

PRODUCT PROFILE / 3Q 2011

## Japanese Equity

### STRATEGY DESCRIPTION

Lazard Japanese Equity seeks mid- to long-term capital appreciation by investing in undervalued opportunities in the Japanese equity markets. The investment approach focuses primarily on fundamental, bottom-up stock selection employing a style-neutral absolute return-focused investment strategy. The portfolio typically holds between 45–65 securities across the full market capitalization spectrum.

### PERFORMANCE UPDATE (%) – AS OF SEPTEMBER 30, 2011

(USD; % Gross of fees)	3-Month	YTD	1-Year	Annualized Returns		
				3-Year	5-Year	10-Year
<b>Lazard Japanese Equity</b>	<b>-3.55</b>	<b>-7.62</b>	<b>5.00</b>	<b>2.76</b>	<b>-2.72</b>	<b>3.99</b>
TOPIX Index	-5.12	-8.87	1.82	0.84	-4.49	2.91

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 THIRD QUARTER 2011

<b>Helped</b>	<b>+</b> Stock selection in the industrials sector
	<b>+</b> Stock selection in the information technology sector
<b>Hurt</b>	<b>-</b> Allocation to and stock selection in the financials sector
	<b>-</b> An underweight position in the land transportation industry

**COMMENTARY<sup>1</sup>**

The TOPIX Index declined 9.4% over the quarter, as global economic growth concerns and the European fiscal crisis disrupted sentiment. In contrast, domestic economic activity showed further signs of revival, and housing and construction were notably strong.

The International Monetary Fund's most recent global economic outlook suggested that Japan will grow 1% faster than both U.S. and European economies, bolstered by the strong domestic housing and construction demand. There has been speculation that China should assist in refinancing Europe's

government debt burden, but the country is near a major debt crisis. Slowing overseas demand has negatively affected its export industry, and the shadow banking system has a high volume of uneconomic lending on its books.

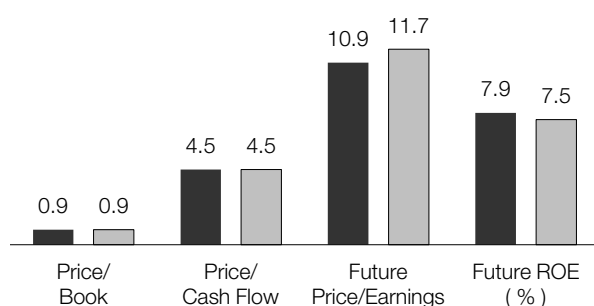
Although the current economic weakness is likely to hurt Japan, we believe its low absolute valuations and domestic growth dynamic should temper the negative forces. In our opinion, we would not be surprised to see the market continue its recent bout of relative outperformance.

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

	Lazard	TOPIX Index
Number of Securities	60	1,663
Current Dividend Yield (%)	2.4	2.4
Average Weighted Market Cap (\$ billions)	17.5	20.0
Turnover – Trailing 12 Months (%)	20.5	N/A

**Characteristics**

■ Lazard  
 □ TOPIX Index



Industry Allocation	Lazard Weighting%	TOPIX Index Weighting%
Air Transportation	0.0	0.3
Banks	10.4	9.7
Chemicals	8.9	6.1
Construction	9.6	2.5
Electric Appliances	11.1	13.3
Electric Power & Gas	3.1	3.4
Fishery, Agriculture, & Forestry	0.0	0.1
Foods	1.9	3.6
Glass & Ceramics Products	0.7	1.3
Information & Communication	8.7	6.3
Insurance	0.5	2.3
Iron & Steel	0.0	2.1
Land Transportation	0.7	4.1
Machinery	4.6	4.8
Marine Transportation	0.0	0.4
Metal Products	5.6	0.8
Mining	0.0	0.6
Nonferrous Metals	0.0	1.2
Oil & Coal Products	3.6	0.9
Other Financing Business	1.5	0.8
Other Products	3.3	1.6
Pharmaceutical	3.1	5.3
Precision Instruments	1.3	1.6
Pulp & Paper	0.0	0.5
Real Estate	4.2	2.3
Retail Trade	4.3	4.3
Rubber Products	0.0	0.8
Securities & Commodity Futures	4.2	1.1
Services	4.3	2.0
Textiles & Apparels	0.0	1.0
Transportation Equipment	0.0	9.5
Warehousing & Harbor Transportation Services	0.0	0.2
Wholesale Trade	2.0	5.2

## ABOUT LAZARD ASSET MANAGEMENT

### DIFFERENTIATING FEATURES

- An absolute-return stock-picking focus
- Management of “benchmark” risk through use of quantitative tools
- Average investment experience of the Japanese Equity team, including local research analysts, of 16.6 years

### 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

- **Fundamental research with creative thinking.** We believe that the creativity of investment managers is a key contributor to the ability to generate alpha. In a world of low real returns, we think that a fundamental long-term research that seeks to identify undervalued opportunities with absolute upside potential can produce a portfolio of investments able to outperform a traditional benchmark over time.
- **Quantitative technology.** Quantitative technology allows managers to construct more efficient portfolios. Risk factors, relative to a benchmark can best be minimized utilizing quantitative tools.
- **Team quality.** The quality of our investment team is paramount in securing solid long-term investment results.

