

Lazard Insights Conference Call Series

Global Fixed Income: The Benefits of an Expanded Opportunity Set

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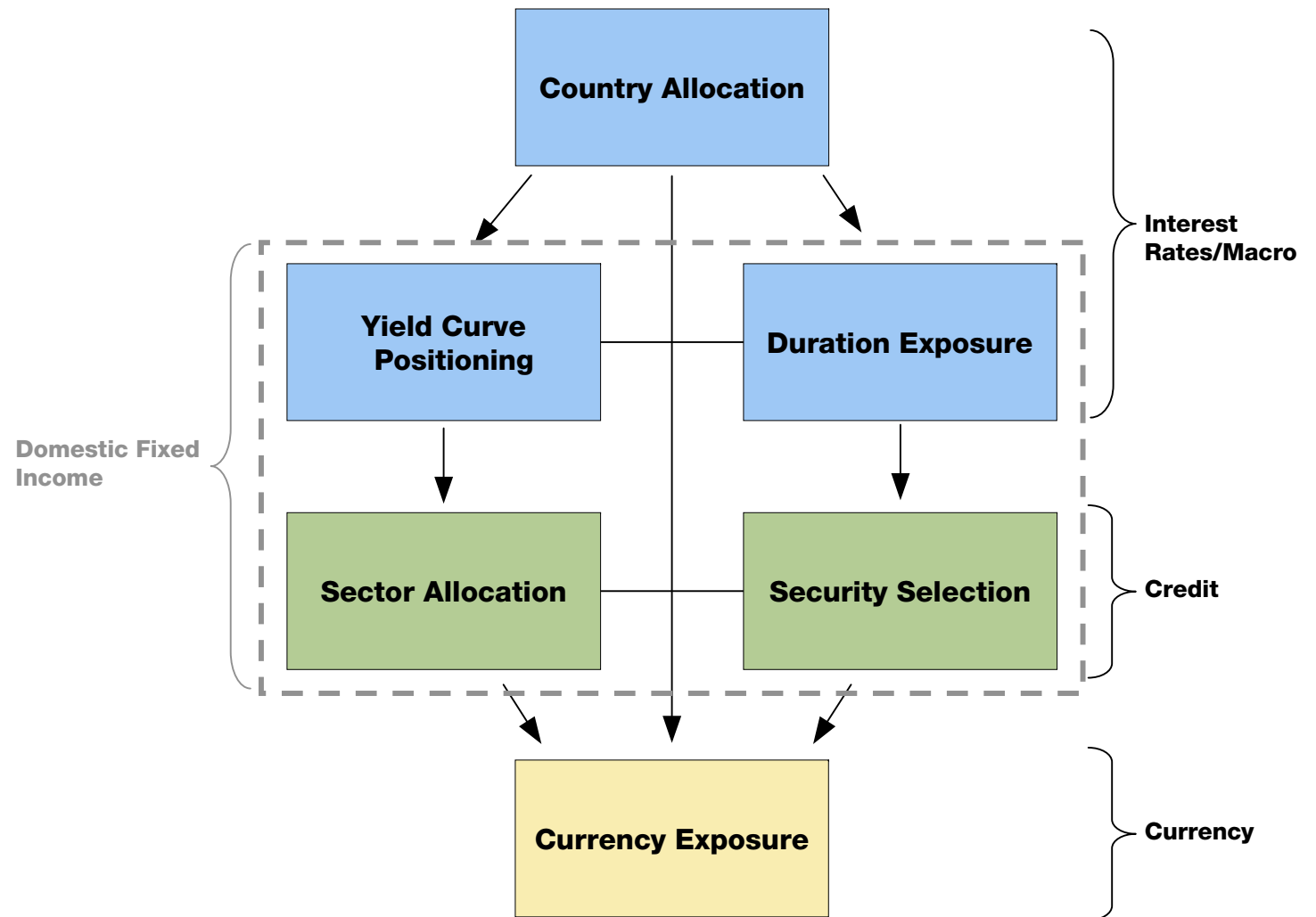


Agenda

- Review the tools in the global fixed-income expanded opportunity set
- Discuss the ever-changing global fixed-income universe
- Highlight the diversification benefits that may be offered by this asset class

An Expanded Opportunity Set

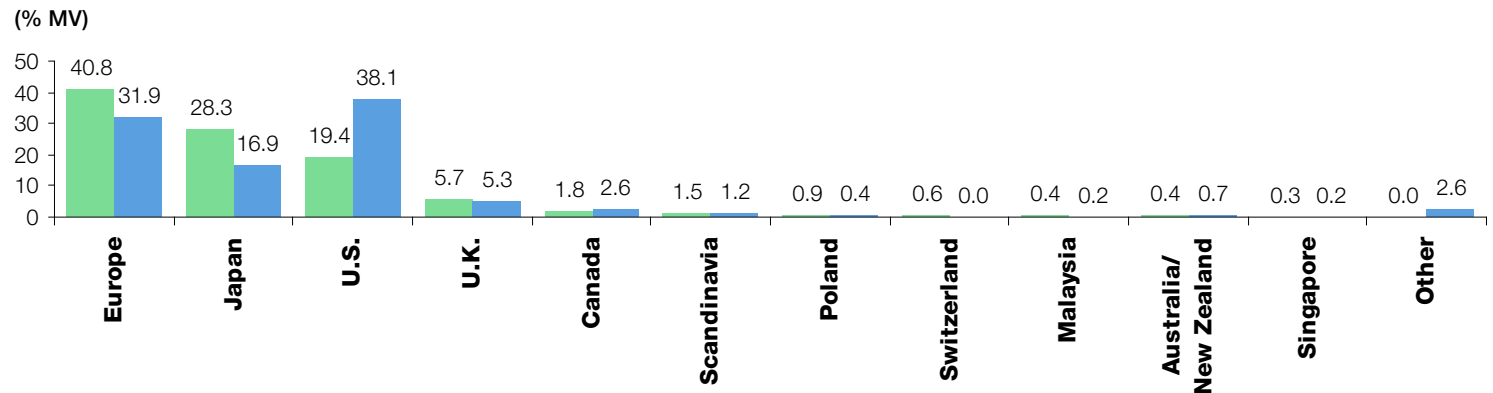
Global fixed-income investing offers the opportunity to diversify bets across all global markets with an expanded set of tools.



