Kick-off Report:
A Look Toward Opportunities and Risks for 2010

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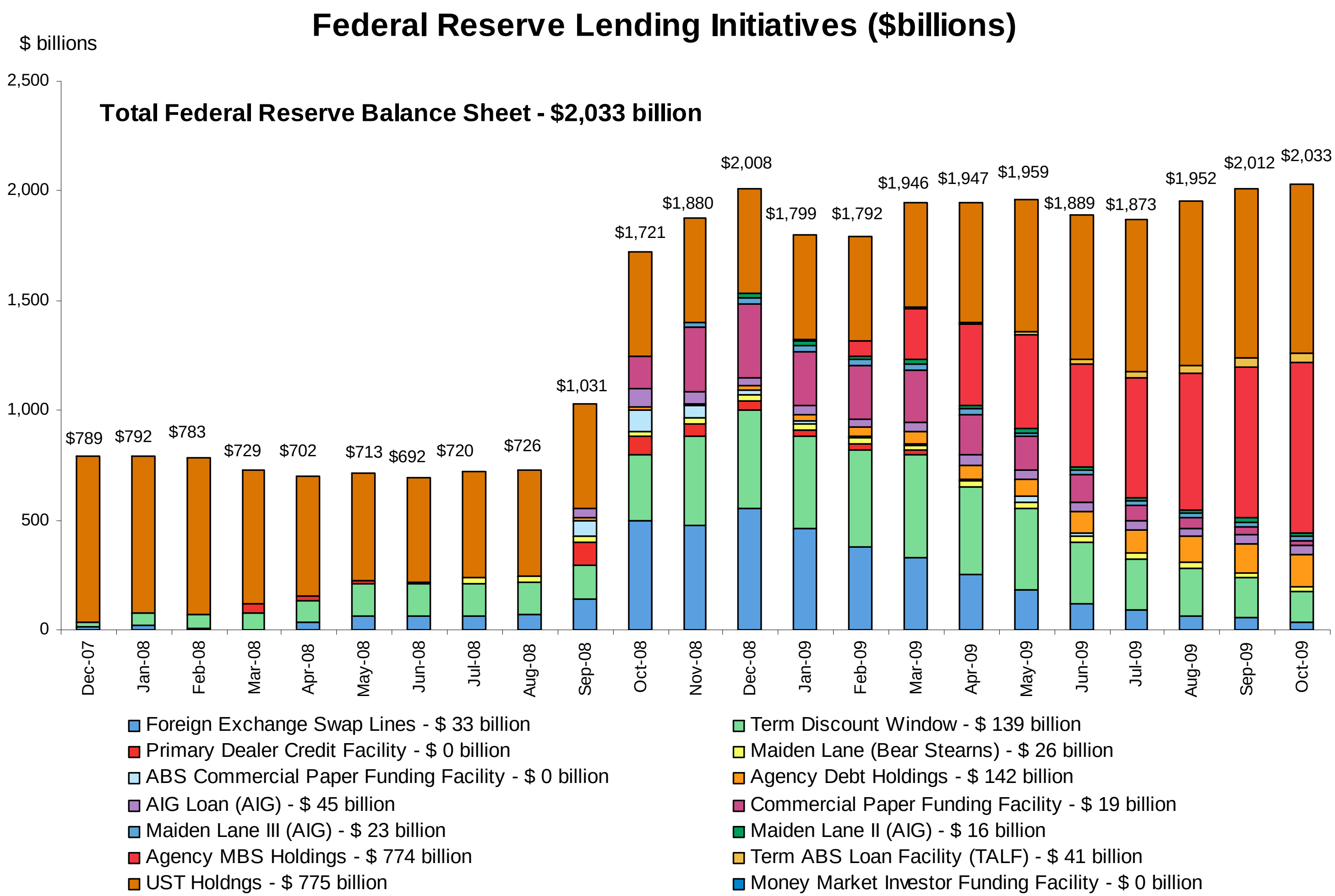
2009 Economic Review

- Global central bank coordination resolved the liquidity and deflation crises; aggressive fiscal and monetary intervention stimulated growth
- Markets improved:
  - S&P 500 Index +26.5%
  - MSCI World Index +30.0%
  - MSCI Emerging Markets Index +78.5%
- Economic activity picked up worldwide, particularly in emerging markets
- Dispersion of returns became increasingly meaningful

