



**6,575,000 Shares**  
**Lazard World Dividend & Income Fund, Inc.**

**Common Stock**  
**\$20.00 per Share**

*Investment Objective.* The Fund is a newly organized, diversified, closed-end management investment company. The Fund’s investment objective is total return through a combination of dividends, income and capital appreciation.

*No Prior History.* Because the Fund is newly organized, its shares of Common Stock (as defined on page 1 of this prospectus) have no history of public trading. Shares of closed-end investment companies frequently trade at a discount from their net asset value. This risk may be greater for investors who expect to sell their shares in a relatively short period after completion of the public offering. The Common Stock has been approved for listing on the New York Stock Exchange, subject to notice of issuance, under the trading or “ticker” symbol “LOR.”

*(continued on following page)*

**Investing in the Fund’s Common Stock involves certain risks that are described in the “Risks” section beginning on page 25 of this prospectus.**

	<u>Per Share</u>	<u>Total (1)</u>
Public offering price .....	\$20.00	\$131,500,000
Sales load (2) .....	\$.90	\$5,917,500
Estimated offering expenses (3) .....	\$.04	\$263,000
Proceeds, after expenses, to the Fund .....	\$19.06	\$125,319,500

- (1) The Fund has granted the underwriters an option to purchase within 45 days of the date of this prospectus up to 986,250 additional shares of Common Stock at the public offering price less the sales load, solely to cover overallocments, if any. If such option is exercised in full, the total public offering price, sales load, estimated offering expenses and proceeds, after expenses, to the Fund will be approximately \$151,225,000, \$6,805,125, \$302,450 and \$144,117,425, respectively. See “Underwriting.”
- (2) For a description of all commissions and other compensation paid to the underwriters by the Fund and Lazard Asset Management LLC (the “Investment Manager”), see “Underwriting.”
- (3) The offering expenses are estimated to be approximately \$263,000, or \$.04 per share. The Investment Manager has agreed to pay all of the Fund’s organizational expenses and to pay the amount by which the aggregate offering expenses, other than the sales load, but including the partial reimbursement of underwriter expenses of \$.00667 per share, exceed \$.04 per share.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

The Common Stock will be ready for delivery on or about June 30, 2005.

**Merrill Lynch & Co.**

**Citigroup**

**A.G. Edwards**

**Wachovia Securities**

**Advest, Inc.**

**Robert W. Baird & Co.**

**H&R Block Financial Advisors, Inc.**

**RBC Capital Markets**

**Stifel, Nicolaus & Company**  
 Incorporated

**Wells Fargo Securities**

*(continued from previous page)*

*Principal Investment Strategies.* The Fund will pursue its investment objective through a combination of two separate investment strategies: a world equity strategy and an emerging income strategy. The Investment Manager will seek to invest substantially all of the Fund's Net Assets (as defined on page 1 of this prospectus) using the world equity strategy. The Investment Manager also will seek to obtain exposure to emerging market currencies using the emerging income strategy, but will limit such strategy to 33⅓% or less of the Fund's Total Leveraged Assets (as defined on page 1 of this prospectus). The world equity strategy focuses on the highest dividend yielding equity securities selected using the Investment Manager's relative value strategy, which the Investment Manager began to develop in 1982. The Investment Manager has employed the emerging income strategy on behalf of private advisory or other accounts since 1995.

- World Equity Strategy. The Fund will generally invest in a portfolio of approximately 60 to 90 U.S. and non-U.S. securities consisting primarily of the highest dividend yielding equity securities of small-, medium- and large-capitalization companies, selected from the current holdings of other accounts managed by the Investment Manager in relative value strategies.
- Emerging Income Strategy. The Fund will invest in emerging market currencies (primarily by entering into forward currency contracts), or instruments whose value is derived from the performance of an underlying emerging market currency, but also may invest in debt obligations, including government, government agency and corporate obligations and structured notes denominated in emerging market currencies.

You should read this prospectus, which contains important information about the Fund, before deciding whether to invest and retain it for future reference. A Statement of Additional Information, dated June 27, 2005 (the "SAI"), as may be supplemented, containing additional information about the Fund, has been filed with the Securities and Exchange Commission and is incorporated by reference in its entirety into this prospectus. You may request a free copy of the SAI, the table of contents of which is on page 44 of this prospectus, by calling (800) 823-6300 or by writing to the Fund, or you may obtain a copy (and other information regarding the Fund) from the Securities and Exchange Commission's web site (<http://www.sec.gov>). Investors also may call to request the SAI, the Fund's annual and semi-annual reports (when available) or other information about the Fund and to make stockholder inquiries. The Fund makes available the SAI and annual and semi-annual reports (when available), free of charge, at <http://www.lazardnet.com>.

The Fund's shares of Common Stock do not represent a deposit or obligation of, and are not guaranteed or endorsed by, any bank or other insured depository institution, and are not federally insured by the Federal Deposit Insurance Corporation, the Federal Reserve Board or any other government agency.

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**You should rely only on the information contained or incorporated by reference in this prospectus. The Fund has not, and the underwriters have not, authorized any other person to provide you with different information. If anyone provides you with different or inconsistent information, you should not rely on it. The Fund is not, and the underwriters are not, making an offer to sell these securities in any jurisdiction where the offer or sale is not permitted. The information appearing in this prospectus is given as of the date of this prospectus. The Fund's business, financial condition, results of operations and prospects may have changed since the date of this prospectus.**

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## PROSPECTUS SUMMARY

*This is only a summary. This summary does not contain all of the information that you should consider before investing in the Fund's shares of Common Stock. You should review the more detailed information contained in this prospectus, especially the information set forth under the heading "Risks," and in the Statement of Additional Information.*

**The Fund** . . . . . Lazard World Dividend & Income Fund, Inc. (the "Fund") is a newly organized, diversified, closed-end management investment company.

**The Offering** . . . . . The Fund is offering 6,575,000 shares of common stock, par value \$.001 per share (the "Common Stock"), at \$20.00 per share through a group of underwriters (the "underwriters") led by Merrill Lynch, Pierce, Fenner & Smith Incorporated ("Merrill Lynch"). You must purchase at least 100 shares of Common Stock to participate in this offering. The Fund has given the underwriters an option to purchase up to 986,250 additional shares of Common Stock to cover orders in excess of 6,575,000 shares of Common Stock. See "Underwriting." The Investment Manager has agreed to pay the Fund's organizational expenses and offering expenses (other than the sales load, but including a partial reimbursement of underwriter expenses) to the extent these expenses exceed \$.04 per share of Common Stock.

### **Investment Objective and Strategies** . . . . .

The Fund's investment objective is total return through a combination of dividends, income and capital appreciation. The Fund's investment objective is fundamental and cannot be changed without approval by the holders of the Common Stock ("Common Stockholders"). There can be no assurance that the Fund's investment objective will be achieved. See "The Fund's Investments—Investment Objective and Strategies."

The Fund will pursue its investment objective through a combination of two separate investment strategies: a world equity strategy and an emerging income strategy. The Investment Manager will seek to invest substantially all of the Fund's "Net Assets" (which are the Fund's assets without taking into account Financial Leverage (as defined below)) using the world equity strategy. The Investment Manager also will seek to obtain exposure to emerging market currencies using the emerging income strategy, but will limit such strategy to 33½% or less of the Fund's "Total Leveraged Assets" (which are the Fund's assets including Financial Leverage). The world equity strategy focuses on the highest dividend yielding equity securities selected using the Investment Manager's relative value strategy, which the Investment Manager began to develop in 1982. The Investment Manager has employed the emerging income strategy on behalf of private advisory or other accounts since 1995.

- *World Equity Strategy.* The Fund will generally invest in a portfolio of approximately 60 to 90 U.S. and non-U.S. securities consisting primarily of the highest dividend yielding equity securities of small-, medium- and large-capitalization companies, selected from the current holdings of other accounts managed by the Investment Manager in relative value strategies ("World Equity Investments").
- *Emerging Income Strategy.* The Fund will invest in emerging market currencies (primarily by entering into forward currency contracts), or instruments whose value is derived from the performance of an underlying emerging market currency, but also may invest in debt obligations, including government, government agency and corporate obligations and structured notes denomi-

nated in emerging market currencies (collectively, “Currency Investments”).

The Investment Manager will determine the amount of the Fund’s investment exposure to Currency Investments using a variety of factors, including the estimated current dividend yield of World Equity Investments and the estimated current income and anticipated short-term gains associated with Currency Investments, as well as economic and market conditions in the relevant emerging markets that may affect future income or gain potential. Although Currency Investments will primarily consist of forward currency contracts, the Investment Manager may, in its discretion, reduce World Equity Investments (but to no less than 80% of the Fund’s Net Assets) and allocate Fund assets to make Currency Investments with other instruments or debt obligations. “Currency Commitments” are the aggregate financial exposures created by forward currency contracts in excess of the financial exposure represented in the Fund’s Net Assets. Currency Commitments in the future may include financial exposures created through the use of derivative instruments other than forward currency contracts, but there is no current intention to do so. The Investment Manager also may use borrowings under a credit facility with a financial institution (“Borrowings”) to invest in such other instruments and debt obligations. Currency Commitments and Borrowings are referred to together in this prospectus as “Financial Leverage.” See “The Fund’s Investments” and “Use of Financial Leverage.”

The Fund may lend securities from its portfolio to brokers, dealers and other financial institutions needing to borrow securities to complete certain transactions.

**Investment Philosophy**

**and Process . . . . .**

*World Equity Strategy.* World Equity Investments are selected from the current holdings of other accounts managed by the Investment Manager in relative value strategies, using the criteria described below. The Investment Manager’s relative value strategy seeks under-valued, under-appreciated and financially productive stocks and is based on value creation through the process of bottom-up stock selection. In employing the relative value strategy, the Investment Manager seeks to purchase stocks of companies that it believes offer value creation opportunity given the trade off between strong financial productivity and attractive valuations. The Investment Manager follows an investment process that incorporates three types of investment research, as well as other investment selection techniques. This research process is based on analysis of historical financial data.

World Equity Investments will generally consist of a portfolio of approximately 60 to 90 U.S. and non-U.S. securities consisting of the highest dividend yielding equity securities of small-, medium- and large-capitalization companies, selected from the current holdings of other accounts managed by the Investment Manager in “long-only” relative value strategies (“Current Equity Holdings”).

World Equity Investments will be constructed as follows:

- at least 80% of the Fund’s assets in World Equity Investments will consist of selections from the 70 highest dividend yielding Current Equity Holdings measured on a 12-month trailing basis, as determined each calendar quarter;
- the remainder of World Equity Investments will generally consist of equity securities selected from Current Equity Holdings that the Investment Manager believes may have the potential for significant dividend growth or may be anticipated to pay special dividends, or other Current Equity Holdings that the Investment Manager believes are attractive investments for the Fund; and

- up to 5% of World Equity Investments may consist of equity securities that are not Current Equity Holdings but that the Investment Manager believes have attractive income potential.

Within this framework, security selections and weightings of positions will be determined based on (1) relative dividend yield, (2) consideration of diversity of World Equity Investments among geographic regions, industry sectors and market capitalization and (3) other considerations employed in the Investment Manager's relative value strategy, focusing on a bottom-up (securities-based) security selection process. The Investment Manager also will consider whether a security's dividends would be potentially eligible for taxation to individuals as "qualified dividend income."

Not all foreign stock dividends will be qualified dividend income, and there is no assurance as to what portion, if any, of the Fund's distributions will be eligible for taxation to individuals as qualified dividend income. Among other requirements for such treatment, the foreign corporation paying the dividend must be eligible for the benefits of certain specified income tax treaties with the United States, or the stock on which the dividend is paid must be considered readily tradable on an established securities market in the United States. See "Tax Matters."

Each World Equity Investment position will typically constitute no more than 4% of World Equity Investments at the time of the Fund's initial purchase. World Equity Investments generally will consist of securities of companies with market capitalizations of \$3 billion or greater at the time of the Fund's initial purchase, although up to 10% of World Equity Investments may consist of securities of companies with market capitalizations below \$3 billion at the time of initial purchase. No more than 35% of World Equity Investments will be in securities of companies in the same sector. No more than 25% of World Equity Investments will be in securities of companies in the same industry. Equity investments in companies in emerging markets countries will be limited to 25% of World Equity Investments, with no more than 10% in a single emerging markets country.

*Global Equity Research Platform.* The Investment Manager's equity products are supported by its Global Equity Research Platform, which is organized into six sector teams and has analysts located in New York, London, Tokyo and Sydney. These sector teams include Consumer, Financials, Health Care, Industrials, Power and Technology Media Telecommunications.

#### *Relative Value Strategy*

- *Analytical Framework.* The Investment Manager employs various screening processes to search global databases for companies that appear to offer strong financial productivity at attractive valuations. Screening seeks to identify companies that are attractively priced, relative to their financial returns.
- *Accounting Validation.* The Investment Manager's analysts 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.
- *Fundamental Analysis.* A key component in the equity investment process, fundamental analysis is conducted to assess forward-looking issues, including the sustainability of returns, and to identify a catalyst for price revaluation.

See "The Fund's Investments—Investment Philosophy and Process—World Equity Investments."

*Currency Investments.* In selecting Currency Investments, the Investment Manager applies the discipline of bottom-up investment selection and diversification to local emerging markets currency. The Investment Manager believes that the risk of currency devaluation could be largely mitigated through diversification. To construct a portfolio of Currency Investments, the Investment Manager begins with an equal-weighted portfolio of approximately 40 countries which serves as the Investment Manager's baseline allocation. From the equal-weighted portfolio the investment team implements its active views by over- or under-weighting individual countries within a diversified framework of approximately 20 to 25 countries.

- *Country Selection.* The Investment Manager intends to modestly overweight or underweight certain countries relative to an equal-weighted portfolio of approximately 40 countries based on such factors as a country's macroeconomic fundamentals, political stability, interest rate level and anticipated sustainability of currency policy. The maximum exposure to any one country will be 10% of Currency Investments, and the Investment Manager will hedge currency exposure so that the maximum exposure to any one currency will be 8% of Currency Investments (in each case, determined at the time of each investment). Of these 40 countries, the Fund currently intends to have a portfolio of approximately 20 to 25 countries.
- *Sector Selection.* The Investment Manager will seek to invest in what it perceives to be the most attractive risk-adjusted asset in each country (*i.e.*, forward currency contracts, sovereign and agency debt, structured products or high-quality corporate names denominated in emerging local currencies).
- *Duration and Maturity Selection.* The average duration and maturity of Currency Investments is targeted to remain under one year. However, the Fund may invest in securities with longer durations or maturities in particular countries when the Investment Manager believes domestic yield curves are favorable.
- *Security Selection.* Securities in emerging markets often have fairly complicated structures, such as unusual resets, options and other features that are often misvalued in these relatively unsophisticated local markets. The Investment Manager believes that such a situation affords an opportunity for investors willing to undertake the systematic valuation of complex structures.

See "The Fund's Investments—Investment Philosophy and Process—Currency Investments."

**Use of Financial Leverage . . .** The Fund intends to use leverage to invest Fund assets in Currency Investments primarily using Currency Commitments and Borrowings, up to an aggregate of 33⅓% of the Fund's Total Leveraged Assets. Any Borrowings will have seniority over the Common Stock. It is possible that following the incurrence of Financial Leverage the assets of the Fund will decline in value due to market conditions such that this 33⅓% threshold will be exceeded. In that case, leverage risk will increase.

Although the Fund anticipates that Financial Leverage frequently will be at or near 33⅓% of Total Leveraged Assets, the amount and composition of Financial Leverage outstanding will vary depending on a number of factors, including economic and market conditions in the relevant currency markets, the availability of relatively attractive Currency Investments not requiring Currency Commitments or Borrowings, and the costs that the Fund would incur as a result of Borrowings. The Investment Manager's fee for investment management services will be calculated on

the basis of the Fund's Total Leveraged Assets. The fee paid to the Investment Manager for investment management services will be higher when the Fund uses leverage because the fee paid will be calculated on the basis of the Fund's assets including the leverage.

There is no assurance that any leverage strategy the Fund employs will be successful. Currency Commitments will have the economic effect of leverage by creating investment exposure greater than the Fund's Net Assets (similar to Borrowings), although the Fund currently intends to manage Currency Commitments so that they would not be considered to constitute "senior securities" (leverage) under the Investment Company Act of 1940, as amended (the "1940 Act"). Borrowings may be at a fixed or floating rate and generally will be based on short-term rates. So long as the rate of return, net of applicable Fund expenses, on the Fund's portfolio investments exceeds the then current interest rate on any Borrowings, excess return on the proceeds of Borrowings can be used to pay distributions to Common Stockholders. See "Use of Financial Leverage" and "Risks—Principal Risks of Investing in the Fund—Leverage Risk."

**Investment Manager** . . . . . Lazard Asset Management LLC will be responsible for managing the Fund's portfolio, which will include determining the amount of the Fund's assets allocated to World Equity Investments and Currency Investments. The Fund's method of calculating the Investment Manager's fee is different than the way closed-end investment companies typically calculate management fees. The management fee borne by Common Stockholders will increase to the extent the Investment Manager uses Borrowings and Currency Commitments consisting of forward currency contracts to create Financial Leverage on behalf of the Fund. See "Management of the Fund—Investment Management Agreement" for an explanation of the method of calculating the Investment Manager's fee and how this method differs from the way closed-end investment companies typically calculate management fees.

**Distributions** . . . . . The Fund intends to distribute to Common Stockholders all or a portion of its net investment income monthly and realized net capital gains, if any, at least annually. It is anticipated that a significant part of the Fund's distributions will consist of short-term capital gains on Currency Investments, and, as a result, the amount of the Fund's distributions will depend to a significant extent on the performance of Currency Investments. The Fund may at times in its discretion pay out less than the entire amount of net investment income earned in any particular period and may at times pay out such accumulated undistributed income in addition to net investment income earned in other periods in order to permit the Fund to maintain a more stable level of distributions. However, the Fund will adjust the level of distributions as appropriate to seek to avoid making distributions that constitute a return of capital. The Fund is not required to maintain a stable level of distributions, or distributions at any particular rate. For federal income tax purposes, in order to obtain the favorable tax treatment afforded to a regulated investment company, the Fund is required, and intends, to distribute all or substantially all of its net investment income for each year. The Fund's final distribution for each calendar year would include any remaining net investment income and net realized short-term and long-term capital gain undistributed during the year.

