Lazard Fund of Hedge Funds

SNAPSHOT

Strategy inception
September 2001

Targeted volatility*
3%–5%

Number of hedge funds
Typically 15–35

Style allocation ranges
- Relative Value 5%–40%
- Event Driven 5%–30%
- Long/Short 5%–40%
- Tactical Trading 5%–25%

Use of derivatives
The strategy does not utilize derivative techniques other than those used for hedging currency exposure

Currency risk
USD, EUR, JPY share classes.
For investments in underlying hedge funds, currency exposure is managed by subscribing to manager share classes in equivalent currency

Leverage
No leverage is employed at the strategy level

Lazard-affiliated funds
Does not invest in Lazard-affiliated hedge funds

* The strategy's goal of maintaining a diversified portfolio of strategies and managers that are primarily focused on risk-adjusted alpha generation is designed to result in a return series with relatively controlled risks, which Lazard estimates to be within the targeted volatility range.

What is Lazard Fund of Hedge Funds?

Lazard **fund of hedge funds** strategy typically invests in 15 to 35 underlying funds with a target volatility of 3% to 5%. Assets are allocated to managers employing various investment techniques including relative value, event-driven, long/short equity, and tactical trading strategies.

Key **Benefits** to Investing

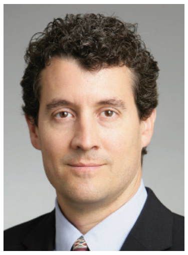
- Opportunity to capture alpha from differentiated sources with less (hedged) systemic exposure
- Opportunity to participate in dislocated markets with less competition from bank and broker/dealer capital
- Good hedge fund managers are nimble and opportunistic
- Returns with lower volatility than traditional assets

Strategy Attributes

- Attractive risk-adjusted relative performance
- Robust due diligence utilizing a qualitative and quantitative scoring system
- Portfolio structure: liquidity matching ensures the strategy's holdings are not skewed
- Supported by the full breadth of Lazard's global infrastructure (legal, compliance, operations, marketing)
- Firm-wide commitment to risk management

Portfolio Management **Team**

An Investment Committee, comprised of Christopher ("Kit") Boyatt, Chris Heasman, and Christian Frei, make all final fund approval and allocation decisions.



Christopher ("Kit") Boyatt
Portfolio Manager/Analyst
Joined Industry: 1987
Joined Lazard: 2001

Christian Frei
Portfolio Manager/Analyst
Joined Industry: 1984
Joined Lazard: 2001

Chris Heasman
Portfolio Manager/Analyst
Joined Industry: 1979
Joined Lazard: 2001

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Investment **Strategy**

The broad objective of Lazard fund of hedge funds is to seek to preserve and grow client wealth by creating an actively managed, diversified portfolio of hedge funds.

The strategy's assets will be allocated between hedge fund managers employing various investment strategies, including:

- **Relative Value** – Strategies that seek to identify and capture profits from mis-priced securities. These investments do not depend on the general direction of market movements, often involve arbitrage techniques, and have low correlation to benchmarks. Strategies within this category include fixed income arbitrage, convertible bond arbitrage, and equity market neutral investing.
- **Event Driven** – Strategies that rely on particular corporate events and the realization of expected valuations. These investments are situation-specific and returns are relatively uncorrelated to the market. Strategy styles within this category include distressed securities, special situations, and merger arbitrage.
- **Equity Long/Short** – Strategies that invest long and short in equity and equity-linked securities. Long/short strategies seize opportunities in both rising and falling markets and cover a wide range of risk and return parameters. Strategy segmentation includes diversification by region, exposure management, sectors, and style approach.
- **Tactical Trading** – Strategies that speculate on the direction of the prices and volatility of equities, bonds, currencies and commodities in cash and derivative markets. The returns from these strategies can be volatile and correlation with traditional benchmarks tends to be low. Strategy styles within this category include macro, managed futures/CTA and foreign exchange.

Investment **Philosophy**

Objective

Lazard believes that a diversified portfolio of hedge funds provides enhanced returns and reduces risk, as compared to traditional investments in the global stock and bond markets.

Robust **Due Diligence**

Hedge funds are subject to less regulation, often secretive, and not particularly liquid investment vehicles. Lazard believes that a systematic approach to the qualitative activity of hedge fund due diligence is most effective.

We evaluate all hedge funds, regardless of style, across a large number of granular success criteria that encompass both investment expertise and business acumen. Below is an outline of the categories evaluated.

In addition to the skills and experience of the team and the support of our investment and operational infrastructure, our process constitutes a defining competitive advantage.

