

INTRODUCING

## Lazard Developing Markets Equity

The Lazard Developing Markets Equity strategy builds upon the success of our existing relative value approach to emerging markets investing and seeks to generate strong relative returns over a full market cycle. The investable universe includes all sufficiently liquid securities with market capitalization over US\$300 million that are typically domiciled in countries included in the MSCI Emerging Markets Index; companies that have more than 50% of their net assets or sales from emerging markets countries are also included.

The strategy is managed using a relative growth investment philosophy based on value creation through the process of bottom-up stock selection. This philosophy is implemented by assessing the trade-off between forward earnings growth rates and valuations for an individual security. Our analysts conduct research to identify the appropriate measures for growth in each industry, focusing on those measures that have historically outperformed in the past. Approximately 80% of this research is qualitative and 20% is quantitative. Measures of growth include revenue, profits, and cash flow.





## Why Lazard Developing Markets Equity?

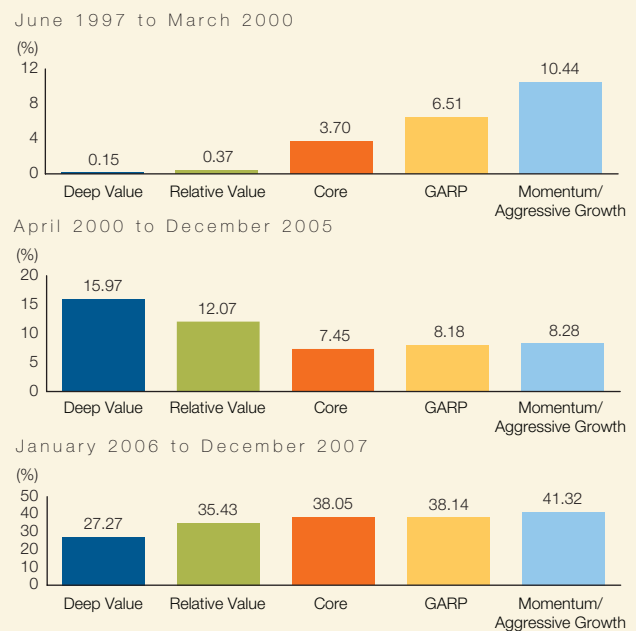
The main features that differentiate Lazard's approach to growth investing in emerging markets are:

- 1** A focus on sustainable earnings growth, compelling valuations, potential catalysts for re-rating, and strong corporate governance. We believe that a portfolio of undervalued growth companies will produce strong long-term results.
- 2** The availability of Lazard's emerging markets platform, which includes the Developing Markets Equity, Emerging Markets Equity, Emerging Income, and Emerging Markets Discounted Assets teams. These four teams engage in a continual dialogue to maintain an in-depth and up-to-date knowledge of emerging markets.
- 3** The strength of our Global Research Platform, including eight analysts who work closely with the Developing Markets Equity team, conducting regular company visits and maintaining ongoing communication with managements, suppliers, and a network of contacts.
- 4** The use of accounting validation to ensure that reported data reasonably conforms to a company's financial condition and that useful comparisons can be made.
- 5** The use of proprietary tools and models to determine formalized risk scores for emerging markets securities, resulting in a final price target that determines a stock's upside potential and is used in constructing the portfolio.

## Why Growth in Emerging Markets?

As referenced in Exhibit 1, a review of the performance of multiple style cohorts in emerging markets, each encompassing the performance of four to six different equity managers over a number of time periods from 1997 to 2007, highlights significant divergences among the styles. Not one style was a consistent outperformer. The rankings at the end of the first time period, for example, almost completely inverted in the second one; deep value went from worst-performing style to best, while momentum/aggressive growth

EXHIBIT 1 - ANNUALIZED RETURNS ACROSS DIFFERENT EMERGING MARKETS EQUITY STYLES



Source: eVestment Alliance, Lazard Asset Management

The charts above represent the average annualized returns of 25 managers by investment style as categorized by eVestment Alliance. Past performance does not guarantee future results.



lost its leading position. As shown, there are substantial differences in the performance of various managers' styles over certain periods of time. The style closest to the Lazard Developing Markets Equity strategy is growth at a reasonable price (GARP).

