

April 2010

Outlook on Global Equity Markets

Global stock markets were volatile, but finished the first quarter of 2010 slightly higher amid the continuing global economic recovery. During the period, investors witnessed many developments, including intensifying sovereign default risk in Europe, tightening credit conditions in China, monetary policy tightening in Australia and India, proposals to overhaul the financials sector, and landmark health care legislation in the United States.

European markets declined amid continuing concerns over the possible repercussions of the debt crisis in Greece, despite the European Union's proposed solution. Furthermore, concerns remained about possible contagion should the situation in Greece deteriorate. Overall, U.S. equities performed well amid the improving economic outlook, while most Asian markets were also higher on continued economic resilience. Australian markets benefited from the strong demand for raw materials, and Japan, which ramped up its quantitative easing measures, also rose during the period.

U.S. EQUITY

Capitalizing on Economic Evolution

As we progress through 2010, we anticipate that the prognosticators who foretold a sharp rebound from the severe recession will appear to be right, at least for a while. We see signs of economic strength in the near future, as reopened credit markets, monetary and fiscal stimulus, and the end of inventory de-stocking combine to deliver strong GDP growth. We believe this economic strength will be realized in spite of the beginning of the exit story for the U.S. Federal Reserve (the Fed), as it has already terminated most of its direct market intervention programs. The story, however, becomes more difficult as we move into 2011 and fiscal tailwinds reverse to become strong headwinds. While we do not anticipate severe sovereign stress in 2010, we see Greece as the "shot across the bow," warning governments globally that sustained fiscal profligacy will not be tolerated.

The Quarter Behind Us

Several items stood out in the just-ended quarter:

- **The beginning of the end of extraordinary market intervention by the Fed.** Over the past 30 months, central banks and governments have layered on more and more programs to offset the precipitous decline that began in the wreckage of the mortgage crisis. Over the last few months, the Fed began the arduous and risky process of exiting the first phase of intervention. One could characterize the three stages of exit that the Fed will need to complete as:
 - Stage 1: Expiration and the ultimate unwinding of direct Fed purchases and financing of credit instruments
 - Stage 2: Normalization of monetary policy using short-term interest rates
 - Stage 3: Curtailment of fiscal stimulus through deficit reduction

Stage 1 began in earnest with the expiration of a range of facilities in the fourth quarter of 2009, and continued into 2010 with the end of the Commercial Paper Funding Facility, the Term Asset-backed Securities Lending Facility (TALF), and the end of the Mortgage-backed Securities (MBS) Purchase Program.

We had been concerned that the end of the MBS Purchase Program in particular would lead to an increase of mortgage borrowing rates of as much as 100 basis points. It now appears that we might have gotten the headline right, but the drivers of the increase are both different than we expected and potentially less detrimental to the housing market. Our concerns for mortgages relative to other securities have been mitigated by several factors:

