

Summary

Lazard Emerging Markets Equity Select ADR seeks to generate strong relative returns over a long-term time horizon by investing in companies with strong financial productivity at attractive valuations. The strategy typically invests in 35–45 non-Rule 144A ADR securities of companies domiciled in countries included in the MSCI Emerging Markets Index with over \$3 billion in market cap. Companies not domiciled in the emerging markets but that derive more than 50% of their net assets and/or sales from emerging markets countries are also included in our initial universe. The strategy is closed to new investors.

Investment Characteristics¹

	Lazard	MSCI Emerging Markets Index
Number of Securities	46	819
Weighted Average Market Cap (\$B)	32.9	35.8
Forward Price/Earnings	10.9	11.9
Forward Return on Equity (%)	19.9	14.4
Free Cash Flow Yield (%)	9.8	7.0
Dividend Yield (%)	3.3	2.7
Turnover – Trailing 12 Months (%)	20.9	N/A
Assets Under Management (\$B)*	2.1	N/A

* As of December 31, 2011. AUM is indicative of total assets in the Emerging Markets Equity Select strategy and includes Emerging Markets Equity Select ADR/GDR (Qualified) and Emerging Markets Equity Select ADR assets.

Quarterly Attribution²

Helped

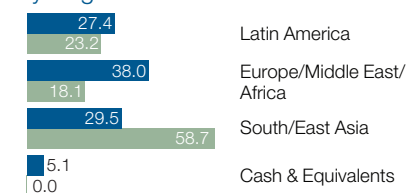
- Shares of Cielo and Redecard, both Brazilian credit card processors, re-rated due to better-than-expected fourth-quarter results, as well as the tender offer to Redecard's minority shareholders from Itau. Cemig, a Brazilian electric utility, had strong performance due to speculation that the company would negotiate a settlement with Minas Gerais regarding the debt the state owes. Sberbank, a Russian bank, rose amid strength in the Russian market as oil prices continued to rise.
- Stock selection in the financials sector, as well as within Brazil and South Africa, added to relative returns.

Hurt

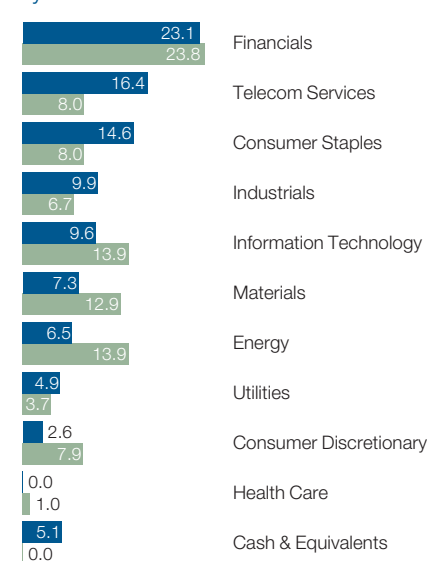
- Shares in YPF, an Argentine energy company, retreated amid increasing pressure from the government, which led to speculation of a possible nationalization or intervention. Given the slowdown in the Chinese economy following the government's tightening measures in 2011, Weichai Power, a Chinese manufacturer of heavy-duty diesel engines, had weak truck sales volumes during the period. Shares of Telekomunikasi Indonesia, an Indonesian telecommunication company, were pressured over concerns about the company's upcoming earnings announcement.

Allocations (%)²

By Region



By Sector



■ Lazard
■ MSCI Emerging Markets Index

Top Ten Holdings²

Company	Lazard (%)
Cielo (ADR)	3.6
China Mobile HK (ADR)	3.1
Cemig (ADR)	3.1
Philippine Long Distance Telephone (ADR)	2.9
Vale (ADR)	2.9
Companhia de Bebidas (ADR)	2.8
Sberbank of Russia (ADR)	2.8
America Movil (ADR; Ser L)	2.8
Banco do Brasil (ADR)	2.7
Mobile Telesystems (ADR)	2.6

Holdings (%)²

Equity	94.9	India	1.7	South Africa	16.9
Cash and Equivalents	5.1	Infosys Technologies (ADR)		Bidvest Group (ADR)	
Argentina	2.7	Indonesia	7.8	Clicks Group (ADR)	
Banco Macro Bansud (ADR)		Bank Mandiri (ADR)		Massmart Holdings (ADR)	
YPF Sociedad Anonima (ADR)		Perusahaan Gas Negara (ADR)		Nedbank Group (ADR)	
Brazil	16.9	Semen Gresik (ADR)		Pretoria Portland Cement (ADR)	
Banco do Brasil (ADR)		Telekomunik Indonesia (ADR)		Sanlam (ADR)	
Cemig (ADR)		United Tractors (ADR)		Shoprite Holdings (ADR)	
Cielo (ADR)		Mexico	7.8	Standard Bank Group (ADR)	
Companhia de Bebidas (ADR)		America Movil (ADR; Ser L)		Tiger Brands (ADR)	
Siderurgica Nacional (Spon ADR)		Desarrolladora Homex (ADR)		South Korea	5.1
Vale (ADR)		Grupo Televisa (ADR)		KB Financial Group (ADR)	
China	5.1	Kimberly-Clark de Mexico (ADR)		Shinhan Financial Group	
China Construction (ADR)		Philippines	2.9	Taiwan	2.6
NetEase.com (ADR)		Philippine Long Distance Telephone (ADR)		Taiwan Semiconductor Manufacturing (ADR)	
Weichai Power (ADR)		Russia	11.5	Thailand	1.2
Egypt	4.0	Gazprom (ADR)		PTT Exploration and Production	
Commercial International Bank (ADR)		Lukoil (ADR)		Turkey	5.5
Orascom Construction Industries (ADR)		Mobile Telesystems (ADR)		Akbank (ADR)	
Hong Kong	3.1	Oriflame Cosmetics (ADR)		Koc Holding (ADR)	
China Mobile HK (ADR)		Sberbank of Russia (ADR)		Turkcell Iletisim Hizmetleri (ADR)	

Notes

- Investment characteristics are based upon a portfolio that represents the proposed investment for a fully discretionary account. Forward Price/Earnings is defined as Price/Earnings FY1 and Forward Return on Equity as Return on Equity NTM. These figures represent expected returns and expected returns do not represent a promise or guarantee of future results and are subject to change. Source: Lazard, MSCI
- The allocations and specific securities mentioned are based upon a portfolio that represents the proposed investment for a fully discretionary account. Allocations and security selection are subject to change. The securities mentioned are not necessarily held by Lazard for all client portfolios, and their mention should not be considered a recommendation or solicitation to purchase or sell these securities. It should not be assumed that any investment in these securities was, or will prove to be, profitable, or that the investment decisions we make in the future will be profitable or equal to the investment performance of securities referenced herein. There is no assurance that any securities referenced herein are currently held in the portfolio or that securities sold have not been repurchased. Please note that cash is not viewed as a strategic asset class. Source: Lazard, MSCI

Important Information

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Equity securities will fluctuate in price; the value of your investment will thus fluctuate, and this may result in a loss. Securities in certain non-domestic countries may be less liquid, more volatile, and less subject to governmental supervision than in one's home market. The values of these securities may be affected by changes in currency rates, application of a country's specific tax laws, changes in government administration, and economic and monetary policy. Emerging market securities carry special risks, such as less developed or less efficient trading markets, a lack of company information, and differing auditing and legal standards. The securities markets of emerging market countries can be extremely volatile; performance can also be influenced by political, social, and economic factors affecting companies in emerging market countries.

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