

Lazard Insights Conference Call Series

Re-evaluating the Role of Equity Income Investing from a Global Perspective

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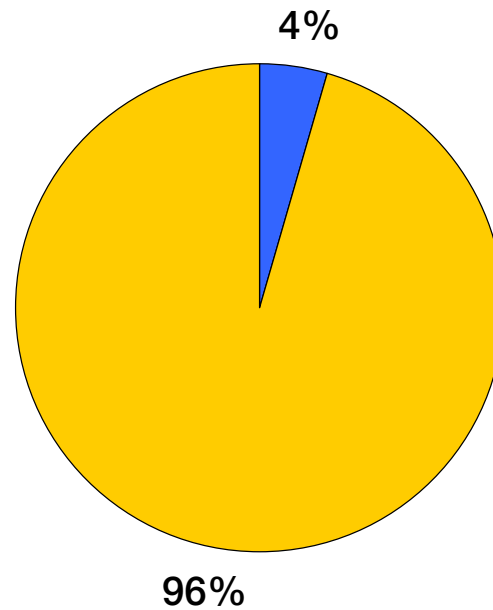
Agenda

- Global equity income as a total return strategy
- Expanding opportunities among high yielding equities
- Recent performance of high yielding stocks

U.S. versus U.K. Income Funds

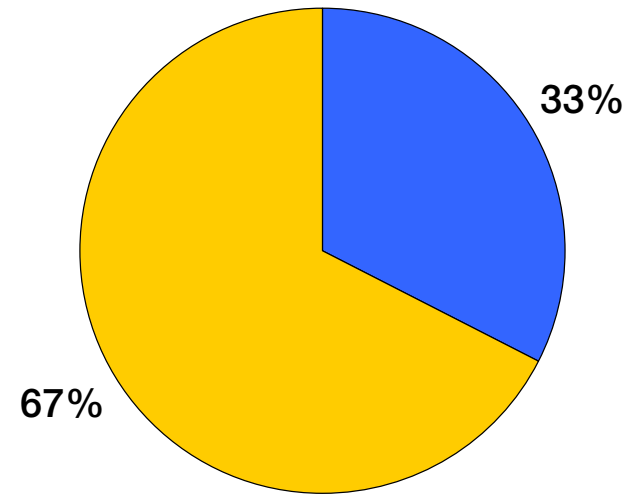
Equity income is much more popular outside of the United States.