- *Government-sponsored Enterprise (GSE) purchases of delinquent loans.* In mid-February, the Federal Home Loan Mortgage Corporation (Freddie Mac) and the Federal National Mortgage Association (Fannie Mae) indicated that they would buy all mortgages that were over 120 days past due out of Agency MBS pools. The amount of loans to be repurchased totals approximately \$200 billion, reducing the supply of Agency MBS outstanding by about the same amount as four months of Fed purchases would. The GSEs will have to issue unsecured Agency debt to fund these purchases, implying that the total amount of debt outstanding will not change, although the basis could narrow.
 - *Gross supply of MBS declined.* In mid-2009, originations of Agency MBS exceeded \$200 billion per month. By early 2010, originations had declined to under \$100 billion per month.
 - *Net new money flows into long-term fixed-income funds.* Year-to-date through March 24, 2010, net flows into long-term bond funds exceeded \$90 billion.¹ These flows were met with strong supply of corporate debt, but likely ended up in residential mortgages as well.
 - *Investors ready to fill the gap.* Many investors have been structurally underweight Agency MBS given the huge demand from the Fed and Treasury, which collectively bought approximately 80% of all gross issuance in 2009. As the Treasury stopped purchases in December of 2009 and the Fed gradually winded down purchases through the first quarter of 2010, these investors were poised to cover their structural underweight positions, especially considering the decline in yields available from other parts of the securities markets.
- **Sovereign risk emerged.** The events surrounding Greece—as well as peripheral concerns around Portugal, Italy, Ireland, and Spain—reminded us that sovereign investments are not immune to credit risk. At quarter-end, the Eurozone members issued a statement of support for Greece. While this stabilized the situation, Greece still faces challenges.
 - **House prices remained relatively stable.** On a seasonally unadjusted basis, house prices declined sequentially in the United States in each of the four months ended January 2010 (reported on March 31, 2010).² The total decline from the peak of the recent rebound was only 1%, implying more stability than we had expected. On a seasonally adjusted basis, house prices extended their sequential winning streak to eight months, with a cumulative price increase of 3.9%. We continue to expect some incremental downside in U.S. house prices, but are increasingly of the view that we are close to a bottom.
 - **Commercial mortgage markets began to improve.** While the commercial real estate (CRE) pain is likely still in the early phases, the markets began to improve in 2010. The key risk in CRE has been the inability of many borrowers to roll financing, especially in the peak roll years of 2011 to 2013. With the reopening of credit markets extended now to include real estate investment trusts (REITs), the repackaging of some legacy loans, and the occasional new deal, we have seen evidence of increased appetite (among insurance companies in particular) to fund new commercial mortgage-backed securities (CMBS) or whole loans. To the extent this is sustained, many of the forecast defaults are unlikely to occur, implying that prices fully (if not overly) reflect the risk.
 - **Deleveraging continued.** Total debt divided by GDP in the United States declined again to 348% from a peak level of 360% only three quarters earlier. The decline was driven by the financials sector, which fell to 108% debt/GDP versus a peak of 120%, and by consumer deleveraging, which fell to 93.6% debt/GDP from a peak of 96.8%.³ The offset came from government debt: federal, state, and local borrowing from non-government owners is now 70.3% of GDP in aggregate, up from 60% at the end of 2008 and 51% at the end of 2007. We expect this metric to reach 100% of GDP within the next four or five years, assuming current budget forecasts are realized. (The balance was comprised of changes in corporate debt.)
 - **The Treasury yield curve steepened further.** The spread between the yield on 2-year Treasuries versus 10-year notes rose to a record-wide 291 basis points during the first quarter from an already wide 269 basis points. The spread between the 10-year and 30-year yields also widened to 89 basis points from 80 basis points. While some commentators ascribe the widening to inflation fears, we are increasingly inclined to attribute it to heightened sovereign credit risk. While we do not see a sovereign default by the United States, it does make sense that the massive transfer of risk from the private sector to the public sector through fiscal deficits will likely lead to a higher cost of credit for the U.S. Government. Essentially, what we call the “risk-free curve” is no longer as risk-free as the name suggests.

The Quarter and Year Ahead of Us

As noted above, we see signs of economic strength in the near future, as reopened credit markets, monetary and fiscal stimulus, and the end of inventory de-stocking combine to deliver strong GDP growth. We believe this economic strength will be realized in spite of the beginning of the Fed’s exit. The story, however, becomes more difficult as we move into 2011 and fiscal tailwinds reverse to become strong headwinds.

Our near-term economic optimism reflects the following primary factors:

- **Fiscal stimulus in 2010.** As of March 19, 2010, \$304 billion of the \$787 billion fiscal stimulus package had been expended. Of this amount, approximately \$50 billion was delivered in the three months following December 25, 2009.⁴ One-third of the total package to date has been in the form of tax cuts. The fiscal 2010 plan included \$400 billion of spending and tax cuts versus approximately \$185 billion targeted at fiscal 2009. (The federal fiscal year ends on September 30, while most states have fiscal years ending June 30.) The federal spending and tax cuts over fiscal 2010 equate to just over 2.75% of GDP, or an incremental 1.5% of GDP versus fiscal 2009.
- **Census Bureau hiring.** The U.S. Census Bureau is expected to hire 1.8 to 2.0 million employees this year for the decennial count. Taken against a labor force of 153 million employees, of whom 14.9 million are currently unemployed, these hires could meaningfully decrease the unemployment rate in 2010, with the potential for incremental job creation on the back of spending by the newly employed census workers.
- **Transition from inventory de-stocking to re-stocking.** While we have yet to see hard evidence of inventory re-stocking, a broad range of cyclical companies have indicated that they are no longer de-stocking inventories. The slowing or stopping of de-stocking is positive for GDP and employment, if for no other reason than that fewer jobs are shed. If de-stocking transitions to re-stocking, we could see material increases in private sector employment alongside the public sector jobs created for the Census.
- **Reopening of the jumbo mortgage market.** In recent weeks, we have seen a new willingness on the part of investors to buy whole loans that are too large to meet the requirements of Fannie Mae and Freddie Mac for conforming MBS. Additionally, we have seen a securitization of jumbo loans originated well before the peak of the housing bubble. To the extent that we see a broader reopening of the credit markets for borrowers buying homes with a mortgage in excess of the conforming limit (ranging from \$417,000 to \$729,750, depending on the metropolitan statistical area), we could see a multiplier effect. The multiplier effect would reflect the fact that families buying homes for over \$500,000 are likely to spend more meaningful amounts on improvements, furnishings, and other assets related to such houses than would be first-time homebuyers. Moreover, the same demographic buying such homes often has direct exposure to equity markets.

