

Performance Review

Returns (%; net of fees. As of December 31, 2011.)	QTD	1 Year	Annualized			Expense Ratio	
			3 Years	5 Years	Since Inception	Total	Net*
Lazard U.S. Equity Value Portfolio (Institutional Shares) Inception: September 30, 2005	13.76	-1.47	11.26	-2.23	1.89	2.76	0.75
Lazard U.S. Equity Value Portfolio (Open Shares) Inception: September 30, 2005	13.60	-1.77	10.93	-2.49	1.61	7.28	1.05
Russell 1000 Value Index	13.11	0.39	11.55	-2.64	1.29	N/A	N/A

* Reflects a contractual agreement by the Investment Manager to waive its fee and, if necessary, reimburse the Portfolio through April 30, 2012, to the extent Total Annual Portfolio Operating Expenses exceed .75% and 1.05% of the average daily net assets of the Portfolio's Institutional Shares and Open Shares, respectively, and from May 1, 2012 through April 30, 2021, to the extent Total Annual Portfolio Operating Expenses exceed 1.10% and 1.40% of the average daily net assets of the Portfolio's Institutional Shares and Open Shares, respectively, exclusive of taxes, brokerage, interest on borrowings, fees, and expenses of "Acquired Funds" and extraordinary expenses, and excluding shareholder redemption fees or other transaction fees. This agreement can only be amended by agreement of the Fund and the Investment Manager to lower the net amount shown and will terminate automatically in the event of termination of the Investment Management Agreement between the Investment Manager and the Fund, on behalf of the Portfolio.

Morningstar Rating¹

	3 Years Out of 1,127	5 Years Out of 996	Overall Out of 1,127
Lazard U.S. Equity Value Portfolio (Institutional Shares)	★★★	★★★	★★★
Lazard U.S. Equity Value Portfolio (Open Shares)	★★★	★★★	★★★

The performance quoted represents past performance. Past performance does not guarantee future results. The current performance may be lower or higher than the performance data quoted. An investor may obtain performance data current to the most recent month-end online at www.LazardNet.com. The investment return and principal value of the Portfolio will fluctuate; an investor's shares, when redeemed, may be worth more or less than their original cost. Returns reflect reimbursement of expenses as described in the prospectus. Had expenses not been reimbursed, returns would have been lower, and the expense ratio would have been higher.

Commentary²

The Lazard U.S. Equity Value Portfolio outperformed the Russell 1000 Value Index during the fourth quarter. Stock selection in the financials sector and in the consumer discretionary sector contributed to performance. In contrast, stock selection in the information technology and energy sectors detracted from performance.

Stock Highlights by Sector^{2,3}

Financials

(0.51% attribution effect)

Shares of investment manager Invesco (1.1% of the Portfolio) rose after the company reported quarterly results. Although earnings were in-line with expectations, net long-term flows were better than expected and exhibited positive momentum.

earnings which exceeded expectations.

Revenue strength was broad based with all regions showing increases, and 10 of the top 14 brands showing sales growth of over 5%. We believe organic revenue growth should continue to improve due to increased advertising and new product introductions.

earnings can be attributed to both company-specific issues, such as sales execution and product transition, as well as the broader macroeconomic environment.

Consumer Discretionary

(0.25% attribution effect)

Shares of Newell Rubbermaid (1.6% of the Portfolio) rose after the company reported

Information Technology

(-0.42% attribution effect)

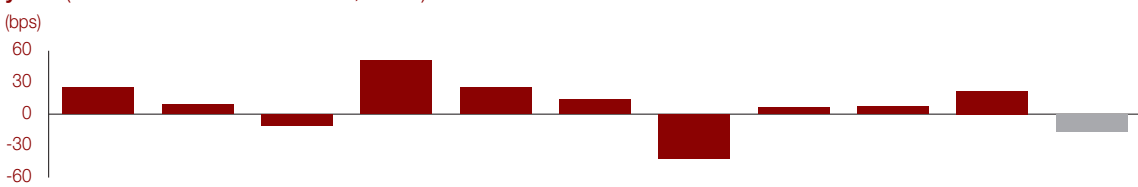
Shares of Oracle (0.7% of the Portfolio) declined as the company announced earnings which were below expectations. Weaker

Energy

(-0.11% attribution effect)

An underweight position in integrated energy company Exxon Mobil (0.5% of the Portfolio) detracted from results. The company performed well as oil prices rose and investors sought out well-capitalized large cap companies amid the economic uncertainty.