Comparison of Global Fixed-Income Indices

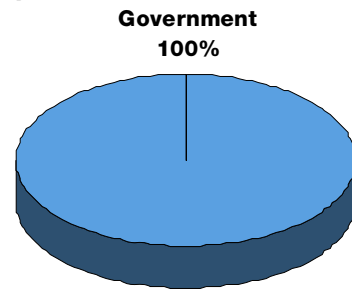
The universe of global fixed-income securities is evolving rapidly in terms of countries (thanks to improved fundamentals) and sectors.

Country Weights (Bond Market and Currency Exposure)



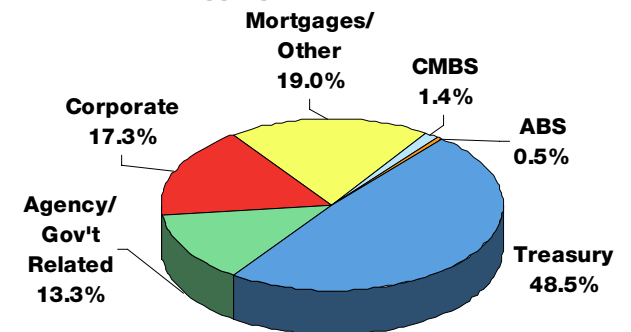
Sector Breakdown

Citigroup WGBI



New countries added in 2006 include: Korea, Taiwan, Malaysia

Lehman Global Aggregate



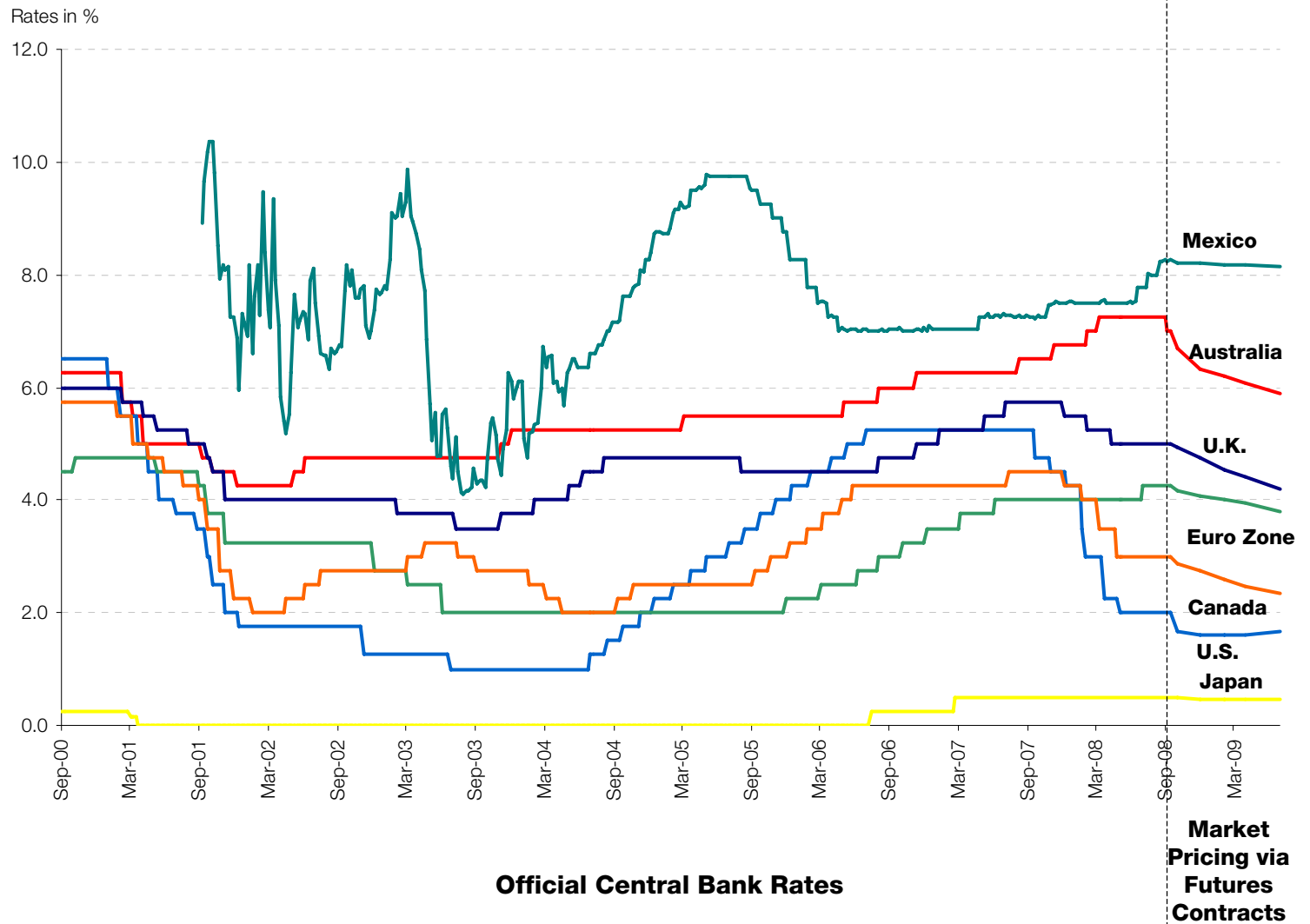
New countries added since 2005 include: Korea, South Africa, Poland, Singapore, Mexico, Hungary, Czech, Slovakia, Chile, Taiwan, Malaysia, Brazil

As of 30 June 2008

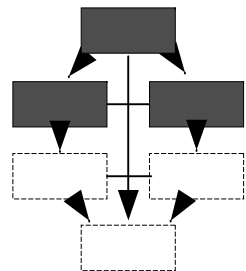
Source: Lehman Global Aggregate Bond Index, Citigroup World Government Bond Index

The Global Pace of Monetary Policy Cycles

Global fixed income strategies may identify and exploit unsynchronized economic and interest rate cycles.