The initial distribution is expected to be declared approximately 45 days, and paid approximately 90 days, from the completion of this offering, depending upon market conditions.

**Dividend Reinvestment**

**Plan** ..... Unless you elect to receive distributions in cash, all dividends, including any capital gains dividends, on your Common Stock will be automatically reinvested by EquiServe Trust Company, N.A., as agent for the Common Stockholders (the “Plan Agent”), in additional Common Stock under the Fund’s Dividend Reinvestment Plan. See “Distributions” and “Dividend Reinvestment Plan.”

**Listing** ..... The Common Stock has been approved for listing on the New York Stock Exchange (the “NYSE”), subject to notice of issuance, under the trading or “ticker” symbol “LOR.”

**Custodian, Transfer Agent and Dividend Disbursing Agent**

**Agent** ..... State Street Bank and Trust Company will serve as the Fund’s custodian. EquiServe Trust Company, N.A. will serve as the Fund’s transfer agent and registrar, and Computershare Shareholder Services, Inc. (“CSS”) will serve as the Fund’s dividend disbursing agent. See “Custodian, Transfer Agent and Dividend Disbursing Agent.”

**Market Discount from**

**Net Asset Value** ..... Shares of closed-end investment companies frequently trade at prices lower than their net asset value. This characteristic is a risk separate and distinct from the risk that the Fund’s net asset value could decrease as a result of investment activities and may be a greater risk for investors expecting to sell their shares in a relatively short period of time following completion of this offering. The net asset value of the Common Stock will be reduced immediately following the offering as a result of the payment of certain offering costs. See “Use of Proceeds,” “Risks,” and “Repurchase of Fund Shares; Conversion to Open-End Fund.” The Fund cannot predict whether the Common Stock will trade at, below or above net asset value or at, below or above the initial public offering price. The Common Stock is designed primarily for long-term investors, and you should not view the Fund as a vehicle for trading purposes.

**Special Risk**

**Considerations** ..... *Principal Risks of Investing in the Fund*

*No Operating History.* The Fund is a newly organized, diversified, closed-end management investment company and has no operating history.

*Investment and Market Risk.* An investment in the Fund’s Common Stock is subject to investment risk, including the possible loss of the entire principal amount that you invest. Your investment in Common Stock represents an indirect investment in the Fund’s portfolio investments. Their value, like other market investments, may move up or down, sometimes rapidly and unpredictably.

Your Common Stock, at any point in time, may be worth less than your original investment, even after taking into account the reinvestment of Fund dividends and distributions. The Fund’s investment strategy includes purchasing investments that have embedded financial leverage, such as forward currency contracts, which magnifies the risk that you may lose money. See “Use of Financial Leverage” and “Risks—Other Principal Risks of Currency Investments—Currency Risk.”

*Issuer Risk.* The value of a company’s securities may decline for a number of reasons which directly relate to the issuing company, such as management performance, financial leverage or reduced demand for the issuer’s goods and services.

*Leverage Risk.* Using leverage is a speculative investment technique and involves certain risks. These include higher volatility of net asset value, the likelihood of

more volatility in the market value of Common Stock and, with respect to Borrowings, the possibility either that the Fund's return will fall if the interest rate on any Borrowings rises, or that income and the Fund's distributions will fluctuate because the interest rate on Borrowings varies. Investments made with Currency Commitments and the risks of those investments include those described in "The Fund's Investments" and "Risks—Other Principal Risks of Currency Investments—Risks of Forward Currency Contracts and Other Currency Instruments."

So long as the Fund is able to realize a higher net return on its investment portfolio than the then current cost of any leverage together with other related expenses, the effect of the leverage will be to cause the Fund to realize higher net return than if the Fund were not so leveraged. On the other hand, to the extent that the then current cost of any leverage, together with other related expenses, approaches the net return on the Fund's investment portfolio, the benefit of leverage to Common Stockholders will be reduced, and if the then current cost of any leverage were to exceed the net return on the Fund's portfolio, the Fund's leveraged capital structure would result in a lower rate of return than if the Fund were not so leveraged. There can be no assurance that any leverage strategy the Fund employs will be successful. The Fund will pay any costs and expenses relating to any Borrowings.

If the market value of the Fund's portfolio declines, the leverage will result in a greater decrease in net asset value than if the Fund were not leveraged. Such greater net asset value decrease also will tend to cause a greater decline in the market price for Common Stock. See "Risks—Principal Risks of Investing in the Fund—Leverage Risk."

*Investment Manager Fee Conflict Risk.* The fee paid to the Investment Manager for investment management services will be higher when the Fund uses Financial Leverage, whether through Borrowings or Currency Commitments consisting of forward currency contracts, because the fee paid will be calculated on the basis of the Fund's assets including this Financial Leverage. Consequently, the Investment Manager may have a financial interest for the Fund to utilize such Financial Leverage, which may create a conflict of interest between the Investment Manager and the Common Stockholders of the Fund. The Fund has implemented procedures to monitor this potential conflict. See "Risks—Principal Risks of Investing in the Fund—Investment Manager Fee Conflict Risk."

*Non-U.S. Investments Risk.* Investments in securities of non-U.S. issuers involve special risks, including the following: less publicly available information about non-U.S. issuers or markets because of less rigorous disclosure or accounting standards or regulatory practices; many non-U.S. markets are smaller, less liquid and more volatile; the economies of non-U.S. countries may grow at slower rates than expected or may experience a downturn or recession; and the impact of economic, political, social or diplomatic events. Withholding and other non-U.S. taxes may decrease the Fund's return. Many of these risks are more pronounced to the extent that the Fund invests a significant amount of its assets in companies located in one region. See "Risks—Principal Risks of Investing in the Fund—Non-U.S. Investments Risk."

*Emerging Market Risk.* Investments in emerging markets are particularly speculative. Particular risks of investing in emerging markets, in addition to risks associated with investing in non-U.S. issuers generally, include: smaller market capitalization of securities markets; significant price volatility; restrictions on foreign investment; and possible seizure of a company's assets. In addition, foreign investors may be

required to register the proceeds of sales. Future economic or political crises could lead to price controls, forced mergers, expropriation or confiscatory taxation, seizure, nationalization, or creation of government monopolies, all of which may adversely affect currencies.

Foreign investment in certain emerging markets is restricted or controlled to varying degrees, which may at times limit or preclude foreign investment in certain emerging markets. Certain emerging market countries require government approval prior to investments in a particular issuer by foreign persons, impose additional taxes on foreign investors and/or have other limitations on investment by foreign persons. Inflation and rapid fluctuations in inflation rates have had, and may continue to have, negative effects on the economies and financial markets of certain emerging market countries. See “Risks—Principal Risks of Investing in the Fund—Non-U.S. Investments Risk—Emerging Market Risk.”

*Currency Risk.* Your investment in Common Stock, as measured in U.S. dollars, may change significantly when the values of the emerging market local currencies change relative to the U.S. dollar, thereby subjecting investors to currency risks. The Fund’s investment performance may be negatively affected by a devaluation of a non-U.S. currency in which the Fund’s investments are quoted or denominated subsequent to investments by the Fund. The currencies of emerging market countries may experience significant declines against the U.S. dollar, and significant devaluation may occur.

Investments in emerging market countries could be adversely affected by delays in, or a refusal to grant, repatriation of funds or conversion of emerging market currencies. See “Risks—Principal Risks of Investing in the Fund—Non-U.S. Investments Risk—Currency Risk.”

*Securities Lending Risk.* The Fund will receive collateral consisting of cash, U.S. Government securities or irrevocable letters of credit which will be maintained at all times in an amount equal to at least 100% of the current market value of the loaned securities. If the collateral consists of a letter of credit or securities, the borrower will pay the Fund a loan premium fee. If the collateral consists of cash, the Fund will reinvest the cash and pay the borrower a pre-negotiated fee or “rebate” from any return earned on the investment. Should the borrower of the securities fail financially, the Fund may experience delays in recovering the loaned securities or exercising its rights in the collateral. In certain circumstances, securities lending may reduce the amount of dividends potentially eligible for taxation to individuals as qualified dividend income. See “Risks—Principal Risks of Investing in the Fund—Securities Lending Risk.”

#### ***Other Principal Risks of World Equity Investments***

*Common Stock Risk.* Although common stocks historically have generated higher average returns than fixed income securities, common stocks also have experienced significantly more volatility in those returns. An adverse event, such as an unfavorable earnings report, may depress the value of a particular common stock held by the Fund. Also, prices of common stocks are sensitive to general movements in the local stock market, and perhaps global stock markets, and a drop in these markets may depress the prices of common stocks held by the Fund. The Fund intends that the common stocks in which it will invest will primarily be relative value stocks. These stocks are common shares of companies that sell at low valuation levels relative to their earnings, revenues, assets, cash flows or other definable measures. Such companies may have experienced adverse business or industry developments or may

be subject to special risks that have caused their common shares to be out of favor and, in the Investment Manager's opinion, undervalued. If the Investment Manager's assessment of a company's prospects is wrong, the price of its common stock may fall, or may not approach the value that the Investment Manager has placed on it.

*Small- and Medium-Capitalization Companies Risk.* Prices of securities of small- and medium-capitalization companies may be subject to more abrupt or erratic market movements than securities of larger, more established companies, because securities of small- and medium-capitalization companies typically are traded in lower volume and the issuers typically are subject to greater changes in earnings and prospects. In addition, securities of the smaller capitalization companies may be thinly traded (and therefore may have to be sold at a discount from current market prices or sold in small lots over an extended period of time) and may pose a greater risk of loss than investments in securities of larger capitalization companies.

*Currency Risk.* The Fund's net asset value, which is expressed in U.S. dollars, may be negatively affected by the strengthening of the U.S. dollar versus the currencies in which World Equity Investments are denominated. In the future the Fund may, but does not currently intend to, engage in currency hedging transactions with respect to World Equity Investments positions denominated in non-U.S. currencies to hedge the Fund's exposure to such currencies' fluctuations in exchange rates with the U.S. dollar.

#### ***Other Principal Risks of Currency Investments***

Although Currency Investments are not the Fund's primary investment strategy, the Fund expects that they will constitute a significant portion (up to 33½%) of its Total Leveraged Assets, and the Fund anticipates that Financial Leverage frequently will be at or near 33½% of Total Leveraged Assets. Therefore, Currency Investments could increase the risks of investing in the Fund, some of which are described below. Currency Investments may include, in addition to forward currency contracts (or instruments whose value is derived from the performance of an underlying emerging market currency), debt obligations denominated in emerging markets currencies (including sovereign and corporate debt securities).

Currency Investments may have a greater potential for gain in volatile currency markets, although volatile markets also may increase the risk of loss. The performance of Currency Investments depends on the Investment Manager's ability to predict movements in exchange rates and imperfect correlations between movements in exchange rates.

*Special Currency Risks—Devaluation Versus Basket.* In certain emerging market countries the central bank manages the currency rate against a basket of one or more developed market currencies such as the Euro, Japanese Yen and others. In some of these countries, the Fund may employ a strategy seeking to limit exposure to the major currencies while retaining exposure to the local emerging market currency while selling the basket constituents. In such a situation, the Fund's strategy could fail if the emerging market country changed the announced or implied components of the currency basket against which the Fund has hedged its exposure.

*Risks of Forward Currency Contracts and Other Currency Instruments.* Forward currency contracts, and certain other instruments whose value is derived from the performance of an underlying emerging market currency, are highly volatile, and a relatively small price movement in these instruments may result in substantial losses to the Fund. See "Risks—Other Principal Risks of Currency Investments—Risks of Forward Currency Contracts and Other Currency Instruments."

*Fixed Income Risks.* Interest rate risk is the risk that fixed income securities will decline in value because of changes in market interest rates. When market interest rates rise, the market value of such securities generally will fall. Market interest rates in the U.S. and in certain other countries in which the Fund may invest currently are near historically low levels.

Credit or default risk is the risk that a Fund portfolio investment will decline in price or fail to make dividend or interest payments when due because the issuer of the security experiences a decline in its financial status.

Investing in sovereign debt securities will expose the Fund to the direct or indirect consequences of political, social or economic changes in the emerging market countries that issue the securities. Many of these countries are also characterized by political uncertainty or instability. The ability and willingness of sovereign obligors in emerging market countries or the governmental authorities that control repayment of their debt to pay principal and interest on such debt when due may depend on general economic and political conditions within the relevant country. Countries in which the Fund intends to invest have historically experienced, and may continue to experience, high rates of inflation, high interest rates, exchange rate fluctuations, trade difficulties and extreme poverty and unemployment.

The market values of corporate debt securities are sensitive to individual corporate developments and changes in economic conditions. Emerging market issuers may be highly leveraged and may not have more traditional methods of financing available to them. Therefore, their ability to service their debt obligations during an economic downturn or during sustained periods of rising interest rates may be impaired, resulting in a higher risk of default. See “Risks—Other Principal Risks of Currency Investments—Fixed Income Risks.”

*High Yield, Lower Quality Securities.* Certain of the emerging market debt securities in which the Fund may invest are high yield, lower quality securities (sometimes referred to as “junk bonds”), which are considered speculative, compared to certain lower yielding, higher quality securities, tend to have more volatile prices, increased price sensitivity to changing interest rates and to adverse economic and business developments, greater risk of loss due to default or declining credit quality, greater likelihood that adverse economic or company specific events will make the issuer unable to make interest and/or principal payments, and greater susceptibility to negative market sentiments leading to depressed prices and decrease in liquidity. See “Risks—Other Principal Risks of Currency Investments—Fixed Income Risks—High Yield, Lower Quality Securities Risk.”

#### ***Other Risks of Currency Investments***

*Risk of Hedging Developed Market Currency Exposure.* Currency Investments may include derivatives or other transactions employed for purposes of hedging exposure to certain developed market currencies embedded in emerging market currencies. There may be an imperfect correlation between the Fund’s portfolio holdings and such derivatives, which may prevent the Fund from achieving the intended consequences of the applicable transaction or expose the Fund to risk of loss. Further, the Fund’s use of derivatives or other hedging transactions involves costs and will be subject to the Investment Manager’s ability to predict correctly changes in the relationships of the relevant positions. See “Risks—Other Risks of Currency Investments—Risk of Hedging Developed Market Currency Exposure.”

*Counterparty Risk.* Currency Investments may be acquired in the “over-the-counter” or “interdealer” markets, where participants typically are not subject to

credit evaluation and regulatory oversight as are members of “exchange-based” markets. In the absence of a regulated market to facilitate settlement, the Fund is subject to the risk that a counterparty will not settle a transaction (such as a forward currency contract or other derivative transaction) in accordance with its terms and conditions because of a dispute over the terms of contract or because of a credit or liquidity problem. If a counterparty becomes bankrupt or otherwise fails to perform its obligations under a derivative contract due to financial difficulties, the Fund may experience significant delays in obtaining any recovery under the derivative contract in a bankruptcy or other reorganization proceeding. The Fund may obtain only a limited recovery or may obtain no recovery in such circumstances. See “Risks—Other Risks of Currency Investments—Counterparty Risk.”

*Reinvestment Risk.* Reinvestment risk is the risk that returns from Currency Investments will decline if and when Currency Investments are made from investment disposition proceeds at market interest rates that are below the current earning rate of Currency Investments, or otherwise when proceeds cannot be used to enter into transactions on terms as favorable as those on which the disposed assets previously were held. A decline in income could affect the price of the Common Stock or the Fund’s overall returns.

*Liquidity Risk.* A portion of the Fund’s Currency Investments may be or become illiquid. This is as a result of the small quantities in which these securities are issued and low trading volumes in the securities markets and/or currencies of emerging market issuers. If Currency Investments need to be liquidated quickly, the Fund’s strategy could sustain significant transaction costs.

#### ***Other Risks of Investing in the Fund***

*Market Discount From Net Asset Value.* Shares of closed-end investment companies frequently trade at a discount from their net asset value. This characteristic is a risk separate and distinct from the risk that the Fund’s net asset value could decrease as a result of its investment activities and may be greater for investors expecting to sell their shares in a relatively short period of time following completion of this offering. The net asset value of the Common Stock will be reduced immediately following the offering as a result of the payment of certain offering costs. Whether investors will realize gains or losses upon the sale of the Common Stock will depend not upon the Fund’s net asset value but entirely upon whether the market price of the Common Stock at the time of sale is above or below the investor’s purchase price for the Common Stock.

*Price Risk.* For reasons not necessarily attributable to any of the risks set forth herein (for example, supply/demand imbalances or other market forces), the value of the securities or currencies in which the Fund invests may decline substantially. In particular, purchasing assets or currencies at what may appear to be “undervalued” levels is no guarantee that these assets or currencies will not be trading at even more “undervalued” levels at the time of valuation or at the time of sale.

*Market Disruption Risk.* The terrorist attacks in the United States on September 11, 2001 had a disruptive effect on the securities markets. The Fund cannot predict the effects of similar events in the future on the world economies. These terrorist attacks and related events, including the war in Iraq and its aftermath, have led to increased short-term market volatility and may have long-term effects on world economies and markets. A similar disruption of the financial markets could impact dividend and interest rates, secondary trading, credit risk, inflation and other factors relating to the Fund’s investments and the Common Stock.

*Certain Affiliations.* Certain broker-dealers may be considered to be affiliated persons of the Fund and/or the Investment Manager. Absent an exemption from the Securities and Exchange Commission or other regulatory relief, the Fund is generally precluded from effecting certain principal transactions with affiliated brokers, and its ability to purchase securities being underwritten by an affiliated broker or a syndicate including an affiliated broker, or to utilize affiliated brokers for agency transactions, is subject to restrictions. This could limit the Fund's ability to engage in securities transactions and take advantage of market opportunities. See "Risks—Other Risks of Investing in the Fund—Certain Affiliations."

*Anti-Takeover Provisions.* The Fund's Articles of Incorporation (the "Articles") include provisions that could limit the ability of other entities or persons to acquire control of the Fund or convert the Fund to open-end status. These provisions could have the effect of depriving the Common Stockholders of opportunities to sell their Common Stock at a premium over the then current market price of the Common Stock. See "Certain Provisions in the Articles of Incorporation and By-Laws."

