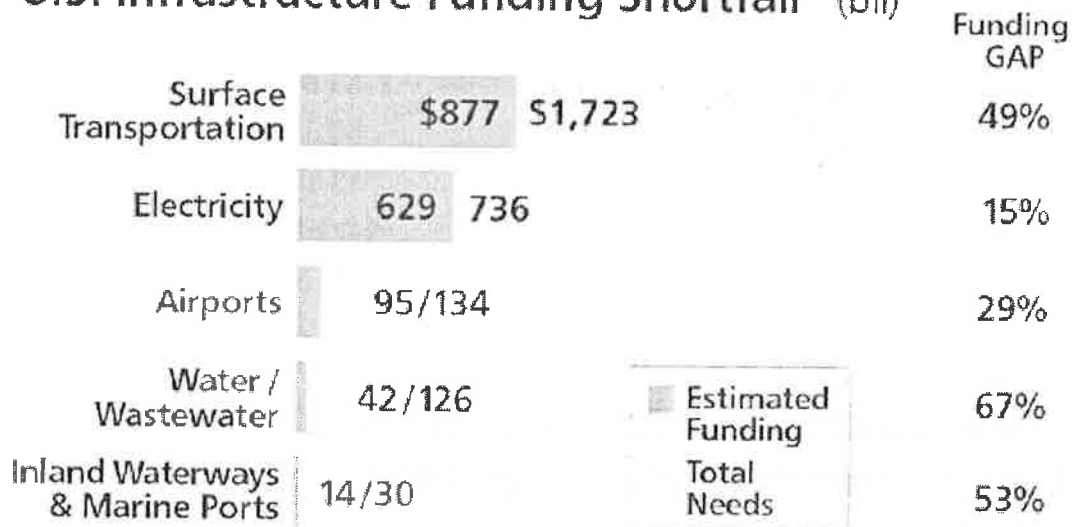


Chart-1

## FILLING IN POTHOLES

According to the American Society of Civil Engineers (not a disinterested party), these categories of infrastructure spending fall short. Drivers would concur on the need to fix roads and highways.

### U.S. Infrastructure Funding Shortfall\* (bil)



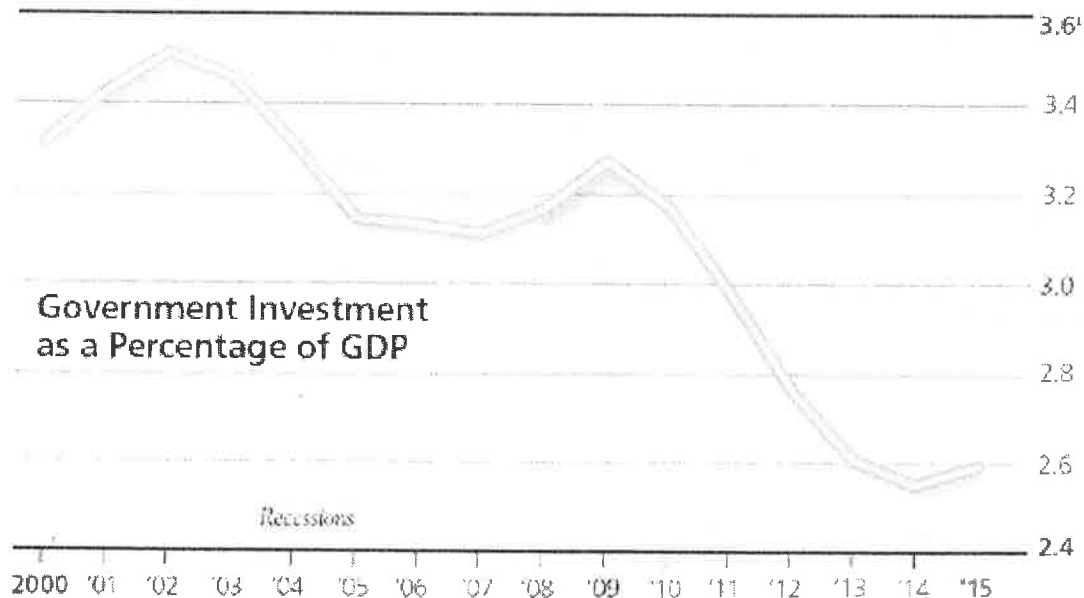
\* Through 2020 in constant 2010 dollars.

Source: American Society of Civil Engineers

Chart-2

## BUILDING SHORTFALL

Since the beginning of the 21st century, federal, state, and local governments have slowed their investments in infrastructure, amid budget pressures, in part due to recessions (shown by shaded areas). Now is the time to reverse this trend.



Source: Haver Analytics

TABLE 1

## State and Local Governments Account for Nearly 75% of *Public* Infrastructure Spending (Billions, 2004)

	Public		
	Federal	State and Local	Private
Schools	\$0.4	\$75.5	\$23.8
Highways	30.2	36.5	n/a
Drinking Water	2.6	25.4	n/a
Mass Transit	7.6	8.0	0.0
Energy	1.7	7.7	69.0
Telecommunications	3.9	n/a	68.6
Other	16.1	17.2	12.1
<b>Total</b>	<b>\$62.5</b>	<b>\$170.3</b>	<b>\$173.5</b>

Source: Congressional Budget Office, 2008

TABLE 2

## Cumulative Infrastructure Needs By System Based On Current Trends Extended to 2020 (Dollars in 2010 Billions)

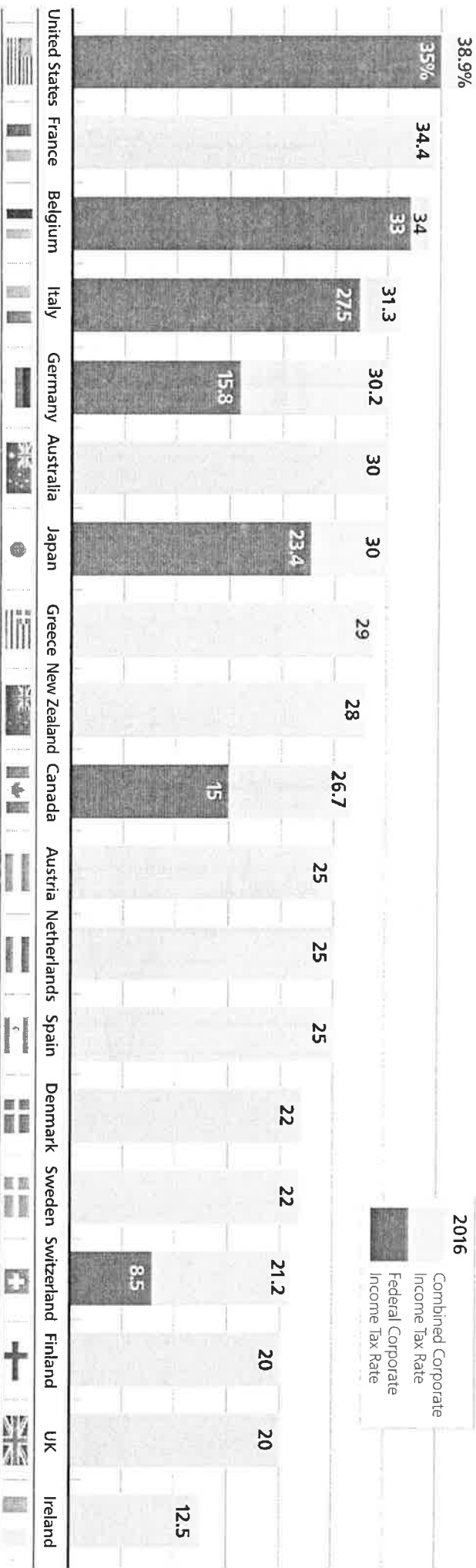
Infrastructure Systems	Total Needs	Estimated Funding	Funding Gap
Roads, Bridges, & Transit <sup>1</sup>	\$1,723	\$877	\$846
Electricity <sup>1</sup>	\$736	\$629	\$107
Schools <sup>2</sup>	\$391	\$120	\$271
Public Parks & Recreation <sup>3</sup>	\$238	\$134	\$104
Airports <sup>1,4</sup>	\$134	\$95	\$39
Dams, Levees, Waterways & Ports <sup>1,5,6</sup>	\$131	\$28	\$103
Water & Wastewater <sup>7</sup>	\$126	\$42	\$84
Rail <sup>8</sup>	\$100	\$89	\$11
Hazardous & Solid Waste <sup>7</sup>	\$56	\$10	\$46
<b>Total</b>	<b>\$3,635</b>	<b>\$2,024</b>	<b>\$1,611</b>
<b>Yearly Investment Needed</b>	<b>\$454</b>	<b>\$253</b>	<b>\$201</b>