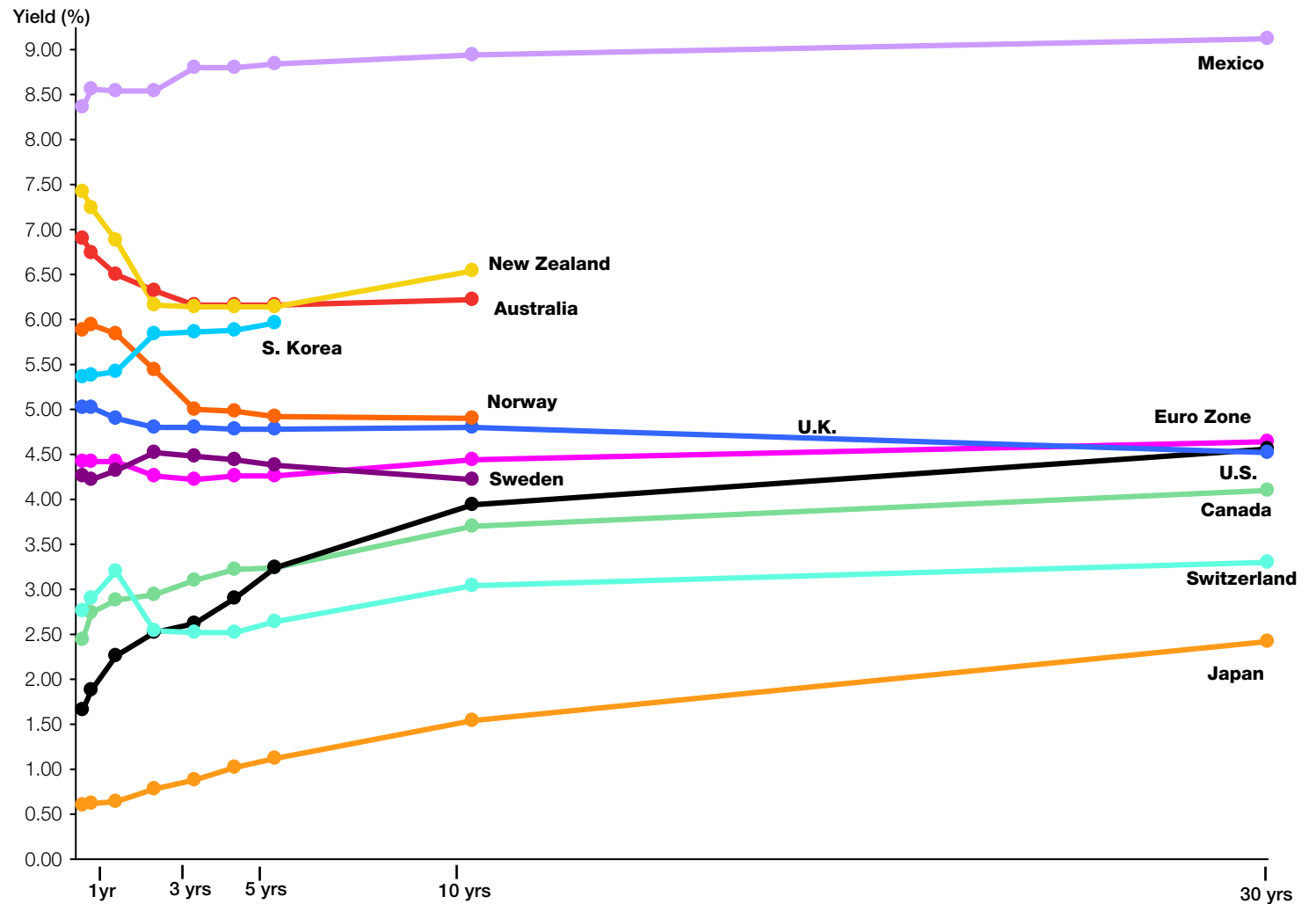


As of 18 September 2008
Source: Bloomberg



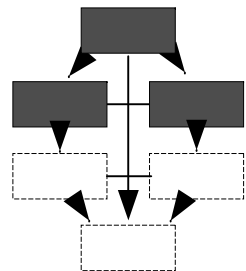
Global Yield Curves in Select Markets

We believe country allocations, yield curve positioning, and duration exposure are powerful tools to utilize on a global basis



