

Pan European Equity Alpha

For Professional Investors Only

Snapshot

Performance target

Aims to outperform the benchmark by +3.0% p.a. (gross of fees) over a full market cycle*

Benchmark

MSCI Europe Index

Typical expected tracking error

4% – 6%

Investable Securities

Primarily companies that are domiciled in those countries that comprise the MSCI Europe Index

Use of Derivatives

Not used in this strategy

Currency Risk

Unhedged

Use of cash

Typically 0-5%. Not considered a strategic asset

Market Capitalisation

Typically greater than €1 billion and/or trading volumes greater than €1 million a day

Number of Holdings

Typically 50 – 70

Portfolio turnover**

Typically 50% – 70% p.a. although not targeted

Strategy inception

1992

Available 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

***Terms for the pooled fund may differ from those for the Strategy. Please refer to the Fund Supplement, available at request, for further details

Why Invest In Lazard Pan European Equity Alpha?

Lazard Pan European Equity Alpha aims to achieve long-term capital growth from investment in a concentrated portfolio of between 50 and 70 carefully selected European equities. The portfolio has an objective of outperforming the MSCI Europe Index by 3.0% p.a. (gross of fees). We believe that the key advantages are:

Our Investment Approach

- Lazard's Pan European Equity Alpha strategy has a strong track record, consistently outperforming its benchmark and many within its peer group over the long term, with lower than average volatility
- As bottom-up stock-pickers we focus on companies with sustainably high or improving financial productivity, combined with compelling valuations
- We believe that by combining these attributes in a portfolio we can capture the upside in rising markets and preserve capital in falling markets
- We take risk where we have insight, and avoid unintended risk

Our European Equity Team

- A small, cohesive team of highly skilled and experienced investors
- Portfolios are run on a team basis, helping to ensure consistency of investment focus and allowing clients to benefit from the full breadth of our investment team's experience.
- Our investment approach has stood the test of time: our Pan European Equity Alpha strategy has a strong track record going back to 1992.

Our Expertise in Company Research

- Clients benefit from the competitive source of insight and investment ideas provided by our Global Research Platform
- An inclusive research process, with ongoing interaction between global research analysts and our portfolio managers. This enables a broader view when assessing opportunities and risks.
- Analysts are rewarded for the performance of their stock recommendations in live portfolios, closely aligning their interests with those of our clients.

EUROPEAN EQUITY TEAM



Aaron Barnfather

Portfolio Manager/Analyst
Joined industry 1994
Joined Lazard 2008



Barnaby Wilson

Portfolio Manager/Analyst
Joined industry 1998
Joined Lazard 1999



Marina Leacock

Portfolio Analyst
Joined industry 2001
Joined Lazard 2004



Paul Mangat

Product Specialist
Joined industry 1988
Joined Lazard 2008

The strategy is managed on a team basis allowing every portfolio manager to benefit from the inputs and expertise of his/her peers. Clients therefore benefit from the skill and experience of the broader team. Building on our long-standing and successful approach, our European Equity team consistently applies our proven bottom-up investment approach to its range of European Equity strategies.

INVESTMENT PHILOSOPHY

Lazard Pan European Equity Alpha is a core European equity strategy. The basic tenet of our bottom-up investment philosophy is the trade-off between financial productivity and valuation. By finding companies with sustainably high or improving financial productivity yet attractive valuations, we believe our clients can outperform their chosen benchmarks over full market cycles. The chart below illustrates our long-standing investment process and helps to describe how we search for undervalued and financially productive companies:

INVESTMENT PROCESS

Idea Sourcing

Investment ideas originate from a variety of sources. Many are generated by analysts on our Global Research Platform, which comprises industry analysts organised into sector-based teams. Our analysts research industry trends and their impact on company profitability, assessing the long-term effect of strategic or management change.

