5.3088
Group 2	2.8292	2.9224	5.7516	5.3088
A Accumulation				
Group 1	9.1049	—	9.1049	8.0463
Group 2	3.6930	5.4119	9.1049	8.0463
B Income				
Group 1	5.3476	—	5.3476	4.8498
Group 2	1.6932	3.6544	5.3476	4.8498
B Accumulation				
Group 1	11.8078	—	11.8078	10.4978
Group 2	6.7152	5.0926	11.8078	10.4978

Group 1: shares purchased prior to the distribution period.

Group 2: shares purchased during the distribution period.

Equalisation is the average amount of revenue included in the purchase price of all Group 2 shares and is refunded to holders of these shares as a return of capital. Being capital it is not liable for income tax but must be deducted from the cost of shares for capital gains tax purposes.

Lazard Investment Funds – Annual Report and Financial Statements September 2018

Lazard Multicap UK Income Fund continued

Notes to the Financial Statements

as at 30 September 2018

1 Accounting policies

The accounting policies for the Sub-fund are the same as those disclosed in the notes to the Financial Statements of all Sub-funds on page 5.

2 Net capital (losses)/gains

	30.09.18 £'000	30.09.17 £'000
The net capital (losses)/gains during the year comprise:		
Non-derivative securities	(665)	7,446
Currency losses	—	(21)
Custodial transaction fees	(2)	(3)
Net capital (losses)/gains	(667)	7,422

3 Revenue

	30.09.18 £'000	30.09.17 £'000
Bank interest	1	—
Non-taxable overseas dividends	222	221
Property distributions	48	93
UK dividends	3,095	3,233
Total revenue	3,366	3,547

4 Expenses

	30.09.18 £'000	30.09.17 £'000
Payable to the ACD, associates of the ACD and agents of either of them:		
ACD's periodic charge	810	903
Payable to the Depositary, associates of the Depositary and agents of either of them:		
Depositary's fees	20	22
Safe custody fees	6	7
	26	29
Other expenses:		
Audit fee	9	10
VAT on audit fee	2	2
FCA fees	—	4
Legal and professional fees	5	—
Registration fees	10	10
	26	26
Total expenses	862	958

5 Taxation

	30.09.18 £'000	30.09.17 £'000
a) Analysis of the charge in the year		
<i>Current tax:</i>		
Overseas tax	5	26
Total current tax (note 5b)	5	26
Deferred tax (note 5c)	—	—
Total taxation	5	26

b) Factors affecting taxation charge for the year

Net revenue before taxation	2,504	2,589
Net revenue before taxation at the applicable rate of corporation tax in the UK of 20% (2017: 20%)	501	518
Effects of:		
Movement in excess management expenses	162	173
Revenue not subject to tax	(663)	(691)
Overseas tax	5	26
Total current tax (note 5a)	5	26

c) Provision for Deferred tax

There is no Deferred tax provision in the current or preceding year.

At the year end there is a potential Deferred tax asset of £4,725,000 (2017: £4,563,000) due to surplus management expenses.

It is unlikely the Sub-fund will generate sufficient taxable profits in the future to utilise these amounts and therefore no Deferred tax asset has been recognised (2017: nil).

6 Interest payable and similar charges

	30.09.18 £'000	30.09.17 £'000
Interest	—	—
Total interest payable and similar charges	—	—

Lazard Investment Funds – Annual Report and Financial Statements September 2018

Lazard Multicap UK Income Fund continued

Notes to the Financial Statements continued

7 Distributions

The distributions take account of revenue received on the creation of shares and revenue deducted on the cancellation of shares and comprise:

	30.09.18 £'000	30.09.17 £'000
1st Interim	624	762
2nd Interim	767	863
3rd Interim	1,025	939
Final	872	859
	3,288	3,423
Add: Revenue deducted on cancellation of shares	34	44
Less: Revenue received on issue of shares	(13)	(9)
Net distributions for the year	3,309	3,458

The difference between the revenue after taxation and the distributions for the year are as follows:

	30.09.18 £'000	30.09.17 £'000
Net revenue after taxation	2,499	2,563
Add: ACD's periodic charge to capital	810	903
Less: Tax relief on capitalised fees	—	(8)
Net distributions for the year	3,309	3,458

Details of the distributions per share are set out in the tables on page 90.

8 Debtors

	30.09.18 £'000	30.09.17 £'000
Accrued revenue	225	214
Amounts receivable for issue of shares	—	1
Overseas tax recoverable	19	18
Sales awaiting settlement	258	—
Total debtors	502	233

9 Creditors

	30.09.18 £'000	30.09.17 £'000
a) Distribution payable		
Net distribution payable	330	339
	330	339
b) Other creditors		
Accrued expenses	81	85
Amounts payable for cancellation of shares	35	116
Purchase awaiting settlement	166	121
Total creditors	282	322

10 Contingent assets/(liabilities) and outstanding commitments

There were no contingent assets/(liabilities) or outstanding commitments at the balance sheet date (2017: £nil).

11 Related party disclosures

Details of the related party disclosures are included within note 4 of the notes to the Financial Statements of all Sub-funds on page 8.

12 Financial instruments

Details of the financial instruments risk disclosures are set out in note 2 of the notes to the Financial Statements of all Sub-funds on page 6.

a) Currency exposure profile

30.09.18 Currency	Net currency assets		
	Monetary exposures	Non-monetary exposures	Total
	£'000	£'000	£'000
Euro	—	32	32
Swedish Krona	—	764	764
US Dollar	—	1,156	1,156
	—	1,952	1,952

30.09.17 Currency	Net currency assets ⁺		
	Monetary exposures	Non-monetary exposures	Total
	£'000	£'000	£'000
Euro	—	1,674	1,674
US Dollar	—	907	907
	—	2,581	2,581

⁺Monetary exposure previously included all short-term debtors and creditors. This has been restated to include cash position only.

b) Interest rate risk profile

The Sub-fund's only interest bearing financial instruments at the balance sheet date are represented by its cash balances and overdraft facility, which earn and pay interest on normal commercial terms based on LIBOR or its overseas equivalent.

Lazard Investment Funds – Annual Report and Financial Statements September 2018

Lazard Multicap UK Income Fund continued

Notes to the Financial Statements continued

12 Financial instruments continued

c) Valuation of financial investments

The categorisation of financial investments in the tables below reflects the methodology used to measure their fair value.

	Assets £'000	Liabilities £'000
30.09.18		
Level 1: The unadjusted quoted price in an active market for identical assets or liabilities the entity can access at measurement date	71,039	—
Level 2: Inputs other than quoted prices included within Level 1 that are observable (i.e. developed using market data) for the asset or liability, either directly or indirectly	—	—
Level 3: Inputs are unobservable (i.e. for which market data is unavailable) for the asset or liability	—	—
	71,039	—

30.09.17

Level 1: The unadjusted quoted price in an active market for identical assets or liabilities the entity can access at measurement date	74,772	—
Level 2: Inputs other than quoted prices included within Level 1 that are observable (i.e. developed using market data) for the asset or liability, either directly or indirectly	—	—
Level 3: Inputs are unobservable (i.e. for which market data is unavailable) for the asset or liability	—	—
	74,772	—

d) Credit risk

The Sub-fund did not enter into any derivative contracts during the year and therefore has no counterparty exposure.

e) Sensitivity analysis

Please refer to the disclosure in the notes to the Financial Statements of all Sub-funds on page 7.

	Value £'000	Commissions £'000	%	Taxes £'000	%
Purchases (excluding derivatives)					
Equity transactions (direct)	22,288	10	0.04	93	0.42
Corporate actions	585	—	—	—	—
Total	22,873	10		93	
Total purchases including commission and taxes	22,976				
	£'000	£'000	%	£'000	%
Sales (excluding derivatives)					
Equity transactions (direct)	25,219	13	0.05	—	—
Corporate actions	585	—	—	—	—
Total	25,804	13		—	
Total sales net of transaction costs	25,791				
Total transaction costs		23		93	
Total transaction costs as a % of average net assets		0.03%		0.12%	

* Monetary exposure previously included all short-term debtors and creditors. This has been restated to include cash position only.

Lazard Investment Funds – Annual Report and Financial Statements September 2018

Lazard Multicap UK Income Fund continued

Notes to the Financial Statements continued

13 Portfolio transaction costs continued

For the year 1 October 2016 to 30 September 2017

	Value £'000	Commissions £'000	%	Taxes £'000	%
Purchases (excluding derivatives)					
Equity transactions (direct)	22,516	21	0.09	87	0.39
Total	22,516	21		87	
Total purchases including commission and taxes	22,624				
	£'000	£'000	%	£'000	%
Sales (excluding derivatives)					
Equity transactions (direct)	45,599	57	0.12	—	—
Total	45,599	57		—	
Total sales net of transaction costs	45,542				
Total transaction costs		78		87	
Total transaction costs as a % of average net assets		0.10%		0.11%	

14 Share movement

For the year 1 October 2017 to 30 September 2018

	A Income shares	A Accumulation shares	B Income shares
Opening shares	2,704,117	509,891	1,758,451
Shares issued	66,688	152,538	11,746
Shares cancelled	(262,767)	(65,333)	(153,505)
Shares converted	305,750	17,747	(298,151)
Closing shares	2,813,788	614,843	1,318,541

	B Accumulation shares
Opening shares	2,869,037
Shares issued	11,103
Shares cancelled	(203,317)
Shares converted	(28,595)
Closing shares	2,648,228

The above analysis covers any direct transaction costs suffered by the Sub-fund during the year. However it is important to understand the nature of other transaction costs associated with different investment asset classes and instruments types.