Value Added Analysis³ (October 1 to December 31, 2011)



	Consumer Discretionary	Consumer Staples	Energy	Financials	Health Care	Industrials	Information Technology	Materials	Telecom Services	Utilities	Cash	Total
Sector Allocation (bps)	0	-3	2	5	-4	-9	7	9	6	27	-17	22
Stock Selection (bps)	25	12	-13	46	29	23	-49	-3	2	-5	-17	69
Total (bps)	25	9	-11	51	25	14	-42	6	7	22	-17	90

Market Review

The market's annual results veiled its high volatility, which was largely driven by macroeconomic events. In particular, the sovereign debt crisis in the Eurozone, concerns about inflation in the emerging markets and a hard landing in China, and political disputes by U.S. congressional leaders over the nation's debt ceiling and the country's subsequent long-term credit downgrade affected the market. However, during the fourth quarter, the market rallied amid greater optimism for a resolution to the sovereign debt crisis. Although the outcome of the European Union summit lacked full details, it appeared to be a step toward greater economic integration, which is vital for a comprehensive solution to the sovereign debt crisis, in our view. Investors were also heartened as U.S. economic data strengthened over the last several weeks. Claims for new unemployment benefits have fallen, and both industrial production and consumer spending have increased. Additionally, corporate earnings continued to be a bright spot in an uncertain market environment, as companies have been actively reducing costs and capital expenditures to ensure strong profitability and cash generation, even in a lackluster economic environment.

Looking Ahead

Unfortunately, the same macro considerations that overwhelmed the micro in 2011 are likely to be repeated again in 2012. We continue to believe that over time, investors will reward companies that grow revenue and earnings. Moreover, at some point investors will also appropriately reward the companies that generate high levels of returns on capital through the cycle, especially those that delivered during the worst economic downturn since the Great Depression. While it might be too early to call for multiple expansion, we believe it is not too early to call for multiples to stop compressing.

We remain optimistic regarding the prospects for U.S. companies to deliver growth in revenue and earnings in our base case scenario. We continue to find excellent investment opportunities, many of which have actually de-rated in 2011 in spite of great results. These companies not only have excellent organic cash flow, strong balance sheets, and operational flexibility, but also have attractive valuations. We believe these characteristics should enable the companies to persevere through volatility and be rewarded appropriately for the resilience when the major macro, political, and regulatory concerns have become less prominent in investors' minds.

Understanding Investment Risk

Equity securities will fluctuate in price; the value of your investment will thus fluctuate, and this may result in a loss.

The Russell 1000 Value Index measures the performance of those Russell 1000 companies with lower price-to-book ratios and lower forecasted growth values. (The Russell 1000 Index measures the performance of the large-cap segment of the U.S. equity universe. It includes approximately 1000 of the largest securities based on a combination of their market cap and current index membership. The Russell 1000 represents approximately 92% of the U.S. market.) The index is unmanaged and has no fees. One cannot invest directly in an index.

The Portfolio invests in stocks believed by Lazard to be undervalued, but that may not realize their perceived value for extended periods of time or may never realize their perceived value. The stocks in which the Portfolio invests may respond differently to market and other developments than other types of stocks.

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- 2 The securities mentioned are not necessarily held by Lazard for all client portfolios, and their mention should not be considered a recommendation or solicitation to purchase or sell these securities. It should not be assumed that any investment in these securities was, or will prove to be, profitable, or that the investment decisions we make in the future will be profitable or equal to the investment performance of securities referenced herein. There is no assurance that any securities referenced herein are currently held in the Portfolio or that securities sold have not been repurchased. The securities mentioned may not represent the entire Portfolio.
- 3 As of December 31, 2011. The value added analysis is provided for illustrative purposes only, as values are calculated based on returns gross of fees. Performance would have been lower if fees and expenses were included. Sector breakdowns may not sum to total due to rounding. "Stock Selection" represents the value added by the ability of the manager to select better performing stocks. "Sector Allocation" represents the value added by the manager's underweight and overweight positions to the various sectors. "Total" is the sum of the "Stock Selection" and "Sector Allocation" effects. The performance shown represents past performance. Past performance does not guarantee future results. Allocations are subject to change.

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