



## **Lazard Wealth Management LLC**

### **Form ADV Part 2A**

**March 31, 2012**

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This brochure provides information about the qualifications and business practices of Lazard Wealth Management LLC ("LWM"). If you have any questions about the contents of this brochure, please contact us at (212) 332-4500. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

LWM is a registered investment adviser. Registration as an investment adviser does not imply any level of skill or training.

Additional information about LWM also is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

## Item 2- Material Changes

This Item is intended to discuss only specific material changes that have been made to the Brochure and to provide clients with a summary of such changes.

To date there have been no material changes to the Brochure since the last filing. The last annual update to the Brochure was made on March 31, 2011.

Currently, our Brochure may be requested by contacting LWM at (212) 632-4500 or e-mailing your request to [LWMCompliance@lazard.com](mailto:LWMCompliance@lazard.com).

Additional information about LWM is also available via the SEC's web site [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). The SEC's web site also provides information about any of our affiliated persons who are registered, or are required to be registered, as investment adviser representatives of Lazard Wealth Management, LLC.

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## Item 4- Our Advisory Business

### *Investment Advisory Services and Fees*

Lazard Wealth Management, LLC (“LWM”) provides wealth management services to ultra high net worth clients. These services include ongoing investment advice, asset allocation, financial planning, trust and estate planning, tax strategies, as well as philanthropic advisory services. LWM has been a registered investment adviser since January 2010. LWM is a Delaware limited liability company of which the Lazard Group LLC is the sole member. Interests of Lazard Group LLC are held by Lazard Ltd, a Bermuda based corporation with shares that are publicly traded on the New York Stock Exchange (NYSE: LAZ). Interests of Lazard Ltd are held by public shareholders as well as by current and former managing directors of Lazard Group LLC.

### *Investment Philosophy*

LWM believes that individual investors and family groups with investable assets greater than \$20 million are unique in their investment needs and desires. As such, LWM’s investment process involves two distinct levels of analysis. The first is the development of a goal-based, decision-making framework. LWM believes each individual and family has some combination of the following four fundamental investment goals: liquidity, income, capital preservation and growth. LWM works with clients to develop an understanding of their specific situation to determine the level of exposure to the different sources of risk (cash flow shortfall, loss of principal, illiquidity, etc.) that LWM believes is appropriate for each one of their portfolios. The portfolio characteristics that emerge from this process help to set the high level asset allocation exposure for the portfolio which is segmented into three distinct pockets: defensive, liquid growth and illiquid growth.

LWM determines how to achieve the return goals for each of the three distinct pockets within the portfolio. In practice, the liquid growth portfolio is where the majority of the day-to-day investment management takes place. This portfolio is designed by the LWM Investment Committee to provide exposure to markets where LWM believes there will be reasonable prospective returns adjusted for the risk of loss. Investments will be made through managers selected for their ability to add value rather than strict adherence to a specific investment style, market segment, benchmark or geographic location. Portfolio tax optimization is an option available to clients which is implemented through the selective use of tax-managed funds or methodologies in highly efficient markets.

In implementing the investment platform, LWM at its discretion may use any one or more of the following:

- exchange traded funds (“ETFs”),
- open and closed-end mutual funds,
- individual securities,
- commodities,
- private equity investments,
- alternative investments, including, but not limited to, hedge funds and private equity funds, and
- approved third-party Managers through a separately managed account (“SMA”) and through limited partnership and other pooled investment vehicles, which may utilize a broad array of investments and instruments.

LWM retains only those Managers that have been evaluated and approved by LWM’s Investment Committee, as well as the outside due diligence firms retained by LWM to assist with the due diligence. In certain instances, LWM may invest client assets in pooled investment vehicles which may be managed by an affiliate

of LWM. Additionally, client assets may be managed directly by an affiliated Manager in a separately managed account which is described in greater detail below.

### ***Separately Managed Accounts***

As noted above, in implementing clients' investment plans, LWM at its discretion may employ third-party Managers. This is typically done by hiring a Manager directly to manage a separately managed account or as an investment in a pooled investment vehicle.

When hiring a Manager to manage an SMA, LWM delegates its investment authority to the Manager, who exercises investment discretion over, and executes transactions for, the SMA using a particular investment strategy or style as directed by LWM.

LWM may select Lazard Asset Management, LLC ("LAM"), an affiliate (and a registered investment adviser), to manage SMAs for clients. For clients whose assets are managed by LAM, LWM will reduce its investment management fee. Clients will receive a fee offset equal to the LAM investment management fees with respect to such SMA. However, LWM may receive a percentage of the management fee from LAM as part of a fee sharing arrangement between LWM and LAM. This fee sharing arrangement is discussed more fully in the Fees and Compensation section below.

In the event that a Manager no longer meets LWM's criteria and LWM determines that it is in the best interests of its clients, LWM may terminate the relationship with the Manager and re-allocate the client's assets to one or more approved Managers. In addition, LWM at its discretion may reallocate client assets from one Manager to another for any reason, including, but not limited, to a change in client investment objectives and/or financial circumstances. Although LWM will have access to portfolio holdings information on a post trade basis, LWM is not involved in the day-to-day selection or execution of securities relative to the SMAs. Instead this is the responsibility of the Managers hired to manage the SMA.

### ***Wealth Advisory Services***

LWM may assist clients, upon request, in formulating an overall investment strategy and financial plan, including, but not limited to, cash flow management, estate planning, pre-sale planning, retirement planning, educational planning, and insurance planning. LWM may also create personal financial statements such as a cash flow statement, income statement and balance sheet. LWM takes into account the client's financial resources, objectives, risk profile and current cash flow requirements while crafting a balanced and realistic plan to meet those objectives. LWM does not charge a separate fee for such services. These services may be summarized in a written plan for a client, which reflects such client's current financial circumstances, financial outlook and personal objectives. A separate services contract is not required for clients using this service.