Separately identifiable direct transaction costs (commissions & taxes etc.) are attributable to the Sub-fund's purchase and sale of equity shares. Additionally for equity shares there is a dealing spread cost (the difference between the buying and selling prices) which will be suffered on purchase and sale transactions.

Dealing spread costs suffered by the Sub-fund vary considerably depending on a number of factors including transaction value and market sentiment. At the balance sheet date the average portfolio dealing spread (difference between bid and offer prices of all investments expressed as a percentage of the offer price value) was 0.26% (2017: 0.34%).

The dealing spreads disclosed above are as at the 30 September, which is a reflection of the dealing spread of the portfolio at a point in time. Dealing spreads throughout the year will vary depending on the make-up of the portfolio.

Lazard Investment Funds – Annual Report and Financial Statements September 2018

Lazard UK Omega Fund

Investment Manager's Report

Investment Objective

The objective of the Sub-fund is to achieve long term capital growth.

Investment Review

Over the twelve month period ending 30 September 2018, the Lazard UK Omega Fund (the "Fund") returned 5.02% in sterling, against the FTSE All-Share Index, which returned 5.87%⁽¹⁾.

Investment Policy

The Sub-fund will consist of a portfolio of primarily UK listed securities. Investments may also be made in securities of companies with significant sources of profit from or with close economic links with the UK. The Sub-fund will normally hold a concentrated portfolio of between 25 and 35 Securities. While the Sub-Fund investments will have no direct connection to any specific index or to any sector or industry weights, for performance reporting purposes, a comparison will be made against the FTSE All Share.

Market review

Domestic economic data remained mixed for much of the year, with areas of strength in the labour market and manufacturing and services sectors offset by weakness in the new car market and retail sales. Stimulated by the rise in the oil price, which reached a four year high during the summer, UK household inflation rose for the first time in nearly a year. This led the Bank of England to raise interest rates by 25 basis points for only the second time in a decade.

As the date of the United Kingdom's departure from the European Union drew closer, UK companies reiterated that Brexit uncertainty was an important factor holding back new investment. Speculation about a no-deal outcome had increased by the end of September.

The ongoing global economic recovery offered support to UK stocks during the year, as did the passing of new US tax legislation at the beginning of the period. Oil and gas was the strongest performing sector during the year; basic materials and health care also did well. In contrast, the telecommunications, utilities and technology sectors detracted the most. Large cap stocks were the best performing segment over the year, followed by small caps and then mid-caps.

Portfolio Review

What contributed to Returns

- Stock selection in industrials and technology, and stock selection and a slight overweight in health care. An overweight and stock selection in oil & gas was also helpful
- Automation specialist Blue Prism continued its positive momentum. 1,000 organisations use its software and it has opened a new regional headquarters in Singapore. The shares were sold after reaching our price target
- An overweight in aerospace and automotive supplier GKN, as the share price soared following a bid from Melrose Industrials, which was accepted
- An overweight in BP benefited from the sustained strength in the oil price, which has improved the economics across the industry

What detracted from Returns

- Stock selection in consumer goods, and stock selection and a slight overweight in financials
- Clothing retailer Superdry was the largest detractor over the period. A pre-close trading update disappointed, as forward guidance for 'high single digit' revenue growth fell short of consensus expectations, in turn leading to a sharp drop in the share price
- Standard Chartered and Royal Bank of Scotland were caught up in the weakness for many European banks ahead of Italy's budget in the summer. Events in emerging markets added to the woes for Standard Chartered
- In telecommunications, an overweight in BT detracted, as results earlier in the year were mixed, and were accompanied by a weak outlook. Guidance for earnings and free cash flow were below consensus, and management announced significant cost cutting plans

All data contained herein is sourced by Lazard Asset Management unless otherwise noted as at 30 September 2018.

(1) Source: Lazard Asset Management, NAV to NAV Price, net income reinvested in sterling, C Accumulation share class net of fees, to 30 September 2018.

Figures refer to past performance which is not a reliable indicator of future results.

Lazard Investment Funds – Annual Report and Financial Statements September 2018

Lazard UK Omega Fund continued

Outlook

UK economic and corporate fundamentals remain relatively positive in light of the current uncertainty around Brexit. However, UK equity valuations are at a near 30-year low versus global peers, which we do not believe is justified, even when factoring in current market risks. Important milestones in the coming months could serve as catalysts to refocus investors' attention on positive UK fundamentals, should clarity on key issues emerge. Still, uncertainty could persist should rhetoric on trade policy escalate or negotiations between the European Union and the United Kingdom break down. Details from upcoming EU summits will be important in gauging the level of progress being achieved.

We continue to think that UK equity markets remain undervalued by investors and that share prices often fail to reflect strong company fundamentals, offering fertile opportunity for active stock pickers.

General Information as at 30 September 2018

Fund Size	£221.4 million
Net Yield	2.86% A Income 2.80% A Accumulation 2.30% B Income 2.27% B Accumulation 3.14% C Income 3.07% C Accumulation 3.42% EA Income 3.34% EA Accumulation
Sector	IA UK All Companies
Launch Date	25 February 2005
Fund Managers	Alan Custis, Lloyd Whitworth and team.

Lazard Investment Funds – Annual Report and Financial Statements September 2018

Lazard UK Omega Fund continued

Portfolio statement (unaudited)

as at 30 September 2018

	Holding	Market Value £'000	% of Net Assets
Oil & Gas Producers (14.32%)		36,595	16.54
BP	3,142,872	18,521	8.37
Royal Dutch Shell 'B' (UK Regd.)	672,159	18,074	8.17
Mining (6.06%)		16,316	7.37
BHP Billiton (London listing)	488,052	8,156	3.68
Rio Tinto (UK Regd.)	210,301	8,160	3.69
Construction & Materials (0.00%)		5,567	2.51
Melrose Industries	2,784,900	5,567	2.51
Aerospace & Defence (0.00%)		4,406	1.99
Senior	1,411,229	4,406	1.99
General Industrials (0.00%)		4,615	2.08
Vesuvius	715,439	4,615	2.08
Industrial Engineering (2.75%)		—	—
Industrial Transportation (2.37%)		—	—
Support Services (2.72%)		8,968	4.05
Ashtead	185,877	4,530	2.05
Essentra	1,095,937	4,438	2.00
Automobiles & Parts (2.61%)		—	—
Food Producers (3.96%)		6,450	2.91
Unilever	152,978	6,450	2.91
Household Goods & Home Construction (0.00%)		5,464	2.47
Taylor Wimpey	3,180,476	5,464	2.47
Tobacco (6.83%)		9,408	4.25
British American Tobacco	262,460	9,408	4.25
Health Care Equipment & Services (1.77%)		4,478	2.02
NMC Health	131,948	4,478	2.02
Pharmaceuticals & Biotechnology (1.81%)		17,336	7.83
GlaxoSmithKline	808,456	12,424	5.61
Shire	106,248	4,912	2.22
Food & Drug Retailers (3.01%)		7,470	3.37
Tesco	3,114,970	7,470	3.37
Media (4.54%)		16,350	7.39
Informa	611,522	4,661	2.11
ITV	2,912,270	4,597	2.08
RELX	439,258	7,092	3.20
Travel & Leisure (4.87%)		9,198	4.16
GVC	499,991	4,592	2.08
TUI	312,682	4,606	2.08
Fixed Line Telecommunications (3.44%)		7,030	3.18
BT	3,120,353	7,030	3.18
Mobile Telecommunications (2.73%)		—	—
Gas, Water & Multiutilities (2.46%)		—	—
Banks (6.88%)		21,039	9.50
Royal Bank of Scotland	4,232,072	10,576	4.77
Standard Chartered	1,644,040	10,463	4.73
Nonlife Insurance (2.20%)		5,977	2.70
RSA Insurance	1,039,472	5,977	2.70
Life Insurance (9.30%)		19,164	8.66
Aviva	1,326,767	6,495	2.94
Prudential	412,559	7,259	3.28
St. James's Place Capital	472,931	5,410	2.44

	Holding	Market Value £'000	% of Net Assets
Real Estate Investment Trusts (2.89%)		—	—
Financial Services (8.58%)		15,000	6.78
3i	585,690	5,512	2.49
Man	2,898,238	5,107	2.31
Triar Investors	4,381,000	4,381	1.98
Portfolio of investments (96.10%)		220,831	99.76
Net other assets (3.90%)		533	0.24
Net assets attributable to Shareholders		221,364	100.00

Unless otherwise stated, all holdings are quoted in ordinary shares and listed on a recognised exchange.

The percentages in brackets show the equivalent comparative holdings at 30.09.17 (unaudited).

Lazard Investment Funds – Annual Report and Financial Statements September 2018

Lazard UK Omega Fund continued

Statement of total return

for the year ended 30 September 2018

Notes	30.09.18		30.09.17	
	£'000	£'000	£'000	£'000
Income				
Net capital gains	2	3,926	9,491	
Revenue	3	6,938	4,616	
Expenses	4	(1,511)	(1,157)	
Interest payable and similar charges	6	—	—	
Net revenue before taxation		5,427	3,459	
Taxation	5	—	—	
Net revenue after taxation		5,427	3,459	
Total return before distributions		9,353	12,950	
Distributions	7	(5,434)	(3,465)	
Change in net assets attributable to Shareholders from investment activities		3,919	9,485	

Balance sheet

as at 30 September 2018

Notes	30.09.18		30.09.17	
	£'000	£'000	£'000	£'000
Assets				
Fixed assets				
Investments		220,831	162,542	
Current assets				
Debtors	8	1,026	1,657	
Cash and bank balances		6,013	6,211	
Total other assets		7,039	7,868	
Total assets		227,870	170,410	
Liabilities				
Creditors				
Distribution payable	9	(1,391)	(969)	
Other creditors	9	(5,115)	(311)	
Total other liabilities		(6,506)	(1,280)	
Total liabilities		(6,506)	(1,280)	
Net assets attributable to Shareholders		221,364	169,130	

Statement of change in net assets attributable to Shareholders

for the year ended 30 September 2018

	30.09.18		30.09.17	
	£'000	£'000	£'000	£'000
Opening net assets attributable to Shareholders		169,130	91,195	
Amounts receivable on issue of shares	60,236		80,439	
Amounts payable on cancellation of shares	(15,810)		(14,467)	
		44,426	65,972	
Change in net assets attributable to Shareholders from investment activities		3,919	9,485	
Retained distribution on accumulation shares		3,876	2,476	
Unclaimed distributions		13	2	
Closing net assets attributable to Shareholders		221,364	169,130	

Fund facts*

as at 30 September 2018

Synthetic Risk and Reward Indicator (SRRI)



The risk and reward category is calculated using historical data and may not be a reliable indicator of the Sub-fund's future risk profile. The risk and reward category may shift over time and is not a target or guarantee.

