

Lazard

Multi Strategy – Emerging Markets Long/Short

SNAPSHOT

Performance Target*

The strategy seeks to generate annualized returns of 8% to 12% over a market cycle

Benchmark Index

LIBOR

Target Volatility

The target volatility ranges from 3% to 8% per annum; volatility is managed to avoid extreme outcomes

Allocations

Lazard Asset Management's emerging markets strategies with sufficient liquidity and performance records

Exposure to Equity Markets

Ranges from 10% to 70%

Investment Universe

The eight broad strategies on Lazard's Emerging Markets platform

Strategy Inception

June 30, 2009

* There is no assurance that the strategy's objective or performance target will be achieved.

Lazard Multi Strategy (LMS) – Emerging Markets Long/Short seeks to reduce the systematic risk found in the emerging markets. By coupling a thorough understanding of the qualitative and quantitative drivers of strategy performance with forward-looking assessments of the prevailing economic context, the strategy aims to dynamically allocate emerging markets risk appropriately in different market environments. Through allocations to Lazard's emerging markets strategies, the strategy seeks to best position itself in any given market cycle, seeking to avoid the extreme outcomes typically found in emerging markets and, thereby, to create a stable, low-volatility pattern of returns.

The strategy may be appropriate for investors who believe that global growth will come from the emerging markets, but who would like to smooth the volatility of returns typical of the emerging markets equity asset class by accessing emerging markets debt. LMS – Emerging Markets Long/Short seeks to provide qualified investors with a comprehensive emerging markets strategy, potentially mitigating the impact of extreme market movements.

Why LMS – Emerging Markets Long/Short?

- Seeks to compound capital through the market cycle
- Generates returns from two sources: asset allocation and security selection
- Seeks to avoid extreme negative outcomes by deploying risk-reducing tools
- Delivers breadth of Lazard's emerging markets strategies in a single fee structure
- Packages access to Lazard investment strategies currently unavailable on any other platform

Lazard Multi Strategy Team



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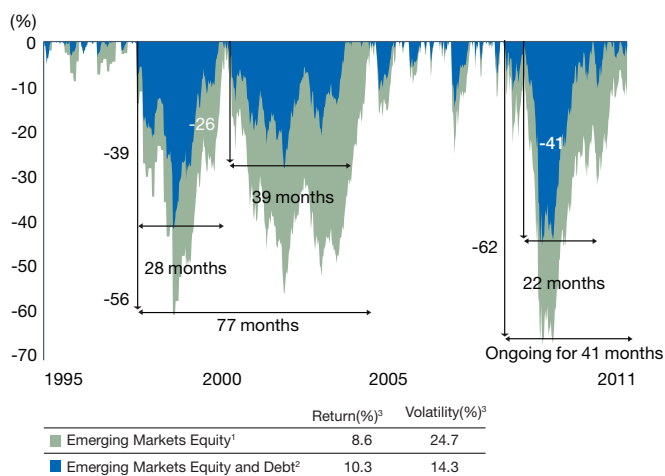
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Actively Managing Emerging Markets Exposures

Although emerging markets are currently known for their tremendous growth potential, their volatility remains a primary concern for many investors. Regular crises in emerging market equities can destroy years of compounded growth in just weeks. In fact, since 1988, the emerging markets equity asset class has experienced 11 drawdowns—a drawdown is a decline in performance from a previous peak—which have lasted at least three months and destroyed more than 20% of the value of an investment from its previous peak level (as of March 31, 2011; source MSCI). For example, the Mexican peso crisis initiated a drawdown in September 1994. This event was subsequently followed by the Asian financial crisis, the Russian crisis, and political and monetary instability within Latin America. All of this resulted in a drawdown that took the asset class over a decade to recover from. More recently, investors are still recovering from the drawdown initiated by the global financial crisis in 2008.

