

Lazard Quantitative Equity (LQE) Global (ex-Australia) 130/30 Fund

FACTSHEET / DECEMBER 2011

FUND OBJECTIVE

The LQE Global (ex-Australia) 130/30 Fund seeks to achieve total returns (comprising income and capital appreciation and before the deduction of fees and taxes) that outperform the MSCI World ex-Australia Index by 4-5% per annum over rolling three-year periods.

PERFORMANCE*

Fund	Dec %	3 Months %	1 Year %	2 Years % p.a.	3 Years % p.a.	Since Inception % p.a.
LQE Global (ex-Australia) 130/30 (gross of fees)	-0.3	1.8	-2.0	-1.3	-1.0	-2.9
LQE Global (ex-Australia) 130/30 (net of fees)	-0.4	1.5	-3.1	-2.3	-2.0	-4.0
MSCI World ex-Australia Index NDR	0.2	2.0	-5.3	-3.7	-2.6	-5.2

* 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. Although the Fund was active from the 18th June, its performance inception date has been set as 24th June 2008 when the Fund had been fully transitioned to the Global 130/30 model.

SELECTED PORTFOLIO STATISTICS as at 31 December 2011

Sector Allocation*	Equity (%)	Index (%)	Sector Allocation*	Equity (%)	Index (%)
Consumer Discretionary	10.5	10.6	Health care	12.2	10.8
- Automobiles & Components	1.7	2.3	- Health Care Equip. & Services	3.1	2.6
- Consumer Durables & Apparel	1.0	1.5	- Pharm. Biotech & Life Sciences	9.1	8.2
- Consumer Services	1.9	1.7	Industrials	10.7	11.3
- Media	2.6	2.4	- Capital Goods	8.4	8.4
- Retailing	3.3	2.8	- Commercial & Prof. Services	0.5	0.8
Consumer Staples	9.6	11.1	- Transportation	1.8	2.1
- Food & Staples Retailing	2.0	2.2	Information Technology	11.5	12.5
- Food Beverage & Tobacco	6.4	7.1	- Semiconductors & Semi. Equip.	0.9	1.6
- Household & Personal Products	1.2	1.9	- Software & Services	6.6	5.7
Energy	13.0	12.0	- Tech. Hardware & Equip.	4.0	5.2
Financials	16.5	16.6	Materials	6.8	6.5
- Banks	6.5	6.4	Telecommunication Services	5.0	4.5
- Diversified Financials	2.8	4.1	Utilities	4.3	4.1
- Insurance	4.1	3.7			
- Real Estate	3.2	2.4			

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

Geographic Allocation*	Equity (%)	Index (%)
North America	60.6	60.0
Middle East	-	0.3
Europe ex-UK	18.3	18.1
United Kingdom	9.7	10.2
Japan	9.6	9.4
Asia Pacific ex-Japan	1.8	2.0

The Facts

Fund Size (\$m)	\$268.5
Unit Price (\$) – Withdrawal	\$0.7835



Top 5 Long	Country	Fund (%)	Index (%)	Fund Characteristics	Fund	Index
IBM	United States	3.0	1.0	% of Total Net Assets (Long/Short)	126.0/26.0	
Apple	United States	2.8	1.7	Number of Stocks (Long/Short)	224/105	
Chevron	United States	2.4	1.0	Price/Cash Flow	6.1	7.8
Total	France	2.2	0.5	Price/Book	2.0	1.6
Microsoft	United States	2.2	0.9	Price/Earnings (excl. negatives)	9.8	12.4
				ROE	21.9	12.4

COMMENTARY

Global equity markets continued to be preoccupied by the European financial crisis. The impact of the numerous austerity measures appeared to portend a likely recession across Europe, despite extraordinary monetary stimulus on the part of the European Central Bank (ECB). The fourth quarter mirrored most of 2011 with large disparity in returns reflecting investors' aversion to risk.

The disparity in equity returns was evident across regions and sectors during the year. North America, led by the US, was essentially flat for the year, whereas Continental Europe fell by more than 15%. Sector differences were even greater, as health care and consumer staples stocks posted returns over 8% for the year, whereas financials and materials declined by nearly 20%. Similar spreads were evident in examining the difference between high and low beta, and volatility stocks.

The LQE Global Ex Australia 130/30 Fund gained approximately 1.5% (net of fees) for the fourth quarter, leaving the portfolio slightly behind the benchmark (0.5%) and approximately 2.2% ahead for calendar year. Over the quarter, the fund showed strong outperformance in the health care and telecommunication services sectors. Offsetting this performance, stock selection in materials and information technology was a drag on returns. The modest underperformance for the quarter was primarily attributable to the long component of the portfolio, as we realised value from our short positions.

Individual contributors to the portfolio included holdings in *AFLAC*, *First Quantum Minerals* and the premium retailer *Coach*. *AFLAC* was the second largest contributor to the portfolio as it enjoyed strong operating results and successful execution of its strategy to lower the risk of its investment portfolio, enabling it to generate one of the industry's highest Returns on Equity (ROE). *First Quantum* reported bringing two major nickel projects on-line with significant upgrading in their throughput capacity. Holdings in *Admiral Group*, *Daito Trust Construction* and *Baxter International* were the largest detractors from performance. *Admiral Group*, the UK car insurer, was down over 30% during the quarter as it surprised investors with the announcement of a large spike in personal injury claims after a record of avoiding such high risk drivers. *Baxter International* also disappointed investors, as concerns over their gross margins and the weak outlook for Europe and the US caused the stock to fall during the quarter.

Our stock ranking models enjoyed a successful year in 2011. Rotation across the factor families was significant with sentiment and quality factors enjoying the most consistent discriminatory power through the year. Value and growth factors exhibited higher variability driven by the changing appetite towards risk and global economic outlook. Our stock ranking process, which maintains a consistent exposure to individual factors, was able to weather the rotation in investor preferences and provided value to our strategy throughout the year.

DISCLAIMER

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