



Lazard Insights

Conference Call Series

What's Next for the Emerging Markets Asset Class?

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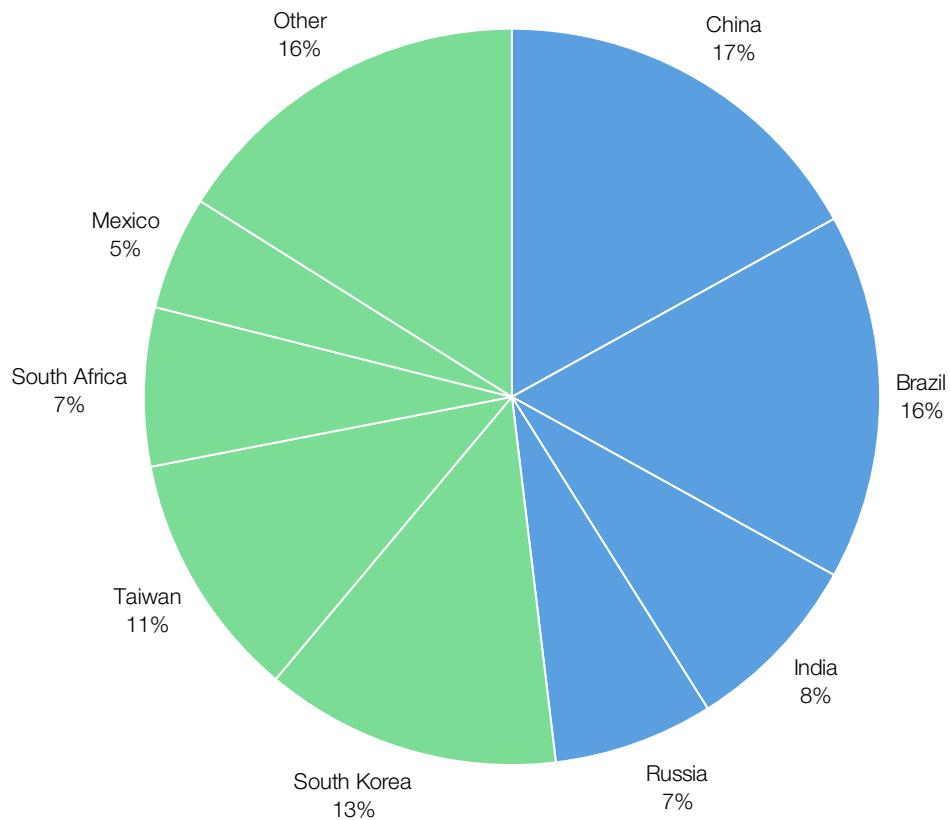
Agenda

- Market overview
- Economic fundamentals
- Investment opportunities
- Conclusion

Emerging Markets Index Breakdown

Country Allocation

The BRICs (Brazil, Russia, India, and China) make up approximately 48% of the MSCI Emerging Markets index

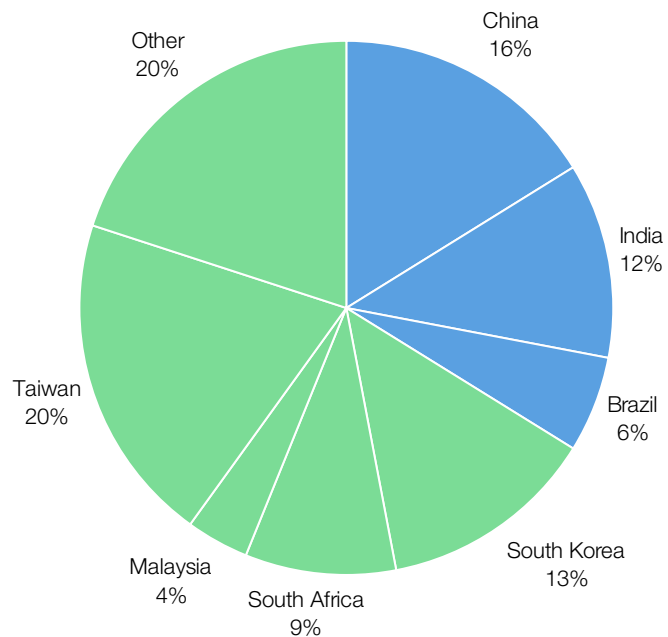


As of 31 March 2010
Source: MSCI
Allocations are subject to change.