Category: Investment Skill

Manager Capability	Manager Stability	Investment Risk Management	Sustainability of Alpha Generation

Category: Business Skill

People	Operations	Business Risk Management	Information	Sustainability of Alpha Generation

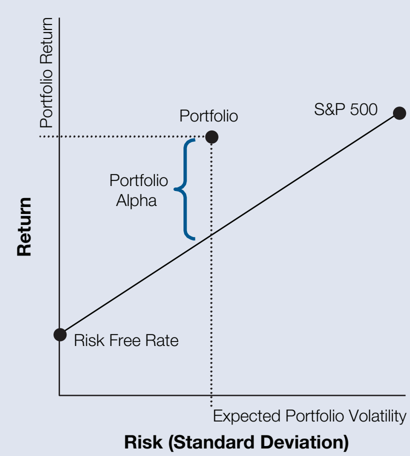
Due diligence process seeks detailed information of manager skills

Adding **Alpha**

Our job as an allocator of capital to hedge funds is to combine an efficient screening and evaluation process with sound portfolio and risk management in order to consistently meet the specific risk and return objectives of a portfolio.

The systematic approach is efficient and thorough and avoids the weaknesses and rigidity of a "rules-based" system.

Risk and Return Objectives



Investment **Process**

Lazard's investment process occurs in three distinct phases. The process is neither static nor strictly sequential, but ongoing and cross referential.

Manager **Selection**

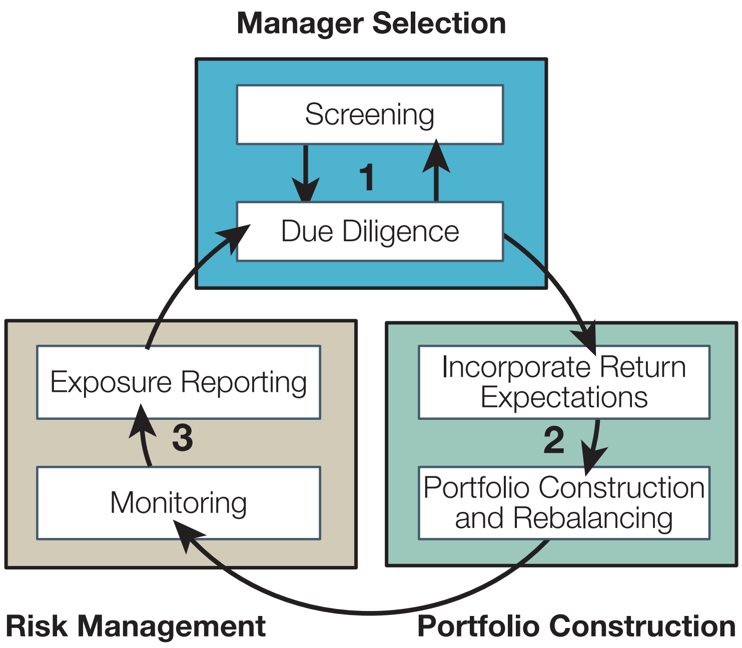
- **Screening** – Lazard narrows the 8,000 fund of hedge fund universe to less than 1,500 eligible funds.
- **Due Diligence** – This process combines quantitative analysis with a systematic and detailed assessment of critical qualitative attributes where both investment and business skill are scored. The full due diligence process is repeated every six months.

Portfolio **Construction**

- **Incorporate Return Expectations** – Expected sources of return are given forward-looking estimates and assigned levels of confidence. Return and volatility projections are calculated, stressed, and tested against history.
- **Portfolio Construction and Rebalancing** – The Strategy's assets will be allocated among 15 to 35 portfolio managers who utilize a variety of investment strategies and manage their own portfolios with sound risk management practices.

Risk **Management**

- **Monitoring** – Maintain and record monthly manager dialog to identify areas of risk, assess opportunity sets, reconcile portfolio action with past strategy, and track changes in business infrastructure.
- **Exposure Reporting** – Each manager's underlying capital market exposures are aggregated across the portfolio regularly. Additionally, factor risk analysis is regularly performed at the investment and portfolio level.



Important Information

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This profile is for information purposes only and does not constitute an offer to sell any share in any fund. Offers of a limited liability company interest in a fund will be made solely by means of a Confidential Memorandum. A copy of the Confidential Memorandum is available from PNC Global Investment Servicing, 400 Bellevue Pkwy, Wilmington, DE 19809. Inquiries should be directed to Ms. Rose Marie Mottola at telephone number (302) 791-3189.

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 performance of the strategy is largely dependent on the talents and efforts of certain individuals. There can be no assurance that LAM's 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 strategy. 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 underlying hedge funds selected by the portfolio management team may invest in securities of non-U.S. companies and which trade on non-U.S. exchanges. These investments are 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 issuers in non-U.S. countries 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.

The underlying hedge funds selected by the portfolio management team will invest in and actively trade securities and other financial instruments using a variety of strategies and investment techniques (including but not limited to, arbitrage investing, investing in distressed and convertible securities, short selling and utilizing leverage) with significant risk characteristics. The underlying funds invest wholly independently of one another and may at times hold economically offsetting positions or cause the strategy to be concentrated. Investment management fees and performance fees are charged by both LAM and the managers of the underlying funds.

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