Lazard

Capital Allocator Opportunistic Strategies Portfolio

About the Portfolio

Symbol

LCAIX (Institutional)
LCAOX (Open)

CUSIP

52106N491 (Institutional)
52106N483 (Open)

Benchmarks

MSCI World Index and Global Asset Allocation Blended Index[1]

A Dynamic Investment Opportunity

- Seeks long-term capital appreciation by investing in "non-traditional" assets within global capital markets that offer unique investment characteristics, outsized opportunity for excess return, and correlation or risk benefits
- An unconstrained investment mandate driven by the insights of a highly experienced team of professionals with flexibility to dynamically adjust the Portfolio to the current economic environment
- Executes its investment strategy by investing primarily in baskets of securities such as exchange-traded funds, exchange-traded notes, or closed-end funds in order to access market opportunities

Strategy Overview

The Lazard Capital Allocator (LCAS) Opportunistic Strategies Portfolio is an actively managed portfolio of investments that are not clearly defined by asset allocation limitations and are unconstrained by region, size, or style. The Portfolio is typically comprised of between 10 and 30 unique holdings that are dynamically adjusted to changing market and economic conditions. Portfolio weightings in equities and fixed income, and among countries, sectors, and asset classes, are based on a long-term, forward-looking assessment of global capital markets.

Equity securities will fluctuate in price; the value of your investment will thus fluctuate, and this may result in a loss. Securities in certain non-domestic countries may be less liquid, more volatile, and less subject to governmental supervision than in one's home market. The values of these securities may be affected by changes in currency rates, application of a country's specific tax laws, changes in government administration, and economic and monetary policy. 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. 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.

An investment in bonds carries risk. If interest rates rise, bond prices usually decline. The longer a bond's maturity, the greater the impact a change in interest rates can have on its price. If you do not hold a bond until maturity, you may experience a gain or loss when you sell. Bonds 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. High yield securities (also referred to as "junk bonds") inherently have a higher degree of market risk, default risk, and credit risk.

Investments in closed-end funds are non-redeemable and are subject to the same risks as other publicly-traded equity securities. Sometimes, however, there may be no public market for units of closed-end funds. The shares of closed-end funds, and exchange-traded funds ("ETFs") may trade at prices at, below, or above their most recent net asset value. There is no guarantee that a fund's discount will ever be narrowed or eliminated. Additionally, the performance of an ETF pursuing a passive index-based strategy may diverge from the performance of the index. Exchange-traded notes ("ETNs") may not trade in the secondary market, but typically are redeemable by the issuer. Unlike ETFs and closed-end funds, ETNs are not registered investment companies and thus are not regulated under the 1940 Act. In addition, as debt securities, ETNs are subject to the additional risk of the creditworthiness of the issuer. ETNs typically do not make periodic interest payments. An investment in these types of instruments is indirectly subject to all the risks associated with the investments made by the closed-end fund, ETF, or ETN.

Derivative transactions may reduce returns or increase volatility and a small investment in certain derivatives could have a potentially large impact on the Portfolio's performance. Because the Portfolio invests in a relatively smaller number of issuers than other investment portfolios, its net asset value could be more susceptible to adverse effects of any single corporate, economic, political, regulatory or other occurrence.

Wherever there's opportunity, there's Lazard.SM

Lazard Funds

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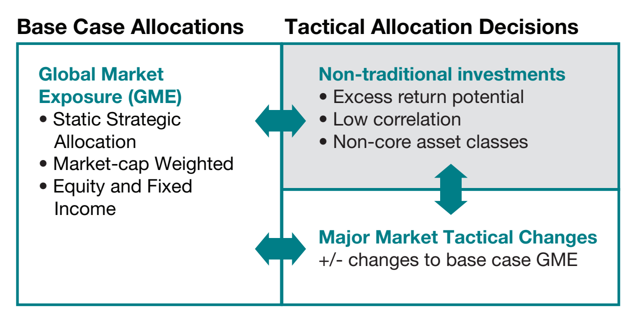
Investments that Transcend Style Boxes

Traditional equity and fixed-income investment mandates are often categorized within the typical nine style boxes. Style boxes were designed to visually represent an investment mandate and assist investors in determining the asset allocation and risk return characteristics of a portfolio.

However, the best investment opportunities may not always fit into just one style box, and often occur within several. For example, water infrastructure companies can exist across the market capitalization and style spectrum. In order to mitigate stock-specific risk, a prudent investor may wish to invest in a diversified portfolio of water infrastructure companies, which may not make sense within the confines of the nine style boxes.