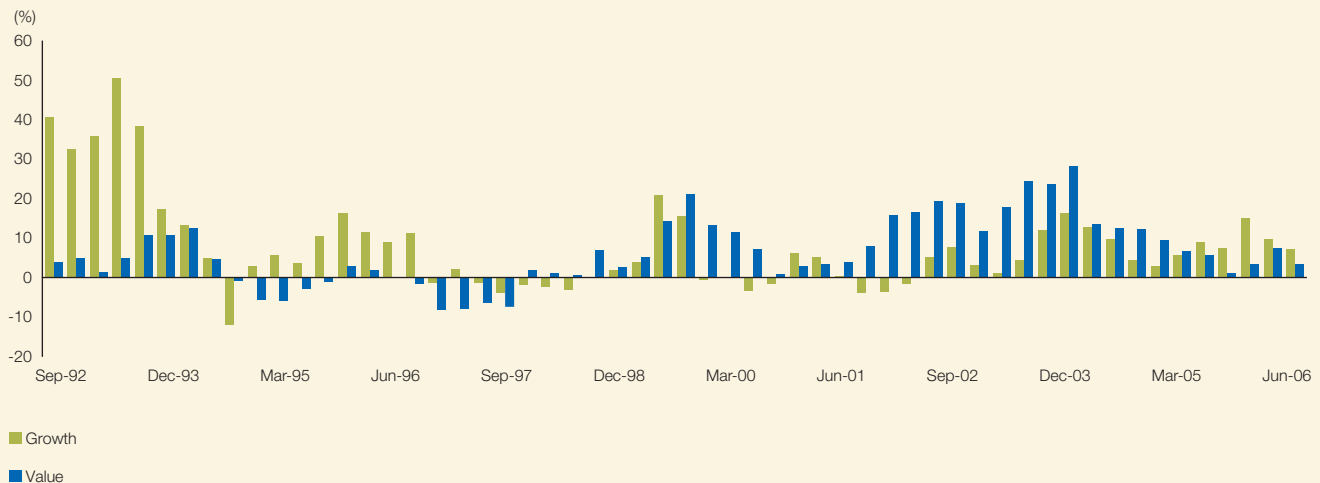
Exhibit 2 shows a backtesting analysis comparing the rolling one-year excess returns of emerging markets value and growth stocks from September 1992 to June 2006. While it appears evident that the growth style has the potential to add significant excess returns, coupled with these excess returns is additional volatility.

## An Opportune Time for the Developing Markets Equity Strategy

As the emerging market equity asset class has been re-rated, growth stocks have not fully participated. Since 2004, growth companies have seen their multiples versus other companies compress significantly. Historically, these companies were valued at levels 70% higher than slower growing companies, even excluding the "tech bubble" period; including the bubble, the premium reached 100%. More recently, this premium has compressed to just 40% (Exhibit 3), as investors have become concerned about macroeconomic issues and unwilling to pay a higher multiple for sustainable growth. As such, this is an opportune time to consider growth companies, as their valuations are low relative to historic levels.

### EXHIBIT 2 - EMERGING MARKETS GROWTH VS. VALUE, SEPTEMBER 1992 TO JUNE 2006

Rolling 1-Year Excess Returns vs. MSCI Emerging Markets Index

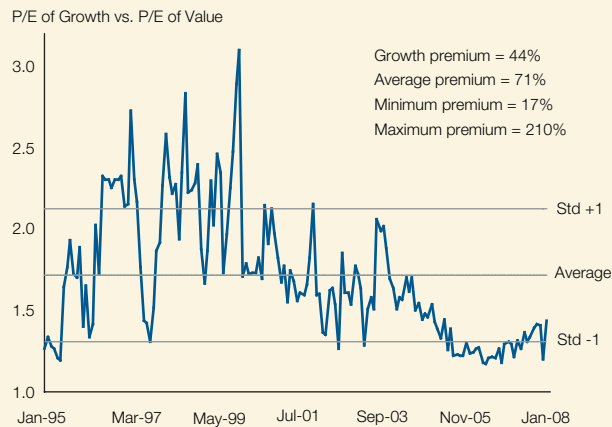


Source: Lazard Asset Management

This chart shows the backtested performance of quantitative definitions of relative value and growth strategies in emerging markets versus the benchmark (MSCI Emerging Markets Index). In this test, the relative value strategy is defined as the set of stocks formed by intersecting the two most attractive quintiles of price to earnings ratio (P/E) within the sector with the two most attractive quintiles of return on equity (ROE) within sector. The growth strategy is defined as the set of stocks formed by intersecting the three most attractive quintiles of three-year average growth within sector with the second through fourth quintiles of P/E within the sector. For value, the universe consists of the stocks that have a trailing P/E ratio and a reported book value. For growth, the universe consists of the stocks that have both a trailing P/E ratio and an I/B/E/S-reported long-term growth rate. For additional disclosure on backtested performance, refer to the notes section.