### ***Open-end and Closed End Funds***

When implementing the clients' investment plan, LWM at its discretion may invest in open and closed-end mutual funds managed by unaffiliated managers. In such circumstances, the client will bear the additional expenses associated with the mutual funds, such as 12b-1 distribution and fund management fees.

To achieve greater diversification or exposure to a specific sector or asset class, a portion of the client's assets may be invested in one or more open or close-end funds ("Funds") managed by LAM. In the case of the open-end funds, Lazard Asset Management Securities ("LAM Securities") acts as the distributor of the Funds' shares. Clients, along with other shareholders of the Funds, will bear a proportionate share of the expenses of those Funds including, the management fee paid to LAM or an affiliate. With respect to Funds that pay 12b-1 distribution fees, clients will also bear a portion of the distribution fee. For clients with a portion of their assets invested in a Fund managed by LAM, LWM will reduce its investment management fee by the

amount of the investment management fee received by LAM with respect to such Fund. However, LWM may receive a percentage of the Fund's management fee from LAM as part of a fee sharing arrangement between LWM and LAM. This arrangement is described more fully in the Fees and Compensation section below.

### ***Private Funds***

LWM may invest client assets in alternative investments ("Private Funds"), including but not limited to, limited partnerships, hedge funds and private equity funds, when LWM believes such an investment is suitable and when LWM believes the client meets the qualification standards of any such Private Funds. Due to the structure of the Private Funds, there may be multiple fees applied to them, which may not be readily apparent to the client. For example, Private Funds may invest in other hedge funds or private equity funds, which will in turn charge fees and such fees will be reflected in that fund's net asset value.

LWM acts as the investment manager to certain Private Funds ("LWM Private Funds") in which, at the client's direction, LWM may invest client assets. LWM will charge an advisory fee based on the assets under management in the Private Funds but it will not charge an internal management fee as the investment manager to the LWM Private Funds. However, the LWM Private Funds will charge administrative and operational fees directly to the Private Funds, the ultimate cost of which is borne by the client. The administrative fees (and any other fees and expenses of the Private Funds) are fully described in each individual Private Fund's private placement memorandum. LWM may delegate certain investment management duties, including the due diligence on investments or other managers, to one or more third party investment managers and in such event those managers will receive payment from the LWM Private Funds for the performance of its services. Such third party managers shall be subject to the review and oversight of LWM.

In addition, the underlying investments made by the LWM Private Funds, which may include hedge funds, limited partnerships and/or separately managed accounts, charge separate investment management fees and in certain instances also charge administrative or other fees. The client through their investment in the LWM Private Funds bear the ultimate cost of these fees.

Private Funds (including the LWM Private Funds) typically have limits on liquidity. Investments in certain Private Funds, including hedge funds and in particular private equity funds, can be very illiquid and an investor may not be able to redeem their investment for substantial periods of time. Redemptions from Private Funds are described in each Private Fund's private placement memorandum. In general, investments in alternative investments can only be liquidated at the end of a month or quarter as specified in the private placement memorandum. There may be significant notice periods, lock-ups or hold-backs upon redemption from the Private Funds, which will make prompt liquidation of these investments unlikely.

### ***Customized Private Funds Portfolio***

Clients with a pre-existing portfolio of Private Funds, may request that LWM provide a customized Private Fund solution, whereby, LWM will provide certain advisory services in relation to these Private Funds. These services include a thorough investment analysis of the Private Funds, as well as, due diligence of such Private Fund(s)'s investment manager. On the basis of these analyses, LWM may retain, terminate and/or reallocate assets among these Private Funds or invest in new Private Funds seeking to meet the risk/return profile selected by the client.

LWM has retained certain sub-advisers to enhance the investment analysis and due diligence process for such Private Funds. While these sub-advisers may make recommendations as to what actions to take with respect to these funds, LWM retains the authority to execute such recommendations. In addition, these sub-advisers may charge an investment advisory fee based on the value of the Private Fund portfolio. Such investment

advisory fees will be negotiated on a case-by-case basis dependent upon various factors regarding the client's Private Fund portfolio, including, but not limited to the complexity of the portfolio. LWM may or may not be able to negotiate a lower advisory fee than if the client directly used such sub-advisers for such services.

In certain cases, the sub-advisers may charge an incentive or performance based fee in relation to the Private Fund portfolio for which they provide investment advisory services. These performance based fees will be negotiated on a case-by-case basis, and will be disclosed to the client in the fee schedule agreed to by the client and the sub-adviser. The client should be aware that the existence of a performance based fee structure may create a conflict of interest in that the sub-adviser may have an incentive to take a greater degree of risk with regard to the Private Funds selected in order to generate a greater investment return thereby increasing any such performance based fees. Please be advised that LWM does not charge any performance based fees nor does LWM receive any portion of the performance based fees that may be charged by the sub-advisers.

### ***Portfolio Aggregation and Reporting***

The client may have assets that will remain outside of the scope of the discretionary investment advisory relationship with LWM; however, they may wish to have such assets included in the aggregated holdings reports ("Reports") generated by LWM. While the information LWM utilizes in generating the Reports is obtained or derived from sources thought to be reliable, LWM makes no representation as to their accuracy and/or completeness. Clients are urged to carefully review their custodial statements to ensure all such assets are properly reflected on the Reports.

