

Master Alternatives Introduction

- A diversified, multi-strategy portfolio that seeks superior risk-adjusted returns
- Utilizes several Lazard Alternative Investment strategies, which are managed by independent teams
- Allocations to underlying strategies will change over time, as the Portfolio seeks a pattern of performance that displays:
 - Positive returns over time
 - Downside protection during negative market environments
 - Low correlation to the markets

Demographic Driver for Liquid Alts

Roughly 10,000 Americans will turn 65 today, and about 10,000 more will cross that threshold every day for the next 16 years.

What do these Liquid Alt Funds have in Common?

Hancock II Global Absolute Return	\$xx B
PIMCO Worldwide Advantage Absolute Return	\$xx B
Neuberger Berman Long/Short	\$xx B
Gotham Absolute Return	\$xx B
Principal Global Multi-Strategy	\$xx B
Alliance Bernstein Select US Long/Short	\$xx B
Neuberger Berman Absolute Return Multi-Mgr	\$xx B
Blackrock Global Long/Short Equity	\$xx B
Guggenheim Macro Opportunities	\$xx B
Blackstone Alternative MM	\$xx B
Arden Alternative Strategies	\$xx B
Whitebox Tactical Opportunities	\$xx B

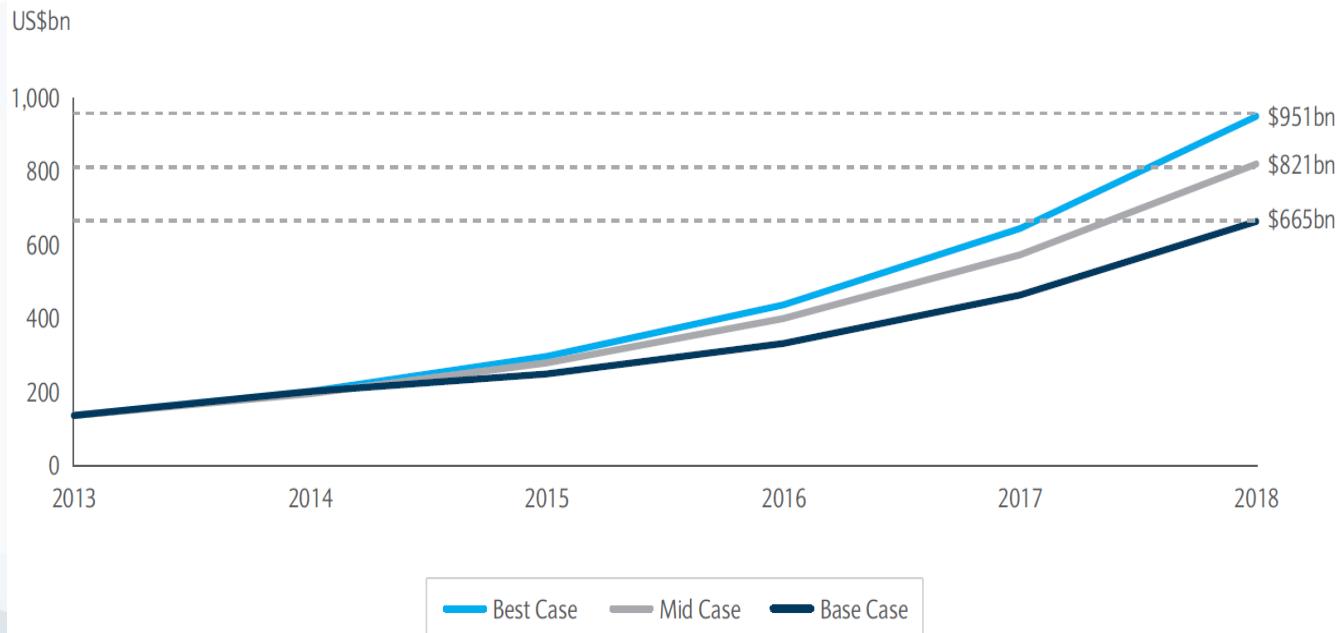
Liquid Alts- Market Demand

Morningstar Wrangles with an Alternatives Stampede

Wednesday, April 02, 2014
Mutualfundwire.com

"Some of these funds have grown so large so fast that we may have to change the way we go about this... [no longer waiting 3 years to rank these funds]"