There are also many examples of investment ideas outside the parameters of style boxes altogether. These can include real estate, currency, commodities, or market hedging instruments. Traditional investment mandates may not access these non-traditional assets, even though they may offer investors returns that may have lower correlation to traditional capital markets. Our three-box approach to the global investment universe is illustrated below. The non-traditional strategy allows the team to access investments that are not clearly defined by asset allocation limitations and are unconstrained by region, size, or style.

Three-box Solution



Seeking to enhance an investment portfolio, we believe an investor should consider the best investment opportunities available without being limited to the nine style boxes. By investing with an unconstrained mandate, non-traditional assets may enhance a traditional portfolio of stocks and bonds, potentially improving its overall return for the same or lower level of risk.

Non-consensus Ways to Invest in Consensus Ideas

The goal of the LCAS Opportunistic Strategies Portfolio is to provide individual investors with an unconstrained, global tactical asset allocation strategy that seeks to enhance returns and diversify the risk normally associated with a portfolio of traditional stock and bond investment classes.

In an effort to enhance portfolio returns and diversify risk, investors have often allocated a portion of their assets to alternative investments. However, alternative investments can be difficult to access, often requiring investors to meet certain criteria, such as wealth and income minimums. Other obstacles have generally included limited liquidity and transparency, lengthy lock-up periods, and high incentive fees.

The LCAS Opportunistic Strategies Portfolio aims to achieve many of the positive attributes of alternative investments with fewer obstacles. It seeks long-term capital appreciation and returns that have correlation benefits relative to traditional markets, while offering investors a familiar mutual fund structure.

The Portfolio invests in baskets of securities—including exchange-traded funds, closed-end funds, and custom baskets—as well as other market hedging instruments. In most cases, allocations are expected to fall into at least one or more of four investment categories, which are shown in the table below.

Investment Categories

Thematic Strategy
Investments that are most consistent with our overall market viewpoint and represent unique or niche opportunities, which we believe will provide performance benefits, to the extent our viewpoint materializes.

Diversifying Strategy
Investing in areas that tend to be uncorrelated to the overall equity market, or that we believe possess attractive absolute return-oriented characteristics. The investments include fixed-income securities, as well as a wide range of other market hedging tools.

Contrarian Strategy
Investments that reflect out-of-favor or non-consensus views to potentially capture inflection points of attractively valued areas of the market.

Discounted Assets Strategy
Recognizing assets across global markets that are viewed favorably by the investment team and that can be purchased at a tangible discount to net asset value.

LCAS Opportunistic Strategies Portfolio Investment Process

Global Economic and Geopolitical Environment

Market Outlook	Opportunity	Investment Thesis	Objective	Implementation
Determine the market consensus Determine our viewpoint **Risks** Determine the market risks	• Asset Class • Region • Sector • Industry • Company	What is the unique characteristic of an investment relative to our viewpoint? Where could we be wrong?	Investment consistent with our viewpoint: **thematic** Investment hedges a market risk: **diversifying** Investment differs from consensus: **contrarian** Investment has a tangible valuation gap: **discounted**	Determine most effective portfolio implementation tool: • ETF • Closed-end fund • Similar investment vehicles

Implementation

Each investment allocation is based on a forward-looking view of the economic environment, the direction we believe the capital markets are moving, current and potential future market risks, and which regions, industries, and sectors are the likely "winners" and "losers."

The Portfolio team formulates this outlook based on the probabilities of how key drivers will change the global economy. The most probable winners in that environment form the opportunity set; these are the most attractive investment ideas that deserve further evaluation.

The team determines the potential opportunity for excess return by identifying gaps between its view and the consensus view of each opportunity. Each investment idea in the opportunity set is then evaluated for its uniqueness and consistency with our viewpoint, and the specific investment risks are determined and considered.

Once an investment idea has been selected for a position in the Portfolio, the management team determines the most effective and efficient implementation tool for the investment allocation. These may include both equity and debt investments, or, in most cases, baskets of securities.

Tying the asset allocation framework together with the viewpoint and implementation decisions to achieve the desired exposures is both time and resource intensive. Below are two examples of the Portfolio's investment process in action, from market outlook to implementation.

The LCAS Opportunistic Strategies Portfolio Provides:

Versatility: The Portfolio tends to be balanced, benchmark agnostic, and not constrained by regional allocations, or preexisting investment style parameters. It is a Portfolio whose goal is to allocate capital to the most attractive investment ideas given the existing economic and market environment. As the environment is constantly evolving, the Portfolio seeks to evolve with it and take advantage of market opportunities.

