

# World Trust Fund

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Lazard Asset Management

April 9, 2002  
New York

# Lazard Worldwide

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*Lazard is well positioned to compete in today's global investment arena with 150 years of investment experience and offices worldwide.*

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- Founded in 1848
- Managing US\$65.7 billion in assets\*
- Over 100 investment professionals / 25 languages

\*As of December 31, 2001. Assets consist of Lazard Asset Management (New York), Lazard Asset Management Limited (London), and global asset management affiliates, but do not include Lazard Prêtés Gestion in Paris.

# Global Industry Research

## TMT

Telecom  
Hardware  
Software  
IT Services  
Media

## Industrials

Capital Goods  
Aerospace  
Paper/Metal/Steel  
Chemicals

## Power

Oil/Gas  
Utilities

## Financial

Banks  
Asset  
Management  
Insurance  
REITs

## Consumer Goods

Food/Beverage  
Retail  
Autos  
Household  
Personal Care  
Construction

## Health Care

Pharmaceuticals  
Medical Equipment  
Health Services

# The World Trust Fund: Strategy

- Double Discount Hunter.
- Invests in:
  - investment trusts listed in London
  - closed-end funds listed in the U.S.
  - offshore closed-end funds
  - diversified holding companies
- Search for best investment opportunities worldwide. Buy discounted holdings in companies/sectors/countries we like.
- Identify catalysts.
- Hedge market exposure with short sells.

# Global Equity Market Valuations

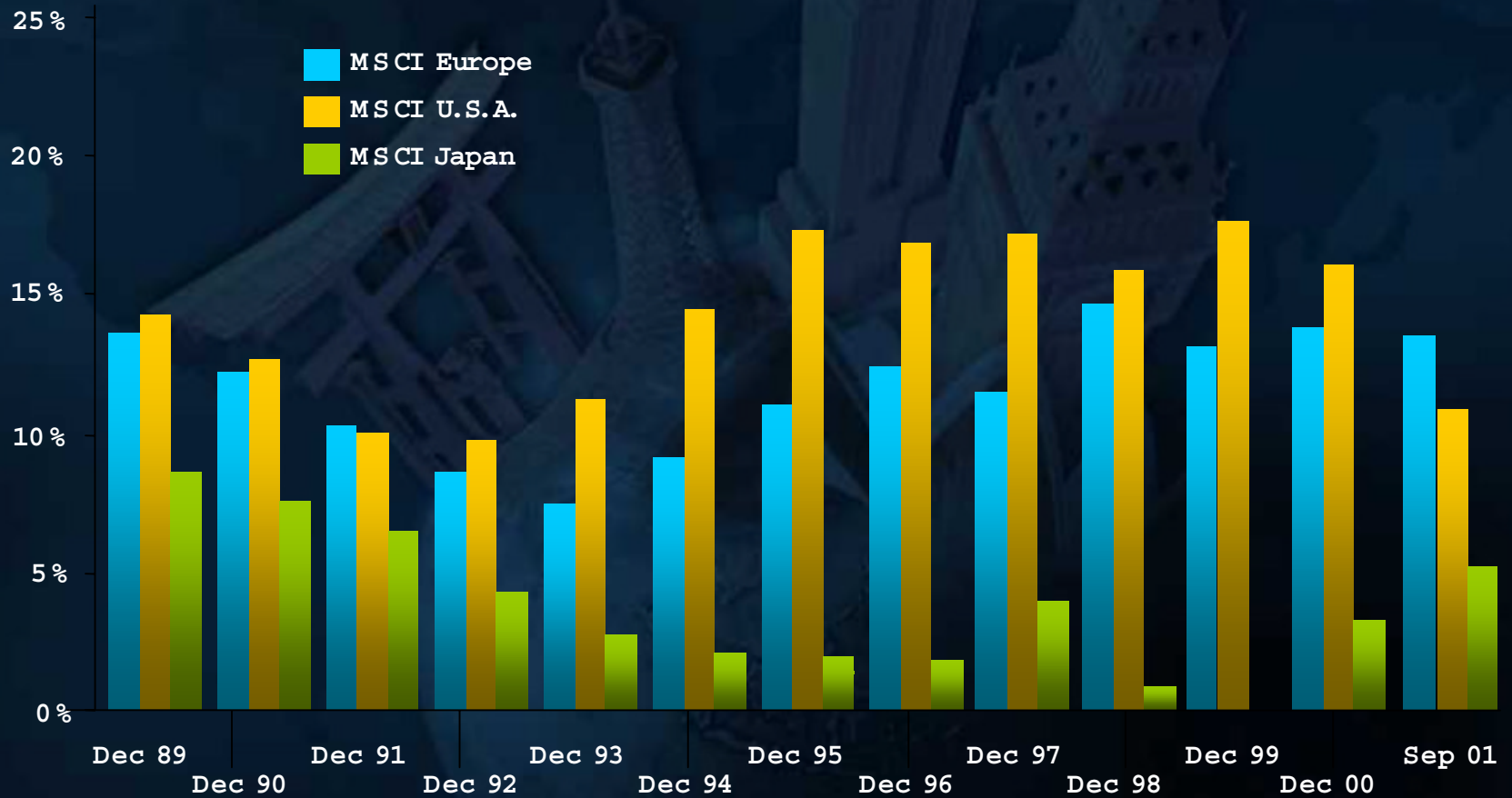
*International Regions Are Starkly Undervalued in Comparison to the United States*

