

PRODUCT PROFILE / 1Q 2011

## Global Core Fixed Income

### STRATEGY DESCRIPTION

Lazard Global Core strategy seeks to enhance returns by rotating through global bond and credit markets, taking currency risk when appropriate. The strategy invests in global investment grade government, agency/supranational, corporate, municipal, mortgage and asset-backed bonds. The strategy seeks to outperform benchmarks such as the Barclays Capital Global Aggregate Bond Index or Citigroup World Government Bond Index. Lazard's relative value approach is driven by our macro view of global interest rates, yield curves, sector spreads and currencies, combined with an opportunistic, but disciplined security selection process.

### PERFORMANCE UPDATE (%) – AS OF MARCH 31, 2011

(%; Gross of fees)	3-Month	1-Year	Annualized Returns		
			3-Year	5-Year	10-Year
<b>Lazard Global Core</b>	<b>1.24</b>	<b>8.40</b>	<b>4.74</b>	<b>7.64</b>	<b>7.35</b>
Barclays Capital Global Aggregate Bond Index	1.24	7.15	3.94	6.95	7.02

Performance is preliminary and presented gross of fees. Please refer to the disclosure sections for additional performance information, including net-of-fees results. The performance quoted represents past performance. Past performance is not a reliable indicator of future results.

### PORTFOLIO DRIVERS FIRST QUARTER 2011

#### Helped

- + Country allocations, including overweight exposures to Australia, New Zealand, and underweight exposure to the United States, Japan, Portugal, and Ireland
- + Yield curve positioning in the United States, the United Kingdom, and Poland
- + Excess carry
- + Sector and security selection in the United States
- + Tactical currency exposure

#### Hurt

- An underweight exposure to Spain and Italy
- An underweight position in financial corporate bonds

COMMENTARY<sup>1</sup>

Global interest rate markets started the year off with a consolidative tone, as country-specific factors impacted direction and volatility. Rising yields in longer-maturity U.S. Treasuries reflected stronger economic data, inflationary fears, and most importantly, fiscal concerns and looming supply. The euro curve also “repriced” and intermediate yields increased, bringing forward the potential for a rate hike as early as April. Investors sold German Bunds and purchased (or closed shorts) in Greek and Spanish bonds, which were top performers for the period, while Irish and Portuguese bonds sold off on new concerns. Generally stronger economic data in addition to increased inflation pressures pushed rates higher in the United Kingdom and Scandinavia. Food and energy price pressures similar to 2008 also negatively impacted bonds in smaller developing and emerging markets such as Indonesia, India, Korea, where rates moved sharply higher. In contrast, Australian and New Zealand rates dropped as worries over the impact of natural disasters temporarily interrupted their rate hike cycles.

Compared to rates and currencies, credit sectors were relatively stable and continued to trade well with spreads generally tightening, especially higher-yielding issues further down the credit spectrum. New issuance overall was easily absorbed, as flows into cash bonds are supportive. We believe excess carry through exposure to select spread product is an important theme this year, although sensitivity to yield curve positioning will be key. Mindful of the extreme historical steepness of the U.S. yield curve during February, we added modest exposure to long-maturity corporate bonds Suncor Energy (5.75% yield, at the time of purchase) and McDonalds (5.40% yield, at the time of purchase).

Interest rate differentials were key fundamental drivers of currencies during the period. Geopolitical events in the Middle East and the natural disaster in Japan increased currency volatility, but the U.S. dollar never exhibited its traditional “flight to quality” role; the mood still seems to be “buy risk on dips,” which points to a weaker U.S. dollar and Japanese yen. The euro bounced back amid the prospect and pace of higher Eurozone rates, greater confidence of policy actions taken to deal with

peripheral European fiscal problems, higher oil prices, and reserve diversification from many central banks. Technical factors are an important gauge for currency sentiment and direction, and a clear break of 12.00 for the Mexican peso, and 1100 for the Korean won are bullish signs that we are monitoring.

We remain constructive on the potential for steady global growth in the coming year; however, we will be vigilant with regard to policy actions from countries that may be impacted by inflation or political pressures, keeping in mind that there are 17 elections scheduled this year in Africa alone. We will also be keenly watching developments in the United States over the next few months, including political battles over the debt ceiling, and the beginning of the end of quantitative easing or “QE2,” which will reduce some of the liquidity feeding the purchase of riskier assets.

The tragedy in Japan also creates additional uncertainty, but the tremendous liquidity injected by the Bank of Japan (over \$300 billion) may also be seeping into riskier assets. We believe rebuilding efforts will ultimately increase economic activity, but with further negative fiscal implications. In contrast to many sovereign issuers, corporate balance sheets are generally in solid condition, underpinning our investments in select corporate bonds. We added modest positions in short-maturity bonds issued, such as Telefonica (in GBP currently yielding 3.90%).