Federal Reserve Lending Initiatives



As of October 30, 2009
Source: Federal Reserve

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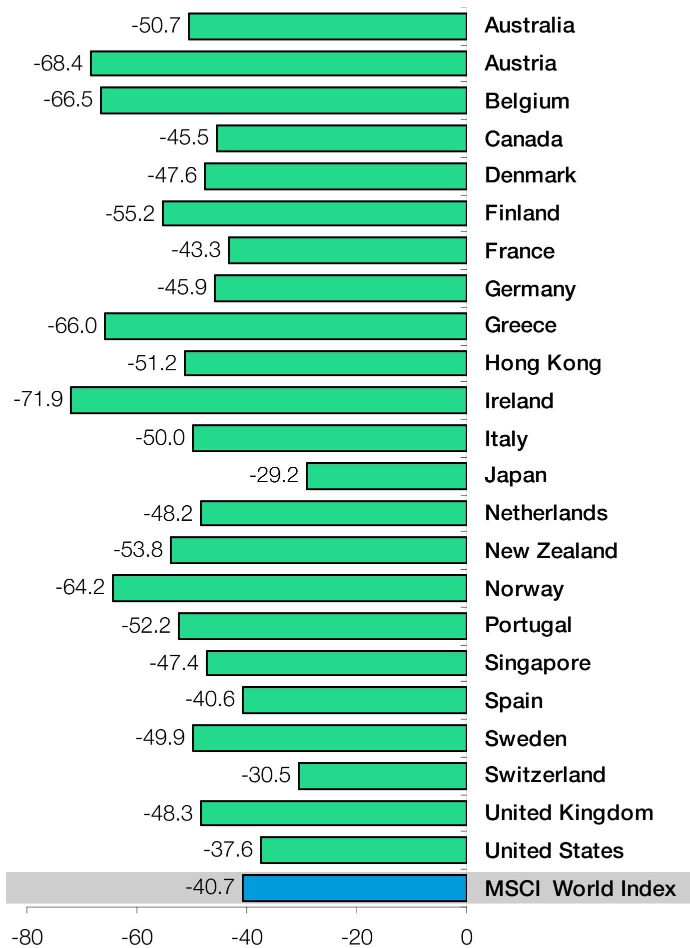
Dispersion

Country Comparison

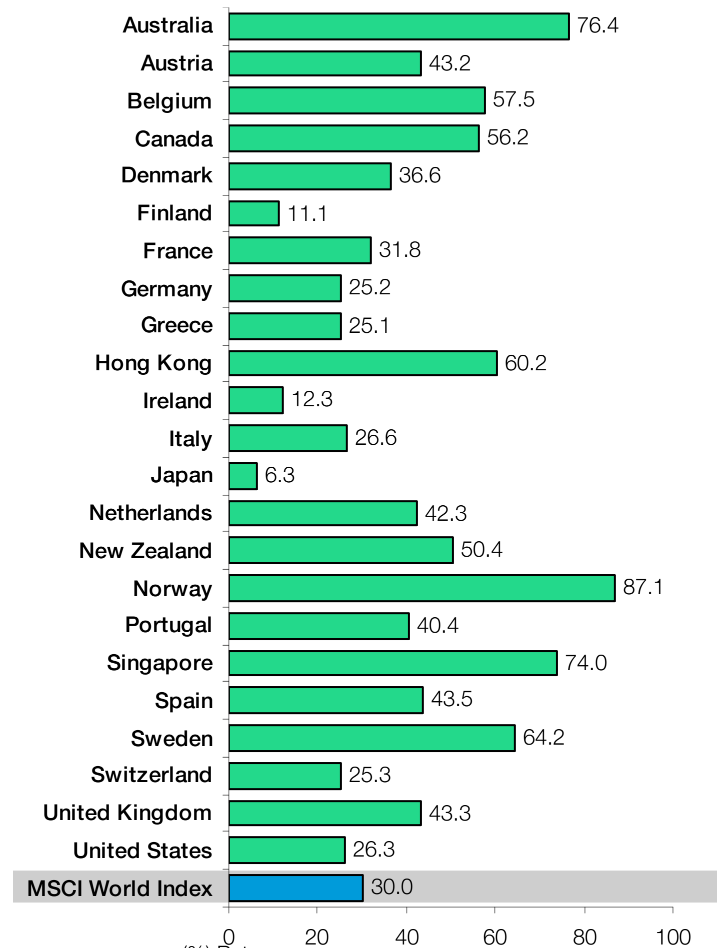
2008:



