

## Global Thematic

For Professional Investors Only

### Snapshot

**Performance target\***

Aims to outperform a suitable global index, such as the MSCI World, by +3% per annum (gross of fees) over a full market cycle

**Benchmark Index**

MSCI World Index, or comparable, for performance comparison only

**Typical expected tracking error**

The strategy is not managed or constructed in accordance with a benchmark

**Investable securities**

Our universe typically comprises 200-300 fully researched securities

**Use of derivatives**

Typically not used in this strategy, although we may on occasions use forward currency contracts as a function of individual stock selection decisions

**Currency risk**

We do not generally seek to control currency factors within the strategy. The Global Thematic Equity team believes that currency factors are resolved in long-term stock returns

**Cash weight**

The strategy aims to be fully invested at all times, with cash held only for operational purposes

**Number of holdings**

Typically 80-120

**Market capitalisation**

Greater than US\$1 billion

**Portfolio turnover\*\***

Typically between 30-40% per annum

**Strategy inception**

October 2003

**Investment vehicles**

Segregated/Pooled

*\*There is no assurance that the strategy's objective or performance target will be achieved*

*\*\*Lazard calculates turnover as the lesser of buys and sells divided by average assets over the period*

## Why Invest in Lazard Global Thematic?

Our Global Thematic Equity strategy aims to generate consistent, strong positive returns for our clients over a long-term investment horizon, within a risk-controlled approach. The strategy can best be described as "benchmark" unaware, which means that portfolio construction is not influenced by any benchmark. For performance comparison purposes, we consider an outperformance target of +3% per annum (gross of fees) above a suitable global index over a full market cycle of 3 to 5 years to be an acceptable measure.

We believe that the key benefits of the Global Thematic Equity strategy are:

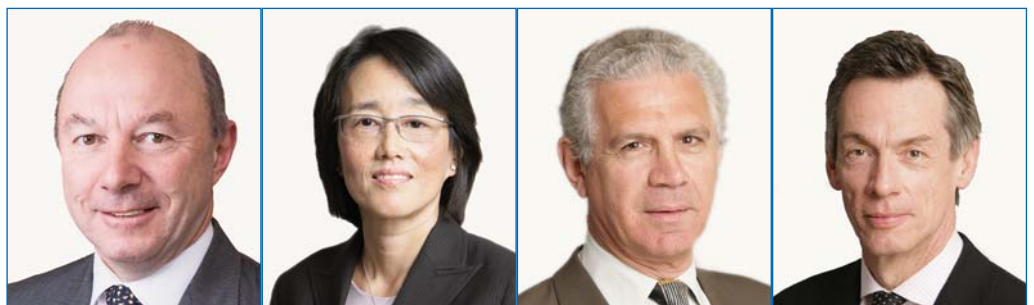
### Approach and Philosophy

- We believe that corporations operate in a single global economy and marketplace and that a global approach is essential for successful investing.
- Our thematic approach is based on identifying and populating asymmetric and uncorrelated global themes and creating an overall portfolio that should display more robust (less risky) characteristics and greater upside potential than the market.
- Continuity of investment philosophy and approach: we have successfully been identifying, understanding and exploiting long-term changes in the single global market place for many years.
- A long-term investment horizon and focus on absolute, not relative risk. Aims to address the real world needs of our investors.
- A comprehensive and effective risk management framework ensures that we understand and manage all sources of risk affecting both our investment strategies and our business.

### Investment Experience

- The Global Thematic Equity team, based in New York, is a highly experienced, long-standing and self-selected team of highly skilled investors with a proven track record.
- Lazard's Global Research Platform analysts provide insight, knowledge and investment ideas and are a core resource for our equity products, allowing us to easily capture a global dimension.

### GLOBAL THEMATIC TEAM


**Nicholas Bratt**

Portfolio Manager/Analyst  
Joined industry 1973  
Joined Lazard 2003

**Irene Cheng**

Portfolio Manager/Analyst  
Joined industry 1984  
Joined Lazard 2003

**William Holzer**

Portfolio Manager/Analyst  
Joined industry 1971  
Joined Lazard 2003

**Andrew Norris**

Portfolio Manager/Analyst  
Joined industry 1973  
Joined Lazard 2003

**INVESTMENT PHILOSOPHY**

Lazard’s Global Thematic Equity strategy centres on the philosophical belief that the world consists of one global economy. All companies compete for customers and capital in a single global marketplace. Investing in companies therefore requires a long-term, a global perspective. As national boundaries to corporate strategy, activity and profitability seem to be less and less relevant, it makes sense to structure an investment portfolio that seeks to analyse and understand the complexity of the single system by focusing on global connections, relationships and themes as opposed to geographic regions and industry sectors.

This philosophy translates into a thematic approach that tries to identify the major long-

term, cyclical and structural influences on the world’s economies and stock markets in the early stages of their development. The associated social, economic, industrial or demographic themes, which we believe represent asymmetric investment opportunities in the investor’s favour, determine the strategic direction of the portfolio at any given time and guide our investments in stocks.