U.S. Equity Mutual Funds



■ U.S. Equity Income
■ All Other U.S. Equity

U.K. Equity Mutual Funds

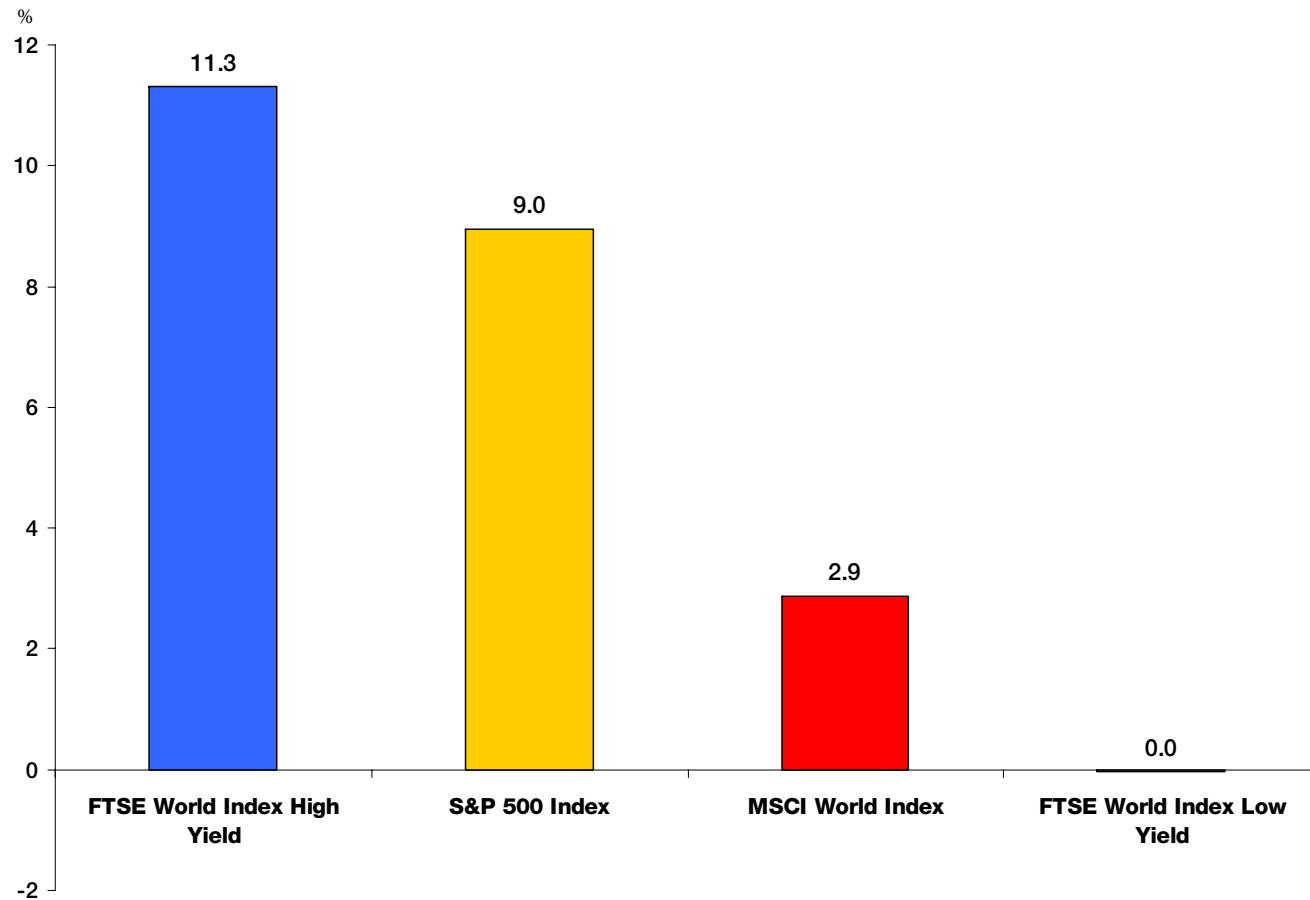


■ U.K. Equity Income
■ All Other U.K. Equity

As of 30 September 2008
Source: Lipper Hindsight, Lipper Inc.

High Yielding Stocks Have Performed Well Over Time

Annualized Returns from December 1989 – September 2008



Source: Nomura, Lazard Asset Management. Bloomberg. As of 30 September 2008.

Performance indices based on highest/lowest quartile of stocks screened on dividend yield on an equal-weighted basis, rebalanced quarterly. The benchmark universe is the 500 largest stocks in the FTSE World index. Returns are annualized.

The above returns do not represent the performance of any product managed by LAM. The performance presented represents historical performance of an unmanaged index. Returns would have been lower if they were subject to management fees and other trading expenses.

The S&P 500 Index and MSCI World Index data is annualized and based on total returns in U.S. dollars.

It is not possible to invest directly in an index.

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

Equity income strategies would appear to have a role in any asset allocation plan.

