

Lazard

U.S. High Yield 4Q11

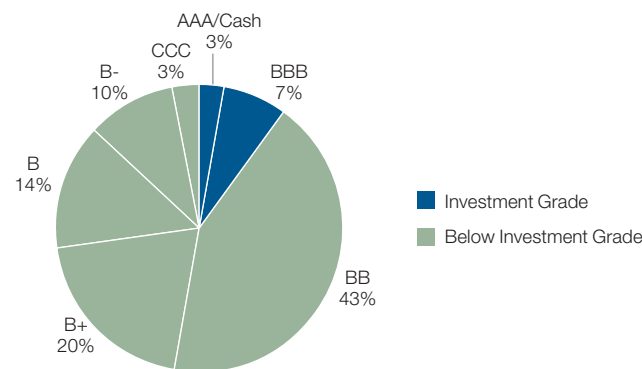
Investment Objective and Strategy

Lazard's U.S. High Yield strategy invests primarily in better-quality U.S. dollar-denominated high yield securities that pay cash coupons semi-annually. We seek to capture competitive returns with less risk than the high yield benchmarks. Better-quality high yield, such as the BB quality sector, has provided a competitive return over an extended period of time with less risk.¹ Thus, our portfolios maintain a large core of credits rated B+ or better by Standard & Poor's. We seek to structure our portfolios with the defined risks of credit, sector, duration, and domicile. The strategy generally avoids foreign-denominated, emerging market, and structured or derivative securities. Performance is driven by credit quality and relative value. Portfolios are well diversified with a targeted average position size of 1% to 1.5%, and a maximum issuer exposure of 2%.

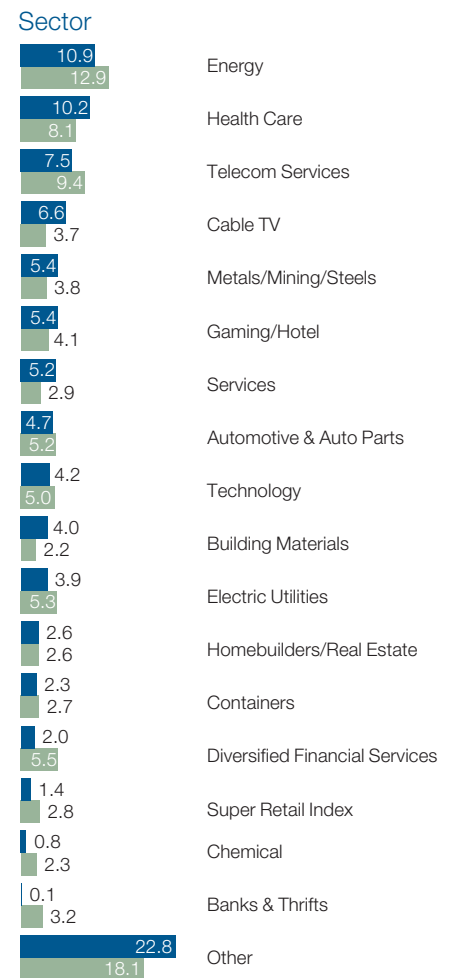
Investment Characteristics^{2,3}

	Lazard	BofA Merrill Lynch High Yield Cash Pay Index
Current Yield (%)	8.1	8.3
Yield-to-Worst (%)	7.4	8.1
Effective Duration (Years)	3.7	4.4
Spread-to-Treasury (bps)	643	705
Average Market Price	102.7	98.8

Credit Quality Distribution⁴



Allocation (%)^{2,3}



Performance Data

(%; gross of fees; through December 31, 2011)

	3 Months	1 Year	Annualized		
			3 Years	5 Years	10 Years
Lazard U.S. High Yield	5.83	6.16	17.81	7.00	7.37
BofA Merrill Lynch High Yield Master II Index	6.18	4.38	23.72	7.34	8.59

Performance is preliminary and presented gross of fees. Please refer to "GIPS® Composite Information" for the most recent final performance and additional information, including net-of-fees results. The performance quoted represents past performance. Past performance is not a reliable indicator of future results.

Notes

- 1 Cash Pay BB sub index of the BofA Merrill Lynch High Yield Cash Pay Index vs. Barclays Capital Aggregate Bond Index, S&P 500 Index, Nasdaq Composite Index, BofA Merrill Lynch High Yield Cash Pay Index and Cash Pay B, CCC sub indices from 11/1/02–12/31/11. Source: Lazard, Bloomberg, Standard & Poor's, Nasdaq, BofA Merrill Lynch
- 2 The allocations, investment characteristics, and specific securities mentioned are based upon a portfolio that represents the proposed investment for a fully discretionary account. Allocations and security selection are subject to change. The securities mentioned are not necessarily held by Lazard for all client portfolios, and their mention should not be considered a recommendation or solicitation to purchase or sell these securities. It should not be assumed that any investment in these securities was, or will prove to be, profitable, or that the investment decisions we make in the future will be profitable or equal to the investment performance of securities referenced herein. There is no assurance that any securities referenced herein are currently held in the portfolio or that securities sold have not been repurchased. The securities mentioned may not represent the entire portfolio.
- 3 Source: Lazard, BofA Merrill Lynch
- 4 Credit ratings as assigned by Standard & Poor's. Bonds rated BBB are investment grade and are defined as having adequate capacity to meet financial commitments, but more subject to adverse economic conditions than bonds rated higher. Bonds rated below BBB are generally referred to as speculative grade securities. Bonds rated BB, B, or CCC are regarded as possessing a speculative capacity to pay debt service because of the existence of negative factors or uncertainties for which there are no compensating positive factors. Ratings from BBB to CCC may be modified by the addition of a plus (+) or minus (-) sign to show relative standing within each of the major rating categories. Ratings and the portfolio's credit quality distribution may change over time. The portfolio itself has not been rated by an independent rating agency.