Source: American Society of Civil Engineers 2013 Report Card for American Infrastructure

*Chart - 3*

# THE U.S. IS NO. 1 - IN CORPORATE TAX RATES

The United States now has the dubious distinction of maintaining the highest top tax rate on corporate income of all industrial nations. For the U.S., Canada, and others, where taxes on corporate income are also imposed by local government, the chart shows both the federal rate and the combined rate, which factors in local tax rates.



Source: OECD

Chart - 4

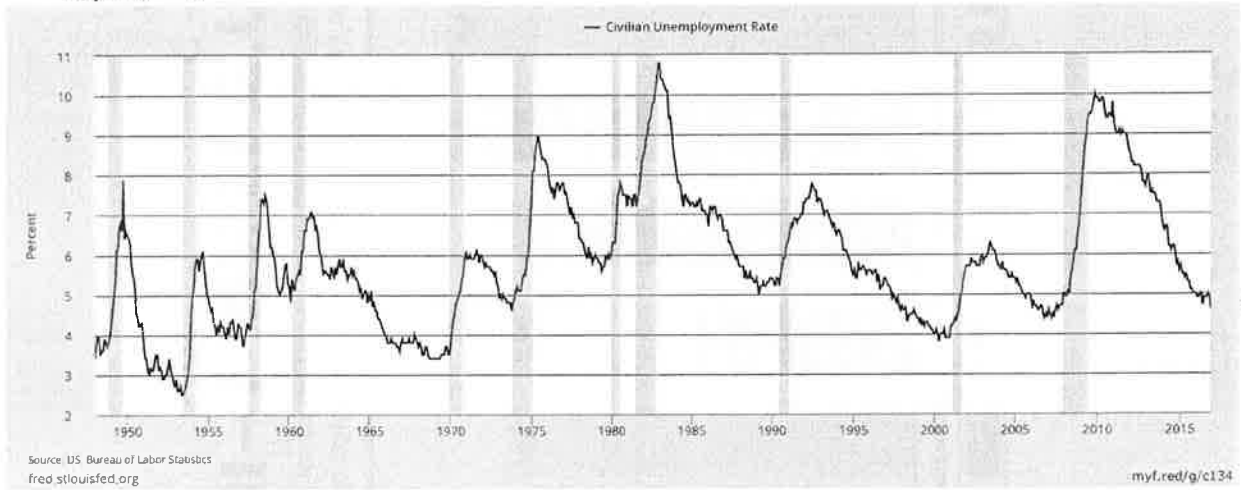


Chart - 5

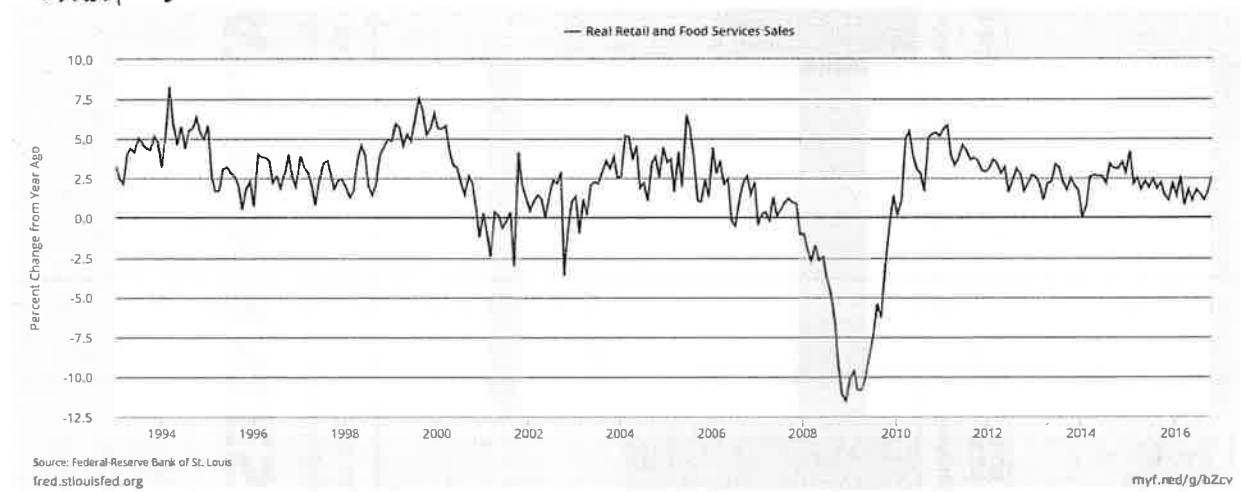


Chart-6

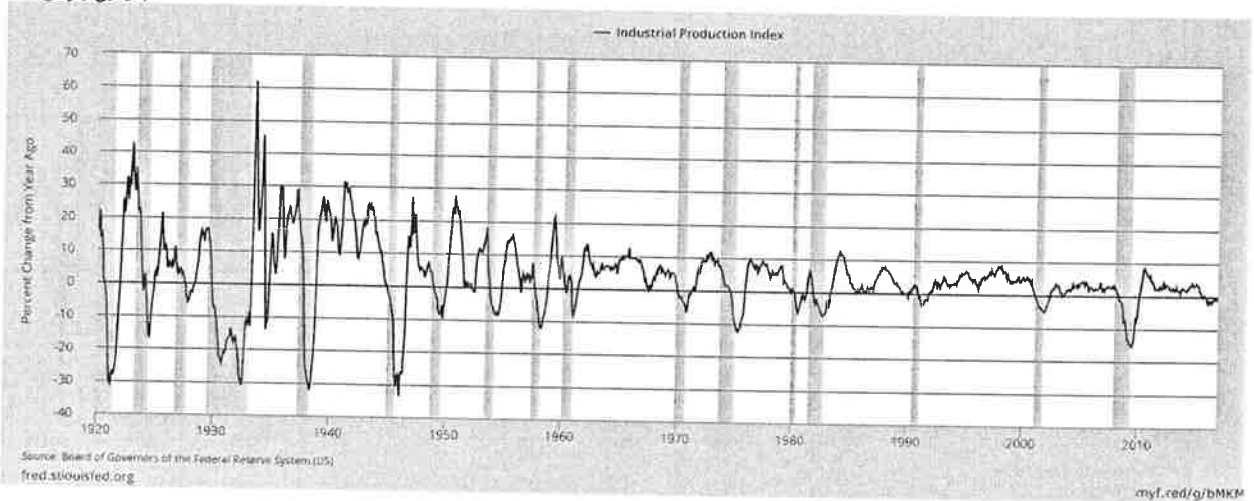
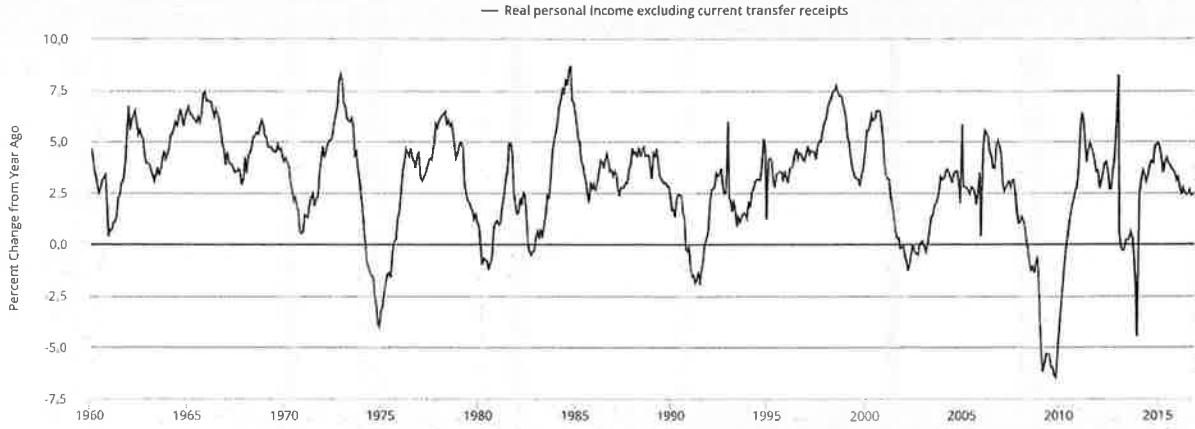


Chart-7



Chart-8



Source: US Bureau of Economic Analysis  
fred.stlouisfed.org

myf.red/g/bYYL

Workers with more than a high school education gained 11.5 million of the 11.6 million jobs added in the recovery.

During the recession, workers with a high school diploma or less lost a combined 7.4 million jobs.

During the recovery, workers with a high school diploma or less gained only 80,000 jobs, while those with more education gained jobs.