Performance Drivers of High Yielding Stocks

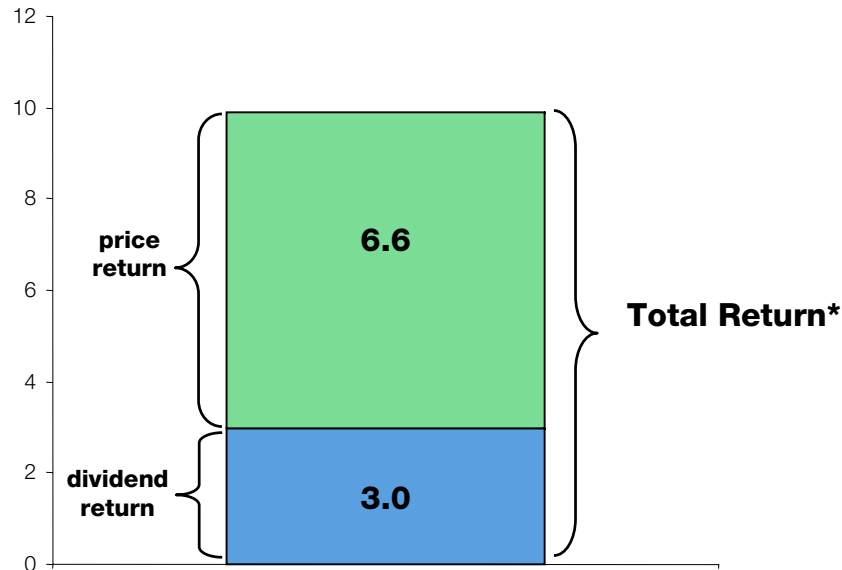
- The yield screen is an effective way of finding cash-generative, out-of-favor companies
 - Yield is less volatile than P/E and a better screening metric
- Dividend encourages capital discipline
 - Less funds for reinvestment forces prioritization - best projects are funded, weaker opportunities are not pursued
 - Prioritization leads to better subsequent return on investment
 - Financial Analysts' Journal article* found high dividend-pay-out companies generated higher earnings growth

*Ping Zhou, CFA and William Ruland, 'Dividend Payout and Future Earnings Growth', Financial Analysts Journal, (May/June 2006).

Dividends: A Significant and Less Volatile Portion of Return

Dividends have generated nearly 30% of global equity returns since 1970...

Annualized Return of the MSCI World Index (%)
January 1970 – September 2008



MSCI World Index January 1970 – September 2008

	Price	Dividend
Annualized Return	6.6	3.0
Annualized Volatility	14.2	0.4

Source: Frank Russell RPU, LAM

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Evolution of High Yielding Opportunities

Examples:

Dividends are increasingly available from areas that historically offered little yield.

Taiwan Semiconductor

- Dominant Taiwanese semiconductor contract manufacturer
- Dividend payment has risen 6-fold since 2004
- Current yield 6.3% (10/08)

Nomura Holdings

- Largest Japanese investment bank
- Progressive dividend policy; base dividend based on book value with upside potential should earnings rise
- Current yield 3.8% with upside potential (10/08)

The securities identified are not necessarily held by Lazard Asset Management for all client portfolios and should not be considered a recommendation or solicitation to purchase or sell the securities. It should not be assumed that any investment in these securities was, or will be, profitable.

Evolution of High Yielding Opportunities

Examples:

Vodafone

- Largest wireless carrier globally
- Dividend has more than tripled since 2004
- Current yield 6.5% (10/08)

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High Yielding Opportunity Set

Expanding the opportunity globally improves sector diversification.

Number of stocks in the MSCI AC World Index with dividend yield over 3%

	U.S.	Developed Non-U.S.	Emerging Markets
Consumer Discretionary	19	87	27
Consumer Staples	13	24	17
Energy	4	31	26
Financials	62	175	87
Health Care	5	16	1
Industrials	9	102	36
Information Technology	4	14	46
Materials	11	56	62
Telecommunication Services	5	26	33
Utilities	26	31	18