P/CF of Regional MSCI Indexes Relative to the MSCI World Index



# Global Returns on Equity

*The global profit revolution: there is still a lot of room for improvement.*

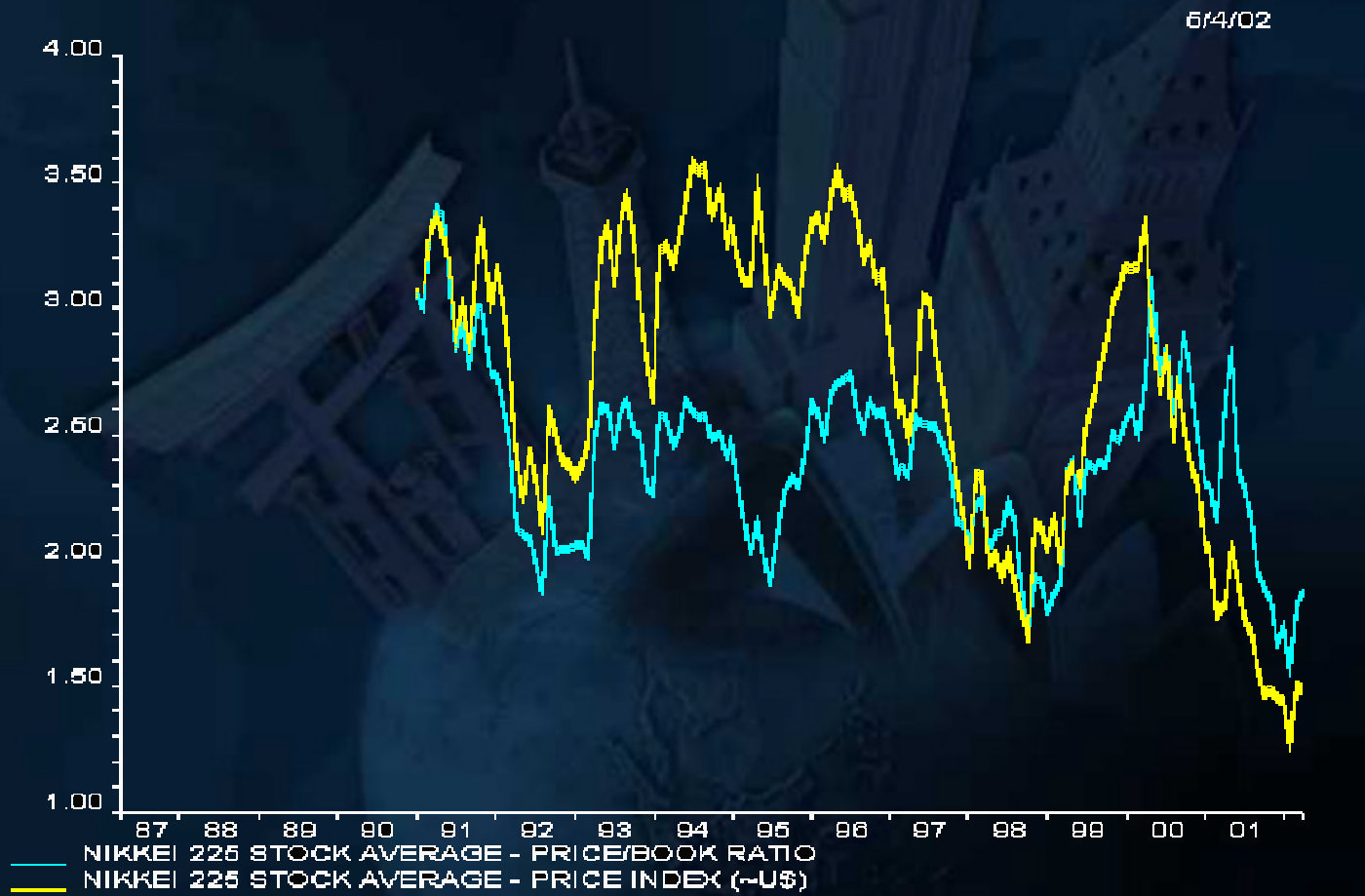


# Attractive Valuations and Financial Productivity



# Japan: Cheap Valuation

Valuation close to lowest ever



Source: DATASTREAM

# Emerging Markets vs. World Markets

## *MSCI Emerging markets free relative to MSCI World (US\$)*



Source: Datastream (from 1/1/88 to 24/9/01 monthly)

# Composite Average Discounts

## Emerging Market Funds



As of January 31, 2002

Source: ABN AMRO

# Composite Average Discounts

## Developed Market Funds

Premium (+)/Discount (-)



■ NYSE Listed Funds  
■ U.K. Listed Funds

As of January 31, 2002

Source: ABN AMRO

# Investment Universe

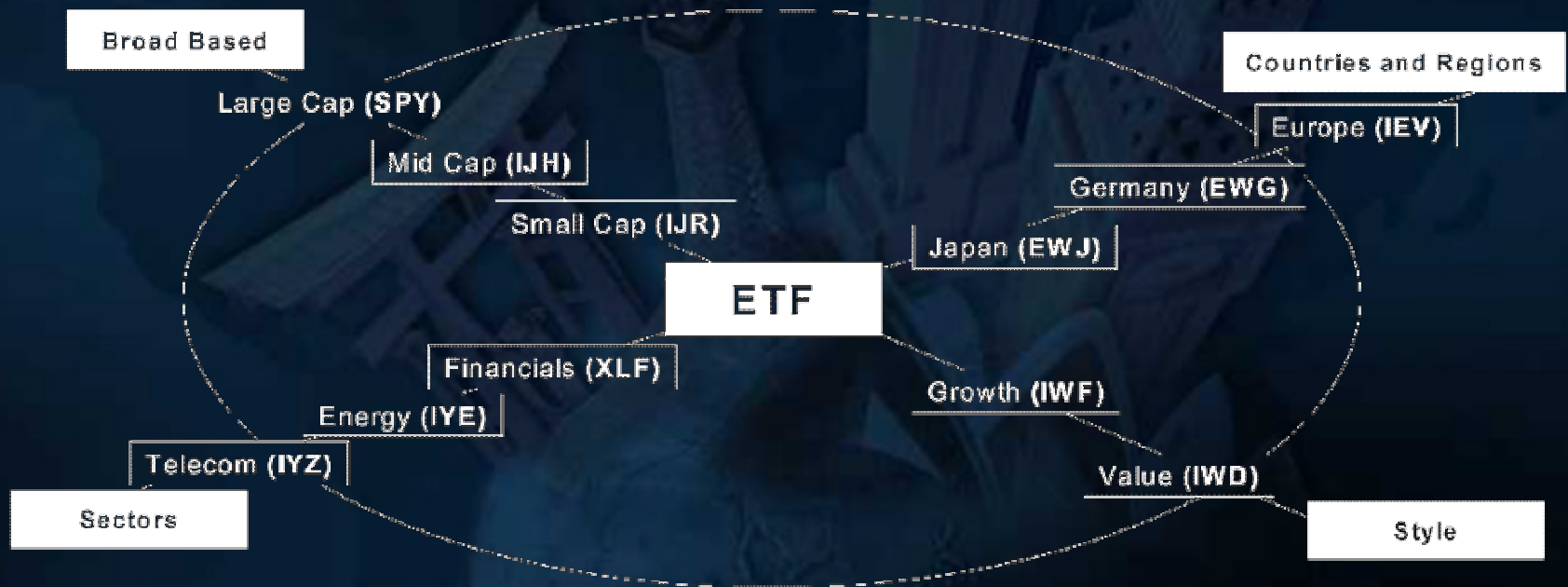
	Market Cap	Total Assets	# of Funds
<b>U.S.</b>	\$109.4B	\$112.4B	485
<b>U.K.*</b>	\$72.8B	\$81.4B	350
<b>Offshore**</b>	\$5.9B	\$7.1B	141
<b>Total</b>	\$188.1B	\$200.9B	976

