

PRODUCT PROFILE / 2Q 2010

U.S. Mid Cap Equity

STRATEGY DESCRIPTION

Lazard U.S. Mid Cap Equity invests in financially productive mid-cap companies, employing intensive fundamental analysis and accounting validation to identify investment opportunities. It seeks to outperform the Russell Midcap Index by investing in companies that compound earnings and capital, as well as by taking advantage of valuation anomalies. The strategy typically invests in 50-70 securities of companies with a market capitalization of between \$1 billion and \$10 billion, or in the range of the Russell Midcap Index.

PORTFOLIO PROFILE^{1,2}

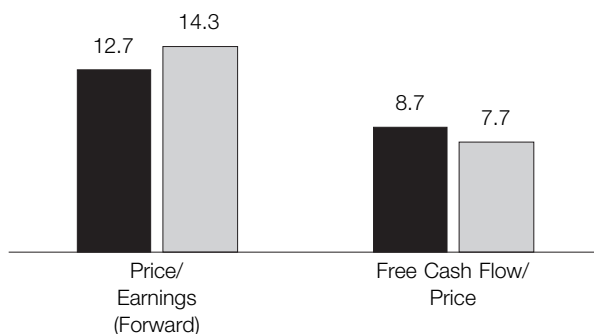
	Lazard	Russell Midcap Index
Number of Securities	69	792
Current Dividend Yield (%)	1.8	1.7
Average Weighted Market Cap (\$ billions)	7.1	6.1
Turnover – Trailing 12 Months (%)	82.5	N/A

Sector Allocation

	Weighting %
Consumer Discretionary	17.8
Financials	17.4
Information Technology	14.2
Industrials	10.1
Health Care	9.9
Materials	9.9
Consumer Staples	7.4
Energy	7.4
Utilities	5.9
Telecom Services	0.0

Characteristics

- Lazard
- Russell Midcap Index



HOLDINGS³

Equity	96.2	Industrials (cont.)	
Cash and Equivalents	3.8	Republic Services Cl A	
		Rockwell Collins	
Consumer Discretionary	17.1		
Autozone		Health Care	9.5
Burger King Holdings		CareFusion	
Cablevision Systems Cl A		Hospira	
Darden Restaurants		Life Technologies	
Family Dollar Stores		Talecris Biotherapeutics Holdings	
J.C. Penney		Teleflex	
Mattel		Warner Chilcott Cl A	
Newell Rubbermaid		Zimmer Holdings	
Stanley Works			
TJX Companies		Materials	9.5
Viacom Cl B		Air Products & Chemicals	
		Ball	
Financials	16.7	Cliffs Natural Resources	
Ameriprise Financial		Compass Minerals International	
City National		Eastman Chemical	
Digital Realty Trust		Nucor	
Fifth Third Bancorp		Packaging of America	
Keycorp New			
Macerich		Energy	7.2
NYSE Euronext		Arch Coal	
PartnerRe		Holly	
Public Storage		Massey Energy	
RenaissanceRe Holdings		Noble Energy	
Tanger Factory Outlet Centers		Tidewater	
UDR		Valero Energy	
		Williams Companies	
Information Technology	13.6		
Analog Devices		Consumer Staples	7.1
BMC Software		Avon Products	
Fidelity National Information		Campbell Soup	
Ingram Micro Cl A		McCormick	
Intuit		Molson Coors Brewing	
Lexmark International Cl A		Ralcorp Holdings	
NetApp			
NeuStar		Utilities	5.7
Symantec		Allegheny Energy	
Tellabs		American Electric Power	
		Energen	
Industrials	9.7	EQT	
Corrections Corporation of America			
Dover		Telecom Services	0.0
Foster Wheeler			
Parker Hannifin			

COMMENTARY²

U.S. stocks were volatile in the second quarter, falling sharply from mid-April to late May, as investors became increasingly wary of a global recovery amid a potential slowdown in China and the ongoing sovereign debt crisis in the Eurozone. Stocks rallied earlier in the quarter on the back of strong corporate earnings announcements, but failed to maintain the positive momentum, as the U.S. recovery appears to have hit a soft patch with housing, consumer confidence, and retail sales data coming in below expectations. Despite adding 431,000 jobs, May non-farm payroll also disappointed investors due to weaker-than-expected additions in the private sector, where a recovery is key to improvement in the housing market and consumer spending. A series of recent events, including ongoing financial reforms and the oil spill in the Gulf of Mexico, also hinted at more aggressive government influence on business, which further dampened investors' sentiment.

By sector, economically defensive groups such as telecom services, consumer staples, and utilities outperformed, while the materials sector, particularly commodity producers, lagged over concerns about weaker Chinese growth. The consumer discretionary sector also underperformed amid a potentially slowing recovery in the United States.

While an overweight position in information technology hurt returns during the quarter, stock selection in the sector benefited performance. Shares of Fidelity National Information Services, a payment services provider, rose sharply following news of buyout talks with Blackstone Group. Shares of NetApp, a data storage provider, rose after the company's forecast for next quarter's sales came in higher than expected.

