

First Quarter 2012

Lazard U.S. Equity

Performance Summary as of March 31, 2012

	QTD	1 Year	Annualized	
			3 Years	5 Years
Lazard U.S. Strategic Equity	10.80	6.37	22.66	1.84
S&P 500 Index	12.59	8.54	23.42	2.01
Excess Return (bps)	-179	-217	-76	-17
Lazard U.S. Equity Select	12.32	9.44	21.76	4.12
S&P 500 Index	12.59	8.54	23.42	2.01
Excess Return (bps)	-27	+90	-166	+211
Lazard U.S. Equity Value	12.74	5.42	22.94	1.05
Russell 1000 Value Index	11.12	4.79	22.82	-0.81
Excess Return (bps)	+162	+63	+12	+186
Lazard U.S. Mid Cap Equity	11.54	-0.34	26.84	1.61
Russell Midcap Index	12.94	3.31	29.13	3.03
Excess Return (bps)	-140	-365	-229	-142
Lazard U.S. Small-Mid Cap Equity	13.08	-4.54	30.32	4.97
Russell 2500 Index	12.99	1.33	28.42	3.03
Excess Return (bps)	+9	-587	+190	+194
Lazard U.S. Equity Concentrated	10.30	7.06	27.33	4.86
S&P 500 Index	12.59	8.54	23.42	2.01
Excess Return (bps)	-229	-148	+391	+285

Performance is preliminary and presented gross of fees. The performance quoted represents past performance. Past performance is not a reliable indicator of future results. Please refer to the Important Information section for a brief description of each composite.

Outlook on the United States

Throughout the last several months, the U.S. economic outlook has brightened progressively. We have discussed the secular theme of deleveraging often over the last several years and, unfortunately, that process can be quite precarious, especially when the ability of governments to decrease their leverage is involved. In 2010 and 2011, we endured some hair-raising encounters with catastrophe. The developed world still faces years of additional deleveraging in the private and public sectors, but we believe we have transitioned to a different phase of that process. In this new phase, the systemic risk of default by a major country is significantly lower than the past, largely because of monetary policy.

Some investors are worried that they have missed the rally in U.S. equities and risk assets more generally. While the low-hanging fruit may be gone, we believe we are transitioning to a

new backdrop for investing. Looking forward, we believe the importance of macroeconomic volatility is likely to decrease and company-specific drivers are likely to drive investment performance more so than in recent quarters. As a result, we would argue that while further gains are possible, they are more likely to be achieved by differentiating between the winners and losers in any given industry.

This view is premised in part on our expectation that the systemic risk reduction that has driven the rally since the second half of 2011 will be sustained. We expect to see continued success in addressing structural challenges in the Eurozone. We also believe the fears of a hard landing in China are likely to begin dissipating. In the United States, we see signs of improving economic momentum that is still not entirely reflected in asset valuations.

Headwinds do remain on the horizon for the Eurozone and the United States, but we believe these challenges can be addressed. There may be times when this confidence will appear misplaced in hindsight, but we feel it is critical to take a long-term view when investing.

The Quarter in Review

Throughout the first quarter of 2012, equity markets globally notched up impressive gains, taking the S&P 500 Index to only 10% below the pre-financial crisis peak. After substantially outperforming equity markets around the world in 2011, the U.S. stock market held its ground on a relative basis through the first quarter. The rally in the second half of 2011 was largely driven by the view that the Eurozone was addressing its challenges, if merely in bits and pieces. Those pieces came together as we entered 2012 when the European Central Bank (ECB) extended over €1 trillion in funding to European banks. This Long-Term Refinancing Operation (LTRO) offered banks three-year loans, against an extensive array of collateral, at an interest rate of only 1%. The LTRO reduced financial system susceptibility to the immediate uncertainty of long-term sovereign decisions. Taking into consideration that over 80% of funding for companies in the Eurozone is provided by banks, stabilizing the financial sector also sharply reduced the risk of contagion to the corporate sector.

At this point, we believe the probability of an extreme negative scenario in the Eurozone has meaningfully decreased. That said, the absence of a potential catastrophe is not cause for unbridled optimism. The Eurozone can solve its problems; it simply needs enough time to do so. We believe the ECB's LTRO will allow time for Eurozone governments to begin the long-term restructuring required to make the euro a sustainable and robust currency union.

With the fear of a Eurozone crisis dissipating, the United States enjoyed a quarter characterized by the increasing drumbeat of positive economic news. Job growth has accelerated with four million new private sector jobs created in the two years ended February 2012. This growth in private sector jobs has been obscured by the one million government jobs that have been eliminated in the same period. We have seen the benefit of this job growth in part through the release of pent-up demand for consumer durables, such as automobiles. Seasonally-adjusted annual sales rates for autos have increased from only 9.3 million units in early 2009 to 15 million in February of 2012.¹

Although we have not yet seen the evidence, we believe that the buying of new homes is something to watch for going forward. The S&P/Case-Shiller 20-City Home Price Index reached a new low on both a seasonally-adjusted and unadjusted basis for the period of November 2011 to January 2012 (released at the end of March). We believe there is little to no incremental downside in U.S. house prices from the current level.

The Quarter and Year Ahead

Although the outlook has improved, we must remain vigilant as it relates to external risks that could undermine U.S. recovery. While we believe such risks have declined, they are not gone entirely. The first such risk relates to the Eurozone, particularly in two regards:

- 1 Elections and referenda: France will hold presidential elections in late April with a run-off in early May, if needed. The statements made during a campaign could decrease investor confidence in the Eurozone's willingness to address its long-term structural challenges. Greece is also scheduled to hold elections. The current view is that there will be no clear victor, but instead a coalition government led by the New Democracy party. To the extent that the new government strays from established agreements with the International Monetary Fund (IMF) and European Union (EU), volatility could clearly result.

At minimum, we expect Ireland to hold a referendum for its citizens to approve changes in the Ireland and Eurozone relationship. There could be referenda beyond Ireland. Any of these plebiscites could create market stress.

