Lazard Emerging Income Plus

SNAPSHOT

Performance Objective*
Absolute return of LIBOR +8% to 10% per annum, net of all fees, in a volatility range of 7% to 10% per annum

Number of Countries**
Long Portfolio: 20-35
Short Portfolio: 4-10
Universe: 55+

Exposure
Long Portfolio: Up to 200% of NAV
Short Portfolio: Up to (30%) of NAV

Concentration
Single EM country limit:
- 20%/NAV (long)
- (10%)/NAV (short)

Investable Securities
Emerging Market currency and local debt

Use of Derivatives
The strategy may make extensive use of derivatives including forwards, non-deliverable forwards, notes and swaps

Currency Risk
EM currency risk is generally unhedged

Duration
No limit on individual positions; typical portfolio duration less than 12 months (on a gross basis)

Strategy inception
February 2007

* There is no assurance that the strategy's objective or performance target will be achieved

** These are suggested portfolio targets. Actual allocations may vary. Please refer to the private offering memorandum for specific guideline limitations.

What is Lazard Emerging Income Plus?

Lazard Emerging Income Plus (LEI Plus) is a globally diversified, long-biased emerging market currency and local debt strategy. The strategy attains long and short exposure to emerging market (EM) countries by investing in local market instruments including currency forwards and local currency denominated debt.

Why Invest in Lazard Emerging Income Plus?

Potential to generate attractive risk-adjusted returns
Within EM asset classes, a well-diversified local currency and debt portfolio has demonstrated the potential to generate a consistent return profile.

Low correlations and betas
Correlations among local debt markets tend to be low and the diversification benefits, both within the strategy and against other asset classes, are substantial, helping investors mitigate risk.

Resilience in the face of market shocks
Lazard's internal research and extensive experience managing EM currency and local debt strategies since 1995 demonstrates that our disciplined investment process results in a highly diversified portfolio that can withstand market shocks.

Index-agnostic approach to EM local market opportunities
LEI Plus invests in emerging local market opportunities, seeking attractive risk-adjusted results from Lazard's evolving, diverse universe which spans more than 55 countries. LEI Plus incorporates a high level of risk control, including global diversification across EM and through limited credit and duration exposure.

Portfolio **Managers**

LEI Plus is managed by dedicated co-portfolio managers Ardra Belitz and Ganesh Ramachandran. As a pioneer in this asset class, Lazard has managed emerging market local currency debt strategies since 1995, maintaining low historical volatility through EM crises and volatile global market conditions.

Ardra Belitz
Portfolio Manager/Analyst
Joined Industry: 1994
Joined Lazard: 1996

Ganesh Ramachandran
Portfolio Manager/Analyst
Joined Industry: 1997
Joined Lazard: 1997

Emerging Markets Platform **Resources**

The portfolio managers are supported by dedicated analysts and the full breadth of Lazard's robust emerging markets platform and global infrastructure (legal, compliance, operations, marketing, and client servicing).

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Investment **Thesis**

The investment thesis of Lazard Emerging Income Plus is based on internal research and management of local currency debt strategies since 1995, which suggests:

- Low inter-regional correlations between the money market returns of emerging market countries.
- High risk premiums in emerging versus developed money markets due to local investor demand.
- A diversified portfolio can mitigate single currency risk and may generate higher risk-adjusted absolute returns, when compared to an investment in an individual local market.

Low Correlation Between Local Currencies:

Empirical evidence supports Lazard's belief that a well-diversified local markets portfolio mitigates single country risk by capturing high local market returns in the individual countries and benefits from the low average country correlation in its diverse investment universe of countries, and therefore potentially generates high risk-adjusted portfolio returns. Developments in a local market are typically driven by country-specific macroeconomics or political fundamentals.

High Risk Premium for the Local Investor:

A key characteristic of emerging local markets is the role played by the domestic investor base (i.e., local corporations, mutual and pension funds, and citizens) which is exposed to concentrated home country market risk. For that risk, the local investor demands compensation, typically in the form of high money market yields. Insufficient compensation may result in local market weakness, including dollarization of the banking system, capital outflows, interest rate and/or currency pressures.

Mispriced Risk Premium:

In some cases, when the foreign capital presence overwhelms the role played by the local investor, risk premiums may be eroded. Speculative foreign inflows, policy implementation errors, or macroeconomic deterioration may result in local market weakness. In such instances, LEI Plus may take short EM exposure.

Investment **Strategy**

LEI Plus seeks absolute returns through exposures to local currency denominated debt, interest rates, and foreign exchange instruments. The strategy intends to maintain significant exposure to the local currencies of emerging market countries. The strategy is diversified across local markets to mitigate single country risk and capture local money market returns. LEI Plus takes long positions where high risk premiums (i.e., local interest rate or currency undervaluation) are present, and initiates a limited number of short positions where the risk premium is insufficient or the Investment Team holds bearish views on a local market.