Chart-9

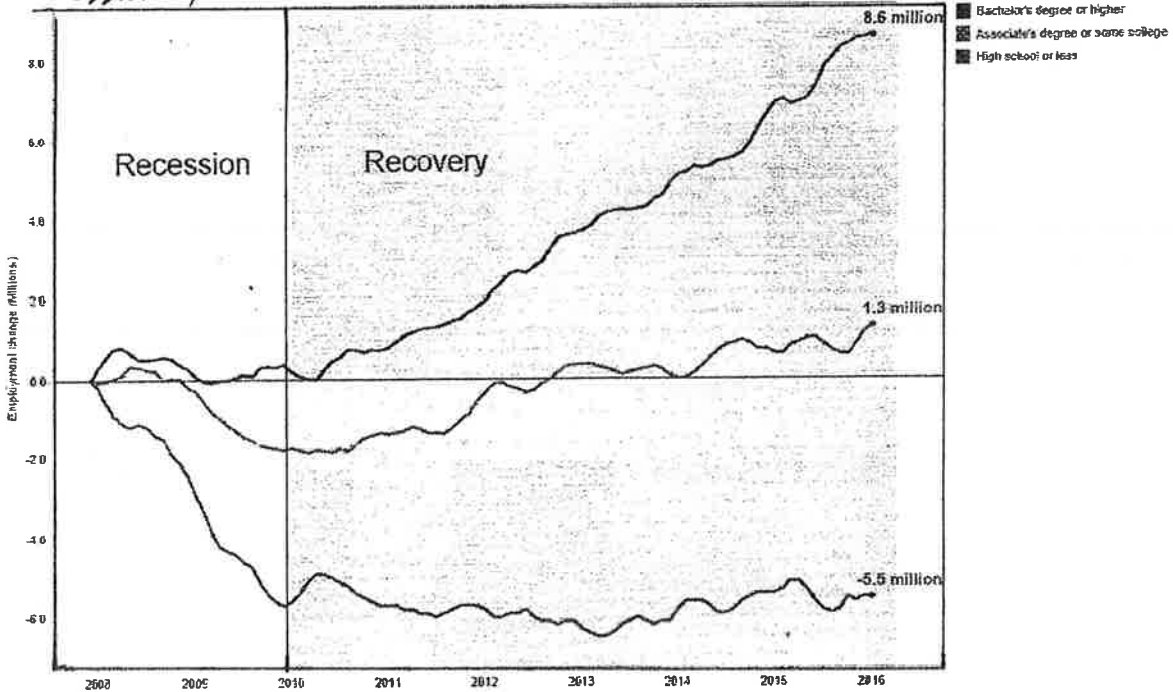


Chart-10



Chart-11

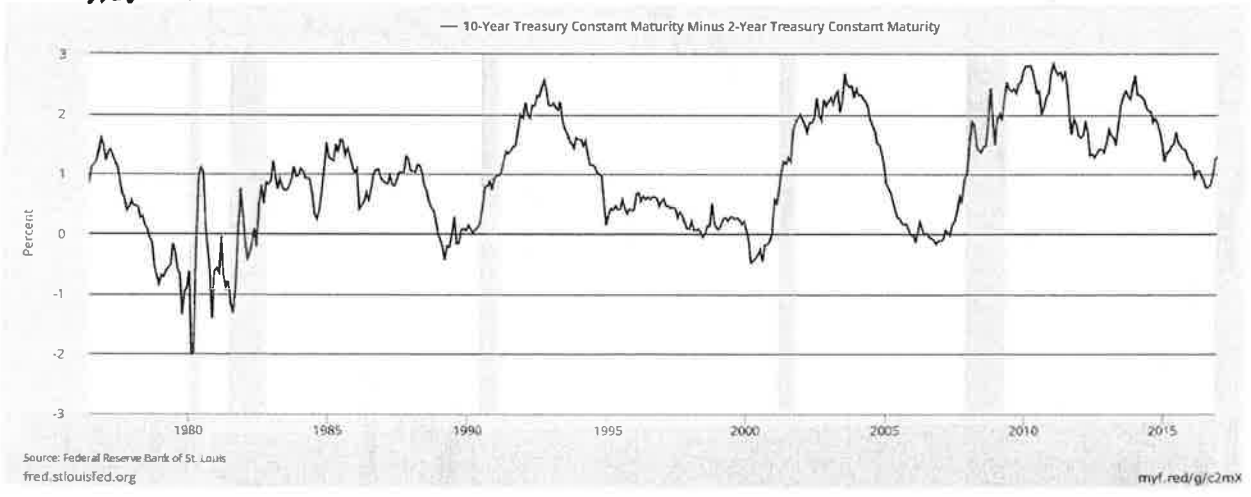


Chart-12