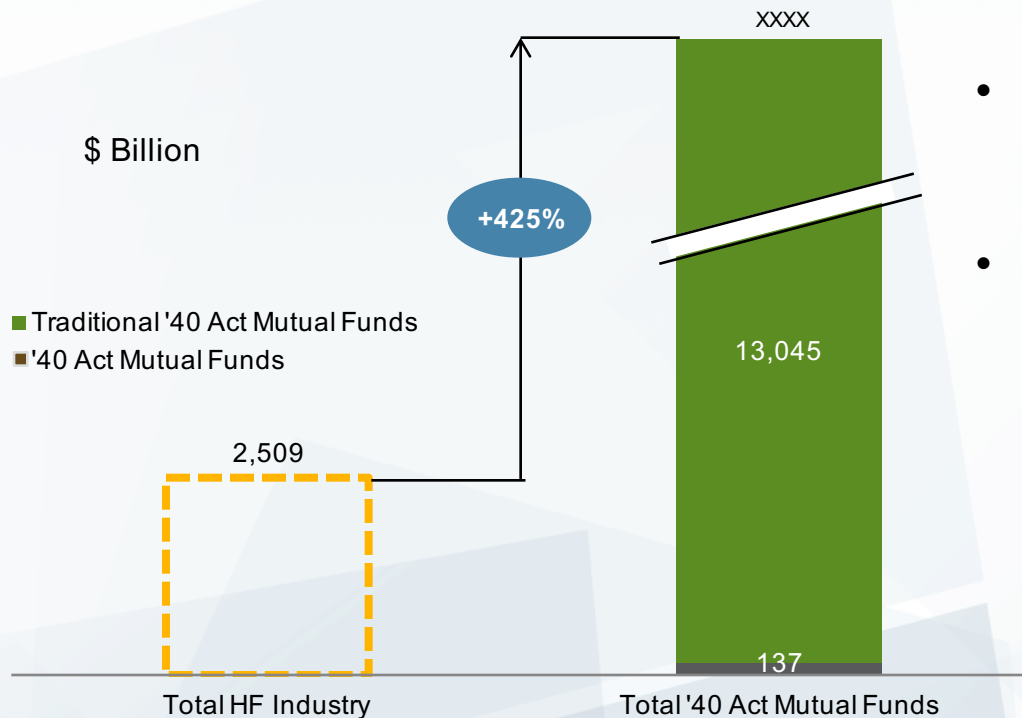
Growth Estimates for '40 Act Alternatives (Total AUM)



Barclays estimates there will be between \$xxx-xxx bln in AI '40 Act assets in four years

Source: Strategic Insight, Morningstar, Strategic Consulting proprietary market sizing model

Liquid Alts- Market Demand



- US mutual funds = **\$xx T...**
 - **5 x larger** than the entire global HF industry
- Alternatives make up just **xx%** of all '40 Act MFs
- In 2013, inflows into alternative 40 Act MFs comprised **xx%** of the inflows into all MFs

Liquid Alts- Three Misconceptions

1. Liquid Alts are a fad

Then Blackstone, Arden, Cliffwater, Wilshire, AQR, Brevan Howard, GLG, Winton, Marshall Wace, Clinton, Aurora, K2, Rock Creek, Cerberus, Chilton, CQS, Graham, JANA, Peak6, D.E. Shaw, Wellington, Two Sigma, York, etc. are making the wrong bet

