

Lazard Global Fixed Income Strategies

Lazard Global Core

Risk Profile

Investment-grade securities only

Benchmark

Barclays Capital Global Aggregate Bond Index

Typical Tracking Error

Less than 2%

Performance Target¹

Benchmark +1%

Credit Quality

Minimum BBB- credit rating per issuer

Information Ratio (8-year)

0.51

Typical Turnover²

90%

Typical Number of Holdings

75–95

Lazard Global Core Plus

Risk Profile

Investment-grade securities and tactical allocation to emerging markets and high yield outside of the benchmark

Benchmark

Barclays Capital Global Aggregate Bond Index

Typical Tracking Error

Less than 3%

Performance Target¹

Benchmark +1.5%

Credit Quality

Minimum B- credit rating per issuer (max 15% below investment grade)

Information Ratio (8-year)

0.58

Typical Turnover²

90%

Typical Number of Holdings

75–95

Why Invest in Lazard Global Fixed Income?

Lazard's Global Fixed Income strategies seek to enhance returns by rotating through global bond and credit markets, taking currency risk when appropriate. The strategies invest in global investment grade government, agency/supranational, corporate, and mortgage and asset-backed bonds (as well as tactical out of benchmark allocations to emerging market and high yield securities in the Global Core Plus strategy).

A globally diversified approach to bond, credit and currency exposures enables investors to potentially...

1. Capitalize on unsynchronized economic and interest rate cycles by rotating through fixed income markets / countries worldwide
2. Expand the credit opportunity set by selectively rotating between the best sectors across the global credit spectrum
3. Exploit market mispricing of credit spreads that vary between countries and currencies
4. Enhance returns through uncorrelated exposure to currencies, based on a fundamental and technical outlook
5. Attractive risk reward tradeoff and low correlation to a number of major asset classes

Why Now?

- Global markets are increasingly being priced from a global relative-value perspective. In fact, non-USD denominated bonds now account for over 60% of the Global Fixed Income universe.³
- Being tied to only one economic and interest rate cycle, within a strictly domestic portfolio, may severely limit the chance of meeting investment goals.
- Due to uncertainty in the core markets, the financial and economic crisis has seriously eroded the outlook for fundamental and fiscal conditions in the United States, Europe, and Japan, for instance, and the road ahead is uncertain.
- Home-biased investing is losing its appeal with investors in the United States, Europe, and across the globe, which adds to the case for a global fixed income allocation.
- Diversify risk and capitalize on the most favorable opportunities worldwide with a flexible, top down "best of global" approach.

Differentiating Features

- Global footprint
 - Integrates knowledge across asset classes and geographies
 - Leverages Lazard's wider fixed income and equity resources
 - Emerging markets expertise across a wide array of emerging market debt and equity strategies
- Blend of fundamental, valuation, and technical inputs ensures robust idea generation
 - Identify undervalued and overlooked markets and securities
 - Bottom-up security analysis
- Currency management as a key driver
- Transparent cash bonds – no derivatives
- Prudent portfolio risk management
 - Step out of benchmarks to seek to protect capital
- Historically consistent excess returns while maintaining team stability

Investment Philosophy

As active managers, we believe that bottom-up security-specific analysis, in conjunction with a focus on fundamental global market trends, will help us to recognize the opportunities that are presented by inefficient markets. We seek to transform these opportunities into strong risk-adjusted returns by identifying and exploiting anomalies such as spread relationships between sectors in different countries and undervalued or overlooked markets and securities.