As of 31 July 2008
Source: Bloomberg

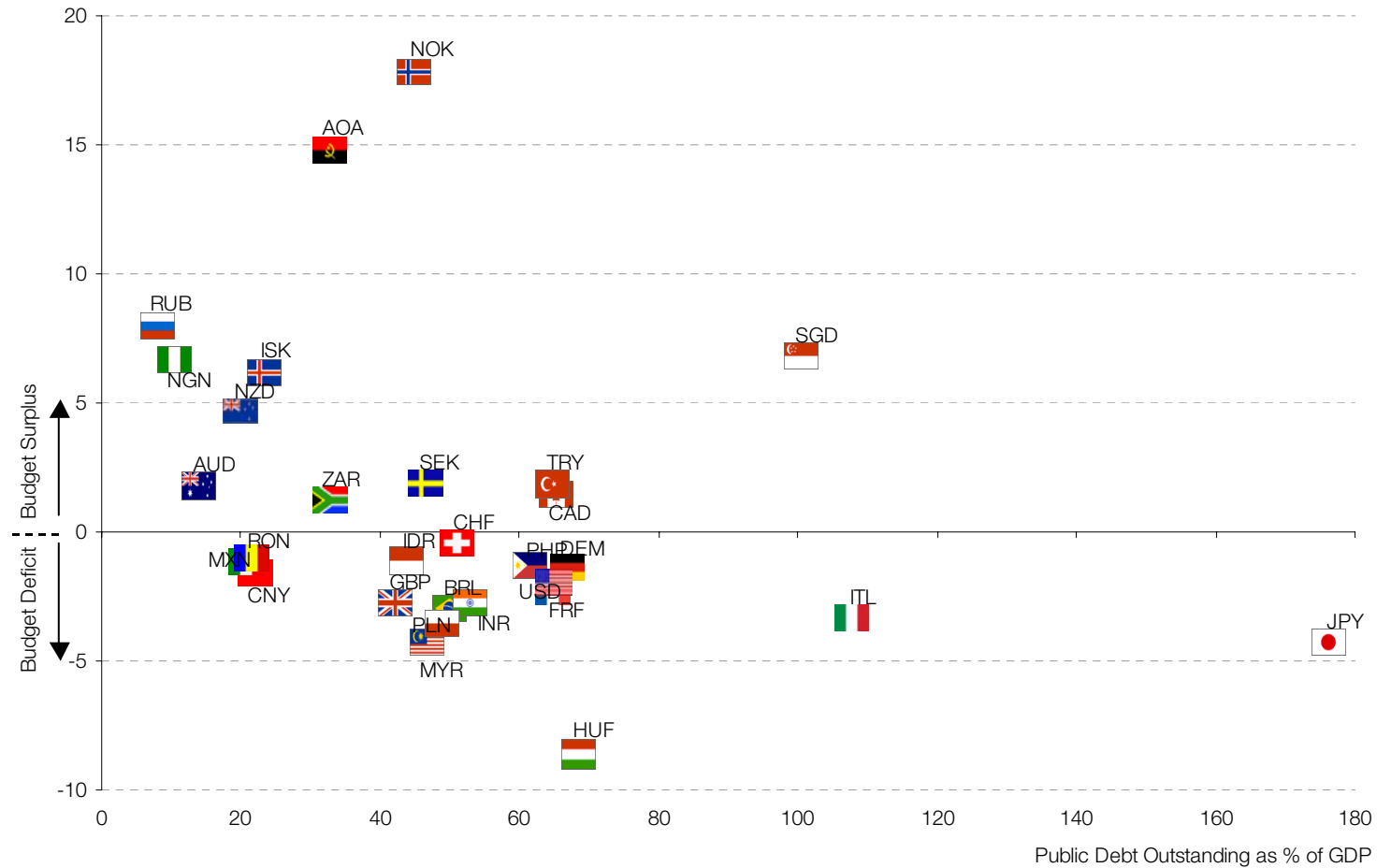
Global Yield Curves



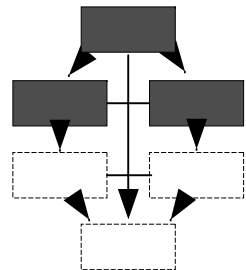
Fiscal Comparison

Public Debt Outstanding vs. Budget Surplus/Deficit

Budget Balance as % of GDP



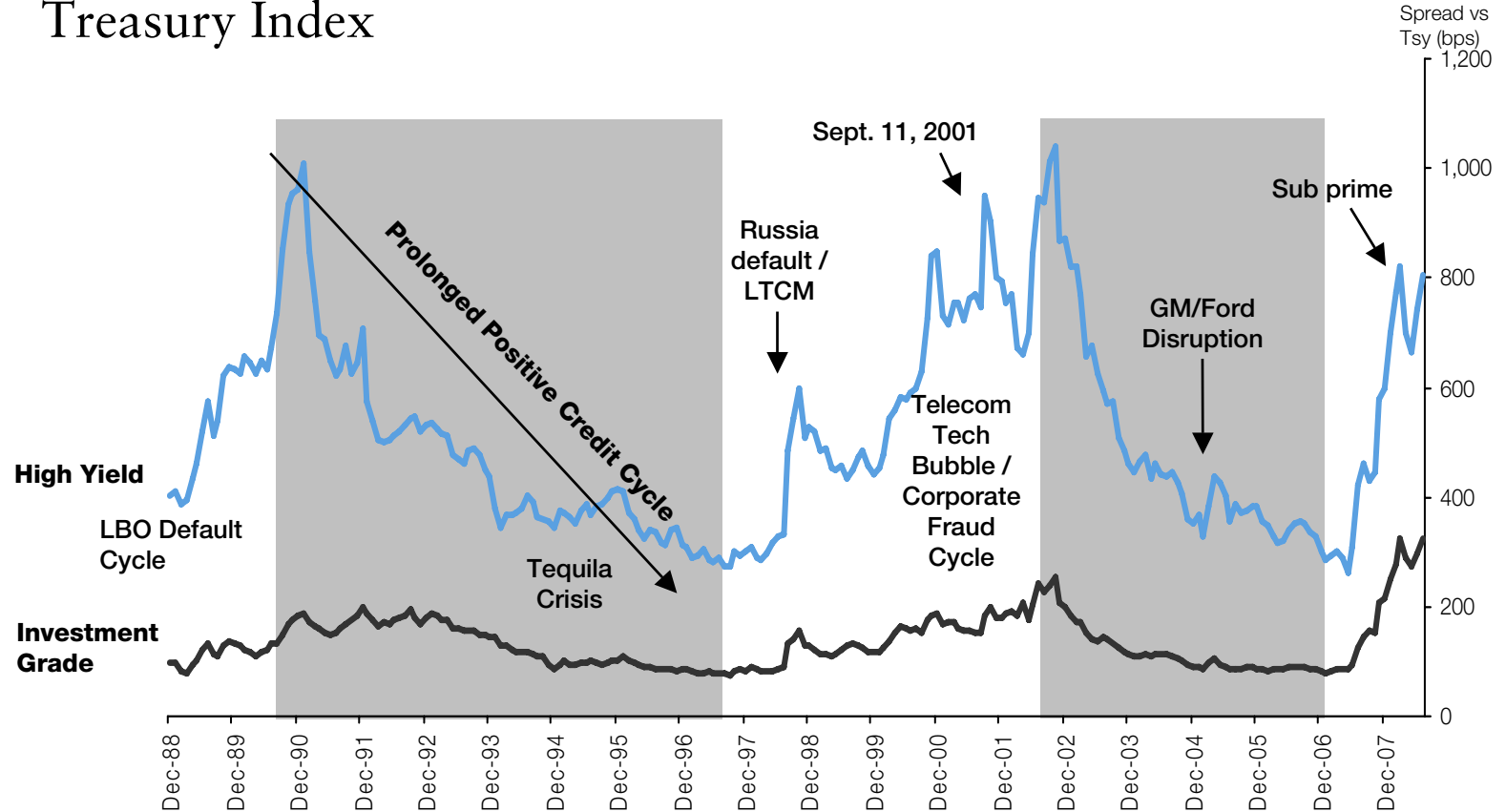
For indicative purposes only
 Source: CIA World Factbook 2007, Standard Bank, Credit Suisse, CLSA,
 Worldbank Group
 As of 31 December 2006



Historical Credit Cycles

High Yield and Investment Grade Corporate Index Spreads vs. Treasury Index

A tactical approach to credit exposure may add value.