2. Liquid Alts are “Hedge Fund Lite”

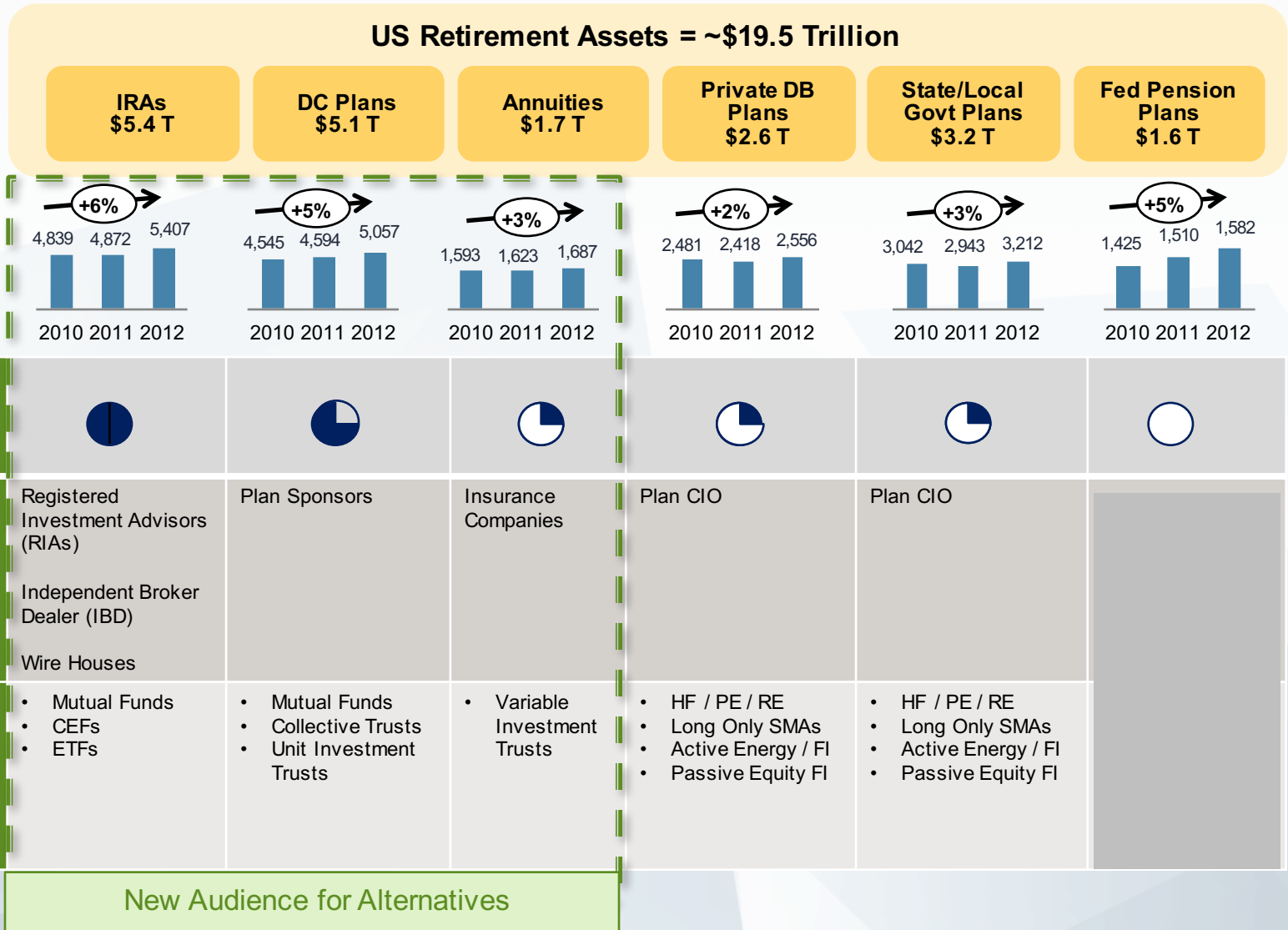
While Distressed Debt doesn't work in a MF, L/S Equity and others do

3. Liquid Alts are just for retail

“What has attracted people's attention is...getting similar exposure to what hedge funds provide and better transparency, more regulation and lower fees. As institutional investment committees look at the options, the triple threat of lower fees, liquidity and transparency makes liquid alternative-based mutual funds very appealing.”

