

Lazard Rathmore

SNAPSHOT

Strategy Inception

1 June 2007

Performance Objective

Target absolute return of 10% to 12% per annum, net of all fees, with volatility under 8% per annum

Strategy allocations

- Special situations and events: 40% to 80%
- Convertible arbitrage: 20% to 60%
- Non-convertible securities: Up to 20%

Leverage

Normal: 2x to 4x of Net Asset Value (Long Market Value)

Liquidity

Focus on liquid securities and issues greater than \$50 million

Regional exposures

- U.S.: 50% to 100%
- Europe: 0% to 25%
- Japan: 0% to 15%
- Asia ex-Japan and Emerging Markets: 0% to 30%

Industry Exposures

0% to 20%

What is Lazard Rathmore?

The Lazard Rathmore strategy seeks absolute returns through a focused relative value approach to attractive opportunities in special situations and events, as well as in credit and volatility, primarily through convertible securities. The strategy aims to generate alpha by exploiting anomalies across a corporation's securities, through proprietary quantitative tools and rigorous credit analysis, and by drawing on fundamental insights from Lazard's global sector analysts.

Why Invest in Lazard Rathmore?

Team Expertise

- 85+ years of combined experience in event-driven, relative value, and convertibles strategies.
- Ability to explore a variety of investment theses using optimal capital markets instruments (e.g., equity, debt, convertibles, options, and CDS, among others).

Investment Approach

- The strategy focuses on non-traditional drivers of valuations of convertibles (i.e., special situations and events) as a source of alpha.
- Convertible securities are one of the most flexible instruments for accessing alpha in capital markets, as they have elements of both debt and equity, which enables the Lazard Rathmore team to structure almost any investment thesis.
- A strategic macroeconomic approach is used to optimize portfolio design including weightings across the strategy's two interrelated sub-strategies (special situations & events and convertible arbitrage) to navigate both up- and down-markets.

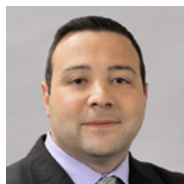
Investment Resources

- Lazard's global sector analysts provide the team with fundamental insights on special situations and event catalysts.
- The team's proprietary relative value platform, the Universal Monitor, is used to model and track all positions in the convertibles universe.

Investment Team



Sean Reynolds
Managing Director,
Portfolio Manager/
Analyst



Chris Sferruzzo
Director,
Portfolio Manager/
Analyst



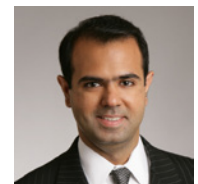
Frank Bianco
Director,
Portfolio Manager/
Analyst



Douglas Workman
Senior Vice
President,
Portfolio Manager/
Analyst



Sri Nadesan
Senior Vice
President
Portfolio Manager/
Analyst



Sid Panjwani
Vice President
Quantitative
Research Analyst

Investment Strategy

The strategy uses a strategic macro-economic overview to optimize portfolio design across two interrelated strategies: special situations and events, and convertible arbitrage. This approach is believed to expand the opportunity set for the strategy while diversifying its sources of return. Proprietary quantitative tools, deep credit analysis, and rigorous fundamental analysis by Lazard's analysts provide a foundation for the strategy's differentiated approach.

Special Situations and Events

Investments in special situations and idiosyncratic events that affect corporate securities are the primary source of identifiable alpha for the strategy.

Exposures to special situations and events are executed via relative value trades employing corporate securities including convertibles, common stocks, equity, and credit derivatives.

- Buybacks/Tender
- Callable Paper
- Dividends
- Exchange Offers
- M & A
- Sweetener
- Default/Distressed
- Capital Structure
- Flush-out etc.



Convertible Arbitrage

The strategy seeks returns from convertible arbitrage strategies through the identification of price inefficiencies driven by volatility and credit factors.

- Volatility
- Credit

Special Situations and Events Opportunities

Buybacks

Associated with issuer goals to reduce leverage, clean up the balance sheet, or reduce interest expense. This includes tender offers.

Callable Paper

The uncertainty of timing and the likelihood of being called results in potentially attractive (unattractive) valuations, which may result in a long (short) position.

Dividends

Inclusion of indenture protections can safeguard convertible investors in the event of a special or surprise change in dividend policy.