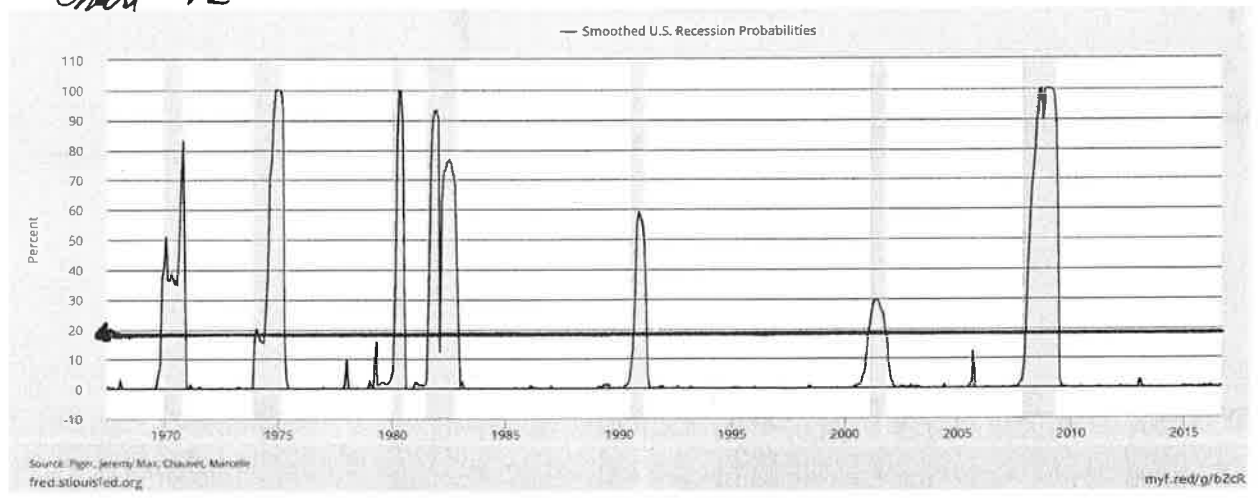


Chart - 13

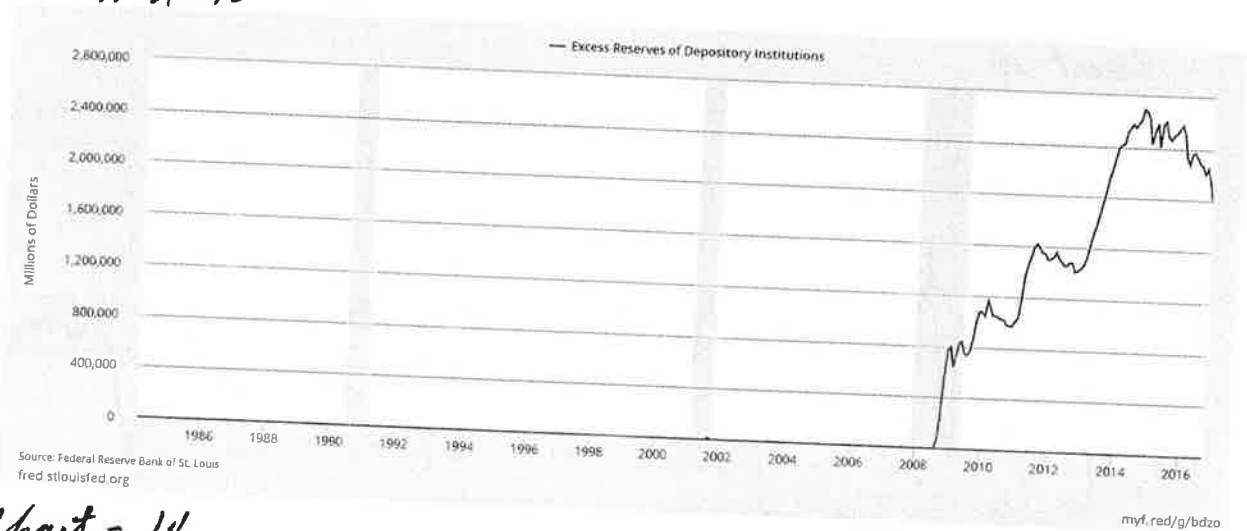
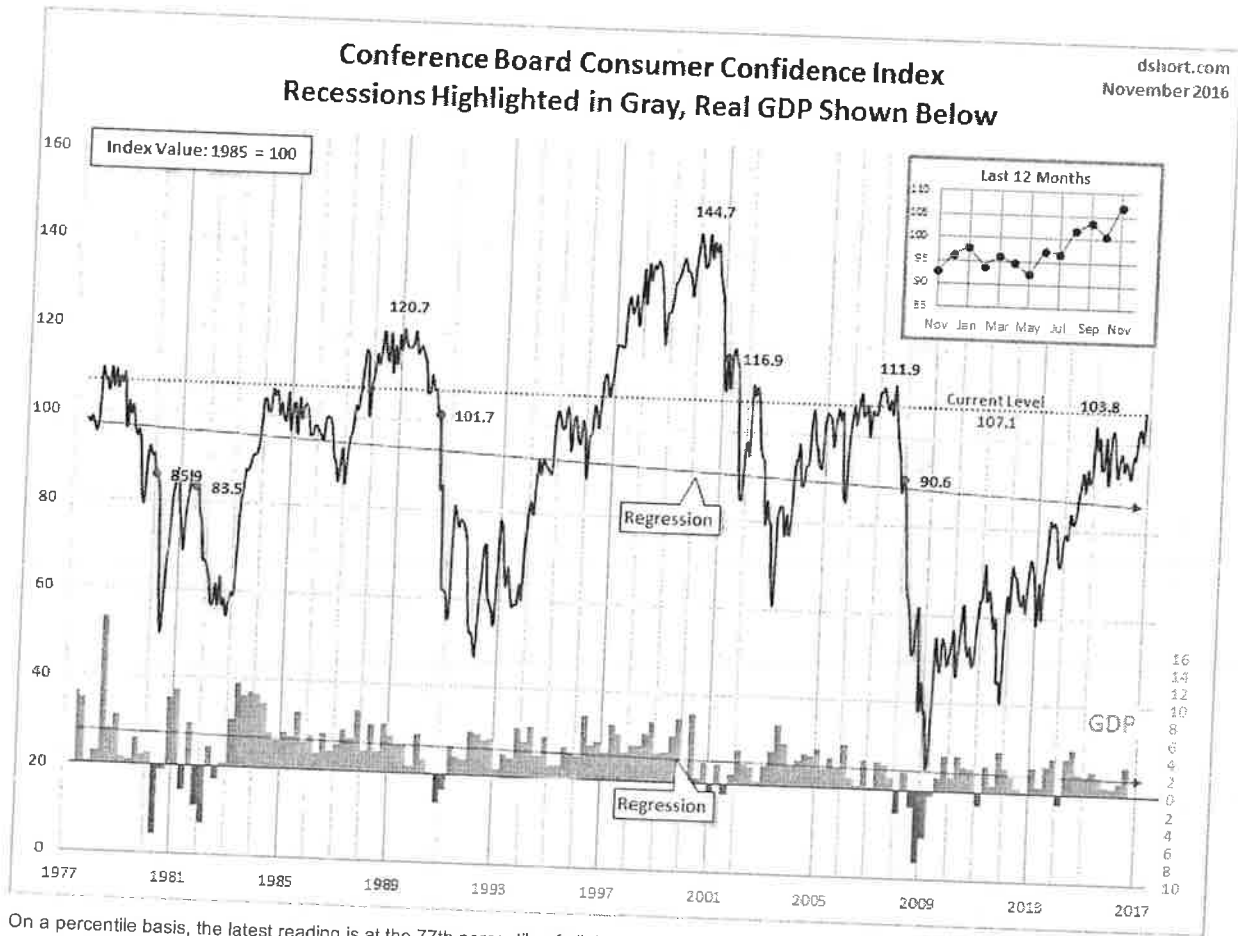


