

The Lazard logo is displayed in a large, white, serif font against a dark blue background that features a close-up of green leaves.

Developing Markets Equity Portfolio

About the Portfolio

Symbol

LDMIX (Institutional)

LDMOX (Open)

CUSIP

52106N475 (Institutional)

52106N467 (Open)

Benchmark

MSCI Emerging Markets Index

An Opportunity in Emerging Markets

- We believe that powerful social and demographic changes are creating attractive investment opportunities.
- Emerging market growth stocks appear to be undervalued, despite demonstrating strong profit growth.
- Muted economic growth may be a favorable environment for growth style investing.

Portfolio Overview

The Lazard Developing Markets Equity Portfolio (“Portfolio”) is managed based on a relative growth investment philosophy of value creation through the process of bottom-up stock selection. This philosophy is implemented by assessing the trade-off between forward earnings growth rates and valuations for an individual security. The Portfolio seeks long-term capital appreciation while investing in securities of companies that have a market capitalization of more than U.S. \$300 million in emerging market countries as represented in the MSCI Emerging Markets Index.

The Portfolio invests in stocks believed by Lazard to have the potential for growth, but that may not realize such perceived potential for extended periods of time or may never realize such perceived growth potential. Such stocks may be more volatile than other stocks because they can be more sensitive to investor perceptions of the issuing company’s growth potential. The stocks in which the Portfolio invests may respond differently to market and other developments than other types of stocks.

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. 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.

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

Lazard Funds



Why a Developing Markets Portfolio?

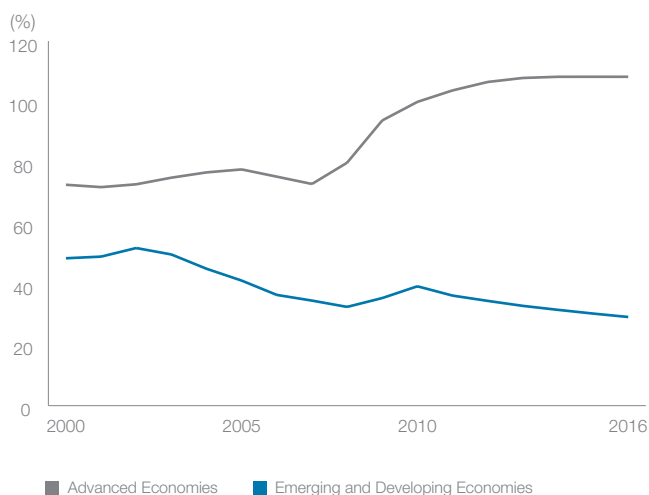
Emerging markets have dramatically transformed in recent years, as an increasing percentage of the population has accumulated wealth at levels not previously imaginable. This has significantly altered consumers' preference for goods and services, and what once was considered a luxury is now considered the norm. Similarly, as cities in emerging markets continue to grow, more buildings are erected and occupied and the need for energy and modes of transportation increases. This unprecedented accumulation of wealth has opened up certain segments of the consumer and industrial markets that once were not accessible to global investors.

At Lazard, we firmly believe that evaluating companies within the emerging markets asset class based on their growth prospects can potentially uncover investment opportunities. This is why we have created the Developing Markets Equity Portfolio, which aims to capture the growth potential of individual companies.

An Opportune Time for Growth in Emerging Markets

Developed economies are constrained by public sector debt, a weak banking sector, and by consumers who are more concerned with reducing their debt than spending money. On the other hand, public finances in the vast majority of emerging market countries appear to be healthy. Banks continue to lend profitably and consumer debt remains low. In fact, in 2016, the ratio of developed market debt to GDP is projected to be more than three times that of emerging markets, as shown in Exhibit 1.

Exhibit 1: Advanced and Emerging Markets Gross Debt to GDP



As of September 2011

Forecasted data is not a promise or guarantee of future results and is subject to change.

The information in the chart is for illustrative purposes only and does not represent any product managed by Lazard, including the Portfolio.

