

Lazard Global Equity (ex-Australia)

COMMENTARY / AUGUST 2010

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Global stocks stumbled in August amid growing concern that the global economic recovery was faltering, and investors turned to the safety of government bonds. As a strong earnings season came to an end, disappointing economic data and fears of a double-dip recession appeared to weigh on investor sentiment.

In the United States, the U.S. Federal Reserve (the Fed) took center stage, and investors awaited the outcome of the Federal Open Market Committee meeting and speculated on further quantitative easing to prevent a second recession. Following the meeting, the Fed announced its decision to maintain the current liquidity by reinvesting proceeds from its maturing mortgage-backed securities (MBS) portfolios into long-term Treasury securities, which was generally perceived as positive. However, the U.S. central bank also downgraded its outlook on the economy, which highlighted weakness in both the job and housing markets and unsettled investors.

Meanwhile, the Eurozone economy surprisingly rebounded with strong growth from Germany, whose export-driven economy benefited from a weaker euro. However, debt tensions in Greece and Ireland remained, with credit spreads still at high levels. A negative outlook by the Bank of England also weighed down U.K. shares.

Asian shares traded relatively well, although concerns lingered over slow growth in China. Japanese shares faced headwinds, as its recently revised GDP figures showed that the economy grew much slower than expected.

Traditionally defensive sectors, such as telecom services and utilities, performed well amid volatility in the market. Investors were also attracted to the higher-yielding nature of those sectors due to uncertainty over the economic outlook. In contrast, the information technology sector underperformed. Semiconductors and hardware stocks fared poorly due to fears of slowing global PC demand. *Intel*, the world's largest chipmaker, lowered its revenue outlook for the third quarter due to softness in the consumer laptop market. The financials sector also lagged, as European banks were particularly hurt amid fresh concerns about peripheral Eurozone debt markets.

In the currency markets, the Japanese yen and the Swiss franc were the best-performing currencies due to the return of "safe-haven" demand. The Japanese yen reached a 15-year high against the U.S. dollar, as the Japanese economy lacked strong policy initiatives to fend off a stronger yen. The euro gave back July's gains against the U.S. dollar amid renewed concerns over sovereign debt.

In this environment your account fell 1.8% (gross of fees), outperforming the MSCI World ex-Australia Index which fell 2.1% for the month.

During the month, the strategy benefited from positive stock selection in the financials sector. Shares of *Daito Trust Construction*, a Japanese land developer specializing in residential properties, performed well after the company announced its first quarter profits, which far exceeded analyst expectations, due to an increase in completions on rental apartments and lower costs. Shares of *Ameriprise Financial*, a financial planning and services firm, continued to maintain positive momentum following strong second quarter earnings. Its integration of the well-regarded *Columbia Management* is underway, which we believe should further strengthen its position within the industry.

A marginal overweight position and stock selection in the health care sector also added to returns. Shares of *Pfizer* performed well after its solid second quarter profit report, which was driven by a weaker U.S. dollar and revenue contribution from the acquisition of *Wyeth*. Investors were also heartened by management's reaffirmed positive outlook for the full year.

Stock selection in the materials sector also helped performance during the month. Shares of *Mosaic* rose, as *BHP Billiton's* takeover bid for *Potash Corp of Saskatchewan* sparked speculation of further consolidation in the industry.



Conversely, stock selection in the consumer discretionary sector detracted from returns. Shares of *Comcast* performed poorly due to investor concern that a weakening housing market could impact subscriber growth for the cable company.

Stock selection in the energy sector also hurt performance, as shares of *Aker Solutions*, Norway's largest maker of oil platforms and equipment, were weaker after a lower-than-expected quarterly profit report.