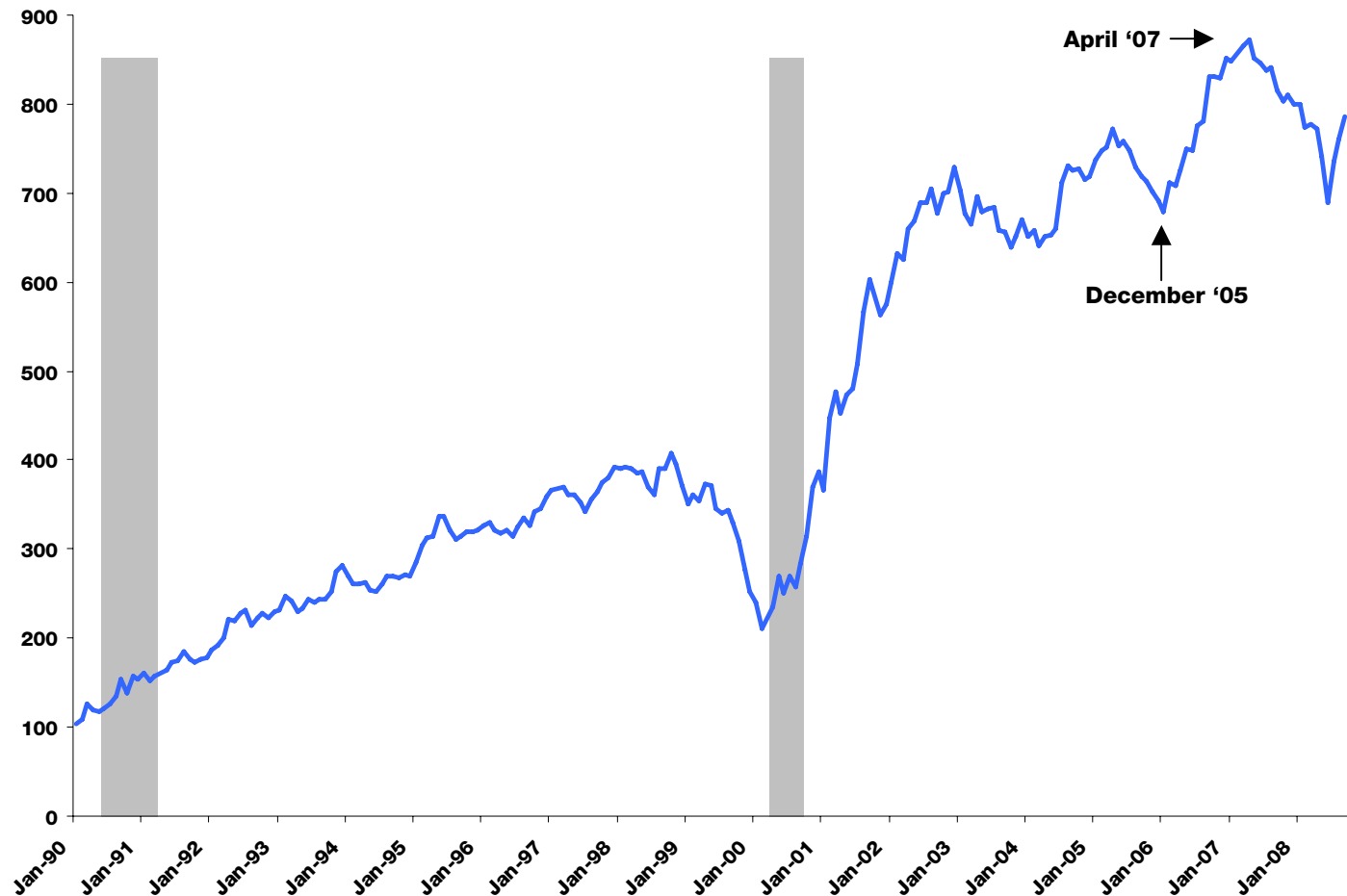
Source: MSCI, Lazard
As of 30 September 2008.

It is not possible to invest directly in an index. Indices are managed and have no fees.