### EXHIBIT 3 - P/E OF GROWTH STOCKS VS. VALUE STOCKS

January 1995-February 2008



As of 29 February 2008

Source: Merrill Lynch, MSCI, I/B/E/S

## Conclusion

Lazard's Developing Markets Equity strategy is attractive now because it offers the potential of strong returns. At Lazard, we have built a strong team to manage this strategy, leveraging our existing emerging markets platform. We believe now is a good time to take advantage of the opportunities offered by emerging markets growth, which appears inexpensive compared to its historic valuations.

### THE LAZARD DEVELOPING MARKETS EQUITY TEAM

	Joined Lazard	Years Investment Experience
Kevin O'Hare, Portfolio Manager/Analyst	2001	17
Peter Gillespie, Portfolio Manager/Analyst	2007	15
Mark Lien, Research Analyst	2008	14
Georg Benes, Portfolio Analyst	2001	7

Team membership is current as of the date of this document.

Personnel data are calculated by subtracting the year in which team member joined industry/Lazard from 2008.

## An Ongoing Investment Process

Lazard’s ongoing equity investment process is illustrated in Exhibit 5.

### Analytical Framework

We employ various screening processes to evaluate the growth potential of companies and then to identify which ones are attractively priced.

### Accounting Validation

Lazard’s analysts seek to determine whether a level of comfort can be gained in a company’s stated financial productivity, to identify and take advantage of pricing anomalies, and to discover opportunities, including hidden value per share and hidden risks.

### Fundamental Analysis

A key component in the equity investment process, fundamental analysis is conducted to assess many issues, including the sustainability of growth of revenues and earnings, and to identify a catalyst for price revaluation.

### Portfolio Construction/Risk Evaluation

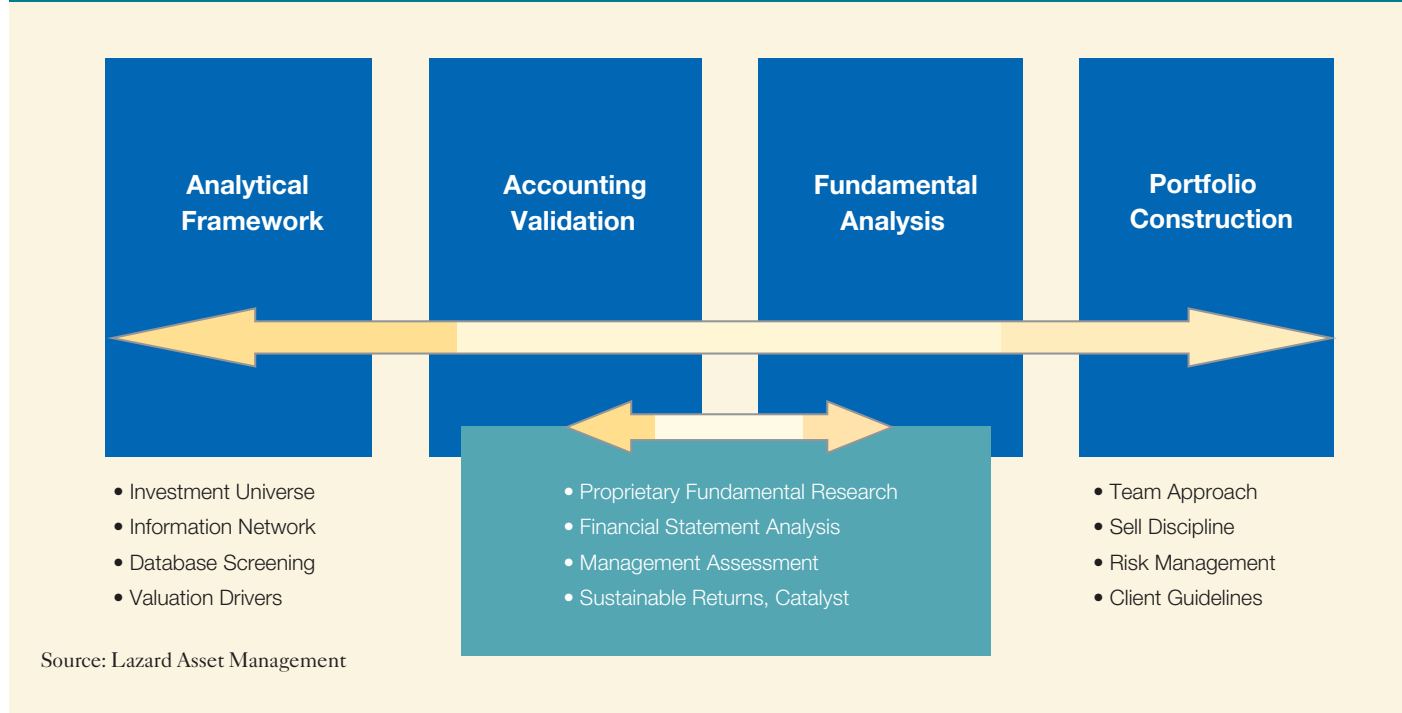
The goal of the Developing Markets Equity strategy is to have a lower P/E to growth ratio (PEG) than the investment

