

# Lazard

## U.S. Tax-Exempt Opportunities 4Q11

### Investment Objective and Strategy

Lazard U.S. Tax-Exempt Opportunities seeks to produce a strong total return profile, consistent with the intermediate municipal investment-grade market. In addition to investment-grade municipal securities, the investment team will seek to allocate a portion of the portfolio to other fixed income sectors that we believe will produce attractive after-tax returns. The strategy relies on fundamental security selection and disciplined portfolio construction as it seeks to generate excess returns within a volatility framework that is representative of intermediate municipal investment-grade active management.

### Investment Characteristics<sup>1,2</sup>

	Lazard	BofA Merrill Lynch 1-10 Year Municipal Bond Index
Effective Duration (Years)	3.48	3.92
Effective Yield (%)	1.73	1.42

### Yield Curve Exposure (%)<sup>1,2</sup>

Curve	Lazard	BofA Merrill Lynch 1-10 Year Municipal Index	Difference
0	7	2	5
1	3	10	-7
2	16	16	0
3	28	15	13
4	18	14	4
5	12	21	-9
7	14	9	5
10	3	14	-11

### Performance Data

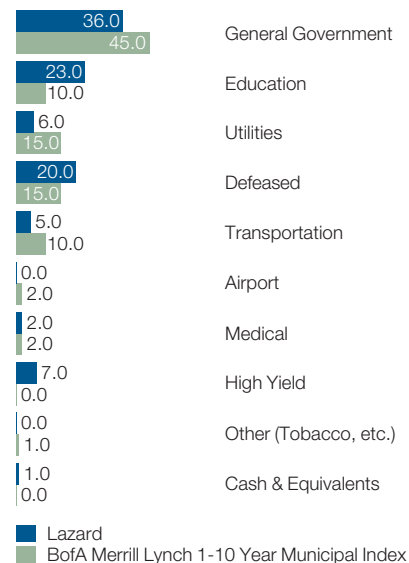
(%; gross of fees; through December 31, 2011)

	3 Months	1 Year	Annualized		
			3 Years	5 Years	10 Years
Lazard U.S. Tax-Exempt Opportunities	1.63	5.50	5.16	5.17	4.67
Linked Index <sup>4</sup>	1.57	6.80	5.85	5.70	4.87

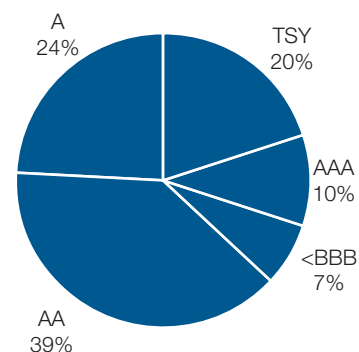
Performance is preliminary and presented gross of fees. Please refer to "GIPS® Composite Information" for the most recent final performance and additional information, including net-of-fees results. The performance quoted represents past performance. Past performance is not a reliable indicator of future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

### Allocation (%)<sup>1,2</sup>

by Sector



### Credit Quality Distribution<sup>3</sup>



## Notes

- 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.
- Source: Lazard, BofA Merrill Lynch
- Credit quality ratings on the underlying securities of the portfolio are obtained from three major reporting agencies – Standard & Poor's (S&P), Moody's, and Fitch. For U.S. government securities, the terms "Tsy" and "Agy" are utilized to differentiate the special standing of these securities. For nongovernment securities, the lower of Moody's or S&P is used when both are available. In the event the security is not rated by Moody's and S&P, Lazard uses Fitch. If a security is not explicitly rated, Lazard will use the underlying ratings assigned to the security's obligor. Lazard converts all ratings to the equivalent S&P major rating category for purposes of the categories shown. Ratings and the portfolio's credit quality distribution may change over time. The portfolio itself has not been rated by an independent rating agency.
- From inception through December 31, 2010, this composite's benchmark was the Barclays Capital U.S. 5 Year Municipal Bond Index. As of January 1, 2011 this strategy's index has switched to the BofA ML 1-10 Year Municipal Securities Index. The Barclays Capital U.S. 5 Year Municipal Bond Index is a market-value-weighted index for the intermediate-term tax-exempt bond market. This index includes a portfolio of municipal bonds with an investment grade of Baa3/BBB- or higher and with an average maturity of five years. The BofA Merrill Lynch U.S. Municipal Securities Index tracks the performance of U.S. dollar denominated investment grade tax-exempt debt publicly issued by U.S. states and territories, and their political subdivisions, in the U.S. domestic market. The BofA Merrill Lynch 1-10 Year Municipal Securities Index is a subset of the BofA Merrill Lynch U.S. Municipal Securities Index including all securities with a remaining term to final maturity of less than 10 years. The index is unmanaged and has no fees. One cannot invest directly in an index. The reason for this change is that the new benchmark better reflects the yield curve exposures in Lazard's intermediate strategies versus the Barclay's 5 year which reflects only 4-6 year maturities. In addition, the BofA ML 1-10 Year Municipal Securities Index is being used by more managers in the investment industry for intermediate mandates.

## Important Information

Published on January 31, 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. 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.