As of 31 December 2009

Soucre: Lazard Asset Management, MSCI

2009:



Performance presented in U.S. dollars.
Performance quoted represents past performance.
Past performance is not a reliable indicator of future results.

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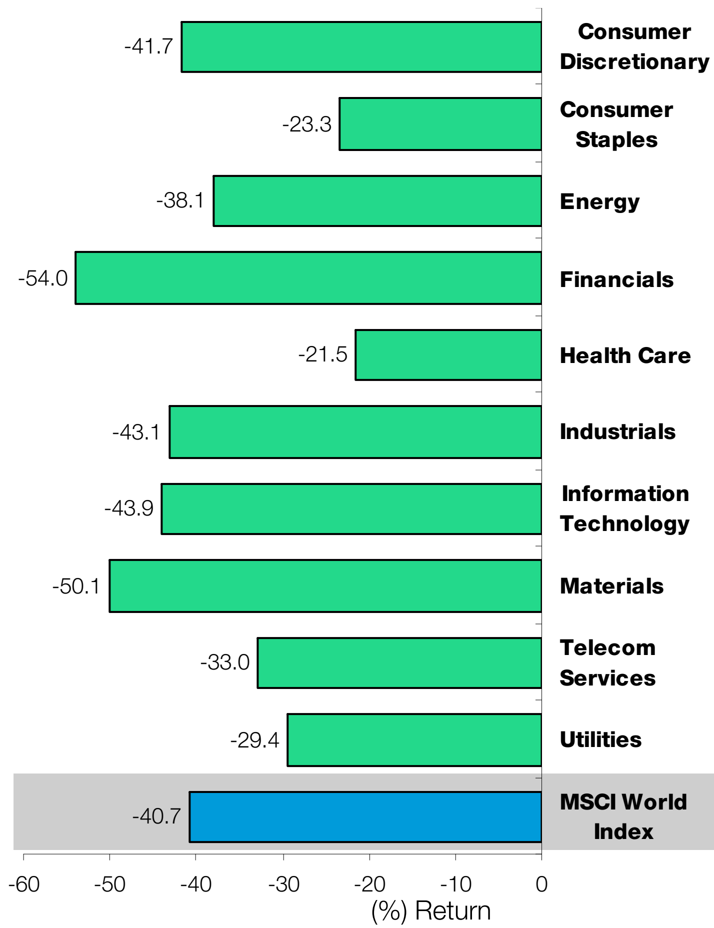
Dispersion