Exchange Offers

Issuer agrees with investors to exchange bonds for a comparable bond, typically for tax or accounting reasons.

M&A

Bond indentures can provide protections to investors in the event of a takeover with adjustments to a convertible security's features (typically, the conversion ratio).

"Sweeteners"

An issuer offers an incentive to convertible investors in order to accomplish a goal, such as delay early redemption, encourage early conversion, or fulfill capital structure objectives.

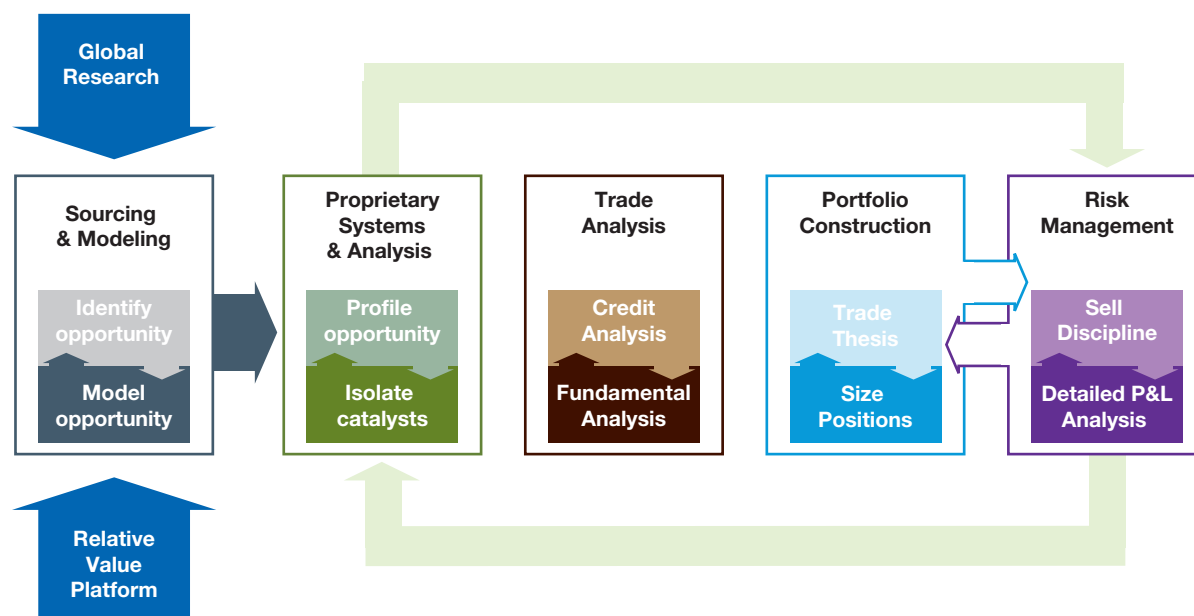
Default/Distressed

Occurs when an issuer violates a covenant in its bond indentures, giving investors the right to demand repayment at par.

Capital Structure

Adjustments to terms of the indenture associated with capital structure developments (e.g., spin-offs).

Investment Process¹



Sourcing & Modeling

Model Investment Universe

The Lazard proprietary investment platform is supported by the Universal Monitor. It enables data customization with historicals, tailored analyses programs, pre-defined reporting modules, universal modeling capabilities, and a differentiated approach to P&L management.

Proprietary Systems & Analysis

Profile Opportunity and Isolate Catalysts

Securities are characterized according to their primary valuation drivers. Fundamental analysis, covenant and indenture research, and proprietary screens are used to isolate valuation factors that may define market events.

Create "Flags"

Flags are created around primary valuation factors to signal potential trading opportunities.

Trade Analysis

Review Flagged Securities

Real-time market information provides live updates to securities in the system and triggers "flags." Flagged securities are reviewed for potential trading opportunities by analyzing them relative to historical precedents and comparables.

Credit Analysis

Investment team analysts perform comprehensive credit analysis to understand all risks associated with the security and hedge undesired risks.

Fundamental Analysis

Lazard global sector analysts provide valuable insights into company fundamentals, including valuation, price targets, and timing. In-depth industry and company knowledge aids in the identification of catalysts of special situations and events.

Portfolio Construction

Trade Thesis

An investment thesis is established for each trade or investment, which includes return and attribution expectations.

Size Positions

Positions are size-based on risk/return expectations and market and security liquidity.

