

# Lazard Capital Allocator Series

## Investment Strategies

- LCAS – Global Diversified
- LCAS – Global Equity
- LCAS – Global Fixed Income
- LCAS – Global Non-Traditional

Each LCAS strategy offered provides a varying degree of active decision making and, therefore, a varying degree of potential value added.

## Investable Universe

Global equities, debt, commodities, real assets, currencies, market hedging instruments, and other non-traditional investments.

## Currency Risk

Currency risk is an inherent part of global investing and its management is a primary consideration in portfolio construction.

## Use of Derivatives

Options, futures, swaps, and forward contracts may be used in the LCAS portfolios.

## Platform Inception

The first LCAS portfolios were launched in August 2004.

## Platform Attributes

- Strict segregation and management of market risk, tactical changes, and non-traditional investments
- Integrated process of risk management, asset allocation, and portfolio construction
- Broad, objective, and informed viewpoints
- Inclusion of quantitative and qualitative inputs
- Aggressive use of index and index-like investment products

## What is The Lazard Capital Allocator Series?

The Lazard Capital Allocator Series (LCAS) is a global asset allocation platform offering clients investment solutions across various risk, tax, and currency orientations. LCAS strategies are designed to be dynamic and flexible, adjusting to an ever-changing economic and investment environment.

## Key Benefits to Investing

- Provides a comprehensive investment solution in a simple and transparent structure with exposure to a wide range of asset classes
- Actively engages liquid, passive vehicles, including exchange-traded funds (ETFs), closed-end funds, market hedging instruments, and custom baskets of securities
- Provides access to non-traditional investment opportunities
- Aims to achieve attractive rates of return with acceptable levels of risk
- Provides offerings that meet varied client risk/return, taxation, and currency orientations
- Offers a differentiated approach versus traditional asset allocation strategies
- Leverages expertise from Lazard's global network of investment professionals

## Portfolio Management Team

The Lazard Capital Allocator Series portfolio managers are David Cleary and Christopher Komosa, who make all investment decisions related to the strategies. The portfolio management team leverages the expertise of the LCAS external advisors on investment policy formulation.

The LCAS external advisors are a unique group of highly experienced market participants bringing well over 100 years of cumulative investment management knowledge. The advisors are Herbert W. Gullquist, former Lazard CIO and senior advisor to Lazard; Victor A. Canto, PhD, founder and chairman of LaJolla Economics, an economics consulting firm; John Reese, a former Lazard managing director and advisor to Lazard; and Thomas M. McManus, Managing Director and Chief Market Strategist of Lazard Wealth Management LLC. The portfolio managers and external advisors combine to form the LCAS Investment Team.

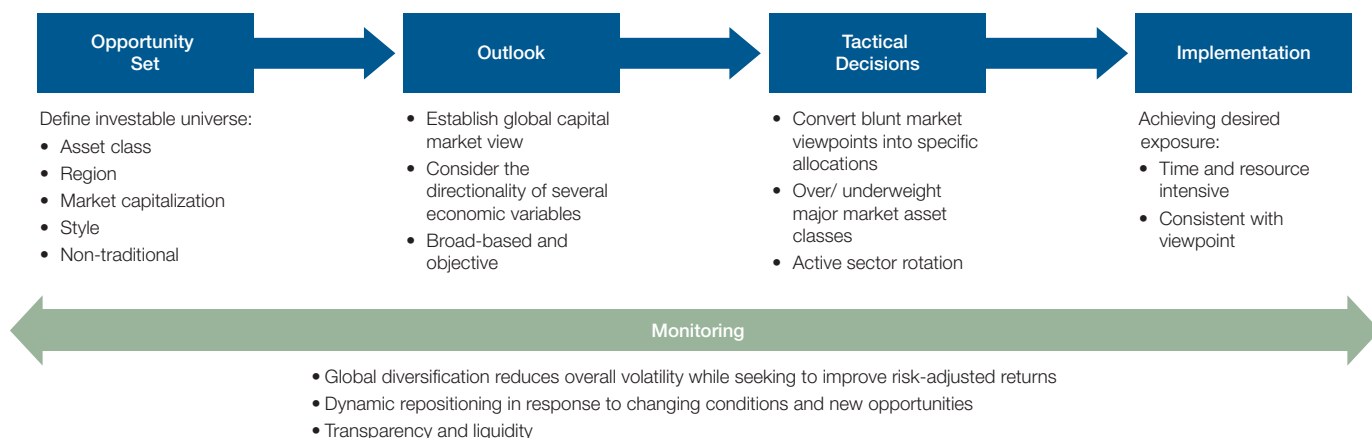


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# Lazard Capital Allocator Series Investment Process



Lazard’s investment process is neither sequential, nor static, but ongoing.