Stock selection in the materials sector also helped returns for the quarter. Shares of Ball Corp., a manufacturer of metal and plastic packaging for food and household

products, performed well after announcing plans to sell non-core assets and further strengthen its position in China.

In contrast, stock selection in the energy sector detracted from returns. Shares of Massey Energy underperformed due to concerns over the impact from an explosion in one of its coal mines in West Virginia.

An underweight position and stock selection in the utilities sector also hurt performance, as the sector outperformed overall due to its more defensive nature. Our position in EQT, a supplier of natural gas, detracted from returns based on speculation that the recent offshore drilling moratorium enacted by the Obama administration could spread to land drilling. This speculation began following the explosion of a gas well in Pennsylvania (which was owned by EOG Resources).

As we move into the second half of 2010, we see conflicting signals regarding economic conditions. The technology and industrials sectors appear resilient, while the consumer and materials industries are demonstrating questionable-to-weak trends. Energy, financials, and health care seem to be more focused on Washington D.C. than anything else these days, confirming our view that government intervention will be more prominent and sustained in the years ahead than it has been over the course of the last two decades.

As we evaluate the investment opportunities in the United States against this macroeconomic backdrop, we continue to find very attractive opportunities to invest in on behalf of our clients. Our scenario analyses consistently show that the companies with strong balance sheets, robust organic cash flow, and the resulting operational flexibility typically offer better reward and risk profiles than do their peers with lesser characteristics. While we expect short-term ebbs and flows in actual stock price performance, we believe strongly that these companies will deliver better results over time.

NOTES:

- 1 Investment characteristics are based upon a portfolio that represents the proposed investment for a fully discretionary account. Source: Lazard, Russell Investments.
- 2 The allocations mentioned are based upon a portfolio that represents the proposed investment for a fully discretionary account. Allocations are subject to change.
- 3 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.

Equity securities will fluctuate in price; the value of your investment will thus fluctuate, and this may result in a loss. Mid-cap securities carry additional risks, their earnings may be less predictable, their share prices more volatile, and their securities less liquid than large-cap securities.

ABOUT LAZARD ASSET MANAGEMENT

DIFFERENTIATING FEATURES

- Focus on security selection and portfolio construction
- Accounting validation process
- Internal global research resources
- Risk management
- Team approach to investing

FIRM OVERVIEW

Tracing its history back to 1848, Lazard has long maintained a pre-eminent position in the world's financial marketplace. Lazard Asset Management LLC, an indirect subsidiary of Lazard Ltd., is known for its global perspective on investing and years of experience with global, regional, and domestic portfolios. With more than 235 investment personnel worldwide, we offer investors of all types an array of equity, fixed income, and alternative investment solutions from our network of local offices in ten different countries. Our team-based approach to portfolio management helps us to deliver robust and consistent performance over time, and strong client relationships allow us to understand how to employ our capabilities to our clients' advantage.

INVESTMENT PHILOSOPHY

- **Pick securities, not markets.** Securities are evaluated individually, and capital is allocated to the most attractive. Each investment decision is backed by original research, strict accounting validation, and fundamental analysis.
- **Find relative value.** A careful analysis of valuation is predicated on a long-term view of financial productivity. Understanding that value is determined by the relationship between cost and reward, an emphasis is placed on strong fundamentals.
- **Manage risk.** Although it cannot be avoided, risk can be actively managed through an understanding of the cumulative risk resulting from individual investment decisions.
- **Stick to our discipline.** In the course of a complete market cycle, investment styles will fall in and out of favor. By remaining faithful to our approach, success can be measured with a long-term perspective.

INVESTMENT PROCESS

- **Analytical Framework.** Our analysts screen global databases consisting of thousands of companies, searching for those with a high return on capital and an attractive share price.
- **Accounting Validation.** Analysts use this process to examine a company's stated financial statistics (income statement, cash flow statement, balance sheet, and all related footnotes) to consider how accounting decisions and policies may affect reported financial productivity. They also try to identify and take advantage of pricing anomalies and discover opportunities, including hidden value per share and hidden risks.
- **Fundamental Analysis.** We conduct fundamental analysis to determine the sustainability of returns, to discover hidden value, and to identify a catalyst for price revaluation.
- **Analyst Recommendations and Portfolio Construction.** Analysts propose and defend stock recommendations to the portfolio management teams, thereby identifying a group of undervalued securities that meet the teams' portfolio criteria. The portfolio teams must agree on the merits of the stock in order for a purchase to occur.

SELL DISCIPLINE

Portfolios are reviewed on a daily basis, and an individual security is sold when:

1. its stock price is no longer believed to reflect fair value;
2. substantial changes have occurred in the company's fundamentals; or
3. the investment thesis is no longer valid.

Portfolio ideas are generally implemented equally for all fully discretionary portfolios with similar mandates.