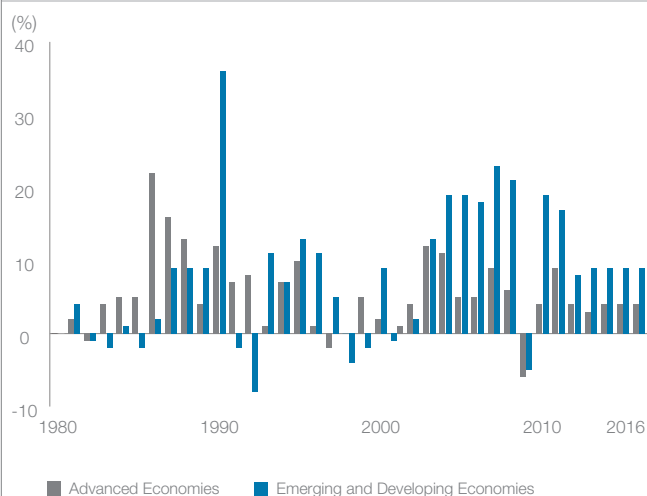
Past performance does not guarantee future results.

Source: World Bank

In addition, GDP levels in the emerging markets continue to outpace those in developed markets, as shown in Exhibit 2. Based on this trend, we believe that companies in the emerging markets have the potential to expand their operations more rapidly than those in developed markets.

Companies that are able to demonstrate sustainable growth and prove to be resilient in a muted economic environment will likely be in great demand. We believe now is a good time to take advantage of opportunities offered by emerging markets growth, as growth companies appear inexpensive relative to historical valuations.

Exhibit 2: Year over Year GDP Growth



As of September 2011

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Past performance does not guarantee future results.

Source: International Monetary Fund

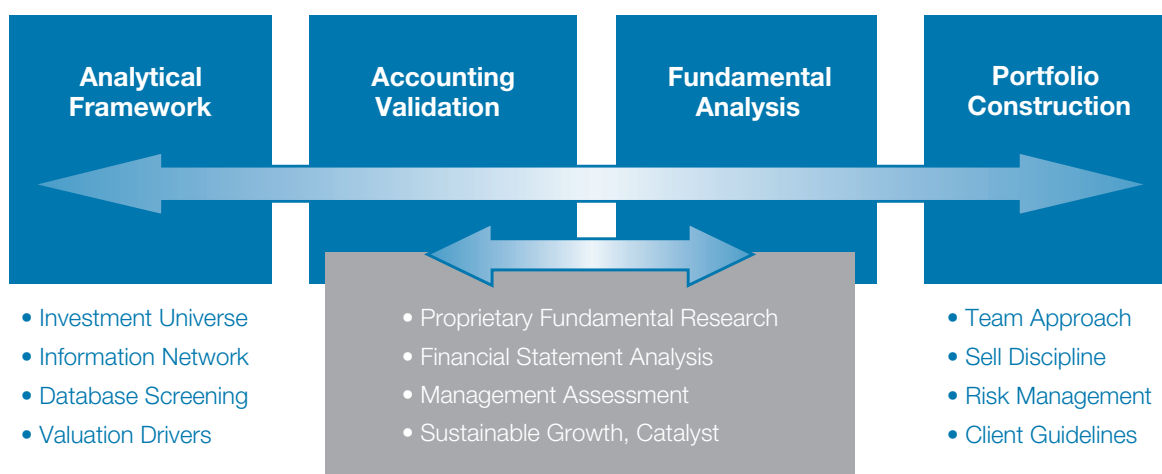
Investment Process

The Portfolio seeks long-term capital appreciation and employs an investment process that builds on the success of our relative value approach to emerging markets investing. The Portfolio's investable universe includes all liquid securities with market capitalization of more than U.S. \$300 million that are typically domiciled in countries represented in the MSCI Emerging Markets Index. Companies that have more than 50% of their net assets or sales from emerging markets countries may also be included.

Analytical Framework

The Portfolio is managed based on a relative growth investment philosophy of value creation through the process of bottom-up stock selection. This philosophy is implemented by assessing the trade-off between forward earnings growth rates and valuations for an individual security. Approximately 80% of this research is qualitative and 20% is quantitative.

Exhibit 3: Lazard Developing Markets Equity Portfolio Investment Process



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

Accounting Validation

Lazard's analysts seek to assess a company's stated financial productivity, identify and take advantage of pricing anomalies, and discover opportunities, including hidden value per share and hidden risks.

Fundamental Analysis

Fundamental analysis, a key component in the equity investment process, is conducted to assess many issues, including the sustainability of growth of revenues and earnings, and to identify a catalyst for price revaluation.