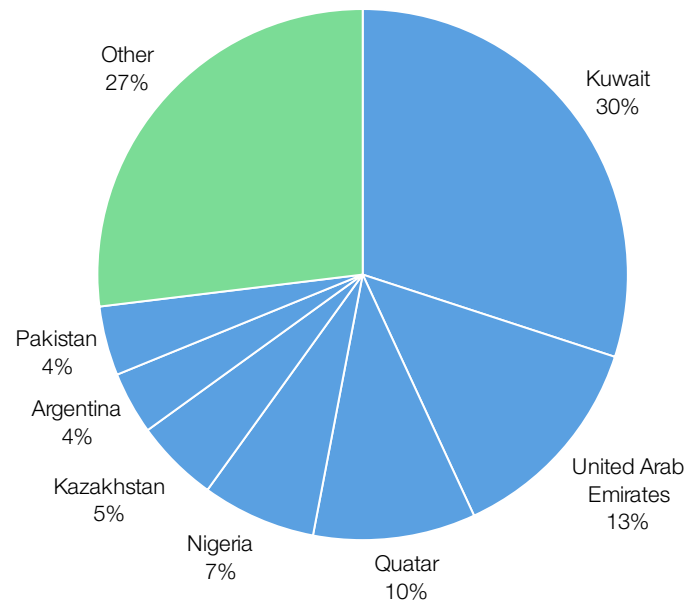
Emerging Markets Index Breakdown

- The BRICs are only approximately 35% of the MSCI Emerging Markets Small Cap Index
- The MSCI Frontier Markets Index consists of 25 countries, with the top 7 countries representing 73% of the allocation

MSCI Emerging Markets Small Cap Index Country Allocation



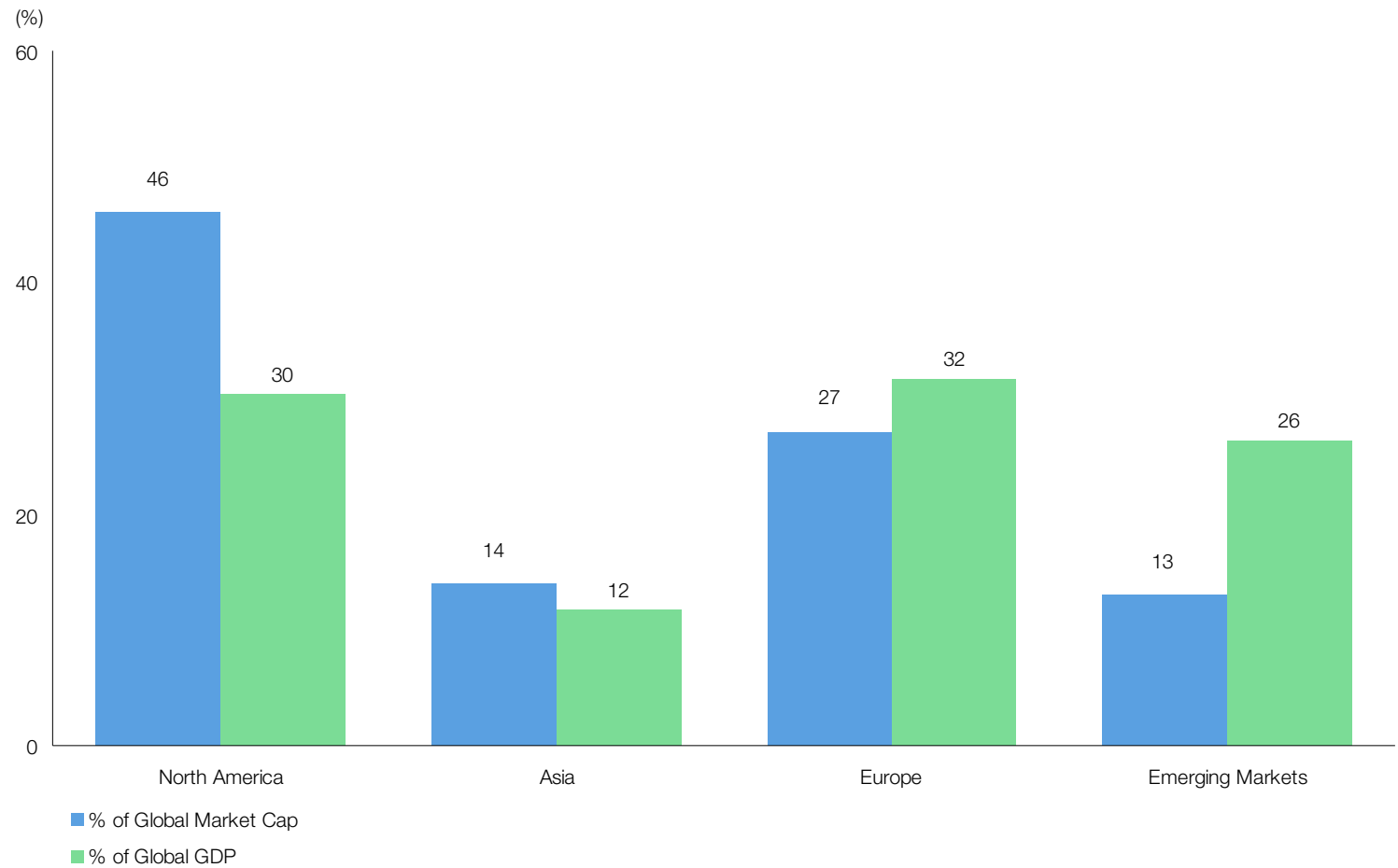
MSCI Frontier Markets Index Country Allocation



