

Lazard World Alternative Value

SNAPSHOT

Strategy Inception

3 April 2006

Portfolio Investment Guidelines*

Long (30-40 positions)

Range (%) 0-200

Normal (%) 120-150

Short (10-30 positions)

Range (%) (100)-0

Normal (%) (80)-(30)

Net Exposure

Range (%) (50)-100

Normal (%) 40-90

Country Exposure

Range (%) (20)-30

Normal (%) 0-15

* Information is presented for illustrative purposes. Exposures are subject to change.

What is Lazard World Alternative Value?

The Lazard World Alternative Value strategy seeks capital appreciation through investments in a global portfolio of undervalued securities trading at significant discounts.

Why Invest in Lazard World Alternative Value?

- Unique asset class
 - Accelerating corporate action
 - Regulatory environment is more supportive of shareholders today
 - Management companies are under pressure to perform
 - Double-digit discounts in closed-end funds and holding companies
- Differentiated investment process
 - Double level of analysis (funds and underlying securities)
 - Access to Lazard's global research capabilities
- Effective activism
 - Our size allows us to promote corporate action and sound corporate governance
- Veteran team with 20+ years of experience investing in global, international, and emerging markets' discounted securities

Investment Team



Kun Deng, CFA
Managing Director,
Portfolio Manager/
Analyst



David A. Bliss
Director,
Portfolio Manager/
Analyst



Lee Ann Alexandrakis
Vice President,
Portfolio Manager/
Analyst



Mostafa Hassan, CFA
Senior Vice
President,
Portfolio Manager/
Analyst



Ming Zhong
Vice President,
Portfolio Manager/
Analyst



Edward P. Keating
Vice President,
Client Portfolio
Manager

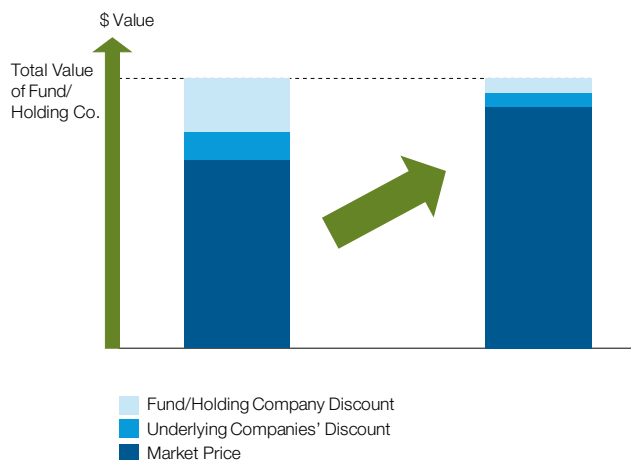


James Stuart Marshall
Vice President,
Trader

Investment Strategy

The strategy seeks to achieve capital appreciation through investments in companies whose share prices trade at a discount to the underlying estimated net asset value. These include investment companies (closed-end funds, investment trusts), holding companies, and other companies Lazard deems appropriate. The strategy also seeks to benefit from corporate restructurings with the goal of reducing or eliminating the discounts of the securities being held. Since 2006, the strategy has utilized shorting on a meaningful portion of the underlying market exposure with the goals of reducing market risk and generating alpha. The strategy may sell short stock indices, shares of exchange-traded funds or closed-end funds, stocks, and baskets of stocks, not exceeding 100% of the account's net assets.

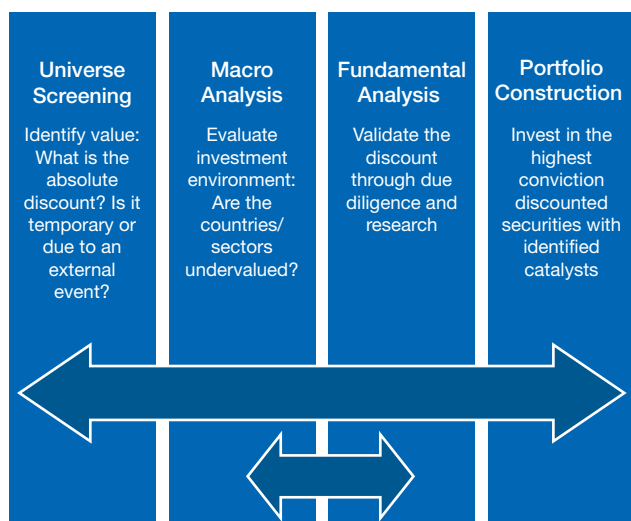
Two Sources of Potential Alpha



Sources of alpha:

- Reduction in securities' discounts to NAV
- Appreciation of underlying companies

Investment Process



The strategy's investment process begins with seeking and validating value, and ends with identifying catalysts for capturing that value, while closely monitoring and controlling risk. The strategy seeks to take advantage of two levels of discounts: (1) the underlying companies, sectors, and countries it is invested in, and (2) the discount to net asset value on the entity that holds these securities. The Investment Team (the "Team") actively seeks to eliminate or reduce these discounts by promoting corporate restructuring.