Portfolio Construction

The goal of the Portfolio is to have a lower price to earnings growth ratio (PEG) than the investment universe. Securities are added and removed from the Portfolio based on expected upside to target prices (a function of valuation), the rate and sustainability of growth, and risk controls. The Developing Markets Equity team works in collaboration with the global risk management team to conduct ongoing evaluations to understand the impact of macroeconomic, political, portfolio, and corporate governance risks in order to ensure optimal risk diversification.

Sell Discipline

When a security reaches its price target, it is either trimmed or sold entirely, unless the analyst believes the target assumptions have become too conservative. In that scenario, the price target is adjusted upward. Stocks are also sold when a company's earnings outlook deteriorates or when its risk score increases.

Why Invest in the Lazard Developing Markets Equity Portfolio?

The main features that are unique to Lazard's approach to growth investing in emerging markets are:

- A focus on sustainable earnings growth and compelling valuations, which we believe have the potential to produce strong long-term results.
- Access to Lazard's experienced emerging markets team, which leverages the expertise of global sector research specialists.
- The use of proprietary tools and models to assign risk scores to emerging markets securities.

The Portfolio Management Team



Kevin O'Hare, CFA

Managing Director, Portfolio Manager/Analyst

Kevin O'Hare is a Portfolio Manager/Analyst on the Developing Markets Equity team, focusing on the technology, health care, telecommunications, and consumer discretionary sectors. He began working in the investment field in 1991. Prior to joining Lazard in 2001, Kevin was with Merrill Lynch and Moore Capital Management. Kevin has an MBA in Finance from St. John's University and a BS in Finance from King's College.



Peter Gillespie

Director, Portfolio Manager/Analyst

Peter Gillespie is a Director and Portfolio Manager/Analyst on the Developing Markets Equity team, focusing on the industrials, materials, and consumer staples sectors. He began working in the investment field in 1992. Prior to joining Lazard in 2007, Peter was a portfolio manager at Newgate Capital, LLP, where he co-managed the Asian portion of an emerging markets equity fund. Previously, Peter was a portfolio manager at GE Asset Management, specializing in emerging markets equities. Prior to GE, Peter was an analyst at Sintra Capital Corp., performing analysis for an emerging markets equity fund. Peter started his career at Asia Securities (Taiwan) Inc. as an analyst, producing sell-side research. Peter has a BA in East Asian Studies from Brown University.



James M. Donald, CFA*

Managing Director, Portfolio Manager/Analyst

James Donald is a Portfolio Manager/Analyst on the Emerging Markets Equity team and Head of the Emerging Markets Group. James also represents emerging markets as a member of various global and international equity teams. He began working in the investment field in 1985. Prior to joining Lazard in 1996, James was a Portfolio Manager with Mercury Asset Management. He has a BA (Hons) in history from the University of Western Ontario.



John R. Reinsberg*

Deputy Chairman, International and Global Strategies

John Reinsberg is Deputy Chairman of Lazard Asset Management responsible for oversight of the firm's international and global strategies. He is also a Portfolio Manager/Analyst on the Global Equity and International Equity portfolio teams. He began working in the investment field in 1981. Prior to joining Lazard in 1992, John was Executive Vice President with General Electric Investment Corporation and Trustee of the General Electric Pension Trust. He was also previously with Jardine Matheson (Hong Kong) and Hill & Knowlton, Inc. John has an MBA from Columbia University and a BA from the University of Pennsylvania. He is a member of the University of Pennsylvania School of Arts and Sciences Board of Overseers, the University of Pennsylvania Huntsman Program Advisory Board, the Board of Directors of the Alliance for Cancer Gene Therapy, the Board of Directors of The Jewish Museum, as well as the Board of Directors of the U.S. Institute (Institutional Investor).

* As head of the Emerging Markets Equity team and as a Deputy Chairman of the Investment Manager, Mr. Donald and Mr. Reinsberg, respectively, are ultimately responsible for overseeing the Portfolio but are not responsible for its day-to-day management.

Published December 12, 2011

The MSCI Emerging Markets Index is a free float-adjusted market capitalization index that is designed to measure equity market performance in the global emerging markets. The MSCI Emerging Markets Index consists of 21 emerging market country indices: Brazil, Chile, China, Colombia, Czech Republic, Egypt, Hungary, India, Indonesia, Korea, Malaysia, Mexico, Morocco, Peru, Philippines, Poland, Russia, South Africa, Taiwan, Thailand, and Turkey. The index is unmanaged and has no fees. One cannot invest directly in an index.

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