Typically the assets for which LWM provides portfolio aggregation and reporting are concentrated positions or those positions which can not be easily liquidated and managed in accordance with the strategy agreed to by client and LWM.

While LWM may provide advice relative to these securities or a pre-existing non-LWM manager, the ultimate decision as to whether to affect a trade in such securities or to continue to utilize a pre-existing non-LWM manager will be made by the client. These assets are outside of the scope of LWM's fiduciary relationship with the client and LWM takes no responsibility for the performance of such assets.

### ***Sweep Arrangements***

Uninvested cash held by LWM advisory clients will typically be "swept" into one or more money market mutual funds or other short-term investment vehicles ("Sweep Vehicle") made available by the client's custodian. LWM will, at its discretion, select the Sweep Vehicle to be used in the client's account.

Any client whose assets are "swept" into a money market mutual fund or other short-term investment vehicle will continue to pay LWM's regular advisory fee plus any management fee charged by the manager of such fund or short-term investment vehicle on the portion of assets invested in the money market fund or short-term investment vehicle. In addition, many money market funds charge 12b-1 distribution fees, the cost of which is ultimately borne by the client.

### ***Non-Discretionary Consulting***

In addition to the advisory services described above, LWM may provide non-discretionary consulting services with respect to certain assets designated by the client. Assets which will be considered for consulting services typically are concentrated positions or those positions which can not be liquidated and managed in accordance with the strategy agreed to by client and LWM. Clients may also maintain private fund portfolios outside of the scope of LWM's fiduciary oversight for which LWM may provide consulting services on an

advisory basis. Consulting services may include reviewing the assets for consideration in an overall portfolio asset allocation context as well as providing general market and economic commentary.

These assets are outside of the scope of LWM's fiduciary relationship with the client and LWM takes no responsibility for the performance of such assets.

### ***Assets Under Management***

As of February 29, 2012, LWM had \$111,821,077 in discretionary assets under management. In addition, LWM provided Non-Discretionary Consulting services on \$93,318,603 as well as Portfolio Aggregation and Reporting services on \$68,602,169 as of that date.

## **Item 5- Fees and Compensation**

### ***General***

LWM's fees may be subject to negotiation based on multiple factors including the overall complexity of the client's financial affairs, extent of services provided, the mix of investments managed as well as the overall relationship. The below basic fee schedule may be modified pursuant to an executed investment advisory agreement. Such modifications may include graduated breakpoints between those indicated below.

As discussed in Item 4, fees to LWM do not include any fees payable to selected Managers that provide services to the client, the underlying fees and expenses associated with open and closed-end mutual funds, or any fees charged by or within alternative investments (including Private Funds). While open and closed-end mutual fund management fees are paid by the funds, their ultimate cost is borne by the client as a shareholder in the funds and these fees are in addition to any fees paid to LWM.

These costs include the securities transaction fees or commissions, as well as the investment management fees charged by the appointed Managers. In addition to the general fees and expenses associated with Private Funds, clients invested in these funds may also be subject to performance based fees, which may be substantial. While the Private Funds pay the performance fee to the fund's Manager, the ultimate cost of these fees is borne by the end investor.

As discussed more fully in Item 15 Custody, State Street Bank & Trust Company, LLC ("State Street") will maintain custody of client assets unless the client specifies otherwise. In the event that State Street is utilized for custody, LWM will pay the custodial fees; however, if the client directs LWM to use another custodian the client will bear the full cost of that custodian's fees.

**Please note that clients will be charged either the Investment Advisory Fee or Portfolio Reporting and Aggregation Fee, but not both on the same assets, based on the services selected by the client.**

### ***Investment Advisory Fees***

For the discretionary portion of a client's portfolio, as well as those LWM Private Funds the client directs LWM to invest in, clients will be charged an annualized advisory fee based on assets under management, which will be payable quarterly in arrears based on the month-end market value for each of the 3 months comprising the preceding calendar quarter. For new accounts or accounts terminated during any quarter, advisory fees are pro-rated based on the number of days the account was managed during the relevant quarter. Additionally, each client is responsible for the commissions associated with any transactions effected within the client's account and such fees are separate and apart from the investment advisory fees described below. If a client elects this service for specific assets, Portfolio Aggregation and Reporting fees will not be charged on such assets. The breakpoints below may be applied to family or other similar relationships.



### ***Investment Advisory Fee Schedule***

Assets	Annual Fee
First \$20 million	0.75% (75 basis points)
Next \$30 million	0.60% (60 basis points)
Next \$50 million	0.50% (50 basis points)
Next \$100 million	0.40% (40 basis points)
Over \$200 million	0.30% (30 basis points)

### ***Portfolio Aggregation and Reporting Fees***

For the portfolio aggregation and reporting services, LWM may charge a fee on the portion of the client portfolio which will be payable quarterly in arrears and based on the month-end market value for each of the 3 months comprising the preceding calendar quarter. For new accounts or accounts terminated during any quarter, advisory fees will be pro-rated based on the number of days the account was managed during the relevant quarter. Additionally, each client shall pay the commissions associated with any transactions effected within the client's account and such fees are separate and apart from the portfolio aggregation fee described below. If a client elects this service for specific assets, Investment Advisory Fees will not be charged on such assets.

Assets	Annual Fee
First \$50 million	0.25% (25 basis points)
Next \$50 million	0.20% (20 basis points)
Next \$100 million	0.15% (15 basis points)
Over \$200 million	0.10% (10 basis points)

### ***LAM As A Manager***

As stated above, in instances where LWM selects LAM as a Manager for SMAs or the manager of one or more Funds. In such cases, LWM will reduce its Investment Advisory Fee by the amount of the investment management fee received by LAM with respect to these investments, such reduction in the Investment Advisory Fee does not result in any refund or rebate to the client.. However, LWM may receive a percentage of the Fund's or SMA's management fee from LAM as part of a fee sharing arrangement between LWM and LAM.