- 2 Lack of sufficient reforms in the periphery: Portugal is the most perilously levered economy following Greece. At the end of 2011, Portuguese government debt/GDP stood at 102%. If the consensus expectations for GDP and incremental fiscal deficits are realized in 2012 and 2013, this debt/GDP figure could rise to 118%, a level considered unsustainable by most economists. While we believe Portugal faces severe challenges to attaining labor competitiveness, and to rectify its fiscal imbalances, we are increasingly confident that the EU and IMF will provide incremental assistance later this year.

Spain is the next hot spot to watch as the government, led by Prime Minister Mariano Rajoy, has already indicated it will not achieve its fiscal targets for 2012. In spite of the disappointment, Spain is now targeted to reduce its fiscal deficit from 8.5% of GDP in 2011, to 5.3% in 2012—a sharp reduction. Spain's banks continue to grapple, slowly, with excessive exposure to construction and housing, while the non-financial corporate sector faces a staggering amount of debt incurred during its construction bubble.

Italy has made substantial progress in increasing the competitiveness of its domestic economy, liberalizing a broad range of sectors to more competition. Italy has also reformed its pension system, becoming perhaps the first advanced economy to not only raise the eligibility age to 67, but to also change the retirement age automatically with life expectancy. The next major reform we would like to see is in labor market flexibility.

The other exogenous macroeconomic variable that could undermine U.S. confidence would be a hard landing in China. We believe this risk has decreased substantially. That does not mean we are rabidly bullish on China, but it does decrease the risk

that the world economy will be derailed as the result of a China disaster. Specifically, we expect that the Chinese GDP report on April 12 could disappoint investors. After seeing the degree to which markets reacted to the late March HSBC PMI data, we believe the figure could be interpreted incorrectly as a signal of a hard landing. We believe that even a 7.5% real GDP growth rate is quite impressive considering that Chinese population growth is only about 0.5% per annum. Moreover, we expect to see further monetary easing in the form of lower regulatory reserve ratios and less formal easing of lending terms in the housing sector, particularly for first-time homebuyers and entry-level homes. Adding to these catalysts, the government is actually prodding the economy through fiscal means as the 2011 budgeted spending was not completed as planned and an amount equal to 1.5% of GDP has been shifted into 2012.

Beyond immediate data concerns, investors have been concerned that the Chinese housing market is in a bubble that will burst and that lending to local governments has reached unsustainable levels. In both cases, though we agree there is a basis for concern, we believe that the problems can be resolved. We view the decrease in housing prices as a necessary adjustment to what has been a frothy market. We also believe the government has tools to put a floor under house prices, if necessary. The other major concern relates to local government financing vehicles (LGFVs). Many of the loans were originated in 2008 and 2009 with three-year maturities though they were funding long-dated investments. The government is working with banks to refinance these loans in some cases, facilitate repayment in others, and generally to ensure that there is no unnecessary disruption to the banks or the economy. We believe the lack of transparency has increased the fear regarding these loans to excessive levels.

Last, but not least, the United States continues to make progress toward economically rebalancing. In terms of deleveraging, the good news is that private sector debt/GDP has declined 54 percentage points in only 11 quarters to 250%, as of the end of 2011. We believe this progress will continue, though at a decelerating pace. The bad news on leverage is that the government is offsetting some of this progress with public sector debt (including state and local governments, but not including future liabilities such as entitlements or underfunded pensions) which has increased to 87.5% as of the end of 2011 from 69% of GDP in the first quarter of 2009.

In terms of U.S. fiscal deficits, compromise is not likely on the political calendar this year. Rather, in a charged environment in which criticizing the opposition is often a key part of winning office, few will reach across party lines to reduce spending and increase taxes sufficiently to put the United States back on a sustainable fiscal trajectory, much less address any long-term entitlement reform. The likely outcome on this topic is that the "lame duck" session of Congress after the elections will address the 2013 budget and tax policy.

In terms of reregulation, the United States is, to some degree, in a holding pattern. The Supreme Court has finalized its hearings on the constitutionality of the Affordable Care Act and should reach a verdict during the second quarter. The implications could be significant (as discussed in our Lazard Insights in March). Implementation of key aspects of the Dodd-Frank financial reform legislation, such as the Volcker Rule, are in question as regulators try to design an intelligent way of limiting proprietary risk-taking by insured financial institutions. Since the debate began, we have noted the challenge lies in identifying when a client-originated transaction is no longer a client risk position and becomes a proprietary risk position (i.e., Is it the next day, the next week, or even later?). Determining and codifying these rules is incredibly difficult and hence taking up a significant amount of time.

Moving beyond these considerations, as always, there remains the wild card, or unpredictable risk of geopolitical conflict in or near the Middle East. Such events could derail our growing confidence. Nevertheless for now, our view is that we are migrating to an environment in which investment performance is driven primarily by company-specific factors.

A Stock Picker's Market

If the macro catastrophe risk has decreased as much as it appears, we could have already begun to return to a market in which security selection is a more prominent driver of investment performance. Given the benign, but still restrained, macro environment we foresee, it is critical to own winners and dodge losers in the markets. As we look for these investments, we continue to focus on companies with strong balance sheets, robust organic cash flow, and operational flexibility. In spite of the rally so far, we still see attractive investment opportunities. Below is a recap of a few key points to watch for in each major U.S. sector, along with what we believe are the opportunities ahead.

Financials:

- **Interest rates:** The flattening of the U.S. yield curve at lower levels over time has been a negative for the vast majority of financial companies, and especially for banks and life insurance companies. A steeper yield curve, particularly at the three- to five-year portion of the curve, would be a positive for these companies.
- **Regulatory change:** In the first quarter, the U.S. Federal Reserve released results of the stress test (CCAR: Comprehensive Capital Analysis and Review) providing confidence on the strength of banks' capital position, even under very severe economic scenarios. The test results provided further clarity on the potential for incrementally higher returns of capital through dividends and buybacks. Given the dearth of opportunities to earn a positive real yield, higher payouts could be a positive driver.