Annualized Returns

	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	Jul-08
US High Yield	4.23	-4.35	34.58	18.16	17.18	-1.17	19.91	11.06	12.83	3.66	1.57	-3.79	6.21	-1.14	27.23	10.76	2.83	11.64	2.17	-2.80
US Investment Grade Corps	14.12	7.37	18.24	9.12	12.43	-3.34	21.55	3.39	10.39	8.72	-1.89	9.14	10.70	10.17	8.31	5.42	1.97	4.38	4.64	-1.67
US Treasury	14.30	8.65	15.20	7.21	10.63	-3.35	18.45	2.61	9.62	10.03	-2.38	13.37	6.74	11.57	2.26	3.50	2.81	3.14	9.06	2.64

As of 31 July 2008 Source: Merrill Lynch/Bloomberg

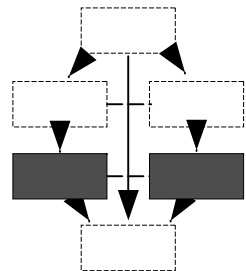
High yield is represented by Merrill Lynch US High Yield Cash Pay Index

Investment Grade Corporate is represented by Merrill Lynch US Corporate Master

US Treasury is represented by Merrill Lynch US Treasury Master

The performance quoted represents past performance. Past performance is not a reliable indicator of future results.

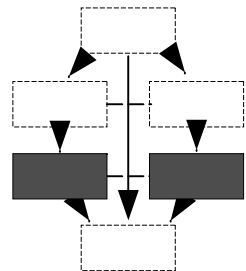
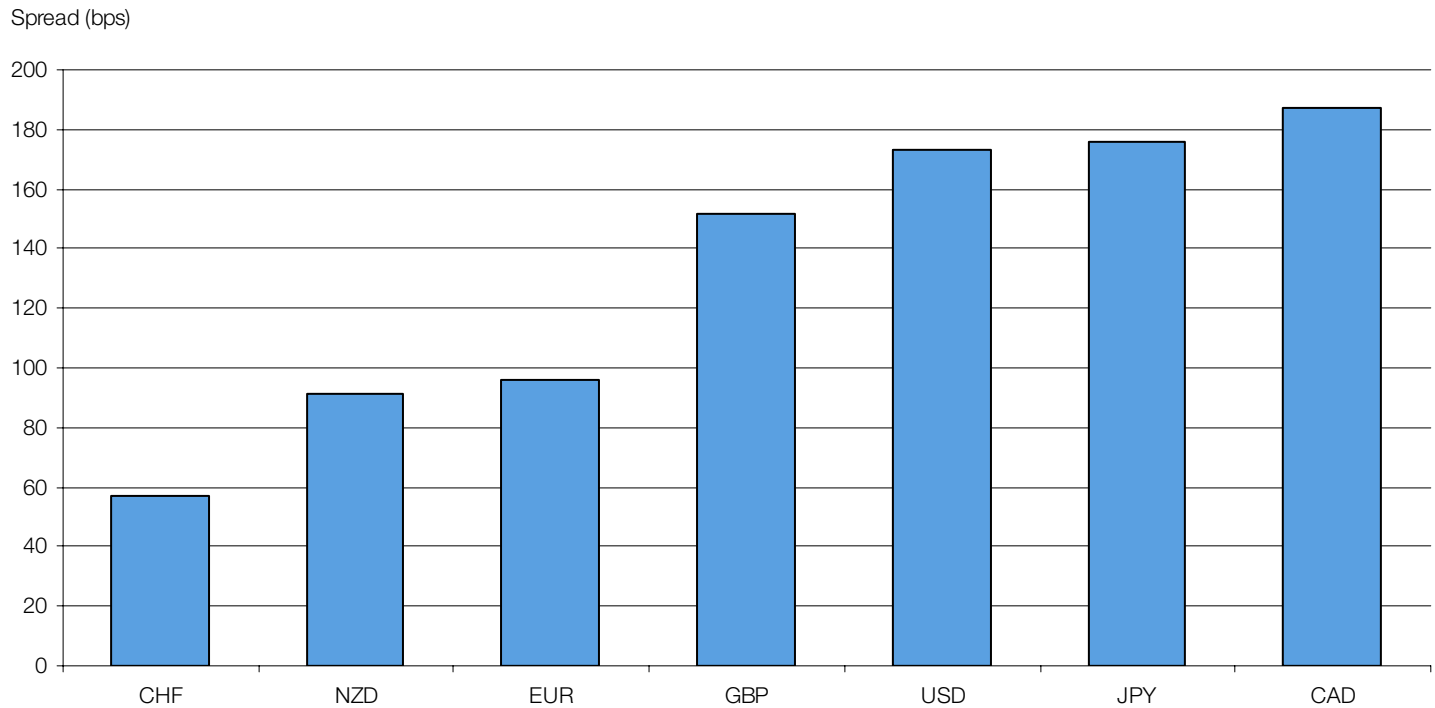
Indices are unmanaged. The figures for the index reflect the reinvestment of dividends but do not reflect the deduction of any fees or expenses, which would reduce returns. Investors cannot invest directly in indices.