Put simply, we should not discount the 80/20 rule, in which the wealthiest Americans in large part drive the economy. These people typically have a much larger exposure to equity markets, either directly or indirectly, than the rest of the population, which has minimal exposure. The numbers illustrate the point: In 2007, 51% of American families had some stock holdings (whether direct or indirect).⁵ The median value of such family holdings was only \$35,000. Of the 10% of Americans with the highest annual income in 2007 (the median income was \$206,900 and mean was \$397,700), 91% owned equities, with a median family ownership of \$219,000.⁵ As such, the wealthiest families have seen their equity values generally increase already. This rebound, coupled with increased liquidity for residential real estate, could lead to a virtuous cycle of spending and investment, leading to more employment, which could then lead to more spending.

Our concerns beyond the near term reflect the following primary factors:

- **Fiscal headwinds in 2011 and beyond.** As we move into fiscal 2011 beginning October 1, 2010, we will see a significant downshift in fiscal stimulus, from \$400 billion over fiscal 2010 to \$135 billion.⁶ The headwind from this decreased stimulus alone will equate to roughly -1.85% of GDP.

Beyond the winding-down of fiscal stimulus, the tax cuts introduced by the Bush Administration will expire in 2011. The combined impact of the expiration of tax cuts and the decreased fiscal stimulus (in the form of tax cuts) will be an increase in federal tax revenue of approximately \$500 billion, or 330 basis points of GDP, assuming no change to current laws. Even if a plan is passed by the current Administration to exempt families with less than \$250,000 of annual income from the reversion to the pre-Bush tax-cut rates, the increase in federal revenue is estimated by the Congressional Budget Office to total \$343 billion, or 230 basis points of expected GDP.

The bottom line is that, regardless of exemptions, the federal take of GDP will increase substantially in 2011, even while Census Bureau jobs begin to wind down and the private sector continues to deleverage.

- **Sustained pressure on state and local governments.** Compounding the federal stress is the ongoing pain in state and local governments. The Center on Budget Policy and Priorities published a report in February 2010 indicating that the states face mid-year 2010 budget gaps of \$38 billion more than originally anticipated at the beginning of their fiscal year. These fiscal 2010 budget gaps are compounded by new forecasts of budget gaps in fiscal year 2011 totaling \$103.5 billion. The current projected fiscal year 2011 gaps total approximately 16.9% of all state spending in fiscal 2010.

The state budget gaps in 2011 are particularly troublesome, as they might occur at exactly the time when less federal aid is available to sustain mandated spending such as education and Medicare.

- **Increasing sovereign borrowing rates push up the cost of funding across the economy.** Against this backdrop, it would not be unreasonable to expect sovereign borrowing rates to increase in and beyond the United States as governments compound their debt. The Fed published a study in 2003 indicating that, historically, an increase of 100 basis points in the ratio of debt to

GDP increased the cost of funding by as much as 4 to 5 basis points.⁷ In light of the current projected increase in debt/GDP for the federal government of 2,000 basis points from the end of fiscal year 2009 to the end of fiscal year 2012, it would appear reasonable to expect an increase in 10-year Treasury yields of 80 to 100 basis points.⁸

To the extent investors do not see compelling reductions in annual budget deficits, we believe there is a real risk of a spike in U.S. borrowing rates, especially considering how dependent the U.S. Federal Government is on short-term debt financing.

