

Lazard Developing Markets Equity Select

SNAPSHOT

Performance Target¹

Seeks to outperform the MSCI Emerging Markets Index by 3.5% per annum over a market cycle

Benchmark index

MSCI Emerging Markets Index

Tracking error

Typically expected to range from 4%–8% per annum

Investable securities

The investment universe includes all companies domiciled in emerging market countries, or those with more than 50% of their net assets and/or sales from emerging markets, that have over U.S. \$300 million in market cap and are of sufficient liquidity

Currency risk

Does not invest directly in currencies, and foreign exchange management does not play a major role in the management of the strategy

Cash weight

Typically 0%–10%

Number of holdings

Typically 35–55

Market capitalization

Greater than U.S. \$300 million

Strategy inception

January 2007

Portfolio turnover²

Typically between 50% and 75%, depending on market conditions

Why a Developing Markets Portfolio?

Emerging markets have dramatically transformed in recent years, as an increasing percentage of the population has accumulated wealth at levels not previously imaginable. This has significantly altered consumers' preference for goods and services, and what once was considered a luxury is now considered the norm. Similarly, as cities in emerging markets continue to grow, more buildings are erected and occupied and the need for energy and modes of transportation increases. This unprecedented accumulation of wealth has opened up certain segments of the consumer and industrial markets that once were not accessible to global investors.

Developing Markets Equity Team



Kevin O'Hare
Portfolio Manager/
Analyst



Peter Gillespie
Portfolio Manager/
Analyst



Georg Benes
Research Analyst



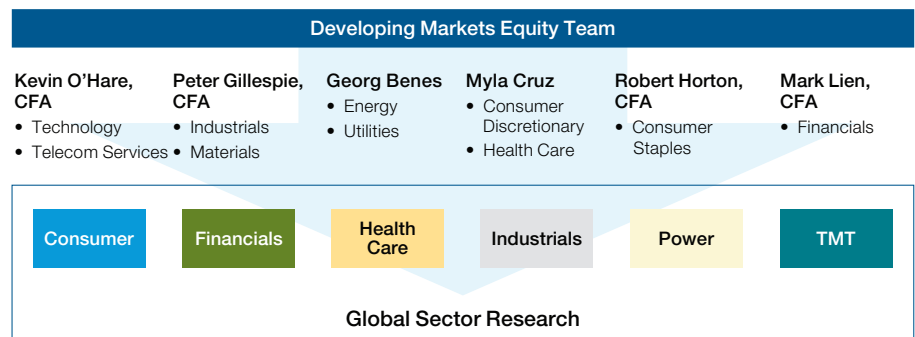
Myla Cruz
Research Analyst



Robert Horton
Research Analyst



Mark Lien
Research Analyst



Why Invest in Developing Markets Equity Select?

At Lazard, we feel that evaluating companies within the emerging markets asset class based on their growth prospects can potentially provide distinct opportunities. This is why we have created the Developing Markets Equity Select strategy, which aims to capture the growth potential of individual companies within their sector of operation.

The main features that differentiate Lazard's approach to growth investing in emerging markets include:

- A focus on sustainable earnings growth, compelling valuations, potential catalysts for re-rating, and strong corporate governance. We believe that a strategy containing undervalued growth companies has the potential to produce stronger long-term results.
- The strength of our global sector research, including nine analysts who work closely with the Developing Markets Equity team, conducting regular company visits and maintaining ongoing communication with managements, suppliers, and a network of contacts.
- The use of accounting validation to ensure that reported data reasonably conforms to a company's financial condition, and that useful comparisons can be made.
- The use of proprietary tools and models to determine formalized risk scores for emerging markets securities, resulting in a final price target that determines a stock's upside potential and is used in constructing the strategy.

Investment Process

The Developing Markets Equity Select strategy builds upon the success of Lazard's existing relative value approach to emerging markets investing and seeks long-term capital appreciation. The investable universe includes all sufficiently liquid securities, with market capitalization over U.S. \$300 million that are typically domiciled in countries included in the MSCI Emerging Markets Index; companies that have more than 50% of their net assets or sales from emerging markets countries may also be included.