- **Housing:** With mortgage servicing litigation settled, we are likely to see increased activity in loan modifications and foreclosure completions. We also are likely to see increasingly effective government efforts to help homeowners, including HARP 2.0 (i.e., Housing Affordable Refinance Program) and pilot projects that turn foreclosed homes into rental properties.

Industrials/Materials:

- **Second quarter:** While concerns in the industrials and materials equity markets have migrated from sovereign issues in Europe to slowing growth in China, sales and margin performance have remained at high levels. Results for the first quarter are likely to be a bit subdued as comparisons are difficult, demand has moderated in both Europe and China, and some industries have yet to recover from the inventory destocking experienced in the fourth quarter of 2011.
- **Second half:** Reaching a bit further into the year, leading indicators are encouraging. Most point toward solid, albeit moderating, growth against more difficult comparisons. With a more stable global economy as a backdrop, investor focus could shift toward company execution, and the eventual recovery of some end markets which remain cyclically depressed. In general, flexibility remains high as management teams across the sector have been careful not to over-invest, and have tightly managed inventory levels and expenses.
- In addition to operational performance, the ability of management teams to deploy strong cash flow to bolster growth and returns, is likely to be a differentiating factor in the sector. M&A activity is off to a strong start with a few sizable transactions already announced this year in chemicals, electrical equipment, and transportation. Cross-border deals are a focus as companies look to utilize excess cash residing overseas and take advantage of low interest rates.

Health care:

- **Health care reform:** By the end of June, the Supreme Court is expected to rule on the constitutionality of the Affordable Care Act (oral arguments were heard during the last week of March). The outcome of the November election also will have significant implications for the implementation of the health care reform law.
- **Utilization:** While the employment outlook has improved over the past several months, we expect health care utilization to remain subdued for at least the remainder of this year, as:
 - Health care consumption increasingly continues to be a financial decision weighed against other consumer expenditures (e.g., rising gas prices). Employers have responded to the significant rise in health care costs by shifting much more of the cost responsibility to the employee through higher deductibles and co-payments. Specifically, 31% of individuals with a single coverage health care plan now have an annual deductible of \$1,000 or more, up from

10% in 2006. In addition, 58% of plans now have a \$20 to \$30 per visit co-payment versus 42% of plans in 2006. Simply put, medical costs are increasingly borne by consumers who are consequently opting for limited health care.²

- The unemployment rate is still at relatively high levels and people may be hesitant to take time off from work for various health care procedures.
- **Reimbursement:** We expect the reimbursement outlook to remain benign through the elections, but expect uncertainty to increase entering 2013, as the debt ceiling capacity will need to be once again addressed.
- **Investment implications:** Given this outlook, we favor health care companies that can drive value through delivering innovative products to the health care system, such as those in the biopharmaceutical sector, where we remain optimistic that several new classes of therapeutic products will continue to progress towards commercialization. For those companies geared to utilization trends and/or reform, we prefer those that maintain balance sheet strength, robust cash flow, operational flexibility, and superior capital allocation.

Technology:

- **Inexorable growth of mobile data:** A recent report by Cisco Systems highlighted key data trends.³ Importantly, in spite of explosive growth to date, there is clear runway for much more of the same. For example:
 - In 2011, global mobile data traffic grew over 130%, more than doubling for the fourth year in a row.
 - Global data traffic on mobile phones in 2011 exceeded 8x the entire data transmitted on the Internet globally in 2000.
 - In part due to data density but also user practices, a typical 4G connection in 2011 generated 28x the traffic of a non-4G device. Even though only 0.2% of devices are 4G, they now comprise 6% of total mobile data traffic. As more people buy 4G devices, such as the new iPad, these figures are likely to grow.
 - Looking forward, Cisco Systems estimates that mobile data traffic will increase 18-fold by 2016, or by a compound annual rate of 78%.
 - These statistics lead to an ever-growing need for data transmission capacity, servers, data storage facilities, and a range of other growth opportunities.
- **Consumerization of information technology in enterprise settings:** Employees are increasingly demanding the ability to access data and applications on multiple mobile devices. This means corporate decisions regarding devices are increasingly driven by the employee users rather than the enterprise. New systems are needed to deliver data securely to all these devices.
- As in other industries, we expect continued use of excessive cash to either increase buybacks/dividends or fund M&A. As of

2011, technology companies in the United States had cash equal to 12.8% of assets (almost double the S&P 500 Index ex-financials average) and net debt equal to only 2.3% of equity (versus 50.5% for the S&P 500 Index ex-financials).⁴ As companies grow their annual cash flow generation and mature in their growth patterns, we would expect increased distributions to shareholders.

Energy:

- Oil prices, the key macro revenue driver for energy, remain robust, providing a positive backdrop for producers and oil service companies. However, with Brent oil prices near \$125/barrel and U.S. gasoline prices approaching \$4.00/gallon well ahead of the summer driving season, there is an increasing risk that high oil prices will crimp both global GDP and oil demand. In this context, we think many investors are uncomfortable putting incremental capital to work in the space today.
- Geopolitical issues are compounding a relatively tight supply/demand relationship, adding a risk premium to oil prices. Importantly, the magnitude of such a risk premium increases on more of an exponential scale when the slack in production capacity decreases.
- U.S. natural gas prices, in contrast to oil, are hitting multi-year lows, with March Henry Hub gas priced at their lowest level in more than 10 years. One of the warmest winters on record has exacerbated a market that was already oversupplied due to the enormous ramp-up in shale gas production. The result is a very challenging situation for North American gas producers and lower gas-directed drilling. This is, in turn, raising considerable concerns about the outlook for pressure pumping margins. As the gas rig count declines and the oil rig count continues to increase, investors will be closely studying the trend in overall onshore drilling.
- Outside of the United States, global liquefied natural gas (LNG) prices remain very strong due to continued demand growth and, typically, a link to oil prices. Japan's appetite for LNG has increased markedly since the Fukushima nuclear incident and subsequent temporary shut-down of the nation's large nuclear power generating fleet.
- Refining margins have recovered sharply from dismal fourth quarter levels. For U.S. refiners, the re-emergence of wide crude price differentials has again created a differentiated profit opportunity. West Texas Intermediate (WTI) is currently trading at a \$17 to \$18/barrel discount to Brent, and some northern (Bakken and Canadian) crudes are currently trading at hefty discounts to WTI. While the magnitude and duration of these differentials remains uncertain, there is a growing sense that new oil and natural gas liquid supplies will provide advantaged feedstocks to U.S. refiners beyond 2012. Related to this situation, pipeline logistics are becoming increasingly important to both refiners and U.S. oil producers. We will listen for further announcements on pipeline expansions, crude bottlenecks, and pricing impacts.

