

**PRODUCT PROFILE / 4Q 2010**

## U.S. Small-Mid Cap Equity

**STRATEGY DESCRIPTION**

Lazard U.S. Small-Mid Cap Equity invests in financially productive small- and mid- cap companies with attractive valuations. The strategy seeks to outperform the Russell 2500 Index in all market environments by taking advantage of the diverse opportunity set offered by this universe. The strategy typically invests in 70-90 securities of companies with a market capitalization of between \$350 million and \$10 billion at purchase, or that are included in the Russell 2500 Index.

**PERFORMANCE (%) — AS OF DECEMBER 31, 2010**

(%; Gross of fees)	3-Month	YTD	1-Year	Annualized Returns		
				3-Year	5-Year	10-Year
<b>Lazard U.S. Small-Mid Cap Equity</b>	<b>15.2</b>	<b>24.9</b>	<b>24.9</b>	<b>8.0</b>	<b>9.1</b>	<b>9.9</b>
Russell 2500 Index	14.9	26.7	26.7	2.5	4.9	7.0

Performance is preliminary and presented gross of fees. Please refer to the disclosure sections for additional performance information, including net-of-fees results. The performance quoted represents past performance. Past performance is not a reliable indicator of future results.

**PORTFOLIO DRIVERS FOURTH QUARTER 2010**

<b>Helped</b>	<b>+</b>	Stock selection in the consumer discretionary sector
	<b>+</b>	Stock selection in the industrials sector
	<b>+</b>	Stock selection in the energy sector
<b>Hurt</b>	<b>-</b>	Stock selection in the health care sector

**COMMENTARY**<sup>1</sup>

The year proved to be strong for small- and mid-cap companies, as the Russell 2500 Index rose over 26% for 2010 and almost 15% in the fourth quarter alone. All sectors posted gains in the fourth quarter, led by the energy sector. Growth-oriented sectors tended to outperform over the period due to the continuing economic recovery in the United States, while the more defensive sectors, such as utilities, underperformed.

We believe that several macro factors are playing a large role in moving the small- and mid-cap asset class, particularly large investor flows toward exchange-traded funds (ETFs) and investments that track indices, as well as the heightened amount of mergers and acquisitions activity. It is our firm view, however, that not all

companies are equal and that, as the U.S. economic recovery continues, investors will eventually re-recognize fundamentals as the true driver of a company's value.

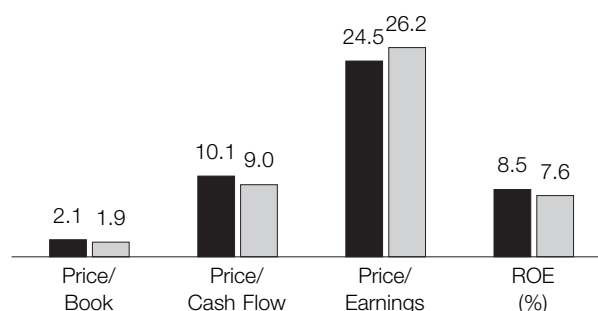
Regardless of the environment, we continue to be very positive on the small- and mid-cap space and, as always, believe that the real opportunities will come from bottom-up, fundamental security selection in solid companies that have the ability to thrive in improved conditions and survive amid significant market volatility. We believe our focus on forward-looking, fundamental analysis to find companies with underappreciated earnings streams will help us to continue to deliver strong results.

**PORTFOLIO PROFILE**<sup>1, 2</sup>

	Lazard	Russell 2500 Index
Number of Securities	85	2,462
Current Dividend Yield (%)	0.9	1.3
Average Weighted Market Cap (\$ billions)	3.5	2.7
Turnover - Trailing 12 Months (%)	114.8	N/A

**Characteristics**

- Lazard
- Russell 2500 Index



Sector Allocation	Lazard Weighting %	Russell 2500 Index Weighting %
Financials	20.4	20.2
Information Technology	17.8	15.8
Consumer Discretionary	15.1	14.4
Industrials	14.7	14.7
Materials	8.5	6.9
Health Care	8.1	10.6
Energy	6.9	7.2
Utilities	4.8	5.6
Consumer Staples	3.6	3.3
Telecommunication Services	0.0	1.4

**NOTES:**

1 The allocations mentioned are based upon a portfolio that represents the proposed investment for a fully discretionary account. Allocations are subject to change.

2 Investment characteristics are based upon a portfolio that represents the proposed investment for a fully discretionary account. Source: Lazard, Russell Investments.

Equity securities will fluctuate in price; the value of your investment will thus fluctuate, and this may result in a loss. Small- and mid-capitalization stocks may be subject to higher degrees of risk, their earnings may be less predictable, their prices more volatile, and their liquidity less than that of large-capitalization or more established companies' securities.