Conclusion

Throughout this period, we believe it is imperative that investors remain disciplined and focus on the cash flows that will be generated by companies both in the near and long term. As markets typically recognize reality before it is apparent, we expect that, as 2010 unfolds, investors will begin to realize that the V-shaped recovery may not be sustainable, and could in fact be supplanted by a quite subdued recovery. We believe this muted recovery will mask seismic shifts in capital across and within industries in the United States, making it all the more important that investors rely on forward-looking, fundamental research rather than backward-looking, mean reversion approaches.

Ultimately, the combination of monetary and fiscal stimulus should yield to a resumption of economic growth. This growth, however, will not be fueled by widely available, underpriced leverage. Instead, the growth will likely be driven by an ongoing recalibration of capital across and within various industries against a backdrop of aggregate deleveraging.

As we highlighted in last quarter's outlook, it is important to recognize that risk often merely changes form rather than disappears. Currently, we believe that risk transformation, in the form of debt, is being moved from the private sector to the public sector. As Greece has learned, the markets will not tolerate fiscal irresponsibility forever—a lesson that might not be over yet.

Over the quarters and years ahead, we continue to expect to see increasing differentiation between the winners, survivors, and losers. We expect the winners to be the companies with strong balance sheets, robust organic cash flow, and resulting operational flexibility. We believe that our forward-looking, fundamental research, deployed through a robust scenario analysis framework and disciplined portfolio construction process, is particularly well designed for the kind of uncertainty we are likely to see on the road ahead.

*Written by:
Ronald Temple, Managing Director, Portfolio Manager/Analyst*

EUROPEAN EQUITY Dispersion in the Eurozone

In the first quarter of 2010, Europe found itself at the center of the economic news cycle for all the wrong reasons. Worries over the spiraling debt of certain countries on the periphery of the continent, most notably Greece, tainted the core of Europe by association. This left the euro facing one of its most difficult times since the currency's introduction over a decade ago.

The reality of the situation is that the Eurozone is a markedly diverse region. The global downturn has highlighted the inherent strengths of the strongest markets in Europe and thrown into stark contrast the underlying flaws of the weakest. Thus, we believe it would be ill advised to assume that the single market moves as one, as some countries have clearly weathered the financial downturn better than others.

Market movements were impacted by worries over sovereign risk, over the threat of globally rising interest rates, and around an anemic Eurozone growth rate of 0.1% in the fourth quarter of 2009. This all caused the market to reconsider the strength of the recent rally.

Unsurprisingly, such uncertainty made for a volatile quarter, with returns across stocks and sectors proving somewhat varied. This leads us to believe that the market is still sensitive to top-down factors, and that these factors are taking precedence over bottom-up fundamentals of individual companies. Adding to the uncertainty was the full-year 2009 earnings seasons; although many companies either met or beat expectations, forward-looking statements were conservative, which disappointed markets further.

Perhaps rather surprisingly, value stocks were out of favor in the first quarter, as companies with, for example, lower price/earnings ratios underperformed the market. Growth stocks and those with momentum fared better, almost without regard to how highly priced they had become.

Looking ahead, we are seeing value in areas that offer recovery and/or growth potential, while also finding some of the less-cyclical areas of the market, which offer much lower valuations, attractive as well. In our view, the gloomy picture of Europe portrayed in the media does not reflect the reality of a diverse region; growth will likely be sluggish in the coming months, but we believe the countries that make up the core of Europe are in a stronger position than much of the developed world. For example, they are less exposed to debt at

both the consumer and government level, their monetary environment is currently more stable, and their bond yields are lower. Furthermore, many European companies are increasingly tied in to global growth, particularly in the emerging markets, and these companies will likely be further helped by the recent weakness of the euro.

While still improving, the corporate environment remains challenging and some investors are likely to be disappointed, as overly strong revenue projections may not be realized by some companies. However, there is currently a range of investment opportunities available, and the macro difficulties in the early part of this year have only served to increase the value proposition. It is our firm belief that a focused, bottom-up stock-picking approach is one of the best strategies to unearth these opportunities in Europe.