- Alan Lenahan, Director of Hedged Strategies, Fund Evaluation Group¹

Retirement Assets are Shifting



Team

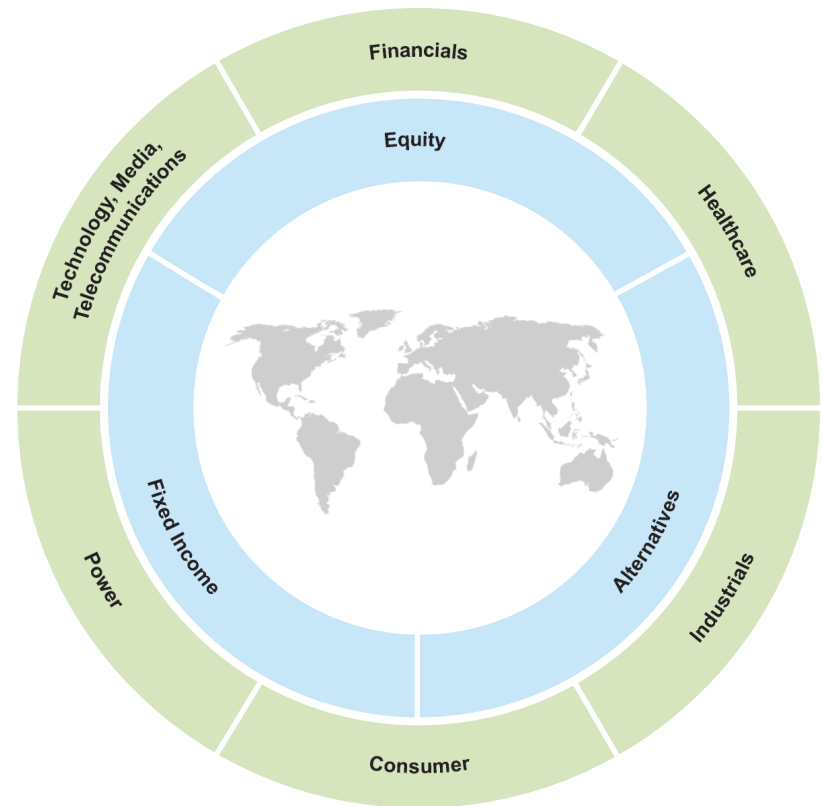
Lazard Master Alternatives Portfolio Management Team¹

Portfolio Management	Years in Industry	Years at Lazard
John Smith	24	0
Jane Smith	16	16
John Jones	15	15

Benefits of Lazard Research

- Information and access of a large, global firm
- Dedicated in-house research with over 300 investment personnel globally
- Access to thousands of meetings and calls with company management teams each year
- Integrated knowledge platform and real-time connectivity allow for shared insights

Investment Resources: Integrated Knowledge on a Global Scale



1. Team membership is current as of the date of this document. Personnel data are calculated as of year-end 2013.

Master Alternatives Overview

Description:

- A multi-strategy portfolio that invests in various alternative investment strategies managed by Lazard