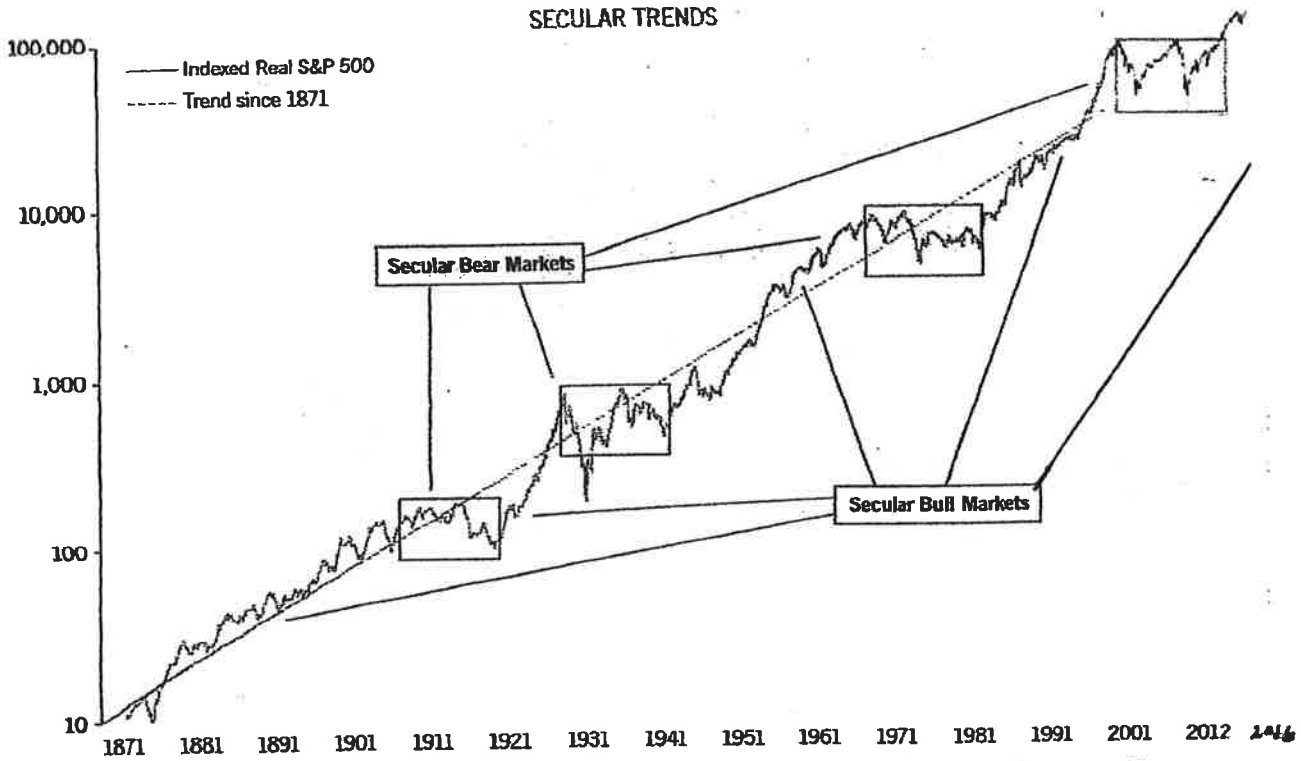
Chart - 14



On a percentile basis, the latest reading is at the 77th percentile of all the monthly data points since June 1977, up from the 62nd percentile the previous month.



Chart-15



Monthly data since 1871. Source: Haver Analytics, Robert Shiller, Fidelity Investments through December 2012.

Chart-16

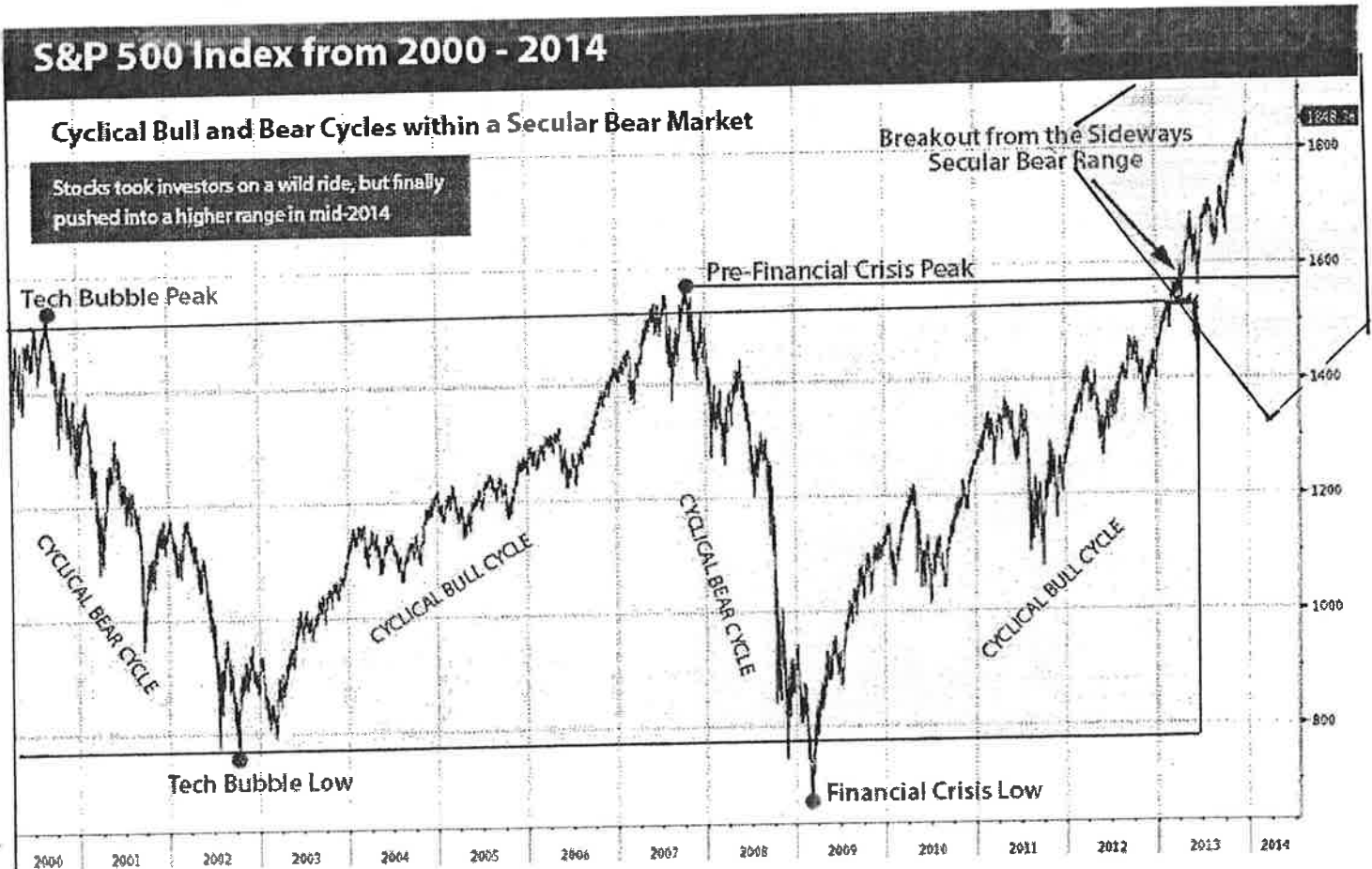
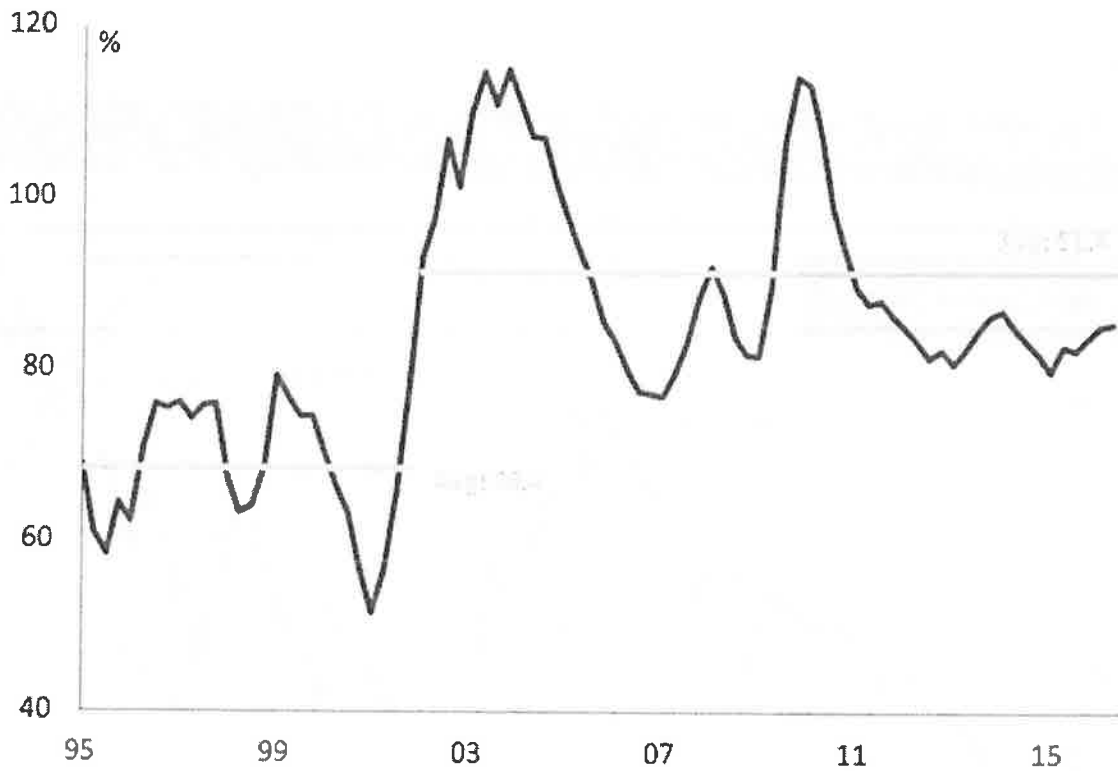