## ABOUT LAZARD ASSET MANAGEMENT

### DIFFERENTIATING FEATURES

- Focus on security selection and portfolio construction
- Accounting validation process
- Internal global research resources
- Risk management
- Team approach to investing

### FIRM OVERVIEW

Tracing its history back to 1848, Lazard has long maintained a pre-eminent position in the world's financial marketplace. Lazard Asset Management LLC, an indirect subsidiary of Lazard Ltd., is known for its global perspective on investing and years of experience with global, regional, and domestic portfolios. With more than 250 investment personnel worldwide, we offer investors of all types an array of equity, fixed income, and alternative investment solutions from our network of local offices in ten different countries. Our team-based approach to portfolio management helps us to deliver robust and consistent performance over time, and strong client relationships allow us to understand how to employ our capabilities to our clients' advantage.

### INVESTMENT PHILOSOPHY

- **Pick securities, not markets.** Securities are evaluated individually, and capital is allocated to the most attractive. Each investment decision is backed by original research, strict accounting validation, and fundamental analysis.
- **Find relative value.** A careful analysis of valuation is predicated on a long-term view of financial productivity. Understanding that value is determined by the relationship between cost and reward, an emphasis is placed on strong fundamentals.
- **Manage risk.** Although it cannot be avoided, risk can be actively managed through an understanding of the cumulative risk resulting from individual investment decisions.
- **Stick to our discipline.** In the course of a complete market cycle, investment styles will fall in and out of favor. By remaining faithful to our approach, success can be measured with a long-term perspective.

### INVESTMENT PROCESS

- **Analytical Framework.** Our analysts screen global databases consisting of thousands of companies, searching for those with a high return on capital and an attractive share price.
- **Accounting Validation.** Analysts use this process to 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. They also try to identify and take advantage of pricing anomalies and discover opportunities, including hidden value per share and hidden risks.
- **Fundamental Analysis.** We conduct fundamental analysis to determine the sustainability of returns, to discover hidden value, and to identify a catalyst for price revaluation.
- **Analyst Recommendations and Portfolio Construction.** Analysts propose and defend stock recommendations to the portfolio management teams, thereby identifying a group of undervalued securities that meet the teams' portfolio criteria. The portfolio teams must agree on the merits of the stock in order for a purchase to occur.

### ASSETS UNDER MANAGEMENT

As of September 30 2010

Total Firm Assets:	\$129.5 billion
Total U.S. Small-Mid Cap Equity Assets:	\$1.0 billion

Assets include those of Lazard Asset Management LLC (New York) and its affiliates, but do not include those of Lazard Frères Gestion (Paris) or other asset management businesses of Lazard Ltd.

### SELL DISCIPLINE

Portfolios are reviewed on a daily basis, and an individual security is sold when:

1. its stock price is no longer believed to reflect fair value;
2. substantial changes have occurred in the company's fundamentals; or
3. the investment thesis is no longer valid.

Portfolio ideas are generally implemented equally for all fully discretionary portfolios with similar mandates.

## PERFORMANCE DISCLOSURE

Reporting Currency:	U.S. Dollars
Reporting Date:	December 31, 2010
Benchmark:	Russell 2500 Index
Composite Inception Date	May 1, 2000

	Lazard Return (%; Gross of Fees)	Lazard Return (%; Net of Fees)	Benchmark Return (%)
Annualized			
1-Year	24.9	23.8	26.7
3-Year	8.0	7.1	2.5
5-Year	9.1	8.2	4.9
10-Year	9.9	9.2	7.0
Since Inception	10.0	9.3	6.5

Calendar Periods	Lazard Return (%; Gross of Fees)	Lazard Return (%; Net of Fees)	Benchmark Return (%)
QTD	15.2	15.0	14.9
YTD	24.9	23.8	26.7
2009	57.3	55.5	34.4
2008	-35.8	-36.2	-36.8
2007	0.9	0.2	1.4
2006	21.4	20.8	16.2
2005	9.3	9.0	8.1
2004	20.1	19.8	18.3
2003	33.8	33.2	45.5
2002	-18.5	-19.0	-17.8
2001	15.9	15.2	1.3

## DISCLOSURE NOTES

The composite returns represent the total returns of all fully discretionary, fee-paying portfolios with a U.S. Small-Mid Cap Equity investment mandate and a minimum of \$5 million in assets under management.

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, use trade date accounting, are based upon monthly portfolio valuations from May 2000 to the present, 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. 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.

Lazard's standard fee schedule for U.S. Small-Mid Cap Equity accounts is 0.80% of the first \$100 million of assets and 0.60% 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.

The Russell 2500 Index represents the bottom two thirds of the largest 3,000 publicly traded companies domiciled in the United States. Only common stocks are included in the Index; in the case of multiple classes of stock, generally only one is allowed. Any stock public at the time of reconstitution is eligible for inclusion.

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, 2009. 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 July 2000.

The table below describes historical composite information:

Calendar Periods	# of Portfolios	Composite Dispersion (Asset Wtd Std. Dev.)	% of Firm Assets	Total Firm Assets (USD billions)
YTD 09/30/10	7	0.31	0.5	129.5
2009	<5	0.45	0.2	116.5
2008	<5	N/A	< 0.1	79.8
2007	<5	N/A	< 0.1	126.9
2006	<5	N/A	< 0.1	97.7
2005	<5	0.03	0.4	77.6
2004	<5	0.01	0.4	76.5
2003	<5	0.60	0.4	69.1
2002	<5	0.07	0.2	51.6
2001	<5	0.75	0.2	62.5