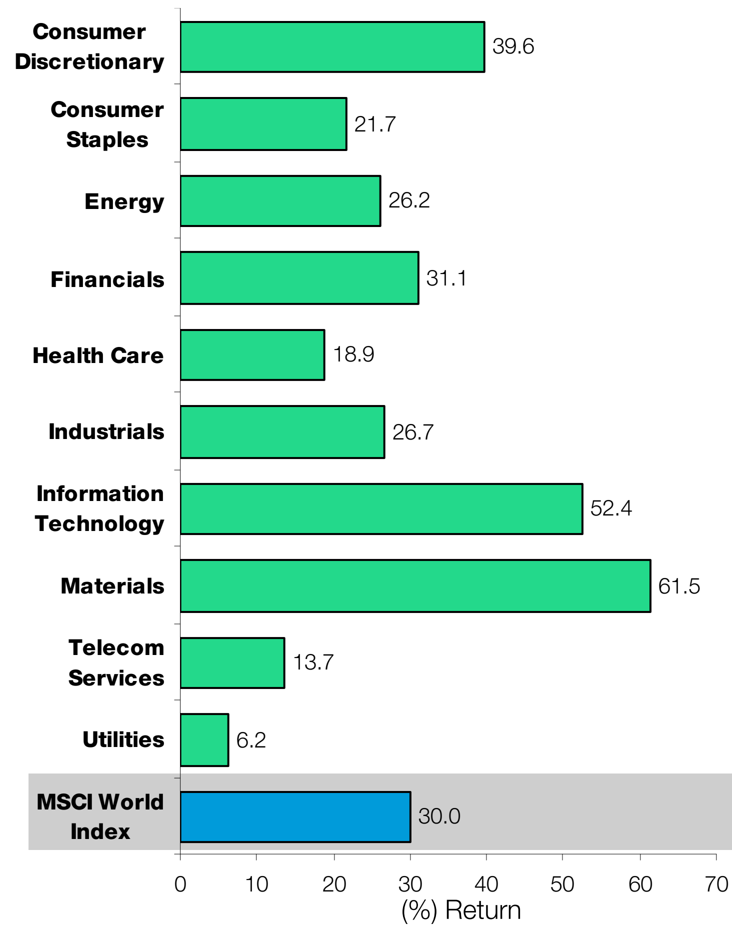
Global Sector Comparison

Sector performance now has wide dispersion; which creates opportunity for active viewpoints

2008:



2009:



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The Big Picture

- Reflationary policies have thus far succeeded but global recovery is not evenly balanced
- Investors continue to become more global in their viewpoint
- Long term, some of the best growth opportunities reside in emerging markets
- Capital flows to emerging markets are secular and backed by strong fundamentals
- Expect continuing volatility

Global Outlook for 2010

- Increasing dispersion between growth rates in developed versus emerging economies
- Global central banks remain accommodative but may be less so in 2010
- Sustainability of the recovery in developed markets is dependant on employment and housing sector recovery
- Looming 2011 U.S. income tax increases have implications in 2010
- Investors continue to add to risk exposure in all asset classes

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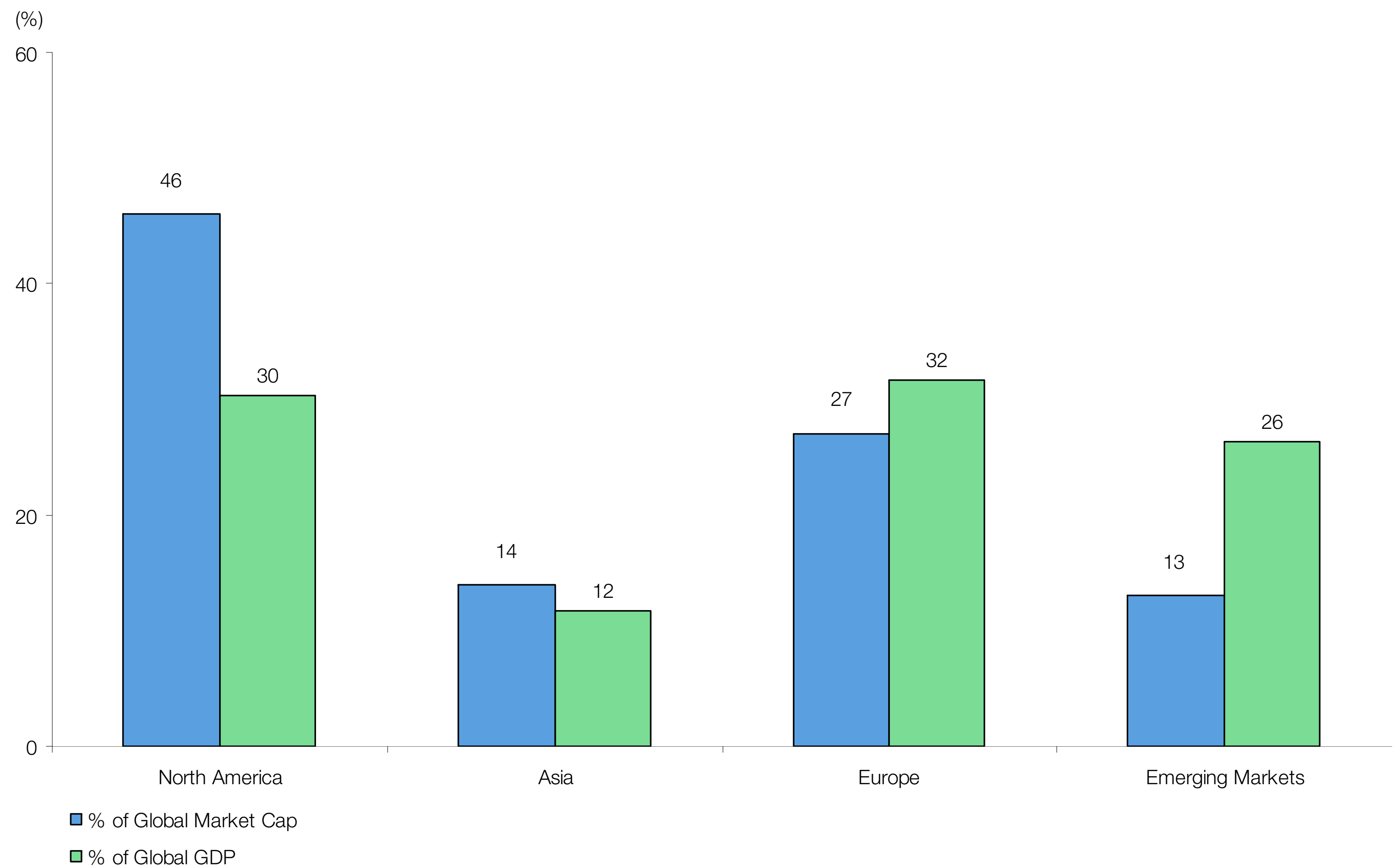
Range of Expectations