**A \$13 Billion Opportunity**

As of March 30, 2002  
Source: JP Morgan, UBS Warburg  
\*Excluding 3i PLC  
\*\*Base on

# Exchange-Traded Funds: Broad Selection

## Examples of ETF-Based Strategies that Provide Access to Selected Market Segments



Source: Morgan Stanley Research

# Hedge Fund Universe

<u>Listed</u>	<u>Number</u>	<u>Assets</u>
Switzerland	10	\$3.1 billion
London	6	\$400 million
U.S.	1	Soon to be launched

<u>Fund</u>	<u>Manager</u>	<u>Discount/Prem</u>
Alpin	Citicorp	-24 %
Altin AG	Syz Group	-18 %
Henderson Absolute	Henderson	-7.7 %

The specific securities identified are not necessarily held by Lazard Asset Management for all client portfolios, and nothing herein should be considered a recommendation or solicitation to purchase any security. It should not be assumed that any investment in these securities was, or will be profitable.

# The World Trust Fund

<b>REGISTERED:</b>	Luxembourg
<b>INCEPTION:</b>	July 1991
<b>LISTED:</b>	London Stock Exchange
<b>SYMBOL:</b>	WTR.L (Bloomberg)
<b>MANAGER:</b>	Lazard Asset Management
<b>MANDATE:</b>	Investing in global markets
<b>BENCHMARK:</b>	MSCI World Index

# The World Trust Fund: Repurchases

**SHARES:** 6,312,335

**NET ASSETS:** \$110 million

**WARRANTS:** None

**REPURCHASE:** Ongoing; without limits

Prior to 3/2000: Repurchased 1,743,610 shares

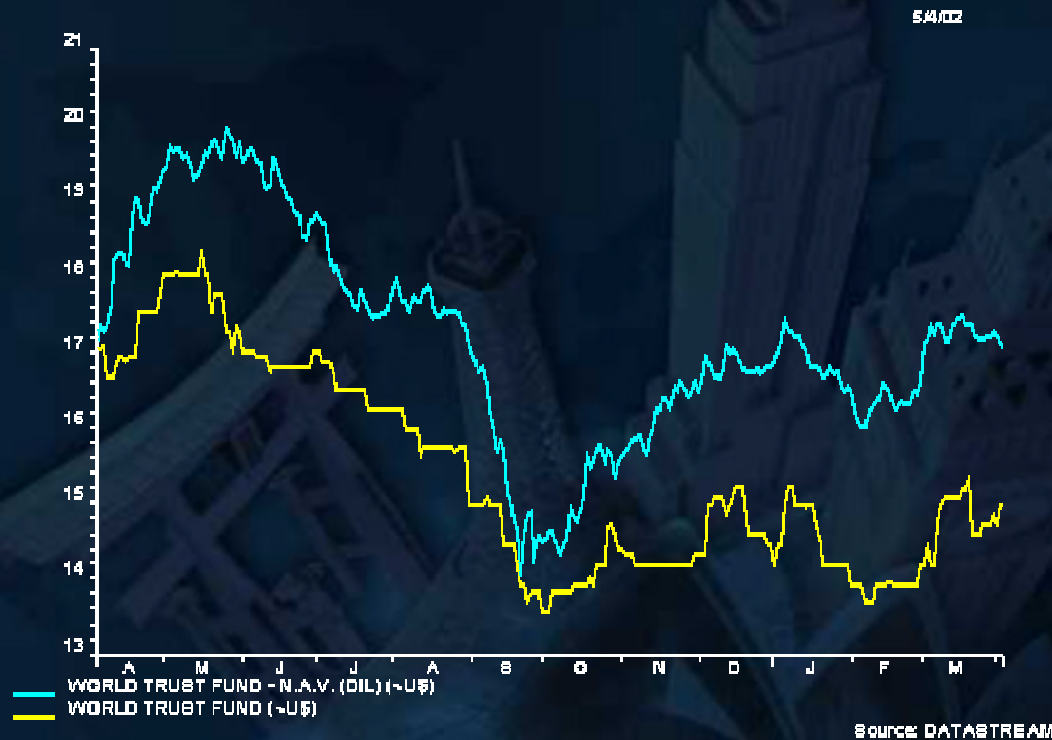
Since 7/2000: Repurchased 1,272,793 shares