As of 31 March 2010
Source: MSCI
Allocations are subject to change.

Finding Equilibrium

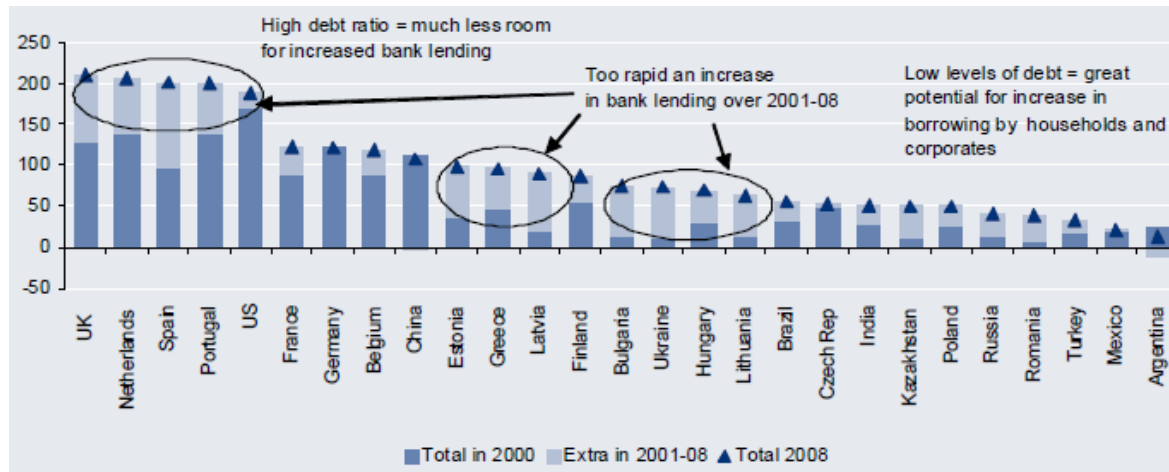
Secular trends are supportive of emerging markets



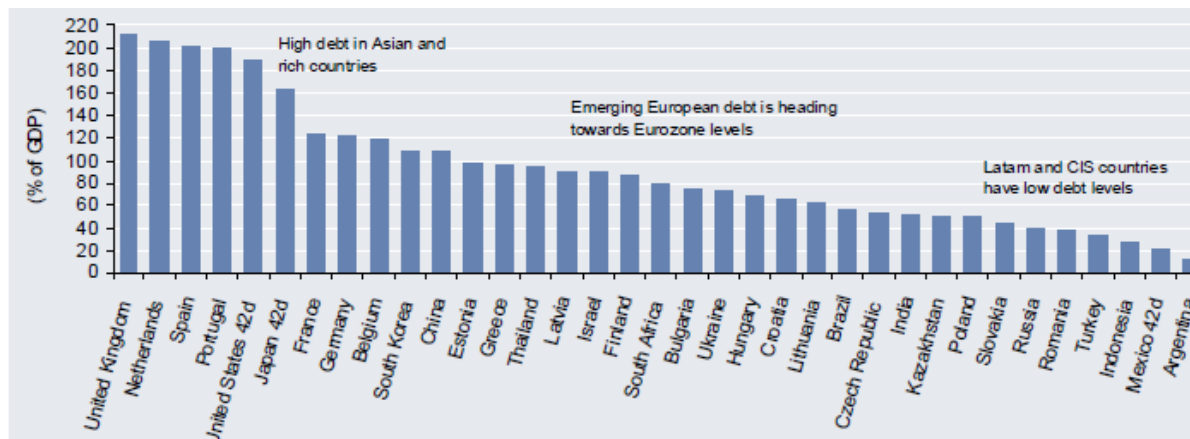
As of 31 December 2008
Source: MSCI, International Monetary Fund
Regions are based on the MSCI classifications. GDP figures are 3-year averages.