### ***Termination***

Either LWM or the client, without penalty, may terminate all investment advisory arrangements at any time by providing notice in accordance with the notice provisions of the investment advisory agreement. Upon termination of the relationship, fees due to LWM will be pro-rated for the portion of such calendar quarter that the advisory relationship was in effect.

LWM may terminate the advisory relationship for any reason including, but not limited to regulatory action or pending litigation. LWM may, without prior notice to the client, suspend trading activity in any advisory account, if it has reason to believe that such trading would result in a violation of federal or state law.

In the event client's portfolio contains certain investments, such as hedge funds or private equity, which may have limited liquidity LWM may not be able to liquidate certain positions immediately upon termination of the investment advisory agreement. Investments which are restricted securities may be subject to substantial holding periods or may not be traded in public markets at all, so that the ability to liquidate such positions may be restricted by the terms of the investments' governing documents. Additionally, LWM may liquidate Clients from a Private Fund where LWM acts as a general partner in the event a Client terminates his/her agreement with LWM.

## **Item 6- Performance Based Fees and Side-by-Side Management**

LWM does not charge performance based fees on any of the accounts for which it provides advisory services, however, certain sub-advisers employed by LWM may charge performance based fees with regard to the Custom Private Funds Portfolio. As stated above, the presence of performance based fees may create an incentive on the part of the sub-adviser to select investments which are more risky or more speculative than might be the case in the absence of a fee based on performance. Performance during any billing period is influenced by such sub-adviser's decisions to buy or sell during the period. Clients should also be aware that a sub-adviser charging a performance fee may receive increased compensation with regard to unrealized appreciation as well as realized gains in the client's account.

## **Item 7- Types of Clients**

LWM provides investment advisory service to different types of clients, including, without limitation, individuals, trusts, estates, charitable organizations, foundations, pension and profit sharing plans, corporations, educational institutions, limited partnerships and other business entities.

LWM generally requires an initial minimum investment of \$20 million in assets for wealth management accounts, subject to LWM's discretion. LWM generally applies the account minimum on the basis of the aggregate amount of assets associated with a particular relationship. LWM may in its sole discretion waive the investment minimum for any specific relationship.

## **Item 8- Methods of Analysis, Investment Strategies and Risk of Loss**

### ***Methods of Analysis***

LWM uses a variety of information sources and security analysis methods to determine the attractiveness of various asset classes and securities. LWM primarily employs fundamental analysis when analyzing specific assets or securities, which may include, a review of current and historical fundamental data, such as cash flow statements, income statements and other general financial condition data. This will also include an analysis of stock dividend yields, bond and preferred security interest rates, cash flow data, and earnings levels, as well as other measures of valuation, growth and enterprise quality. LWM may also review specific asset classes, through index data or broad combined metrics, both absolute and relative to other assets.

LWM also uses a variety of sources and methods, including the employment of third-party research service providers, to determine the capabilities of Managers to which LWM allocates client funds. Factors used by LWM when selecting Managers include historical performance, investment philosophy and process, reputation, regulatory history, quality and experience of key staff, comparative fees and risk management practices. In addition, LWM may review regulatory filings of the Managers, such as the Form ADV. LWM may use outside service providers to assist in the due diligence process.

LWM will use multiple sources of information that it determines are useful to its investment management process. In addition to financial periodicals, inspections of corporate activities, research materials prepared

by others, corporate rating services, regulatory filings with the SEC and company press releases, LWM may use online news services and web commentary, as well as meetings with the clients, suppliers, and competitors of companies in LWM managed portfolios.

Managers employed by LWM may utilize a variety of methods of analysis, sources of information and investment strategies. In addition, LWM Managers and/or alternative investments may employ hedging or arbitrage strategies.

### ***Investment Strategy***

LWM utilizes a two-step approach to asset allocation. The initial stage is focused on each client's spending and liquidity needs. With this information, LWM works with the client to develop a structure of lower-risk, fixed income instruments denominated in the currency of the client liquidity needs. This portfolio is structured to support client liquidity needs for a specified period. The length of this time-frame is one key determinant of client risk tolerance.

The second stage of LWM's asset allocation is the structuring of the client's "risk assets". This portfolio holds various asset classes and is designed to benefit from global economic growth and have commensurate levels of risk. The securities held in this portfolio will generally be equity securities, credit securities, investment grade and below investment grade fixed income, commodity and "real asset" holdings, and securities denominated in foreign currency. This Portfolio will also hold, for clients who can tolerate a reduced level of liquidity, alternative investment strategies such as hedge fund investments and private equity.

For each "risk asset" held, LWM will develop an anticipated risk profile generally comprised of an estimate of future return, an estimate of return variability as generally measured by standard deviation of return, and a measure of each asset's return correlation with other assets held in the portfolio.

The allocation of the "risk assets" will be a combination of strategies that LWM believes offer a diverse portfolio. This asset mix will be determined by both the use of mathematical models driven by underlying return, risk, and correlation as well as by specific diversification considering future market risk scenarios and how each asset may behave under these scenarios. Portfolio turnover will involve a careful balance of expected return, tax impact, and trading costs.