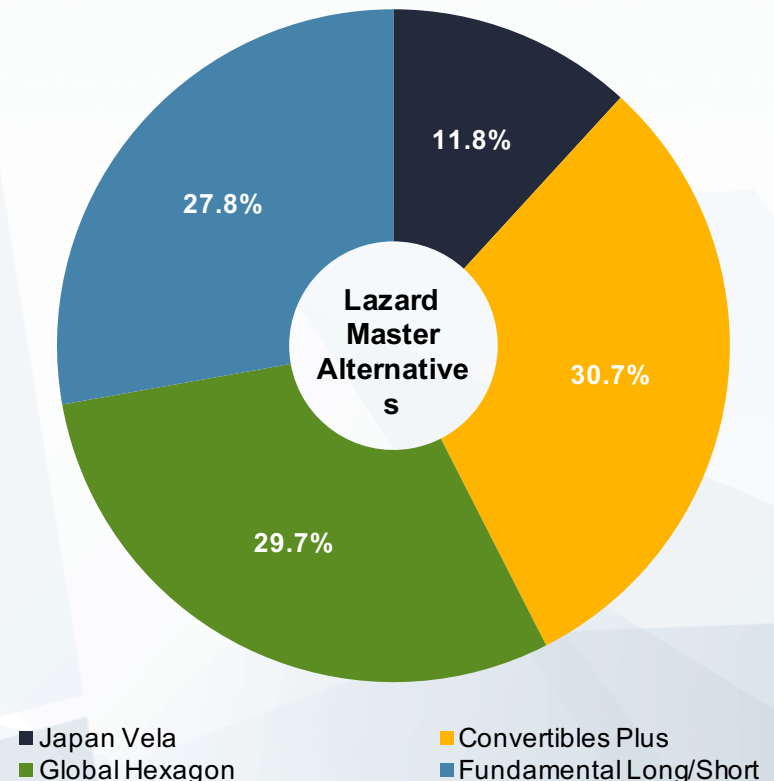
Objectives:

- Long-term capital appreciation over a full market cycle
- Low volatility/correlation to broad market indices
- Downside protection during negative market environments

Allocations:

- The strategy allocation is determined by the Lazard Master Alternatives portfolio management team

Current Allocation:



As of June 30, 2014; Allocations are subject to change.

Underlying Strategies

The Master Alternatives Strategy is currently comprised of four Lazard Alternative Investment strategies:

Global Hexagon

- Global long/short strategy with a tilt towards Europe and emerging markets
- Fundamental, bottom-up stock selection backed by rigorous research
- Seeks to outperform HFRX Equity Hedge and MSCI AC World indices with lower volatility
- Managed by Jean-Daniel Malan in London
- Strategy launched in June 2010

Fundamental Long/Short

- Fundamental research strategy based on Lazard's investment philosophy, a hallmark of the firm
- Primarily focused on US securities
- Seeks to provide superior risk-adjusted returns
- Managed by Dmitri Batsev and Jerry Liu in New York, with dedicated support from the US Equity team - 23 individuals averaging 17 years of industry experience
- Strategy launched in January 2011

Japan Vela

- Japanese equity long/short strategy
- Team-based approach
- Seeks to generate lower volatility than the TOPIX Index
- Portfolio diversifier with low correlation to global markets
- Managed by Matthew Bills, Takayuki Natsume, Shuichi Yoshimura, and Timothy Griffen in Tokyo
- Strategy launched in October 2005

Convertibles Plus

- Long-biased strategy expressed through convertible securities
- Objective of current income, long-term capital appreciation, and principal protection
- Utilizes selective portfolio level and position level hedges to seek to minimize macro risk-off (both equity and credit) and interest rate risk
- Dedicated team of 14 individuals led by Sean Reynolds in New York
- Strategy launched in January 2010

Master Alternatives Model Portfolio

3-Year Performance

	Fundamental L/S	Global Hexagon	Japan Vela	Convertibles Plus	Master Alts (Gross)	Master Alts (Net) ¹	HFRX Global HF Index	MSCI World Index
Weights (%)	XXXX	XXXX	XXXX	XXXX	XXXX	XXXX	XXXX	XXXX
Annualized Return (%)	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx
Cumulative Return (%)	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx
Best Month (%)	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx
Worst Month (%)	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx
Average Month (%)	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx
% Up Months	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx
Standard Deviation (%)	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx
Sharpe Ratio	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx
Sortino Ratio	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx
Maximum Drawdown (%)	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx
Beta vs. MSCI World Index	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx

Strategy Monthly Net Returns (%)

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD	HFRX Global HF Index	MSCI World Index
2011	XXXX	XXXX	XXXX	XXXX	XXXX	XXXX	XXXX	XXXX	XXXX	XXXX	XXXX	XXXX	XXXX	XXXX	XXXX
2012	XXXX	XXXX	XXXX	XXXX	XXXX	XXXX	XXXX	XXXX	XXXX	XXXX	XXXX	XXXX	XXXX	XXXX	XXXX
2013	XXXX	XXXX	XXXX	XXXX	XXXX	XXXX	XXXX	XXXX	XXXX	XXXX	XXXX	XXXX	XXXX	XXXX	XXXX
2014	XXXX	XXXX	XXXX	XXXX	XXXX	XXXX	XXXX	XXXX	XXXX	XXXX	XXXX	XXXX	XXXX	XXXX	XXXX

Data as of July 31, 2014. Reporting Currency: USD

¹ Reflects a 1.40% management fee and 0.30% for other expenses.

For illustrative purposes only. Allocations are subject to change.

The hypothetical portfolio data presented is that of a hypothetical portfolio and is not that of a portfolio managed by Lazard during the periods shown. The simulated performance presented herein is theoretical and are shown for illustrative purposes only and do not represent actual trading or the impact of material economic and market factors on Lazard's decision-making process for an actual Lazard client account. The hypothetical portfolio's returns do not reflect the effect of federal or state taxes and certain other expenses. If the portfolio's returns did include such taxes or expenses, the returns would have been lower. LAM may utilize different investment objectives, strategies and/or securities weightings in any actual product offered in the future. There is no guarantee that actual investment decisions made by LAM for any such product will prove to be successful or similar to the returns presented above. The information is not for further distribution.

The returns and statistics for Fundamental L/S, Global Hexagon, Japan Vela, and Convertibles Plus strategies represent gross returns. Master Alternatives returns and statistics represent the combined returns of a hypothetical portfolio made up of the four individual strategies, calculated with the static weights noted above. The weights are re-balanced at the start of each calendar year. Master Alternative returns are shown gross of fees.

Note Japan Vela performance from Dec 2008 to Mar 2011 represents hypothetical USD Hedged returns. The returns are based on the strategy's JPY class net returns with a one month USD/JPY forward hedge overlay and translated to USD. The hedge overlay assumes the USD forward hedge is rolled monthly, opened at prior month end 1 month forward and closed at current month end spot rate.

All performance statistics shown represent three years of returns as of June 30, 2014, unless otherwise noted. The performance quoted represents past performance. Past performance is not a reliable indicator of future results. Source: Lazard, HFR, MSCI

Competitors

	Assets	3 Months		6 Months		YTD		1 Year		3 Years	
	\$MM	Value	Ptl	Value	Ptl	Value	Ptl	Value	Ptl	Value	Ptl
Natixis ASG Global Alternatives A	xxxx	xxxx	xxxx	xxxx	xxxx	xxxx	xxxx	xxxx	xxxx	xxxx	xxxx
Absolute Strategies I	xxxx	xxxx	xxxx	xxxx	xxxx	xxxx	xxxx	xxxx	xxxx	xxxx	xxxx
Goldman Sachs Absolute Return Tracker A	xxxx	xxxx	xxxx	xxxx	xxxx	xxxx	xxxx	xxxx	xxxx	xxxx	xxxx
AQR Multi-Strategy Alternative I	xxxx	xxxx	xxxx	xxxx	xxxx	xxxx	xxxx	xxxx	xxxx	xxxx	xxxx
JHancock Alternative Asset Allocation A	xxxx	xxxx	xxxx	xxxx	xxxx	xxxx	xxxx	xxxx	xxxx	xxxx	xxxx
Vantagepoint Diversifying Strategies T	xxxx	xxxx	xxxx	xxxx	xxxx	xxxx	xxxx	xxxx	xxxx	xxxx	xxxx
Oppenheimer Flexible Strategies A	xxxx	xxxx	xxxx	xxxx	xxxx	xxxx	xxxx	xxxx	xxxx	xxxx	xxxx
SEI Multi-Asset Real Return A (SIIT)	xxxx	xxxx	xxxx	xxxx	xxxx	xxxx	xxxx	xxxx	xxxx	xxxx	xxxx
PACE Alternative Strategies A	xxxx	xxxx	xxxx	xxxx	xxxx	xxxx	xxxx	xxxx	xxxx	xxxx	xxxx
Hatteras Alpha Hedged Strategies	xxxx	xxxx	xxxx	xxxx	xxxx	xxxx	xxxx	xxxx	xxxx	xxxx	xxxx