Active use of passive vehicles: In most cases, the Portfolio uses baskets of securities that most effectively represent the market viewpoint. We believe that this approach allows us to access market opportunities in a diversified and efficient manner, reducing security-specific risk while providing the appropriate market exposures.

Enhancing a traditional investment portfolio: The Portfolio's rigorous macro-oriented investment strategy seeks to achieve strong returns that have lower degrees of correlation to traditional capital markets. As such, the Portfolio has the ability to act as a completion strategy within a global tactical asset allocation framework.

Example: The LCAS Opportunistic Strategies Portfolio Investment Process in Action

Market Outlook	Opportunity	Investment Thesis	Objective	Implementation
Emerging Markets (EM) Growth	Secular economic growth in EM likely to exceed developed market growth by a wide margin.	China and India drive EM growth, but are not the only compelling investment avenues.	More focus on second derivative beneficiaries.	Country investments in Brazil and Chile. Sector investments in resource, commodity, and infrastructure sectors.
Equity Diversification	Equity market volatility needs an offset in portfolio structure.	Sovereign risk is paramount. Fixed income may not provide the same historic diversification benefits.	Identify alternative hedges to fundamental equity risks.	Complement government bonds with investments in gold, S&P volatility, and select emerging market currencies.

Lazard's investment process is neither sequential nor static, but ongoing.

The Portfolio Management Team

David Cleary, CFA

Managing Director, Portfolio Manager/Analyst, Lazard Asset Management LLC (New York)

David Cleary is a Managing Director of Lazard Asset Management LLC. David provides oversight and management to Lazard's U.S.-based fixed income and asset allocation platform. Additionally he is directly responsible for the management of the Lazard Capital Allocator Series ("LCAS"). LCAS is a global tactical asset allocation investment product, which implements portfolio themes primarily through index and index-like investment vehicles. David works on asset allocation modeling and total portfolio risk management and sits on the LCAS Advisory Board as well as the Lazard Investment Council. Previously, he spent nine years as a Fixed Income Senior Portfolio Manager at Lazard with a focus on risk control, sector allocation and total portfolio management. David began working in the investment field in 1987. Prior to joining Lazard in 1994, David worked as a Portfolio Manager with Union Bank of Switzerland and an Assistant Treasurer with IBJ Schroeder, both primarily in fixed income asset management. He has a BS from Cornell University. David is a member of the New York Society of Security Analysts (NYSSA) as well as the CFA Institute.

Christopher Komosa, CFA

Senior Vice President, Portfolio Manager/Analyst, Lazard Asset Management LLC (New York)

Christopher Komosa is a Senior Vice President of Lazard Asset Management LLC. He is a Portfolio Manager/Analyst on the Lazard Capital Allocator Series ("LCAS") team and is a member of the LCAS Advisory Board. The LCAS is a global tactical asset allocation investment product, which implements portfolio themes primarily through index and index-like investment vehicles, such as exchange traded funds (ETFs) and closed-end funds (CEFs). Chris began working in the investment field in 1986. Prior to joining Lazard in 2006, Chris held positions as a portfolio manager at Permal Asset Management and Pinnacle International Management. Previously he was a hedge fund manager/analyst at Caxton Associates and Graham Capital. Chris has an MBA from the Darden School at the University of Virginia and a BA in Economics from Washington and Lee University. He is a member of the CFA Institute.

Advisory Board

An Advisory Board of external advisors assists the portfolio managers in formulating policy for management of the Portfolio. The Advisory Board is not responsible for managing the Portfolio on a day-to-day basis.

1. The MSCI World Index is a free float-adjusted market capitalization index that is designed to measure global developed market equity performance. The MSCI World Index consists of 24 developed market country indices. The index is unmanaged and has no fees. One cannot invest directly in an index. As of July 1, 2010, the Global Market Exposure Index[2] benchmark was replaced with the Global Asset Allocation Blended Index. The Global Asset Allocation Blended Index consists of a quarterly rebalanced, 60/40 split of MSCI World Index (NDR)/Barclays Capital Aggregate Bond Index.
2. The Global Market Exposure Index is a blended index constructed by the Investment Manager and is comprised of 36% Barclays Capital U.S. Aggregate Index, 19.5% S&P 500 Index, 15% MSCI Europe Index, 9% MSCI Pacific Index, 6% MSCI Emerging Markets Index, 6% S&P MidCap 400 Index, 4.5% S&P SmallCap 600 Index, and 4% Three Month London Interbank Offered Rate (LIBOR).

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Lazard Asset Management LLC
30 Rockefeller Plaza, New York, NY 10112-6300 800-823-6300 www.LazardNet.com