*Tax Risk.* To qualify for the favorable U.S. federal income tax treatment generally accorded to regulated investment companies, among other things the Fund must derive in each taxable year at least 90% of its gross income from certain prescribed sources ("qualifying income"). The U.S. Treasury has authority to issue regulations (possibly with retroactive application) that would exclude foreign currency gains from qualifying income if such gains are not directly related to a fund's business of investing in stock or securities. Accordingly, regulations may be issued in the future (possibly with retroactive application) which could treat some or all of the Fund's foreign currency gains as non-qualifying income, thereby jeopardizing the Fund's qualification as a regulated investment company for all years to which the regulations are applicable. If for any taxable year the Fund does not qualify as a regulated investment company, all of its taxable income (including its net capital gain) would be subject to tax at regular corporate rates without any deduction for distributions to stockholders, and such distributions will be taxable as ordinary dividends to the extent of the Fund's current and accumulated earnings and profits. See "Risks—Other Risks of Investing in the Fund—Tax Risk."

**Certain Tax Aspects . . . . .** For taxable years beginning on or before December 31, 2008, distributions of net investment income that are designated by the Fund as derived from "qualified dividend income" are taxed to individuals at the rates applicable to long-term capital gain. Certain holding period and other requirements must be met by the Common Stockholder and the Fund for distributions to be eligible for the preferential individual tax rates that apply to qualified dividend income. The Fund anticipates that a significant portion of the dividends paid on World Equity Investments will be potentially eligible for taxation to individuals as qualified dividend income. In addition, a significant portion of the Fund's distributions will consist of short-term capital gains in respect of Currency Investments. There can be no assurance as to what portion, if any, of the distributions paid by the Fund will constitute qualified dividend income.

## SUMMARY OF FUND EXPENSES

The Annual Expenses table below assumes Financial Leverage in an aggregate amount equal to 33½% of the Fund's Total Leveraged Assets. The table assumes that all Financial Leverage consists of Borrowings (to illustrate the effect of interest payments on Borrowings) and shows Fund expenses as a percentage of Net Assets. Footnote (3) shows Annual Expenses assuming no use of Financial Leverage. The Fund's method of calculating the Investment Manager's fee is different than the way closed-end investment companies typically calculate management fees. The management fee borne by Common Stockholders will increase to the extent the Investment Manager uses Borrowings and Currency Commitments consisting of forward currency contracts to create Financial Leverage on behalf of the Fund. See "Management of the Fund—Investment Management Agreement" for an explanation of the method of calculating the Investment Manager's fee and how this method differs from the way closed-end investment companies typically calculate management fees.

### Stockholder Transaction Expenses

Sales load paid by you (as a percentage of offering price) . . . . .	4.50%
Offering expenses borne by the Fund (as a percentage of offering price) (1) . . . . .	.20%
Dividend Reinvestment Plan fees . . . . .	None (2)
	<b>Percentage of Net Assets Attributable to Shares of Common Stock</b>

### Annual Expenses

Management fees (3) . . . . .	1.35%
Interest payments on Borrowings . . . . .	1.75%
Other expenses . . . . .	<u>.44%</u>
Total annual expenses . . . . .	<u>3.54%</u>

- (1) The Investment Manager has agreed to pay the Fund's organizational expenses and offering expenses (other than the sales load, but including a partial reimbursement of underwriter expenses) to the extent these expenses exceed \$.04 per share of Common Stock.
- (2) You will be charged an initial \$15 service fee plus \$0.12 per share of Common Stock being liquidated (for processing and brokerage expenses) if you direct the Plan Agent to sell your Common Stock held in a dividend reinvestment account.
- (3) Assuming no Financial Leverage is utilized, the Fund's expenses would be estimated to be as follows:

	<b>Percentage of Net Assets Attributable to Shares of Common Stock</b>
<b>Annual Expenses</b>	
Management fees . . . . .	.90%
Interest payments on Borrowings . . . . .	None
Other expenses . . . . .	<u>.46%</u>
Total annual expenses . . . . .	<u>1.36%</u>

The purpose of the table above is to help you understand all fees and expenses that you, as a Common Stockholder, would bear directly or indirectly. The annual "Other expenses" shown in the table are based on estimated amounts for the Fund's first year of operations and assume that the Fund issues approximately 6,575,000 shares of Common Stock and has Borrowings of \$62,659,750 (33½% of Total Leveraged Assets). If the Fund issues fewer shares of Common Stock, all other things being equal, these expenses would increase as a percentage of Net Assets attributable to shares of Common Stock. See "Management of the Fund" and "Dividend Reinvestment Plan."

The following example illustrates the expenses (including the sales load of \$45 and per share offering expenses of \$2) that you would pay on a \$1,000 investment in Common Stock, assuming (1) Total annual expenses of 3.54% of Net Assets and (2) a 5% annual return:(1)

	<b>1 year</b>	<b>3 years</b>	<b>5 years</b>	<b>10 years (2)</b>
Total Expenses Incurred . . . . .	\$81	\$150	\$222	\$410

- (1) **This example should not be considered a representation of future expenses. Actual expenses may be higher or lower.** The example assumes that the estimated Other expenses set forth in the Annual Expenses table are accurate and that all dividends and distributions are reinvested at Common Stock net asset value. Actual expenses may be greater or less than those assumed. Moreover, the Fund's actual rate of return may be greater or less than the hypothetical 5% return shown in the example.
- (2) Assuming no Financial Leverage, the illustrated expenses in accordance with the example above would be \$60, \$88, \$118 and \$203 for years 1, 3, 5 and 10, respectively.

## THE FUND

The Fund is a newly organized, diversified, closed-end management investment company registered under the 1940 Act. The Fund was incorporated as a Maryland corporation on April 6, 2005. As a newly organized entity, the Fund has no operating history. The Fund's principal office is located at 30 Rockefeller Plaza, New York, New York 10112, and its telephone number is (212) 632-6000.

## USE OF PROCEEDS

The net proceeds of the offering of Common Stock will be approximately \$125,319,500 (\$144,117,425 if the underwriters exercise the over-allotment option in full) after payment of the estimated organization and offering costs. The Fund will invest the net proceeds of the offering in accordance with the Fund's investment objective and policies as stated below. It is presently anticipated that the Fund will be able to invest substantially all of the net proceeds in World Equity Investments and Currency Investments within approximately one to two months after the completion of the offering. Pending such investment, it is anticipated that a portion of the proceeds will be invested in short-term money market instruments.

## THE FUND'S INVESTMENTS

### Investment Objective and Strategies

The Fund's investment objective is total return through a combination of dividends, income and capital appreciation. The Fund's investment objective is fundamental and cannot be changed without approval by the Common Stockholders. There can be no assurance that the Fund's investment objective will be achieved.

The Fund will pursue its investment objective through a combination of two separate investment strategies: a world equity strategy and an emerging income strategy. The Investment Manager will seek to invest substantially all of the Fund's Net Assets using the world equity strategy. The Investment Manager also will seek to obtain exposure to emerging market currencies using the emerging income strategy, but will limit such strategy to 33 $\frac{1}{3}$ % or less of the Fund's Total Leveraged Assets. The world equity strategy focuses on the highest dividend yielding equity securities selected using the Investment Manager's relative value strategy, which the Investment Manager began to develop in 1982. The Investment Manager has employed the emerging income strategy on behalf of private advisory or other accounts since 1995.

- World Equity Strategy. The Fund will generally invest in a portfolio of approximately 60 to 90 U.S. and non-U.S. securities consisting primarily of the highest dividend yielding equity securities of small-, medium- and large-capitalization companies, selected from the current holdings of other accounts managed by the Investment Manager in relative value strategies.
- Emerging Income Strategy. The Fund will invest in emerging market currencies (primarily by entering into forward currency contracts), or instruments whose value is derived from the performance of an underlying emerging market currency, but also may invest in debt obligations, including government, government agency and corporate obligations and structured notes denominated in emerging market currencies.

The Investment Manager believes that World Equity Investments offer opportunities for capital appreciation and dividend income and that Currency Investments offer opportunities for income and short-term gain and, to a lesser extent, capital appreciation. The Investment Manager believes that this combination can provide total return, including income and short-term capital gains for monthly distributions to Common Stockholders. See "Distributions."

The Investment Manager will determine the amount of the Fund's investment exposure to Currency Investments using a variety of factors, including the estimated current dividend yield of World Equity Investments and the estimated current income and anticipated short-term gains associated with Currency Investments, as well as economic and market conditions in the relevant emerging markets that may affect the future income or gain potential. Although Currency Investments will primarily consist of forward currency contracts, the Investment Manager may, in its discretion, reduce World Equity Investments (but to no less than 80% of the Fund's Net Assets) and allocate Fund assets to make Currency Investments with other instruments or debt obligations. The Investment Manager also may use Borrowings to invest in such other instruments and debt obligations. The Investment Manager will generally evaluate the allocation of Fund assets between World Equity Investments and Currency Investments at least

monthly. It is therefore possible that the Fund's allocation to the emerging income strategy will, at times, exceed 33½% of the Fund's Total Leveraged Assets. The Investment Manager's decision to reduce World Equity Investments, to use forward currency contracts or to make investments using Borrowings will be made based on the potential impact on current World Equity Investments, the availability of attractive Currency Commitments and the costs of Borrowings. Currency Investments will increase the risks of investing in the Fund.

## **Investment Philosophy and Process**

### ***World Equity Investments***

World Equity Investments are selected from the current holdings of other accounts managed by the Investment Manager in relative value strategies, using the criteria described below. The Investment Manager's relative value strategy seeks under-valued, under-appreciated and financially productive stocks and is based on value creation through the process of bottom-up stock selection. In employing the relative value strategy, the Investment Manager seeks to purchase stocks of companies that it believes offer value creation opportunity given the trade off between strong financial productivity and attractive valuations. The Investment Manager follows an investment process that incorporates three types of investment research, as well as other investment selection techniques. This research process is based on analysis of historical financial data. The Investment Manager's process is described below in further detail.

Selection of World Equity Investments. World Equity Investments will generally consist of a portfolio of approximately 60 to 90 U.S. and non-U.S. securities consisting of the highest dividend yielding equity securities of small-, medium- and large-capitalization companies selected from Current Equity Holdings. These accounts do not include accounts that may take short positions or employ strategies other than a relative value strategy.

World Equity Investments will be constructed as follows:

- at least 80% of the Fund's assets in World Equity Investments will consist of selections from the 70 highest dividend yielding Current Equity Holdings measured on a 12-month trailing basis, as determined each calendar quarter;
- the remainder of World Equity Investments will generally consist of equity securities selected from Current Equity Holdings that the Investment Manager believes may have the potential for significant dividend growth or may be anticipated to pay special dividends, or other Current Equity Holdings that the Investment Manager believes are attractive investments for the Fund; and
- up to 5% of World Equity Investments may consist of equity securities that are not Current Equity Holdings but that the Investment Manager believes have attractive income potential.

Within this framework, security selections and weightings of positions will be determined based on (1) relative dividend yield, (2) consideration of diversity of World Equity Investments among geographic regions, industry sectors and market capitalization and (3) other considerations employed in the Investment Manager's relative value strategy, focusing on a bottom-up (securities-based) security selection process. The Investment Manager also will consider whether a security's dividends would be potentially eligible for taxation to individuals as qualified dividend income.

Investment Parameters. Each World Equity Investment position will typically constitute no more than 4% of World Equity Investments at the time of the Fund's initial purchase. World Equity Investments generally will consist of securities of companies with market capitalizations of \$3 billion or greater at the time of the Fund's initial purchase, although up to 10% of World Equity Investments may consist of securities of companies with market capitalizations below \$3 billion at the time of initial purchase. No more than 35% of World Equity Investments will be in securities of companies in the same sector. No more than 25% of World Equity Investments will be in securities of companies in the same industry. Equity investments in companies in emerging markets countries will be limited to 25% of World Equity Investments, with no more than 10% in a single emerging markets country.

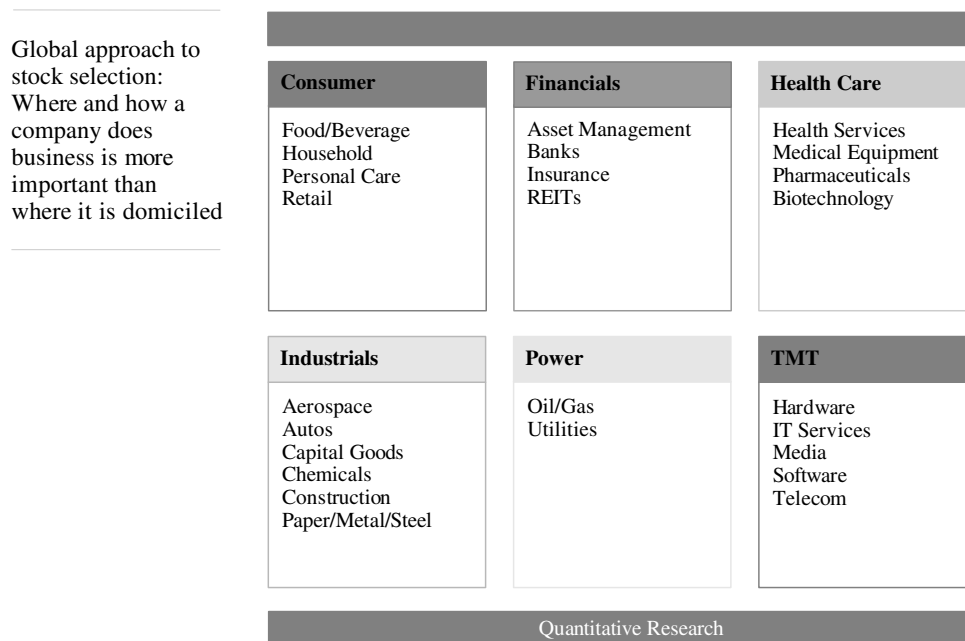
Sell Criteria. World Equity Investments will be evaluated each quarter using the criteria described above, and weightings will be rebalanced typically within one month of the end of the quarter. However, Current Equity Holdings are monitored on an ongoing basis, and the Investment Manager generally will sell a security held by the Fund when the security is no longer a Current Equity Holding (*i.e.*, the Investment Manager has completely sold the

security from its other client accounts), unless the Investment Manager believes that special circumstances make the security an attractive investment for the Fund. Securities that were not purchased as Current Equity Holdings will be considered for sale in accordance with the Investment Manager’s sell criteria for the relative value strategy, as described below.

**Global Equity Research Platform.** The Investment Manager’s equity products are supported by its Global Equity Research Platform, which is organized into six sector teams and has analysts located in New York, London, Tokyo and Sydney. These sector teams include Consumer, Financials, Health Care, Industrials, Power and Technology Media Telecommunications.

Below is a schematic illustrating the industries that are covered by the six sector teams:

## Research Organization Global Equity Sector

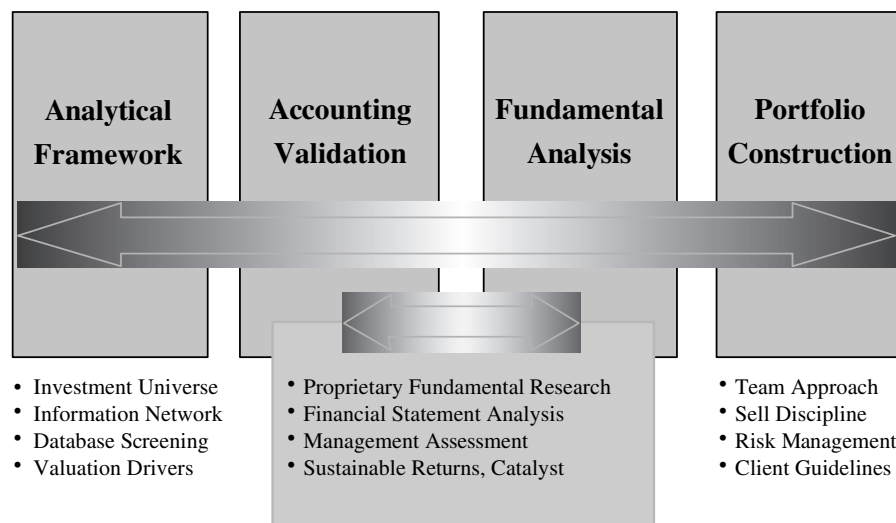


The research analysts on the global sector teams are responsible for the analysis of all the companies in the sector. They are expected to continually enhance their expertise and understanding of the industries they follow and of the businesses they track. A number of these analysts have worked in the industries that they now analyze. In addition, many analysts are Chartered Financial Analysts, Certified Public Accountants or have received other industry-specific certifications.

**Relative Value Strategy.** The Investment Manager follows an investment process that incorporates three types of investment research, as well as other investment selection techniques. This research process is based on analysis of historical financial data.

## The Investment Manager's Process

The Investment Manager's investment process for research and portfolio construction is neither static nor sequential, but ongoing



**Analytical Framework.** The Investment Manager employs various screening processes to search global databases for companies that appear to offer strong financial productivity at attractive valuations. Screening seeks to identify companies that are attractively priced (*i.e.*, low price/earnings, price/book and price/cash flow ratios), relative to their financial returns (*i.e.*, return on equity, cash return on equity, return on assets and operating margins).

**Accounting Validation.** The Investment Manager's analysts 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. While this process is not designed to detect fraud or other misrepresentations or omissions, by focusing on detailed cash flow analysis and discretionary balance sheet items, the Investment Manager's analysts seek to:

- determine whether a level of comfort can be gained in a company's stated financial productivity;
- identify and take advantage of pricing anomalies; and
- discover opportunities, including hidden value per share and hidden risks.

The added importance of this process lies in seeking to avoid major mistakes and minimize forecasting errors. The Investment Manager's analysts use a variety of sources of industry data to check what is learned about a company's business and financials during the accounting validation process. This data can include each analyst's network of industry contacts, company suppliers, customers, distributors, competitors and independent sources of research, as well as direct industry experience. The Investment Manager believes that it is vital to obtain information from a variety of sources, with potentially different biases, to serve as a cross check on the accuracy of a company's financial and business data.