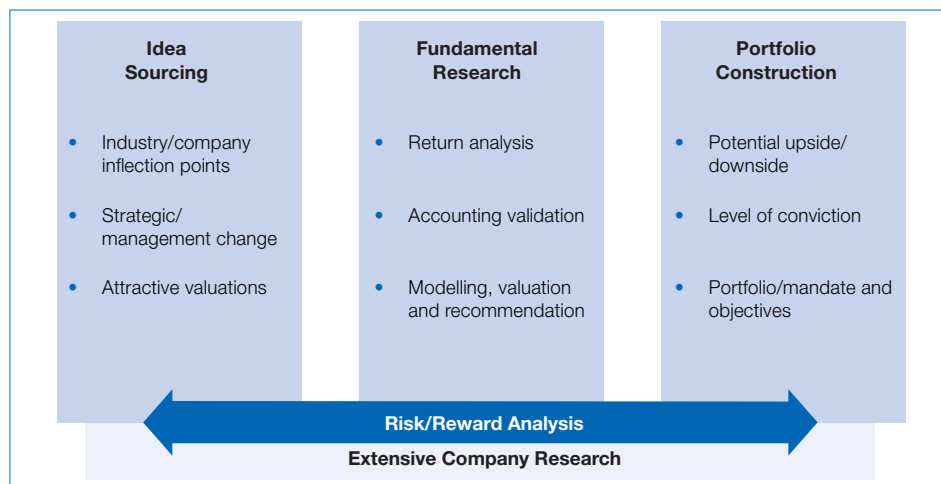
We utilise a variety of screens to identify those companies that appear to offer strong or improving financial productivity, at attractive valuations i.e., those that are attractively priced relative to their financial returns. Sustainably strong returns on capital suggest that a company has an important competitive advantage that is hard for new or existing competitors to erode. They also indicate that the company consistently uses its capital wisely by investing only at levels of return that create value for its shareholders.

Fundamental Research

Company research is at the core of our investment process. Our Global Research Platform is divided into six sector teams, providing the primary source of research for many of our equity strategies, including Lazard Pan European Equity Alpha.

Ultimately, our objective is to understand how the future financial productivity of each company might develop. Each analyst is responsible for identifying the most promising companies in their sectors by analysing company financial reports to understand clearly the drivers of profitability, and how major accounting decisions and policies may affect reported financial productivity.

Meetings with management are at the core of our research process as they are critical to increasing the depth of our knowledge about a company, and help us gain insight into its strategic direction. The results of our analysis are incorporated in the construction of a set of expectations for future cash flows and profitability.



Lazard's investment process is presented here in sequential steps. In practice, the elements of the process are neither static nor sequential but integrated.

We analyse the current market price for embedded assumptions derived from our own analysis and valuation. A clear 'buy, sell or hold' recommendation is then made to our portfolio management teams.

Portfolio Construction

Lazard Pan European Equity Alpha is a concentrated portfolio of between 50-70 securities.

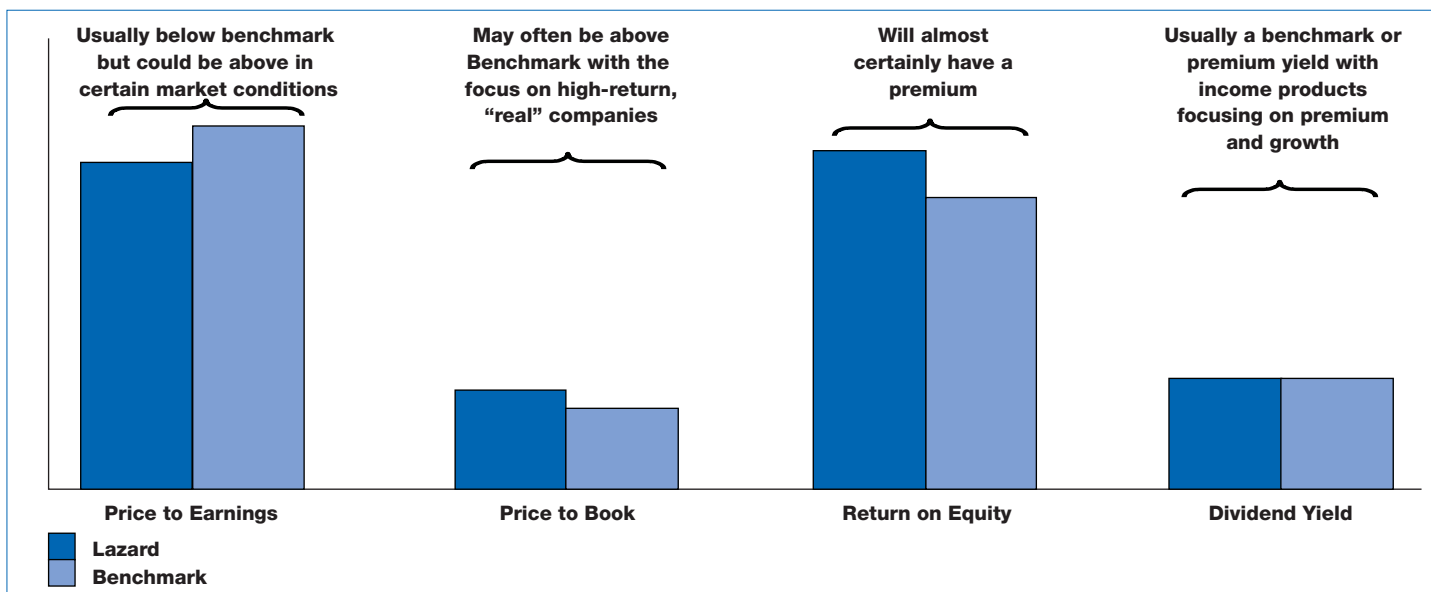
Individual stock weightings are determined by the portfolio managers' level of conviction in a stock idea, following discussion with the analysts. Typically, the weighting of a stock at cost will not deviate by more than +/- 5% from the index.

