

## QUESTIONS & ANSWERS

# Lazard CAPITAL ALLOCATOR SERIES

In July of 2004, Lazard Asset Management launched a global, tactical asset allocation product entitled the Lazard Capital Allocator Series (LCAS). This strategy is team-managed by Lazard's Investment Advisory Board, evaluating a broad capital-market opportunity set and implementing portfolio decisions based on clear, concise market expectations.

### Q | What is the Lazard Capital Allocator Series?

**A:** LCAS is an investment strategy, which looks to evaluate a broad, global capital market opportunity set by utilizing a progressive, forward-looking asset allocation and portfolio implementation process. The investment strategy is not biased towards any product or style and can provide a wide range of diversification and return opportunities. Allocation decisions are made by Lazard's Investment Advisory Board, based on the Board's ongoing development of clear and concise capital-market expectations. A significant differentiating feature is the aggressive use of index and index-like investment products (ETFs), which benefit investors due to their cost efficiency as well as their transparency and liquidity.

### Q | Why use index funds instead of active investment managers when enacting portfolio decisions?

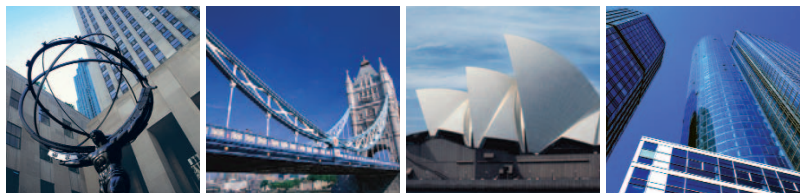
**A:** Increasingly, index funds and ETFs, in particular, have become viable portfolio management tools used by a wide range of investor types. There are several significant advantages to using index funds. The most commonly known advantage is cost. Typically, index funds have lower costs than actively managed products. In a world of compressed, lower absolute returns, managing costs is critical. Beyond costs, however, ETFs offer investors significantly better liquidity and transparency to the underlying investment theme. As capital allocators, this benefit is critical because it allows us to manage both broad and narrow investment ideas efficiently, reducing the risk of unintended consequences quite sharply.

### Q | What are the investment philosophy and process for LCAS?

**A:** We believe that markets exhibit cyclicity and broad return opportunities, on which insightful investors can capitalize, if they are disciplined and maintain an objective viewpoint of the world. Our process is by no means market timing. Yet, it is a disciplined, probability-based approach, which lays out all of the investment options available, thus improving return prospects. Functionally, the Lazard Investment Advisory Board looks to implement changes in a gradual and directional manner. Additionally we incorporate non-traditional investments into a portfolio's structure. Non-traditional investments include anything that we believe has value and will exhibit low degrees of correlation to traditional asset classes.

### Q | What are the competitive advantages of LCAS?

**A:** LCAS provides investors with a total portfolio solution, providing broad diversification and return opportunities in a cost efficient, liquid, and transparent format. Additionally, through our allocations in the non-traditional sector, significant return value-add can be achieved. Typically, these investments have been sector-oriented ETFs and discounted closed-end funds, each offering a unique investment theme or opportunity.



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