Long Portfolio

- Maximum exposure of up to 200% of NAV, single country maximum of up to 20% of NAV
- The exposure is adjustable as a risk control tool, driven by conviction, valuations, policy actions, global market returns, and risk tolerance
- Invests in 20+ emerging markets via forwards, local currency debt, and interest rate instruments from an evolving 50+ country universe

Short Portfolio

- Maximum exposure of up to (30%) of NAV, single country maximum of up to (10%) of NAV
- Exposure via currency forwards, interest rate instruments, and other derivatives
- Investment approach:
  1. Relative value: Capture divergent policy stance, interest rate differential, macro fundamentals, or market positioning between EM countries
  2. Directional view: Express bearish views on EM countries versus G-3 countries where EM balance of payments, inflation, or policy risk is mispriced

Investment Universe

Africa	**Asia**	**CIS / Baltics**	**Europe**	**Latin America**	**Middle East**
Botswana	China	Kazakhstan	Bulgaria	Argentina	Bahrain
Egypt	Hong Kong	Latvia	Croatia	Brazil	Israel
Ghana	India	Lithuania	Czech Republic	Chile	Jordan
Kenya	Indonesia	Russia	Hungary	Colombia	Kuwait
Mauritius	Malaysia	Ukraine	Poland	Costa Rica	Lebanon
Morocco	Philippines		Romania	Dominican Republic	Oman
Namibia	Singapore		Serbia	Jamaica	Qatar
Nigeria	South Korea			Mexico	Saudi Arabia
South Africa	Taiwan			Peru	Turkey
Tanzania	Thailand			Uruguay	United Arab Emirates
Tunisia	Vietnam				
Uganda					
Zambia					

As of 1 January 2011. Lazard expects the investable universe will continue to change as investment opportunities develop.

Investment **Process**

Econometric models alone can ignore the subtleties of individual country analysis. Lazard uses both qualitative and quantitative measures in the context of a fundamental framework.

Portfolio construction involves the creation and monitoring of the evolving universe of countries, the allocation of assets amongst the universe according to the results of our fundamentally driven country research, and bottom-up security selection to best express our fundamental views. These steps are taken with consideration for portfolio risk factors and guidelines.

The team's decisions can be summarized into four categories:

Universe Construction

The team's research produces an evolving investment universe that currently numbers more than 55 countries (see table), each of which is characterized by foreign investor accessibility, two-way market liquidity and availability of continuous investment opportunities.

Country Analysis

The team determines country weights relative to the universe based on prospective risk-adjusted returns and liquidity considerations of each within a globally diversified portfolio. Country and regional local market correlations are an integral part of the allocation process. Decisions on country allocations are derived from the team's consideration of the local yield, fiscal and monetary policy direction, and whether the country has the reserves, balance of payments dynamics, solvency indicators, political stability, and willingness to maintain its stated or implicit policy objectives.

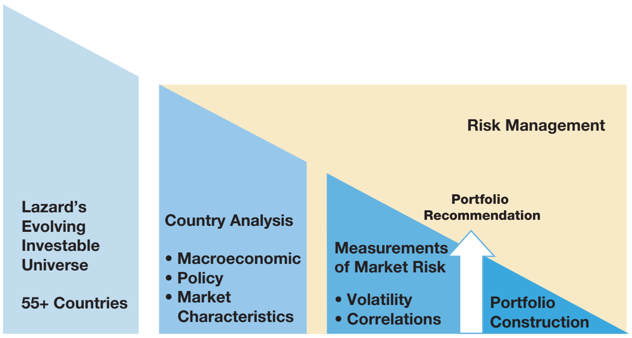
Measurements of Market Risk

The team measures money market risk in three ways:

- **Currency volatility:** Foreign Exchange volatility is tracked using historical and implied volatility levels, as well as evaluating trends in currency policy changes.
- **Interest rate volatility:** While high yields are attractive, yields that become unsustainably high can signal the potential for a devaluation or default and may preclude investment.
- **Correlations:** Correlations may rise or fall relative to developed currencies depending on the phase of the economic cycle, central bank policy in each market and structural trade relationships.

Portfolio Construction

- **Country selection:** The team overweights, underweights, or shorts each local market relative to the universe. The actual portfolio might hold larger weights (subject to guideline maximums) in five to seven countries and have no exposure or short exposure to countries that fail to meet the absolute and risk-adjusted investment hurdle following analysis. No more than 20% of the strategy's net assets may be invested in any one emerging market country on the long side, and no more than (10%) of NAV on the short side.
- **Maturity Selection:** The duration of the strategy typically ranges between three and ten months on a gross basis. There is no duration limit for individual securities, but the majority of investments are short dated. Most trading therefore represents reinvestment/rollover of maturing exposures rather than active portfolio turnover. Lazard might invest in longer securities depending on the shape of the local yield curves in each country, fundamental trends, and credibility of domestic policymakers.
- **Security Selection:** The team selects the most attractive securities on a risk-adjusted basis, generally investing in emerging market currency and debt instruments, primarily through forward currency contracts, as well as a variety of other instruments.