Since April 2001: Repurchased 47.4 % of outstanding  
warrants

**Total:** 3,016,403 shares repurchased

*As of April 4, 2002*

# The World Trust Fund



Price (Mid)	\$ 14.50
NAV	\$ 17.57
Discount	- 17.47%

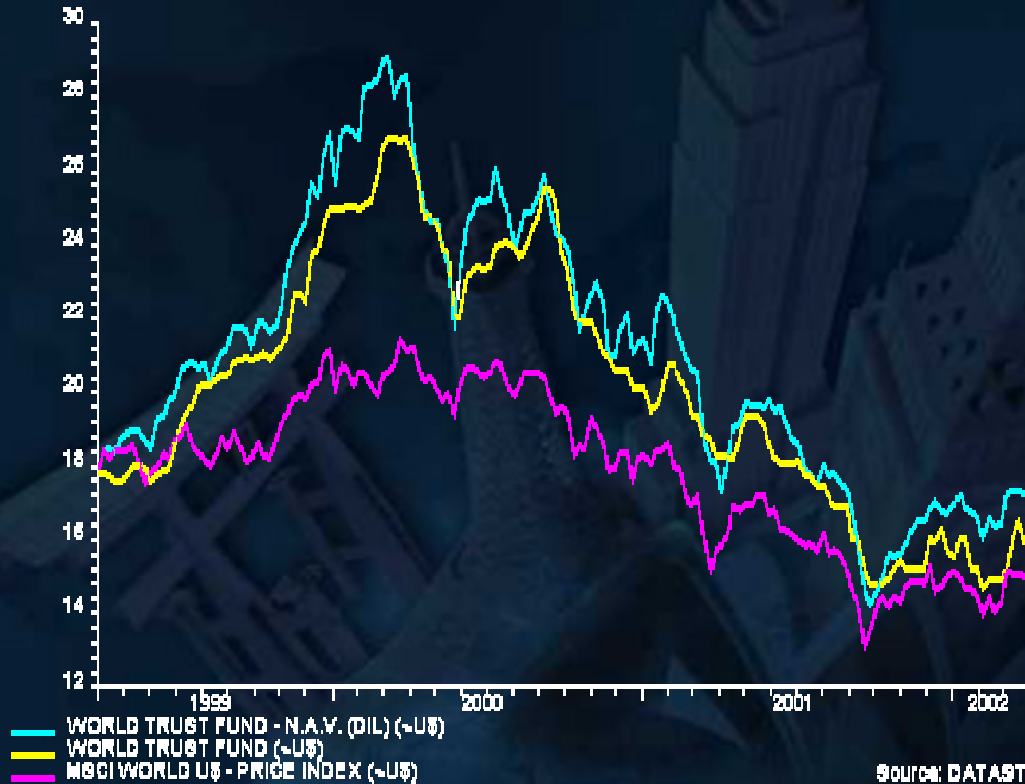
*...with an internal discount of 16%,*

*\$1 buys \$1.44 worth of assets*

*As of March 26 2002*

# Performance

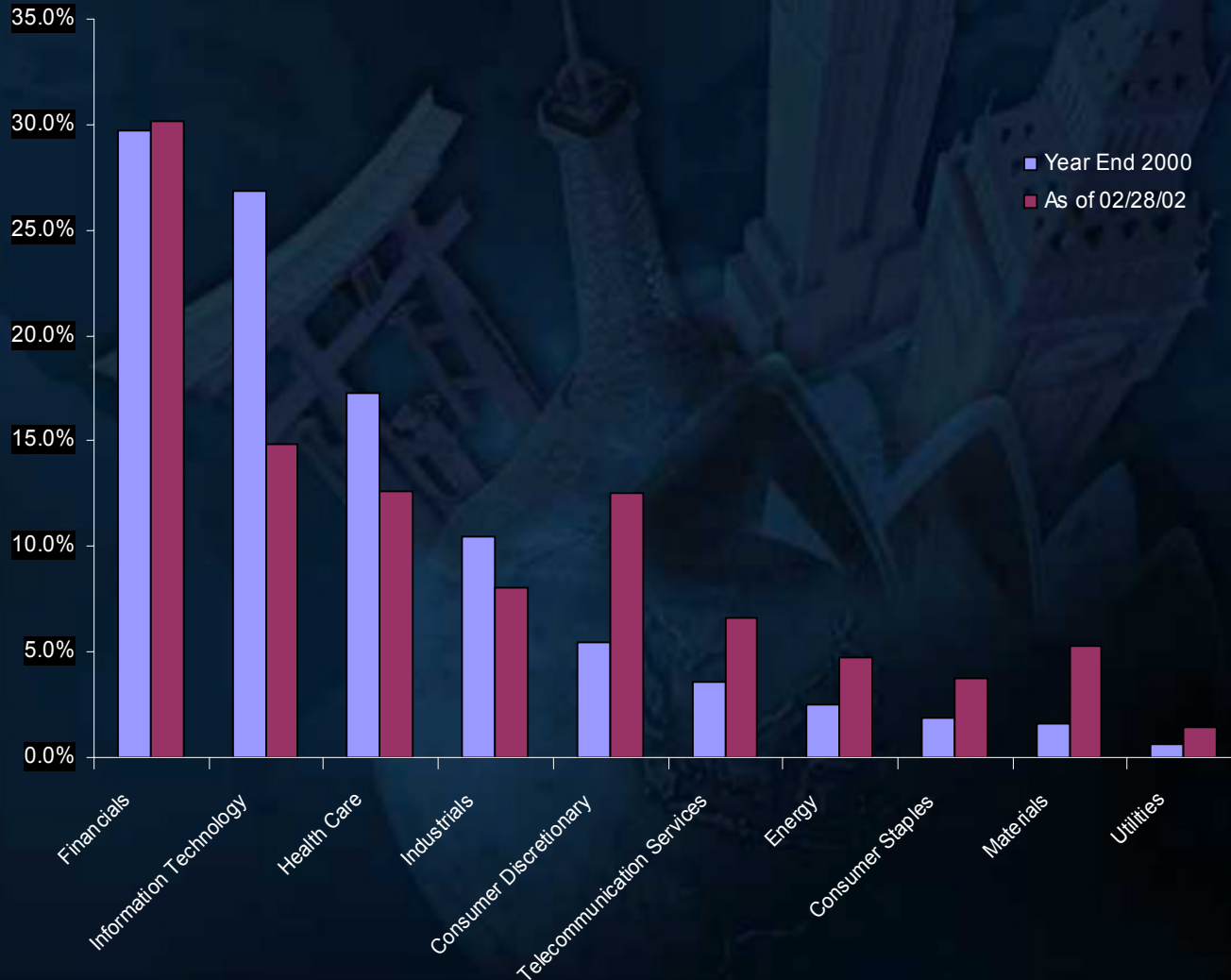
54/02



	YTD	1-Yr	3-Yr
World Trust Fund	2.88%	-1.74%	- 1.91%
MSCI World Index	0.01%	-5.43%	-15.49%
MSCI EAFE Index	0.06%	-9.93%	-18.59%