Analytical Framework

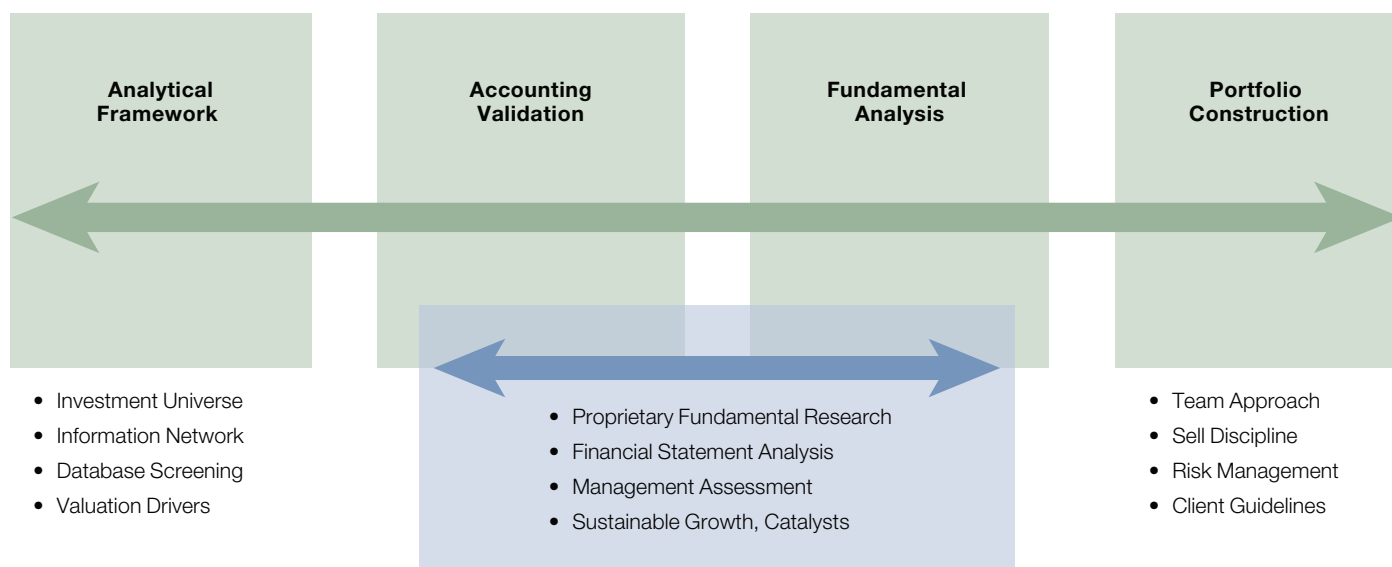
The strategy is managed using a relative growth investment philosophy, which is based on value creation through the process of bottom-up stock selection. This philosophy is implemented by assessing the trade-off between forward earnings growth rates and valuations for an individual security. Our analysts conduct research to identify the appropriate measures for growth in each industry, focusing on those measures that have historically outperformed in the past.

Accounting Validation

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

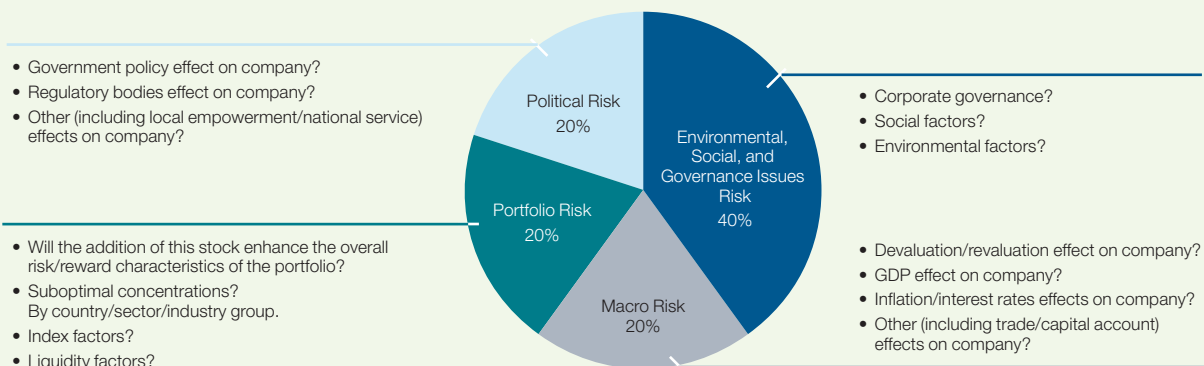
Fundamental Analysis

Fundamental analysis is a key component in the equity investment process, and is conducted to assess many issues, including the growth sustainability of revenues and earnings, and to identify a catalyst for price revaluation.



Lazard's investment process for research and portfolio construction is neither static nor sequential, but ongoing.

Portfolio Construction/Risk Evaluation



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Portfolio Construction

Stock selection for inclusion in the Developing Markets Equity Select portfolios is the responsibility of the portfolio managers/analysts on the Developing Markets Equity team. The underlying goal: to construct an adequately diversified, risk optimized portfolio which has a Price Earnings to Growth ratio (PE/G) that is lower than the relative universe.

To attain this goal the team begins with an initial screening of the ADR/GDR emerging markets universe, which represents approximately 57% of included companies and 87% market capitalization of the MSCI Emerging Markets Index.³

When the team feels that the marketplace has undervalued a company that appears to have sustainable growth potential, the analysts will perform the necessary company-level analysis. This entails accounting validation and fundamental analysis, which includes a three-year forward looking forecast for the company. Once the validation and analysis is completed, the analyst establishes the expected upside to target prices (which are a function of valuation), the rate and sustainability of growth, as well as the risk control.

The final step in the portfolio construction process is completed in collaboration with Lazard's Global Risk Management. Together the portfolio management team and the Global Risk Management team analyze the impact of macroeconomic, political, portfolio and environmental, social, and governmental risks on each security in order to ensure a risk-optimized portfolio. Over time the team reviews and risk adjustments. The securities in the strategies are monitored for changes either positive or negative, in fundamentals and risks. A positive change may result in an upgrade to the target price, and vice versa for a negative change.