The lowest category (i.e. category 1) does not mean "risk free".

The Sub-fund appears in the higher risk category on the risk and reward indicator.

This is because the Sub-fund invests primarily in shares, whose values tend to have higher price fluctuations.

The returns from your investment may be affected by changes in the exchange rate between the Sub-fund's base currency, and the currency of the Sub-fund's investments, your share class and where you live.

In view of the concentrated nature of the Sub-fund's portfolio of investments, the level of risk is expected to be higher than for broader based portfolios and the net asset value may be more volatile.

There is no capital guarantee or protection of the value of the Sub-fund. The value of your investment and the income from it can go down as well as up and you may not get back the amount you invested.

This Sub-fund was ranked at 6 at the time of the last Annual report.

See "Risk Factors" in the UCITS Prospectus for more information about risks.

* This section has not been audited.

Lazard Investment Funds – Annual Report and Financial Statements September 2018

Lazard UK Omega Fund continued

Comparative tables (unaudited)

A Income shares

	30.09.18 (pence per share)	30.09.17 (pence per share)	30.09.16 (pence per share)
Change in net assets per share			
Opening net asset value per share	230.13	210.35	190.05
Return before operating charges ⁽¹⁾	13.64	27.38	26.60
Operating charges	(2.51)	(2.39)	(2.06)
Return after operating charges	11.13	24.99	24.54
Distributions	(6.13)	(5.21)	(4.24)
Closing net asset value per share	235.13	230.13	210.35
After direct transaction costs of ⁽¹⁾	(1.72)	(1.64)	(1.19)
Performance			
Return after charges	4.84%	11.88%	12.91%
Other information			
Closing net asset value (£'000)	8,114	3,386	3,478
Closing number of shares	3,450,973	1,471,438	1,653,597
Operating charges	1.05%	1.06%	1.06%
Direct transaction costs	0.72%	0.73%	0.61%
Prices			
Highest share price	251.50	236.60	213.60
Lowest share price	224.50	222.30	169.60

A Accumulation shares

	30.09.18 (pence per share)	30.09.17 (pence per share)	30.09.16 (pence per share)
Change in net assets per share			
Opening net asset value per share	266.40	238.10	210.52
Return before operating charges ⁽¹⁾	15.91	30.99	29.85
Operating charges	(2.92)	(2.69)	(2.27)
Return after operating charges	12.99	28.30	27.58
Distributions	(7.13)	(5.94)	(4.76)
Retained distributions on accumulation shares	7.13	5.94	4.76
Closing net asset value per share	279.39	266.40	238.10
After direct transaction costs of ⁽¹⁾	(2.00)	(1.86)	(1.32)
Performance			
Return after charges	4.88%	11.89%	13.10%
Other information			
Closing net asset value (£'000)	11,471	11,667	11,100
Closing number of shares	4,105,666	4,379,602	4,661,707
Operating charges	1.05%	1.05%	1.05%
Direct transaction costs	0.72%	0.73%	0.61%
Prices			
Highest share price	293.70	270.00	239.90
Lowest share price	259.90	253.60	187.90

B Income shares

	30.09.18 (pence per share)	30.09.17 (pence per share)	30.09.16 (pence per share)
Change in net assets per share			
Opening net asset value per share	229.62	209.91	189.66
Return before operating charges ⁽¹⁾	13.63	27.26	26.53
Operating charges	(3.69)	(3.50)	(3.06)
Return after operating charges	9.94	23.76	23.47
Distributions	(4.90)	(4.05)	(3.22)
Closing net asset value per share	234.66	229.62	209.91
After direct transaction costs of ⁽¹⁾	(1.71)	(1.63)	(1.18)
Performance			
Return after charges	4.33%	11.32%	12.37%
Other information			
Closing net asset value (£'000)	13,067	20,376	20,911
Closing number of shares	5,568,544	8,873,085	9,962,259
Operating charges	1.55%	1.56%	1.58%
Direct transaction costs	0.72%	0.73%	0.61%
Prices			
Highest share price	250.70	235.70	212.70
Lowest share price	223.50	221.70	168.90

B Accumulation shares

	30.09.18 (pence per share)	30.09.17 (pence per share)	30.09.16 (pence per share)
Change in net assets per share			
Opening net asset value per share	251.30	225.68	200.59
Return before operating charges ⁽¹⁾	15.00	29.37	28.30
Operating charges	(4.05)	(3.75)	(3.21)
Return after operating charges	10.95	25.62	25.09
Distributions	(5.41)	(4.39)	(3.46)
Retained distributions on accumulation shares	5.41	4.39	3.46
Closing net asset value per share	262.25	251.30	225.68
After direct transaction costs of ⁽¹⁾	(1.88)	(1.76)	(1.26)
Performance			
Return after charges	4.36%	11.35%	12.51%
Other information			
Closing net asset value (£'000)	4,064	2,047	1,576
Closing number of shares	1,549,845	814,595	698,318
Operating charges	1.55%	1.55%	1.56%
Direct transaction costs	0.72%	0.73%	0.61%
Prices			
Highest share price	276.10	254.80	227.40
Lowest share price	244.60	239.80	178.60

Lazard Investment Funds – Annual Report and Financial Statements September 2018

Lazard UK Omega Fund continued

Comparative tables (unaudited) continued

C Income shares

	30.09.18 (pence per share)	30.09.17 (pence per share)	30.09.16 (pence per share)
Change in net assets per share			
Opening net asset value per share	230.50	210.65	190.30
Return before operating charges ⁽¹⁾	13.65	27.45	26.68
Operating charges	(1.92)	(1.80)	(1.56)
Return after operating charges	11.73	25.65	25.12
Distributions	(6.73)	(5.80)	(4.77)
Closing net asset value per share	235.50	230.50	210.65
After direct transaction costs of ⁽¹⁾	(1.72)	(1.64)	(1.19)
Performance			
Return after charges	5.09%	12.18%	13.20%
Other information			
Closing net asset value (£'000)	29,657	27,881	27,988
Closing number of shares	12,593,043	12,096,174	13,286,308
Operating charges	0.80%	0.80%	0.80%
Direct transaction costs	0.72%	0.73%	0.61%
Prices			
Highest share price	252.10	237.20	214.20
Lowest share price	224.90	222.70	170.00

C Accumulation shares

	30.09.18 (pence per share)	30.09.17 (pence per share)	30.09.16 (pence per share)
Change in net assets per share			
Opening net asset value per share	264.50	235.84	208.02
Return before operating charges ⁽¹⁾	15.82	30.69	29.55
Operating charges	(2.21)	(2.03)	(1.73)
Return after operating charges	13.61	28.66	27.82
Distributions	(7.78)	(6.52)	(5.23)
Retained distributions on accumulation shares	7.78	6.52	5.23
Closing net asset value per share	278.11	264.50	235.84
After direct transaction costs of ⁽¹⁾	(1.99)	(1.85)	(1.31)
Performance			
Return after charges	5.15%	12.15%	13.37%
Other information			
Closing net asset value (£'000)	71,681	43,254	5,295
Closing number of shares	25,774,294	16,352,935	2,245,338
Operating charges	0.80%	0.80%	0.81%
Direct transaction costs	0.72%	0.73%	0.61%
Prices			
Highest share price	292.00	267.90	237.60
Lowest share price	258.30	251.50	185.80

EA Income shares

	30.09.18 (pence per share)	30.09.17 (pence per share)	30.09.16 (pence per share)
Change in net assets per share			
Opening net asset value per share	114.42	104.56	94.45
Return before operating charges ⁽¹⁾	6.77	13.63	13.25
Operating charges	(0.65)	(0.62)	(0.53)
Return after operating charges	6.12	13.01	12.72
Distributions	(3.64)	(3.15)	(2.61)
Closing net asset value per share	116.90	114.42	104.56
After direct transaction costs of ⁽¹⁾	(0.86)	(0.82)	(0.59)
Performance			
Return after charges	5.35%	12.44%	13.47%
Other information			
Closing net asset value (£'000)	25,903	13,669	5,155
Closing number of shares	22,158,377	11,946,827	4,929,738
Operating charges	0.55%	0.55%	0.55%
Direct transaction costs	0.72%	0.73%	0.61%
Prices			
Highest share price	125.20	117.80	106.40
Lowest share price	111.60	110.50	84.44

EA Accumulation shares

	30.09.18 (pence per share)	30.09.17 (pence per share)	30.09.16 (pence per share)
Change in net assets per share			
Opening net asset value per share	121.63	108.18	95.16
Return before operating charges ⁽¹⁾	7.28	14.09	13.56
Operating charges	(0.70)	(0.64)	(0.54)
Return after operating charges	6.58	13.45	13.02
Distributions	(3.90)	(3.29)	(2.65)
Retained distributions on accumulation shares	3.90	3.29	2.65
Closing net asset value per share	128.21	121.63	108.18
After direct transaction costs of ⁽¹⁾	(0.92)	(0.85)	(0.60)
Performance			
Return after charges	5.41%	12.43%	13.68%
Other information			
Closing net asset value (£'000)	57,407	46,850	15,692
Closing number of shares	44,775,324	38,517,511	14,505,717
Operating charges	0.55%	0.55%	0.55%
Direct transaction costs	0.72%	0.73%	0.61%
Prices			
Highest share price	134.50	123.20	109.00
Lowest share price	118.90	115.50	85.08

⁽¹⁾ Direct transaction costs comprise commission and taxes, principally applicable to equity investment purchases and sales. Shareholders should note that additionally there are other transaction costs such as dealing spread which will also have reduced the Sub-fund and share class returns before operating charges.