Important Information

Published on January 30, 2012.

An investment in bonds carries risk. If interest rates rise, bond prices usually decline. The longer a bond's maturity, the greater the impact a change in interest rates can have on its price. If you do not hold a bond until maturity, you may experience a gain or loss when you sell. Bonds also carry the risk of default, which is the risk that the issuer is unable to make further income and principal payments. Other risks, including inflation risk, call risk, and pre-payment risk, also apply. High yield securities (also referred to as "junk bonds") inherently have a higher degree of market risk, default risk, and credit risk.

GIPS Composite Information

Composite Name	U.S. High Yield
Benchmark 1	BofA Merrill Lynch High Yield Master II Index
Reporting Date	September 30, 2011
Composite Inception Date	March 1, 1995
Reporting Currency	U.S. Dollar

Composite Description

The composite returns represent the total returns of all fully discretionary, fee-paying portfolios with a U.S. High Yield investment mandate and a minimum of \$10 million in assets under management.

Calculation of Performance Returns

Lazard's account inclusion policy was a minimum of three months from inception through June 30, 2001, and then the first full month or the end of the month in which the account is fully invested from July 1, 2001, to the present. The returns of the individual portfolios within the composite are time-weighted, based on trade-date accounting, use monthly portfolio valuations, and include the reinvestment of all earnings as of the payment date. The composite returns are asset-weighted based upon beginning period market values. Additional information regarding policies for valuing portfolios, calculating performance, and preparing compliant presentations are available upon request. Effective January 1, 2009, Lazard's U.S. High Yield cash flow policy is to temporarily remove the account during the time periods in which the cash flow is significant enough to impact the implementation of the investment strategy. Due to the over-the-counter nature of the high yield market, targeted portfolio securities may not be readily available at attractive levels. Composite returns are shown before taxes and the deduction of custody fees (except for mutual funds, which includes all fees). The composite returns presented represent past performance and is not a reliable indicator of future results, which may vary.

Fee Schedule

Lazard's standard fee schedule for U.S. High Yield accounts is 0.50% on the first \$50 million of assets, 0.45% on the next \$50 million and 0.40% of the balance. (This fee schedule may

be presented in non-U.S. local currency equivalents based on prevailing exchange rates.) Actual account fees, inclusive of performance-based fees (if applicable) are used in the construction of composite net of fee performance unless otherwise noted. A complete list and description of all Lazard composites is available upon request.

Benchmark Information

The BofA Merrill Lynch High Yield Master II Index provides a broad-based measure of the performance of the non-investment grade U.S. domestic bond market. The Index is "rules-based" which means that issues must conform to the following criteria: be in the form of publicly placed nonconvertible, coupon-bearing U.S. domestic debt or Yankee bonds, carry a term to maturity of at least one year and have at least \$100 million face value outstanding. A bond's weight in the Index is based on its total outstanding capitalization (total face value currently outstanding times price plus accrued interest). The Index is rebalanced on the last calendar day of the month.

GIPS Compliance and Verification Status

Lazard Asset Management claims compliance with the Global Investment Performance Standards (GIPS®) and has prepared and presented this report in compliance with the GIPS standards. Lazard Asset Management has been independently verified for the period of January 1, 1993 through December 31, 2010. The verification reports are available upon request. Verification assesses whether (1) the firm has complied with all the composite construction requirements of the GIPS standards on a firm-wide basis and (2) the firm's policies and procedures are designed to calculate and present performance in compliance with the GIPS standards. Verification does not ensure the accuracy of any specific composite presentation. Lazard Asset Management is the "Firm" to which the GIPS Standards apply (Frankfurt office included in Firm definition as of January 1, 2003). GIPS is a registered trademark of CFA Institute. CFA Institute has not been involved in the preparation or review of this presentation. The composite creation date is March 1995.

	Calendar											Annualized					
	QTD	YTD	2010	2009	2008	2007	2006	2005	2004	2003	2002	2001	1 YR	3 YR	5 YR	10 YR	Since Inception
Lazard Rate of Return (%; Gross of Fees)	-3.71	0.32	12.17	37.31	-17.78	4.30	10.23	4.18	10.83	26.73	-9.97	5.72	2.41	10.10	6.67	7.50	6.79
Lazard Rate of Return (%; Net of Fees)	-3.83	-0.03	11.68	36.77	-18.14	3.86	9.75	3.70	10.27	25.98	-10.41	5.26	1.95	9.62	6.22	7.00	6.37
Benchmark (%; Rate of Return)	-6.31	-1.69	15.19	57.51	-26.39	2.19	11.77	2.74	10.87	28.15	-1.90	4.48	1.32	13.68	6.94	8.57	7.38
Composite Standard Deviation (3-yr. Ann.)		12.16	12.59	12.52	10.61	3.86	3.40	4.95	9.47	11.33	11.33	8.58					
Benchmark Standard Deviation (3-yr. Ann.)		16.12	16.92	16.78	13.31	4.49	3.81	5.39	8.36	10.48	10.15	7.82					
# of Portfolios		4	4	3	3	3	3	3	3	2	2	2					
Composite Dispersion (Asset Wtd. Std. Dev.)		0.42	0.45	1.84	1.30	0.34	0.60	1.14	0.77	1.29	0.17	0.13					
Composite Assets (USD Millions)		372.6	376.6	251.6	156.5	190.9	169.3	165.3	188.7	212.5	158.5	181.7					
Total Firm Assets (USD Billions)		121.9	140.6	116.5	79.8	126.9	97.7	77.6	76.5	69.1	51.6	62.5					

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