TOP QUARTILE



BOTTOM QUARTILE

Comparison vs. Top 3 Competitors

Statistics*	Master Alts (Net) ¹	John Hancock Seaport (JSFBX)	AQR Multi Strategy Alternative (ASAIX)	Goldman Sachs Absolute Return Tracker (GARTX)
AUM (\$mm)	XXXX	XXXX	XXXX	XXXX
Inception Date	XXXX	XXXX	XXXX	XXXX
Annualized Return (%)	XXXX	XXXX	XXXX	XXXX
Best Month (%)	XXXX	XXXX	XXXX	XXXX
Worst Month (%)	XXXX	XXXX	XXXX	XXXX
Average Month (%)	XXXX	XXXX	XXXX	XXXX
% Up Months	XXXX	XXXX	XXXX	XXXX
Standard Deviation (%)	XXXX	XXXX	XXXX	XXXX
Sharpe Ratio	XXXX	XXXX	XXXX	XXXX
Sortino Ratio	XXXX	XXXX	XXXX	XXXX
Maximum Drawdown (%)	XXXX	XXXX	XXXX	XXXX
Beta vs. MSCI World Index	XXXX	XXXX	XXXX	XXXX

*Return statistics are based on 3-yr performance

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Allocation Process

Allocations to sub-strategies are determined by the Master Alternatives portfolio management team, with a goal of creating a globally-diversified strategy across market capitalizations and sectors. We seek to achieve this by:

- **Optimizing Inputs**
 - Allocations determined by analyzing the exposures, concentrations, volatility profiles, and tendencies of the various sub-strategies
- **Maintaining a Dynamic Structure**
 - The portfolio management team may alter the sub-strategy allocation for a variety of reasons, including:
 - Rebalancing due to outlier performance of a sub-strategy
 - The addition of a new sub-strategy, generally to increase diversification benefits
 - The termination of a sub-strategy, generally due to an extended period of underperformance
- **Real-Time Monitoring**
 - The sub-strategies are monitored continuously to ensure that each operates within its pre-determined parameters

The process illustrated above is neither static nor sequential, but ongoing.

Portfolio Guidelines

Exposures (%)

Typical Long	50 – 100
Typical Short	(75) – (25)
Typical Gross Exposure Range	75 – 175
Maximum Gross Exposure	250
Net Exposure Limits	(25) – 75
Individual Sub-strategy Allocation Limits	0 – 40

Number of Holdings

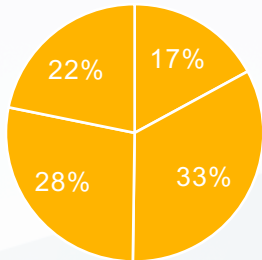
Typical Number of Longs	150 – 300
Typical Number of Shorts	100 – 200
Typical Total Positions	250 – 500

Position Sizing (%)

Typical Sub-strategy Long	1.0 – 5.0
Typical Sub-strategy Short	(0.5) – (3.0)
Maximum Sub-strategy Position at Cost*	10.0