Lazard Investment Funds – Annual Report and Financial Statements September 2018

Lazard UK Omega Fund continued

Distribution tables

for the year ended 30 September 2018

Dividend distribution in pence per share.

Final Distribution

	Net revenue	Equalisation	Distribution payable 30.11.18	Distribution paid 30.11.17
A Income				
Group 1	4.0424	—	4.0424	3.3488
Group 2	1.5085	2.5339	4.0424	3.3488
A Accumulation				
Group 1	4.7222	—	4.7222	3.8219
Group 2	1.8968	2.8254	4.7222	3.8219
B Income				
Group 1	3.4263	—	3.4263	2.7617
Group 2	0.6532	2.7731	3.4263	2.7617
B Accumulation				
Group 1	3.7856	—	3.7856	2.9875
Group 2	0.0839	3.7017	3.7856	2.9875
C Income				
Group 1	4.3541	—	4.3541	3.6448
Group 2	2.0163	2.3378	4.3541	3.6448
C Accumulation				
Group 1	5.0515	—	5.0515	4.1219
Group 2	1.2848	3.7667	5.0515	4.1219
EA Income				
Group 1	2.3137	—	2.3137	1.9572
Group 2	1.0784	1.2353	2.3137	1.9572
EA Accumulation				
Group 1	2.4879	—	2.4879	2.0437
Group 2	1.3586	1.1293	2.4879	2.0437

Interim Distribution

	Net revenue	Equalisation	Distribution paid 31.05.18	Distribution paid 31.05.17
A Income				
Group 1	2.0861	—	2.0861	1.8592
Group 2	1.1521	0.9340	2.0861	1.8592
A Accumulation				
Group 1	2.4045	—	2.4045	2.1145
Group 2	1.4500	0.9545	2.4045	2.1145
B Income				
Group 1	1.4759	—	1.4759	1.2926
Group 2	0.8772	0.5987	1.4759	1.2926
B Accumulation				
Group 1	1.6212	—	1.6212	1.4009
Group 2	0.8285	0.7927	1.6212	1.4009
C Income				
Group 1	2.3785	—	2.3785	2.1513
Group 2	1.2084	1.1701	2.3785	2.1513
C Accumulation				
Group 1	2.7305	—	2.7305	2.3971
Group 2	1.7086	1.0219	2.7305	2.3971
EA Income				
Group 1	1.3289	—	1.3289	1.1960
Group 2	0.6928	0.6361	1.3289	1.1960
EA Accumulation				
Group 1	1.4124	—	1.4124	1.2445
Group 2	0.7827	0.6297	1.4124	1.2445

Group 1: shares purchased prior to the distribution period.

Group 2: shares purchased during the distribution period.

Equalisation is the average amount of revenue included in the purchase price of all Group 2 shares and is refunded to holders of these shares as a return of capital. Being capital it is not liable for income tax but must be deducted from the cost of shares for capital gains tax purposes.

Lazard Investment Funds – Annual Report and Financial Statements September 2018

Lazard UK Omega Fund continued

Notes to the Financial Statements

as at 30 September 2018

1 Accounting policies

The accounting policies for the Sub-fund are the same as those disclosed in the notes to the Financial Statements of all Sub-funds on page 5.

2 Net capital gains

	30.09.18 £'000	30.09.17 £'000
The net capital gains during the year comprise:		
Non-derivative securities	3,930	9,497
Currency losses	—	(3)
Custodial transaction fees	(4)	(3)
Net capital gains	3,926	9,491

3 Revenue

	30.09.18 £'000	30.09.17 £'000
Bank interest	1	—
Non-taxable overseas dividends	171	67
UK franked dividends	6,766	4,549
Total revenue	6,938	4,616

4 Expenses

	30.09.18 £'000	30.09.17 £'000
Payable to the ACD, associates of the ACD and agents of either of them:		
ACD's periodic charge	1,424	1,089
Payable to the Depositary, associates of the Depositary and agents of either of them:		
Depositary's fees	50	35
Safe custody fees	11	7
	61	42
Other expenses:		
Audit fee	9	10
VAT on audit fee	2	2
Legal and professional fees	5	5
Registration fees	9	9
Sundry	1	—
	26	26
Total expenses	1,511	1,157

5 Taxation

	30.09.18 £'000	30.09.17 £'000
a) Analysis of the charge in the year		
<i>Current tax:</i>		
Overseas tax	—	—
Total current tax (note 5b)	—	—
Deferred tax (note 5c)	—	—
Total taxation	—	—
b) Factors affecting taxation charge for the year		
Net revenue before taxation	5,427	3,459
Net revenue before taxation at the applicable rate of corporation tax in the UK of 20% (2017: 20%)	1,085	692
Effects of:		
Movement in excess management expenses	302	231
Revenue not subject to tax	(1,387)	(923)
Total current tax (note 5a)	—	—

c) Provision for Deferred tax

There is no Deferred tax provision in the current or preceding year.

At the year end there is a potential Deferred tax asset of £1,298,000 (2017: £996,000) due to excess management expenses.

It is unlikely the Sub-fund will generate sufficient taxable profits in the future to utilise these amounts and therefore no Deferred tax asset has been recognised (2017: £nil).

6 Interest payable and similar charges

	30.09.18 £'000	30.09.17 £'000
Interest	—	—
Total interest payable and similar charges	—	—

Lazard Investment Funds – Annual Report and Financial Statements September 2018

Lazard UK Omega Fund continued

Notes to the Financial Statements continued

7 Distributions

The distributions take account of revenue received on the creation of shares and revenue deducted on the cancellation of shares and comprise:

	30.09.18 £'000	30.09.17 £'000
Interim	1,869	1,312
Final	4,060	2,622
	5,929	3,934
Add: Revenue deducted on cancellation of shares	118	91
Less: Revenue received on issue of shares	(613)	(560)
Net distributions for the year	5,434	3,465

The difference between the revenue after taxation and the distributions for the year are as follows:

	30.09.18 £'000	30.09.17 £'000
Net revenue after taxation	5,427	3,459
Add: Equalisation on conversions	7	6
Net distributions for the year	5,434	3,465

Details of the distributions per share are set out in the tables on page 101.

8 Debtors

	30.09.18 £'000	30.09.17 £'000
Accrued revenue	550	142
Amounts receivable for issue of shares	463	1,364
Overseas withholding tax	13	13
Sales awaiting settlement	—	138
Total debtors	1,026	1,657

9 Creditors

	30.09.18 £'000	30.09.17 £'000
a) Distribution payable		
Net distribution payable	1,391	969
	1,391	969
b) Other creditors		
Accrued expenses	151	127
Amounts payable for cancellation of shares	214	184
Purchases awaiting settlement	4,750	—
Total creditors	5,115	311

10 Contingent assets/(liabilities) and outstanding commitments

There were no contingent assets/(liabilities) or outstanding commitments at the balance sheet date (2017: £nil).

11 Related party disclosures

Details of the related party disclosures are included within note 4 of the notes to the Financial Statements of all Sub-funds on page 8.

12 Financial instruments

Details of the financial instruments risk disclosures are set out in note 2 of the notes to the Financial Statements of all Sub-funds on page 6.

a) Currency exposure profile

30.09.18 Currency	Net currency assets		
	Monetary Non-monetary		Total £'000
	exposures £'000	exposures £'000	
Euro	—	93	93
US Dollar	—	72	72
	—	165	165

30.09.17 Currency	Net currency assets*		
	Monetary Non-monetary		Total £'000
	exposures £'000	exposures £'000	
Euro	—	13	13
	—	13	13

*Monetary exposure previously included all short-term debtors and creditors. This has been restated to include cash position only.

Lazard Investment Funds – Annual Report and Financial Statements September 2018

Lazard UK Omega Fund continued

Notes to the Financial Statements continued

12 Financial instruments continued

b) Interest rate risk profile

The Sub-fund's only interest bearing financial instruments at the balance sheet date are represented by its cash balances and overdraft facility, which earn and pay interest on normal commercial terms based on LIBOR or its overseas equivalent.

c) Valuation of financial investments

The categorisation of financial investments in the tables below reflects the methodology used to measure their fair value.

	Assets £'000	Liabilities £'000
30.09.18		
Level 1: The unadjusted quoted price in an active market for identical assets or liabilities the entity can access at measurement date	220,831	—
Level 2: Inputs other than quoted prices included within Level 1 that are observable (i.e. developed using market data) for the asset or liability, either directly or indirectly	—	—
Level 3: Inputs are unobservable (i.e. for which market data is unavailable) for the asset or liability	—	—
	220,831	—

30.09.17

Level 1: The unadjusted quoted price in an active market for identical assets or liabilities the entity can access at measurement date	162,542	—
Level 2: Inputs other than quoted prices included within Level 1 that are observable (i.e. developed using market data) for the asset or liability, either directly or indirectly	—	—
Level 3: Inputs are unobservable (i.e. for which market data is unavailable) for the asset or liability	—	—
	162,542	—

d) Credit risk

The Sub-fund did not enter into any derivative contracts during the year and therefore has no counterparty exposure.

e) Sensitivity analysis

Please refer to the disclosure in the notes to the Financial Statements of all Sub-funds on page 7.