Bond Spreads Vary by Country of Issuance

General Electric (GE) 10yr Bond Spread vs. Government Benchmark (Local Currency Terms)

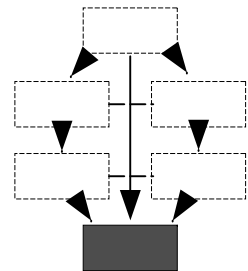
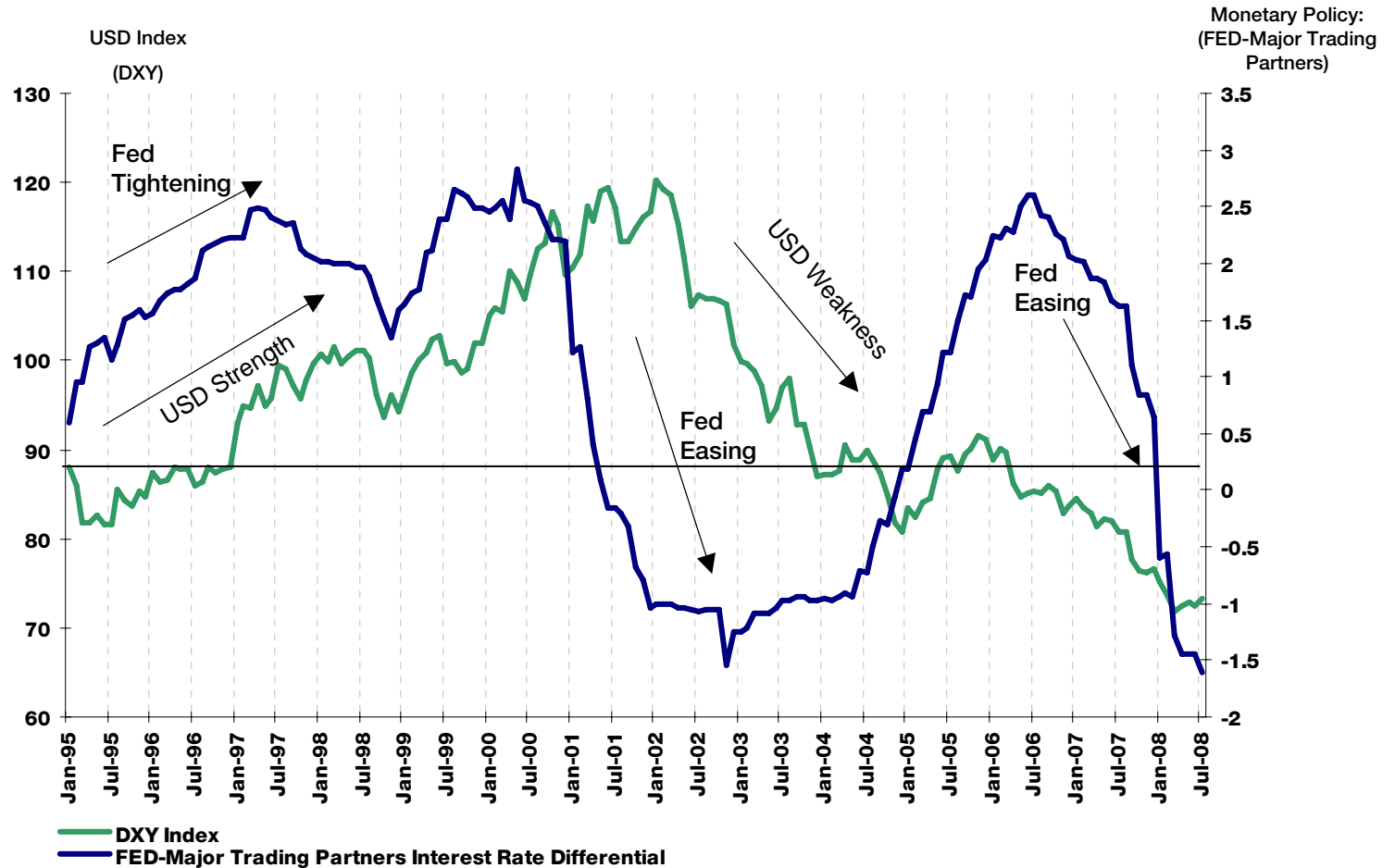
Same issuer, different choices of interest rate and currency exposure.



As of 18 July 2008
Source: Bloomberg
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Fundamental Drivers of Currency Valuations

Growth and interest rate differentials have key influence on currency direction.