## GIPS Composite Information

Composite Name	Lazard U.S. Tax-Exempt Opportunities
Benchmark	BofA Merrill Lynch 1-10 Year Municipal Bond Index / Barclays Capital U.S. 5 Yr Municipal Bond Index
Reporting Date	September 30, 2011
Composite Inception Date	October 1, 1992
Reporting Currency	U.S. Dollar

### Composite Description

The composite returns represent the returns of all fully discretionary, fee-paying portfolios with a U.S. Tax-Exempt Opportunities mandate and a minimum of \$1 million since inception through December 31, 2007, and \$5 million in assets under management from January 1, 2008 to the present. The primary objective of the U.S. Tax-Exempt Opportunities strategy is to outperform the total return of the intermediate municipal investment grade market as represented by the BofA ML 1-10 Year Municipal Bond Index. In addition to investment grade municipal securities, the strategy will seek to allocate a portion of the portfolio to other fixed income sectors that are expected to produce attractive after-tax returns. The U.S. Tax-Exempt Opportunities strategy relies on fundamental security selection and disciplined portfolio construction as it seeks to generate excess returns within a volatility framework that is representative of intermediate municipal investment grade active 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 composite contains solely taxable accounts. As of January 1, 2007, the composite inclusion criteria have changed to only include accounts where there are no restrictions with respect to states in which they can invest. The returns of the individual portfolios within the composite are time-weighted, use trade date accounting, are based upon monthly portfolio valuations and include the reinvestment of all earnings as of the payment date. The composite returns are asset-weighted based upon beginning 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). Lazard's U.S. Tax-Exempt Opportunities composite includes all dedicated U.S. Tax-Exempt portfolios, and as of January 1, 2007 includes the U.S. Tax-Exempt segment of Lazard's balanced portfolios that are managed to Lazard's U.S. Tax-Exempt Opportunities strategy. Each carve-out segment has its own separate cash accounting. For the calendar year ends, between 2006 and 2010, the following are the respective carve-out percentages of the composite, 0.0%, 38.6%, 0.0%, 0.0% and 40.9%. For these carve out portfolios, net of fee performance has been calculated using the standard fee schedule for the U.S. Tax-Exempt Opportunities strategy. The composite returns presented

represent past performance and is not a reliable indicator of future results, which may vary. From inception through June 30, 2003, the composite name was U.S. Taxable Fixed Income Intermediate, and from July 1, 2003 through September 30, 2007, the composite name was U.S. Municipal Plus. As of October 1, 2007 the composite has changed its name to U.S. Tax-Exempt Opportunities.

### Fee Schedule

Lazard's standard fee schedule for U.S. Tax-Exempt Opportunities accounts is 0.35% of the first \$100 million of assets and 0.25% of the balance. 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

From inception through December 31, 2010, this composite's benchmark was the Barclays Capital U.S. 5 Year Municipal Bond Index. As of January 1, 2011 this strategy's index has switched to the BofA ML 1-10 Year Municipal Bond Index. The Barclays Capital U.S. 5 Year Municipal Bond Index is a market-value-weighted index for the intermediate-term tax-exempt bond market. This index includes a portfolio of municipal bonds with an investment grade of Baa3/BBB- or higher and with an average maturity of five years. The BofA Merrill Lynch U.S. Municipal Securities Index tracks the performance of U.S. dollar denominated investment grade tax-exempt debt publicly issued by U.S. states and territories, and their political subdivisions, in the U.S. domestic market. The BofA Merrill Lynch 1-10 Year Municipal Bond Index is a subset of the BofA Merrill Lynch U.S. Municipal Securities Index including all securities with a remaining term to final maturity less than 10 years. The reason for this change is that the new benchmark better reflects the yield curve exposures in Lazard's intermediate strategies versus the Barclay's 5 year which reflects only 4-6 year maturities. In addition, the BofA ML 1-10 Year Municipal Bond Index is being used by more managers in the investment industry for intermediate mandates.

### 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 January 1993.

	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)	1.27	3.81	3.12	6.89	5.38	4.99	3.85	1.64	3.00	4.39	8.07	5.58	2.51	5.76	5.01	4.46	5.02
Lazard Rate of Return (%; Net of Fees)	1.19	3.56	2.83	6.62	5.14	4.64	3.45	1.24	2.60	3.95	7.72	5.21	2.19	5.46	4.71	4.11	4.64
Benchmark (%; Rate of Return)	1.89	5.15	3.40	7.40	5.78	5.15	3.34	0.94	2.72	4.13	9.27	6.21	3.50	6.67	5.50	4.66	5.16
Composite Standard Deviation (3-yr. Ann.)		2.78	3.61	3.43	2.89	1.63	1.99	2.60	3.17	3.16	3.10	2.76					
Benchmark Standard Deviation (3-yr. Ann.)		3.36	4.36	4.15	3.43	1.74	2.40	3.17	3.90	3.68	3.17	2.45					
# of Portfolios		3	2	1	1	7	4	4	4	4	5	8					
Composite Dispersion (Asset Wtd. Std. Dev.)		0.24	N/A	N/A	N/A	0.12	0.14	0.12	0.14	0.14	0.22	0.29					
Composite Assets (USD Millions)		35.5	29.4	17.7	14.5	30.9	22.3	20.4	22.1	27.4	41.4	73.7					
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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