## Investment Philosophy

### A Time for Everything

At Lazard, we believe that, on a risk-adjusted basis and over the long term, no single allocation strategy should dominate. Styles move in and out of favor; therefore, we believe it is important to be forward-looking, unbiased, and tactical in recognizing where opportunities exist in global capital markets.

### A Global Perspective

The LCAS strategies utilize a top-down global perspective, focusing on the directionality of key fundamental variables, including global macroeconomic trends, policy changes at the government level, and a range of geopolitical events. These views can help in identifying and anticipating some of the secular and cyclical changes in relative performance, domestically and across countries.

### A Forward-looking View of the World

Combining market insights with historical relationships can also provide the signals to develop a forward-looking view of the world that may correctly anticipate the turning points in various return cycles.

### Result in a Value-timing Approach to Asset Allocation

This information leads to the development of rigorous decision rules for determining how and when to choose a style, location, and/or size of an investment, as well as how best to implement the investment.

return requirements over an investment horizon, we believe it should start in the best risk-adjusted position possible—a point from which, even if the actual allocation is never adjusted, it will still aim to produce acceptable gains relative to the overall market’s return.

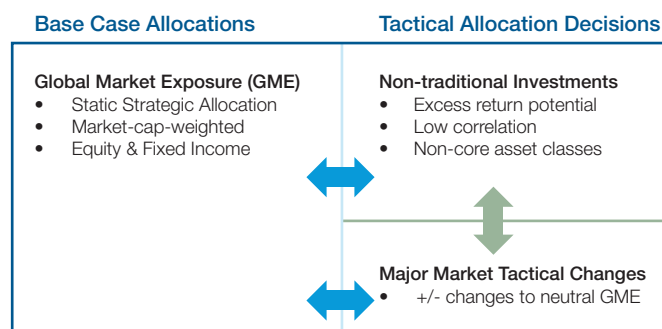
Within the LCAS strategies, we discuss this optimal starting point in terms of global market exposure (GME). GME is what we consider to be a rational beginning, or a “normal” portfolio: It is a raw, strategic allocation to the existing world of asset classes that reflects no biases, valuations, or relative opinions about the opportunities in the marketplace. The investment community at large, in effect, sets this allocation, since it is based on the world market shares—or market capitalizations—of the separate public capital market asset classes.

Once we have established a base case scenario, our tactical decision making comes in two forms: First, allocation changes are made among major market asset classes based on our forward-looking assessment of global macroeconomic variables and relative asset class attractiveness. Our second tactical decision is the inclusion of non-traditional investments to our asset allocation. Non-traditional assets are intended to provide excess returns relative to major market investments, as well as risk and correlation benefits. Beyond major market asset classes, we analyze a wide range of subregional, subsector, commodity, currency, and real asset investments that we believe can be additive to returns. Investments made in the non-traditional strategy are highly dynamic and are, again, consistent with the overall LCAS global and economic viewpoint.

## Investment Process

### Defining Opportunity Set

Asset allocation can be described roughly as the process of dividing investments among several large and distinct asset groups in order to reduce risk while seeking to increase the opportunities for generating sound returns. It is a historically consistent, modern framework for wealth accumulation over the long run. That said, for any quality asset allocation program to consistently meet even the minimum



## Outlook

Each investment allocation is based on a forward-looking view of the economic environment, the direction we believe the capital markets are moving, current and potential future market risks, and which regions, industries, and sectors are the likely “winners” and “losers.”

The LCAS team formulates this outlook based on the probabilities of how key drivers will change the global economy. The most probable winners in that environment form the opportunity set; these are the most attractive investment ideas that deserve further evaluation. The outlook must be broad-based and objective, and is time and resource intensive.

The team considers the following economic and investment drivers when formulating this outlook:

- Real economic growth
- Inflation
- Real interest rates
- Taxes and regulation
- U.S. dollar valuation
- Price/Earnings and other financial ratios
- Fixed income risk premiums
- Volatility

Based on the above, the team determines the probability of asset class outperformance using an equal-weighted, multi-variable forecasting process. This process considers quantitative and qualitative factors, absolute expected asset class returns, the volatility of expected asset class returns, and the correlation of relative asset class returns.