Similar to our theme of overweighting spread product (compared to government bonds) to potentially earn excess yield, we also believe the currency environment this year is conducive to focusing on “carry.” In line with our long-term view on U.S. dollar and Japanese yen weakness, we have reestablished overweight positions to select commodity-based currencies plus situations such as the British pound, where we expect a rate normalization cycle to begin mid-year. Diversified currency exposure this year could provide an additional—and potentially uncorrelated—source of incremental return. As of March 31, 2011, the strategy was modestly underweight duration compared to the benchmark Index of 5.7 years. As always, we seek diversified investments in global bond, credit, and currency markets, with good underlying fundamentals and asymmetrical upside risk/reward profiles.

PORTFOLIO PROFILE<sup>1,2</sup>

Characteristics		Geographic Allocation*		Market Value
				Weighting%
Effective Duration	5.7 Years	United States		29.8
Effective Yield	3.5%	Core Europe		24.4
Effective Maturity	7.9 Years	Eastern Europe		4.7
Information Ratio vs. Barclays Capital Global Aggregate Bond Index (5 years)	0.45	Scandinavia		9.8
		United Kingdom		11.4
		Canada		3.8
		Japan		0.0
		Australia/New Zealand		9.5
		Asia		2.3
		Africa		1.6
		Latin America		3.0

\* Based on the nominal currency of issues

## ABOUT LAZARD ASSET MANAGEMENT

### LAZARD'S COMPARATIVE ADVANTAGE

- Competitive performance and rankings as team approaches nine-year anniversary
- Global footprint – Boutique team supported by global fixed income and equity resources
- Team-based decision making with a passion for seeking hidden value and contrarian ideas
- Currency expertise is a key driver of investment process
- Diversification of alpha to help manage risk
- Flexibility and willingness to customize client portfolios

### 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 250 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

Lazard seeks to enhance global fixed income returns through all market environments by rotating investments through global bond and credit markets, taking currency risk when appropriate. Underlying all investment strategies is the objective of providing capital preservation, liquidity, and strong performance over a market cycle.

### INVESTMENT PROCESS

**Assess Client Needs.** The investment process is centered on the client's investment objectives. Performance goals and risk parameters as well as liquidity needs and the investment time horizon provide the ultimate guideline for portfolio construction.

**Evaluate Market Fundamentals.** Lazard's fixed income team continually evaluates the fundamental global market environment: economic cycles and policies; term structures; inter-market yield spreads; currency valuations and trends; supply and demand for capital. These

factors, and the way in which they are reflected in capital markets, drive portfolio strategies.

**Utilize Active Management Tools.** Lazard considers all active strategies in the construction of the client's portfolio. We take an integrated approach to mitigate downside risk by avoiding an over-reliance on any one source of potential return:

- **Country Allocation.** Over/underweightings are based on a relative value approach driven by our macro-view and scenario analysis.
- **Yield Curve Positioning.** Investments are purposely positioned at specific points along the yield curve to take advantage of changing economic and interest rate cycles within each country.
- **Duration Exposure.** Total portfolio duration is based on fundamental macroeconomic outlook and is generally within one year of the benchmark.
- **Sector Allocation.** Sector exposures are based on relative value measures and thematic preferences, and the full complement of asset classes is utilized.
- **Security Selection.** Rigorous fundamental credit and structural analysis underpin the selection of issuers to include in the portfolio. Consideration of Lazard equity team research for quantitative and qualitative assessment adds value to our credit process.
- **Currency Exposure.** Baseline currency exposure is managed relative to the benchmark – tactical exposures are based on fundamental outlook and market positioning.

### RISK MANAGEMENT

Lazard has a strong tradition of risk management, monitoring, and compliance. Exposures across all dimensions of the portfolio (interest rate, credit, currency, etc.) are monitored daily by the portfolio management team. Daily analysis of performance attribution is crucial to our risk monitoring process. Furthermore, scenario/break-even analysis, stress tests and correlation analysis are conducted to develop strategies and validate investment ideas. An independent risk management committee provides additional oversight via formal monthly meeting to review major risk exposures.

### ASSETS UNDER MANAGEMENT

As of December 31, 2010

Total Firm Assets:	\$140.6 billion
Total Fixed Income Assets:	\$10.9 billion

Assets consist of Lazard Asset Management LLC (New York), and its affiliates, but do not include Lazard Frères Gestion in Paris.