13 Portfolio transaction costs

For the year 1 October 2017 to 30 September 2018

	Value £'000	Commissions £'000	%	Taxes £'000	%
Purchases (excluding derivatives)					
Equity transactions (direct)	252,397	131	0.05	1,124	0.45
Corporate Actions	3,255	—	—	—	—
Total	255,652	131		1,124	
Total purchases including commission and taxes	256,907				
	£'000	£'000	%	£'000	%
Sales (excluding derivatives)					
Equity transactions (direct)	199,408	115	0.06	—	—
Corporate Actions	3,255	—	—	—	—
Total	202,633	115		—	
Total sales net of transaction costs	202,548				
Total transaction costs		246		1,124	
Total transaction costs as a % of average net assets		0.13%		0.59%	

Lazard Investment Funds – Annual Report and Financial Statements September 2018

Lazard UK Omega Fund continued

Notes to the Financial Statements continued

13 Portfolio transaction costs continued

For the year 1 October 2016 to 30 September 2017

	Value £'000	Commissions £'000	%	Taxes £'000	%
Purchases (excluding derivatives)					
Equity transactions (direct)	161,038	137	0.09	727	0.45
Total	161,038	137		727	
Total purchases including commission and taxes	161,902				
	£'000	£'000	%	£'000	%
Sales (excluding derivatives)					
Equity transactions (direct)	98,257	85	0.09	—	—
Total	98,257	85		—	
Total sales net of transaction costs	98,172				
Total transaction costs		222		727	
Total transaction costs as a % of average net assets		0.17%		0.56%	

The above analysis covers any direct transaction costs suffered by the Sub-fund during the year. However it is important to understand the nature of other transaction costs associated with different investment asset classes and instruments types.

Separately identifiable direct transaction costs (commissions & taxes etc.) are attributable to the Sub-fund's purchase and sale of equity shares. Additionally for equity shares there is a dealing spread cost (the difference between the buying and selling prices) which will be suffered on purchase and sale transactions.

Dealing spread costs suffered by the Sub-fund vary considerably depending on a number of factors including transaction value and market sentiment. At the balance sheet date the average portfolio dealing spread (difference between bid and offer prices of all investments expressed as a percentage of the offer price value) was 0.08% (2017: 0.13%).

The dealing spreads disclosed above are as at the 30 September, which is a reflection of the dealing spread of the portfolio at a point in time. Dealing spreads throughout the year will vary depending on the make-up of the portfolio.

14 Share movement

For the year 1 October 2017 to 30 September 2018

	A Income shares	A Accumulation shares	B Income shares
Opening shares	1,471,438	4,379,602	8,873,085
Shares issued	12,186	240,343	253,810
Shares cancelled	(196,155)	(514,279)	(990,275)
Shares converted	2,163,504	—	(2,568,076)
Closing shares	3,450,973	4,105,666	5,568,544

	B Accumulation shares	C Income shares	C Accumulation shares
Opening shares	814,595	12,096,174	16,352,935
Shares issued	848,167	1,097,231	10,491,250
Shares cancelled	(112,917)	(995,532)	(1,069,891)
Shares converted	—	395,170	—
Closing shares	1,549,845	12,593,043	25,774,294

	EA Income shares	EA Accumulation shares
Opening shares	11,946,827	38,517,511
Shares issued	11,753,781	9,437,462
Shares cancelled	(1,542,231)	(3,179,649)
Shares converted	—	—
Closing shares	22,158,377	44,775,324

Lazard Investment Funds – Annual Report and Financial Statements September 2018

Lazard UK Smaller Companies Fund

Investment Manager's Report

Investment Objective

The objective of the Sub-fund is to achieve capital growth at a rate greater than that of the Numis Smaller Companies Index.

Investment Review

Over the twelve month period ending 30 September 2018, the Lazard UK Smaller Companies Fund (the "Fund") returned 4.93% in sterling, against the NSC ex investment companies, which returned 1.38%⁽¹⁾.

Investment Policy

The Sub-fund will invest at least 80% of its assets in UK securities of companies which form part of the Numis Smaller Companies Index or have an equivalent or lower market capitalisation.

Market review

Domestic economic data remained mixed for much of the year, with areas of strength in the labour market and manufacturing and services sectors offset by weakness in the new car market and retail sales. Stimulated by the rise in the oil price, which reached a four year high during the summer, UK household inflation rose for the first time in nearly a year. This led the Bank of England to raise interest rates by 25 basis points for only the second time in a decade.

As the date of the United Kingdom's departure from the European Union drew closer, UK companies reiterated that Brexit uncertainty was an important factor holding back new investment. Speculation about a no-deal outcome had increased by the end of September.

The ongoing global economic recovery offered support to UK stocks during the year, as did the passing of new US tax legislation at the beginning of the period. Technology was the best performing small cap sector, followed by utilities and oil & gas. Basic materials, telecommunications, consumer services and consumer goods detracted.

Portfolio Review

What contributed to Returns

- An overweight in technology and stock selection and an overweight in oil & gas. Stock selection in industrials, financials and an underweight and stock selection in consumer goods was also helpful
- The top performer over the year was BOKU, a payment engine for merchants which facilitates online mobile transactions. First half results included a substantial increase in revenues and a significant narrowing of losses
- Automation specialist Blue Prism continued its positive momentum. 1,000 organisations use its software and it has opened a new regional headquarters in Singapore
- Premier Oil performed very strongly as the company benefited from the rising oil price, and as the market grew more confident in its ability to pay down its debt in the near term

What detracted from Returns

- Stock selection in health care, and an underweight in utilities
- Conviviality was the UK's largest drinks distributor, but after reporting results showing good growth and market share gains at the beginning of the year, a series of events that stemmed from an internal forecasting error led to a rapid collapse of the business in March. The stock's subsequent suspension prevented our full exit before it entered administration
- An overweight in interdealer broker TP ICAP detracted after the combination of the surprise departure of the CEO, and an announcement that earnings would be impacted by additional costs for regulation
- An overweight in specialist online and catalogue retailer N Brown, where the market is becoming increasingly concerned with the quality of earnings and the lack of organic growth from its cash paying customers

All data contained herein is sourced by Lazard Asset Management unless otherwise noted as at 30 September 2018.

(1) Source: Lazard Asset Management, Bid to Bid Price, net income reinvested in sterling, A Income share class net of fees, to 30 September 2018.

Figures refer to past performance which is not a reliable indicator of future results.

Lazard Investment Funds – Annual Report and Financial Statements September 2018

Lazard UK Smaller Companies Fund continued

Outlook

UK economic and corporate fundamentals remain relatively positive in light of the current uncertainty around Brexit. However, UK equity valuations are at a near 30-year low versus global peers, which we do not believe is justified, even when factoring in current market risks. Important milestones in the coming months could serve as catalysts to refocus investors' attention on positive UK fundamentals, should clarity on key issues emerge. Still, uncertainty could persist should rhetoric on trade policy escalate or negotiations between the European Union and the United Kingdom break down. Details from upcoming EU summits will be important in gauging the level of progress being achieved.

We continue to think that UK equity markets remain undervalued by investors and that share prices often fail to reflect strong company fundamentals, offering fertile opportunity for active stock pickers.

General Information as at 30 September 2018

Fund Size	£45.5 million
Net Yield	1.81% A Income 1.24% B Income 2.09% C Income
Sector	IA UK Smaller Companies
Launch Date	6 September 1999
Fund Managers	Alan Clifford and team

Lazard Investment Funds – Annual Report and Financial Statements September 2018

Lazard UK Smaller Companies Fund continued

Portfolio statement (unaudited)

as at 30 September 2018

	Holding	Market Value £'000	% of Net Assets
Oil & Gas Producers (1.75%)		2,011	4.42
Cairn Energy	311,143	722	1.59
Hurricane Energy	468,811	274	0.60
Lekoil	1,688,928	269	0.59
Premier Oil	538,350	746	1.64
Oil Equipment, Services & Distribution (1.10%)		693	1.52
Hunting	88,841	693	1.52
Chemicals (0.97%)		251	0.55
Elementis	93,798	251	0.55
Mining (3.04%)		703	1.54
Gem Diamonds	204,755	243	0.53
Kenmare Resources	110,802	266	0.58
Petra Diamonds	513,383	194	0.43
Construction & Materials (4.38%)		2,231	4.90
Keller	66,229	673	1.48
Low & Bonar	493,880	194	0.42
Norcross	218,750	459	1.01
Tekmar	283,797	463	1.02
Volution	234,925	442	0.97
Aerospace & Defence (1.18%)		675	1.48
Senior	216,079	675	1.48
General Industrials (2.26%)		826	1.81
RPC	27,997	222	0.49
Vesuvius	93,654	604	1.32
Electronic & Electrical Equipment (2.49%)		1,686	3.71
Dialight	56,946	262	0.58
Discoverie	146,403	549	1.21
Morgan Advanced Materials	213,686	710	1.56
Xaar	100,392	165	0.36
Industrial Engineering (1.29%)		413	0.91
Bodycote	45,640	413	0.91
Industrial Transportation (0.90%)		713	1.57
Braemar Shipping Services	129,807	337	0.74
Eddie Stobart Logistics	330,042	376	0.83
Support Services (14.44%)		6,476	14.22
Alpha Financial Markets Consulting	186,985	462	1.02
Biffa	220,655	554	1.22
Equiniti	259,468	689	1.51
Essentra	127,346	516	1.13
Gateley	269,672	439	0.96
Johnson Service	354,070	478	1.05
Keywords	18,491	360	0.79
Northgate	143,659	597	1.31
Sanne	76,373	489	1.07
SIG	192,609	244	0.54
Smart Metering Systems	94,809	584	1.28
SThree	173,096	652	1.43
Sureserve	359,255	126	0.28
Vianet	260,425	286	0.63
Automobiles & Parts (0.49%)		—	—
Food Producers (0.30%)		—	—
Household Goods & Home Construction (4.26%)		1,244	2.73
Galliford Try	64,456	652	1.43
Headlam	124,954	592	1.30
Personal Goods (1.41%)		234	0.51
Superdry	21,540	234	0.51
Health Care Equipment & Services (1.47%)		595	1.31
PureTech Health	199,108	328	0.72
Spire Healthcare	187,556	267	0.59