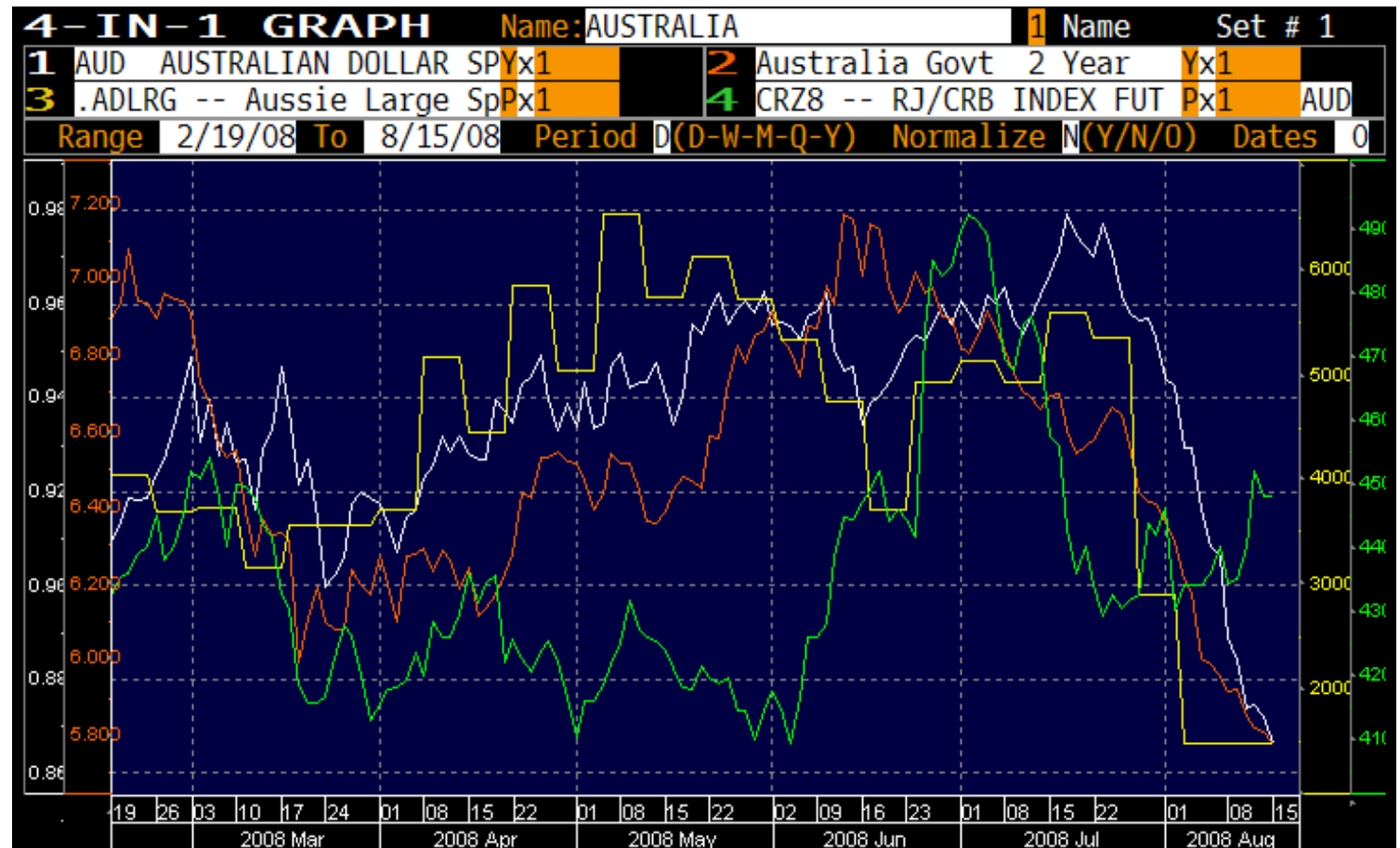
As of 31 July 2008
Source: Bloomberg

Interest rate differential calculated by subtracting weight average interest rate of major trading partners from Fed Funds rate. Weighted average is calculating using weights from the USD index (DXY)

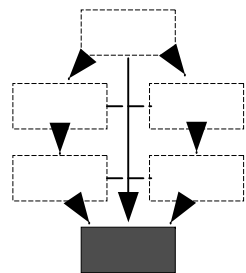
Market Flows Can Override Fundamentals

Daily global FX flows are estimated at \$3 trillion by the Bank for International Settlements, dwarfing stock and bond market flows.

Example: Australia – Strong correlation between spot AUD, 2 Year Govt Bond yield, IMM AUD futures positioning, and CRB commodity index



As of 15 August 2008
Source: Bloomberg

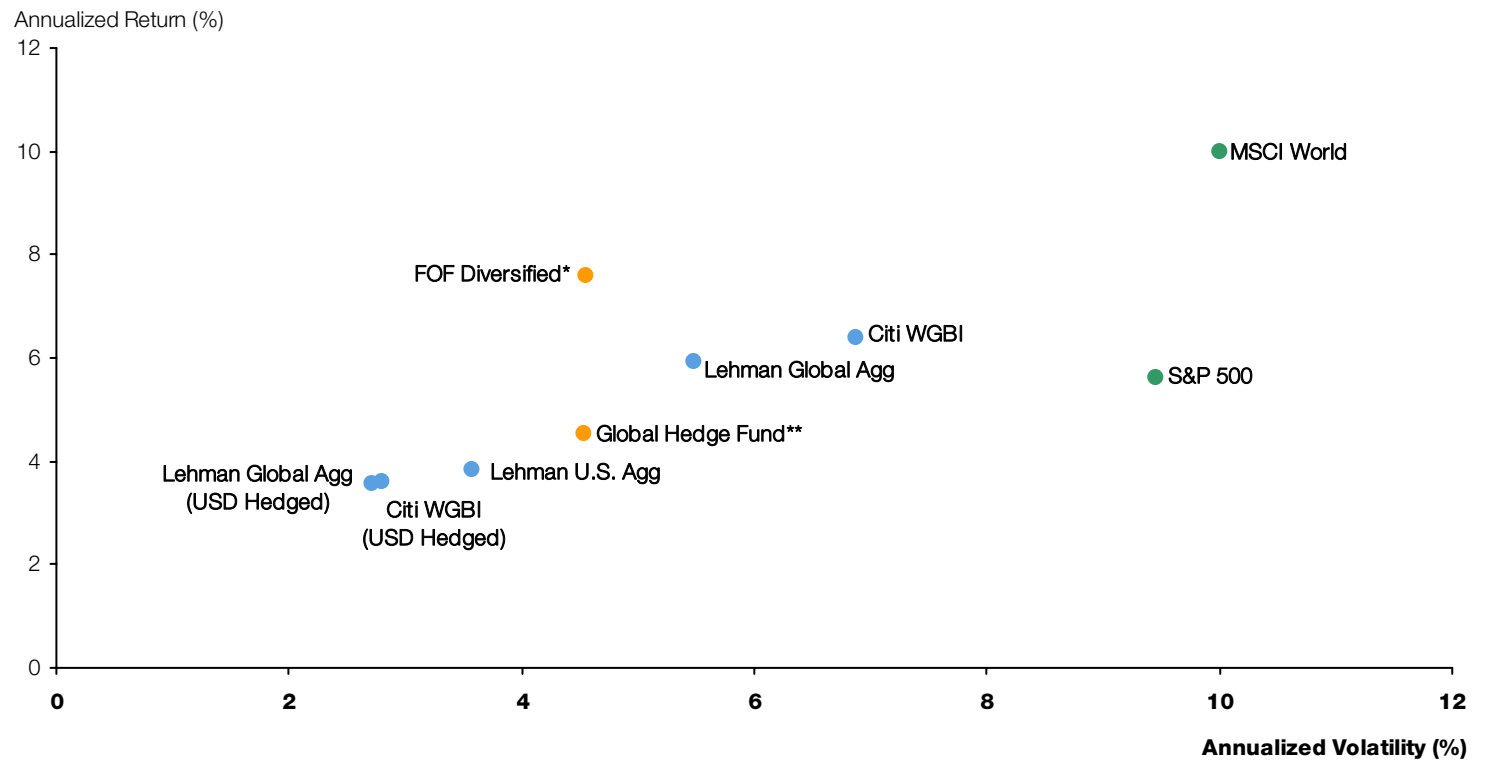


Global Fixed-Income Opportunities

Over a five-year period a global fixed-income allocation may offer significant diversification benefits and improve the overall risk/return profile of a portfolio

5 Years Ending 30 June 2008

Annualized Gross Return (USD Terms) vs. Risk (Standard Deviation)



* - HFRI FOF: Diversified Index (Net of fees)