Investing in emerging market debt securities can buffer the volatility in the equity asset class considerably, while keeping investors exposed to the potential upside offered by the long-term growth prospects of emerging markets. Consider Exhibit 1, which shows the drawdown experienced by emerging markets equity and compares it to the drawdowns experienced by a mix of 50% equity and 50% debt (the latter split evenly between local currency debt and hard currency debt). A basic mix of equity and debt historically outperformed emerging markets equity over the

Exhibit 1 - Drawdown Comparison



As of 23 March 2011

Source: Lazard, J.P. Morgan, MSCI

1 MSCI Emerging Markets Index

2 50% MSCI Emerging Markets Index, 25% J.P. Morgan ELMI+ Index, 25% J.P. Morgan EMBI Global Diversified Index

3 Annualized over the period from 2/8/1995 to 3/23/2011

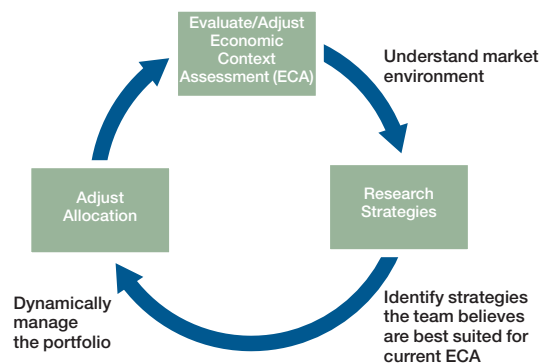
The information in the chart above is for illustrative purposes only and does not represent any product offered by Lazard.

same time period with lower volatility and shorter, less extreme drawdowns. Having the ability to tactically allocate between asset classes as market conditions change may help an investor reduce the volatility in his or her portfolio, in particular during periods of market stress.

Investment Process

To succeed, a multi-strategy approach must begin with high-quality investments. The depth and breadth of Lazard's Emerging Markets investment platform provides LMS – Emerging Markets Long/Short with opportunities across diverse asset classes and portfolio construction processes. There are over 40 investment professionals in the Lazard Emerging Markets Platform and eight broad strategies. Exhibit 2 illustrates the LMS investment process.

Exhibit 2 - LMS Investment Process



For illustrative purposes only.

Lazard's investment process is presented in sequential steps. In practice, the process is neither static nor sequential but ongoing.

Evaluate/Adjust Economic Context Assessment (ECA)

Different market conditions call for different portfolio configurations. As shown in Exhibit 3, the LMS team considers four broad families of economic contexts pertinent to portfolio positioning: Panic, Differentiation, Expansion, and Mania. Lazard's emerging markets equity and debt strategies are evaluated for their appropriateness within each context, acknowledging that each economic cycle has its own particularities.

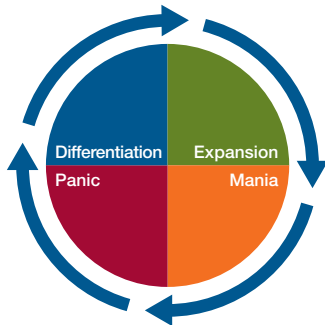
Given that there are not clear delineations between economic stages, the team seeks to identify where we are in the economic and market cycles at any given time. The team uses a set of macro considerations and contemplates a number of different scenarios for each one of them. Then, a dashboard of over 500 indicators is used to assess the likelihood of each scenario. Indicators are electronically monitored, correlated, and filtered by Lazard's proprietary software. Macro considerations along with their associated scenarios are then analyzed in detail by the team to formulate a probability-weighted estimate of contexts and to structure what the team believes is the most appropriate portfolio positioning.

The team utilizes these quantitative tools and qualitative analysis to determine the portfolio’s allocation among the equity and debt strategies.

The intended result is a flexible, timely alignment of investment management strengths to market conditions.

Research Strategies

Exhibit 3 - The Economic Cycles for Portfolio Positioning



The Lazard Multi Strategy team has identified four economic contexts within the emerging markets. Each context calls for its own unique allocation, which seeks to outperform the expected returns.