### ***Risk of Loss***

Investing in securities and other financial instruments involves risks, including the potential loss of the client's principal. Although LWM endeavors to preserve its clients' capital and achieve real growth of client wealth, investing in securities and other financial instruments involves the risk of loss that each client should be prepared to bear. While certain strategies may offer the potential for greater growth, these same strategies may have greater potential volatility. While it is LWM's intent to minimize risk when possible, certain strategies may impose more risk than others. *In addition, the risks listed below are not comprehensive of all of the risks relating to the investment strategies employed by LWM.*

#### ***General Risks***

- LWM may invest in securities it believes to be undervalued that may not realize their perceived value for extended periods of time or may never realize their perceived value.
- Securities comprising LWM's investment strategies may respond differently to market and other developments than other types of securities.
- Performance is largely dependent on the talents and efforts of its investment professionals. There can be no assurance that LWM investment professionals will continue to be associated

with LWM and the failure to retain such investment professionals could have an adverse effect on the value of an investment.

- Legal, tax and regulatory changes, which may occur during the term of the investment advisory agreement, may adversely affect LWM or the services offered by LWM.

#### *Risks Related to Equity Securities*

- LWM may invest in securities it believes have the potential for growth, but that may not realize such perceived potential for extended periods of time or may never realize such perceived growth potential. Such stocks may be more volatile than other stocks because they can be more sensitive to investor perceptions of the issuing company's growth potential.
- 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.

#### *Risks Related to Debt Securities*

- An investment in debt securities carries risk. If interest rates rise, debt security prices usually decline. The longer a debt security's maturity, the greater the impact a change in interest rates can have on its price. If you do not hold a debt security until maturity, you may experience a gain or loss when you sell. Debt securities also carry the risk of default, which is the risk that the issuer is unable to make further income and principal payments. Other risks, including inflation risk, call risk, and pre-payment risk, also apply.
- Some debt securities may give the issuer the option to call, or redeem, the securities before their maturity, and during a time of declining interest rates, LWM may have to reinvest the proceeds in an investment offering a lower yield and may not benefit from any increase in the value of its portfolio holdings as a result of declining interest rates.
- The lack of a readily available market may limit the ability to sell certain securities at the time and price LWM or the investor may wish. The size of certain debt securities offerings of emerging markets issuers may be relatively smaller in size than debt offerings in more developed markets and, in some cases, LWM may hold a position in a security that is large relative to the typical trading volume for that security; these factors can make it difficult to sell a position at the desired time or price.
- Investments in high yield debt securities or "junk" bonds carry a degree of risk in addition to those of general debt securities. High yield debt securities are assigned a credit rating of "non-investment grade" by independent ratings agencies, which relates to their higher risk of default. In return for the higher yield these bonds typically offer, the investor is accepting the risk that they may not receive payment of interest or the repayment of the principal of their investment at the time of maturity.

#### *Risks Related to Municipal Securities*

- A primary risk of municipal securities, like other debt securities, is credit risk. Payment by the issuer may depend on a relatively limited source of revenue resulting in greater credit risk.
- The values of municipal securities can fluctuate and may be affected by adverse tax law, legislative or political changes, and by financial or other developments affecting municipal issuers and the municipal securities market generally. If there is a decline, or perceived decline,

in the credit quality of a municipal security (or institutions providing credit and liquidity enhancements), the security's value could fall.

#### *Risks Related to Concentrated Positions*

- Clients should be aware of additional risks posed by holding concentrated positions. Losses in one or more large positions, or a downturn in one or more industries or market sectors, in which the client's assets are concentrated could have a material adverse affect on the client's performance for a particular period.

#### *Risks related to Emerging Markets Securities*

- 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.
- Non-domestic investments may be affected by changes in currency rates. For example, a decline in an exchange rate of the foreign currency in which a portfolio security is quoted or denominated relative to the U.S. dollar would reduce the value of the portfolio security in U.S. dollars proportionately.
- The costs and expenses associated with investing in a non-domestic market may be higher than in one's home market.

#### *Risks Related to Convertible Securities*

- Convertible arbitrage strategies generally involve price spreads between the convertible security and the underlying security. The prices of these investments can be volatile and market movements are difficult to predict. Event-driven investing requires LWM or its Managers to make predictions about (i) the likelihood that an event will occur and (ii) the impact such event will have on the value of a company's financial instruments. If the event fails to occur or it does not have the effect foreseen, losses can result.

#### *Risks Related to Multi-Strategy Investment Strategies*

- With respect to "multi-strategy" investment strategies that LWM, a Manager, a Fund or Private Fund may employ, the ability to achieve the investment objective depends in part of the skill in determining the allocation between or among certain underlying investment strategies. LWM's evaluations and assumptions underlying its allocation decisions may differ from actual market conditions resulting in a risk of loss.

#### *Risk Related to Quantitative Investment Strategies*

- A quantitative investment strategy relies on quantitative models and filters which, if incorrect, may adversely affect performance.

#### *Risks Related to Engaging in Leverage*

- Certain strategies may utilize leverage by borrowing funds from securities broker-dealers, banks or others and such borrowing may utilize significant amounts to take advantage of perceived

opportunities, such as short-term price disparities between markets or related securities. Such leverage increases both the possibilities for profit and the risk of loss

#### *Risks Related to Short Selling*

- Certain strategies may engage in short selling which can, in some circumstances, substantially increase the impact of adverse price movements. A short sale creates the risk of a theoretically unlimited loss, in that the price of the underlying security could theoretically increase without limit, thus increasing the cost of buying securities to cover the short position.