Sector and industry exposures are a residual of Lazard's stock selection process. The European Equity team reviews the sector allocations within the management guidelines of +7% of the index, rather than set specific target levels. We do, however, monitor and evaluate the impact of macroeconomic trends on the risk profile of the portfolio to ensure that we are not taking any unintended risks. Targets and performance are evaluated on an ongoing basis

Our investment strategies are implemented one stock at a time, using model portfolios that serve as a blueprint for all other portfolios in the same asset class and

Stock Limits	<ul style="list-style-type: none"> No single stock to deviate from the index weight by >± 5% at inception. No single stock to exceed 10% of the portfolio.
Sector Limits	<ul style="list-style-type: none"> Sector and industry weights are a residual of our stock selection process. Sector and industry weights are monitored for risk management purposes, and typically we limit sector exposure to > ± 7% of the Index.
Country Allocation	<ul style="list-style-type: none"> Country weights are a residual of our stock selection process. Country weights are monitored as part of our risk management process to ensure diversification.
Total Portfolio	<ul style="list-style-type: none"> BARRA risk analysis and RAMPro multi-factor analysis

LAZARD PAN EUROPEAN EQUITY ALPHA – PORTFOLIO CHARACTERISTICS



product/strategy. This results in great uniformity across accounts (client-specific guidelines permitting). We apply this discipline to all similar accounts so that portfolio managers make one investment decision for each strategy instead of multiple decisions for many portfolios.

The portfolio characteristics we aim for in our Pan European Equity Alpha portfolios are illustrated in the chart above.

Buy Discipline

We believe that companies with sustainably high or improving financial productivity can generate consistent returns over full market cycles. We seek to purchase securities of these kinds of companies at attractive valuations. Thus, when the European Equity team considers a company for a potential purchase, it looks for:

- Changing fundamentals
- Attractive valuations – is a stock attractively valued relative to its financial productivity?
- Quality of management
- Competitive advantage
- A different view from consensus

Sell Discipline

Our sell discipline is an important aspect of our investment management process, which we strictly adhere to. At the time of purchase, each security has a target valuation. These targets are reviewed and re-evaluated on a regular basis and performance is monitored daily. A security may be sold for any of the following reasons:

- Its price rises to a level that reflects our target valuation
- The underlying investment assumptions are no longer valid
- Company management changes its strategic direction
- External events occur (e.g. geopolitical factors, changes in regulation, taxes and competitive position)
- To make way for superior alternatives

Trade Implementation

The trading function is a critical component of our investment process. We aim to add value to clients’ portfolios by minimising transaction costs and implementing trades on a best-execution basis 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 strategies, including:

- Company-specific risk
- Portfolio-related risk
- Macroeconomic risk
- External risk (e.g. geopolitical factors, change in regulations)
- Operational risk

Our risk management framework incorporates our Global Risk Management team, Compliance, Internal/External Audit and our Management and Investment Oversight Committees.

LAZARD EUROPEAN EQUITY PRODUCT RANGE

The range of investment strategies managed by our European Equity team is illustrated below. These offerings are managed with a similar approach and philosophy, although they have different risk parameters in order to meet the diverse needs of our clients.

	Target Excess Performance (p.a.)*	Typical Expected Tracking Error	Number of Holdings	Typical Benchmark Index
Pan European Equity Alpha	3.0%	4 - 6%	50 - 70	MSCI Europe
Continental European Equity Alpha	3.0%	4 - 6%	45 - 60	FTSE Europe ex-UK
Euroland Equity Alpha	3.0%	3 - 6%	40 - 60	MSCI Euro**

* Performance targets are shown annualised, gross of fees, over a full market cycle

** Composite performance of Euroland Equity Alpha is currently shown against the DJ Euro Stoxx 50.

For further information about our investment strategies, please contact:

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There is no assurance that the Fund's objectives or performance targets will be achieved.

Past performance is not a reliable indicator of future results. Fluctuations in the rate of exchange between the currency in which shares are denominated and the currency of investment may have the effect of causing the value of your investment to diminish or increase. Investors are reminded that the value of shares and the income from them can fall as well as rise due to stock market and currency movements. When you sell your investment you may get back less than you originally invested. In view of the concentrated nature of the portfolio, the level of risk is expected to be higher than for a broader based fund.

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

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