	Holding	Market Value £'000	% of Net Assets
Pharmaceuticals & Biotechnology (1.87%)		918	2.01
Allergy Therapeutics	765,045	184	0.40
Genus	23,206	553	1.21
Vectura	226,575	181	0.40
Food & Drug Retailers (2.32%)		553	1.21
Clinigen	65,396	553	1.21
General Retailers (7.10%)		2,290	5.03
boohoo.com	150,896	353	0.77
Brown (N)	192,604	263	0.58
CVS	46,127	428	0.94
Dignity	23,227	236	0.52
Lookers	515,911	547	1.20
Saga	354,364	463	1.02
Media (4.04%)		3,028	6.65
Arena Events	692,813	471	1.03
Entertainment One	166,404	687	1.51
Future	137,116	661	1.45
Nahl	326,055	336	0.74
Taptica International	114,134	417	0.92
Tarsus	162,743	456	1.00
Travel & Leisure (7.01%)		3,013	6.62
City Pub	193,091	429	0.94
easyHotel	237,448	233	0.51
Ei	448,563	743	1.63
Goals Soccer Centres	439,556	308	0.68
GVC	37,714	346	0.76
Gym	198,684	622	1.37
Hostelworld	151,776	332	0.73
Banks (1.29%)		361	0.79
Virgin Money	94,168	361	0.79
Nonlife Insurance (0.86%)		590	1.30
Randall & Quilter Investment	291,995	590	1.30
Life Insurance (0.83%)		531	1.17
Phoenix	78,491	531	1.17
Real Estate Investment & Services (3.82%)		2,701	5.93
Belvoir Lettings	389,986	405	0.89
LSL Property Services	169,582	449	0.99
Palace Capital	134,946	405	0.89
Savills	63,834	498	1.09
U and I	223,099	507	1.11
Urban & Civic	144,700	437	0.96
Real Estate Investment Trusts (5.56%)		2,204	4.84
Assura	1,184,514	641	1.41
Hansteen	465,677	450	0.99
Safestore	130,483	679	1.49
Workspace	44,224	434	0.95
Financial Services (11.54%)		5,184	11.38
AFH Financial	133,798	530	1.16
Arrow Global	177,698	409	0.90
Boku	257,807	433	0.95
Brewin Dolphin	186,799	641	1.41
CMC Markets	175,454	244	0.54
Intermediate Capital	36,698	400	0.88
IP	252,030	323	0.71
Morses Club	279,206	385	0.84
Mortgage Advice Bureau	51,456	302	0.66
Paragon	142,771	684	1.50
RM	210,149	429	0.94
XPS Pensions	245,082	404	0.89

Lazard Investment Funds – Annual Report and Financial Statements September 2018

Lazard UK Smaller Companies Fund continued

Portfolio statement (unaudited) continued

as at 30 September 2018

	Holding	Market Value £'000	% of Net Assets
Software & Computer Services (7.28%)			
Blue Prism	13,517	320	0.70
Computacenter	41,117	520	1.14
FDM	55,649	540	1.19
GB	66,284	386	0.85
IMImobile	130,148	453	0.99
SDL	94,663	448	0.98
StatPro	153,845	208	0.46
Team17	125,000	350	0.77
Wandisco	19,026	122	0.27
Technology Hardware & Equipment (1.65%)			
IQE	394,765	324	0.71
Spirent Communications	402,457	541	1.19
Portfolio of investments (96.90%)		44,336	97.36
Net other assets (3.10%)		1,202	2.64
Total net assets attributable to Shareholders		45,538	100.00

Unless otherwise stated, all holdings are quoted in ordinary shares and listed on a recognised exchange.

The percentages in brackets show the equivalent comparative holdings at 30.09.17 (unaudited).

Lazard Investment Funds – Annual Report and Financial Statements September 2018

Lazard UK Smaller Companies Fund continued

Statement of total return

for the year ended 30 September 2018

Notes	30.09.18		30.09.17	
	£'000	£'000	£'000	£'000
Income				
Net capital gains	2	1,090	10,737	
Revenue	3	1,371	1,663	
Expenses	4	(577)	(655)	
Interest payable and similar charges	6	—	—	
Net revenue before taxation		794	1,008	
Taxation	5	(2)	(1)	
Net revenue after taxation		792	1,007	
Total return before distributions		1,882	11,744	
Distributions	7	(794)	(1,009)	
Change in net assets attributable to Shareholders from investment activities		1,088	10,735	

Balance sheet

as at 30 September 2018

Notes	30.09.18		30.09.17	
	£'000	£'000	£'000	£'000
Assets				
Fixed assets				
Investments		44,336	63,156	
Current assets				
Debtors	8	158	249	
Cash and bank balances		1,747	2,581	
Total other assets		1,905	2,830	
Total assets		46,241	65,986	
Liabilities				
Creditors				
Distribution payable	9	(514)	(664)	
Other creditors	9	(189)	(144)	
Total other liabilities		(703)	(808)	
Total liabilities		(703)	(808)	
Net assets attributable to Shareholders		45,538	65,178	

Statement of change in net assets attributable to Shareholders

for the year ended 30 September 2018

	30.09.18		30.09.17	
	£'000	£'000	£'000	£'000
Opening net assets attributable to Shareholders		65,178	55,544	
Amounts receivable on issue of shares	4,300		533	
Amounts payable on cancellation of shares	(25,134)		(1,634)	
Dilution adjustment		106	—	
Change in net assets attributable to Shareholders from investment activities		1,088	10,735	
Closing net assets attributable to Shareholders		45,538	65,178	

Fund facts*

as at 30 September 2018

Synthetic Risk and Reward Indicator (SRRI)



The risk and reward category is calculated using historical data and may not be a reliable indicator of the Sub-fund's future risk profile. The risk and reward category may shift over time and is not a target or guarantee.

The lowest category (i.e. category 1) does not mean "risk free".

The Sub-fund appears in the higher risk category on the risk and reward indicator.

This is because the Sub-fund invests primarily in shares, whose values tend to have higher price fluctuations.

In view of the concentrated nature of the Sub-fund's portfolio of investments, the level of risk is expected to be higher than for broader based portfolios and the net asset value may be more volatile.

It may not be possible to sell the shares of smaller companies as easily as those of larger companies and this may cause the share price to fall.

There is no capital guarantee or protection of the value of the Sub-fund. The value of your investment and the income from it can go down as well as up and you may not get back the amount you invested.

See "Risk Factors" in the UCITS Prospectus for more information about risks.

* This section has not been audited.

Lazard Investment Funds – Annual Report and Financial Statements September 2018

Lazard UK Smaller Companies Fund continued

Comparative tables (unaudited)

A Income shares

	30.09.18 (pence per share)	30.09.17 (pence per share)	30.09.16 (pence per share)
Change in net assets per share			
Opening net asset value per share	2,089.32	1,747.32	1,694.90
Return before operating charges ⁽¹⁾	113.71	394.88	103.09
Operating charges	(23.15)	(20.27)	(17.62)
Return after operating charges	90.56	374.61	85.47
Distributions	(34.09)	(32.61)	(33.05)
Closing net asset value per share	2,145.79	2,089.32	1,747.32
After direct transaction costs of ⁽¹⁾	(4.60)	(2.68)	(2.23)
Performance			
Return after charges	4.33%	21.44%	5.04%
Other information			
Closing net asset value (£'000)	36,459	53,605	44,742
Closing number of shares	1,699,089	2,565,704	2,560,635
Operating charges	1.08%	1.06%	1.06%
Direct transaction costs	0.21%	0.14%	0.13%
Prices			
Highest share price	2,235.00	2,108.00	1,784.00
Lowest share price	1,993.00	1,704.00	1,478.00

B Income shares

	30.09.18 (pence per share)	30.09.17 (pence per share)	30.09.16 (pence per share)
Change in net assets per share			
Opening net asset value per share	2,087.21	1,746.04	1,693.38
Return before operating charges ⁽¹⁾	113.80	393.83	103.08
Operating charges	(33.79)	(29.95)	(26.38)
Return after operating charges	80.01	363.88	76.70
Distributions	(23.33)	(22.71)	(24.04)
Closing net asset value per share	2,143.89	2,087.21	1,746.04
After direct transaction costs of ⁽¹⁾	(4.59)	(2.68)	(2.22)
Performance			
Return after charges	3.83%	20.84%	4.53%
Other information			
Closing net asset value (£'000)	3,558	5,585	5,625
Closing number of shares	165,974	267,584	322,116
Operating charges	1.58%	1.57%	1.59%
Direct transaction costs	0.21%	0.14%	0.13%
Prices			
Highest share price	2,230.00	2,101.00	1,778.00
Lowest share price	1,991.00	1,702.00	1,474.00

C Income shares

	30.09.18 (pence per share)	30.09.17 (pence per share)	30.09.16 (pence per share)
Change in net assets per share			
Opening net asset value per share	2,089.27	1,747.09	1,694.67
Return before operating charges ⁽¹⁾	113.82	395.15	103.17
Operating charges	(17.80)	(15.69)	(13.81)
Return after operating charges	96.02	379.46	89.36
Distributions	(39.53)	(37.28)	(36.94)
Closing net asset value per share	2,145.76	2,089.27	1,747.09
After direct transaction costs of ⁽¹⁾	(4.60)	(2.69)	(2.23)
Performance			
Return after charges	4.60%	21.72%	5.27%
Other information			
Closing net asset value (£'000)	5,521	5,988	5,177
Closing number of shares	257,296	286,606	296,349
Operating charges	0.83%	0.82%	0.83%
Direct transaction costs	0.21%	0.14%	0.13%
Prices			
Highest share price	2,236.00	2,111.00	1,785.00
Lowest share price	1,993.00	1,705.00	1,478.00

⁽¹⁾ Direct transaction costs comprise commission and taxes, principally applicable to equity investment purchases and sales. Shareholders should note that additionally there are other transaction costs such as dealing spread which will also have reduced the Sub-fund and share class returns before operating charges.