- **Universe Screening:** Lazard employs a dynamic but disciplined search process, which begins with a review of the universe to identify assets selling at deep discounts to their net asset value that have potential for high returns going forward.
- **Macro Analysis:** Rigorous top-down analysis is applied to seek to ensure that the assets selected are attractively priced while demonstrating solid fundamentals. Lazard analysts employ a model that screens the universe of nearly 60 countries and analyzes them in a framework that monitors equity valuations, economic growth, monetary climate, external accounts/currency, and the political environment. Fundamentals closely analyzed include economic indicators, monetary conditions, fiscal policies, equity culture, international money flows, expected currency moves, inflation, consumer inclination, demographic changes, and corporate profits with the goal of creating an attractive and broad investment pool of assets to choose from.
- **Fundamental Analysis:** Once the undervalued assets have passed Lazard's valuation framework and top-down macro analysis, attention is focused on further analysis of the entities' underlying assets. Typically, the strategy buys discounted securities that, in our view, also hold undervalued companies (i.e., there is a double level of discounts). Lazard global sector specialists seek to perform bottom-up analysis on a significant number of these underlying companies. The hallmark of Lazard's global research is to search for relative value. As such, we seek to invest in entities whose underlying assets are attractively priced relative to their financial returns and that also have sustainable return potential. Additional accounting validation serves to examine the companies' stated financial statistics

The Team then screens for superior managements and consistent absolute returns. A great deal of consideration is given to the management's research process and discipline as well as to the depth and magnitude of on-the-ground expertise in the respective market or region.

- **Portfolio Construction:** The final factor determining whether a holding gets into the portfolio involves identifying the catalyst that will unlock unrealized value. The Team reviews a security's structure, current shareholder list, corporate governance record and other relevant factors in order to identify the potential catalysts and seeks to close the current discount to net asset value. The portfolio is constructed in accordance with the strategy's rigorous risk control procedures and investment guidelines.

Value Creation Catalysts

Over the last 10 years, Lazard has been instrumental in many of the corporate restructurings in investment companies and holding companies in New York, London, and other markets.

Some of the ways we create value include:

Short Term

- Management performance: rewards & penalties
- Managed distributions
- Simplifying corporate structure
- Selling off non-core businesses
- Share buybacks
- Discount control mechanism
- Tender offers in cash or in-kind

Long Term

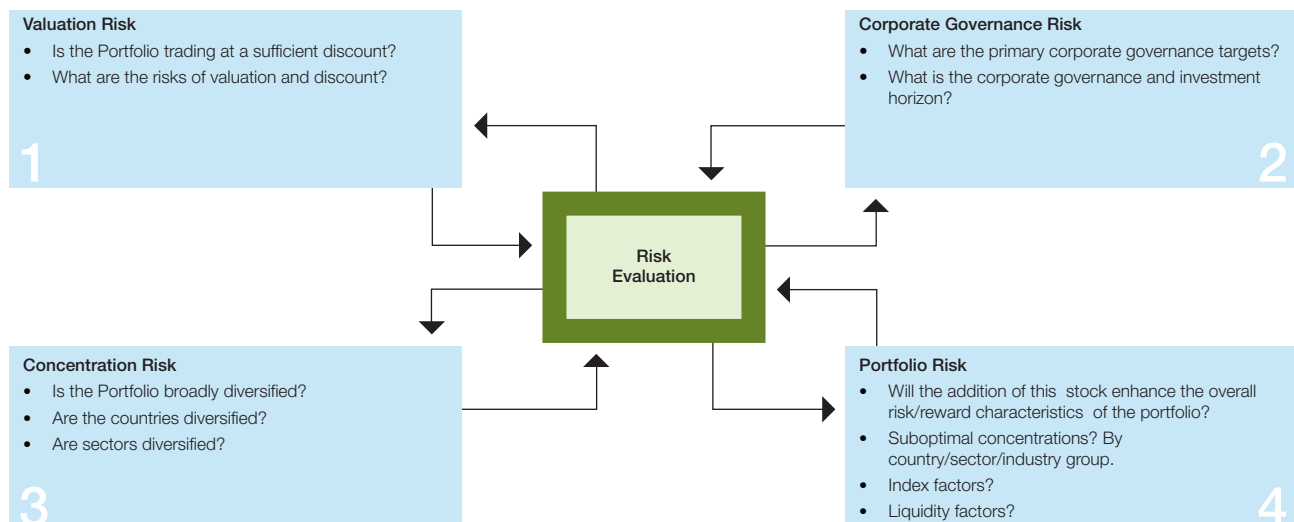
- Simplifying corporate structure
- Mergers & acquisitions
- Open-ending
- Liquidations

Risk Control

The strategy is subject to several layers of risk analysis including:

- **Well-Regulated Exchanges:** The strategy generally invests in securities listed on well-regulated stock exchanges (typically, about 70% in London and New York alone). These investment companies are therefore obligated to comply with regulatory requirements including governance, disclosure and trading practices.
- **Portfolio Diversification:** The very structure of the strategy's holdings results in broad diversification; a closed-end strategy or holding company will itself typically hold 40-60 or more underlying securities. Hence, the strategy is in effect holding hundreds of companies and achieving broad diversification.
- **Country Diversification:** The strategy will generally not invest more than 20% of assets in any one country.
- **Management Check/Corporate Governance:** The portfolio managers generally have close relationships with management of the portfolio's holdings and detailed knowledge of their investment processes, disciplines, styles and expected developments. Sound corporate governance is heavily emphasized.
- **Company-Specific Risk:** Lazard's global sector specialists, in conjunction with the sector teams, monitor company developments and seek to identify possible company risks.
- **Macro Environment Monitoring:** Lazard's global sector specialists and the strategy's Investment Team analyze, monitor, and score political and macro risks as well as day-to-day developments that may change future expectations.

Risk Evaluation



Important Information

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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 Fund.

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 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 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 strategy primarily invests in closed-end funds and investment trusts. The securities may trade at prices at, below, or above their net asset value. There is no guarantee that a discount will ever be narrowed or eliminated. An investment in either type is indirectly subject to all the risks associated with the investments made by themselves.

An investor in the new vehicle will indirectly bear the fees and expenses charged by the underlying funds in which the vehicle invests. Investments in those underlying funds also involve risks associated with their individual investment strategies.

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