- GDP growth
  - Developed – low to moderate growth
  - Emerging – moderate to high growth
- Inflation
  - CPI inflation or "true inflation" – little sign of this
  - Commodity inflation – driven by emerging markets demand
  - U.S. dollar-denominated inflation versus non-U.S. currency

Finding Equilibrium

Market Cap to GPD needs to move toward equilibrium



As of December 31, 2008
Source: MSCI, International Monetary Fund

Regions are based on the MSCI classifications. GDP figures are 3-year averages.

Key Investment Issues in 2010
What are we worried about?

- Policy risk
  - Government intervention
  - Taxes
  - Regulation
- Central bank risk
  - Inflation
  - Exit strategy
- Economic sustainability
  - Employment
  - Housing
- Geopolitical risk

Investment Strategy
First Half 2010

Primary Investment Themes

- Continued engagement of risk but with a strong focus on maintaining liquidity and flexibility
- Favor equity over fixed income
- Granular focus within investment categories to better take advantage of dispersion in equity and fixed income markets

Secondary Investment Themes

- Overweight emerging markets and Asia ex-Japan, as we believe the secular growth story remains intact
- Emphasize sustainable businesses in essential industries

Asset Class Viewpoints

	Attractive		Fair Valued		Unattractive
EQUITY Cap		Large Cap	Mid Cap Small Cap		
Region		Emerging Markets Asia-Pacific ex-Japan	U.S.	U.K. Continental Europe Japan	
Style			Growth	Value	
FIXED INCOME			Credit Cash	U.S. Treasurys	

As of December 31, 2009
For illustrative purposes only.

Breaking Down the Broader Indices

Granular viewpoints on investment themes.

Thematic	Contrarian	Diversifying Assets
Brazil	Technology	Gold
Asia-Pacific ex-Japan	Global Utilities	Emerging Markets Fixed Income
Agribusiness	Health Care	S&P 500 Index VIX
Materials		
Global Water Infrastructure		
Nuclear Energy		
Natural Gas		
Listed Private Equity		

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Conclusions

- Global economy to experience growth; sustainability will be questioned
- Emerging markets in key economic role
- Potential inflection point for inflation
- Dispersion increasing
- Expect volatile markets
- True risk management will be required

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An investment in bonds carries risk. If interest rates rise, bond prices usually decline. The longer a bond's maturity, the greater the impact a change in interest rates can have on its price. If you do not hold a bond until maturity, you may experience a gain or loss when you sell. Bonds also carry the risk of default, which is the risk that the issuer is unable to make further income and principal payments. Other risks, including inflation risk, call risk, and pre-payment risk, also apply. High yield securities (also referred to as "junk bonds") inherently have a higher degree of market risk, default risk, and credit risk.

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