Consumer:

- Continued frugality and trading down remain key drivers of sales growth: We see continued trade-down in food, household, and personal care items. The discount- and hard-discount channel both benefit from this trend. General Mills recently highlighted that nontraditional food retailers were growing 6% faster than traditional food retailers in December and January. Wal-Mart Stores and other discount food retailers continue to report higher comparable store sales growth in their food departments than in traditional supermarkets. We also see continued trade-down to private label in the majority of food categories and expect private label growth to exceed that of branded products for the remainder of the year. We see this year as another in a long-term structural trend towards higher private label consumption (currently at 19% of food, likely going to 40%).
- Normalization of favorable weather trends will play an important role in the upcoming months. In the first quarter, food away from home consumption (restaurants) benefited from favorable weather trends, while food at home trends suffered. While we see an underlying improvement in restaurant demand, we believe that packaged food companies experienced a meaningful negative impact, especially in certain weather sensitive categories, like baking or soup. We believe food companies are well positioned for the remainder of the year as they will likely benefit from sequentially improving volumes due to more seasonal weather, as well as, lower year-on-year price increases. This, coupled with meaningfully lower input costs particularly in the second half of the calendar year, could be positives in the second quarter and full year.
- For retailers, the high-end consumer continues to remain stable, with Ralph Lauren recently commenting on the strength in the higher-end categories and Tiffany's reporting a rebound in January sales and an optimistic 2012 sales outlook. The search for value is the theme for all other consumers. The consumer's desire for value is also driving change in pricing strategies for the mid-tier retailers, particularly department stores. We are forecasting an improving U.S. beer market: Employment trends lead beer volumes and we expect those to improve this year after two to three years of declining volumes. In addition, we believe that market share gains of craft beer brands are slowing, which has been a headwind to the performance of the mainstream beer companies. This, coupled with a higher level of innovation and consistent pricing, could lead to solid performance of beer companies that have exposure to the U.S. market through the remainder of the year.

As we look at the rest of the year, we believe the economic outlook has improved. The improvement, however, largely reflects a lower probability of an extremely negative scenario, such as the dissolution of the Eurozone, or a Chinese hard landing. We do still face risks. In fact, the key bright spot is that the Eurozone has been given a reprieve to begin the long task of structural

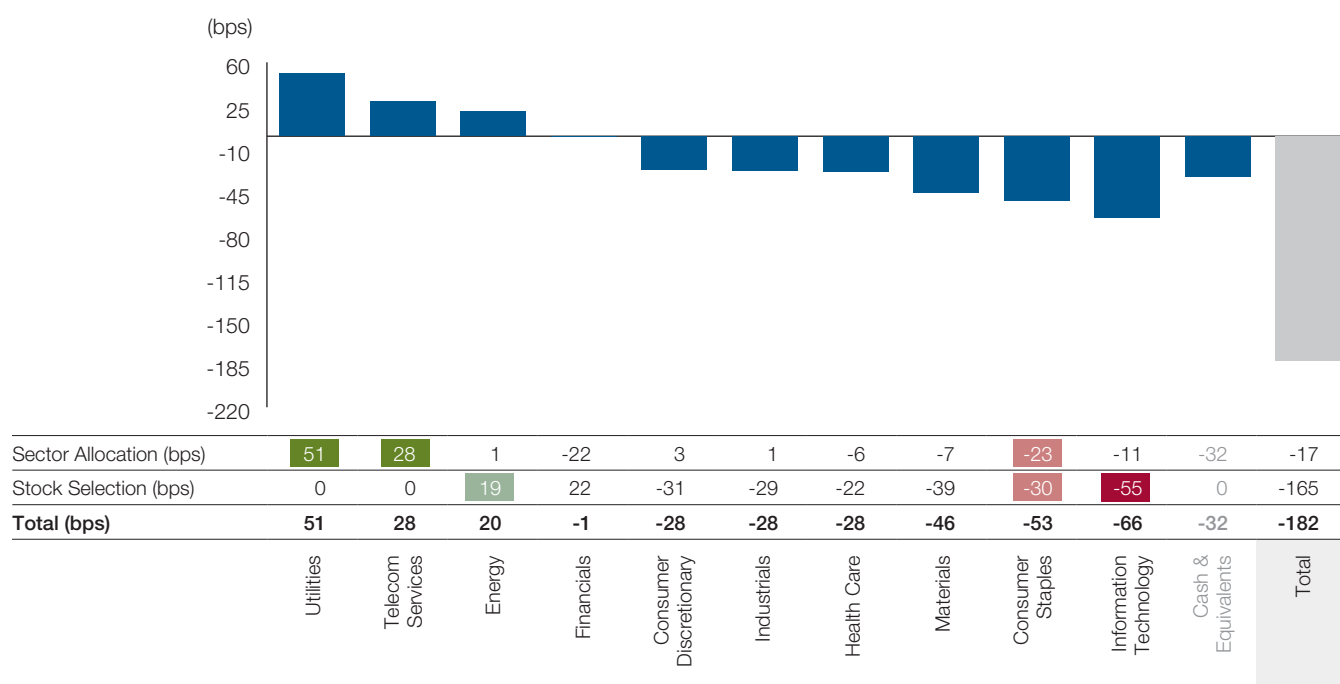
reform. China has more work ahead to resolve housing and LGFV challenges, but has many tools at its disposal. The United States has effectively delayed its day of reckoning until after elections in November. There is no way, however, for the United States to avoid dealing with fiscal imbalances and long-term entitlement reform. The good news is that, for now, there appears to be a window of opportunity to address these global challenges calmly and thoughtfully, rather than in the heat of a crisis.