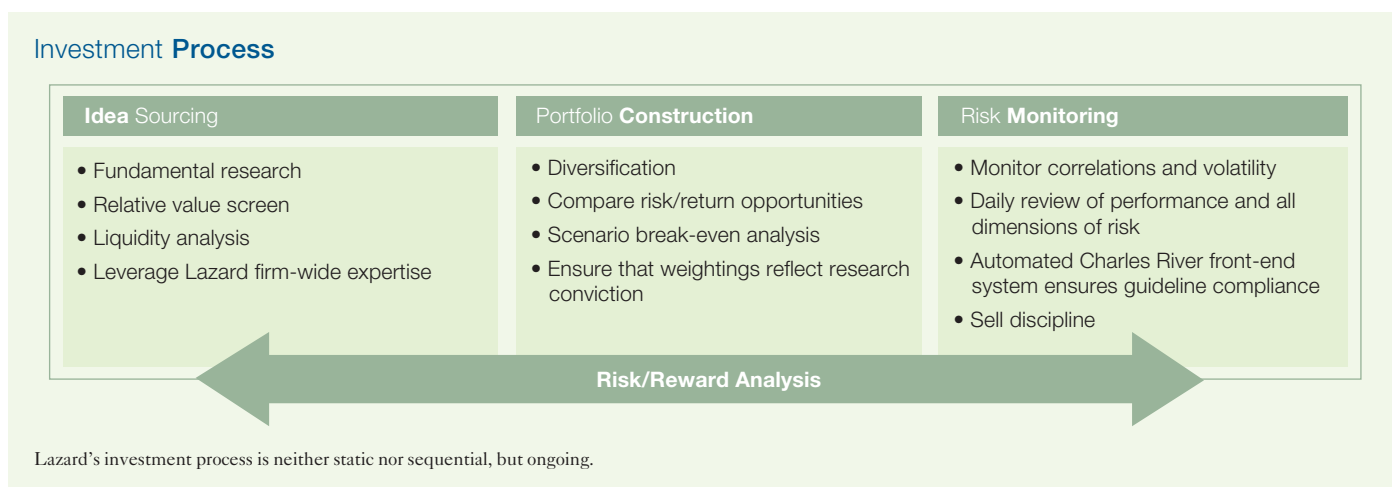
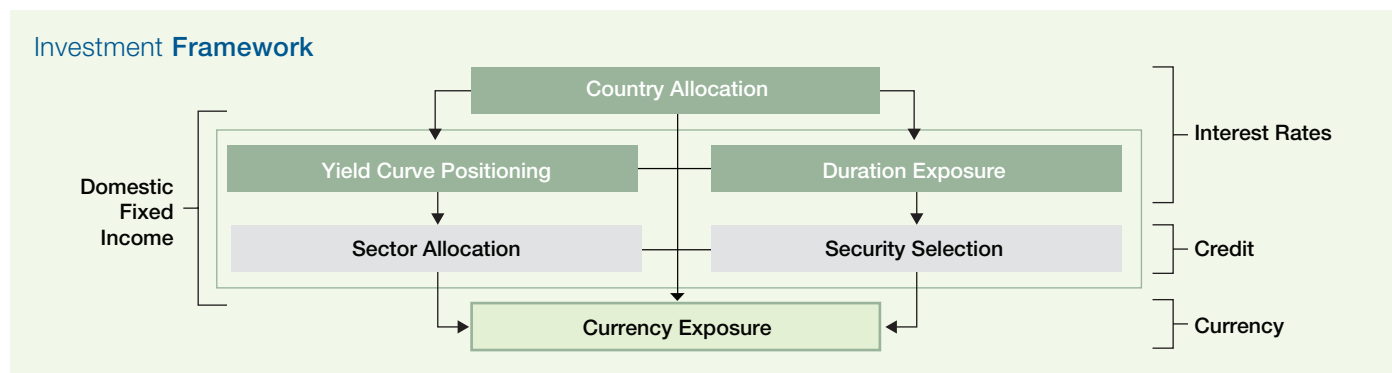
Furthermore, we look for asymmetric risk/reward characteristics that we believe will enhance portfolio performance and avoid undue risk, with greater upside potential versus the benchmarks.

Our top-down investment evaluation is dynamic. We continually assess the macroeconomic environment from both a global

and a local perspective, taking into account the impact of capital flows and market positioning/investor sentiment. We also monitor relative values from a global perspective (interest rate, credit, and currencies). Each country has its own characteristics, which drive asset prices. We analyze many sources of information, both internal and external, looking for recurring themes, patterns and situations to exploit in different markets. We often avoid “overcrowded” or “consensus” ideas and seek opportunities that other investors may have overlooked. Before implementing any trades, final qualitative research (liquidity, market positioning, etc.), and quantitative analysis (scenario analyses, correlations, break-evens, etc.) is performed in-house to fully understand and monitor risk in the portfolios.