Differing Degrees of Exposure to the Credit Crisis

The Rise in Global Credit Stock, 2001–2008 (% of GDP)



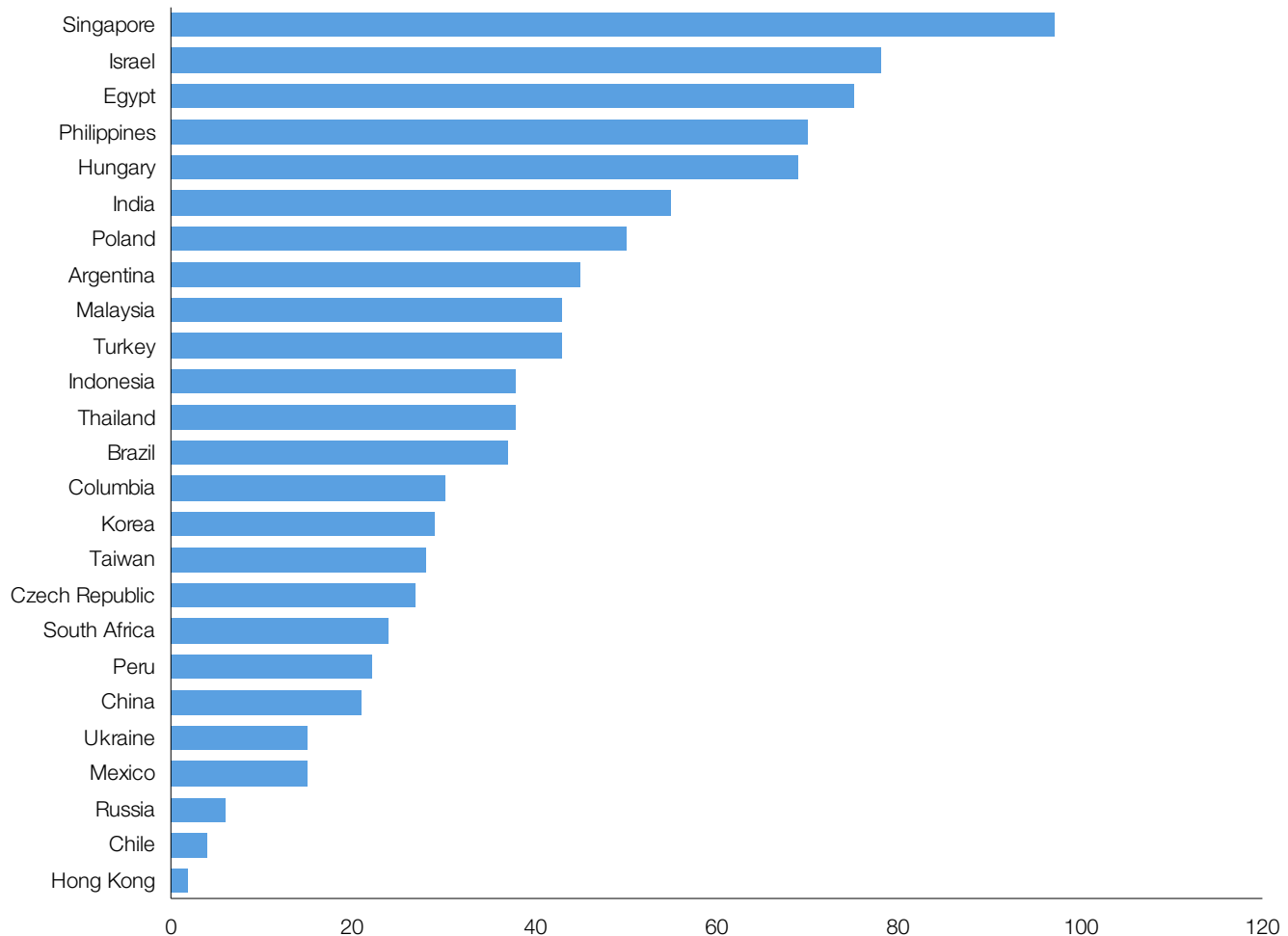
Lending/GDP – Households and Corporates (2008)



Source: IMF, ING

Fiscal Positions Indicate Relative Policy Flexibility

Public Sector Debt Ratios in Emerging Markets



As of 31 December 2008

Source: Banc of America Securities-Merrill Lynch

Relative Economic Performance of Emerging versus Developed Markets

- Economic outperformance of emerging markets versus the developed world was nearly nonexistent in the 1990s
- Emerging markets outperformance has become the defining feature of the economic landscape in the 2000s
- The global recession of 2008-2009 spared no one, but emerging markets sustained their outperformance
- This trend is expected to continue into 2010 and beyond