This period of calm could also lead to a market environment in which security selection is the primary driver of investment performance, rather than a more highly correlated market driven by macro news flow. We will continue to diligently assess the potential for volatility that might derail or enhance prospects for the companies we analyze. The good news is that while we are not yet out of the woods entirely, we do appear to see the clearing ahead.

U.S. Strategic Equity

- A diversified, large cap core portfolio that seeks to outperform the S&P 500 Index. Although primarily large cap, the strategy offers market cap flexibility within the mega to mid cap space. The strategy typically invests in 55–70 financially productive companies with market caps generally greater than \$1 billion.
- Offers broad market exposure.
- Batting average and performance in different market environments highlight a historically attractive pattern of performance.

Attribution Analysis¹ 2012Q1



Helped

■ A lack of exposure to the utilities and telecom sectors

Many investors have been moving away from defensive sectors, seeking riskier assets.

■ Stock selection in the energy sector

Marathon Petroleum rose as the stock rebounded from earlier lows. During the quarter, the company instituted a number of shareholder-friendly measures, including the initiation of a share buyback.

Hurt

■ Stock selection in the information technology sector

Although a strong contributor to the strategy's absolute performance, the strategy's position in Apple was a detractor as the portfolio is underweight the index. The iPhone 4S launch drove sales, while the iPad benefited from holiday demand.

■ Stock selection and an overweight position in the consumer staples sector

Wal-Mart underperformed as the company's quarterly earnings were slightly lower than expected. However, in our view, the fundamentals of the business continued to improve. U.S. same-store-sales accelerated, and were positive in most categories. Wal-Mart's international business also had a strong quarter, taking share in almost all of its markets.

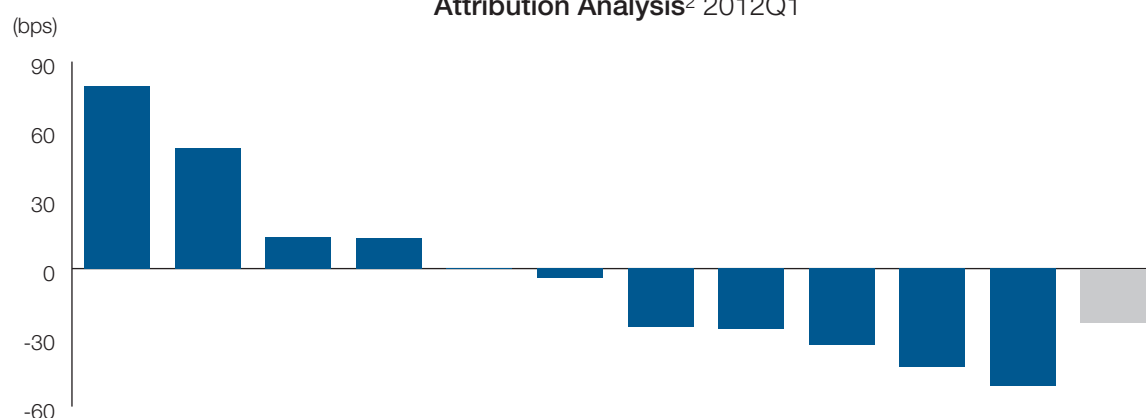
¹ In USD, relative to the S&P 500 Index.

"Stock Selection" represents the value added by the ability of the manager to select better performing stocks. "Sector Allocation" represents the value added by the manager's underweight and overweight positions to the various sectors. "Total" is the sum of the "Stock Selection" and "Sector Allocation" effects. Attribution is based upon a representative portfolio and is versus the benchmark noted. Attribution analysis is provided for illustrative purposes only, as values are calculated based on returns gross of fees. Performance would be lower if fees and expenses were included. Past performance is not a reliable indicator of future results. The allocations 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.

U.S. Equity Select

- A diversified, mega/large cap core portfolio that seeks to outperform the S&P 500 Index. The strategy typically invests in 35–55 financially productive companies with market caps generally greater than \$5 billion.
- Ability to add value in the mega to large cap space.
- Ranked in the top third of managers versus its peer group over the last 3 and 5 years.¹

Attribution Analysis² 2012Q1



Sector Allocation (bps)	30	53	11	-12	-2	-3	-1	-3	2	-1	-51	23
Stock Selection (bps)	49	0	2	25	2	-1	-24	-23	-35	-42	0	-46
Total (bps)	79	53	14	13	0	-4	-25	-26	-33	-43	-51	-23
	Consumer Discretionary	Consumer Staples	Energy	Financials	Health Care	Industrials	Information Technology	Materials	Telecom Services	Utilities	Cash	Total

Helped

Stock selection and an overweight position in the information technology sector

Apple rose after the company reported earnings and revenues significantly above expectations. The iPhone 4S launch drove sales, while the iPad benefited from holiday demand. The company also announced that it expects to initiate a quarterly dividend and has authorized a \$10 billion share repurchase program starting in fiscal 2013.

A lack of exposure to utilities

The sector was the worst performer in the index. Many investors have been moving away from utilities as they seek riskier assets.

Hurt

Stock selection in the industrials sector

Aerospace and defense company Boeing detracted as the security underperformed the index. The stock's performance was affected by weaker earnings guidance, primarily due to U.S. defense spending cuts. We believe that Boeing is in the early stages of an earnings ramp based on the company's record orders and backlog, strong execution, and production rate increases on key products.

Stock selection in the energy sector

Energy conglomerate ConocoPhillips detracted from performance as the large cap, defensive company rose less than index in a strong up market. ConocoPhillips was also affected by weak gas prices.

¹ Primary peer universe as per eVestment Alliance. Rankings are based on December 31, 2011 data, as reported on February 23, 2012. The number of peer observations comprising the U.S. Large Cap Core universe is as follows 3 year – 326; 5 year – 307.