DISCLOSURE NOTES

Composite Name:	Global Core Fixed Income
Benchmark:	Barclays Capital Global Aggregate Bond Index
Reporting Date:	December 31, 2010
Composite Inception Date:	October 1, 1999
Reporting Currency:	U.S. Dollar

The composite returns represent the total returns of all fully discretionary, fee-paying portfolios with a Global Core fixed income investment mandate with a minimum of \$10 million through December 31, 2006, and \$3 million thereafter. Lazard's account inclusion policy was a minimum of three months from inception through June 30, 2001, and then the first full month or the end of the month in which the account is fully invested from July 1, 2001, to the present. The returns of the individual portfolios within the composite are time-weighted, based upon monthly portfolio valuations and include the reinvestment of all earnings as of the payment date. The composite returns are asset weighted based upon beginning period market values. Additional information regarding policies for valuing portfolios, calculating performance, and preparing compliant presentations are available upon request. Composite returns are shown before taxes and the deduction of custody fees (except for mutual funds which includes all fees). Composite and benchmark returns are reported net of foreign withholding taxes on dividends, interest and capital gains except for certain countries that trade net of withholding taxes. The composite returns presented represent past performance and is not a reliable indicator of future results, which may vary. As of September 30, 2009, this composite has changed its name from Global Core Fixed Income to Global Core.

Lazard's standard fee schedule for Global Core accounts is 0.40% on the first \$50 million of assets, 0.30% on the next \$50 million and 0.25% of the balance. (This fee schedule may be presented in non-U.S. local currency equivalents based on prevailing exchange rates.) Actual account fees, inclusive of

performance-based fees (if applicable) are used in the construction of composite net of fee performance unless otherwise noted. A complete list and description of all Lazard composites is available upon request.

As of September 1, 2008, the benchmark has been switched to the Barclays Capital Global Aggregate Bond Index from inception. Previously, the benchmark for this composite was a blend represented by the following: Citigroup World Government Bond Index from March 1, 2001 through June 30, 2001, and the Barclays Capital Global Aggregate Bond Index from July 1, 2001, to the present. The reason for the change is to better represent the portfolio strategy, which has always included exposure to the credit sector within the broad market, as a strategic decision. The Barclays Capital Global Aggregate Bond Index is a broad-based fixed income index that includes investment grade government and non-government investments from both developed and emerging markets. Countries included in the Index have investment grade sovereign debt ratings. Less than 5% of the Index is emerging markets.

Lazard Asset Management claims compliance with the Global Investment Performance Standards (GIPS®) and has prepared and presented this report in compliance with the GIPS standards. Lazard Asset Management has been independently verified for the period of January 1, 1993 through December 31, 2009. The verification reports are available upon request. Verification assesses whether (1) the firm has complied with all the composite construction requirements of the GIPS standards on a firm-wide basis and (2) the firm's policies and procedures are designed to calculate and present performance in compliance with the GIPS standards. Verification does not ensure the accuracy of any specific composite presentation. Lazard Asset Management is the "Firm" to which the GIPS Standards apply (Frankfurt office included in Firm definition as of January 1, 2003). GIPS is a registered trademark of CFA Institute. CFA Institute has not been involved in the preparation or review of this presentation. The composite creation date is March 2001.

	Calendar												Annualized				Since Inception
	QTD	YTD	2010	2009	2008	2007	2006	2005	2004	2003	2002	2001	1 YR	3 YR	5 YR	10 YR	
Lazard Rate of Return (% Gross of Fees)	-1.1	8.1	8.1	8.0	4.0	10.1	6.6	-3.7	9.8	12.3	15.7	0.1	8.1	6.7	7.3	7.0	6.2
Lazard Rate of Return (% Net of Fees)	-1.2	7.7	7.7	7.1	2.8	8.7	5.2	-4.9	8.4	11.4	15.6	-0.2	7.7	5.8	6.3	6.0	5.4
Benchmark (% Rate of Return)	-1.3	5.5	5.5	6.9	4.8	9.5	6.6	-4.5	9.3	12.5	16.5	1.6	5.5	5.8	6.7	6.7	6.1
Lazard Standard Deviation (% Gross of Fees)														9.0	7.5	6.7	6.8
Benchmark Standard Deviation (%)														8.0	6.7	6.3	6.2
# of Portfolios	<5	<5	<5	<5	<5	<5	<5	<5	<5	<5	<5	<5					
Composite Dispersion (Asset Wtd. Std. Dev.)		0.02	0.02	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A					
Composite Assets (USD millions)		153.6	153.6	171.9	14.4	16.3	17.3	21.3	29.8	37.2	35.3	87.5					
% of Firm Assets		0.1	0.1	0.1	<0.1	<0.1	<0.1	<0.1	<0.1	<0.1	<0.1	0.1					
Total Firm Assets (USD billions)		140.6	140.6	116.5	79.8	126.9	97.7	77.6	76.5	69.1	51.6	62.5					

NOTES:

1 The allocations, investment characteristics, 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. The securities mentioned may not represent the entire portfolio.

2 Source: Lazard, Barclays Capital

An investment in bonds carries risk. If interest rates rise, bond prices usually decline. The longer a bond's maturity, the greater the impact a change in interest rates can have on its price. If you do not hold a bond until maturity, you may experience a gain or loss when you sell. Bonds also carry the risk of default, which is the risk that the issuer is unable to make further income and principal payments. Other risks, including inflation risk, call risk, and pre-payment risk, also apply. 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.

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