Dividend Strategies Have Cycles

Relative Total Return - World Dividend Yield (high/low)

(Cumulative Return)



As of 1 September 2008

Source: Lazard Asset Management, FTSE

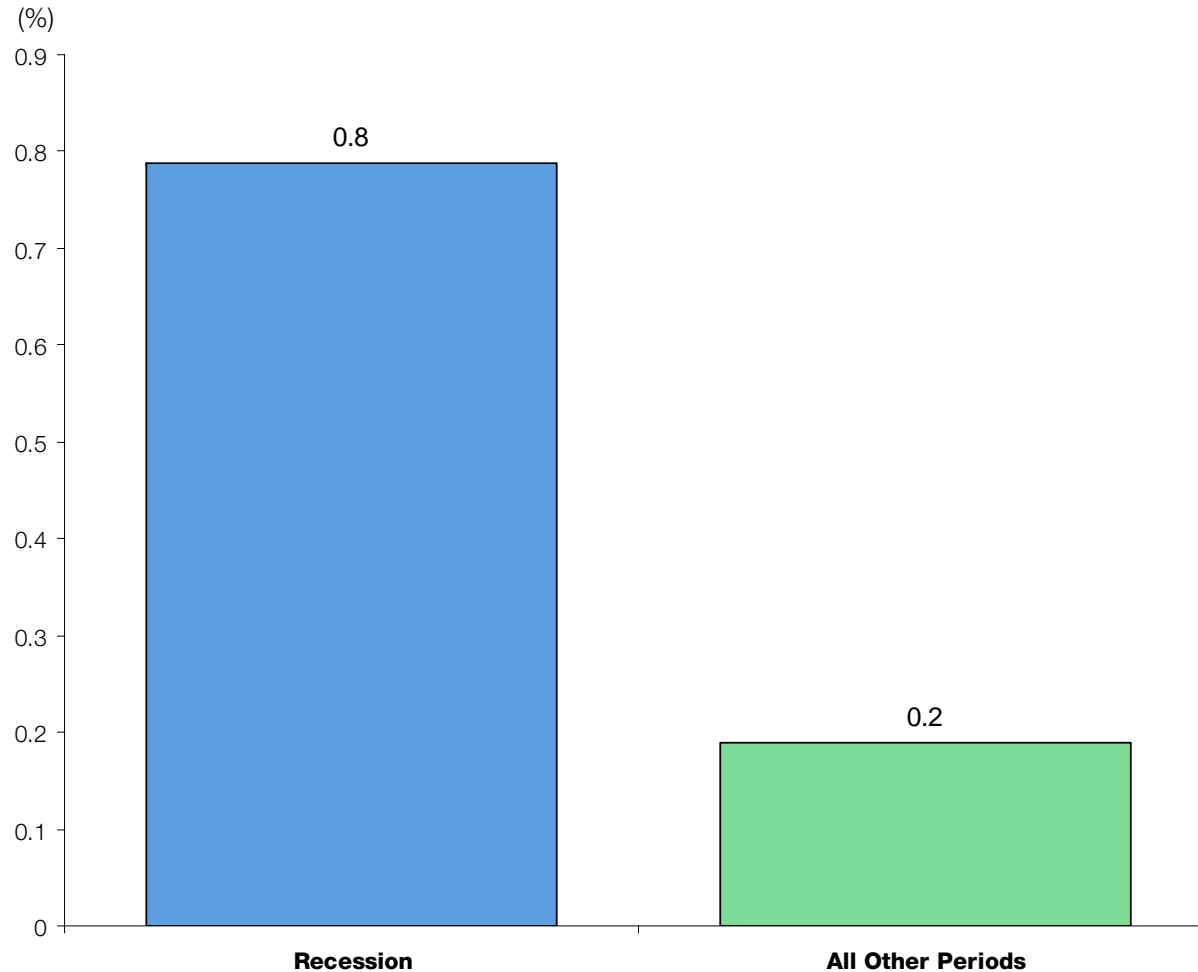
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High Yielders Add Even More Value during Recessions

High yielders outperform over the long term, but historically have performed particularly well during challenging economic times.