** - HFRX Global Hedge Fund Index (Net of fees)

As of 30 June 2008
Source: Bloomberg, Lazard

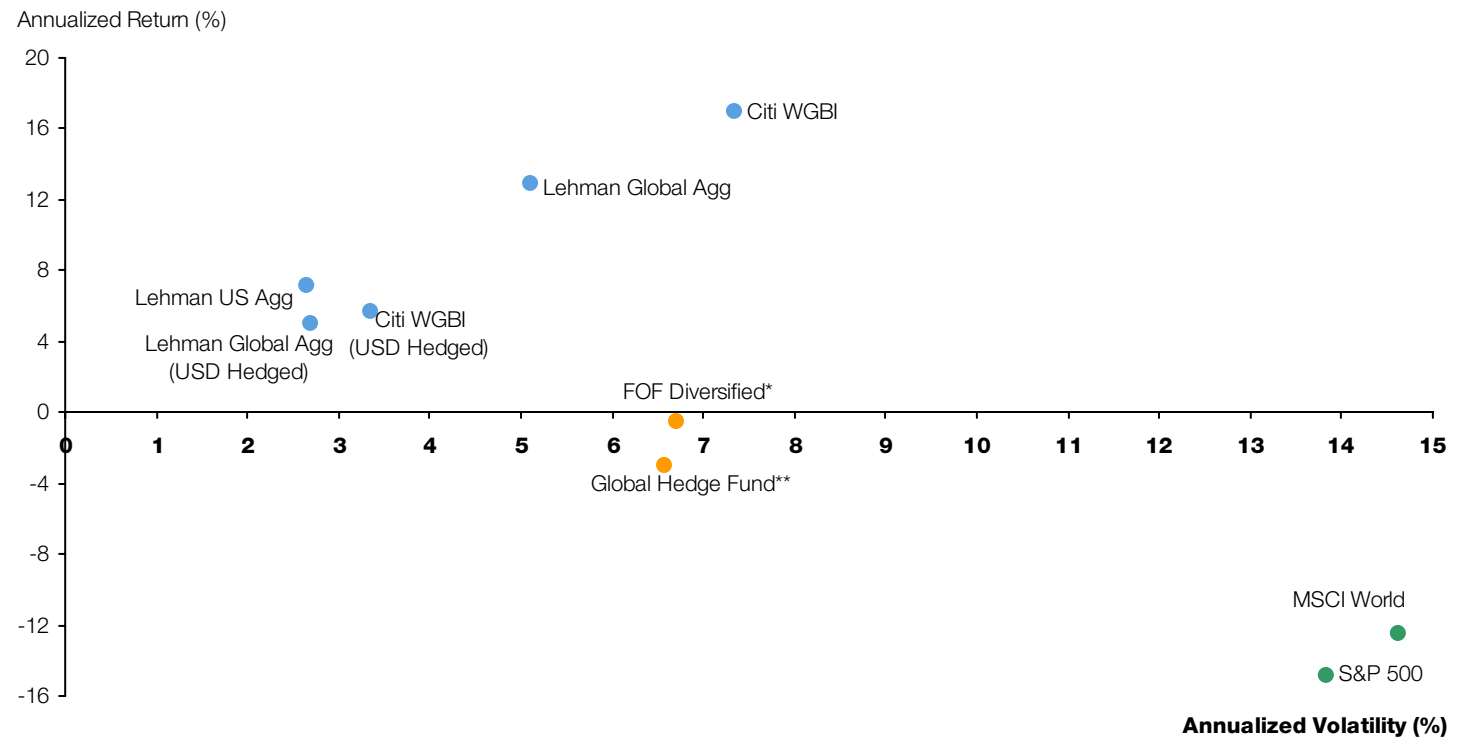
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Global Fixed-Income Opportunities

Over the 12-month period ended on 30 June 2008, a critical “stress test” for financial markets, global fixed income has added great value and balance to a portfolio compared to other asset classes.

1 Year Ending 30 June 2008

Annualized Gross Return (USD Terms) vs. Risk (Standard Deviation)



* - HFRI FOF: Diversified Index (Net of fees)

** - HFRX Global Hedge Fund Index (Net of fees)

As of 30 June 2008
Source: Bloomberg, Lazard

The performance quoted represents past performance. Past performance is not a reliable indicator of future results.

Global Fixed Income Correlation Analysis - Benefits of Diversification

The diversification benefits of global fixed income may improve the overall risk/return profile of a portfolio

Correlation for 5 Years Ending 30 June 2008

	Lehman Global Agg (USD hedged)	Citi WGBI (USD hedged)	Lehman US Aggregate	Lehman Global Aggregate	Citigroup WGBI	Citigroup WGBI ex-USD	S&P 500 Index	MSCI World Index	HFRI FOF: Diversified Index	HFRX Global Hedge Fund Index
Lehman Global Agg (US\$ hedged)	1.00									
Citi WGBI (US\$ hedged)	0.98	1.00								
Lehman US Aggregate	0.95	0.88	1.00							
Lehman Global Aggregate	0.72	0.69	0.72	1.00						
Citigroup WGBI	0.66	0.65	0.65	0.99	1.00					
Citigroup WGBI ex-US\$	0.58	0.58	0.57	0.98	0.99	1.00				
S&P 500 Index	-0.20	-0.30	-0.17	-0.10	-0.16	-0.12	1.00			
MSCI World Index	-0.18	-0.28	-0.15	0.02	-0.04	0.01	0.95	1.00		
HFRI FOF: Diversified Index	-0.15	-0.23	-0.13	0.01	-0.05	-0.02	0.61	0.77	1.00	
HFRX Global Hedge Fund Index	-0.18	-0.26	-0.15	-0.01	-0.07	-0.03	0.65	0.77	0.95	1.00

As of 30 June 2008
Source: Bloomberg, Lazard

The performance quoted represents past performance. Past performance does not guarantee future results.

Conclusions

- Home bias is losing its appeal with investors in core markets such as the United States and Europe
- We think that a top-down “best of global” approach may add more value than one based on bolting together regional and sector strategies
- We believe that a flexible, unconstrained universe is the most compelling to capture global opportunities

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Past performance is not a reliable indicator of future results.

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