#### *Risks Related to Derivative Transactions*

- Derivatives transactions, including those entered into for hedging purposes, may reduce returns or increase volatility. Forward currency contracts, over-the-counter options on securities and currencies and swap agreements as well as other derivatives, are subject to the risk of default by the counterparty, in addition to risks of changes in the value of the related currency, securities or other reference asset. Many derivatives also can be illiquid and highly sensitive to changes in the related currency, securities or other reference asset. As such, a small investment in certain derivatives could have a potentially large impact on performance.

#### *Risks Related to Currency Investments*

- Fluctuations in currency exchange rates can cause a decline in the value of portfolio securities, irrespective of any foreign currency exposure hedging.
- The inability to predict movements in exchange rates and imperfect correlations between movements in exchange rates and movements in the currency hedged may cause portfolio losses.

#### *Risks Related to Illiquid Securities*

- Securities that are not readily marketable, such as securities that are subject to legal or contractual restrictions on resale (such as private placements and certain restricted securities), and other types of illiquid securities, may be difficult to value accurately, and clients are subject to the risk that it may be difficult or impossible to find a buyer for such securities, as the desired time, at a price that is deemed to be representative of their value. As such portfolio losses may occur.

#### *Risks Related to Investment in Private Funds*

- Investments in private funds with limited withdrawal rights or lock-up periods may restrict a client's ability to access the capital invested in such positions. Other risks associated with such investments are detailed in the offering memorandums for such investments.

### **Item 9- Disciplinary Information**

LWM has had no disciplinary action taken on itself or its principals.

### **Item 10- Other Financial Industry Activities and Affiliations**

LWM is affiliated with LAM, an SEC registered investment adviser, which provides ongoing investment advice to clients, including, without limitation, banks or thrift institutions, investment companies, pension and profit sharing plans, trusts, estates, charitable organizations, educational institutions, and limited partnerships. LWM may at its discretion invest client funds in LAM managed open and closed-end mutual funds, alternative investments and/or directly in a separate securities account managed by LAM.

While not material to its advisory business, certain LWM employees and principals may also be licensed registered representatives of LAM Securities, a subsidiary of LAM. LAM Securities is a member of the Financial Industry Regulatory Authority (FINRA) and a broker dealer registered under the Securities Exchange Act of 1934, as amended (the “Exchange Act”).

LAM is a subsidiary of Lazard Freres & Co. (“LF&Co.”), a registered broker dealer under the Exchange Act. LF&Co. is a New York limited liability company with one member, Lazard Group LLC, a Delaware limited liability company. In addition, LWM is a Delaware limited liability company of which the Lazard Group LLC is the sole member. Interests of Lazard Group LLC are held by Lazard Ltd, a Bermuda based corporation with shares that are publicly traded on the New York Stock Exchange (NYSE: LAZ). Interests of Lazard Ltd are held by public shareholders as well as by current and former managing directors of Lazard Ltd and its subsidiaries. From time to time, LF&Co. may refer prospective clients to LWM.

The ability of LWM to invest client assets directly with a LAM managed open and closed-end mutual fund and/or directly in a separate securities account managed by LAM creates a conflict of interest because it creates an incentive for LWM to invest client assets with an affiliate and such investment will benefit LWM’s affiliate. However, LWM addresses this conflict by reducing its advisory by the amount of the LAM investment management fee thereby removing the compensation incentive. The removal of the compensation incentive to LWM and its affiliates assists in mitigating the conflict of interest.

While LWM does have the ability to invest client assets with unaffiliated third- party Managers, it receives no compensation from nor does it give any compensation to these Managers. All unaffiliated third-party Manager investment management fees are paid directly by the client and therefore, LWM believes such investments do not create any conflicts of interest.

## **Item 11- Code of Ethics, Participation or Interest in Client Transactions and Personal Trading**

Employees are subject to LWM’s Code of Ethics and Personal Investment Policy. In general, employees may not engage in speculative trading. Therefore the purchase and sale or sale and purchase of any security, including shares of mutual funds (excluding money markets), within any 60-day period is prohibited. This restriction is subject to certain de minimis provisions and may be waived upon consent of LWM’s Chief Compliance Officer based upon extenuating circumstances. The de minimis exemption when it applies, permits an employee, irrespective of the holding period, to engage in a buy or sell transaction or series of transactions of up to 500 shares of a security, but not to exceed an aggregate transaction amount of \$25,000 of any security of an issuer having a market capitalization (outstanding shares multiplied by current price per share) greater than \$5 billion.

All personnel must pre-clear all trades for personal securities accounts with compliance personnel. All personnel are prohibited from purchasing a security for a personal securities account in a public offering or, unless prior permission from LWM’s Chief Compliance Officer is given, in a private placement. These restrictions do not apply to trades with respect to U.S. government securities. These restrictions also would not apply to accounts in which the applicable personnel have an interest but which are subject to a discretionary investment management agreement, whether with LWM or another manager.

Within 10 days of employment, personnel are required to submit to the Compliance Department (a) an acknowledgement that they have read and understood the policy and (b) a statement disclosing all securities in which personnel have any direct or indirect beneficial ownership.

All personnel must report all personal securities transactions quarterly and certify on an annual basis that they have read and understood the policy and have disclosed all personal securities transactions required pursuant to the policy. In lieu of quarterly reporting, brokerage statements and confirmations may be obtained by LWM to satisfy this requirement. LWM will provide a copy of its Code of Ethics to any client or prospective client upon request.