Investment Opportunities

Leading Brands of Tomorrow

- Cars: Finding the next Honda
- Retail: Development of domestic retail chains
- Beer: Consolidation of the global market

Investment Opportunities

Scarce Materials

- Oil: Future oil production driven by Brazil, Nigeria, Kazakhstan, among others
- Scarce Metals: Africa's copper belt is the last frontier in metals
- Future Commodities (lithium/rare earth elements): Tomorrow's valuable commodities likely to come from South America, Asia, and South Africa

Investment Opportunities

Rising Middle Class

- Health Care and Education: Higher expectations for living standards
- Leisure: Leisure time is growing, benefiting travel agencies, hotels, and airlines, among others
- Casinos: The world's most profitable casino operator is going global and opening a property in Singapore

Investment Opportunities

New Technologies/Applications

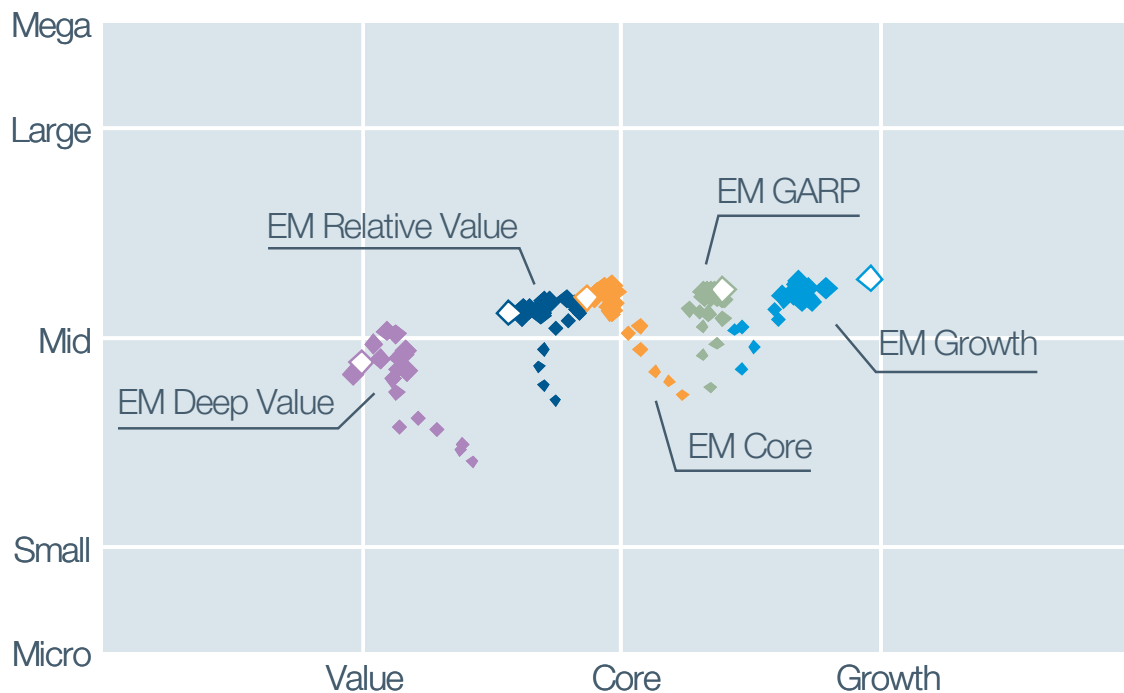
- **Mobile Banking:** Cellular phones that act as debit cards in Africa and Asia
- **Local Internet:** Search engines and online gaming companies in Asia
- **Mobile Phones:** Cutting edge mobile phones from Taiwan and Korea

The Many Roles of “EM”

Looking to access...	Portfolio Construction Approaches
High beta equity	Diversified, quant
Low-volatility high yield	Sovereign debt
Inflation protection	Growth, large cap, local currency debt
Equity alpha	Concentrated, value
Global carry trade	FX
Wealth redistribution	Thematic, private equity
Commodity exposure	Regional strategies (BRIC)
Uncorrelated beta	Frontier, small cap

Five Emerging Markets Equity Style Groups Have Emerged

Rolling 4-quarter holdings-based equity style map for 5 years ended 31 December 2009



Source: Lazard, Callan Associates

Conclusions

- Emerging markets offer a vast array of investment solutions
- Continued development of emerging markets is leading to more dispersion and fragmentation
- Greater opportunities for security selection

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