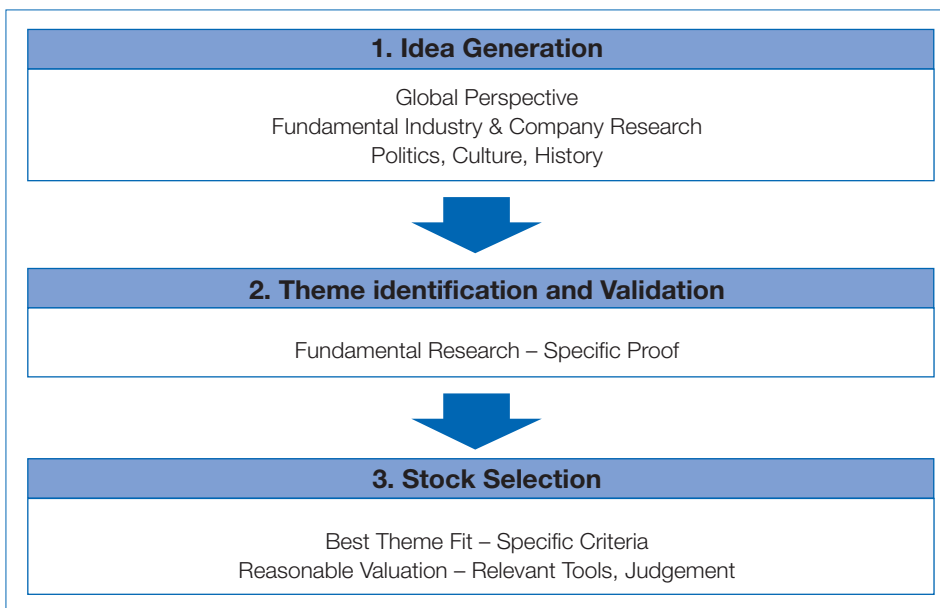
The approach is based upon the rigorous and independent bottom-up analysis of corporations, which the team believes are the largest understandable building blocks of the global economy, as well as how these corporations fit into the global business environment.

The team’s focus on long-term change as a source of investment advantage is the strategy’s main source of value added. Only change is assumed to be constant, not sets of observed or quantifiable existing relationships.

The implication of the team’s philosophy is that the portfolio is managed without regard to a performance benchmark for portfolio construction. Risk is therefore not considered in relative terms, but in absolute terms, defined by the standard deviation of returns. Finally, no regard is paid to traditional style investment criteria, such as value, growth, large or small cap, etc.

**INVESTMENT PROCESS**

Thematic issues are at the core of our portfolio construction and stock selection process. Thematic ideas are based on company research. Our Global Thematic Equity investment process consists of three formal steps:



**1. Idea Generation**

Central to the team’s idea generation process is the use of our Global Framework. This is a global microeconomic model (i.e. based on company observations) that the team believes captures the critical global strategic challenges to which companies must respond. It relies on the aggregation by the team of Lazard global research observations, observations from company management teams, an analysis of cultural and historical

factors and inputs from external strategists and economists. The Global Framework serves to focus the team’s attention within the universe, directing them towards those change factors believed to be most relevant at any given time. The framework is constantly reviewed by debate between the team and the Lazard Global Research Platform.

**2. Theme Identification and Validation**

Investment themes for our Global Thematic Equity strategy are identified using many sources, including:

- Company observations by Lazard’s global sector teams
- Access to major companies and their management teams
- Study of global history and culture
- Global perspective

Our investment themes are identifiably different opportunity and risk sets that are not defined by the benchmark. The themes should also represent favourable asymmetric investment opportunity sets. Collaboration between Lazard’s global research analysts and the team permits the validation and reassessment of these thematic ideas. The team believes that asymmetry can be found in the following factors:

- Long investment horizon
- Prevalence of benchmark mentality in markets
- Conventional wisdom, regulatory distortions and the complexity of the global system

Lazard’s global research analysts do not have a specific mandate to generate theme ideas for the Global Thematic Equity strategy. However, fundamental investment research or company meetings often trigger ideas. Each

idea is tested rigorously for intellectual validity by the team and by the analysts who undertake the research on those sectors where the idea might apply.

The next step is to determine if a theme is investable, in terms of whether stocks are available and whether the idea is yet reflected in company share prices. It is also critical to determine how a new theme might affect the rest of the portfolio's holdings in terms of investment and risk correlations. By focusing the portfolio managers on what is relevant under the global framework, each theme narrows down the team's available investment universe. Themes are constantly reviewed through a process of iterative debate between the team and our research analysts.

**3. Stock Selection**

The Global Thematic Equity team is the final arbiter of theme implementation and consequently stock selection. Lazard's global research analysts' recommendations are not alone sufficient to justify selection in the thematic strategy, since sector-relative recommendations do not take account of theme and portfolio context.