Employees of LWM and its affiliates from time to time may purchase or sell, or hold positions in securities recommended to clients, including purchasing securities that are being sold for clients and vice versa and may purchase, sell or hold positions in LAM's proprietary investment products. Additionally, employees may hold positions in hedge funds also held in products (e.g. fund of hedge funds) managed by LAM, or an affiliate. Although employees may invest in the same or similar securities and/or financial instruments that are also recommended to clients, there are certain factors, which mitigate the conflict of interest that this creates. The majority of LWM's investment activity is carried out by unaffiliated 3<sup>rd</sup> party Managers. While LWM has access to client portfolio holdings information, trade related details are limited to a trade-date-plus-one basis, meaning that LWM employees only have access to trade information the business day after a trade has been executed. In addition, employees are limited by the 60 day holding period described above, which discourages frequent trading and would limit an employees' ability to execute trades in such a manner as to take advantage of short-term trading opportunities.

## **Item 12 Brokerage Practices**

### **General**

LWM owes a fiduciary duty to clients to seek to obtain best execution of their transactions in equity and fixed income securities. The determinative factor may not be the lowest possible commission cost or best price but whether the transaction represents the best qualitative execution for the managed account. Best execution takes into account not only the lowest total cost to the client, but also the broker dealer's capabilities and services, including, competitiveness of commission rates and spreads, execution quality, promptness of execution, clearance and settlement capabilities, as well as the broker dealer's reputation and access to the markets.

LWM has the authority to select the broker dealers to be used when affecting securities transactions on behalf of the client; however, LWM typically does not directly trade securities with the exception of transitioning a client's portfolio prior to investment with a Manager or Private Fund. While, LWM may invest on a discretionary basis in individual securities this is typically limited to mutual funds and ETFs. In general, LWM will execute ETF and individual securities transactions through State Street Global Markets LLC. Mutual funds orders will typically be routed to State Street Bank & Trust LLC ("State Street").

With regard to equity or fixed income Managers in a separately managed account, each Manager is charged with obtaining best execution.

As part of LWM's initial and ongoing SMA due diligence process, LWM will periodically review the Manager's best execution process.

### **Research and Soft Dollar Benefits**

LWM does not directly utilize client commissions to obtain research or brokerage services; however, the Managers, including LAM, may receive a variety of research and brokerage services from brokers that are paid for by the use of client commissions for the execution of securities transactions in client accounts. Research and related services furnished by brokers may include written information and analyses concerning specific securities, companies or sectors; market, financial and economic studies and forecasts; statistics and pricing services, as well as discussions with research personnel and meetings with senior management of companies whose securities are held in or may be held in client accounts, along with databases and other news and technical services utilized in the investment management process. The Managers are instructed that they should only enter into "soft dollar" arrangements in compliance with Section 28(e) of the Exchange Act. In the event a Manager receives soft dollar benefits, such Manager benefits because it does not have to produce



or pay for the research, products or services received. The Manager may have an incentive to select or recommend a broker-dealer based on the Manager's interest in receiving the research or other products or services, rather than on the clients' best interests.

### **Directed Brokerage**

Although LWM generally will not accept brokerage direction from clients, in certain limited circumstances LWM may accept a client's instructions to direct transactions to a specific broker dealer. In such directed brokerage arrangements, the client should be aware that it will be restricting LWM's ability to obtain as favorable a transaction price or commission rate as LWM might otherwise be able to obtain and that the client will forego benefits, such as more favorable execution prices, by limiting LWM's ability to aggregate trade orders with those of other clients. This may result in the client paying higher transaction costs than if they had permitted LWM to select the broker dealer. However, brokerage direction will not generally be permitted for fixed-income transactions, as direction is generally incompatible with the way in which fixed-income securities are traded by Managers selected by LWM.

### **Trade Aggregation Practices**

LWM and the Managers may instruct brokers to trade clients' securities transactions in block trades. As such, client orders may be aggregated, and the affected clients will receive the average purchase or sale price for the entire block transaction. Generally, when allocating trades that were aggregated to clients, LWM allocates the trades on a pro-rata basis. LWM and the Managers may deviate from a pro-rata allocation approach when making initial investments for newly established accounts for the purpose of seeking to fully invest such accounts as promptly as possible. In addition, when a block order is not fully fulfilled, the securities may be allocated according to procedures which LWM believes are designed to result in fair treatment of all similarly situated accounts over time. Block trades do not necessarily result in lower trading commissions, as the brokers normally charge the same commissions and/or settlement charges whether trades are executed individually or as block trades. Some clients may instruct LWM not to allocate less than a specified amount of securities to their account, not to purchase securities issued by particular issuers or groups of issuers, not to purchase securities of issuers below or above certain market capitalizations, or may subject their account to other similar limitations. Accounts subject to such limitations may not always receive an allocation of securities from particular block trades which also may have an adverse affect on the performance of such accounts and/or result in higher brokerage costs. It is important to note, that this would apply in very limited instances to LWM direct investments, since transactions in individual securities, such as ETFs, are limited.

### **Cross Trades**

To the extent permitted by applicable law, LWM and the Managers may effect "cross" transactions between client accounts. In such a case, one client account will purchase securities held by another client account. These transactions will be effected only (i) when LWM and the Managers (as the case may be) believes that the transaction is in the best interests of both client accounts and (ii) at a price that LWM and the Managers (as the case may be) has determined by reference to independent market indicators, believes to constitute "best execution" for both accounts. LWM and the Managers as the case may be do not receive any compensation in connection with "cross" transactions.

### **Item 13- Review of Accounts**

The Client Relationship Management team will be responsible for reviewing the asset allocation decisions, as well as their implementation. Typically, the Relationship Management Team will review each client's asset allocation and its relationship to the client's investment objectives and risk tolerance regularly throughout the

term of the relationship. The Relationship Management Team is responsible for the providing the client with account and performance information on a quarterly basis.