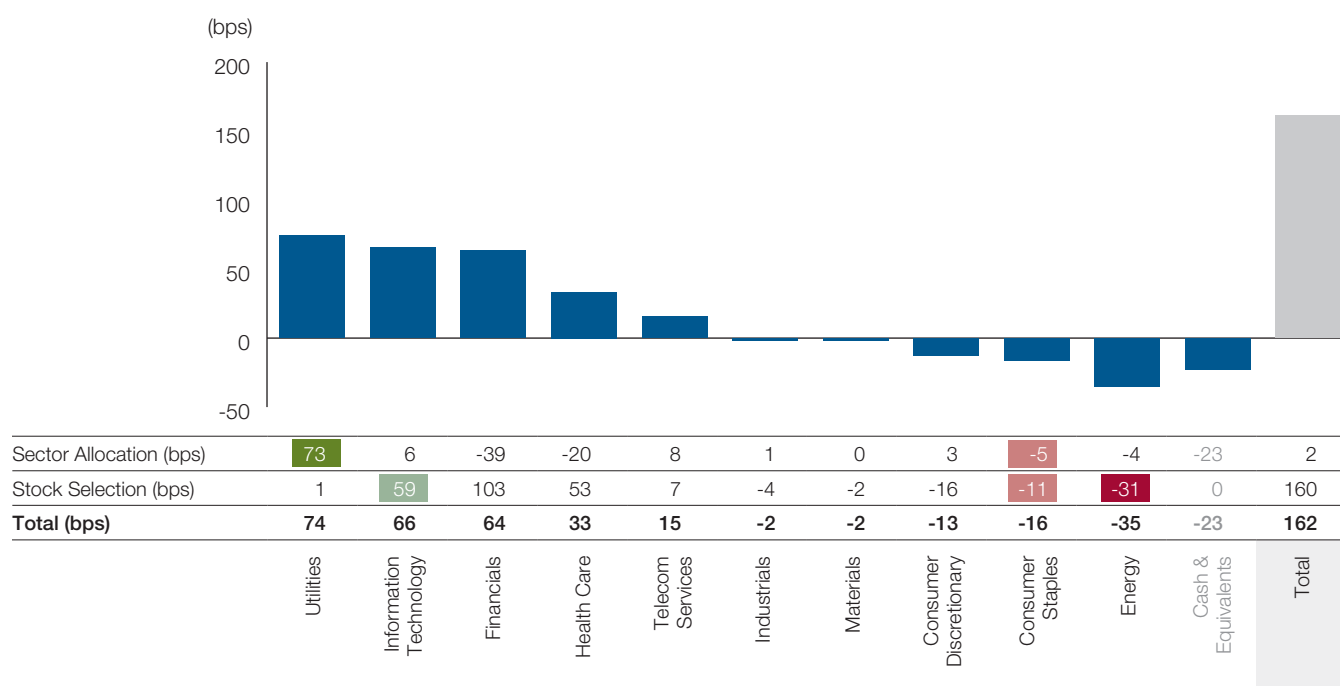
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U.S. Equity Value

- A diversified, style-pure, large cap value portfolio that seeks to outperform the Russell 1000 Value Index. The strategy typically invests in 60–90 financially productive companies with market caps generally greater than \$2 billion, or that comprise the Russell 1000 Value Index.
- Disciplined and repeatable portfolio construction process focused on reducing point-of-entry risk.
- Information ratio ranked in the top quartile over the last 5 years¹.

Attribution Analysis² 2012Q1



Helped

Underweight position in utilities

The sector was the worst performer in the index. Many investors have been moving away from defensive sectors, seeking riskier assets.

Stock selection in the information technology sector

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Hurt

Stock selection in the energy sector

Coal miner Alpha Natural Resources declined after the company reported earnings which were weaker than expected, primarily due to lower revenues as volumes were light and some customers deferred shipments. The position was sold during the quarter.

Stock selection and an overweight position in the consumer staples sector

Shares of consumer products company Energizer Holdings declined. Although the company reported quarterly earnings which were above expectations, investors were disappointed as management lowered guidance for the year due to economic uncertainty in Europe and foreign exchange headwinds.

¹ eVestment Alliance rankings are based on December 31, 2011 data, as reported on May 3, 2012. The number of peer observations comprising the U.S. Large Cap Value universe is as follows 5 years –363

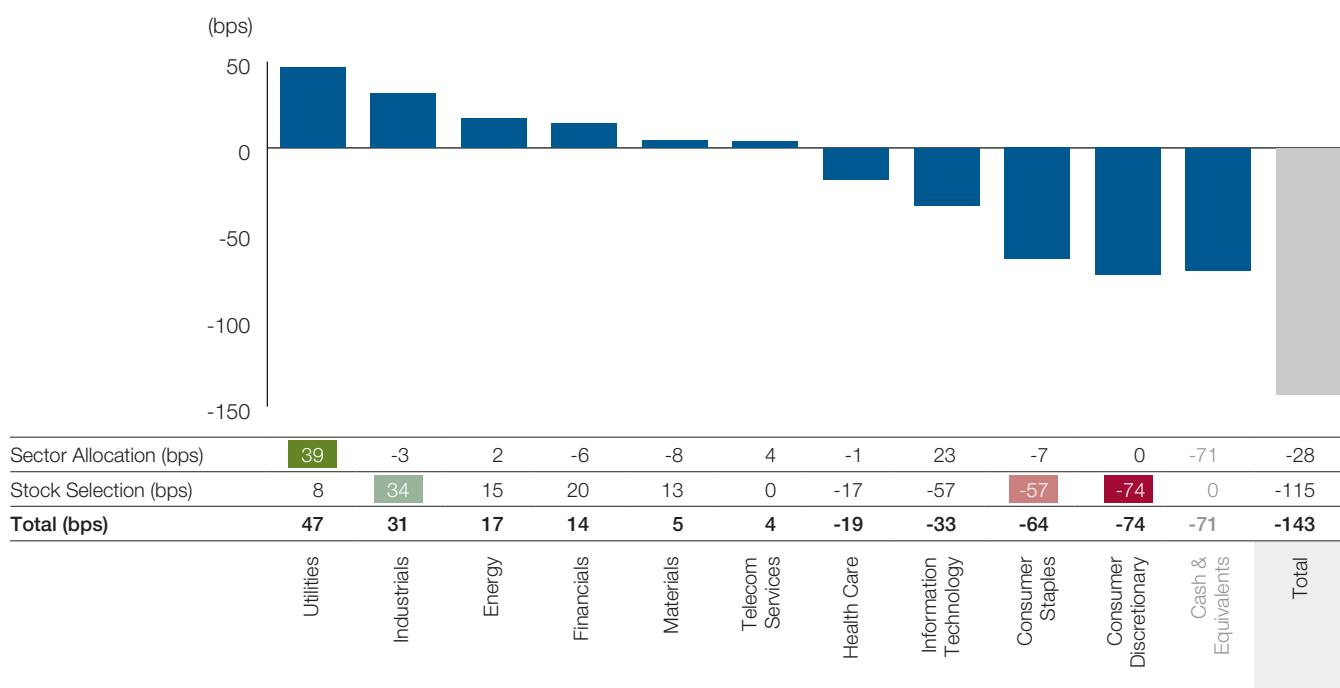
² In USD, relative to the Russell 1000 Value Index.