### INVESTMENT PROCESS

- **Quantitative/Qualitative Screening:** Our investment team continuously screens a universe of approximately 3,000 listed companies, including OTC, to identify a subset of 300 companies deemed suitable for investment. The unique feature of this process is the ability to adapt the screening process to reflect an analyst’s or Portfolio Manager’s anticipated view of potential developments in specific industries, and to test their view against a number of factors.
- **Fundamental Analysis:** We generate our best ideas that seek absolute returns, putting an emphasis on difference from consensus, and review these ideas in a dynamic manner. The main output from this stage is a ranking on companies that reflect the level of conviction of the analysts.
- **Portfolio Construction:** Our objective is to maximize expected return on investment and minimize unintended risks. The investment team will select 45 to 65 stocks from the idea pool for inclusion in the Japanese Equities portfolios. Five strategic inputs (current valuations relative to forecasts, positioning of each company in its cycle, long-term structural changes, a near-term catalyst for re-rating, and any thematic influences that may affect investor sentiment) are used to rate each company. Portfolio weights are determined using a quantitative assessment of investment risk factors, industry exposures, and portfolio scenario analysis with the objective to achieve a long-term, stable return on investment.

### SELL DISCIPLINE

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

1. the stock reaches its target price;
2. we observe a deterioration in the firm’s fundamentals; or
3. there is a change in conviction

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

### ASSETS UNDER MANAGEMENT

As of June 30, 2011

Total Firm Assets:	\$145.3 billion
Total Japanese Equity Assets:	\$2.9 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:	Japanese Equity
Benchmark:	TOPIX Index
Reporting Date:	June 30, 2011
Composite Inception Date	January 1, 1994
Reporting Currency:	U.S. Dollar

**Composite Description**

The composite returns represent the total returns of all fully discretionary, fee paying portfolios with Japanese Equity investment mandate and a minimum of US\$ 5 million in assets under management (approximately 600 million Yen) for a period of 3 full calendar months from March 1999 until 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, until the present. Performance for the period prior to August 1, 1997, represents the Japanese Equity (excluding cash) portion of a representative Global Equity account. Performance for the period August 1, 1997 through February 28, 1999, represents the performance of an Irish mutual fund. Mutual funds are subject to certain regulatory restrictions and limitations, and therefore performance may have been different during such period if such restrictions and limitations had not been imposed. Information for these prior periods is supplemental to the Japanese Equity Composite and is not calculated in accordance with GIPS standards.

**Calculation of Performance Returns**

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 the deduction of taxes and custody fees (except for mutual funds which includes all fees). The composite returns are reported net of foreign withholding taxes on dividends, interest and capital gains. The composite returns presented represent past performance and is not a

reliable indicator of future results, which may vary. Japanese securities markets may be less liquid, more volatile and less subject to government supervision than in the United States, including differences in accounting standards. The value of foreign investments are affected by changes in currency rates, application of foreign tax laws, changes in government administration or economic and monetary policy.

**Fee Schedule**

Lazard's standard fee schedule for Japanese Equity accounts is 0.75% of the first \$100 million of assets and 0.60% 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 composites is available upon request.

**Benchmark Information**

The TOPIX Total Return Index is a capitalization-weighted index comprising all stocks listed in the Tokyo Stock Exchange. It is calculated on a total return basis with dividends reinvested.

**GIPS Compliance and Verification Status**

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 1999.

	Calendar											Annualized					
	QTD	YTD	2010	2009	2008	2007	2006	2005	2004	2003	2002	2001	1 YR	3 YR	5 YR	10 YR	Since Inception
Lazard Rate of Return (% Gross of Fees)	-0.10	-4.22	15.64	4.30	-19.07	-3.50	0.94	30.31	14.15	34.19	-7.43	-29.79	14.00	-0.93	-1.84	2.41	4.77
Lazard Rate of Return (% Net of Fees)	-0.23	-4.45	15.19	3.91	-19.47	-4.13	0.71	29.91	13.98	33.80	-7.76	-30.03	13.55	-1.35	-2.29	2.02	4.25
Benchmark (% Rate of Return)	0.34	-3.95	15.89	4.80	-26.82	-5.19	2.05	26.08	16.44	38.63	-8.89	-29.34	13.00	-3.59	-3.73	1.50	-0.01
Composite Standard Deviation (3-yr. Ann.)		19.98	20.47	18.95	13.52	11.40	14.86	15.91	16.70	16.94	18.20	22.37					
Benchmark Standard Deviation (3-yr. Ann.)		19.55	19.72	18.32	14.71	11.17	15.01	16.55	18.56	18.44	19.00	22.45					
# of Portfolios		27	26	20	7	6	2	1	2	3	4	2					
Composite Dispersion (Asset Wtd. Std. Dev.)		0.19	0.30	0.56	1.53	0.41	N/A	N/A	0.17	0.18	0.40	N/A					
Composite Assets (USD millions)		2874.3	2704.4	1963.7	482.9	555.0	30.2	66.0	214.6	237.1	356.7	210.2					
Total Firm Assets (USD billions)		145.3	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, TOPIX

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. Investments in Japan are subject to certain risks, such as risks associated with the economy of Japan generally. A portfolio of securities concentrated in one country or geographic region may be subject to greater volatility than a more diversified portfolio.

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