As of March 29, 2002

# Sector Weightings



# Sector Funds Investing Gaining Importance

- Global integration favors industry/sector funds. Common currencies. Corporations more focused. M & A. Recent studies show over 60% of stock performance driven by sector.
- World Trust Fund's investments in sector funds:
  - Merrill Lynch World Mining Trust
  - Finsbury Technology Trust
  - Finsbury Worldwide Pharmaceuticals Trust
  - 3i Bioscience Trust
  - Emerging Markets Infrastructure Fund
  - Impax Environmental Markets Plc
  - John Hancock Bank & Thrift Fund

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# Sector Weightings vs. World Index

Latest Sector Allocation



As of February 28, 2002

World Trust Fund MSCI World

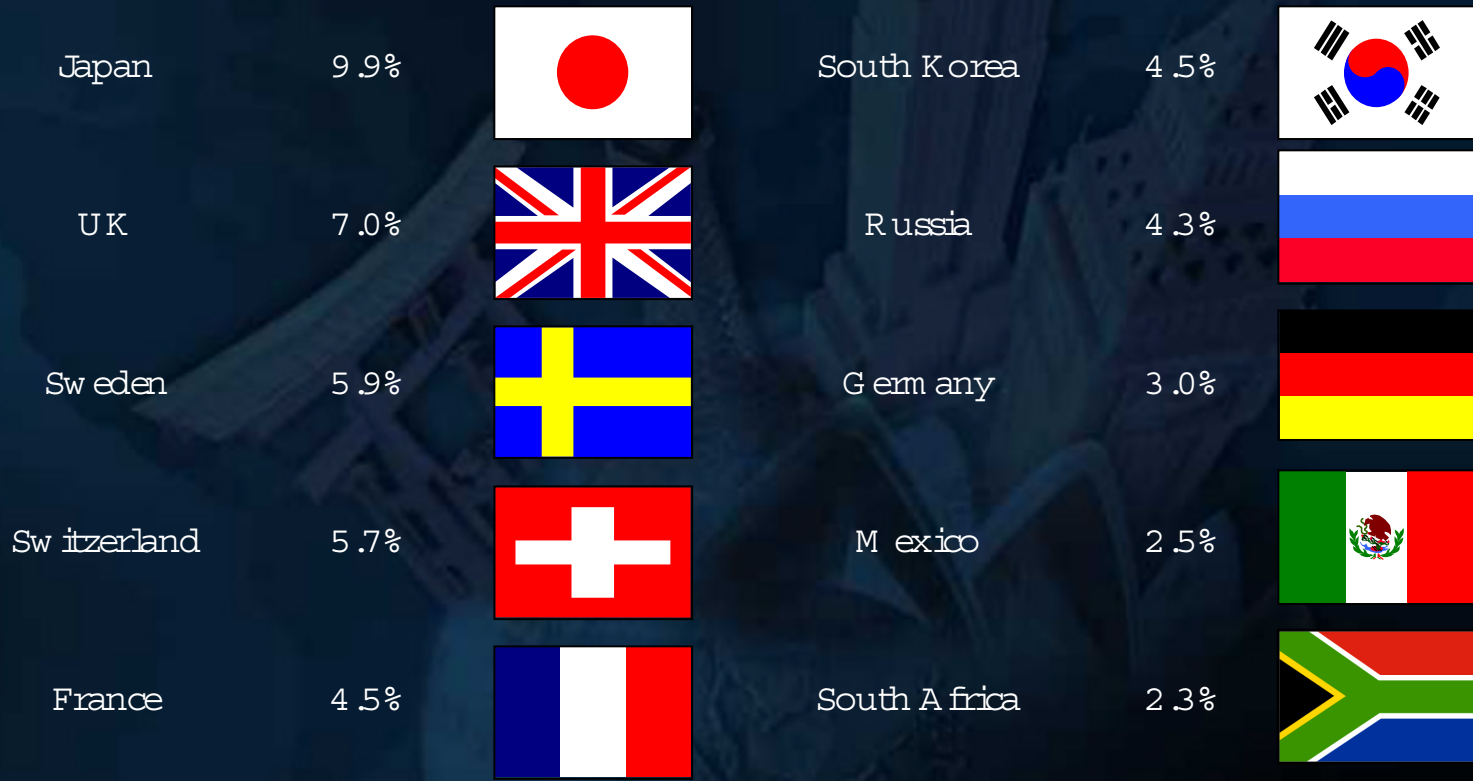
# World Trust Fund

## Geographical Allocation Relative to Index



As of February 28, 2002

# World Trust Fund Top Country Exposure



As of February 28, 2002

# Top Ten Holdings

<u>Fund</u>		<u>Weight</u>	<u>Discount</u>
• Caledonia Investments		7.3 %	-26.0 %*
• Swiss Helvetia Fund		7.1 %	-15.7 %
• John Hancock Bank Fund		6.9 %	-16.1 %
• Merrill Lynch World Mining	6.3 %	-18.7 %	
• Finsbury W W Pharma IT		6.0 %	+2.6 %
• Finsbury Tech IT	5.6 %	-4.0 %	
• Eurazeo		5.4 %	-36.9 %**
• Advanced Developing Markets		5.4 %	-9.3 %
• Investor B Free		4.7 %	-25.0 %
• Fleming Russia Fund		<u>4.3 %</u>	<u>-7.5 %</u>
-	Total:	<b>59 %</b>	Weighted Average: <b>-15.9 %</b>