Sell Discipline

When a security reaches its final (adjusted) price target, it is either trimmed or sold entirely, unless the analyst believes the target assumptions have become too conservative; in this case, the price target is adjusted upward. Stocks are also sold when a company's earnings outlook deteriorates or when its risk score increases.

Buy Criteria

When the Developing Markets Equity team looks at a company as a potential buy, it considers five main attributes:

- 1. Changing fundamentals** – Are any of the following changing? Earnings estimates, business portfolio, and/or management?
- 2. Attractive valuation** – Based on our proprietary valuation approach, is a stock attractively valued relative to its growth rate?
- 3. Expertise of management** – Is the management team well equipped to grow the company? Is it working for shareholders and is it incentivized to do so? What is its track record like?
- 4. 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?
- 5. Difference from consensus** – What do we know or think that is different from the market?

Risk Management

At Lazard, risk management is paramount in every step of our investment process, and critical for a strategy managed on a risk-adjusted basis. We monitor both company-specific and operational risk. In addition to the assessment of the fundamental business operating risks, previously discussed, there are four other types of risk assessment specifically used with regard to the Developing Markets Equity Select strategy. A score is assigned to each of these four risk types; an overall risk score is then derived by applying the weights shown in the pie chart above.

Environmental, Social, and Governance Issues

Environmental, Social, and Corporate Governance (ESG) risk analysis was first introduced into our investment process in 2001 due to the arbitrary nature of prices minority shareholders were being offered for their shares, especially in cases of changes of controls. The process was expanded in 2009 to include environmental and social issues in response to market concerns of identifying previous non-quantifiable operational risks. The determining factors are reviewed during the

portfolio construction process, corporate governance is effectively covered during the second stage of accounting validation, while environmental and social factors are reviewed during the third stage of fundamental analysis. The ESG risk control factor can have the effect of significantly altering a security's target price, and therefore, attractiveness of the security.

Portfolio-related Risk

To seek to ensure proper portfolio diversification, portfolios are continually analyzed against the benchmark from two viewpoints: (1) to evaluate risks associated with specific industries, company groups, sectors; and (2) to evaluate risks associated with opportunity costs, giving attention to the "voids" in the portfolio at the industry and security levels.

Macroeconomic Risk

Macroeconomic risks are monitored on an on-going basis. Bottom-up security selection is not done in isolation. Lazard is mindful of the impact that interest rates, economic conditions, the regulatory environment, and political considerations have on final portfolio construction. Lazard monitors and evaluates the current macro trends as part of Lazard's risk-control process, rather than as a starting point for security selection. Fundamental company research is also significant at this level, as company management teams are typically the "first line" to be impacted by changes in fiscal or monetary policies.

Political Risk

The potential effects of actions or policies by governments and/or regulatory bodies are reviewed on an ongoing basis to determine their impact on a company's potential. The eight Emerging Markets teams work closely together to share insight and knowledge based on visits, meetings with local leaders as well as company management, and details gleaned from local contacts.

Lazard's Developing Markets Equity Select Strategy

Lazard offers the Developing Markets Equity Select Strategy in two versions. These offerings are managed with a common approach and philosophy, however they adhere to different portfolio guidelines to meet the diverse needs of our clients.

	Developing Markets Equity Select ADR/GDR (Qualified)	Developing Markets Equity Select ADR/GDR	Developing Markets Equity Select ADR
Typical Investor	Non-U.S./Qualified Institution	Individual/Non-qualified	Individual/Non-qualified
Typical Benchmark	MSCI Emerging Markets	MSCI Emerging Markets	MSCI Emerging Markets
Target Performance (p.a.) ¹	+3.50%	+3.50%	+3.50%
Typically Expected Tracking Error	4%–8%	4%–8%	4%–8%
Typical Number of Holdings	35–55	35–55	30–45
Strategy Inception	January 2007	May 2011	January 2011
Status	Open to New Investors	Open to New Investors	Open to New Investors

Notes

- There is no assurance that the strategy's objective or performance target will be achieved. Performance targets are shown relative to the benchmark index, annualized gross of fees, over a full market cycle.
- Lazard calculates turnover as the lesser of buys and sells divided by average assets over the period.
- As of August 31, 2011.

Important Information

Published on April 05, 2012.

Equity securities will fluctuate in price; the value of your investment will thus fluctuate, and this may result in a loss. Securities in certain non-domestic countries may be less liquid, more volatile, and less subject to governmental supervision than in one's home market. The values of these securities may be affected by changes in currency rates, application of a country's specific tax laws, changes in government administration, and economic and monetary policy. Emerging market securities carry special risks, such as less developed or less efficient trading markets, a lack of company information, and differing auditing and legal standards. The securities markets of emerging market countries can be extremely volatile; performance can also be influenced by political, social, and economic factors affecting companies in emerging market countries.

The information and opinions presented have been obtained or derived from sources believed by Lazard to be reliable. Lazard makes no representation as to their accuracy or completeness. All opinions expressed herein are as of the published date, unless otherwise specified, and are subject to change.

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