**Fundamental Analysis.** A key component in the equity investment process, fundamental analysis is conducted to assess forward-looking issues, including the sustainability of returns, and to identify a catalyst for price revaluation. This involves analyzing a company's:

- quality and depth of management;
- competitive position;
- sensitivity to economic/market cycles;
- margin and sales trends;

- brand name strength;
- geographical breakdown; and
- macro environment in which the company operates.

Fundamental research efforts are enhanced through communication among the Investment Manager's global equity analysts, who conduct both global and local research on companies worldwide. On-the-ground visits with company management, together with local knowledge, help to provide opinions critical to investing on a global basis.

*Team Recommendations and Portfolio Construction.* When the research process is complete, the Investment Manager's sector team analysts propose and defend stock recommendations to the portfolio management teams that they believe represent a group of securities that meet the relevant portfolio criteria. Stock selection for inclusion in a particular portfolio is not the responsibility of the Investment Manager's analysts, but rather the responsibility of each portfolio management team. Sector team analysts are encouraged to discuss a stock at any time with portfolio managers and are not restricted to set meeting times.

The analysts give each security a target valuation upon purchase. Targets are reviewed and re-evaluated at least monthly and performance is evaluated on an on-going basis.

*Buy Discipline.* When the Investment Manager's portfolio managers are considering buying a security, they consider five main attributes:

- Changing fundamentals—Are any of the following changing: earnings estimates, business portfolio, financial productivity and/or management?
- Attractive valuation—Based on the Investment Manager's proprietary valuation approach, is a security attractively valued relative to its financial productivity?
- Quality of management—Is the management team working for shareholders and do they have an incentive to do so? What is their track record like?
- Competitive advantage—What competitive advantage does a company have and how long will it last? Can it invest new capital to grow the business at attractive rates of return?
- Difference from consensus—What do the portfolio managers know or think that is different from the market?

*Sell Discipline.* The Investment Manager's sell discipline is a very important component of its investment management process across the global equity research platform. The Investment Manager may determine to sell a security in portfolios under its management for any of the following reasons:

- its price rises to a level where it is no longer believed to reflect the Investment Manager's target valuation;
- the underlying investment assumptions are no longer valid;
- company management changes their strategic direction; or
- external events occur that impact the Investment Manager's original investment assumptions (e.g., changes in regulation, taxes, and competitive position).

*Cash Management.* The Investment Manager does not intend to use cash as an investment for temporary defensive purposes, as it intends generally that substantially all of the Fund's Net Assets will be invested in World Equity Investments and Currency Investments at all times, except for a period shortly after the closing of this offering. However, the Fund's assets may be invested in money market instruments pending investment in World Equity Investments, for payment of distributions and to pay Fund expenses.

### ***Currency Investments***

Currency Investments consist of investments in emerging market currencies (using forward currency contracts or other instruments whose value is derived from the performance of an underlying emerging market currency), and

debt obligations denominated in local emerging market currencies, that span Africa, Asia, Central and Eastern Europe, Latin America and the Middle East.

In selecting Currency Investments, the Investment Manager applies the discipline of bottom-up investment selection and diversification to local emerging markets currency. The Investment Manager’s research has indicated that currency devaluations tend to be caused by macroeconomic policies unique to a particular country, and thus are not likely to be correlated from country to country. The Investment Manager believes that the risk of currency devaluation could be largely mitigated through diversification. To construct a portfolio of Currency Investments, the Investment Manager begins with an equal-weighted portfolio of approximately 40 countries which serves as the Investment Manager’s baseline allocation. From the equal-weighted portfolio the investment team implements its active views by over- or under-weighting individual countries within a diversified framework of approximately 20 to 25 countries.

**Country Selection.** The Investment Manager intends to modestly overweight or underweight certain countries relative to an equal-weighted portfolio of approximately 40 countries based on such factors as a country’s macroeconomic fundamentals, political stability, interest rate level and anticipated sustainability of currency policy. The maximum exposure to any one country will be 10% of Currency Investments, and the Investment Manager will hedge currency exposure so that the maximum exposure to any one currency will be 8% of Currency Investments (in each case, determined at the time of each investment). Of these 40 countries, the Fund currently intends to have a portfolio of approximately 20 to 25 countries.

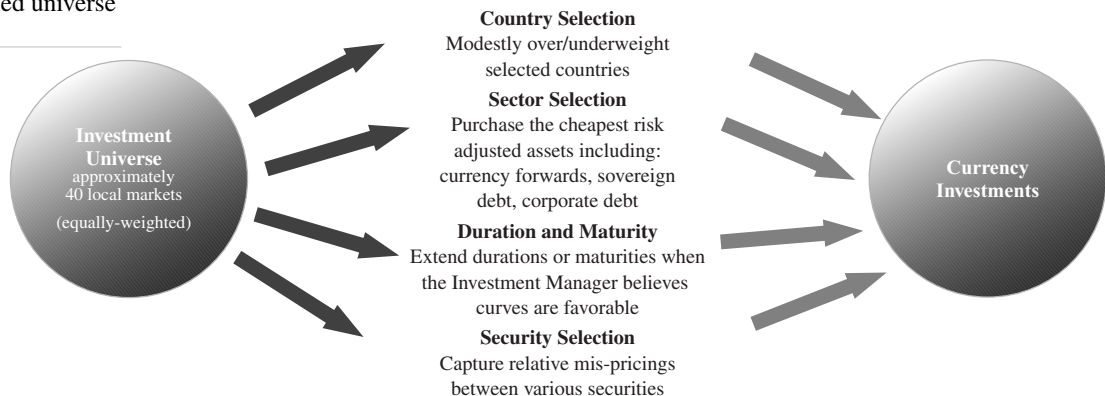
**Sector Selection.** The Investment Manager will seek to invest in what it perceives to be the most attractive risk-adjusted asset in each country (*i.e.*, forward currency contracts, sovereign and agency debt, structured products or high-quality corporate names denominated in emerging local currencies).

**Duration and Maturity Selection.** The average duration and maturity of Currency Investments is targeted to remain under one year. However, the Fund may invest in securities with longer durations or maturities in particular countries when the Investment Manager believes domestic yield curves are favorable.

**Security Selection.** Securities in emerging markets often have fairly complicated structures, such as unusual resets, options and other features that are often misvalued in these relatively unsophisticated local markets. The Investment Manager believes that such a situation affords an opportunity for investors willing to undertake the systematic valuation of complex structures.

## Constructing Currency Investments

The Investment Manager’s insight looks to add value beyond a diversified universe



The investable universe for Currency Investments currently consists of, but is not limited to, the following emerging market countries:

<u>Asia</u>	<u>Latin America</u>	<u>Europe</u>	<u>Africa/Mid East</u>
China	Argentina	Bulgaria	Ghana
Hong Kong	Brazil	Croatia	Israel
India	Chile	Czech Republic	Jordan
Indonesia	Colombia	Estonia	Kenya
Philippines	Costa Rica	Hungary	Lebanon
Singapore	Dominican Republic	Kazakhstan	Mauritius
South Korea	Jamaica	Latvia	Morocco
Taiwan	Mexico	Lithuania	Namibia
Thailand	Peru	Poland	South Africa
	Uruguay	Romania	Tanzania
		Russia	Turkey
		Slovakia	Uganda
		Slovenia	Zambia

The Investment Manager expects that the investable universe will continue to change as investment opportunities develop. Currently, of these countries, the Fund intends to have a portfolio of approximately 20 to 25 countries.

**Approach to Country Selection.** Consistent with the Investment Manager’s bottom-up investment approach, country decisions are derived from the investment team’s consideration of the local yield, the explicit or implicit currency policy and whether the country has the reserves, fiscal policy, trade balance, solvency indicators and political stability to maintain its currency policy. The Investment Manager’s assessments of country opportunities are driven primarily by fundamental trends within each country rather than global forecasts or broad geopolitical trends. The most critical variables for the Investment Manager’s process include:

**Political Stability.** This judgment is based on whether the current government is able to implement its current program. In general, the longer the time period until the next elections and the stronger the control the ruling party has over the political process, a country is judged to be more stable. The Investment Manager believes that, to the extent that the ruling party is believed to be in an unstable coalition, or unable to implement its legislative program for any reason, the political stability of the country would be reduced.

**Economic Stabilization.** A country is considered to have stabilized its economy if both its external and internal accounts exhibit long-term sustainable balances. The current account balance, net of foreign direct investment flows, is a proxy for the external balance. The general government-budget balance is a proxy for the internal balance.

**Structural Reforms.** The most important structural reform is the percentage of gross domestic product (“GDP”) generated by non-government entities. Other important issues include the regulatory reform of prices, restriction on the capital account, and the stability and efficiency of the taxation system. The Investment Manager would consider a country to have implemented structural reforms if more than 66% of GDP is derived from non-government entities, and more than 75% of prices are determined by the free market.

**External Debt Burden.** The most important characteristic of the external debt burden is the debt service ratio, which compares current principal and interest on external debts with export earnings. The overall size of external debt to GDP and exports is also important. Although this area is the easiest to quantify, it frequently gives incorrect signals on sovereign credit quality because there are so many mitigating factors, such as the willingness of international financial institutions to grant new credits in order to help finance current debt service.

**Banking Sector/Monetary Policy.** The Investment Manager attempts to determine whether the banking system has sufficient stability to withstand internal and external shocks. Also critical is the analysis of the central bank, including its level of independence and monetary policy stance, since loose monetary policy will cause currencies to weaken.

No single factor or combination of factors is determinative of whether a country will be included in the investable universe. Instead, the portfolio managers of Currency Investments evaluate each of the countries in the investable universe based on this framework.

For currency valuation, the investment team looks at real, effective exchange rate models, while considering productivity and structural economic changes. To evaluate short-term currency fluctuations the Investment Manager analyzes short and long-term flows, with an understanding of the composition of the investor base in each local market. This is used in conjunction with short-term early warning crisis indicators based on exchange rates, real interest rates and fiscal balances and capital flows. Expected country returns are then measured versus the individual and correlated portfolio risk to determine country allocations.

Approach to Sector Selection. Since local currency emerging markets are not as uniform as external debt markets, the techniques for evaluating investment opportunities differ from those of a typical manager of external debt. A key facet of the Investment Manager's emerging market debt investment process is the decomposition of each investment into its sub-component risks. Analysis of each underlying risk allows the investment team to attempt to determine whether sufficient compensation is received for each risk taken. In general, the team assesses the following risks inherent in local market investments:

- foreign exchange risk;
- convertibility risk;
- interest rate risk;
- credit risk/spread duration;
- counterparty risk;
- settlement, banking sector, and sub-custodian risk; and
- liquidity risk.

The investment team seeks to mitigate these risks through the use of alternatives to local corporate debt or treasury bills. The Investment Manager seeks to quantify the sub-component risks and access the market through structured products, and to avoid risks that the Investment Manager believes are not adequately compensated by the investment.

Approach to Security Selection. Issue size is particularly important for local corporate issues. Issue size, quality and liquidity are all factors that are taken into consideration in judging the value of a security, but the Investment Manager does not apply arbitrary cut-off levels to exclude securities from consideration. The Investment Manager follows a systematic process to search for undervalued opportunities within each sector. Bonds are evaluated based on their fundamental and structural characteristics. The Investment Manager's valuation analysis includes credit research and consideration of prepayment/call options, maturity, duration and coupon and currency and country risks. Security selection also focuses on the segmentation of risk factors to facilitate the evaluation of risk compensation.

Sell Discipline. A position may be reduced or entirely liquidated for any of the following reasons:

- The yield spread compresses to a level where the investment is no longer believed to reflect relative value.
- The original underlying investment conditions are no longer valid, including a change in the fundamental rationale for the purchase.
- The investment's respective sector or asset category has, in the Investment Manager's view, become overvalued relative to investment risks.

The investment team maintains trigger levels for foreign exchange rates that indicate the need to reevaluate an active currency position. Interest rate volatility also factors into the Investment Manager's sell discipline. While high yields are attractive, yields that become unsustainably high can signal the potential for a devaluation or default and would preclude investment.

**Hedging Developed Market Currency Exposure.** Currency Investments will maintain significant exposure to the local currencies of the emerging market countries in which investments are made. However, the portfolio management team may hedge developed market currency exposure embedded in emerging currencies. In certain emerging market countries which manage their currency exchange rate versus a basket of developed market currencies, the Fund may hedge its portfolio position against this basket (*i.e.*, the Fund will position itself long in local currency and short the announced basket constituents). Similarly, in certain emerging market countries which do not announce the major currency components of the basket against which their currency is managed, the Fund may hedge its portfolio position against the “unannounced” (*i.e.*, implied by the market) constituents of the basket. Hence, under both scenarios, the Fund will retain its exposure to the local currency while retaining the option to hedge its exposure to the other major currencies versus the U.S. dollar. If the Fund does not hedge its exposure to developed market currencies, Currency Investments may consist of less diversified emerging market currency exposure than if the exposure to developed market currencies were hedged, and the Fund may not achieve its investment objective. The Fund is not obligated to engage in any of these hedging strategies, and there is no assurance that appropriate hedging instruments will be available or that the Investment Manager’s hedging strategy will be successful. The value of Fund investments denominated in foreign currencies will depend in part on the relative strength of the emerging market country’s currency against the U.S. dollar, and the Fund may be affected favorably or unfavorably by exchange control regulations or changes in the exchange rate between foreign currencies and the U.S. dollar. Hedging certain developed market currency exposure is different from typical “hedging” strategies in that it seeks to isolate emerging market currency exposure from embedded developed market currencies.

## **Portfolio Investments**

The Fund’s portfolio will be composed principally of the following investments. A more detailed description of the Fund’s investment policies and restrictions and more detailed information about the Fund’s portfolio investments are contained in the SAI.

### ***Allocation of Assets to World Equity Investments and Currency Investments***

The Investment Manager will seek to invest substantially all of the Fund’s Net Assets in World Equity Investments. The Investment Manager also will seek to obtain exposure to emerging market currencies by investing up to 33⅓% of the Fund’s Total Leveraged Assets in Currency Investments primarily by entering into forward currency contracts. The Investment Manager will generally evaluate the allocation of Fund assets between World Equity Investments and Currency Investments at least monthly. It is therefore possible that the Fund’s allocation to the emerging market strategy will, at times, exceed 33⅓% of Total Leveraged Assets.

The Fund currently intends to cause its custodian to segregate or otherwise designate cash or liquid securities in an amount sufficient to meet the Fund’s obligations under forward currency contracts so that such positions will not be deemed to constitute senior securities (“leverage”) under the 1940 Act, although from an economic perspective the Fund’s portfolio will be leveraged because the Fund’s investment exposure (Total Leveraged Assets) will be greater than its Net Assets. If the Investment Manager decides to make Currency Investments by purchasing instruments or debt obligations that require payment at the time of acquisition, the Investment Manager could reduce the amount of the Fund’s Net Assets allocated to World Equity Investments (but to no less than 80% of the Fund’s Net Assets) and make Currency Investments using these instruments and debt obligations. If the Investment Manager used this strategy the Fund would still segregate or otherwise designate assets to the extent necessary that these positions would not be deemed to constitute leverage under the 1940 Act, although from an economic perspective the Fund’s portfolio may be leveraged, depending on the instrument used. The Investment Manager also may use Borrowings to purchase these instruments and debt obligations. The Investment Manager may not be able to use forward currency contracts as the primary instrument to make Currency Investments if such contracts are not available on favorable terms or if forward currency contracts may incur negative tax consequences for the Fund. See “Risks—Other Risks of Investing in the Fund—Tax Risk.”

### ***World Equity Investments***

**Equity Securities.** World Equity Investments will include equity securities, principally common stock and American Depositary Receipts (“ADRs”), of small-, medium- and large-capitalization U.S. and non-U.S. companies, including companies in emerging market countries.

*Common Stocks.* Common stocks generally represent an ownership interest in an issuer without preference over any other class of such issuer's securities, including debt securities and preferred stock and other senior equity securities. Although common stocks historically have generated higher average returns than fixed income securities, common stocks also have experienced significantly more volatility in those returns. An adverse event, such as an unfavorable earnings report, may depress the value of a particular common stock held by the Fund. Also, prices of common stocks are sensitive to general movements in the relevant stock market. A drop in the relevant stock market may depress the prices of common stocks held by the Fund or to which it has exposure.

*ADRs.* ADRs are receipts typically issued by a United States bank or trust company which evidence ownership of underlying securities issued by a foreign issuer. ADRs are denominated in U.S. dollars rather than in the local currency of the issuer of the underlying security.

### ***Currency Investments***

Currency Investments will consist primarily of forward currency contracts, but may also include bonds, notes, bills, debentures, convertible securities, debt with attached warrants, bank obligations, short-term paper, loan participations and assignments, swaps, structured notes, preferred stock, trust and partnership interests solely evidencing interests in debt instruments, money market instruments and other similar instruments whose value is derived from the performance of an underlying emerging market currency. Such instruments may be issued or guaranteed by the governments of emerging market countries, their agencies, instrumentalities or political subdivisions, and international organizations or business entities located within and without such countries, including financial institutions or companies located within and without emerging market countries that are subsidiaries of multinational business entities. These instruments generally will be payable in, and, thus, the Fund will maintain significant exposure to, the local currencies of the emerging market countries represented by Currency Investments in which the Fund will invest.

Forward Currency Contracts and Other Derivative Transactions. The Fund anticipates that a significant portion of Currency Investments will be in forward currency contracts as a means to gain exposure to the local currency and interest rates of emerging markets. Forward currency contracts are contracts for the purchase or sale from a counterparty of a specified currency at a specified future date. Such contracts may involve the purchase or sale of the local currency against the U.S. dollar or may involve the local currency and another developed market base currency.

