

Performance Review

Returns (%; net of fees. As of March 31, 2012.)	QTD	1 Year	Annualized				Total Expense Ratio
			3 Years	5 Years	10 Years	Since Inception	
Lazard U.S. Small-Mid Cap Equity Portfolio (Institutional Shares) Inception: October 30, 1991	12.69	-6.13	28.68	3.28	6.05	10.59	1.00
Lazard U.S. Small-Mid Cap Equity Portfolio (Open Shares) Inception: January 30, 1997	12.59	-6.39	28.27	2.96	5.77	7.10	1.34
Russell 2000/2500 Blended Index	12.99	1.33	28.42	3.17	6.99	Inst 9.44 Open 7.21	N/A

Morningstar Rating¹

	3 Years Out of 585	5 Years Out of 493	10 Years Out of 304	Overall Out of 585
Lazard U.S. Small-Mid Cap Equity Portfolio (Institutional Shares)	★★★★	★★★★	★★★	★★★★
Lazard U.S. Small-Mid Cap Equity 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. Small-Mid Cap Equity Portfolio underperformed the Russell 2500 Index during the first quarter. Stock selection in the materials and financials sectors helped performance, while the Portfolio's consumer discretionary and consumer staples holdings hurt returns.

Stock Highlights by Sector^{2,3}

Materials

(0.69% attribution effect)

Shares in U.S. Silica Holdings (1.6% of the Portfolio), a producer of a specialized mineral used in hydraulic fracturing, outperformed following a stronger-than-anticipated earnings announcement. Early cycle suppliers such as Solutia (which was sold during the quarter), a manufacturer of consumer and industrial chemical-based materials, and Cytec Industries (1.3% of the Portfolio), a developer and manufacturer of specialty chemicals and materials, were the beneficiaries of a recent pickup in manufacturing activity and also added to relative returns for the quarter. Solutia was also acquired by U.S. chemicals producer Eastman Chemical.

Financials

(0.64% attribution effect)

PacWest Bancorp (1.6% of the Portfolio), a provider of commercial banking services with a focus on California, helped performance in the financials sector. Its shares rose amid an analyst upgrade, general optimism surrounding loan growth within the industry, and the local economic recovery in California.

Consumer Staples

(-0.35% attribution effect)

The main detractor in the consumer staples sector was Energizer Holdings (1.2% of the Portfolio), a manufacturer of dry cell batteries and flashlights. The company reported

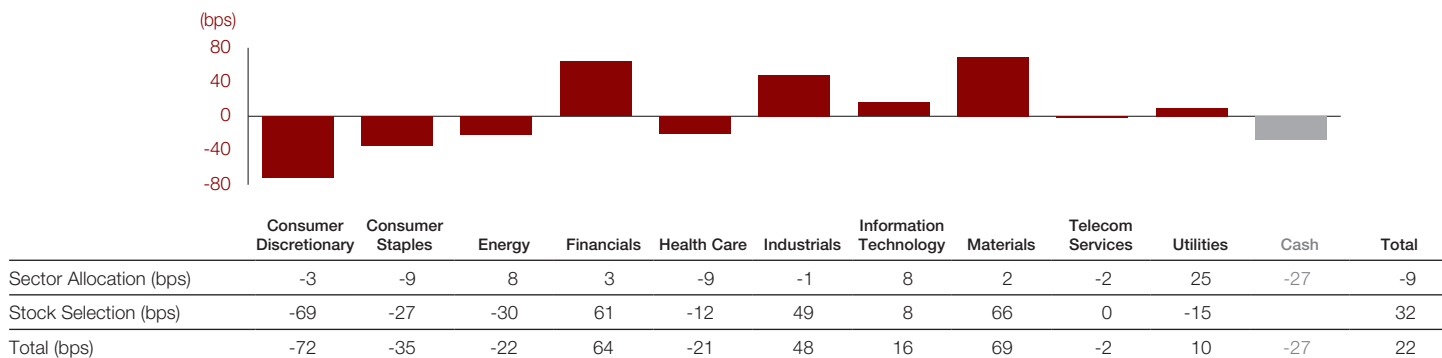
earnings during the quarter that exceeded expectations, but investors were disappointed by its lower-than-anticipated guidance.

Consumer Discretionary

(-0.72% attribution effect)

Modine Manufacturing (1.1% of the Portfolio), a manufacturer of heat-transfer and heat-storage technology products for the automotive market, was the main detractor in the consumer discretionary sector. Shares of the company fell after it reduced its full-year earnings target as a result of slowing sales in Europe.

Value Added Analysis³ (January 1 to March 31, 2012)



Market Review

The Russell 2500 Index rose 2.2% during March and posted one of the best first-quarter returns in its history, finishing up 13.0%. The information technology and consumer discretionary sectors were the best performers in the small-mid cap market for the quarter, gaining 17.1% and 16.9%, respectively. These sectors hold a larger percentage of growth stocks, which led growth to outperform value on a style basis. The energy sector, which rose 4.7%, and the consumer staples sector, which was up 10.2%, underperformed during the quarter.

Looking Ahead

While we are concerned that seasonality may be having a larger positive impact on the U.S. recovery than many anticipate, we are also encouraged by recent strength in economic data that seems to indicate the United States is still firmly headed toward a recovery. We believe that valuations for many companies in the U.S. small-mid cap market remain compelling. When coupled with generally improved sentiment, the combination has led us to stocks that should benefit from improving market conditions. However, we are also very attentive to the downside risks. The environment is still fragile, and we expect that the penalty for companies that miss earnings expectations will be much greater than the reward for those that meet or exceed expectations. This effect was illustrated during the first quarter, as companies that missed consensus earnings estimates declined sharply.

We will maintain our focus on sustainable returns, free cash flows, stable margins, and potential for margin expansion, as we believe that companies with these characteristics will be well positioned to succeed and gain market share if the market continues to rebound.

Understanding Investment Risk

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

As of August 25, 2008, the Portfolio changed its name from U.S. Small Cap Equity Portfolio, and adopted the Portfolio's current investment strategy, which compares its performance to the Russell 2500 Index. Prior to August 25, 2008, the Portfolio focused on U.S. small-cap companies and compared its performance to the Russell 2000 Index. The Portfolio's benchmark, the Russell 2000/2500 Blended Index, is comprised of the Russell 2000 Index from inception to August 24, 2008 and the Russell 2500 Index from August 25, 2008 to the present.

The Russell 2000 Index includes approximately 2000 of the smallest securities in the Russell 3000 Index, representing roughly 10% of the total market capitalization of Russell 3000 companies. (The Russell 3000 Index measures the performance of the largest 3000 U.S. companies, representing approximately 98% of the investable U.S. equity market.) The index is unmanaged and has no fees. One cannot invest directly in an index.

The Russell 2500 Index measures the performance of the small- to mid-cap segment of the U.S. equity universe, commonly referred to as "smid" cap. The Russell 2500 Index is a subset of the Russell 3000 Index. (The Russell 3000 Index measures the performance of the largest 3000 U.S. companies, representing approximately 98% of the investable U.S. equity market.) It includes approximately 2500 of the smallest securities based on a combination of the market cap and current index membership. The index is unmanaged and has no fees. One cannot invest directly in an index.

The Portfolio's investment strategy may involve high portfolio turnover. A portfolio turnover rate of 100%, for example, is equivalent to the Portfolio buying and selling all of its securities once during the course of the year. A high portfolio turnover rate (such as 100% or more) could result in high brokerage costs and an increase in taxable capital gains distributions to the Portfolio's shareholders.

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 March 31, 2012. 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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