

INFORMATION MEMORANDUM

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From: Lazard Asset Management
To: Distribution

The Value of Quality European Companies is Increasingly Apparent, Says Lazard's Barnfather

At his first anniversary as lead manager of the Lazard European Alpha Fund, Aaron Barnfather discusses the current investment opportunities in Continental Europe.

Aaron says: "The value of quality cannot be underestimated in this volatile economic and investment climate. Companies exhibiting the characteristics generally associated with quality such as superior business models, sound strategic positioning, sustainable returns and stronger company management are currently trading at valuations which in many cases have not been seen for a decade. In our opinion, these could offer investors good long term opportunities.

Although also feeling the effects of the global downturn, core European countries like Germany, France and the Netherlands are in much better economic shape than a number of their developed world peers. Their economies are displaying measures of quality not readily found elsewhere such as superior savings ratios, restrained housing price rises and much lower levels of household debt. For example, the savings rate in Germany is 12%*. That means that the average German saves 12% of their income per annum compared to the average US or UK citizen who has spent nearly all of their income in recent years.

At a company level quality is also key. Industry leading companies that can demonstrate sustainable profitability will prevail against more mediocre companies, that were buoyed in the last few years by a favourable economic backdrop as well as cheap and plentiful liquidity. For example, a lower quality company can no longer finance itself at very low interest rates in order to launch a price war against a more financially sound competitor. Now characteristics such as robust cash flow, strong brands, dominant market positions and solid balance sheets point towards companies that can improve their returns versus competitors going forward.

A turbulent investment climate calls for an increased emphasis on stock selection: isolating the corporate thoroughbreds from the also-rans is critical to investment success. In order to find quality companies you need a quality process that has stood the test of time. By finding companies with sustainably high or improving financial productivity at valuations which, in our view, are attractive, we believe our clients can outperform their chosen benchmarks over full market cycles..

Commenting on the longer term opportunities in Europe, Aaron says: "Valuations are now at increasingly attractive levels, with cash-generative, high-quality companies sporting market-leading positions trading at a discount to their long-term value. Secondly, this challenging corporate environment means the strong are getting stronger; a corporate survival of the fittest is at work. We are finding high-quality stocks across a range of sectors in Europe including technology, food production and pharmaceuticals."

Since Aaron Barnfather assumed lead manager responsibility for the Lazard European Alpha Fund, it has outperformed its benchmark the FTSE World-Europe ex UK Index by 6.2% from 31 March 2008 to 31 December 2008.

* Source:Factset as at 27th February 2009

Notes to Editors

Aaron Barnfather's performance figures for the Lazard European Alpha Fund for Q2 2008, Q3 2008 and Q4 2008 are set out below:

Performance (%) Retail Share Class

	31 Mar 08 – 31 Dec 08	Q2 2008	Q3 2008	Q4 2008
Lazard European Alpha Fund	-11.7	-2.4	-9.6	0.1
FTSE-World Europe ex UK Index	-17.9	-5.2	-11.2	-2.5
Relative Performance	+6.2	+2.8	+1.6	+2.6
IMA Europe ex UK Sector	-17.9	-3.6	-13.4	-1.6
Quartile Rank	1	1	1	2

As at 31 December 2008

Past Performance is not a reliable indicator of future returns

The Lazard European Alpha Fund is a sub-fund of Lazard Investment Funds a UK Open Ended Investment Company.

All data in Sterling and illustrated on a percentage basis, sell to sell, net income reinvested at pay date, net of fees.

Source: Lipper Hindsight

About Lazard Asset Management

Lazard Asset Management (LAM) provides investment management services to financial intermediaries, institutional clients and private clients around the world. By leveraging its global perspective on investing and years of experience, the firm offers clients a broad range of traditional (equity, bond and multi-asset) and alternative investment strategies. LAM's team-based approach to portfolio management seeks to deliver strong and consistent performance over time.

As of 31 December 2008, LAM managed approximately £55.5 billion worth of client assets. For more information about Lazard Asset Management, please go to www.lazardnet.com/funds

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