Chart 17: S&P 500 Forward P/E



Source: S&P, Thomson Financial, FactSet, and RBC Capital Markets

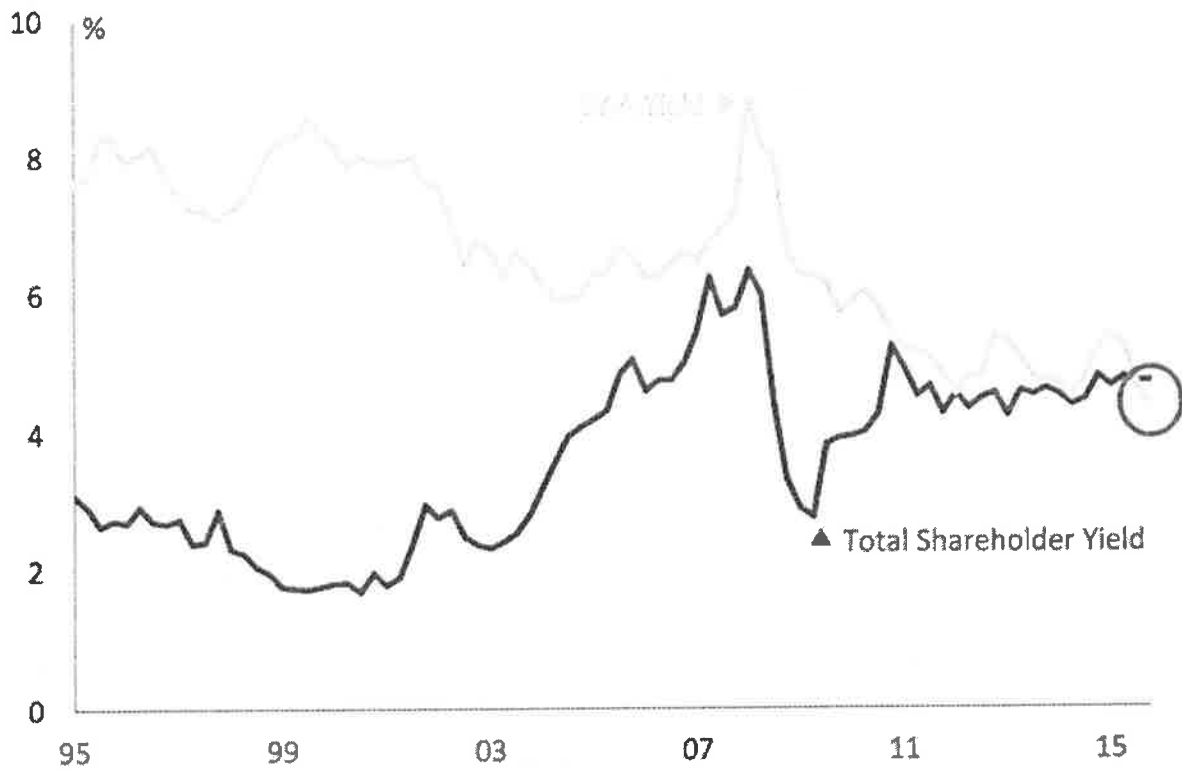
Chart 18: Free Cash Flow Translation from Net Income



Source: S&P, Compustat, FactSet, and RBC Capital Markets

Note: S&P 500 ex-Financials, LTM

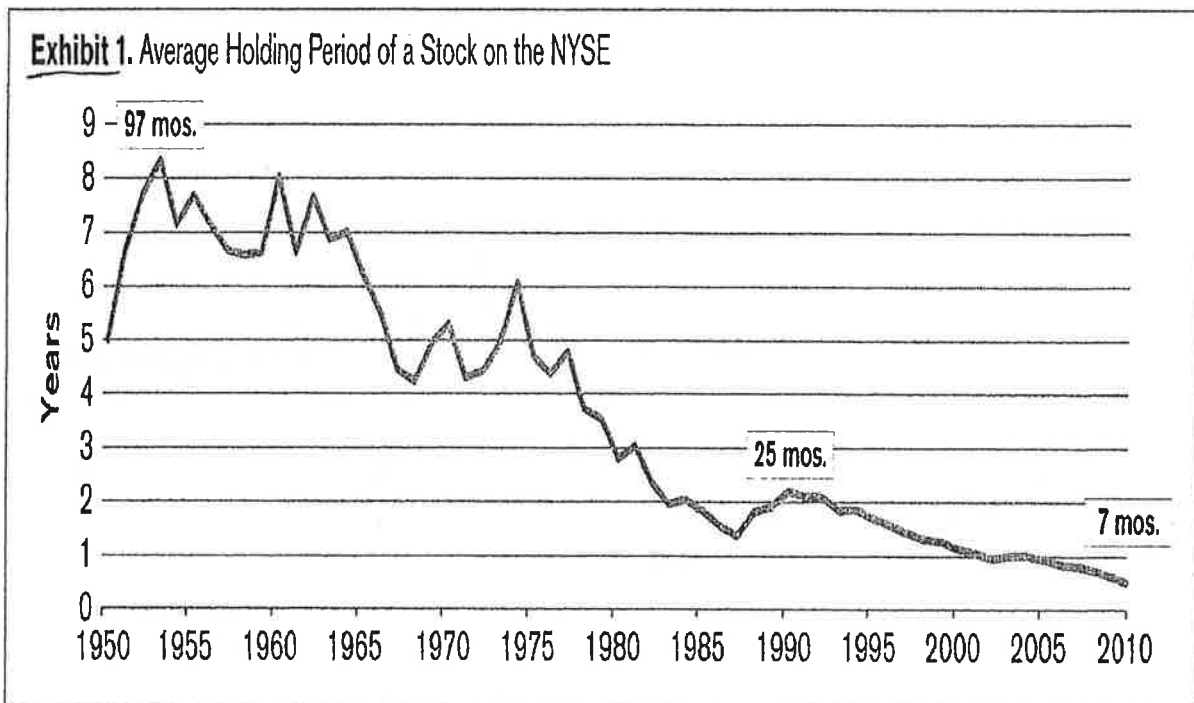
Chart- 19 : S&P 500 Total Shareholder Yield vs. 20-Year BAA Corporate Yield