Investment Process

We manage all portfolios on a team basis so that clients benefit from our best thinking. The team is responsible for the portfolio construction and the sale and purchase of individual securities, however, Yvette Klevan, the lead portfolio manager, makes the final decision. These decisions are aided by continual interaction with other members of our global investment platform.



Idea Sourcing

The Global Fixed Income team leverages research, ideas, and credit/security analysis from the U.S., European, and U.K. regional strategies that are relevant for inclusion in the Global Fixed Income portfolios. We interact with and leverage expertise from many areas of the firm, including Lazard's emerging markets

platform, and Lazard's Global Thematic Equity team, to gain insights on top-down, macro trends and credit/sector themes, and Lazard's global equity sector analysts to gain views regarding inflation trends, exchange rate sensitivity, micro/macro issues relating to broad sectors (oil, energy, commodities, financials) or specific countries and regions.

Fundamental Research

Research is critical to the investment process, driving both portfolio construction decisions and security selection. Portfolio manager/analysts, sector heads, and research analysts are individually responsible for introducing and sponsoring new ideas after conducting original research to support their merit. The team also leverages Lazard's global equity investment professionals. Lazard's portfolio manager/analysts and research analysts often meet with top company officers and members of the team regularly attend these meetings to gather information on debt instruments.

Our credit research focuses on issuers that we believe will have stable or improving ratings and yield spreads. Typically these issuers are characterized by strong fundamental condition, earnings stability, and stable cash flow.

Portfolio Construction

LAM's portfolio construction process focuses on investments that we believe offer diversified bets across all global markets with favorable risk/return characteristics. Generally 75–95 issues are held in the portfolio, with a minimum exposure to cash.

Six tools are utilized in the strategies:

- **Country Allocation:** Over/Underweights are based on a relative value approach driven by our macro-view and scenario analysis.
- **Yield Curve Positioning:** Investments are purposely positioned at specific points along the yield curve to take advantage of changing economic and interest rate cycles within each country.
- **Duration Exposure:** Total portfolio duration is based on fundamental macroeconomic outlook and is generally within one year of the benchmark, even though we may express significant views at the country level.
- **Sector Allocation:** Sector exposures are based on a global perspective, as well as intra-market relative value measures—the full complement of asset classes is utilized.
- **Security Selection:** Rigorous fundamental credit and structural analysis underpin the selection of issuers to include in the portfolio. Corporate issuer exposure is generally limited to two percent of the total portfolio market value.
- **Currency Exposure:** Baseline currency exposure is managed relative to the benchmark and tactical exposures (overlay) are based on our fundamental outlook, technical factors, and market positioning.

Buy Discipline

Our investment process integrates all available sources of alpha on an active basis: country exposure, yield curve positioning, duration exposure, sector allocation, security selection, and currency expo-

sure. Country allocations are based on relative value and are driven by our macro view and scenario analysis. We may completely avoid countries with poor fundamentals or valuations, regardless of their benchmark weighting. Lazard's Global Fixed Income team considers input from the appropriate analysts/teams to set allocations to high yield securities and/or emerging market debt.

We then focus on investment tools within each domestic bond market and work with the regional teams and sector-head specialists to develop and implement the investment strategy on a country level. The team factors into its decision-making optimal yield curve positioning and duration, sector/issuer diversification and exposure to other critical risk factors such as credit and prepayment risks. Finally, tactical currency positions are initiated based on fundamental outlook, technical analysis, and market positioning.

Risk Monitoring

At the firm level, our independent Global Risk Management team utilizes analytics to monitor various elements of risk. In addition, the Global Fixed Income team holds monthly risk management meetings with Lazard's independent Global Risk Management Committee, which is comprised of risk management, portfolio management, and research professionals.

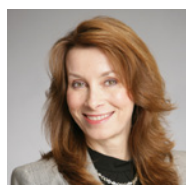
We also employ automated systems as well as supplemental manual processes to monitor compliance with investment guidelines and restrictions. These systems are capable of monitoring guidelines on a pre-trade basis. The latest compliance software to be implemented by Lazard is Charles River's Trading/Compliance Master. This system is compatible with PORTIA, our portfolio accounting system, as well as with security, benchmark, and other data received from vendors.