“Stock Selection” represents the value added by the ability of the manager to select better performing stocks. “Sector Allocation” represents the value added by the manager’s underweight and overweight positions to the various sectors. “Total” is the sum of the “Stock Selection” and “Sector Allocation” effects. Attribution is based upon a representative portfolio and is versus the benchmark noted. Attribution analysis is provided for illustrative purposes only, as values are calculated based on returns gross of fees. Performance would be lower if fees and expenses were included. Past performance is not a reliable indicator of future results. The allocations 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.

U.S. Mid Cap Equity

- A diversified, mid cap core portfolio that seeks to outperform the Russell Midcap Index. The strategy typically invests in 60–80 financially productive companies with market caps between \$1 billion and \$10 billion, or that comprise the Russell Midcap Index.
- Seeks long-term capital appreciation within the U.S. mid cap universe, a market cap which has historically outperformed both small and large cap stocks on an absolute and risk adjusted basis.¹

Attribution Analysis² 2012Q1



Helped

■ An underweight position in the utilities sector

Many investors have been moving away from defensive sectors such as utilities, seeking riskier assets.

■ Stock selection in the industrials sector

Thomas & Betts rose as the company was offered a buyout from a competitor. The deal underscores our positive stance on the U.S. electrical and transmission and distribution (T&D) markets as they begin to recover. The position was subsequently sold from the strategy.

Hurt

■ Stock selection in the consumer discretionary sector

Casino game manufacturer International Game Technology declined after reporting quarterly results which disappointed the market. The expectations shortfall was driven by a significant decrease in new units due to a lack of casino openings and lower margins in the company's game operations business due to lower interest rates. We sold the position during the quarter.

■ Stock selection in the consumer staples sector

Consumer products company Energizer Holdings declined. Although the company reported quarterly earnings which were above expectations, investors were disappointed as management lowered guidance for the year due to economic uncertainty in Europe and foreign exchange headwinds.

¹ Large cap measured by the S&P 500 Index, mid cap by the Russell Midcap Index, and small cap by the Russell 2000 Index. Data measured monthly from January 1, 1979 to March 31, 2012.

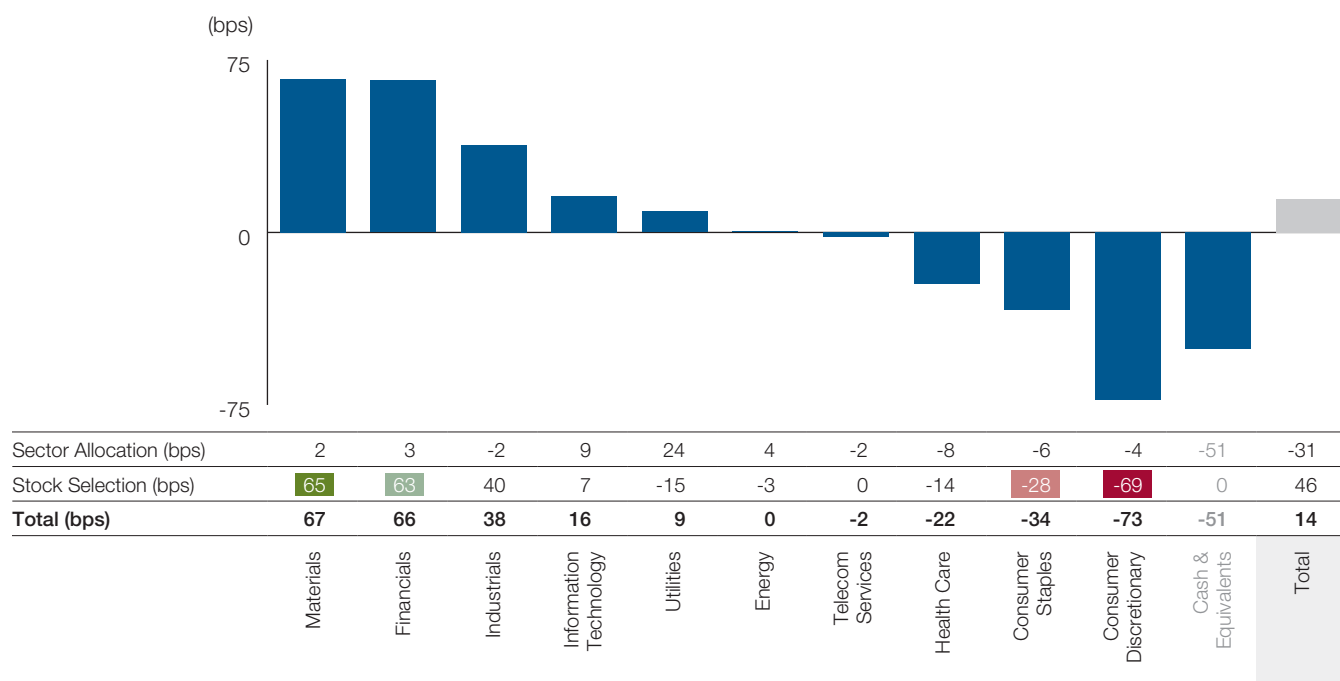
² In USD, relative to the Russell Midcap Index.