In the future, the Fund also may, but does not currently intend to, enter into other derivative transactions such as swap agreements and hybrid instruments as a substitute for direct investment in a physical local currency security. In these derivative transactions, the Fund intends to retain exposure to the local currency against a developed market base currency. There can be no assurance that the Fund's derivative investment practices will succeed. Derivative instruments also may include hybrid instruments in a variety of forms, having the characteristics of futures, options, currencies and securities. For example, the principal amount, redemption or conversion terms of a security could be related to the market price of some currency or a security including a securities index. Swap agreements are contracts between parties in which one party agrees to make payments to the other party based on the change in the market value of a specified index or asset. In return, the other party agrees to make payments to the first party based on the return of a different specified index or asset. While hybrid instruments can have volatile prices and limited liquidity and swap agreements may pose the risk that a party will default on its payment obligations thereunder, such swaps or other hybrid instruments may be the only practical or available means of participating in the performance of a securities index in certain emerging markets. The Investment Manager may not be able to use swaps if such swaps are not available on favorable terms or if the use of swaps may entail negative tax consequences for the Fund. The Fund may invest in debt securities with embedded options. In addition, the Fund may, in the future, write and purchase put and call options on securities and/or currencies held or to be held by the Fund.

The Fund generally will enter into forward currency contracts and any other derivative transactions with established counterparties that are part of large, multi-national banking organizations.

Debt Obligations. Currency Investments may include sovereign debt securities, which will generally be denominated in the local currency of the obligor. Currency Investments also may include fixed income securities issued by corporate obligors in emerging market countries. The debt obligations in which the Fund will invest may or may not be listed or traded on a securities exchange and interest rates on such securities may be fixed or floating. The Fund's exposure to any one emerging market local corporate issuer is not expected to exceed 2% of Currency

Investments and the Fund's exposure to local issues of any one developed market corporate issuer is not expected to exceed 5% of Currency Investments (each measured at market value).

*Structured Notes and Related Instruments.* Currency Investments may include "structured" notes, which are privately negotiated debt obligations where the principal and/or interest is determined by reference to the performance of a benchmark asset, market or interest rate (an "embedded index"), such as the differential performance of two assets or markets. The interest and/or principal payments on structured instruments vary widely depending on a variety of factors such as the volatility of the embedded index.

### ***Other Portfolio Investments***

Securities Lending. The Fund may lend securities from its portfolio to brokers, dealers and other financial institutions needing to borrow securities to complete certain transactions. In connection with such loans, the Fund remains the owner of the loaned securities and continues to be entitled to payments in amounts equal to the interest, dividends or other distributions payable on the loaned securities as well as the benefit of an increase and the detriment of any decrease in the market value of the securities loaned. The Fund also has the right to terminate a loan at any time. The Fund may call the loan to vote proxies if a material issue affecting the Fund's investment is to be voted upon. Loans of portfolio securities may not exceed 33⅓% of the value of the Fund's total assets.

Portfolio Turnover. Although short-term trading will not be used as a primary strategy in making Currency Investments, there are no limits on the rate of portfolio turnover, and investments may be sold without regard to length of time held when, in the opinion of the Investment Manager, investment considerations warrant such action. A higher portfolio turnover rate results in correspondingly greater transactional expenses that are borne by the Fund. High portfolio turnover may result in the realization of net short-term capital gains by the Fund which, when distributed to stockholders, will be taxable as ordinary income. See "Tax Matters."

## **USE OF FINANCIAL LEVERAGE**

### **Financial Leverage**

The Fund intends to use leverage to invest Fund assets in Currency Investments primarily using Currency Commitments and Borrowings, up to an aggregate of 33⅓% of the Fund's Total Leveraged Assets. Any Borrowings will have seniority over the Common Stock. It is possible that following the incurrence of Financial Leverage the assets of the Fund will decline in value due to market conditions such that this 33⅓% threshold will be exceeded. In that case, leverage risk will increase.

Although the Fund anticipates that Financial Leverage frequently will be at or near 33⅓% of Total Leveraged Assets, the amount and composition of Financial Leverage outstanding will vary depending on a number of factors, including economic and market conditions in the relevant currency markets, the availability of relatively attractive Currency Investments not requiring Currency Commitments or Borrowings, and the costs that the Fund would incur as a result of Borrowings. The Investment Manager's fee for investment management services will be calculated on the basis of the Fund's Total Leveraged Assets. The fee paid to the Investment Manager for investment management services will be higher when the Fund uses leverage because the fee paid will be calculated on the basis of the Fund's assets including the leverage.

There is no assurance that any leverage strategy the Fund employs will be successful. See "Risks—Principal Risks of Investing in the Fund—Leverage Risk." If there is a net decrease (or increase) in the value of the Fund's investment portfolio, the leverage will decrease (or increase) the net asset value of the Fund per share of Common Stock to a greater extent than if the Fund were not leveraged. Currency Commitments will have the economic effect of leverage by creating investment exposure greater than the Fund's Net Assets (similar to Borrowings), although the Fund currently intends to manage Currency Commitments so that they would not be considered to constitute "senior securities" (leverage) under the 1940 Act. Borrowings may be at a fixed or floating rate and generally will be based on short-term rates. So long as the rate of return, net of applicable Fund expenses, on the Fund's portfolio investments exceeds the then current interest rate on any Borrowings, excess return on the proceeds of Borrowings can be used to pay distributions to Common Stockholders.

## Borrowings

Under the 1940 Act, the Fund generally is not permitted to borrow unless immediately after the Borrowing the value of the Fund's Net Assets plus Borrowings, less liabilities other than the principal amount represented by Borrowings, is at least 300% of such principal amount. In addition, the Fund is not permitted to declare any cash dividend or other distribution on its Common Stock unless, at the time of such declaration, the value of the Fund's Net Assets plus Borrowings, less liabilities other than the principal amount represented by Borrowings, is at least 300% of such principal amount.

The Fund may be subject to certain restrictions on Borrowings imposed by a lender that may impose asset coverage or portfolio composition requirements that are more stringent than those imposed on the Fund under its investment policies or restrictions or by the 1940 Act. It is not anticipated that these restrictions will impede the Investment Manager from managing the Fund's portfolio in accordance with the Fund's investment objective and policies.

Although the Fund does not intend that Borrowings will represent all of the Fund's Financial Leverage, the Securities and Exchange Commission requires the following illustrations to be provided using the Fund's maximum permitted level of Borrowings:

Assuming that Borrowings will represent in the aggregate approximately 33 $\frac{1}{3}$ % of the Fund's Total Leveraged Assets and pay a payment rate set by an interest rate transaction at an annual average rate of 3.50%, the income generated by the Fund's portfolio (net of estimated expenses) must exceed 1.17% in order to cover such payment rate and other expenses specifically related to Borrowings. Of course, these numbers are merely estimates, used for illustration. Actual interest or payment rates may vary frequently and may be significantly higher or lower than the rate estimated above.

The following table is designed to illustrate the effect of such Borrowings on the Fund's total return, assuming investment portfolio total returns (comprised of income and changes in the value of investments held in the Fund's portfolio net of expenses) of -10%, -5%, 0%, 5% and 10%. These assumed investment portfolio returns are hypothetical figures and are not necessarily indicative of the investment portfolio returns expected to be experienced by the Fund. The table further reflects Borrowings representing approximately 33 $\frac{1}{3}$ % of the Fund's Total Leveraged Assets, and the Fund's currently projected annual borrowing interest rate or payment rate set by an interest rate transaction of 3.50%. See "Risks—Principal Risks of Investing in the Fund—Leverage Risk."

Assumed Portfolio Total					
Return (Net of Expenses) . . . .	(10.00)%	(5.00)%	0.00 %	5.00%	10.00%
Fund Total Return. . . . .	(16.75)%	(9.25)%	(1.75)%	5.75%	13.25%

The Fund's total return is comprised of two elements—dividends and income on portfolio investments and gains or losses on portfolio investments. As required by Securities and Exchange Commission rules, the table assumes that the Fund is more likely to suffer capital losses than to enjoy capital appreciation.

## RISKS

The Fund is a diversified, closed-end management investment company designed primarily as a long-term investment and not as a trading vehicle. The Fund is not intended to be a complete investment program and, because of the uncertainty inherent in all investments, no assurance can be given that the Fund will achieve its investment objective. Your Common Stock at any point in time may be worth less than your original investment, even after taking into account the reinvestment of Fund dividends and distributions.

### Principal Risks of Investing in the Fund

*No Operating History.* The Fund is a newly organized, diversified, closed-end management investment company and has no operating history.

*Investment and Market Risk.* An investment in the Fund's Common Stock is subject to investment risk, including the possible loss of the entire principal amount that you invest. Your investment in Common Stock represents an indirect investment in the Fund's portfolio investments. Their value, like other market investments, may move up or down, sometimes rapidly and unpredictably.

Your Common Stock, at any point in time, may be worth less than your original investment, even after taking into account the reinvestment of Fund dividends and distributions. The Fund's investment strategy includes purchasing investments that have embedded financial leverage, such as forward currency contracts, which magnifies the risk that you may lose money.

*Issuer Risk.* The value of a company's securities may decline for a number of reasons which directly relate to the issuing company, such as management performance, financial leverage or reduced demand for the issuer's goods and services.

*Leverage Risk.* Using leverage is a speculative investment technique and involves certain risks. These include higher volatility of net asset value, the likelihood of more volatility in the market value of Common Stock and, with respect to Borrowings, the possibility either that the Fund's return will fall if the interest rate on any Borrowings rises, or that income and the Fund's distributions will fluctuate because the interest rate on Borrowings varies. Investments made with Currency Commitments and the risks of those investments include those described in "—Other Principal Risks of Currency Investments—Risks of Forward Currency Contracts and Other Currency Instruments," below.

So long as the Fund is able to realize a higher net return on its investment portfolio than the then current cost of any leverage together with other related expenses, the effect of the leverage will be to cause the Fund to realize higher net return than if the Fund were not so leveraged. On the other hand, to the extent that the then current cost of any leverage, together with other related expenses, approaches the net return on the Fund's investment portfolio, the benefit of leverage to Common Stockholders will be reduced, and if the then current cost of any leverage were to exceed the net return on the Fund's portfolio, the Fund's leveraged capital structure would result in a lower rate of return than if the Fund were not so leveraged. There can be no assurance that any leverage strategy the Fund employs will be successful. The Fund will pay any costs and expenses relating to any Borrowings.

If the market value of the Fund's portfolio declines, the leverage will result in a greater decrease in net asset value than if the Fund were not leveraged. A greater net asset value decrease also will tend to cause a greater decline in the market price for Common Stock. To the extent that the Fund is required or elects to prepay any Borrowings, the Fund may need to liquidate investments to fund such prepayments. Liquidation at times of adverse economic conditions may result in capital loss and reduce returns.

*Investment Manager Fee Conflict Risk.* The fee paid to the Investment Manager for investment management services will be higher when the Fund uses Financial Leverage, whether through Borrowings or Currency Commitments consisting of forward currency contracts, because the fee paid will be calculated on the basis of the Fund's assets including this Financial Leverage. Consequently, the Investment Manager may have a financial interest for the Fund to utilize such Financial Leverage, which may create a conflict of interest between the Investment Manager and the Common Stockholders of the Fund. The Fund has implemented procedures to monitor this potential conflict.

*Non-U.S. Investments Risk.* Investments in securities of non-U.S. issuers involve special risks, including the following: (i) less publicly available information about non-U.S. issuers or markets because of less rigorous disclosure or accounting standards or regulatory practices; (ii) many non-U.S. markets are smaller, less liquid and more volatile, meaning that, in a changing market, the Investment Manager may not be able to sell the Fund's portfolio holdings at times, in amounts and at prices it considers reasonable; (iii) the economies of non-U.S. countries may grow at slower rates than expected or may experience a downturn or recession; and (iv) the impact of economic, political, social or diplomatic events. Withholding and other non-U.S. taxes may decrease the Fund's return. Many of these risks are more pronounced to the extent that the Fund invests a significant amount of its assets in companies located in one region.

Economies and social and political climates in individual countries may differ significantly, and perhaps unfavorably, from the United States. Non-U.S. economies may have less favorable rates of growth of GDP, rates of inflation, currency valuation, capital reinvestment, resource self-sufficiency and balance of payments positions. Unanticipated economic, political and social developments also may affect the values of the Fund's investments and the availability to the Fund of additional investments in such countries. Furthermore, such developments may disrupt significantly the financial markets or interfere with the Fund's ability to enforce its rights against non-U.S. issuers.

*Emerging Market Risk.* Investments in emerging markets are particularly speculative. Particular risks of investing in emerging markets, in addition to risks associated with investing in non-U.S. issuers generally, include:

smaller market capitalization of securities markets, which may suffer periods of relative illiquidity; significant price volatility; restrictions on foreign investment; and possible seizure of a company's assets. In addition, foreign investors may be required to register the proceeds of sales. Future economic or political crises could lead to price controls, forced mergers, expropriation or confiscatory taxation, seizure, nationalization, or creation of government monopolies, all of which may adversely affect currencies. Inflation and rapid fluctuations in inflation rates have had, and may continue to have, negative effects on the economies and financial markets of certain emerging market countries. Many countries have experienced substantial, and in some cases extremely high, rates of inflation for many years.

Foreign investment in certain emerging markets is restricted or controlled to varying degrees, which may at times limit or preclude foreign investment in certain emerging markets. Certain emerging market countries require government approval prior to investments in a particular issuer by foreign persons, limit the amount of investment by foreign persons in a particular issuer, limit the investment by foreign persons only to a specific class of securities of issuers that may have less advantageous rights than the classes available for purchase by domiciliaries of the countries and/or impose additional taxes on foreign investors. In addition, if a deterioration occurs in an emerging market country's balance of payments, the country could impose temporary restrictions on investments. Certain emerging market countries may also restrict investment opportunities in industries deemed important to national interests. Investing in local markets may require the Fund to adopt special procedures, seek local government approvals or take other actions, each of which may involve additional costs to the Fund.

**Currency Risk.** Currency Investments, and a substantial number of World Equity Investments, will be denominated in non-U.S. currencies. The Fund will incur costs in connection with conversions between various currencies.

**Fluctuation and Devaluation Risk.** Your investment in Common Stock, as measured in U.S. dollars, may change significantly when the values of non-U.S. currencies denominating Fund investments change relative to the U.S. dollar, thereby subjecting investors to currency risks. The Fund's investment performance may be negatively affected by a devaluation of a non-U.S. currency in which the Fund's investments are quoted or denominated subsequent to investments by the Fund. The Fund's investments also may be significantly affected, either positively or negatively, by currency exchange rates if the U.S. dollar value of securities quoted or denominated in another currency increases or decreases in response to changes in the value of such currency in relation to the U.S. dollar. In particular, the currencies of emerging market countries may experience significant declines against the U.S. dollar, and significant devaluation may occur.

**Repatriation and Currency Conversion Risks.** Emerging market countries may require governmental approval for the repatriation of investment income, capital or the proceeds of sales of securities by foreign investors. The monetary authorities of an emerging market country may block the repatriation for any reason, including the unavailability of foreign currency and war. Investments in emerging market countries could be adversely affected by delays in, or a refusal to grant, repatriation of funds or conversion of emerging market currencies. If the Fund were not able to convert a currency into U.S. dollars, the Fund would continue to hold the currency in some form until the inconvertibility situation changed or a purchaser for the currency were found.

**Securities Lending Risk.** The Fund will receive collateral consisting of cash, U.S. Government securities or irrevocable letters of credit which will be maintained at all times in an amount equal to at least 100% of the current market value of the loaned securities. If the collateral consists of a letter of credit or securities, the borrower will pay the Fund a loan premium fee. If the collateral consists of cash, the Fund will reinvest the cash and pay the borrower a pre-negotiated fee or "rebate" from any return earned on the investment. Should the borrower of the securities fail financially, the Fund may experience delays in recovering the loaned securities or exercising its rights in the collateral. Loans are made only to borrowers that are deemed by the Investment Manager to be of good financial standing. In a loan transaction, the Fund will also bear the risk of any decline in value of securities acquired with cash collateral.

As with other extensions of credit, there are risks of delay in recovery or even loss of rights in the collateral should the borrower of the securities fail financially. The Fund will lend portfolio securities only to firms that have been approved in advance by the Fund's Board of Directors, which will monitor the creditworthiness of any such firms. In certain circumstances securities lending may reduce the amount of dividends potentially eligible for taxation to individuals as qualified dividend income.

## Other Principal Risks of World Equity Investments

*Common Stock Risk.* Although common stocks historically have generated higher average returns than fixed income securities, common stocks also have experienced significantly more volatility in those returns. An adverse event, such as an unfavorable earnings report, may depress the value of a particular common stock held by the Fund. Also, prices of common stocks are sensitive to general movements in the local stock market, and perhaps global stock markets, and a drop in these markets may depress the price of common stocks held by the Fund. The Fund intends that the common stocks in which it will invest will primarily be relative value stocks. These stocks are common shares of companies that sell at low valuation levels relative to their earnings, revenues, assets, cash flows or other definable measures. Such companies may have experienced adverse business or industry developments or may be subject to special risks that have caused their common shares to be out of favor and, in the Investment Manager's opinion, undervalued. If the Investment Manager's assessment of a company's prospects is wrong, the price of its common stock may fall, or may not approach the value that the Investment Manager has placed on it.

*Small- and Medium-Capitalization Companies Risk.* Prices of securities of small- and medium-capitalization companies may be subject to more abrupt or erratic market movements than securities of larger, more established companies, because securities of small- and medium-capitalization companies typically are traded in lower volume and the issuers typically are subject to greater changes in earnings and prospects. These companies often have limited product lines, markets or financial resources. They may be dependent on management of one or a few key persons, and can be more susceptible to losses and the risk of bankruptcy. In addition, securities of smaller capitalization companies may be thinly traded (and therefore may have to be sold at a discount from current market prices or sold in small lots over an extended period of time), may be followed by fewer investment research analysts and may pose a greater risk of loss than investments in securities of larger capitalization companies.

*Currency Risk.* The Fund's net asset value, which is expressed in U.S. dollars, may be negatively affected by the strengthening of the U.S. dollar versus the currencies in which World Equity Investments are denominated. In the future the Fund may, but does not currently intend to, engage in currency hedging transactions with respect to World Equity Investments positions denominated in non-U.S. currencies to hedge the Fund's exposure to such currencies' fluctuations in exchange rates with the U.S. dollar. For a description of currency hedging transactions, see "The Fund's Investments—Portfolio Investments—Currency Investments—Forward Currency Contracts and Other Derivative Transactions," as applicable to hedging exposure to non-U.S. currency fluctuations in exchange rates with the U.S. dollar. See also "—Other Principal Risks of Currency Investments—Risks of Forward Currency Contracts and Other Currency Instruments" and "—Other Risks of Currency Investments—Counterparty Risk," below.