TOP TEN HOLDINGS

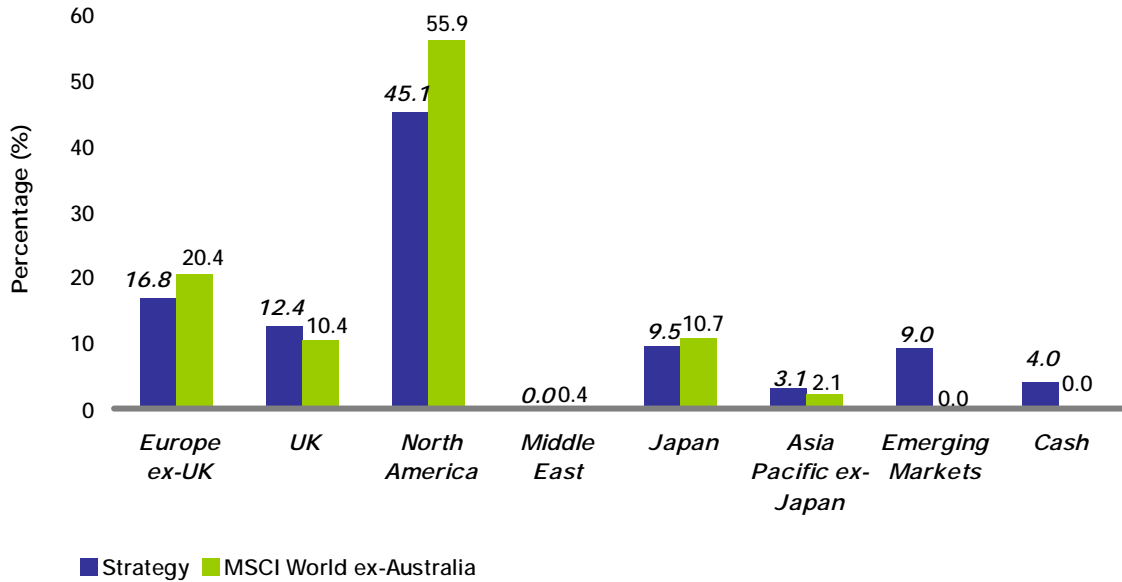
<i>Security</i>	<i>Strategy (%)</i>	<i>Index (%)</i>	<i>MSCI Sector</i>	<i>Country</i>
Wal-Mart Stores	2.8	0.6	Consumer Staples	United States
Pfizer	2.8	0.7	Health Care	United States
ConocoPhillips	2.7	0.4	Energy	United States
Johnson & Johnson	2.7	0.8	Health Care	United States
Ball	2.2	0.0	Materials	United States
JPMorgan Chase	1.8	0.7	Financials	United States
Comcast	1.8	0.2	Consumer Discretionary	United States
Microsoft	1.8	0.9	Information Technology	United States
Mattel	1.8	0.0	Consumer Discretionary	United States
Sanofi-Aventis	1.8	0.3	Health Care	France

Source: Lazard Asset Management. Based on a representative account.



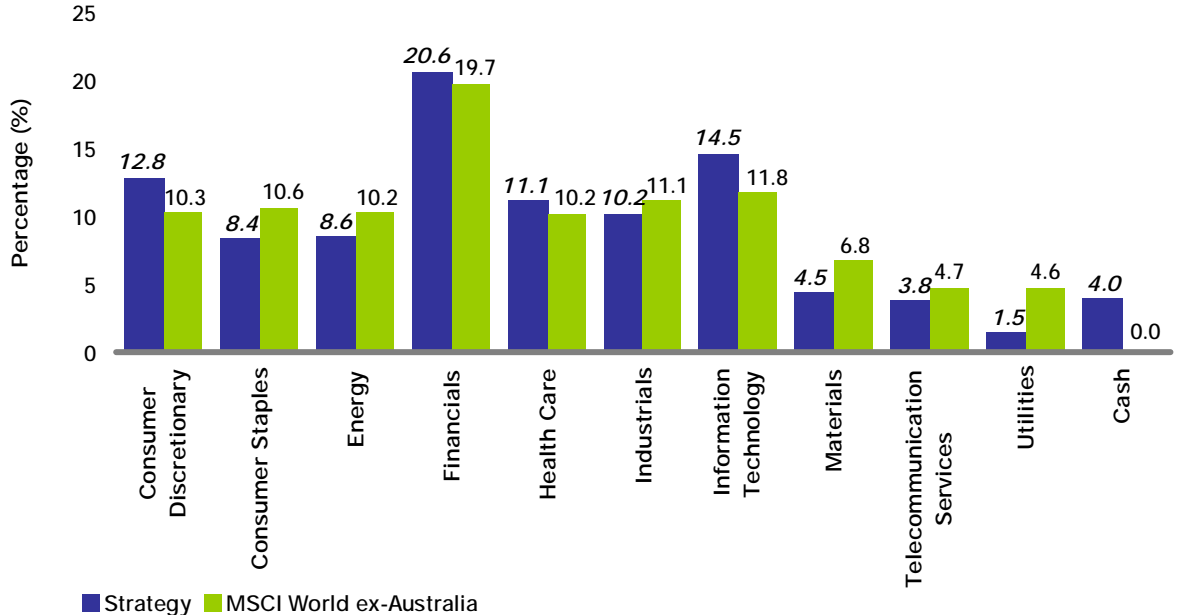
PORTFOLIO HOLDINGS BY SECTOR AND COUNTRY

By Country/Region



Allocations and security selection are subject to change. Totals may not add to 100% due to rounding. Based on a representative account.

By Sector



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