Lazard Investment Funds – Annual Report and Financial Statements September 2018

Lazard UK Smaller Companies Fund continued

Distribution tables

for the year ended 30 September 2018

Dividend distribution in pence per share.

Final Distribution

	Net revenue	Equalisation	Distribution payable 30.11.18	Distribution paid 30.11.17
A Income				
Group 1	24.3350	—	24.3350	21.4732
Group 2	4.7467	19.5883	24.3350	21.4732
B Income				
Group 1	18.8601	—	18.8601	16.4035
Group 2	4.6693	14.1908	18.8601	16.4035
C Income				
Group 1	27.0848	—	27.0848	23.9947
Group 2	12.7945	14.2903	27.0848	23.9947

Interim Distribution

	Net revenue	Equalisation	Distribution paid 31.05.18	Distribution paid 31.05.17
A Income				
Group 1	9.7598	—	9.7598	11.1400
Group 2	4.1201	5.6397	9.7598	11.1400
B Income				
Group 1	4.4677	—	4.4677	6.3108
Group 2	4.0415	0.4262	4.4677	6.3108
C Income				
Group 1	12.4475	—	12.4475	13.2803
Group 2	9.5390	2.9085	12.4475	13.2803

Group 1: shares purchased prior to the distribution period.

Group 2: shares purchased during the distribution period.

Equalisation is the average amount of revenue included in the purchase price of all Group 2 shares and is refunded to holders of these shares as a return of capital. Being capital it is not liable for income tax but must be deducted from the cost of shares for capital gains tax purposes.

Lazard Investment Funds – Annual Report and Financial Statements September 2018

Lazard UK Smaller Companies Fund continued

Notes to the Financial Statements

as at 30 September 2018

1 Accounting policies

The accounting policies for the Sub-fund are the same as those disclosed in the notes to the Financial Statements of all Sub-funds on page 5.

2 Net capital gains

	30.09.18 £'000	30.09.17 £'000
The net capital gains during the year comprise:		
Non-derivative securities	1,095	10,739
Custodial transaction fees	(5)	(2)
Net capital gains	1,090	10,737

3 Revenue

	30.09.18 £'000	30.09.17 £'000
Non-taxable overseas dividends	69	157
Property distributions	99	93
Taxable overseas dividends	8	—
UK franked dividends	1,195	1,413
Total revenue	1,371	1,663

4 Expenses

	30.09.18 £'000	30.09.17 £'000
Payable to the ACD, associates of the ACD and agents of either of them:		
ACD's periodic charge	539	616
Payable to the Depositary, associates of the Depositary and agents of either of them:		
Depositary's fees	14	16
Safe custody fees	5	5
	19	21
Other expenses:		
Audit fee	9	10
VAT on audit fee	2	2
Legal and professional fees	4	3
Registration fees	4	3
	19	18
Total expenses	577	655

5 Taxation

	30.09.18 £'000	30.09.17 £'000
a) Analysis of the charge in the year		
<i>Current tax:</i>		
Overseas tax	2	1
Total current tax (note 5b)	2	1
Deferred tax (note 5c)	—	—
Total taxation	2	1

b) Factors affecting taxation charge for the year

Net revenue before taxation	794	1,008
Net revenue before taxation at the applicable rate of corporation tax in the UK of 20% (2017: 20%)	159	202
Effects of:		
Movement in excess management expenses	94	112
Revenue not subject to tax	(253)	(314)
Overseas tax	2	1
Total current tax (note 5a)	2	1

c) Provision for Deferred tax

There is no Deferred tax provision in the current or preceding year.

At the year end there is a potential Deferred tax asset of £ £3,028,000 (2017: £2,934,000) due to surplus management expenses.

It is unlikely the Sub-fund will generate sufficient taxable profits in the future to utilise these amounts and therefore no Deferred tax asset has been recognised (2017: nil).

6 Interest payable and similar charges

	30.09.18 £'000	30.09.17 £'000
Interest	—	—
Total interest payable and similar charges	—	—

Lazard Investment Funds – Annual Report and Financial Statements September 2018

Lazard UK Smaller Companies Fund continued

Notes to the Financial Statements continued

7 Distributions

The distributions take account of revenue received on the creation of shares and revenue deducted on the cancellation of shares and comprise:

	30.09.18 £'000	30.09.17 £'000
Interim	228	341
Final	514	664
	742	1,005
Add: Revenue deducted on cancellation of shares	55	6
Less: Revenue received on issue of shares	(3)	(2)
Net distributions for the year	794	1,009

The difference between the revenue after taxation and the distributions for the year are as follows:

	30.09.18 £'000	30.09.17 £'000
Net revenue after taxation	792	1,007
Add: equalisation on conversions	2	2
Net distributions for the year	794	1,009

Details of the distributions per share are set out in the tables on page 112.

8 Debtors

	30.09.18 £'000	30.09.17 £'000
Accrued revenue	149	221
Amounts receivable for issue of shares	—	22
Overseas tax recoverable	—	6
Sales awaiting settlement	9	—
Total debtors	158	249

9 Creditors

	30.09.18 £'000	30.09.17 £'000
a) Distribution payable		
Net distribution payable	514	664
	514	664
b) Other creditors		
Accrued expenses	54	70
Amounts payable for cancellation of shares	2	—
Purchases awaiting settlement	133	74
Total creditors	189	144

10 Contingent assets/(liabilities) and outstanding commitments

There were no contingent assets/(liabilities) or outstanding commitments at the balance sheet date (2017: nil).

11 Related party disclosures

Details of the related party disclosures are included within note 4 of the notes to the Financial Statements of all Sub-funds on page 8.

12 Financial instruments

Details of the financial instruments risk disclosures are set out in note 2 of the notes to the Financial Statements of all Sub-funds on page 5.

a) Currency exposure profile

30.09.18 Currency	Net currency assets		Total £'000
	Monetary exposures £'000	Non-monetary exposures £'000	
Euro	6	—	6
	6	—	6

30.09.17 Currency	Net currency assets*		Total £'000
	Monetary exposures £'000	Non-monetary exposures £'000	
Euro	5	6	11
	5	6	11

*Monetary exposure previously included all short-term debtors and creditors. This has been restated to include cash position only.

b) Interest rate risk profile

The Sub-fund's only interest bearing financial instruments at the balance sheet date are represented by its cash balances and overdraft facility, which earn and pay interest on normal commercial terms based on LIBOR or its overseas equivalent.

Lazard Investment Funds – Annual Report and Financial Statements September 2018

Lazard UK Smaller Companies Fund continued

Notes to the Financial Statements continued

12 Financial instruments continued

c) Valuation of financial investments

The categorisation of financial investments in the tables below reflects the methodology used to measure their fair value.

30.09.18

Level 1: The unadjusted quoted price in an active market for identical assets or liabilities the entity can access at measurement date

Assets £'000	Liabilities £'000
-----------------	----------------------

44,336	—
--------	---

Level 2: Inputs other than quoted prices included within Level 1 that are observable (i.e. developed using market data) for the asset or liability, either directly or indirectly

—	—
---	---

Level 3: Inputs are unobservable (i.e. for which market data is unavailable) for the asset or liability

—	—
---	---

44,336	—
---------------	----------

30.09.17

Level 1: The unadjusted quoted price in an active market for identical assets or liabilities the entity can access at measurement date

63,156	—
--------	---

Level 2: Inputs other than quoted prices included within Level 1 that are observable (i.e. developed using market data) for the asset or liability, either directly or indirectly

—	—
---	---

Level 3: Inputs are unobservable (i.e. for which market data is unavailable) for the asset or liability

—	—
---	---

63,156	—
---------------	----------

13 Portfolio transaction costs

For the year 1 October 2017 to 30 September 2018

	Value £'000	Commissions £'000	%	Taxes £'000	%
Purchases (excluding derivatives)					
Equity transactions (direct)	16,589	9	0.05	48	0.29
Corporate Actions	235	—	—	—	—
Total	16,824	9		48	
Total purchases including commission and taxes	16,881				
	£'000	£'000	%	£'000	%
Sales (excluding derivatives)					
Equity transactions (direct)	36,455	57	0.16	1	—
Corporate Actions	235	—	—	—	—
Total	36,690	57		1	
Total sales net of transaction costs	36,632				
Total transaction costs		66		49	
Total transaction costs as a % of average net assets		0.12%		0.09%	

d) Credit risk

The Sub-fund did not enter into any derivative contracts during the year and therefore has no counterparty exposure.

e) Sensitivity analysis

Please refer to the disclosure in the notes to the Financial Statements of all Sub-funds on page 7.