As of 3/26/2002

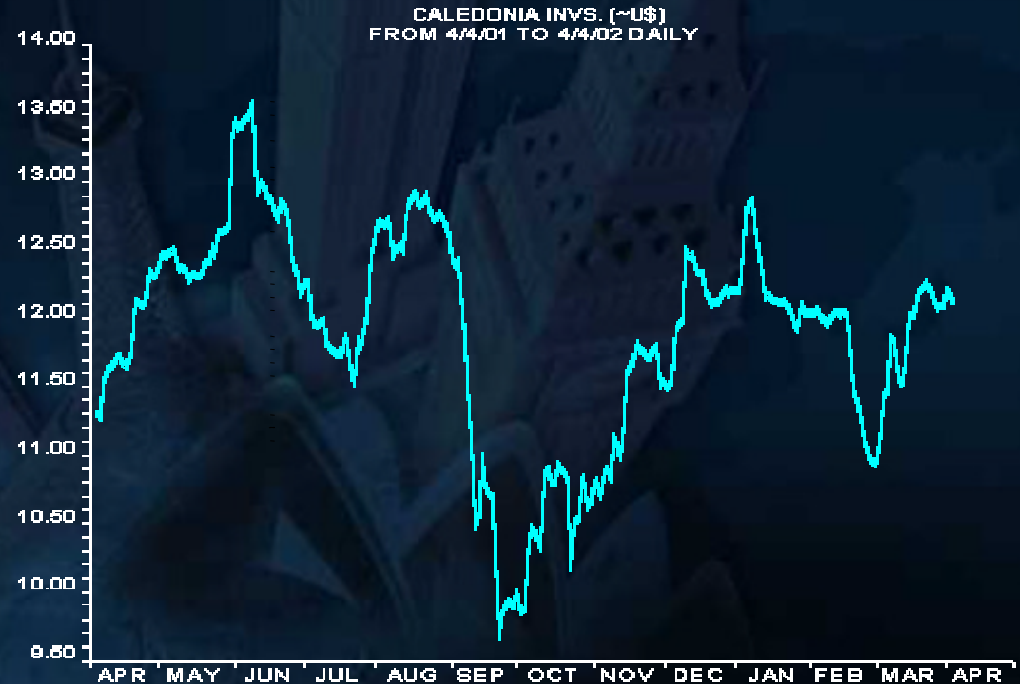
\*Lazard Estimate

\*\*As of 03/01/2002

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## Top Holdings: Caledonia Investments

- Caledonia Investments is a diversified trading and investment company listed in London.
- It holds invests in the financial sector such as Close Brothers, investment trusts such as British Empire, English & Scottish Trust, industrial services, leisure and media such as Sun International, and Property.
- Over 30 % discount.
- Early this year, a member of the Cayzer family was unhappy with the wide discount, and that partly resulted in the recent repurchases.



HIGH 13.56 8/6/01 LOW 9.88 21/9/01 LAST 12.11

Source: DATASTREAM

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# Top Holdings: John Hancock Bank Fund

- John Hancock Bank & Thrift Fund, listed in New York, invests in midsize and smaller regional banks and thrifts.
- The fund trades at a discount of about 16%.
- Some of the regional banks are still reasonably priced, with good earnings momentum and sound credit quality.



HIGH 9.23 18/8/01 LOW 7.25 21/9/01 LAST 8.35

Source: DATASTREAM

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## Top Holdings: Swiss Helvetia Fund

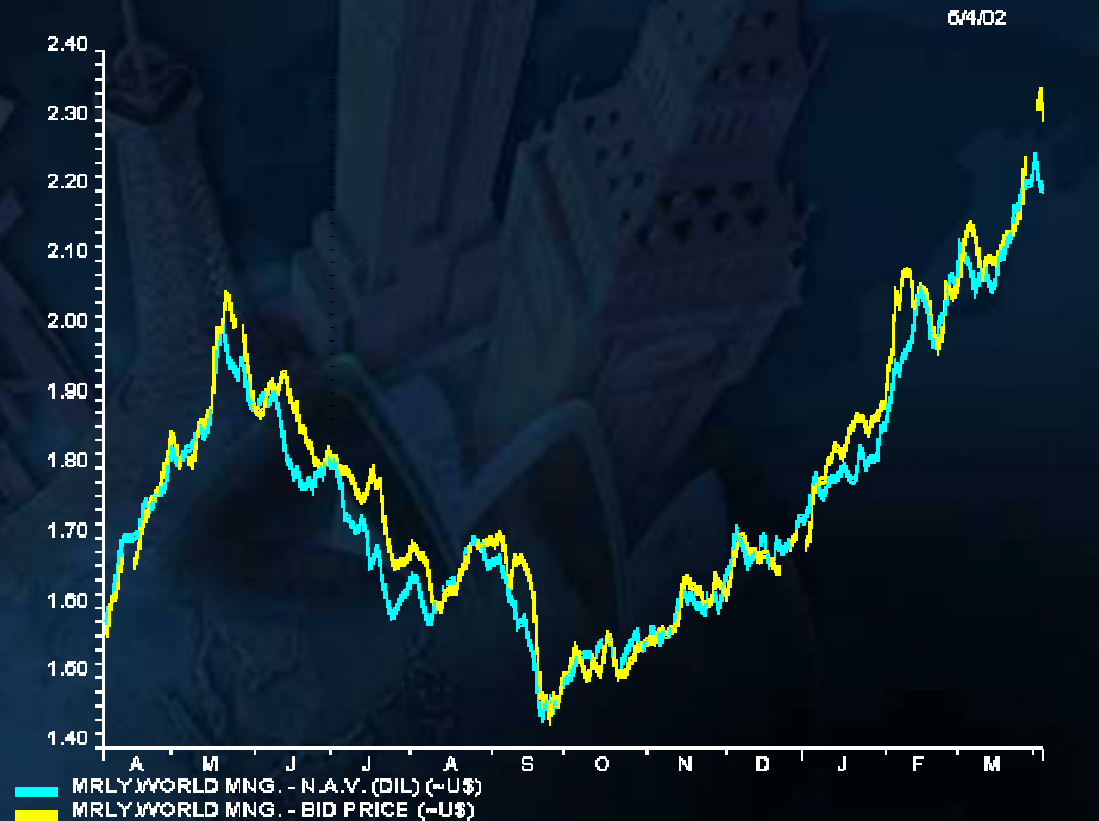
- The Fund, managed by Hottinger Capital, is listed in New York and invests in Swiss companies.
- The fund trades at a consistent discount, and we believe such a discount is not warranted.
- Top holdings such as Novartis and Roche are very attractively priced.