Just as Lazard’s bottom-up security selection philosophy has distinguished its research-driven investment platforms, Lazard’s multi-strategy capability is built upon an integrated understanding of the component strategies in which it may invest. The LMS investment team performs a thorough quantitative analysis of portfolio risks, macroeconomic factor dependencies, and trading tendencies. By integrating data analysis directly to Lazard’s internal systems infrastructure, the team establishes a direct link to live information required for transparency, impartiality, and an understanding of the drivers of portfolio performance.

To this, the team adds comprehensive qualitative research into investment philosophy, portfolio construction methodology, manager discipline, and behavioral analysis. The internal communication structure includes regular formal and informal access to the underlining portfolio teams and their research and outlooks, which allows for a transparency of processes not normally associated with a multi-strategy approach.

The result is a deep understanding of the patterns of performance available to the team, both historical and expected, of each of the strategies eligible for multi-strategy allocation.

Adjust Allocation

With eight broad strategies (and ultimately even more sub-strategies) available, each with its own distinct characteristics, the team is able to match strategies to different environments, seeking to keep the portfolio exposed to the factors appropriate to the market context. The team is then able to allocate a portfolio of investment strategies, attempting to avoid the extreme outcomes typically found in emerging markets and, thereby, creating a lower volatility pattern of returns.

Each sub-strategy serves a unique purpose in the portfolio. The allocations the team allots to each vary based on which one they believe is best to navigate the current economic conditions and to implement their forward-looking analysis. The underlying strategies are built entirely by their respective portfolio management teams, but allocations are made independently by the team. We believe the resulting portfolio can potentially achieve more meaningful diversification when strategies are blended together. The target result is a diversified portfolio of equity and fixed income securities which we believe provides an opportunity to improve the risk/return profile for investors.

Adjust Market Exposure

The final stage of the LMS – Emerging Markets Long/Short portfolio construction process is the tempering of overall portfolio risks to maintain the volatility profile that makes long-term compounding possible. The team uses simple market hedges to reduce overall portfolio volatility, structurally sacrificing the upsides of extreme up-markets as they seek to protect against the loss of capital that occurs during dramatic downturns.

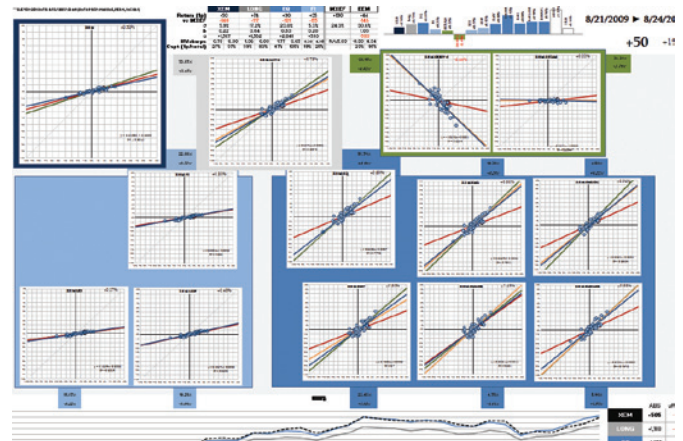
The finished product is a strategy appropriate for those who seek a less volatile pattern of performance over the long term.

The ELEVEN® Proprietary Platform

Insight is the product of accessible information and adaptive research. To monitor accessible information, the LMS team employs ELEVEN, a proprietary platform developed specifically for multi-strategy investments. Using this platform, the team monitors a dashboard of over 500 economic indicators, as illustrated in Exhibit 4. Indicators are reviewed by the team on a daily basis. Beyond the individual indicators themselves, ELEVEN monitors the relationships among indicators to discover and highlight unexpected correlations.

This process allows the team to adapt its research to new information in the changing marketplace. The team’s interpretations of the relevant indicators are shared across the firm to further develop insight.

Exhibit 4 - ELEVEN Dashboard



Shown for illustrative purposes only.

Lazard’s Multi Strategy Emerging Markets Platform

Lazard manages three LMS investment strategies in the emerging markets asset class. These offerings are managed with a common approach and philosophy but are designed to meet the various objectives of our clients.