## Other Principal Risks of Currency Investments

Although Currency Investments are not the Fund's primary investment strategy, the Fund expects that they will constitute a significant portion (up to 33 $\frac{1}{3}$ %) of its Total Leveraged Assets, and the Fund anticipates that Financial Leverage frequently will be at or near 33 $\frac{1}{3}$ % of Total Leveraged Assets. Therefore, Currency Investments could increase the risks of investing in the Fund. Currency Investments may include, in addition to forward currency contracts (or instruments whose value is derived from the performance of an underlying emerging market currency), debt obligations denominated in emerging markets currencies (including sovereign and corporate debt securities). The Fund also may conduct foreign currency exchange transactions on a spot (*i.e.*, cash) basis at the spot rate prevailing in the foreign currency exchange market. Currency Investments entail the general risks of investing in non-U.S. issuers to a heightened degree.

Currency Investments may have a greater potential for gain in volatile currency markets, although volatile markets also may increase the risk of loss. The performance of Currency Investments depends on the Investment Manager's ability to predict movements in exchange rates and imperfect correlations between movements in exchange rates.

*Special Currency Risks—Devaluation Versus Basket.* In certain emerging market countries the central bank manages the currency rate against a basket of one or more developed market currencies such as the Euro, Japanese Yen and others. In some of these countries, the Fund may employ a strategy seeking to limit exposure to the major currencies while retaining exposure to the local currency (*i.e.*, investing (a "long" position) in the emerging market currency while selling (a "short" position) the basket constituents). In such a situation, the Fund's strategy could fail if the emerging market country changed the announced or implied components of the currency basket against which

the Fund has hedged its exposure or if the Investment Manager's strategy to limit exposure to the major currencies is not successful.

*Risks of Forward Currency Contracts and Other Currency Instruments.* Forward currency contracts, and certain other instruments whose value is derived from the performance of an underlying emerging market currency, are highly volatile, and a relatively small price movement in these instruments may result in substantial losses to the Fund. These instruments may entail investment exposures that are greater than their costs would suggest, meaning that a small investment in such an instrument could have a large potential impact on the Fund's performance, lowering the Fund's return or resulting in a loss. See "—Principal Risks of Investing in the Fund—Leverage Risk." The market for these instruments is, or suddenly can become, illiquid, which may cause the price of an instrument to rapidly and unpredictably change. See "—Other Risks of Investing in Currency Investments—Liquidity Risk."

*Fixed Income Risks.* Currency Investments may include debt investments denominated in emerging market currencies. As such, an investment in the Fund is subject to the general risks associated with fixed income investing, such as interest rate risk.

Interest Rate Risk. Interest rate risk is the risk that fixed income securities will decline in value because of changes in market interest rates. When market interest rates rise, the market value of such securities generally will fall. Market interest rates in the U.S. and certain other countries in which the Fund may invest currently are near historically low levels.

Credit Risk. Credit or default risk is the risk that a Fund portfolio investment will decline in price or fail to make dividend or interest payments when due because the issuer of the security experiences a decline in its financial status. Such credit risk is generally greater for issuers of below investment grade securities.

Sovereign Debt Securities Risk. Investing in sovereign debt securities will expose the Fund to the direct or indirect consequences of political, social or economic changes in the emerging market countries that issue the securities. Many of these countries are also characterized by political uncertainty or instability. The ability and willingness of sovereign obligors in emerging market countries or the governmental authorities that control repayment of their debt to pay principal and interest on such debt when due may depend on general economic and political conditions within the relevant country. Countries in which the Fund intends to invest have historically experienced, and may continue to experience, high rates of inflation, high interest rates, exchange rate fluctuations, trade difficulties and extreme poverty and unemployment.

Sovereign obligors in emerging market countries are among the world's largest debtors to commercial banks, other governments, international financial organizations and other financial institutions. These obligors have in the past experienced substantial difficulties in servicing their external debt obligations, which have led to defaults on certain obligations and the restructuring of certain indebtedness. Holders of certain foreign sovereign debt securities may be requested to participate in the restructuring of such obligations and to extend further loans to their issuers. For debt securities guaranteed by sovereign obligors, the value of the guarantees will be subject to similar risks as sovereign debt securities issued by the sovereign obligors.

Corporate Debt Securities Risk. The market values of these securities are sensitive to individual corporate developments and changes in economic conditions. Emerging market issuers may be highly leveraged and may not have more traditional methods of financing available to them. Therefore, their ability to service their debt obligations during an economic downturn or during sustained periods of rising interest rates may be impaired, resulting in a higher risk of default.

High Yield, Lower Quality Securities Risk. Currency Investments may include high yield, lower quality securities (sometimes referred to as "junk bonds") in an amount up to 5% of the Fund's Total Leveraged Assets. The prices of lower quality securities are volatile and may go down due to market perceptions of deteriorating issuer creditworthiness or economic conditions. Lower quality securities may become illiquid and hard to value in down markets. High yield, lower quality securities, which are considered speculative, compared to certain lower yielding, higher quality securities, tend to have more volatile prices, increased price sensitivity to changing interest rates and to adverse economic and business developments, greater risk of loss due to default or declining credit quality, greater likelihood that adverse economic or company specific events will make the issuer unable to make interest and/or

principal payments, and greater susceptibility to negative market sentiments leading to depressed prices and decrease in liquidity.

The market values of lower quality securities tend to be more sensitive to company-specific developments and changes in economic conditions than higher quality securities. The companies that issue these securities often are highly leveraged, and their ability to service their debt obligations during an economic downturn or periods of rising interest rates may be impaired. In addition, these companies may not have access to more traditional methods of financing and may be unable to repay debt at maturity by refinancing. The risk of loss due to default in payment of interest or principal by these issuers is significantly greater than with higher quality securities because medium and lower quality securities generally are unsecured and subordinated to senior debt.

Default, or the market's perception that an issuer is likely to default, could reduce the value and liquidity of securities held by the Fund, thereby reducing the value of your investment in Fund shares. In addition, default may cause the Fund to incur expenses in seeking recovery of principal or interest on its portfolio holdings.

### **Other Risks of Currency Investments**

*Risk of Hedging Developed Market Currency Exposure.* Currency Investments may include derivatives or other transactions employed for purposes of hedging exposure to certain developed market currencies embedded in emerging market currencies. There may be an imperfect correlation between the Fund's portfolio holdings and such derivatives, which may prevent the Fund from achieving the intended consequences of the applicable transaction or expose the Fund to risk of loss. Further, the Fund's use of derivatives or other transactions involves costs and will be subject to the Investment Manager's ability to predict correctly changes in the relationships of the relevant positions. No assurance can be given that the Investment Manager's judgment in this respect will be correct. Consequently, the use of hedging transactions might result in a poorer overall performance for the Fund than if the Fund had not engaged in any hedging transactions. In addition, no assurance can be given that appropriate hedging instruments will be available or that the Fund will enter into hedging transactions at times or under circumstances in which it would be advisable to do so. See "Investment Policies and Techniques—Currency Investments" in the Fund's SAI. Hedging certain developed market currency exposure is different from typical "hedging" strategies in that it seeks to isolate emerging market currency exposure from embedded developed market currencies.

*Counterparty Risk.* Currency Investments may be acquired in the "over-the-counter" or "interdealer" markets, where participants typically are not subject to credit evaluation and regulatory oversight as are members of "exchange-based" markets. In the absence of a regulated market to facilitate settlement, the Fund is subject to the risk that a counterparty will not settle a transaction (such as a forward currency contract or other derivative transaction) in accordance with its terms and conditions because of a dispute over the terms of contract or because of a credit or liquidity problem. If a counterparty becomes bankrupt or otherwise fails to perform its obligations under a derivative contract due to financial difficulties, the Fund may experience significant delays in obtaining any recovery under the derivative contract in a bankruptcy or other reorganization proceeding. The Fund may obtain only a limited recovery or may obtain no recovery in such circumstances.

*Reinvestment Risk.* Reinvestment risk is the risk that returns from Currency Investments will decline if and when Currency Investments are made from investment disposition proceeds at market interest rates that are below the current earning rate of Currency Investments, or otherwise when proceeds cannot be used to enter into transactions on terms as favorable as those on which the disposed assets previously were held. A decline in income could affect the price of the Common Stock or the Fund's overall returns.

*Liquidity Risk.* A portion of the Fund's Currency Investments may be or become illiquid. This is as a result of the small quantities in which these securities are issued and low trading volumes in the securities markets and/or currencies of emerging market issuers. If Currency Investments need to be liquidated quickly, the Fund's strategy could sustain significant transaction costs.

### **Other Risks of Investing in the Fund**

*Market Discount From Net Asset Value.* Shares of closed-end investment companies frequently trade at a discount from their net asset value. This characteristic is a risk separate and distinct from the risk that the Fund's net asset value could decrease as a result of its investment activities and may be greater for investors expecting to sell their shares in a relatively short period of time following completion of this offering. The net asset value of the Common Stock will be reduced immediately following the offering as a result of the payment of certain offering costs.

Whether investors will realize gains or losses upon the sale of the Common Stock will depend not upon the Fund's net asset value but entirely upon whether the market price of the Common Stock at the time of sale is above or below the investor's purchase price for the Common Stock. Because the market price of the Common Stock will be determined by factors such as relative supply of and demand for the Common Stock in the market, general market and economic conditions, and other factors beyond the control of the Fund, the Fund cannot predict whether the Common Stock will trade at, below or above net asset value or at, below or above the initial public offering price. The Common Stock is designed primarily for long-term investors, and you should not view the Fund as a vehicle for trading purposes.

*Price Risk.* For reasons not necessarily attributable to any of the risks set forth herein (for example, supply/demand imbalances or other market forces), the value of the securities or currencies in which the Fund invests may decline substantially. In particular, purchasing assets or currencies at what may appear to be "undervalued" levels is no guarantee that these assets or currencies will not be trading at even more "undervalued" levels at the time of valuation or at the time of sale.

*Market Disruption Risk.* The terrorist attacks in the United States on September 11, 2001 had a disruptive effect on the securities markets. The Fund cannot predict the effects of similar events in the future on the world economies. These terrorist attacks and related events, including the war in Iraq and its aftermath, have led to increased short-term market volatility and may have long-term effects on world economies and markets. A similar disruption of the financial markets could impact dividend and interest rates, secondary trading, credit risk, inflation and other factors relating to the Fund's investments and the Common Stock.

*Certain Affiliations.* Certain broker-dealers may be considered to be affiliated persons of the Fund and/or the Investment Manager. Absent an exemption from the Securities and Exchange Commission or other regulatory relief, the Fund is generally precluded from effecting certain principal transactions with affiliated brokers, and its ability to purchase securities being underwritten by an affiliated broker or a syndicate including an affiliated broker, or to utilize affiliated brokers for agency transactions, is subject to restrictions. This could limit the Fund's ability to engage in securities transactions and take advantage of market opportunities. In addition, unless and until the underwriting syndicate is broken in connection with the initial public offering of Common Stock, the Fund will be precluded from effecting principal transactions with brokers who are members of the syndicate.

*Anti-Takeover Provisions.* The Fund's Articles include provisions that could limit the ability of other entities or persons to acquire control of the Fund or convert the Fund to open-end status. These provisions could have the effect of depriving the Common Stockholders of opportunities to sell their Common Stock at a premium over the then current market price of Common Stock. See "Certain Provisions in the Articles of Incorporation and By-Laws."

*Tax Risk.* To qualify for the favorable U.S. federal income tax treatment generally accorded to regulated investment companies, among other things the Fund must derive in each taxable year at least 90% of its gross income from certain prescribed sources, including dividends, interest, gains from the sale or other disposition of stock, securities or foreign currencies, and other income (generally including, but not limited to, gains from options, futures and forward currency contracts) derived with respect to its business of investing in such stock, securities or currencies (hereinafter, "qualifying income"). The Fund believes that its investment strategies, including its investments in emerging market currencies through forward currency contracts, will generate qualifying income under current U.S. federal income tax law. However, the Internal Revenue Code of 1986, as amended (the "Code"), expressly provides the U.S. Treasury with authority to issue regulations that would exclude foreign currency gains from qualifying income if such gains are not directly related to a fund's business of investing in stock or securities. While to date the U.S. Treasury has not exercised this regulatory authority, there can be no assurance that it will not issue regulations in the future (possibly with retroactive application) that would treat some or all of the Fund's foreign currency gains as non-qualifying income, thereby jeopardizing the Fund's qualification as a regulated investment company for all years to which such regulations are applicable.

If for any taxable year the Fund does not qualify as a regulated investment company, all of its taxable income (including its net capital gain) would be subject to tax at regular corporate rates without any deduction for distributions to stockholders, and such distributions will be taxable as ordinary dividends to the extent of the Fund's current and accumulated earnings and profits. In such case, such distributions generally will be eligible for the dividends received deduction in the case of corporate stockholders and, for tax years beginning on or before December 31, 2008, taxation at the preferential maximum rate of 15% in the case of individuals.

## MANAGEMENT OF THE FUND

### Directors and Officers

The business and affairs of the Fund are managed under the direction of its Board of Directors, including supervision of the duties performed by the Investment Manager. The names and business addresses of the Directors and officers of the Fund and their principal occupations and other affiliations during the past five years are set forth under “Management of the Fund” in the SAI.

### Investment Manager

Lazard Asset Management LLC, subject to the oversight of the Board of Directors, will be responsible for managing the Fund’s portfolio, which will include determining the amount of the Fund’s assets allocated to World Equity Investments and Currency Investments.

The Investment Manager, located at 30 Rockefeller Plaza, New York, New York 10112-6300, a registered investment adviser, is a subsidiary of Lazard Frères & Co. LLC (“Lazard”), which was founded in 1848. Lazard established the Investment Manager as its investment management division in 1970. Lazard Ltd is the ultimate parent company of the Investment Manager and Lazard. Lazard Ltd has shares that are publicly traded on the NYSE and are held by public stockholders and by current and former managing directors of Lazard Group LLC, the sole member of Lazard and a subsidiary of Lazard Ltd. The Investment Manager and its global affiliates had approximately \$76 billion of assets under management, including over \$46 billion in non-U.S. assets, as of March 31, 2005. The Investment Manager has extensive investment expertise, currently with 75 portfolio managers firm-wide and a global research team of 60 research analysts. As of March 31, 2005, the Investment Manager had approximately \$50 billion of assets under management.

Portfolio Management. James Donald is responsible for allocation of the Fund’s assets between World Equity Investments and Currency Investments and overall management of the Fund’s portfolio. World Equity Investments and Currency Investments are each managed on a team basis, with each member of the team involved at all levels of the investment process.

Mr. Donald, a Managing Director of the Investment Manager, is a portfolio manager/analyst and serves as head of the emerging markets group. Before joining the firm in 1996, Mr. Donald worked at Mercury Asset Management (“Mercury”), which he joined in 1985. At Mercury, he was on the emerging markets team between 1992 and 1996 and worked on the international equity team between 1985 and 1992. At Mercury, between 1990 and 1996, Mr. Donald served as Vice President and Treasurer for The United Kingdom Fund and The Europe Fund. Mr. Donald is a Chartered Financial Analyst (“CFA”) Charterholder and received an HBA from the University of Western Ontario.

World Equity Investments. Andrew Lacey and Patrick Ryan, with the assistance of Kyle Waldhauer, are jointly responsible for investment of the Fund’s assets allocated to World Equity Investments.

Mr. Lacey, a Deputy Chairman of the Investment Manager, is a portfolio manager focusing on U.S. equity products, and also is a member of the global equity select, global ex-Australia, and global trend funds teams. He has been working in the investment field since 1995. Prior to becoming a full-time member of the Investment Manager’s equity team in 1996, Mr. Lacey worked part-time at Lazard during 1995 and 1996 while attaining his MBA from Columbia University. He also has a BA from Wesleyan University.

Mr. Ryan, a Senior Vice President of the Investment Manager, is a member of the global equity team. He began working in the investment field in 1989. Before joining the Investment Manager in 1994, he was an equity analyst with Hutson Management. He has a BS in Industrial Engineering from Columbia University School of Engineering and Applied Science, and is a CFA Charterholder. He is a member of the New York Society of Security Analysts and the CFA Institute.

Mr. Waldhauer is an assistant portfolio manager with the Investment Manager. He began working in the investment field when he joined the Investment Manager in 1998. Previously, Mr. Waldhauer had worked in financial services as a registered representative with Fidelity Investments since 1994. He has a BS in Economics and Finance from Southern New Hampshire University.

Currency Investments. Ardra Belitz and Ganesh Ramachandran are jointly responsible for investment of the Fund’s assets allocated to Currency Investments.

Ms. Belitz is a Senior Vice President of the Investment Manager and a portfolio manager/analyst specializing in emerging market currency and debt. She has been working in the investment field since 1994. Before joining the Investment Manager in 1996, she was a senior portfolio administrator with Bankers Trust Company. Ms. Belitz graduated Phi Beta Kappa from Brandeis University with a BA in Economics.

Mr. Ramachandran is a Senior Vice President of the Investment Manager and a portfolio manager/analyst specializing in emerging market currency and debt. He has an MBA from the University of Rochester, Simon School of Business and a BS in Chemical Engineering from the Indian Institute of Technology at Madras. He joined the Investment Manager in 1997.

Additional information about the portfolio managers' compensation, other accounts managed by the portfolio managers and the portfolio managers' ownership of the Fund's Common Stock is contained in the Fund's SAI.

### **Investment Management Agreement**

Pursuant to an investment management agreement between the Investment Manager and the Fund dated as of June 27, 2005, the Fund has agreed to pay the Investment Manager an annual investment management fee of .90% of the Fund's average daily Total Leveraged Assets (to the extent that leverage consists of Borrowings and forward currency contracts) for the services and facilities provided by the Investment Manager, payable on a monthly basis. The fee paid to the Investment Manager will be higher when the Investment Manager uses Financial Leverage in the forms of Borrowings or forward currency contracts to make Currency Investments, rather than by reducing the percentage of Net Assets invested in World Equity Investments for the purposes of making Currency Investments. Assuming Financial Leverage in the forms of Borrowings or forward currency contracts in the amount of 33 $\frac{1}{3}$ % of the Fund's Total Leveraged Assets, the annual fee payable to the Investment Manager would be 1.35% of Net Assets (*i.e.*, not including amounts attributable to Financial Leverage).