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## Top Holdings: ML World Mining

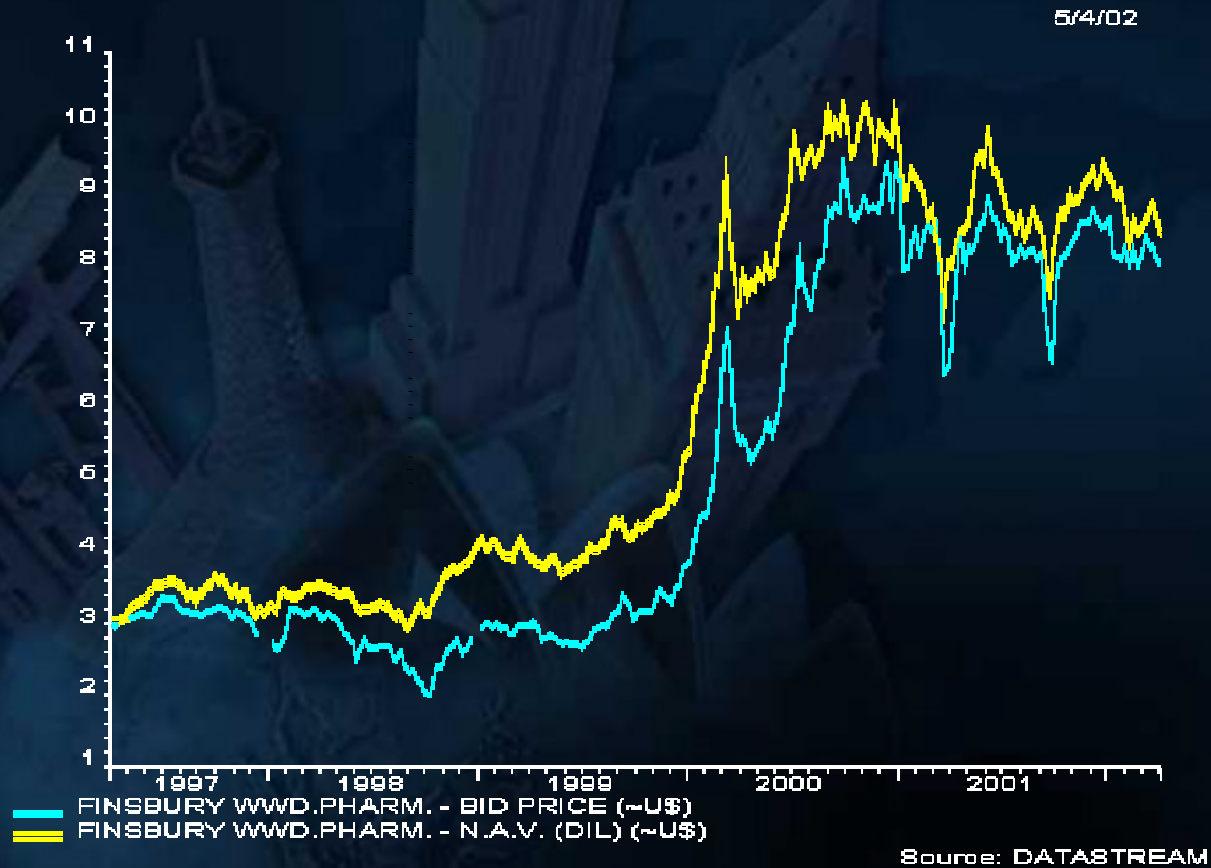
- The Fund, managed by Merrill Lynch, is listed on the London Stock Exchange.
- The Fund invests in diversified natural resource companies, gold, aluminium, platinum, coal, copper and diamonds.
- Cyclical and structural changes such as economic recovery, improved returns on capital and consolidation, coupled with attractive valuation, offer good potential.



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# Top Holdings: Finsbury Worldwide Pharmaceutical

- The Fund, listed on the London Stock Exchange, is managed by Close Asset Management.
- The Fund invests about 70 % in pharmaceutical companies, and 30% in biotechnology. 65% of the assets are invested in the U.S.
- Attractive valuation and consistent earnings growth offer good potential.



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# Fund Restructuring

- List of Holdings Benefited from Fund Restructuring:

Italy Fund

Emerging Mkts. Telecommunication Fund

Caledonia Investment Plc

Investor AB

Morgan Stanley Asia Pacific

Electra Investments

France Growth Fund

Global Health Sciences

JF India Fund

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# Hedging Transactions: Short Sells

- In July 1998, the Placing Memorandum was amended to permit the hedging of risk of underlying assets.
- So far, Index ETFs are mainly used to hedge a portion of the exposure.
- **Waiting for approval:** closed-end funds, baskets of stocks and stocks can be shorted to hedge the exposure.