Furthermore, the Global Fixed Income team is subject to oversight by the Lazard Asset Management Oversight Committee, which is the management body for our investment platform. In addition, we have an Investment Council that focuses on team interaction and the adoption of best practices.

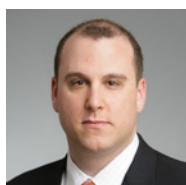
Sell Discipline

Our sell discipline is primarily a function of our credit discipline, relative values, and security structure. We continuously review the yield spread of a security within the context of its historical and current market trend. We consider selling a security when we see deteriorating fundamentals or when the credit has moved outside our universe on the upside. We are more likely to sell a deteriorating credit sooner rather than later.

Investment Team



Yvette Klevan
Director, Portfolio
Manager/Analyst
Joined Industry 1982



Jared Daniels, CFA
Senior Vice
President, Portfolio
Manager/Analyst
Joined Industry 1997



Christopher Ratti
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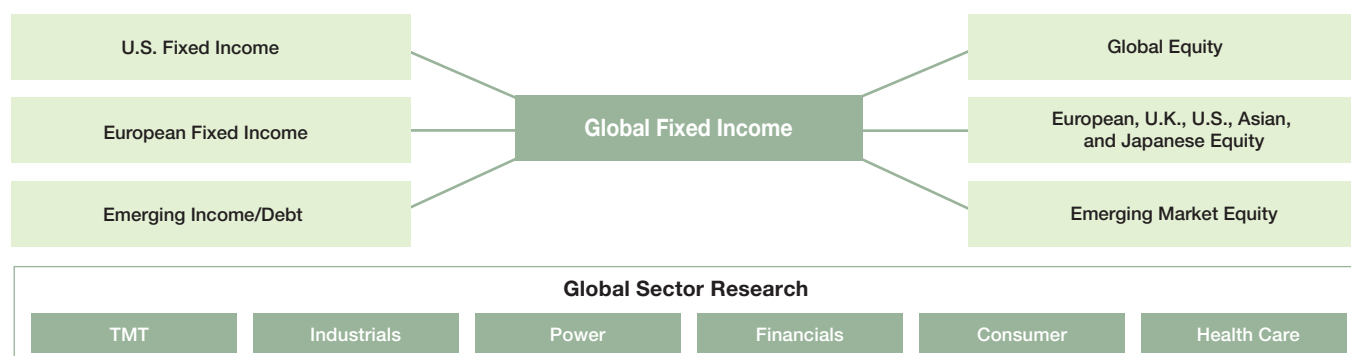
Colin T. Cavasina
Vice President,
Portfolio Analyst
Joined Industry 2001



**Konstantin
Boehmer**
Vice President,
Portfolio Manager/
Analyst
Joined Industry 2003

Robust Global Resources

Lazard's Global Fixed Income team leverages investment and intellectual synergies from Lazard investment professionals around the world:



Notes

- 1 There is no assurance that the strategy's objective or performance target will be achieved.
- 2 Lazard calculates turnover as the lesser of buys and sells divided by the average assets over a period.
- 3 As per the Barclays Capital Global Aggregate Bond Index, as of June 30, 2011.

Important Information

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The information and opinions presented does not constitute investment advice and has been obtained or derived from sources believed by Lazard to be reliable. Lazard makes no representation as to their accuracy or completeness. All opinions and estimates expressed herein are as of the published date unless otherwise specified, and are subject to change.

An investment in bonds carries risk. If interest rates rise, bond prices usually decline. The longer a bond's maturity, the greater the impact a change in interest rates can have on its price. If you do not hold a bond until maturity, you may experience a gain or loss when you sell. Bonds also carry the risk of default, which is the risk that the issuer is unable to make further income and principal payments. Other risks, including inflation risk, call risk, and pre-payment risk, also apply. Securities in certain non-domestic countries may be less liquid, more volatile, and less subject to governmental supervision than in one's home market. The values of these securities may be affected by changes in currency rates, application of a country's specific tax laws, changes in government administration, and economic and monetary policy.

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