*Written by:
Aaron Barnfather, Director, Portfolio Manager/Analyst*

JAPANESE EQUITY

Stutter Steps

In the midst of the global financial crisis, as Western governments raced to prevent excess private sector leverage from sending the world into an irreversible tailspin, the Japanese government did... nothing. A looming election froze any political decisions on fiscal policy, while the Bank of Japan continued down its path of attempting to exit from quantitative easing. Government and central bank inertia meant that any fallout from a loss in demand for goods produced by its sizeable export sector was likely to be felt across the entire economy. That is exactly what transpired. Japanese corporations rushed to cut output, as their vaunted just-in-time inventory-management systems require. This reverberated through supply chains, employment, domestic housing, and consumption and led to a steep 6% decline in the economy in the first half of 2009. While the United States and Europe took aggressive efforts to block the fallout of the financial crisis from affecting real economic activity, Japan took it fully on the chin.

Fast forward to 2010, and Japan's response to past events, while late, is consistent with everything Western governments embarked upon 12 months ago. The Bank of Japan is now pushing quantitative easing and murmuring about inflation targeting. The governing Democratic Party of Japan has put the finishing touches on a fiscal stimulus program, complete with new subsidies for family formation. On the back of a relatively easy comparative base—due to the very weak economic activity early last year—it should come as no surprise that Japan's economy is showing genuine signs of life, even without government support. With the government pursuing a pro-growth strategy, the prospects for Japan to stagger out of its lethargy are higher than at any time since the middle of the last decade.

Contrary to what most people believe, demographics support this trend. While much is made of Japan's aging population, there is precious little commentary on the growing number of 35- to 50-year-olds, the so-called "Echo Boom" generation. The total number of Echo Boomers is small compared to the original Baby Boomers, but it is of a sufficient size to have a material impact on the domestic housing market in the coming decade.

Despite the stuttering steps of economic recovery, valuations on the Japanese market remain subdued, and general media commentary continues to harp on problematic issues, such as the high level of government debt or the lack of shareholder focus in the corporate sector. These ongoing concerns—widely disseminated—are precisely what make Japan a very interesting investment opportunity at this juncture. While the ability of the Japanese market to fully decouple from the world is limited, especially if we embark on another economic downturn, Japan appears to be cheap and overlooked relative to most alternatives.

In addition to the overall macro backdrop, the world is embracing policies that actually work to Japan's comparative advantage. With private-sector growth constrained by the need to deleverage, government policy is seen as a tool to dampen the negative effects of a slowdown. Many of the government initiatives play into Japan's strengths, whether it is energy-efficiency technology, public/private infrastructure partnerships, distributed medical care, or expanding services to rural communities. The opportunities for Japan to benefit from growth in these fields in the coming decade are substantial and offer the potential to offset generalized weaknesses in commodity technologies and in first-world auto demand.

Recent months have seen a recovery in Japan's performance, both relative to the rest of the world and in absolute terms. As Europe grapples with remaining united while its member countries cope with bringing bulging deficits in line, and the United States enters phase two of its housing downturn, we believe that the prospect for Japan to be viewed as a safe haven should increase. This should be supported by a reasonably strong upturn in corporate profitability over the course of this year. As often happens during periods of transition, what starts out as a stutter can turn into a stampede. With Japan coming from a position of near irrelevance in investors' minds only a few months ago, there is every reason to be mindful of just such an outcome.

*Written by:
Timothy Griffen, Director, Portfolio Manager/Analyst*

EMERGING MARKETS EQUITY

Still Conservative

Following the sharp market rally of 2009, emerging markets have experienced a rather flat start to 2010. The positive news of reasonably buoyant global growth has been more than offset by weaker energy prices as well as a falling euro, caused principally by the Greek debt crisis.

Despite the current uncertainty, emerging markets have outperformed the developed world decisively since bottoming out in February of 2009. There are multiple drivers for this, and we feel that this trend will continue over the medium and long term. We believe that the fundamentals in the developing world—underwritten in large part by robust economic activity in China—are very good. Valuations are not excessive and, in general, the emerging markets' financial systems are not overleveraged. Due to strong levels of economic growth and corporate profits over the past decade, consumers in many parts of the developing world now have a greater ability to spend in comparison to what is happening in the industrialized world, where many have been forced to tighten their belts.

As we have pointed out in the past, perhaps the most dramatic change over the last decade has been the growing role of the consumer in the developing world. Compared with ten years ago, when they were under pressure, domestic consumers in emerging markets are now major beneficiaries—and drivers—of growth. In the future, we believe that even export-oriented countries like China will have to depend to a much greater degree on domestic consumption.