universe. Securities are added and removed from the portfolios based upon expected upside to target prices (which are a function of valuation), the rate and sustainability of growth, and risk controls. Working in collaboration with Lazard’s global risk management team, the Developing Markets Equity team performs ongoing evaluations to understand the impact of the macroeconomic, political, portfolio, and corporate governance risks in order to ensure optimal diversification. Over time, the team reviews targets and risk adjustments. The strategy is managed using strict country and sector limits to control exposures. The securities in the portfolios are monitored for changes, either positive or negative, in fundamentals and risks. A positive change will usually result in an upgrade to the price target, and vice versa for a negative change.

### Sell Discipline

When a security reaches its final (adjusted) price target, it is either trimmed or sold entirely, unless the analyst believes the target assumptions have become too conservative; then the price target is adjusted upward. Stocks are also sold when a company’s earnings outlook deteriorates or when its risk score increases.

EXHIBIT 5 - LAZARD DEVELOPING MARKETS EQUITY INVESTMENT PROCESS



**NOTES:**

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1 Merrill Lynch, "Implications of a Collapse in Optimism on Style Investing," 10 April 2008.

The data presented is not that of a portfolio managed by Lazard Asset Management (LAM) during the period shown. The simulated performance presented herein is theoretical and is shown for illustrative purposes only and does not represent actual trading or the impact of material economic and market factors on LAM's decision-making process for an actual LAM client account. Simulated performance results were achieved by means of a retroactive application of a model designed with the benefit of hindsight.

BACKTESTED PERFORMANCE RESULTS HAVE MANY INHERENT LIMITATIONS. NO REPRESENTATION IS BEING MADE THAT ANY ACCOUNT WILL OR IS LIKELY TO ACHIEVE PROFITS OR LOSSES SIMILAR TO THOSE SHOWN. IN FACT, THERE MAY BE SHARP DIFFERENCES BETWEEN BACKTESTED PERFORMANCE RESULTS AND THE ACTUAL RESULTS SUBSEQUENTLY ACHIEVED BY ANY PARTICULAR INVESTMENT PROGRAM. ONE OF THE LIMITATIONS OF BACKTESTED PERFORMANCE RESULTS IS THAT THEY ARE PREPARED WITH THE BENEFIT OF HINDSIGHT. AS A RESULT, THE MODELS THEORETICALLY MAY BE CHANGED FROM TIME TO TIME TO OBTAIN MORE FAVORABLE PERFORMANCE RESULTS. THERE ARE OTHER FACTORS RELATED TO THE MARKETS IN GENERAL OR TO THE IMPLEMENTATION OF ANY SPECIFIC INVESTMENT PROGRAM WHICH CANNOT BE FULLY ACCOUNTED FOR IN THE PREPARATION OF BACKTESTED PERFORMANCE RESULTS AND ALL OF WHICH MAY ADVERSELY AFFECT ACTUAL TRADING RESULTS.

Published on 6 June 2008. Revised on 8 July 2008.

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