Risk Management

Sell Discipline

P&L decomposition provides a foundation for follow-on actions to resize the position, take profits, or exit the trade.

Detailed P&L Analysis

Daily P&L analysis is conducted at the trade level to evaluate attribution versus expectation.

Portfolio Construction

Convertible Securities

- Bonds, Preferreds, Mandatories

Equity Securities/Products

- Common Stocks, CFDs (Contracts for Differences) Total Return Swaps
- Indices, Futures, ETFs

Fixed-income Securities

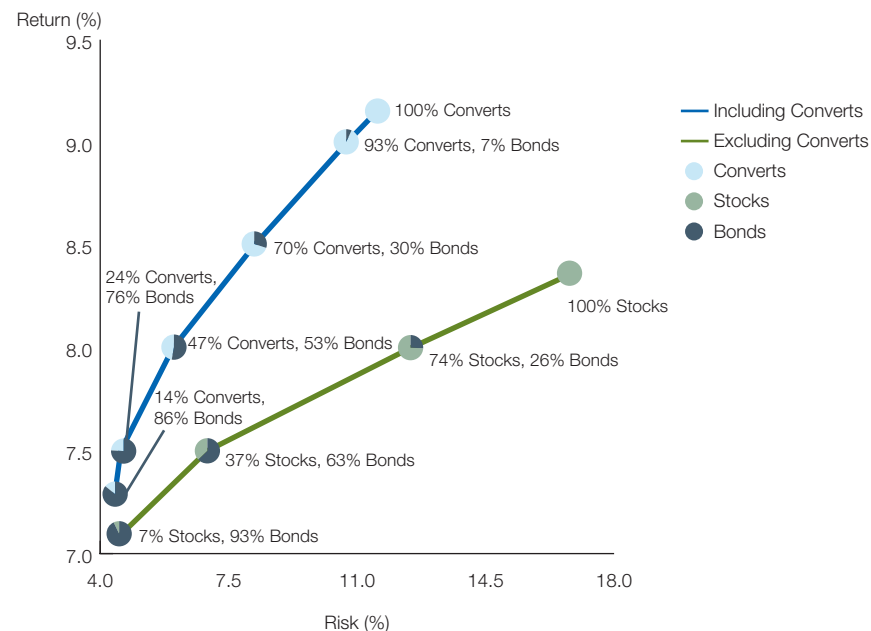
- Government Bonds, Futures, Swaps
- Corporate Bonds, CDS (Credit Default Swaps)
- CDS Indices/Options, Asset Swaps
- Preferreds, Perpetuals, Hybrids

Volatility Products

- Listed and OTC Options
- Warrants
- Variance Contracts

The Case for Allocating to Converts

Adding convertible securities to an equity and bond portfolio has been shown to both enhance returns and reduce risk.²



Notes

- 1 The investment process is not static or sequential, but ongoing. This profile is for informational purposes only and does not constitute an offer to sell any interest in any fund. Offers of interests in a fund will be made solely by means of a Private Offering Memorandum. The Private Offering Memorandum must be read in its entirety before seeking to invest.
- 2 Benchmarks used are the All Traditional Convertibles Index (V0A0), S&P 500 Index, and the ML Corporate & Government Master Index (B0A0). The efficient frontier chart is based on returns for the period 12/31/89 - 03/31/10.

Important Information

Published on November 16, 2011.

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's (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 may leverage its investment positions by borrowing funds from securities broker-dealers, banks or others. From time to time, the strategy may borrow significant amounts 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 strategy may take short sale positions. Short selling can, in some circumstances, substantially increase the impact of adverse price movements on the strategy's portfolio. A short sale creates the risk of a theoretically unlimited loss, in that the price of the underlying security could theoretically increase without limit, thus increasing the cost to the strategy of buying securities to cover the short position.

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 strategy may invest in securities of non-U.S. companies which trade on non-U.S. exchanges. These investments, which 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 strategy pursues both convertible arbitrage and special situation investment opportunities. Convertible arbitrage strategies generally involve price spreads between the convertible security and the underlying equity security. The prices of these investments can be volatile, as market movements are difficult to predict. Event-driven investing requires the strategy to make predictions about (i) the likelihood that an event will occur and (ii) the impact such event will have on the value of a company's financial instruments. If the event fails to occur or it does not have the effect foreseen, losses can result.