Strategy	Lazard Multi Strategy – Emerging Markets (Equity Only)	Lazard Multi Strategy – Emerging Markets (Equity + Debt)	Lazard Multi Strategy – Emerging Markets Long/Short
Typical Benchmark	MSCI Emerging Markets Index	MSCI Emerging Markets Index	3-Month LIBOR Index
Typical Expected Volatility	Lower than that of the benchmark	¾ that of the benchmark	3%–8% per annum
Potential Strategy Allocations	6	8	8
Hedging Available	No	No	Yes
Strategy Inception	July 2009	July 2009	July 2009
Status	Open to New Investors	Open to New Investors	Open to New Investors

Important Information

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The performance of the strategy is largely dependent on the talents and efforts of certain individuals. There can be no assurance that LAM’s investment professionals will continue to be associated with LAM and the failure to retain such investment professionals could have an adverse effect on the strategy.

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 markets countries can be extremely volatile; performance can also be influenced by political, social, and economic factors affecting companies in emerging markets countries. In certain periods, there may be little liquidity in such markets. Emerging markets are more likely than developed markets to experience periods of extreme volatility. Such volatility could result in substantial losses.

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

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

There are two layers of derivative exposure taken in the LMS – Emerging Markets Long/Short strategy. On the parent level, derivative exposure is continuously employed through the use of swaps to reduce beta exposure. On the underlying strategy level the use of derivative instruments is executed by material use of short duration emerging markets currency forwards/shorts to gain exposure to local money market performance, as well as leverage for emerging markets long and short positions.

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Additional risks associated with the investments in Lazard’s strategies

Emerging Income The strategy invests primarily in short-term emerging market local currencies and debt positions. The strategy will generally invest in currency and debt investments denominated in emerging markets currencies and the strategy will maintain significant exposure to such local currencies. As such, an investment in the strategy is subject to the general risks associated with fixed income investing, such as interest rate risk and credit risk, as well as the risks associated with emerging markets investments, including currency fluctuation, devaluation and confiscatory taxation. The strategy may use derivative instruments that are subject to counterparty risk.

The strategy may leverage its investment positions by borrowing funds from securities broker-dealers, banks, or others. From time to time, the strategy may borrow significant amounts to take advantage of perceived opportunities, such as short-term price disparities between markets or related securities. Such leverage increases both the possibilities for profit and the risk of loss.

The strategy may take short sale positions. Short selling can, in some circumstances, substantially increase the impact of adverse price movements on the strategy. A short sale creates the risk of a theoretically unlimited loss, in that the price of the underlying security could theoretically increase without limit, thus increasing the cost to the strategy of buying securities to cover the short position.

Emerging Markets Debt The strategy invests primarily in emerging market debt positions. The strategy will generally invest in debt investments denominated in either U.S. dollars or local emerging markets currencies. As such, an investment in the strategy is subject to the general risks associated with fixed income investing, such as interest rate risk and credit risk, as well as the risks associated with emerging markets investments, including currency fluctuation, devaluation and confiscatory taxation. The strategy may use derivative instruments that are subject to counterparty risk.

Investments in global currencies are subject to the general risks associated with fixed income investing, such as interest rate risk, as well as the risks associated with non-domestic investments, which include, but are not limited to, currency fluctuation, devaluation, and confiscatory taxation. Furthermore, certain investment techniques required to access certain emerging markets currencies, such as swaps, forwards, structured notes, and loans of portfolio securities, involve risk that the counterparty to such instruments or transactions will become insolvent or otherwise default on its obligation to perform as agreed. In the event of such default, an investor may have limited recourse against the counterparty and may experience delays in recovery or loss.

The strategy will invest in securities of non-U.S. companies, which trade on non-U.S. exchanges. These investments may be denominated or traded in both hard and local currencies. Investments denominated in currencies other than U.S. dollars involve certain considerations not typically associated with investments in U.S. issuers or securities denominated or traded in U.S. dollars. There may be less publicly available information about issuers in non-U.S. countries that may not be subject to uniform accounting, auditing, and financial reporting standards and other disclosure requirements comparable to those applicable to U.S. issuers.

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