LAZARD

Lazard Emerging Markets Fund

FACTSHEET / DECEMBER 2011

FUND OBJECTIVE

The Emerging Markets Fund seeks to achieve total returns (includes income and capital appreciation and before the deduction of fees and taxes) that exceed those of the MSCI Emerging Markets Index by 3% per annum over rolling five-year periods.

PERFORMANCE*

Fund	1 Month (%)	3 Months (%)	1 Year (%)	3 Years (% p.a.)	5 Years (% p.a.)	10 Years (% p.a.)	Since Inception (% p.a.)
Emerging Markets (gross of fees)	-3.0	-2.2	-16.8	8.3	-0.2	10.0	7.0
Emerging Markets (net of fees)	-3.1	-2.5	-17.8	7.0	-1.5	8.7	5.9
MSCI Emerging Markets Index NDR	-1.0	-1.0	-18.4	5.6	-2.8	6.3	4.2

*Investments can go up and down. Past performance is not necessarily indicative of future performance. The net returns are calculated using the Fund's Net Asset Value unit price. Performance assumes reinvestment of all distributions. Please note that as of 1 April 2004 the benchmark was changed from the MSCI Emerging Markets Index GDR to the MSCI Emerging Markets Index NDR. The inception date is 22 October 1997.

THE FACTS as at 31 December 2011

Largest Holdings	Fund (%)	MSCI EM (%)
Cielo	3.9	0.2
Redecard	3.7	0.2
Banco do Brasil	3.3	0.2
Vale	2.5	2.1
Shinhan Financial	2.4	0.5
Philippine Long Distance Telephone	2.4	0.1
Samsung Electronics	2.4	3.5
KT&G	2.3	0.2
Telekomunikasi Indonesia	2.1	0.2
Shoprite	2.0	0.2

Geographic Allocation	Fund (%)	MSCI EM (%)
Brazil	20.8	14.9
Korea	13.4	15.0
South Africa	11.0	7.8
Russia	8.4	6.3
Indonesia	6.3	3.0
Mexico	5.1	4.7
Turkey	4.8	1.2
India	4.7	6.2
Taiwan	4.4	10.9
Thailand	3.3	1.9
China	3.3	17.8
Philippines	2.4	0.7
Egypt	2.4	0.3
Other	6.7	9.1
Cash	3.0	-

*Total may not add to 100% due to rounding.

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SELECTED PORTFOLIO STATISTICS as at 31 December 2011

Sector Allocation	Fund (%)	MSCI EM (%)
Consumer Discretionary	5.2	8.1
Consumer Staples	14.0	8.1
Energy	7.4	14.0
Financials	21.2	23.8
Health Care	-	1.0
Industrials	7.6	6.4
Information Technology	16.9	13.1
Materials	13.1	13.2
Telecommunication Services	9.5	8.5
Utilities	2.1	3.7
Cash	3.0	-

*Total may not add to 100% due to rounding.

The Facts	
Number of stocks	83
Unit Price – Withdrawal	$1.1002
Inception Date	22 October 1997
Total Fund Size	$1,103.6m
Capped ICR (I class)	1.20%
Alpha (3-year)*	3.78%
Beta (3-year)*	0.89
Information Ratio (3-year)*	0.72
Sharpe Ratio (3-year)*	0.40

*As at 30 November 2011.

COMMENTARY

Faced with ongoing concerns over European sovereign debt and Chinese growth, shares in emerging markets experienced highly volatile conditions in the fourth quarter.

Some ASEAN markets, including Malaysia, the Philippines, and Thailand performed strongly given reasonably good economic trends and despite widespread flooding in the latter. But slowing growth, accompanied by stubbornly high inflation, resulted in underperformance by Indian equities and the rupee. Mixed performance was also registered across most of Eastern Europe, the Middle East, and Africa. Share prices rose in both Russia and South Africa, aided by robust energy and commodity prices, and despite sizable demonstrations over the Duma election results in Moscow. But Egyptian shares fell significantly, as demonstrations became violent over election schedules following the removal of President Hosni Mubarak earlier in the year. Apart from Argentina and Columbia, Latin American markets recorded positive returns over the quarter.

In this environment, the Lazard Emerging Markets Fund declined 2.5% (net of fees) over the quarter, underperforming the MSCI Emerging Markets Index, which declined 1.0%.

Cielo and *Redecard*, both Brazilian credit card processors, performed well following expectations of strong results driven by volume growth and stable margins. *First Quantum Minerals*, a Canadian company with mining assets primarily located in Zambia, rebounded from prior weakness. *Samsung Electronics*, a South Korean consumer and industrial electronic equipment manufacturer, reported stronger-than-expected third-quarter results, mostly due to strong sales of its hit Galaxy line of smartphones. *Shoprite*, a South African retailer, has benefited from solid domestic consumption levels.

Isbank, a Turkish bank, was negatively affected by a market regulator's investigation into claims of opposition party influence on the company's policies. *Bharat Heavy Electricals*, an Indian manufacturer of power plant equipment, weakened due to concerns that Indian power plants were having difficulty with coal allocations, as well as concerns about competition from China. Shares of *Huabao International*, a Chinese supplier of fragrances and flavours for the tobacco, food, and household products markets, were pressured on concerns over the visibility of growth going forward. Shares of *Punjab National Bank*, an Indian bank, fell as a result of potentially slower growth due to the slowing economy, and the risk of increased credit costs as interest rates rise in India. *HTC*, a Taiwanese developer and manufacturer of smartphones, experienced weakness after guiding down fourth-quarter shipments amid stronger competition from *Apple* and Samsung, and also due to concerns over the ongoing legal battle with Apple.

Recent Activity and Outlook

There were no new purchases during the quarter. We sold positions in *Delta Electronics*, a Taiwanese manufacturer of power supplies and video display products, and *Usiminas*, a Brazilian steel producer. We continue to be optimistic about emerging markets for all time frames. Barring a very poor period of global economic growth, we continue to find emerging markets equity valuations inexpensive and, thus, compelling.

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