The following is an example of this calculation of the Investment Manager's fee, using very simple illustrations. If the Fund had assets of \$1,000, it could invest \$1,000 in World Equity Investments and enter into \$500 in forward currency contracts (because the Fund would not have to pay money at the time it enters into the currency contracts). Similarly, the Fund could invest \$1,000 in World Equity Investments, borrow \$500 and invest the \$500 in foreign currency denominated bonds. In either case, the Investment Manager's fee would be calculated based on \$1,500 of assets, because the fee is calculated based on Total Leveraged Assets (Net Assets plus Financial Leverage). In our example, the Financial Leverage is in the form of either the forward currency contracts (Currency Commitments) or investments from Borrowings. The amount of the Financial Leverage outstanding, and therefore the amount of Total Leveraged Assets on which the Investment Manager's fee is based, fluctuates daily based on changes in value of the Fund's portfolio holdings, including changes in value of the currency involved in the forward currency contracts or foreign currency denominated bonds acquired with the proceeds of Borrowings. However, the Investment Manager's fee will be the same regardless of whether Currency Investments are made with Currency Commitments consisting of forward currency contracts or with Borrowings (without taking into account the cost of Borrowings).

This method of calculating the Investment Manager's fee is different than the way closed-end investment companies typically calculate management fees. Traditionally, closed-end investment companies calculate management fees based on Net Assets plus Borrowings (excluding Financial Leverage obtained through Currency Commitments). The Investment Manager's fee is different because the Fund's leverage strategy is different than the leverage strategy employed by many other closed-end investment companies. Although the Fund may employ Borrowings in making Currency Investments, the Fund's leverage strategy relies primarily on Currency Commitments in the form of forward currency contracts rather than relying exclusively on borrowing money or/and issuing preferred stock, as for most leveraged closed-end investment companies. The Investment Manager's fee would be lower if its fee were calculated only on Net Assets plus Borrowings, because the Investment Manager would not earn fees on Currency Investments made with Currency Commitments (forward currency contracts). Using the example above where the Fund has assets of \$1,000 and invests \$1,000 in World Equity Investments and \$500 in Currency Commitments in the form of forward currency contracts the following illustrates how the Investment Manager's fee would be different if it did not earn management fees on these types of Currency Investments. A discussion of the review and approval by the Fund's Board of Directors of the Fund's investment management agreement (including the method of calculating the Investment Manager's fee) is included in the Fund's SAI under "Management of the Fund—Investment Management and Investment Management Agreement."

<u>Beginning assets of \$1,000</u>	<u>Fund's management fee based on Total Leveraged Assets (includes Currency Commitments)</u>	<u>Typical management fee formula, calculated excluding Currency Commitments</u>
World Equity Investments (Net Assets)	\$1,000	\$1,000
Currency Commitments	\$500	\$500
Assets used to calculate management fee	\$1,500	\$1,000
Management fee (.90%)	\$13.50	\$9.00

In addition to the fee to the Investment Manager, the Fund pays all other costs and expenses of its operations, including, but not limited to, compensation of its Directors (other than those affiliated with the Investment Manager), custodian, transfer agency and dividend disbursing expenses, legal fees, expenses of independent auditors, expenses of repurchasing shares, expenses of preparing, printing and distributing stockholder reports, notices, proxy statements and reports to governmental agencies, and taxes, if any.

### NET ASSET VALUE

The Fund will determine the net asset value of its shares daily, as of the close of regular session trading on the NYSE (normally 4:00 p.m. Eastern time). Net asset value is computed by dividing the value of all assets of the Fund (including accrued interest and dividends), less all liabilities (including any Borrowings and accrued expenses and distributions declared but unpaid), by the total number of shares outstanding.

The Fund values portfolio securities for which market quotations are readily available at market value. Any securities not listed, for which current over-the-counter market quotations or bids are readily available, are valued at the last quoted bid price or, if available, the mean of two such prices. Forward currency contracts will be valued at the current cost of offsetting the contract. Assets and liabilities initially expressed in terms of foreign currency will be translated into U.S. dollars at the midpoint of the New York interbank market spot exchange rate as quoted on the day of such translation by the Federal Reserve Bank of New York or, if no such rate is quoted on such date, at the exchange rate previously quoted by the Federal Reserve Bank of New York, or at such other quoted market exchange rate as may be determined to be appropriate by the Investment Manager. Securities and other assets for which current market quotations are not readily available are valued at fair value as determined in good faith in accordance with procedures approved by the Board of Directors.

Trading on Europe, Latin and South America and Far East exchanges and in currency and over-the-counter markets ordinarily is completed well before the close of business on each business day in New York (*i.e.*, a day on which the NYSE is open). Calculation of the Fund's net asset value may not take place contemporaneously with the determination of the prices of portfolio assets used in such calculation. If events materially affecting the value of securities occur between the close of the exchange or market on which the security is principally traded and the time as of which the Fund's net asset value is calculated, such securities will be valued at their fair value as determined by, or in accordance with procedures approved by, the Board of Directors. Fair valuing of foreign securities may be determined with the assistance of a pricing service using correlations between the movement of prices of such securities and indices of domestic securities and other appropriate indicators, such as closing market prices of relevant ADRs or futures contracts. The effect of using fair value pricing is that the Fund's net asset value will reflect the affected securities' values as determined in the judgment of the Board of Directors or its designee instead of being determined by the market. Using a fair value pricing methodology to price securities may result in a value that is different from the most recent closing price of a security and from the prices used by other investment companies to calculate their portfolios' net asset values.

### DISTRIBUTIONS

The Fund intends to distribute to Common Stockholders all or a portion of its net investment income monthly and realized net capital gains, if any, at least annually. It is anticipated that a significant part of the Fund's distributions will consist of short-term capital gains on Currency Investments, and, as a result, the amount of the Fund's distributions will depend to a significant extent on the performance of Currency Investments. The initial distribution is expected to be declared approximately 45 days, and paid approximately 90 days, from the completion of this offering, depending upon market conditions.

The Fund may at times in its discretion pay out less than the entire amount of net investment income earned in any particular period and may at times pay out such accumulated undistributed income in addition to net investment income earned in other periods in order to permit the Fund to maintain a more stable level of distributions. As a result, the dividends paid by the Fund to Common Stockholders for any particular period may be more or less than the amount of net investment income earned by the Fund during such period. However, the Fund will adjust the level of distributions as appropriate to seek to avoid making distributions that constitute a return of capital. The Fund is not required to maintain a stable level of distributions, or distributions at any particular rate. The amount of each monthly distribution will depend on a number of factors, including the stability of income received from its investments, interest and required principal payments on Borrowings, if any, and dividends paid on any outstanding preferred stock. The net income of the Fund will consist primarily of all dividend and interest income accrued on portfolio assets less all expenses of the Fund. Expenses of the Fund are accrued each day. For U.S. federal income tax purposes, in order to obtain the favorable tax treatment afforded to a regulated investment company, the Fund is required, and intends, to distribute all or substantially all of its net investment income for each year. All or substantially all net realized capital gains, if any, also will be distributed to stockholders at least annually.

If, for any calendar year, the total monthly distributions exceed the Fund's net investment income and net realized capital gain, the excess will generally be treated as a tax-free return of capital up to the amount of a stockholder's tax basis in the Common Stock. In certain events, amounts distributed to stockholders may have to be subsequently recharacterized as a return of capital for investment purposes. Any distributions which (based upon the Fund's full year performance) constitute a tax-free return of capital will reduce a stockholder's tax basis in the Common Stock, thereby increasing such stockholder's potential gain or reducing potential loss on the sale of the Common Stock. Any amounts distributed to a stockholder in excess of the basis in the Common Stock will generally be taxable to the stockholder as capital gain. See "Tax Matters." The Fund's net investment income and net realized capital gain for a calendar year may be greater than the total monthly distributions for the year. In such event, the Fund's final distribution for each calendar year would include any remaining net investment income and net realized short-term and long-term capital gain undistributed during the year.

The Fund will provide notices describing the portion of distributions which, in the Fund's current good faith judgment, constitute ordinary income, short-term capital gain, long-term capital gain or a return of capital. The Fund will designate the portion of the ordinary dividend income that is potentially eligible for taxation to individuals at preferential long term capital gain rates, or for the dividends received deduction in the case of corporations. The final determination of the source of such distributions for U.S. federal income tax purposes will be made shortly after year end based on the Fund's actual investment company taxable income and net capital gain for the year and will be communicated to stockholders promptly.

Although it does not intend to do so, the Board of Directors may change the Fund's distribution policy and timing of the distributions, based on a number of factors, including the amount of the Fund's undistributed net investment income and historical and projected net investment income.

#### **DIVIDEND REINVESTMENT PLAN**

Unless you elect to receive distributions in cash (*i.e.*, opt-out), all dividends, including any capital gain dividends, on your Common Stock will be automatically reinvested by the Plan Agent in additional Common Stock under the Fund's Dividend Reinvestment Plan (the "Plan"). You may elect not to participate in the Plan by contacting the Plan Agent. If you do not participate, you will receive all distributions in cash paid by check mailed directly to you by CSS, as dividend disbursing agent.

Under the Plan, the number of shares of Common Stock you will receive will be determined as follows:

- If the Common Stock is trading at or above net asset value at the time of valuation, the Fund will issue new shares at a price equal to the greater of (i) net asset value per Common Stock on that date or (ii) 95% of the market price on that date.
- If the Common Stock is trading below net asset value at the time of valuation, the Plan Agent will receive the dividend or distribution in cash and will purchase Common Stock in the open market, on the NYSE or elsewhere, for the participants' accounts. It is possible that the market price for the Common Stock may increase before the Plan Agent has completed its purchases. Therefore, the average purchase price per share paid by

the Plan Agent may exceed the market price at the time of valuation, resulting in the purchase of fewer shares than if the dividend or distribution had been paid in Common Stock issued by the Fund. The Plan Agent will use all dividends and distributions received in cash to purchase Common Stock in the open market within 30 days of the valuation date. Interest will not be paid on any uninvested cash payments.

You may withdraw from the Plan at any time by giving written notice to the Plan Agent. If you withdraw or the Plan is terminated, you will receive whole shares in your account under the Plan and you will receive a cash payment for any fraction of a share in your account. If you wish, the Plan Agent will sell your shares and send you the proceeds, minus an initial \$15 service fee plus \$0.12 per share being liquidated (for processing and brokerage expenses).

The Plan Agent maintains all stockholders' accounts in the Plan and gives written confirmation of all transactions in the accounts, including information you may need for tax records. Shares of Common Stock in your account will be held by the Plan Agent in non-certificated form. Any proxy you receive will include all Common Stock you have received under the Plan.

There is no brokerage charge for reinvestment of your dividends or distributions in newly-issued shares of Common Stock. However, all participants will pay a pro rata share of brokerage commissions incurred by the Plan Agent when it makes open market purchases.

If you hold your Common Stock with a brokerage firm that does not participate in the Plan, you will not be able to participate in the Plan and any dividend reinvestment may be effected on different terms than those described above. Consult your financial advisor for more information.

The Fund reserves the right to amend or terminate the Plan if in the judgment of the Board of Directors the change is warranted. There is no direct service charge to participants in the Plan (other than the service charge when you direct the Plan Agent to sell your Common Stock held in a dividend reinvestment account); however, the Fund reserves the right to amend the Plan to include a service charge payable by the participants. Additional information about the Plan may be obtained from CSS, P.O. Box 43010, Providence, Rhode Island 02940-3010.

## **DESCRIPTION OF SHARES**

### **Common Stock**

The Fund's Articles authorize the issuance of 500,000,000 shares of Common Stock, par value \$.001 per share. All shares of Common Stock have equal rights to the payment of dividends and the distribution of assets upon liquidation. The shares of Common Stock will, when issued, be fully paid and non-assessable, and will have no preemptive or conversion rights or rights to cumulative voting. The Board of Directors, without stockholder vote, can increase or decrease the aggregate number of authorized shares of Common Stock and can reclassify any authorized but unissued shares.

The Common Stock has been approved for listing on the NYSE, subject to notice of issuance, under the trading or "ticker" symbol "LOR." The Fund intends to hold annual meetings of stockholders so long as the Common Stock is listed on a national securities exchange and such meetings are required as a condition to such listing.

The Fund's net asset value will be reduced immediately following the offering by the amount of the sales load and offering expenses paid by the Fund.

Unlike open-end funds, closed-end funds like the Fund do not continuously offer shares and do not provide daily redemptions. Rather, if a stockholder determines to buy additional Common Stock or sell shares already held, the stockholder may conveniently do so by trading on the NYSE through a broker or otherwise. Shares of closed-end investment companies may frequently trade on an exchange at prices lower than net asset value. Shares of closed-end investment companies like the Fund have during some periods traded at prices higher than net asset value and during other periods have traded at prices lower than net asset value. Because the market value of the Common Stock may be influenced by such factors as dividend levels (which are in turn affected by expenses), dividend stability, portfolio holdings, net asset value, relative demand for and supply of such shares in the market, general market and economic conditions, and other factors beyond the control of the Fund, the Fund cannot assure you that Common Stock will trade at a price equal to or higher than net asset value in the future. The Common Stock is designed primarily for long-term investors, and investors in the Common Stock should not view the Fund as a vehicle for trading purposes. See "Repurchase of Fund Shares; Conversion to Open-End Fund."

## **Preferred Stock**

Although the Fund has no current intention to issue any preferred stock, the Articles authorize the issuance of preferred stock in one or more classes or series, with rights as determined by the Board of Directors. Such shares may be issued by action of the Board of Directors without the approval of the holders of the Common Stock. The Board, without action by the Common Stockholders, may fix or alter the voting rights, redemption provisions, sinking fund provisions, dividend rights, dividend rates, liquidation preferences, conversion rights and any other rights, preferences, privileges and restrictions of preferred stock subject to certain limitations under the 1940 Act. The Fund's obligations to holders of any preferred stock would be senior to the Fund's ability to pay dividends on, or repurchase, the Common Stock, or to pay holders of shares of Common Stock in the event of liquidation. Additionally, the 1940 Act contains certain specific voting provisions applicable to preferred stock.

### **CERTAIN PROVISIONS IN THE ARTICLES OF INCORPORATION AND BY-LAWS**

The Articles and By-Laws include provisions that could limit the ability of other entities or persons to acquire control of the Fund or to convert the Fund to open-end status. Commencing with the first annual meeting of stockholders, if there are three or more Directors the Board of Directors will be divided into three classes, having initial terms of one, two and three years, respectively. At the annual meeting of stockholders in each year thereafter, the term of one class will expire and Directors will be elected to serve in that class for terms of three years. This provision could delay for up to two years the replacement of a majority of the Board of Directors. A Director may be removed from office only for cause and only by vote of the holders of at least 75% of the outstanding shares of the Fund entitled to be cast for the election of Directors.

The Articles provide that the Fund has elected to be subject to certain provisions of Maryland law with respect to vacancies on the Board of Directors and the fixing of the number of Directors of the Fund. These provisions are to the effect that any vacancy on the Board of Directors, whether caused by its expansion or by the death, resignation, or removal of a Director, may be filled only by the remaining Directors, subject to the requirements of the 1940 Act. They also provide that a Director elected by the Board of Directors to fill a vacancy will serve for the remainder of the full term of the class of Directors in which the vacancy occurred, rather than only to the next annual meeting as would otherwise be provided under Maryland law. Additionally, the Articles provide that the Fund has elected to be subject to certain provisions of Maryland law providing that, notwithstanding any provision in the Articles or the By-Laws, the number of Fund Directors shall be fixed only by vote of the Board of Directors.

The Articles provide for a "supermajority" voting requirement to effect any of the following actions:

- any amendment to the Articles to make the Fund's shares "redeemable securities" or to convert the Fund from a "closed-end company" to an "open-end company" (as such terms are defined in the 1940 Act);
- any shareholder proposal regarding the Fund's investment objective or specific investment restrictions, policies or decisions made or to be made with respect to the Fund's assets;
- the voluntary liquidation or dissolution of the Fund or any amendment to the Articles to terminate the existence of the Fund;
- a merger, consolidation or share exchange;
- issuances or transfers (in one or a series of transactions in any 12 month period) by the Fund of Fund securities for cash or property having an aggregate fair market value of \$1,000,000 or more except for issuances of debt securities, sales of securities in connection with a public offering, issuances of securities pursuant to a dividend reinvestment or cash purchase plan, issuances upon the exercise of stock subscription rights or portfolio transactions effected in the ordinary course of business; and
- sale, lease, exchange, mortgage, pledge, transfer or other disposition by the Fund (in one or a series of transactions in any 12 month period) to or with any person or entity of any assets of the Fund having an aggregate fair market value of \$1,000,000 or more except for portfolio transactions (including pledges of portfolio securities in connection with borrowings) and borrowings (including secured credit facilities) effected by the Fund in the ordinary course of its business.

The Articles require the affirmative vote of the holders of at least 80% of the votes then entitled to be cast by the holders of the Common Stock and at least 80% of the entire Board of Directors to authorize any of the foregoing items, unless such action (other than any stockholder proposal regarding the Fund's investment objective or specific investment restrictions, policies or decisions made or to be made with respect to the Fund's assets as set forth above) has been approved, adopted or authorized by the affirmative vote of at least 80% of the total number of Continuing Directors (as defined below), in which case, if Maryland law requires stockholder approval, the affirmative vote of a majority of the votes entitled to vote on the matter would be required. If Maryland law would then not require stockholder approval, no stockholder approval would be required. "Continuing Director" means any member of the Board of Directors who has been a member of the Board of Directors since April 19, 2005, or who has subsequently become a member of the Board of Directors and whose election is approved by a majority of the Continuing Directors then on the Board of Directors.