Lazard Investment Funds – Annual Report and Financial Statements September 2018

Lazard UK Smaller Companies Fund continued

Notes to the Financial Statements continued

13 Portfolio transaction costs continued

For the year 1 October 2016 to 30 September 2017

	Value £'000	Commissions £'000	%	Taxes £'000	%
Purchases (excluding derivatives)					
Equity transactions (direct)	17,381	13	0.07	54	0.31
Total	17,381	13		54	
Total purchases including commission and taxes	17,448				
	£'000	£'000	%	£'000	%
Sales (excluding derivatives)					
Equity transactions (direct)	19,465	18	0.09	—	—
Total	19,465	18		—	
Total sales net of transaction costs	19,447				
Total transaction costs		31		54	
Total transaction costs as a % of average net assets		0.05%		0.09%	

The above analysis covers any direct transaction costs suffered by the Sub-fund during the year. However it is important to understand the nature of other transaction costs associated with different investment asset classes and instruments types.

Separately identifiable direct transaction costs (commissions & taxes etc.) are attributable to the Sub-fund's purchase and sale of equity shares. Additionally for equity shares there is a dealing spread cost (the difference between the buying and selling prices) which will be suffered on purchase and sale transactions.

Dealing spread costs suffered by the Sub-fund vary considerably depending on a number of factors including transaction value and market sentiment. At the balance sheet date the average portfolio dealing spread (difference between bid and offer prices of all investments expressed as a percentage of the offer price value) was 0.96% (2017: 0.96%).

The dealing spreads disclosed above are as at the 30 September, which is a reflection of the dealing spread of the portfolio at a point in time. Dealing spreads throughout the year will vary depending on the make-up of the portfolio.

14 Share movement

For the year 1 October 2017 to 30 September 2018

	A Income shares	B Income shares	C Income shares
Opening shares	2,565,704	267,584	286,606
Shares issued	1,571	28,747	172,666
Shares cancelled	(934,545)	(62,954)	(202,877)
Shares converted	66,359	(67,403)	901
Closing shares	1,699,089	165,974	257,296

Statement of the Authorised Corporate Director's Responsibilities

The Financial Conduct Authority Collective Investment Schemes Sourcebook (COLL) requires the ACD to prepare financial statements for each accounting year which give a true and fair view of the financial affairs of the Company and of its income and net gains on the property for the year. In preparing those financial statements, the ACD is required to:

- select suitable accounting policies and then apply them consistently;
- comply with the disclosure requirements of the Statement of Recommended Practice relating to Authorised Funds issued by the IMA in May 2014;
- comply with the Prospectus, generally accepted accounting principles and applicable accounting standards subject to any material departures which are required to be disclosed and explained in the financial statements;
- keep proper accounting records which enable it to demonstrate that the financial statements as prepared comply with the above requirements;
- make judgements and estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in operation for the foreseeable future.

The ACD is responsible for the management of the Company in accordance with the Regulations, the Instrument of Incorporation and the Prospectus.

The ACD is also responsible for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Lazard Investment Funds – Annual Report and Financial Statements September 2018

Statement of the Depositary's Responsibilities in Respect of the Scheme and Report of the Depositary to the Shareholders of the Lazard Fund Managers Limited (“the Company”) for the Period Ended 30 September 2018

The Depositary must ensure that the Company is managed in accordance with the Financial Conduct Authority’s Collective Investment Schemes Sourcebook, the Open-Ended Investment Companies Regulations 2001 (SI 2001/1228), as amended, the Financial Services and Markets Act 2000, as amended, (together “the Regulations”), the Company’s Instrument of Incorporation and Prospectus (together “the Scheme documents”) as detailed below.

The Depositary must in the context of its role act honestly, fairly, professionally, independently and in the interests of the Company and its investors.

The Depositary is responsible for the safekeeping of all custodial assets and maintaining a record of all other assets of the Company in accordance with the Regulations.

The Depositary must ensure that:

- the Company’s cash flows are properly monitored¹ and that cash of the Company is booked into the cash accounts in accordance with the Regulations;
- the sale, issue, repurchase and cancellation of shares are carried out in accordance with the Regulations;
- the value of shares of the Company are calculated in accordance with the Regulations;
- any consideration relating to transactions in the Company’s assets is remitted to the Company within the usual time limits;
- the Company’s income is applied in accordance with the Regulations; and
- the instructions of the Authorised Fund Manager (“the AFM”), which is the UCITS Management Company, are carried out (unless they conflict with the Regulations)

The Depositary also has a duty to take reasonable care to ensure that Company is managed in accordance with the Regulations and Scheme documents in relation to the investment and borrowing powers applicable to the Company.

Report of the Depositary to the Shareholders of Lazard Investment Funds for the year ended 30 September 2018

Having carried out such procedures as we consider necessary to discharge our responsibilities as depositary of the Company, it is our opinion, based on the information available to us and the explanations provided, that in all material respects the Company, acting through the AFM:

- (i) has carried out the issue, sale, redemption and cancellation, and calculation of the price of the Company’s shares and the application of the Company’s income in accordance with the Regulations and the Scheme documents of the Company; and
- (ii) has observed the investment and borrowing powers and restrictions applicable to the Company.

For and on behalf of
The Bank of New York Mellon (International) Limited
London
28 January 2019

¹ This requirement on the Depositary applied from 18 March 2016.

Lazard Investment Funds – Annual Report and Financial Statements September 2018

Independent Auditors' Report to the Shareholders of Lazard Investment Funds

Report on the financial statements

Our opinion

In our opinion, Lazard Investment Funds financial statements, (the “financial statements of the Company”):

- give a true and fair view of the financial position of the Company and each of the sub-funds as at 30 September 2018 and of the net revenue and the net capital gains/losses on the scheme property of the Company and each of the sub-funds for the year then ended; and
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 “The Financial Reporting Standard applicable in the UK and Republic of Ireland”, and applicable law), the Statement of Recommended Practice for UK Authorised Funds, the Collective Investment Schemes sourcebook and the Instrument of Incorporation.

Lazard Investment Funds (the “company”) is an Open Ended Investment Company (‘OEIC’) with 10 sub-funds. The financial statements of the company comprise the financial statements of each of the sub-funds. We have audited the financial statements, included within the Annual Report and Financial Statements (the “Annual Report”), which comprise: the balance sheets as at 30 September 2018; the statement of total return, the statement of change in net assets attributable to shareholders for the year then ended; the distribution tables; the notes to the financial statements of all Sub-funds, which include a description of the significant accounting policies; and the notes to the financial statements for each of the sub-funds.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (“ISAs (UK)”) and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors’ responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC’s Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which ISAs (UK) require us to report to you when:

- the Authorised Corporate Directors’ use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Authorised Corporate Director has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company’s or any of the sub-funds’ ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company’s or any of the sub-funds’ ability to continue as a going concern.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors’ report thereon. The Authorised Corporate Director is responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

Director’s Report

In our opinion, the information given in the Director’s Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Lazard Investment Funds – Annual Report and Financial Statements September 2018

Independent Auditors' Report to the Shareholders of Lazard Investment Funds continued

Responsibilities for the financial statements and the audit

Responsibilities of the Authorised Corporate Director for the financial statements

As explained more fully in the Statement of Authorised Corporate Director's Responsibilities set out on page 117, the Authorised Corporate Director is responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The Authorised Corporate Director is also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Authorised Corporate Director is responsible for assessing the company's and each of the sub-funds ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the Authorised Corporate Director either intends to wind up or terminate the company or individual sub-fund, or has no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

This report, including the opinions, has been prepared for and only for the Company's shareholders as a body in accordance with paragraph 4.5.12 of the Collective Investment Schemes sourcebook as required by paragraph 67(2) of the Open-Ended Investment Companies Regulations 2001 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other required reporting

Opinion on matter required by the Collective Investment Schemes sourcebook

In our opinion, we have obtained all the information and explanations we consider necessary for the purposes of the audit.

Collective Investment Schemes sourcebook exception reporting

Under the Collective Investment Schemes sourcebook we are also required to report to you if, in our opinion:

- proper accounting records have not been kept; or
- the financial statements are not in agreement with the accounting records.

We have no exceptions to report arising from this responsibility.

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Edinburgh
28 January 2019

The financial statements are published at:

<http://www.lazardassetmanagement.co.uk/Navigate.95px/Default/5/Literature/Fund Literature>, which is a website maintained by the Manager.

- The maintenance and integrity of the Lazard Fund Managers Limited website is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.
- Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Lazard Investment Funds – Annual Report and Financial Statements September 2018

Management & Professional Services

**Authorised
Corporate
Director (ACD)** Lazard Fund Managers Limited
50 Stratton Street
London W1J 8LL
Telephone 020 7588 2721
Dealing 0370 606 6408
www.lazardassetmanagement.co.uk
(Authorised and regulated by the Financial Conduct Authority)
(Member of The IA)

**Investment
Adviser** Lazard Asset Management Limited
50 Stratton Street
London W1J 8LL
www.lazardassetmanagement.co.uk
(Authorised and regulated by the Financial Conduct Authority)
(Member of The IA)

Depository The Bank of New York Mellon (International) Limited
One Canada Square
London E14 5AL
(Authorised by the Prudential Regulation Authority and regulated by the
Financial Conduct Authority and the Prudential Regulation Authority)

**Independent
Auditors** PricewaterhouseCoopers LLP
Atria One, 144 Morrison Street
Edinburgh EH3 8EX

Registrar The Bank of New York Mellon (International) Limited
Capital House, 2 Festival Square
Edinburgh EH3 9SU
(Authorised and regulated by the Financial Conduct Authority)

Prospectus Copies of the latest Prospectus are available free of charge
from the ACD at the above address.

**Key Investor
Information
Documents (KIIDs)** Copies of Key Investor Information Documents are available free of
charge from the ACD at the above address.