On an annual basis, LWM will meet with clients, either in person or via conference call if the client so chooses, to provide a thorough review of their wealth management relationship. Typically, during this meeting there is a review of the asset allocation, income statement and liquidity report, as well as changes and transactions during the period. While reviewing the asset allocation with the client, LWM will discuss the current versus target allocation, risk portfolio analysis, evaluation of Managers and the strategy breakdown within the accounts. In addition, specific account, strategy and Manager performance will be reviewed. Generally, this information will be provided in a client meeting package, which will be delivered and reviewed either in person or via conference call with the client.

Typically, clients receive written monthly reports from the custodian, which include account holding and valuation information, as well as transaction details. Performance attribution analysis and account performance data will be reported in written format on a quarterly basis.

#### **Item 14- Client Referrals and Other Compensation**

As described above, LWM may receive a percentage of the LAM management fee charged by LAM for the management of certain affiliated products. While there may be a perceived conflict of interest in selecting affiliated investment products, these circumstances are mitigated by the fact that LWM's investment advisory fee is reduced by the amount of LAM's investment management fee and instead LWM is paid the differential by LAM through an internal fee sharing arrangement. Therefore the client will pay the same or even less in overall fees than if an unaffiliated Manager were selected.

LWM is party to certain written agreements pursuant to which it pays a fee to third party consulting firms, individuals and others based, directly or indirectly, upon the amount of funds received for management from clients in addition to reimbursement of certain expenses. Such agreements specifically require compliance by the consultant with Rule 206(4)-3 of the Advisers Act and other regulations thereunder which require disclosure of certain details of the arrangements to clients. In addition, from time to time personnel of LF&Co. may refer prospective clients to LWM.

LWM may pay for, and use, various services and attend various forums and events that are supplied or sponsored by consultants and third party intermediaries. The receipt of payment for these services could be perceived to provide a benefit to such consultant or third party and, therefore, result in a conflict of interest. In addition, certain managers and vendors may offer, at no cost to LWM, attendance to various investment related events. For example, a manager may host a luncheon or similar event where speakers will present market and economic insights. The receipt by LWM of such benefits may be construed as representing a conflict of interest. However, LWM believes that its receipt of such services offers genuine educational or other benefits to it and its clients.

#### **Item 15- Custody**

In general, State Street will maintain custody of client assets unless the client specifies in writing that a third party custodian is to be used for their account. State Street provides certain back and middle office administrative services to LWM. These services include, portfolio accounting, client reporting, trade settlement, data administration, fee billing and reconciliation. The cost for State Street's services are paid by LWM and the clients and are not separately charged for such fees.

From time to time a client may request that a third party custodian other than State Street be used for the safekeeping of the client's assets. In the event that such a third party custodian is used, client will be responsible for any fees charged by such custodian. Clients agree to instruct any third party custodian in writing to accept purchase, sell and delivery instructions from LWM and its appointed Managers. The

custodial fees and related expenses charged by any third party custodian will represent an additional cost to the client not covered by LWM's investment advisory fee.

LWM is deemed under the Investment Advisers Act of 1940 to have custody due to LWM's authorization to instruct State Street or a third party custodian to withdraw funds or make distributions from the client's account. Clients will receive account statements from the State Street or a third party custodian on at least a quarterly basis, which clients should carefully review. Clients should compare the reports that they receive from LWM with the account statements received from State Street or a qualified third party custodian.

### **Item 16- Investment Discretion**

Clients generally grant LWM complete discretion, through the execution of a power of attorney, to manage their accounts in accordance with their investment objectives, risk tolerance and investment time horizon, subject to reasonable restrictions that they have provided in writing to LWM. Pursuant to this grant of discretion, clients authorize LWM to invest in securities and other investments of any nature, at the time and manner that LWM determines, and to act on the clients' behalf in all other matters necessary and incidental to the management of the client's account, without discussing these transactions or activities with the clients in advance. As stated in the LWM investment advisory agreement, LWM does not take discretion with regard to the investment within the LWM Private Funds.

### **Item 17- Voting Client Securities**

LWM, or the Managers, will generally have the authority to vote proxies on the client's behalf. If the client desires to retain the responsibility to vote proxies, the client should notify LWM in writing. In the event a Manager will vote the proxies, as such authority is delegated to the Managers by LWM and the client, the Managers will vote proxies in accordance with their established policies, which are available to client upon request. While clients may direct LWM to vote a particular proxy voting issue in a specific manner, LWM will generally not inform them of individual proxy voting solicitations as they occur.

The SEC adopted Rule 206(4)-6 under the Investment Advisers Act of 1940, as amended, which requires investment advisers that exercise voting authority over client securities to implement proxy voting policies and procedures. In compliance with such rule, LWM has adopted proxy voting policies and procedures (the "Policies"). The Policies address how LWM will vote proxies with regard to specific matters, such as voting rights, mergers or acquisitions, the election of directors and other issues and how LWM will address material conflicts that may arise between its interests and the interests of its clients. Client's may obtain additional information on the Policies and the proxy voting record relating to the respective client by contacting their LWM Relationship Manager.

LWM is required to vote proxies in the best interests of its clients. It is essential, therefore, that material conflicts of interest or the appearance of a material conflict be avoided. However, LWM is generally not privy to information regarding the investment banking, investment advisory or brokerage arrangements of its affiliates due to the information barriers that have been established between it and its affiliates. LWM believes that the existence of these information barriers mitigates any potential conflicts of interest with regard to the voting of proxies.

### **Item 18- Financial information**

LWM has no financial commitment that impairs its ability to meet contractual and fiduciary commitments to clients, and has not been the subject of a bankruptcy proceeding.