The Fund's Articles and By-Laws contain provisions the effect of which is to prevent matters, including nominations of Directors, from being raised at and considered at a stockholders' meeting where the Fund has not received notice of the matters generally at least 60, but no more than 90, days prior to the first anniversary of the preceding year's annual meeting. The Fund's Articles and By-Laws also provide that stockholders cannot require the Fund to call a special meeting of the stockholders unless requested by a majority of the stockholders eligible to vote at such meeting and payment is made of the reasonably estimated cost of preparing and mailing notice of the meeting.

The provisions of the Articles described above could have the effect of depriving the stockholders of opportunities to sell their shares of Common Stock at a premium over the then current market price of the Common Stock by discouraging a third party from seeking to obtain control of the Fund in a tender offer or similar transaction. The overall effect of these provisions is to render more difficult the accomplishment of a merger or the assumption of control by a third party. They provide, however, the advantage of potentially requiring persons seeking control of the Fund to negotiate with its management regarding the price to be paid and facilitating the continuity of the Fund's investment objective and policies. The Board of Directors of the Fund has considered the foregoing anti-takeover provisions, including the voting requirements which are greater than the minimum requirements under Maryland law and the 1940 Act, and concluded that they are in the best interests of the Fund and its stockholders.

Reference should be made to the Articles and By-Laws on file with the Securities and Exchange Commission for the full text of these provisions.

#### **REPURCHASE OF FUND SHARES; CONVERSION TO OPEN-END FUND**

The Fund is a closed-end investment company and as such its stockholders will not have the right to cause the Fund to redeem their shares. Instead, the Common Stock will trade in the open market at a price that will be a function of several factors, including dividend levels (which are in turn affected by expenses), net asset value, dividend stability, portfolio holdings, relative demand for and supply of such shares in the market, general market and economic conditions and other factors. Because shares of closed-end investment companies may frequently trade at prices lower than net asset value, the Fund's Board of Directors may consider action that might be taken to reduce or eliminate any material discount from net asset value in respect of Common Stock, which may include the repurchase of such shares in the open market or in private transactions, the making of a tender offer for such shares at net asset value, or the conversion of the Fund to an open-end investment company.

Before deciding whether to take any action if the Common Stock trades below net asset value, the Board of Directors would consider all relevant factors, including the extent and duration of the discount, the liquidity of the Fund's portfolio, the impact of any action that might be taken on the Fund or its stockholders, and market considerations. Based on these considerations, even if the Fund's shares should trade at a discount, the Board of Directors may determine that, in the interest of the Fund and its stockholders, no action should be taken. The Fund cannot assure you that its Board of Directors will decide to take any of these actions, or that share repurchases or tender offers will actually reduce market discount.

If the Fund converted to an open-end investment company, the Common Stock would no longer be listed on the NYSE. In contrast to a closed-end investment company, stockholders of an open-end investment company may require the company to redeem their shares at any time (except in certain circumstances as authorized by the 1940 Act or the rules thereunder) at their net asset value, less any redemption charge that is in effect at the time of redemption. The Fund may not be able to operate as described in this prospectus were it converted to an open-end

investment company. See “Certain Provisions in the Articles of Incorporation and By-Laws” for a discussion of the voting requirements applicable to the conversion of the Fund to an open-end investment company.

## TAX MATTERS

The following brief tax discussion assumes you are a U.S. stockholder and that you hold your shares as a capital asset. In the SAI we have provided more detailed information regarding the tax consequences of investing in the Fund. The Fund intends to qualify as a regulated investment company under federal income tax law. If the Fund so qualifies and distributes each year to its stockholders at least 90% of its “investment company taxable income” (as defined in the Code, but without regard to the dividends paid deduction), the Fund will not be required to pay U.S. federal income taxes on any income it distributes to stockholders but such distributions will generally be taxable to you as a stockholder of the Fund when received. See “Risks—Other Risks of Investing in the Fund—Tax Risk.”

Dividends paid to you out of the Fund’s “investment company taxable income” will be taxable to you as ordinary income to the extent of the Fund’s current and accumulated earnings and profits. Distributions of net capital gain (the excess of net long-term capital gain over net short-term capital loss), if any, are taxable to you as long-term capital gains, regardless of how long you have held your Fund shares. The Fund intends to distribute to its stockholders, at least annually, all or substantially all of its investment company taxable income and net capital gain. A distribution of an amount in excess of the Fund’s current and accumulated earnings and profits is treated as a non-taxable return of capital that reduces your tax basis in your Common Stock; any such distributions in excess of your basis are treated as gain from a sale of your shares. The tax treatment of your dividends and distributions will be the same regardless of whether they are paid to you in cash or reinvested in additional shares of Common Stock.

If the Fund receives dividends from U.S. corporations, a portion of the dividends paid by the Fund to corporate stockholders may be eligible for the corporate dividends received deduction. In addition, for taxable years beginning on or before December 31, 2008, distributions of net investment income that are designated by the Fund as derived from “qualified dividend income” are taxed to individuals at the preferential rates applicable to long-term capital gain. A dividend from a foreign corporation generally will not constitute qualified dividend income if the stock in the foreign corporation with respect to which such dividend is paid is not considered readily tradable on an established securities market in the United States and the foreign corporation is not eligible for the benefits of one of certain specified comprehensive income tax treaties with the United States. Further, a dividend from a foreign corporation that is or was a “passive foreign investment company” in the year of the dividend or the preceding year generally will not constitute qualified dividend income. Certain holding period and other requirements must be met by the Common Stockholder and the Fund for distributions to be eligible for the corporate dividends received deduction or the preferential individual tax rates that apply to qualified dividend income, as the case may be. The Fund anticipates that a significant portion of the dividends paid on World Equity Investments will be potentially eligible for taxation to individuals as qualified dividend income. In addition, a significant portion of the Fund’s distributions will consist of short-term capital gains in respect of Currency Investments. There can be no assurance as to what portion, if any, of the distributions paid by the Fund will be eligible for the corporate dividends received deduction, or will constitute qualified dividend income eligible for taxation to individuals at preferential long-term capital gain rates.

A distribution will be treated as paid to you on December 31 of the current calendar year if it is declared by the Fund in October, November or December with a record date in such a month and paid during January of the following year. Each year, we will notify you of the tax status of dividends and other distributions.

If you sell your Common Stock, or have shares repurchased by the Fund, you may realize a capital gain or loss in an amount equal to the difference between the amount realized and your adjusted tax basis in the stock sold, which gain or loss will be long-term or short-term depending generally on your holding period for the stock.

We may be required to withhold U.S. federal income tax from all taxable distributions payable if you:

- fail to provide us with your correct taxpayer identification number;
- fail to make required certifications; or
- have been notified by the Internal Revenue Service that you are subject to backup withholding.

Fund distributions may be subject to state and local taxes. You should consult with your own tax advisor regarding the particular consequences of investing in the Fund.

## UNDERWRITING

Subject to the terms and conditions stated in the purchase agreement dated June 27, 2005, each underwriter named below, for which Merrill Lynch, Pierce, Fenner & Smith Incorporated is acting as representative, has severally agreed to purchase, and the Fund has agreed to sell to such underwriter, the number of shares of Common Stock as set forth opposite the name of such underwriter.

<u>Underwriter</u>	<u>Number of Shares</u>
Merrill Lynch, Pierce, Fenner & Smith Incorporated . . . . .	1,658,000
Citigroup Global Markets Inc. . . . .	1,647,000
A.G. Edwards & Sons, Inc. . . . .	260,000
Wachovia Capital Markets, LLC . . . . .	750,000
Advest, Inc. . . . .	175,000
Robert W. Baird & Co. Incorporated . . . . .	175,000
H&R Block Financial Advisors, Inc. . . . .	175,000
RBC Capital Markets Corporation . . . . .	175,000
Stifel, Nicolaus & Company, Incorporated . . . . .	175,000
Wells Fargo Securities, LLC . . . . .	245,000
BB&T Capital Markets, a division of Scott & Stringfellow, Inc. . . . .	40,000
William Blair & Company, L.L.C. . . . .	40,000
Crowell, Weedon & Co. . . . .	40,000
Deutsche Bank Securities Inc. . . . .	40,000
Doft & Co., Inc. . . . .	40,000
Dominick & Dominick LLC . . . . .	40,000
Ferris, Baker Watts, Incorporated . . . . .	40,000
Harris Nesbitt Corp. . . . .	40,000
KeyBanc Capital Markets, A Division of McDonald Investments Inc. . . . .	40,000
Morgan Keegan & Company, Inc. . . . .	40,000
Oppenheimer & Co. Inc. . . . .	40,000
Piper Jaffray & Co. . . . .	40,000
Stephens Inc. . . . .	40,000
SunTrust Capital Markets, Inc. . . . .	40,000
Wedbush Morgan Securities Inc. . . . .	40,000
Anderson & Strudwick, Incorporated . . . . .	20,000
Axiom Capital Management, Inc. . . . .	20,000
Bishop, Rosen & Co., Inc. . . . .	20,000
Brookstreet Securities Corporation . . . . .	20,000
First Montauk Securities Corp. . . . .	20,000
GunnAllen Financial, Inc. . . . .	20,000
Hoefler & Arnett, Incorporated . . . . .	20,000
Huntleigh Securities Corporation . . . . .	20,000
Jesup & Lamont Securities Corporation . . . . .	20,000
Johnston, Lemon & Co. Incorporated . . . . .	20,000
LaSalle St Securities, L.L.C. . . . .	20,000
Maxim Group LLC . . . . .	20,000
Morgan Wilshire Securities, Inc. . . . .	20,000
Northeast Securities, Inc. . . . .	20,000
David A. Noyes & Company . . . . .	20,000
Paulson Investment Company, Inc. . . . .	20,000
The Seidler Companies Incorporated . . . . .	20,000
Southwest Securities, Inc. . . . .	20,000
Stanford Group Company . . . . .	20,000

<u>Underwriter</u>	<u>Number of Shares</u>
M.L. Stern & Co., LLC .....	20,000
Sterne, Agee & Leach, Inc. ....	20,000
Stone & Youngberg LLC .....	20,000
Strand, Atkinson, Williams & York, Inc. ....	20,000
Susquehanna Financial Group, LLLP .....	20,000
Torrey Pines Securities, Inc. ....	20,000
J.P. Turner & Company, L.L.C. ....	20,000
Westminster Financial Securities, Inc. ....	<u>20,000</u>
Total .....	<u>6,575,000</u>

The purchase agreement provides that the obligations of the underwriters to purchase the shares of Common Stock included in this offering are subject to approval of certain legal matters by counsel and to certain other conditions. The underwriters are obligated to purchase all the shares of Common Stock sold under the purchase agreement if any of the shares of Common Stock are purchased. In the purchase agreement, the Fund and the Investment Manager have agreed to indemnify the underwriters against certain liabilities, including liabilities arising under the Securities Act of 1933, as amended, or to contribute payments the underwriters may be required to make for any of those liabilities.

### Commissions and Discounts

The underwriters propose to initially offer some of the Common Stock directly to the public at the public offering price set forth on the cover page of this prospectus and some of the Common Stock to certain dealers at the public offering price less a concession not in excess of \$.60 per share. The sales load the Fund will pay of \$.90 per share is equal to 4.5% of the initial offering price. The underwriters may allow, and the dealers may reallow, a discount not in excess of \$.10 per share on sales to other dealers. After the initial public offering, the public offering price, concession and discount may be changed. Investors must pay for any shares of Common Stock purchased on or before June 30, 2005.

The following table shows the public offering price, sales load, estimated offering expenses and proceeds to the Fund. The information assumes either no exercise or full exercise by the underwriters of their overallotment option.

	<u>Per Share</u>	<u>Without Option</u>	<u>With Option</u>
Public offering price .....	\$20.00	\$131,500,000	\$151,225,000
Sales load .....	\$.90	\$5,917,500	\$6,805,125
Estimated offering expenses .....	\$.04	\$263,000	\$302,450
Proceeds, after expenses, to the Fund .....	\$19.06	\$125,319,500	\$144,117,425

The expenses of the offering are estimated to be approximately \$263,000, or \$.04 per share. The Fund has agreed to pay the underwriters \$.00667 per share of Common Stock as a partial reimbursement of expenses incurred in connection with the offering. The amount paid by the Fund as this partial reimbursement to the underwriters will not exceed .03335% of the total price to the public of the Common Stock sold in this offering. The Investment Manager has agreed to pay all of the Fund's organizational expenses and to pay the amount by which the aggregate offering expenses (other than the sales load, but including the partial reimbursement of certain underwriter expenses described above) exceed \$.04 per share.

### Overallotment Option

The Fund has granted the underwriters an option to purchase up to 986,250 additional shares of Common Stock at the public offering price, less the sales load, within 45 days from the date of this prospectus solely to cover any overallotments. If the underwriters exercise this option, each will be obligated, subject to conditions contained in the purchase agreement, to purchase a number of additional shares of Common Stock proportionate to that underwriter's initial amount reflected in the above table.

## **Price Stabilization, Short Positions and Penalty Bids**

Until the distribution of the Common Stock is complete, Securities and Exchange Commission rules may limit underwriters and selling group members from bidding for and purchasing the Fund's Common Stock. However, the representatives may engage in transactions that stabilize the price of the shares of Common Stock, such as bids or purchases to peg, fix or maintain that price.

If the underwriters create a short position in the Common Stock in connection with the offering (*i.e.*, if they sell more shares of Common Stock than are listed on the cover of this prospectus), the representatives may reduce that short position by purchasing shares of Common Stock in the open market. The representatives may also elect to reduce any short position by exercising all or part of the overallotment option described above. The underwriters also may impose a penalty bid, whereby selling concessions allowed to syndicate members or other broker-dealers in respect of the Common Stock sold in this offering for their account may be reclaimed by the syndicate if such shares of Common Stock are repurchased by the syndicate in stabilizing or covering transactions. Purchases of Common Stock to stabilize its price or to reduce a short position may cause the price of the Common Stock to be higher than it might be in the absence of such purchases.

Neither the Fund nor any of the underwriters make any representation or prediction as to the direction or magnitude of any effect that the transaction described above may have on the price of Common Stock. In addition, neither the Fund nor any of the underwriters make any representation that the representatives will engage in these transactions or that these transactions, once commenced, will not be discontinued without notice.

The Fund has agreed not to offer or sell any additional shares of Common Stock for a period of 180 days after the date of the purchase agreement without the prior written consent of the underwriters, except for the sale of shares of Common Stock to the underwriters pursuant to the purchase agreement and certain transactions relating to the Fund's automatic dividend reinvestment plan.

The Fund anticipates that the underwriters may from time to time act as brokers or, after they have ceased to be underwriters, dealers in executing the Fund's portfolio transactions. The underwriters are active underwriters of, and dealers in, securities and act as market makers in a number of such securities, and therefore can be expected to engage in portfolio transactions with the Fund.

The shares of Common Stock will be sold to ensure that NYSE distribution standards (*i.e.*, round lots, public shares and aggregate market value) will be met.

## **Other Relationships**

The Investment Manager (and not the Fund) has agreed to pay from its own assets additional compensation to Merrill Lynch. This additional compensation will be payable quarterly at the annual rate of .15% of the Fund's average weekly Total Leveraged Assets (to the extent that leverage consists of Borrowings and forward currency contracts) during the continuance of the Management Agreement or other advisory agreement between the Investment Manager and the Fund. The additional compensation to Merrill Lynch is for services related to the sale and distribution of the Common Stock. Merrill Lynch also has agreed to, among other things, provide certain after-market support services, as requested by the Investment Manager, to the Investment Manager, including services designed to maintain the visibility of the Fund on an ongoing basis and to provide as requested by the Investment Manager relevant information, studies or reports regarding the Fund and the closed-end investment company industry. The total amount of these additional compensation payments to Merrill Lynch for these services will not exceed 4.46095% of the total price to the public of the Common Stock sold in this offering.

The total amount of additional compensation payments to Merrill Lynch described above, plus the amounts paid by the Fund as the \$.00667 per share of Common Stock partial reimbursement to the underwriters, will not exceed 4.5% of the total price to the public of the Common Stock sold in this offering. The sum total of all compensation to or reimbursement of underwriters in connection with this public offering of Common Stock, including sales load and all forms of additional compensation to underwriters, will be limited to 9% of the total price to the public of the Common Stock sold in this offering.

The address of Merrill Lynch, Pierce, Fenner & Smith Incorporated is 4 World Financial Center, New York, New York 10080.

In connection with this offering, certain of the underwriters or dealers may distribute prospectuses electronically.

#### **CUSTODIAN, TRANSFER AGENT AND DIVIDEND DISBURSING AGENT**

The custodian of the assets of the Fund is State Street Bank and Trust Company, One Federal Street, Boston, Massachusetts 02110. The custodian performs custodial, fund accounting and administrative services. The Fund's transfer agent and registrar is EquiServe Trust Company, N.A., and the Fund's dividend disbursing agent is Computershare Shareholder Services, Inc., each at P.O. Box 43010, Providence, Rhode Island 02940-3010.

#### **LEGAL OPINIONS**

Certain legal matters in connection with the issuance of the Common Stock will be passed upon for the Fund by Stroock & Stroock & Lavan LLP, New York, New York, counsel to the Fund, and for the underwriters by Clifford Chance US LLP, New York, New York. Stroock & Stroock & Lavan LLP and Clifford Chance US LLP may rely as to certain matters of Maryland law on the opinion of Venable LLP, Baltimore, Maryland.

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Until July 22, 2005 (25 days after the date of this prospectus), all dealers who buy, sell or trade the shares of Common Stock, whether or not participating in this offering, may be required to deliver a prospectus. This is in addition to the dealers' obligation to deliver a prospectus when acting as underwriters and with respect to their unsold allotments or subscriptions.



**6,575,000 Shares**

**Lazard World Dividend & Income Fund, Inc.**

**Common Stock  
\$20.00 per Share**

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**P R O S P E C T U S**

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**Merrill Lynch & Co.  
Citigroup  
A.G. Edwards  
Wachovia Securities  
Advest, Inc.  
Robert W. Baird & Co.  
H&R Block Financial Advisors, Inc.  
RBC Capital Markets  
Stifel, Nicolaus & Company  
Incorporated  
Wells Fargo Securities**

**June 27, 2005**

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