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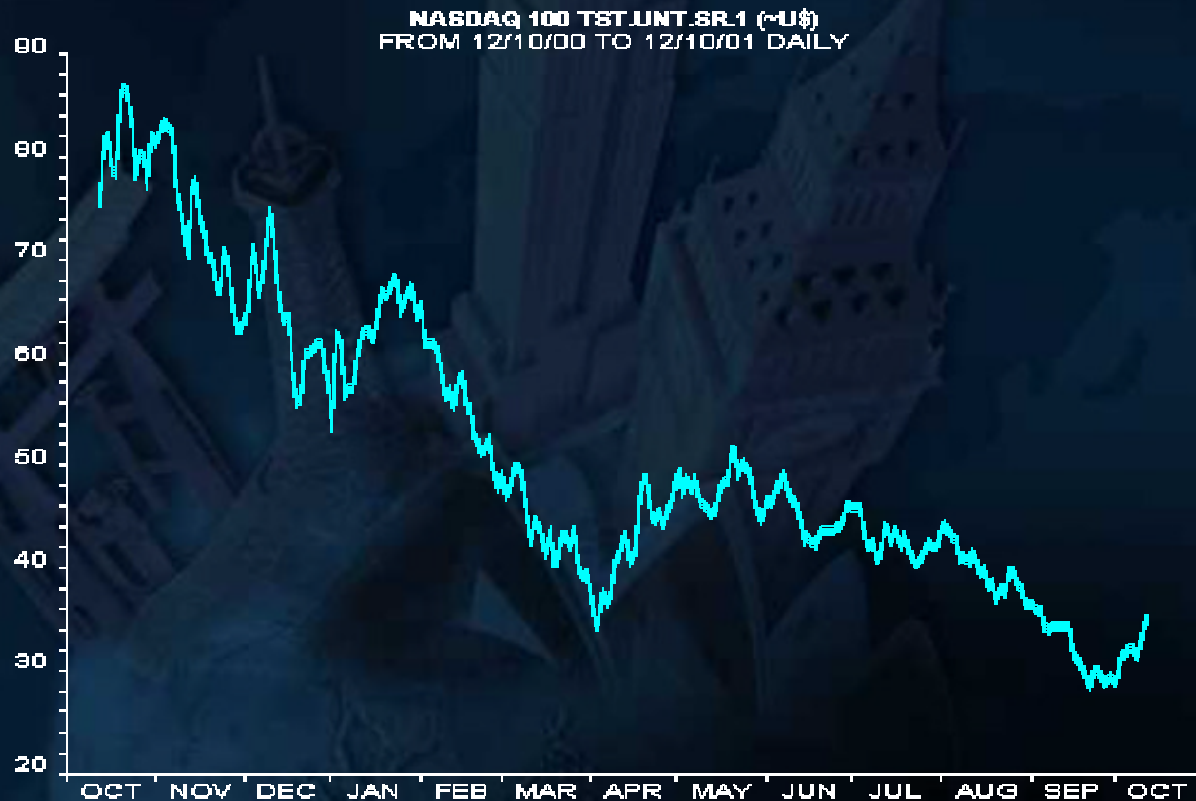
# Hedging Transactions: Short Sells

- Japan WEBS
- NASDAQ 100 Index Trust
- Diamonds — Dow Jones Industrials Index Trust
- SPDRS -- S&P 500 Index Trust
- iShares Dow Jones Financials Index Trust
- iShares Dow Jones Financial Select Trust
- Financial Select Index Trust
- iShares Mexico Index Trust
- 3i Group

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# WTR: QQQ HEDGING

- The NASDAQ 100 Index Trust was first shorted on Jan. 5, 2000. There has been covering, and re-shorting throughout the year. The short was to partially hedge our technology exposure.
- There are about 100 US exchange-traded funds that we can use to hedge our exposure.



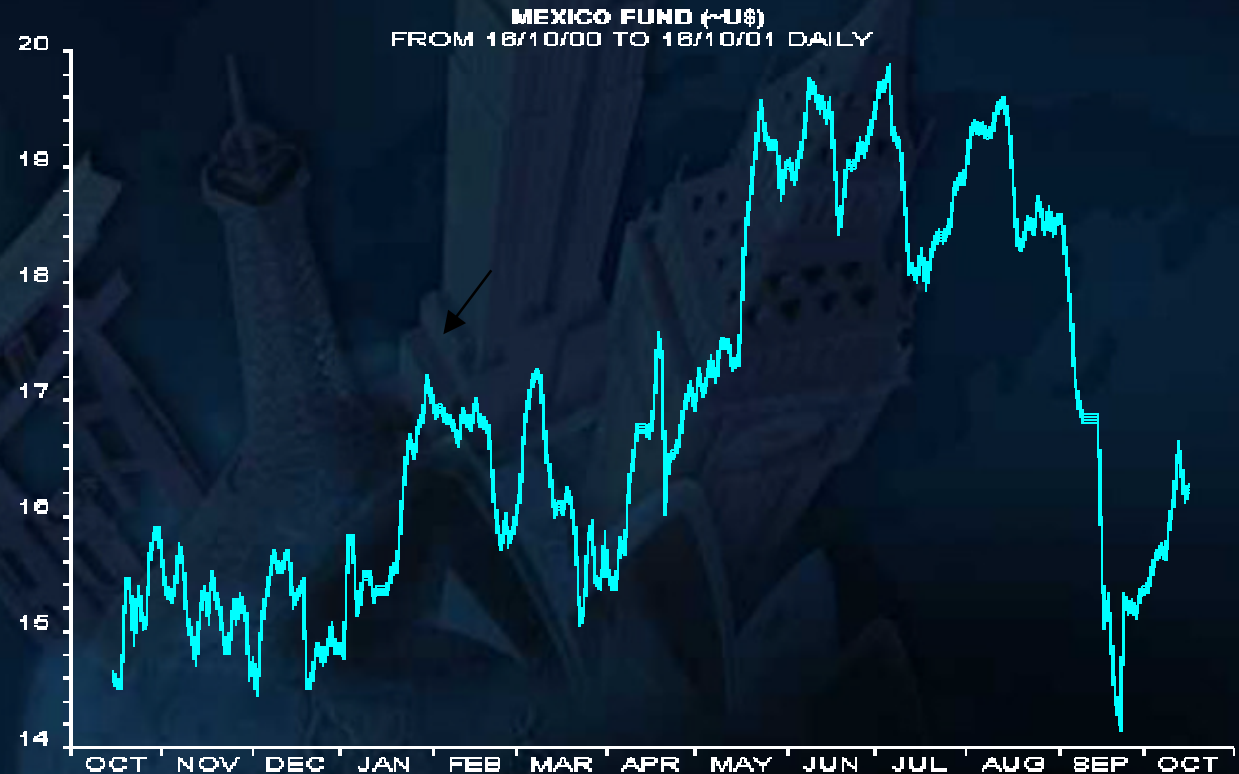
HIGH 86.31 20/10/00 LOW 28.19 21/ 8/01 LAST 34.65

Source: DATASTREAM

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# WTR: Mexico Fund Hedging

- In Feb 2001, Mexico Fund was purchased at a discount of 26 %, and half of the fund position was hedged by shorting iShares Mexico Trust.
- In July, the long position was sold, the short was covered in Oct.



HIGH 19.82 5/ 7/01 LOW 14.14 21/ 9/01 LAST 16.21

Source: DATASTREAM

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## CONCLUSION

- Global discount hunter.
- Expertise in closed-end funds in London, New York, offshore and local exchanges.
- Some of the best managers all in one portfolio.
- Well-diversified investments.
- Shareholders of World Trust Fund have discount on discount.
- Annual vote on open-ending.