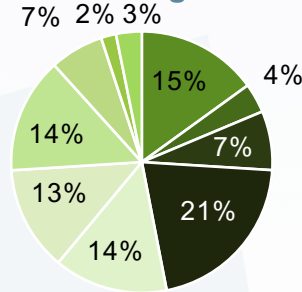
Portfolio Characteristics

Market Capitalization



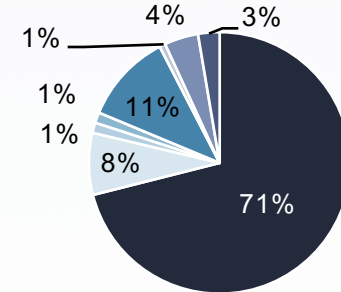
- Mega cap > \$50bn
- Large cap \$10 - 50bn
- Mid cap \$2 - 10bn
- Small cap < \$2bn

Sector Weights



- Consumer Discretionary
- Consumer Staples
- Energy
- Financials
- Health Care
- Industrials
- Information Technology
- Materials
- Utilities
- Other

Geographic Weights

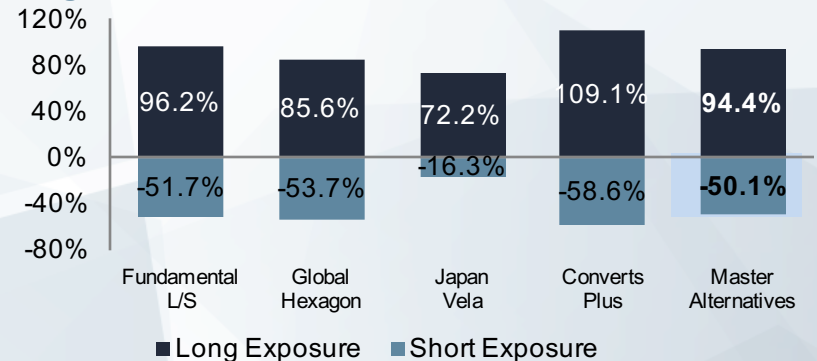


- North America
- Continental Europe
- United Kingdom
- Middle East
- Japan
- Asia Ex-Japan
- Emerging Markets
- Other

of Positions

	Fundamental Long/Short	Global Hexagon	Japan Vela	Convertibles Plus	Master Alternatives
Long	44	52	35	104	219
Short	54	20	16	29	106
Total	98	72	51	133	325

Long/Short Allocation



Risk Management

The Lazard Master Alternatives portfolio is actively monitored. There is ongoing dialogue among the Investment Teams, Risk Management Group, and Independent Oversight Committee.



Section/Appendix

Unique Selling Proposition

- **Diversification:** Adding multiple, instead of a single AI strategy, to an asset allocation reduces the overall portfolio risk as diversification increases
- **Liquidity:** Daily liquidity and pricing available, increasing the ease in which investors can allocate/withdraw capital
- **Transparency:** Bc Portfolio is comprised of in-house strategies, Lazard can offer access to a variety of relevant info
- **Risk Management:** Real-time risk management and communications with investment teams allows for a more robust oversight process
- **Fee Clarity:** No performance fees or underlying hedge fund fees

What Helps/Hurts Positioning

Helps

- Global, diversified portfolio
- Portfolio diversifier
- Single fee; no perf fee

Hurt

- Lack of MF track record

Best/Worst Practices in Marketing

Best Practices

- Taking advantage of investor interest in liquid alts
- Emphasizing LAM has been in the AI business for 20 yrs

Worst Perceptions

- Liquid alts are retail
- Can't sell until AUM is of size/3-yr track record
- Too confusing for clients to understand

Current Marketing Plan

- Focus on channels where size is not a major issue
 - CAG, AI Sales, select Institutional opportunities
- Build robust marketing collateral

LAZARD

ASSET MANAGEMENT