The team believes that any investment is worth the net present value of its future returns. The most important factor in equity valuation is insight, allowing assumptions about future returns and the use of appropriate valuation tools for the opportunity

<b>Country Limits</b>	Country allocations, subject to guideline absolute limits, are a residual of thematic allocations. Residual country exposure limits for the Fund are 25-75% for the US, 0-35% for major European countries, Pacific ex Japan (Developed) and for Japan, and 0-20% for the Emerging Markets.
<b>Sector Limits</b>	There are no sector limits (sector exposures are a residual of thematic choices).
<b>Stock Limits</b>	There is a 3% limit on maximum exposure to any individual stock, with 1% as the normal position.
<b>Theme Limits</b>	We also operate theme limits where the number of themes ranges from 8-12, and a single theme will not typically account for more than 20% of the portfolio.
<b>Cash</b>	The Fund typically remains fully invested in global equities with an allocation to cash and cash equivalents in the 0-10% range. The Team does not time markets and does not consider cash to be a strategic asset. Cash may tend to build during times of economic uncertainty and high market volatility until it can be deployed at more attractive levels. The percentage of assets historically held in cash is 3-5%.
<b>Gearing</b>	Not applicable. Detailed borrowing and investment restrictions are set out in the full prospectus.

in question. Our Global Thematic Equity strategy is designed to identify and exploit such insight.

There are three main decision factors for the strategy:

- 1) Thematic relevance - candidates for portfolio inclusion are identified primarily by their suitability relative to the investment thesis behind the theme;
- 2) Fundamental company view - the portfolio team seeks a positive fundamental research view of portfolio candidates, rather than sector relative valuation opinions;

- 3) Theme asymmetry and valuation perspective - individual stock valuations are considered within the relevant thematic context. Is the thematic insight reflected in the price? Does thematic asymmetry allow a different risk perspective, and therefore price tolerance? Can a longer time horizon capture value where a shorter time horizon may introduce unwanted volatility? Using the appropriate valuation tools, is the investment opportunity in this context reasonably priced?

The team selects 80-120 securities within the portfolio construction framework set out above.

**Examples of Current Themes (as at January 2009)**

**Antimatter**

- Japan is outside the Anglo world's credit cycle
- Corporations are flush with cash and assets

**Gold & Precious Metals**

- Gold is the only alternative currency not subject to the printing press
- Its market capitalisation is small
- Its value as a hedge to the rest of the portfolio magnifies small portfolio exposure

**Emerging Economies**

- Traditional capital and labour intensive wealth creation is under way in Greater China and India, but competition is very fierce

- National, and potentially global, champions are emerging
- Domestic demand will be captured in real estate and banks
- Infrastructure is a vital precondition

**Assets of Choice/Global Platforms**

- Many industries have rationalised to a limited number of participants.
- Platforms have high market shares and, unable to expand at the expense of their competitors, low growth. Global competition is intense.
- Strategic choices are either to invest in growth and migrate capital, or to cut costs and/or prices and buy back shares.

**Regulatory Change**

- Intergenerational conflicts
- Lop-sided wealth distribution and crisis in the financial system will drive regulatory change

**Intergenerational Assets**

- Selfish baby boomers and stretched government finances have led to a shortage of intergenerational investment
- The environment is a key intergenerational challenge
- Until recently the stock market has not been willing to finance long duration assets

### Trade Implementation

The trading function is a critical component of our investment process. Our traders implement trades on a best-execution basis. We aim to add value to clients' portfolios by minimising transaction costs, and we monitor the performance of brokers on a daily basis. Our Brokerage Committee is responsible for reviewing all matters related to broker relations, including trading and research services. Additionally, we receive an independent transaction cost study on a quarterly basis.

### RISK MANAGEMENT

We operate a comprehensive risk management framework to help ensure that we understand and manage all sources of risk impacting our investment strategy, including:

- Market risk
- Political risk
- Inter-theme correlations, theme volatilities and portfolio volatility

While the Global Thematic Equity team is responsible for the risk management of the strategy, Lazard also has a Global Risk Management team that provides risk management services for the firm and which operates independently from the individual portfolio management teams. Our risk management framework also incorporates Compliance, Internal/External Audit and our Management and Investment Oversight Committees.

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*For further information about our investment strategies, please contact:*

### UK Institutional Clients

Louisa Vincent ☎ 020 7448 2339 ✉ [contactus@lazard.com](mailto:contactus@lazard.com)

### Investment Consultants

Consultant Relations Team ☎ 020 7448 2066 ✉ [laml.consultants@lazard.com](mailto:laml.consultants@lazard.com)

### UK Fund Distributors

Broker Service Team ☎ 0800 374 810 ✉ [contactuk@lazardnet.com](mailto:contactuk@lazardnet.com)

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This financial promotion is issued and approved by Lazard Asset Management Limited, 50 Stratton Street, London W1J 8LL

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