Relative Monthly Performance of High Yielding* Stocks



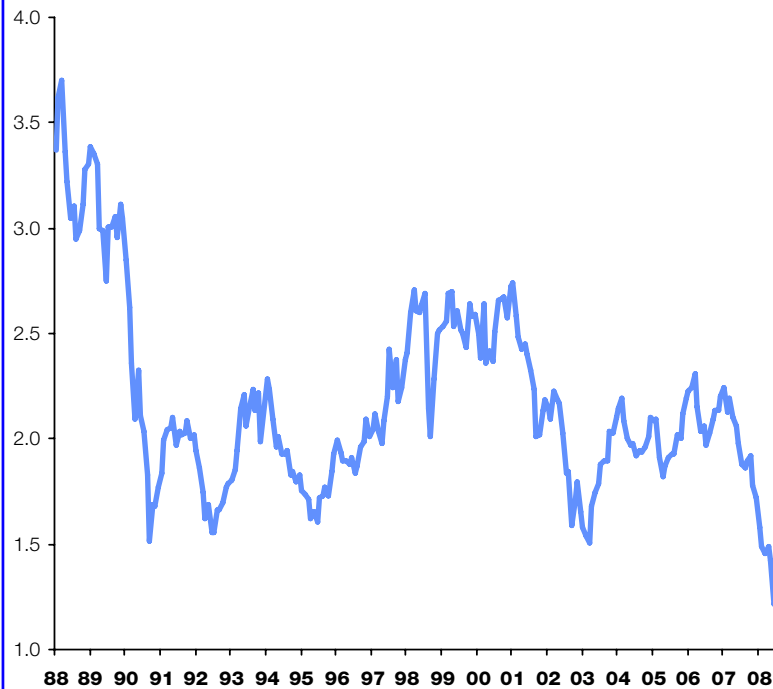
Source: Empirical Research

*Developed World (ex-U.S.) monthly USD-Hedged relative returns to the top quintiles of dividend yield. Based on position in the business cycle 31 December 1986 through 30 September 2008. Past performance is not a reliable indicator of future results.

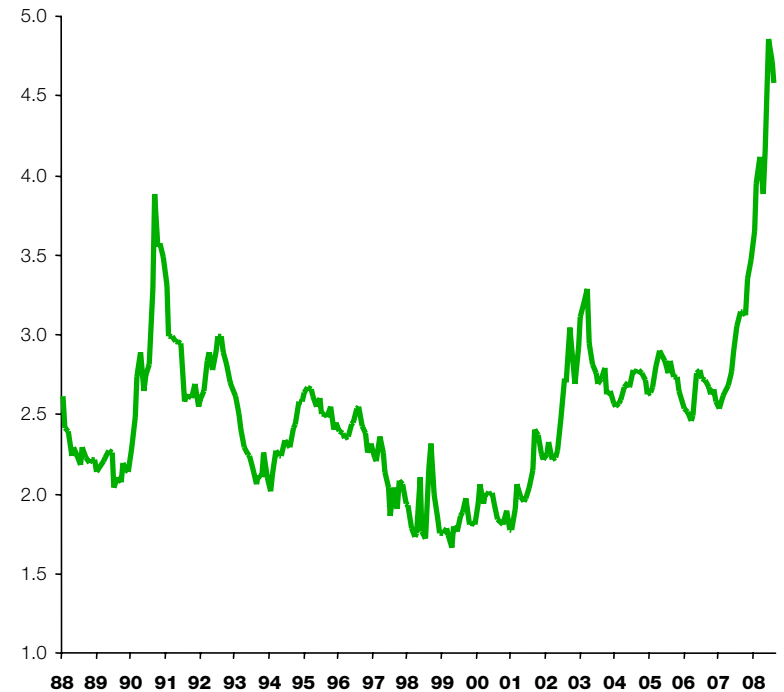
Focus on Financials

Financials comprise a significant portion of the high yielding market. Valuations are at the trough, and dividend yields are unprecedented.

Price/Book Ratio



Dividend Yield (%)



As of 29 August 2008

Source: Lehman Brothers

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

Conclusion

- Global equity income has proven to be a viable total return strategy
- The opportunity set of high yielding stocks continues to expand across regions and sectors
- After recent weakness, the relative performance cycle appears to be on the upswing

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Past performance is not a reliable indicator of future results.

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