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U.S. Small-Mid Cap Equity

- A small and mid cap core portfolio that seeks to outperform the Russell 2500 Index by taking advantage of the diverse opportunity set offered by the small and mid cap universe. The strategy typically invests in 70–90 companies with market caps between \$350 million and \$10 billion, or that comprise the Russell 2500 Index.
- Offers non-large cap exposure combined with a core positioning.

Attribution Analysis¹ 2012Q1



Helped

Stock selection in the materials sector

U.S. Silica Holdings outperformed following a stronger-than-anticipated earnings announcement. Solutia also outperformed based on news that it would be acquired by U.S. chemicals producer Eastman Chemical.

Stock selection in the financials sector

PacWest Bancorp helped performance due to an analyst upgrade, general optimism surrounding loan growth within the industry, and the local economic recovery in California.

Hurt

Stock selection in the consumer discretionary sector

Consumer products company Energizer Holdings declined. Although the company reported quarterly earnings which were above expectations, investors were disappointed as management lowered guidance for the year due to economic uncertainty in Europe and foreign exchange headwinds.

Stock selection in the consumer staples sector

Shares of Modine Manufacturing fell after it reduced its full-year earnings target as a result of slowing sales in Europe.

¹ In USD, relative to the Russell 2500 Index.

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U.S. Equity Concentrated

- A concentrated, all cap, benchmark-agnostic strategy designed to leverage the best ideas of the U.S. Equity team. The strategy seeks to outperform any broad based market benchmark (i.e., S&P 500 Index, Russell 1000 Index, Russell 3000 Index) by investing in 15–35 companies from across the market cap spectrum.
- Has a historically attractive pattern of returns and demonstrated track record.
- Ranked as a 1st quartile manager versus the All Cap Core and Large Cap Core peer groups for the last 3, 5, and 7 years.¹

Attribution Analysis² 2012Q1



Helped

Stock selection in the industrials sector

Private prison operator Corrections Corporation of America rose after the company reported earnings which exceeded expectations. Investors were also heartened by the company's decision to initiate a dividend yield.

A lack of exposure to utilities

The sector was the worst performer in the index. Many investors have been moving away from defensive sectors, seeking riskier assets.

Hurt

Stock selection and an underweight position in the information technology sector

Lexmark underperformed after the company lowered earnings guidance for next quarter. On a positive note, the company announced a new restructuring initiative that should produce significant cost savings in the coming years.

Stock selection and an overweight position in the consumer staples sector

Retailer Wal-Mart underperformed the market as the company's quarterly earnings were slightly lower than expected. However, in our view, the fundamentals of the business continued to improve. In the United States, same-store-sales accelerated, and were positive in most categories. Wal-Mart's international business also had a strong quarter, taking share in almost all of its markets.

¹ eVestment Alliance rankings are based on December 31, 2011 data, as reported on February 23, 2012. The number of peer observations comprising the U.S. All Cap Core universe is as follows 1 year – 128; 3 year – 120; 5 year – 111; 7 year – 91. The number of peer observations comprising the U.S. Large Cap Core universe is as follows 3 year – 326; 5 year – 307; 7 year – 280.

² In USD, relative to the S&P 500 Index.

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Notes

- 1 Source: Haver Analytics, U.S. Bureau of Economic Analysis. As of March 31, 2012
- 2 Source: Kaiser Family Foundation. As of September 2011
- 3 Source: Cisco Systems. As of February 14, 2012
- 4 Source: RBC Capital Markets. As of March 21, 2012

Important Information

Published on May 4, 2012.

Lazard Asset Management LLC is a U.S. registered investment advisor and claims compliance with the Global Investment Performance Standards (GIPS®). To receive a complete list and description of Lazard Asset Management's composites and/or a presentation that adheres to the GIPS standards, please contact Henry F. Detering, CFA at Lazard Asset Management, 30 Rockefeller Plaza, New York, New York 10112-6300 or by email at Henry.Detering@Lazard.com. Provided below are descriptions of each of the composites, the performance of which appears on the preceding pages.

Lazard U.S. Strategic Equity seeks to generate strong relative returns over a long-term time horizon by investing in companies with strong financial productivity at attractive valuations. The strategy typically invests in 55–70 securities of companies with a market capitalization of \$1 billion or greater.

Lazard U.S. Equity Select seeks to generate strong relative returns over a long-term time horizon by investing in companies with strong financial productivity at attractive valuations. The strategy typically invests in 35–55 securities of companies with a market capitalization generally over \$5 billion.

Lazard U.S. Equity Value seeks to generate strong relative returns over a long-term time horizon by investing in companies with strong financial productivity at attractive valuations. The strategy typically invests in 60–90 securities of companies with a market capitalization of \$2 billion or greater.

Lazard U.S. Mid Cap Equity seeks to generate strong relative returns over a long-term time horizon by investing in companies with strong financial productivity at attractive valuations. The strategy typically invests in 60–80 securities of companies with a market capitalization within the range represented by the Russell Midcap Index.

Lazard U.S. Small-Mid Cap Equity seeks to generate strong relative returns over a long-term time horizon by investing in companies with strong financial productivity at attractive valuations. The strategy typically invests in 70–90 securities with a market capitalization within the range represented by the Russell 2500 Index.

Lazard U.S. Equity Concentrated seeks to generate strong relative returns over a long-term time horizon by investing in companies with strong financial productivity at attractive valuations. The strategy typically invests in 15–35 securities with a market capitalization of \$1 billion or greater.

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. 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.

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