## Tactical Decisions

Although the evaluation and analytical process is ongoing, the LCAS Investment Team actively discusses strategic allocations on a quarterly basis. Using a polling process, the probability assumptions are developed over a wide range of relative asset-class opportunities. These formal quarterly meetings are used to affirm the collective probability viewpoints and to develop the blunt capital market expectations used to drive the asset allocation process.

Based on these expectations, the LCAS team tactically overweights or underweights major market asset classes and the non-traditional space, actively rotating between and among markets as their viewpoints evolve.

## Implementation

Beyond our macroeconomic viewpoint and subsequent tactical allocation decisions, the method we choose to implement a particular investment is a critical driver of potential success. The underlying components of the index or basket; the index methodology; the regional, currency, or sector weightings; and the companies or securities held, are all important considerations as we implement a trade. The key is implementing the investment in the manner which is most consistent with our macroeconomic viewpoint. This evaluation is important in both the non-traditional assets as well as major market investments.

For example, within traditional asset classes, an allocation to U.S. equity markets can be implemented broadly through a security that tracks the S&P 500 Index, or we could take a more narrow and granular approach by investing in select components of the U.S. equity markets that more specifically reflect our viewpoints. We can differentiate by style (growth or value), sector, basket construct, or equal-weight versus market-capitalization weight. Within the U.S. fixed income market, we could invest in specific sectors rather than track a full index. In Europe, we could choose to invest in Pan Europe as a whole or select particular countries and/or currencies that we believe have the potential to outperform.

In the non-traditional space, a wider range of portfolio tools and fewer benchmark considerations make the granular analysis of particular investments all the more critical. A specific sector investment can be denominated in multiple currencies; choosing the one which most consistently reflects our view drives the investment process.

Below are two examples of the investment process in action, from market outlook to implementation.

### Example: The Lazard Capital Allocator Series Investment Process in Action

Market Outlook	Opportunity	Investment Thesis	Objective	Implementation
Emerging Markets (EM) Growth	Secular economic growth in EM likely to exceed developed market growth by a wide margin.	China and India drive EM growth, but are not the only compelling investment avenues.	More focus on second derivative beneficiaries.	Country investments in Brazil and Chile. Sector investments in resource, commodity, and infrastructure sectors.
Equity Diversification	Equity market volatility needs an offset in portfolio structure.	Sovereign risk is paramount. Fixed income may not provide the same historic diversification benefits.	Identify alternative hedges to fundamental equity risks.	Complement government bonds with investments in gold, S&P volatility, and select emerging market currencies.

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## 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. Small- and mid-capitalization stocks may be subject to higher degrees of risk, their earnings may be less predictable, their prices more volatile, and their liquidity less than that of large-capitalization or more established companies' securities. 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.

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. High yield securities (also referred to as "junk bonds") inherently have a higher degree of market risk, default risk, and credit risk.

Investments in closed-end funds are non-redeemable and are subject to the same risks as other publicly-traded equity securities. Sometimes, however, there may be no public market for units of closed-end funds. The shares of closed-end funds, and exchange-traded funds ("ETFs") may trade at prices at, below, or above their most recent net asset value. There is no guarantee that a fund's discount will ever be narrowed or eliminated. Additionally, the performance of an ETF pursuing a passive index-based strategy may diverge from the performance of the index. Exchange-traded notes ("ETNs") may not trade in the secondary market, but typically are redeemable by the issuer. Unlike ETFs and closed-end funds, ETNs are not registered investment companies and thus are not regulated under the 1940 Act. In addition, as debt securities, ETNs are subject to the additional risk of the creditworthiness of the issuer. ETNs typically do not make periodic interest payments. An investment in these types of instruments is indirectly subject to all the risks associated with the investments made by the closed-end fund, ETF, or ETN.

Structured products, derivatives, and other types of unregistered securities are generally not publicly traded. Non-publicly traded financial instruments are not readily disposable; in some cases, an account may be contractually prohibited from disposing of such financial instruments for a specified period of time. An account may be forced to sell its more liquid positions at a disadvantageous time, resulting in a greater percentage of the account consisting of illiquid securities. In addition, market prices, if such exist, for such illiquid financial instruments tend to be volatile, and an account may not be able to sell them when it desires to do so or to realize what it perceives to be fair value in the event of a sale. The sale of illiquid securities also often requires more time and results in higher brokerage charges or dealer discounts and other selling expenses than does the sale of securities eligible for trading on national securities exchanges or in the OTC markets. Furthermore, there may be limited information available about the assets of issuers of the financial instruments, which may make valuation of such financial instruments difficult or uncertain.

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