Source: S&P, Moody's, Compustat, FactSet, and RBC Capital Markets

Note: S&P 500 ex-financials, LTM

**“SHORT TERMISM:” THE AVERAGE HOLDING PERIOD OF STOCKS ON THE NYSE HAS STEADILY DECLINED**



As of: Winter 2011

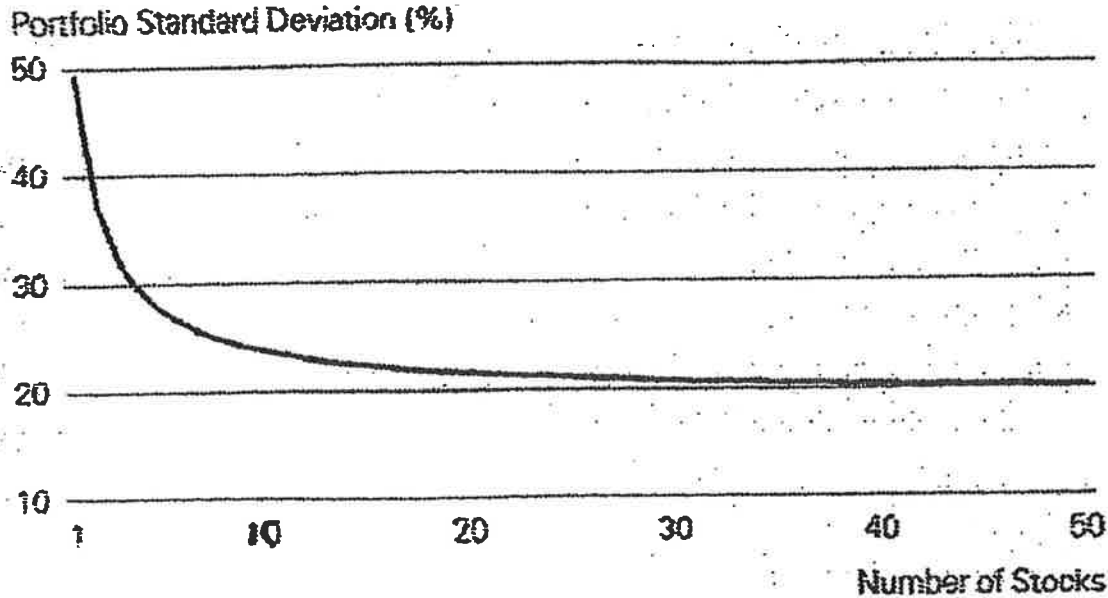
Source: SG Global Strategy Research, RS Investments, [www.rsfunfs.com](http://www.rsfunfs.com)

*(Exhibit 2.)*

Total Returns - Full Sample			
Conviction Weights Against Own Index			
Portfolios	Total Returns (annualised)	Standard Deviation (annualised)	Sharpe Ratio
Top 5	10.77%	26.33%	0.277
Top 10	9.39%	23.40%	0.255
Top 15	8.67%	21.83%	0.239
Top 20	8.12%	20.65%	0.228
Top 25	7.78%	19.79%	0.219
Top 30	7.44%	19.13%	0.210
All Funds	6.30%	19.51%	0.169
Own Index	5.05%	19.96%	0.080

Exhibit - 3

**Risk Reduction Rate Slows with More Stocks**



This information is for illustrative purposes only and does not represent any product or strategy managed by Lazard.

(Exhibit - 4)

Median excess returns for concentrated and diversified active equity managers, April 2000 to March 2010

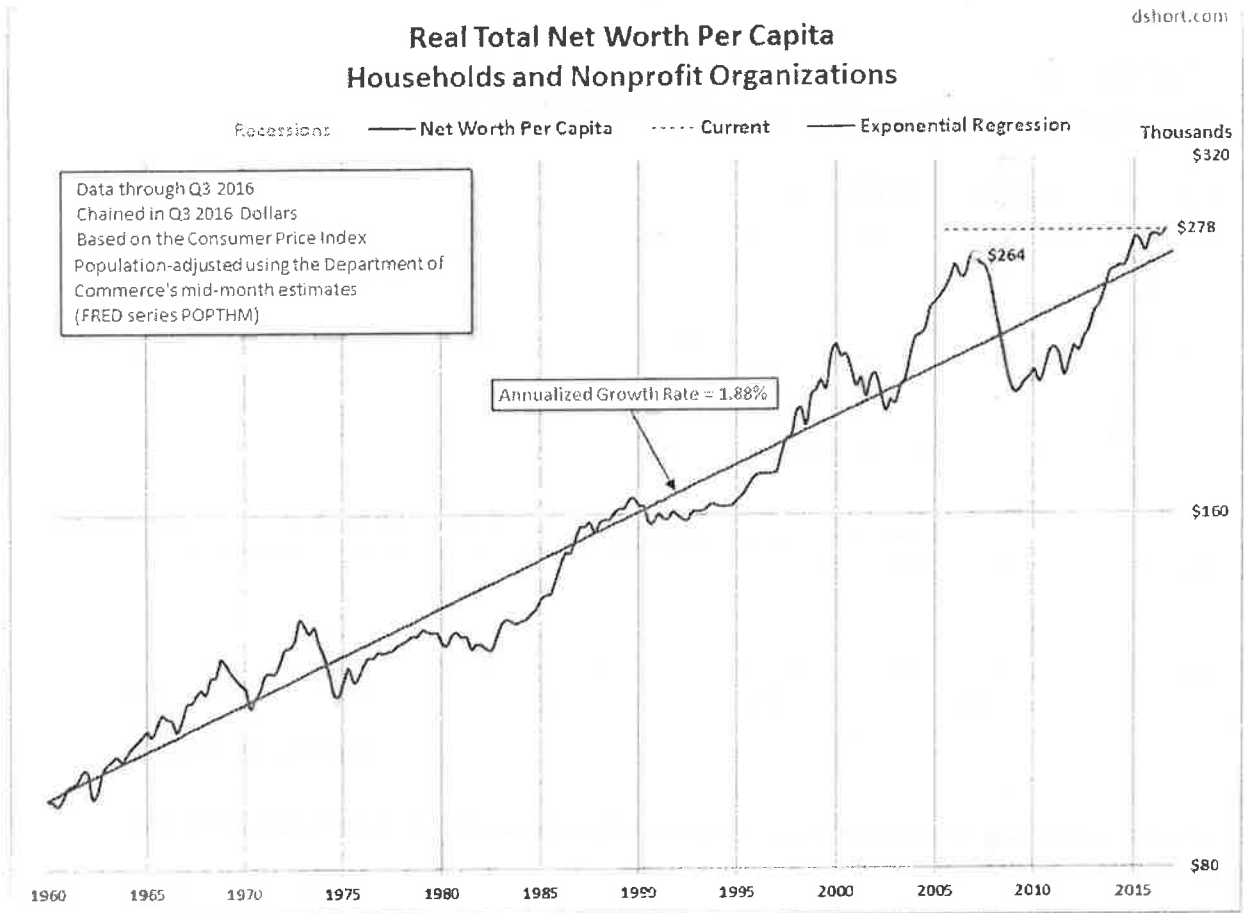
	US LARGE/ MIDCAP	US SMALL CAP	EAFE/WORLD EX-US	WORLD	EMERGING MARKETS
Median excess return over benchmark (annualized)					
Low-active-risk managers	0.77%	0.86%	0.06%	0.20%	-0.02%
High-active-risk managers	4.04%	3.09%	1.27%	5.47%	3.07%