Note: Lazard's investment process for research and portfolio construction is presented here as sequential steps; in practice the process is neither static nor sequential, but ongoing.

Risk **Management**

The team has primary responsibility for risk management and seeks to identify and eliminate unintended risk through the use of various controls. The team monitors portfolio positions and exposures, as well as country correlations and the marginal contribution to portfolio risk, and diversification of individual currencies. The team pays particular attention to risk attributes of the portfolio to ensure that it is adequately diversified. Lazard's Global Risk Management team and the strategy's Risk Management Committee also review portfolio risks.

Investment **Guidelines** (% of Nav)

	Maximum	Normal
Long Exposure (%)	200	190-200
Single country (%)	20	2-15
Number of countries		20-35
Short Exposure (%)	(30)	(5)-(15)
Single country (%)	(10)	(2)-(8)
Number of countries		4-10
Gross Exposure (%)	230	195-210

These are suggested portfolio targets. Actual allocations may vary. Please refer to the private offering memorandum for specific guideline limitations.

Leverage

The normal leverage of the strategy will range from 90% to 100% in the long portfolio and up to (30%) in the short portfolio, resulting in a maximum gross exposure of 230%. The strategy does not intend to engage in direct borrowing (i.e., line of credit) to finance its investments. The cost of the strategy's leverage is interbank interest rates, which are implicit in the forward currency contracts.

Important Information

Investments in global currencies are subject to the general risks associated with fixed income investing, such as interest rate risk, as well as the risks associated with non-domestic investments, which include, but are not limited to, currency fluctuation, devaluation and confiscatory taxation. Furthermore, certain investment techniques required to access certain emerging markets currencies, such as swaps, forwards, structured notes, and loans of portfolio securities, involve risk that the counterparty to such instruments or transactions will become insolvent or otherwise default on its obligation to perform as agreed. In the event of such default, an investor may have limited recourse against the counterparty and may experience delays in recovery or loss.

This profile is for informational purposes only and does not constitute an offer to sell or the solicitation of any offer to buy any fund which may only be made at the time a qualified offeree receives a private Offering Memorandum ("OM") describing the offering and related subscription agreement and in the case of any inconsistency between the descriptions or terms in this profile and the OM, the OM shall control.

An investment in any alternative investment is speculative, involves a high degree of risk, and may lose value. Privately offered investment vehicles are unregistered private investment funds or pools that invest and trade in many different markets, strategies, and instruments. Such funds generally are not subject to regulatory restrictions or oversight. Opportunities for redemptions and transferability of interests in these funds are restricted. The fees imposed,including management and incentive fees/allocations and expenses, may offset trading profits. Investors should not invest in any fund unless they are prepared to lose all or a substantial portion of their investment.

The strategy intends to leverage its positions through currency forwards, which embed a financing cost of interbank interest rates. The strategy may, though does not intend to, engage in explicit borrowing of funds or securities from banks, broker-dealers, or others to take advantage of perceived opportunities, such as short-term price disparities between markets or related securities. Such leverage increases both the possibilities for profit and the risk of loss.

The performance of the strategy is largely dependent on the talents and efforts of certain individuals. There can be no assurance that Lazard Asset Management LLC ("LAM") investment professionals will continue to be associated with LAM and the failure to retain such investment professionals could have an adverse effect on the strategy.

The strategy is subject to a number of actual and potential conflicts of interest involving LAM and its affiliates. LAM and its affiliates provide investment management services to other investors whose investment objectives may be similar to, or different from, the investment objective of the fund. The directors, members, officers and employees of the strategy, LAM and its affiliates may buy and sell securities for their own account or for the account of others. The investment manager may receive an incentive allocation and such a compensation arrangement may create an incentive to make investments that are riskier or more speculative than would be the case if such an arrangement were not in effect.

The strategy invests primarily in emerging market local currencies and debt positions denominated in emerging market currencies and the fund will maintain significant exposure to such local currencies. As such, an investment in the fund is subject to the general risks associated with fixed income investing, such as interest rate risk and credit risk, as well as the risks associated with emerging market investments, including currency fluctuation, devaluation and confiscatory taxation. The strategy may use derivative instruments that are subject to counterparty risk.

The strategy may invest in securities of non-U.S. issuers and which trade on non-U.S. exchanges or in the over-the-counter market. These investments denominated or traded in currencies other than U.S. dollars involve certain considerations not typically associated with investments in U.S. issuers or securities denominated or traded in U.S. dollars. There may be less publicly available information about non-U.S. issuers that may not be subject to uniform accounting, auditing and financial reporting standards and other disclosure requirements comparable to those applicable to U.S. issuers.

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