In light of this, our strategy continues to be positioned to benefit from domestic consumer spending as well as corporate and government spending in emerging markets. As corporations have generally had strong profits over the past six or seven years, governments have received larger tax revenues, which has led to relatively high employment rates and more disposable income for consumers in the developing world.

At the sector level, our biggest overweight is currently to consumer staples, as companies in this sector are supported by the gradual transition from export-oriented to consumer-led economies. While we are well represented in the consumer discretionary sector, it is in the staples sector where we see the most opportunities, with large and growing populations becoming wealthy enough to purchase many of the basic products that are taken for granted in developed markets. For the same reason, we are also positioned to benefit from our exposure to the telecom services sector; as is typical in developing countries, more people have cell phones than land lines, and these companies are exhibiting attractive and stable cash flows. Similarly, we believe our exposure to credit card processors, such as Redecard and Cielo in Brazil, positions us to benefit from the low, but fast-rising, penetration level of credit cards in emerging markets.

Our biggest underweight is currently in the energy sector. While oil prices remain reasonably high and have been rather stable in recent months, this does not necessarily translate into attractive levels of profitability for oil companies. In fact, some of these companies are searching for and extracting oil and gas from more remote places and deeper wells. This requires significant capital expenditure programs, which means building up cash reserves, raising capital, and other factors that can translate into lower levels of return on equity. Brazil's Petrobras, for example, will have to raise a significant amount of capital to build the infrastructure required to extract hydrocarbons from the country's deep pre-salt wells. The other issue negatively affecting profitability is heavy taxation by governments, which can result in most of the benefits from rising oil prices falling into government coffers as opposed to the oil companies themselves. Argentina and Russia are two examples. In Russia, in particular, the government only recently began granting tax holidays for Greenfield projects once it became clear that the oil companies were not incentivized to increase production levels (which, ultimately, could have resulted in potentially lower tax revenues for a government that is highly dependent on them).

In summary, our outlook is optimistic over three and five years. However, our current view must be tempered by the enormous rise in emerging markets equities since February 2009. As a result, we are neutral in the short term and would not advise investors to be aggressive at this point. Emerging markets rarely move in a linear fashion, and so we are of the opinion that long-term investors should maintain exposure to a conservative strategy at a level suitable to the risk they can assume. If a significant pullback were to occur, we might easily become more positive in the immediate term.

*Written by:
James Donald, Managing Director, Portfolio Manager/Analyst*

Important Information

- 1 Source: ICI
- 2 Standard & Poor's/Case-Shiller Home Price Indices
- 3 All peak levels were observed at quarter-end, March 31, 2009.
- 4 Source: www.recovery.gov
- 5 Source: Survey of Consumer Finances, published in 2009 by the U.S. Federal Reserve
- 6 Source: Congressional Budget Office
- 7 Source: New Evidence on the Interest Rate Effects of Budget Deficits and Debt, Thomas Laubach, Board of Governors of the U.S. Federal Reserve System, May 2003
- 8 Source of budget estimates is Congressional Budget Office letter dated March 5, 2010 to Senator Daniel Inouye from CBO Director Douglas Elmendorf.

Published on 6 April 2010.

Past performance is not a reliable indicator of future results.

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. Investments in Japan are subject to certain risks, such as the risks associated with the economy of Japan generally. A portfolio of securities concentrated in one country or geographic region may be subject to greater volatility than a more diversified portfolio. 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 market countries can be extremely volatile; performance can also be influenced by political, social, and economic factors affecting companies in emerging market countries.

The securities identified are not necessarily held by Lazard Asset Management for all client portfolios and should not be considered a recommendation or solicitation to purchase or sell the securities. It should not be assumed that any investments in these securities was, or will be, profitable.

This report is being provided for informational purposes only. It is not intended to, and does not constitute, an offer to enter into any contract or investment agreement in respect of any product offered by Lazard Asset Management and shall not be considered as an offer or solicitation with respect to any product, security or service in any jurisdiction or in any circumstances in which such offer or solicitation is unlawful or unauthorized or otherwise restricted or prohibited. The information and opinions presented in this report have been obtained 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 the published date, and are subject to change.

© 2010 Lazard Asset Management LLC