Source: Nielsen, Frank, Giacomo Fachinotti, and Xiaowei Kang, 2012. "Some Like It Hot: The Role of Very Active Mandates Across Equity Segments in a Core-Satellite Structure." *The Journal of Investing* 21, no. 2 (Summer).

US Large/Midcap, US Small Cap, EAFE/World Ex-US, World, and Emerging Markets are represented by the MSCI Large Cap 300 Index and MSCI Mid Cap 450 Index, MSCI US Small Cap 1750 Index, MSCI World Ex-US Index, MSCI World Index, and the MSCI Emerging Markets Index, respectively.

Note: High-active-risk managers hold concentrated portfolios, typically investing in as few as 30 stocks. Low-active-risk managers hold much more diversified portfolios, often investing in hundreds of stocks (depending on many factors, including the number of stocks in the benchmark). Median excess returns are benchmarked to the MSCI set of indices.

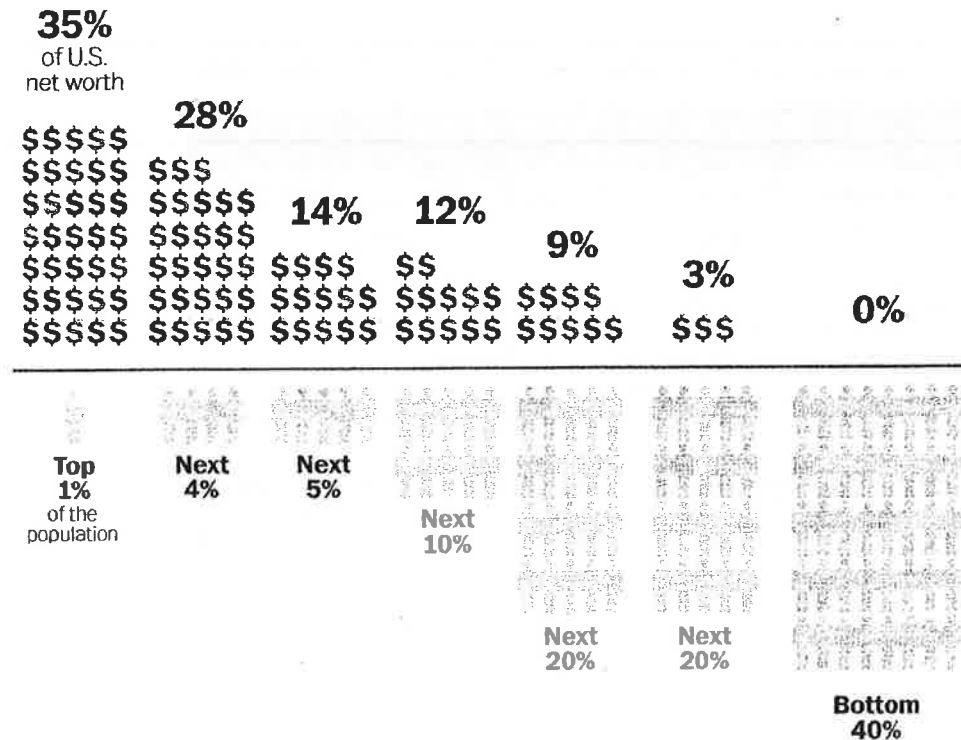
# Summary Chart A



# Summary Chart B

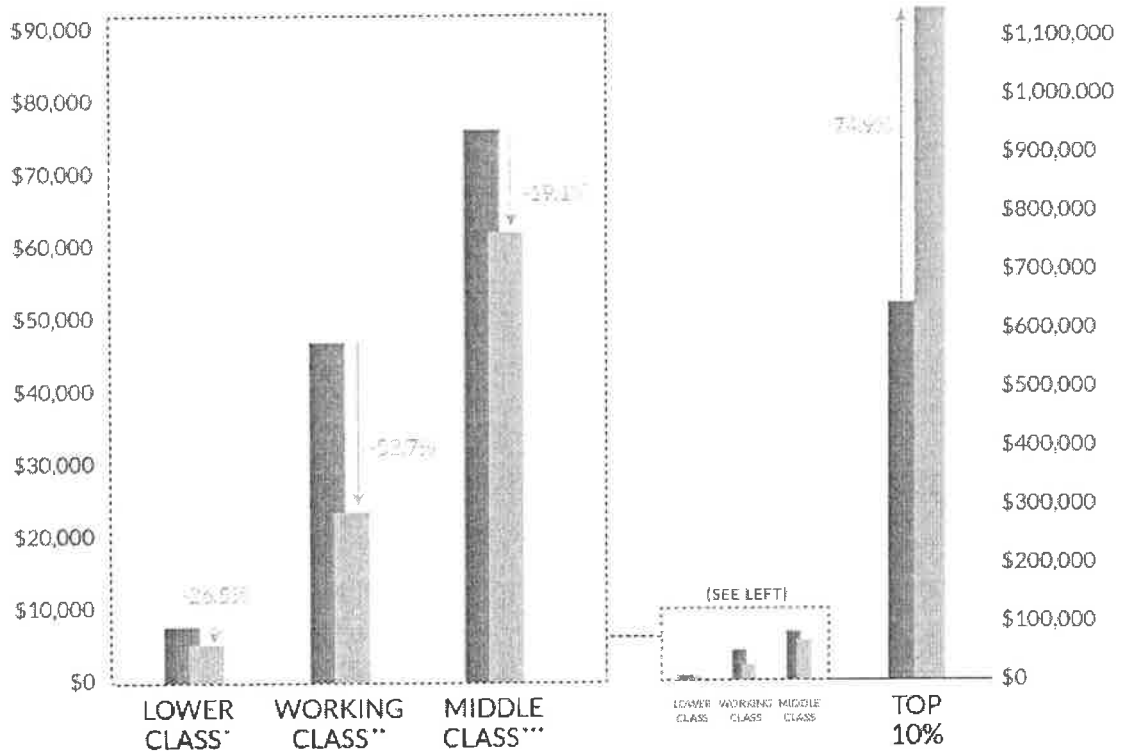
## Haves and have-nots.

Share of total U.S. net worth owned by percentage of the population



# Summary Chart C

MEDIAN NET WORTH ■ 1998 ■ 2013



SOURCE: Federal Reserve Survey of Consumer Finances; figures in 2013 dollars  
 \*bottom 20% of incomes \*\*second lowest 20% of incomes \*\*\*middle 20% of incomes

