

Performance Review

Returns (%; net of fees. As of June 30, 2011.)	QTD	1 Year	Annualized	Expense Ratio	
			Since Inception	Total	Net*
Lazard Developing Markets Equity Portfolio (Institutional Shares) Inception: September 30, 2008	-1.52	32.58	22.08	1.67	1.30
Lazard Developing Markets Equity Portfolio (Open Shares) Inception: September 30, 2008	-1.58	32.20	21.77	1.85	1.60
MSCI Emerging Markets Index	-1.15	27.80	17.27	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 1.30 % and 1.60% 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.

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. High short-term performance is unusual and investors should not expect similar returns in the future.

Commentary¹

The Lazard Developing Markets Equity Portfolio underperformed the MSCI Emerging Markets Index in the second quarter. A lower-than-index exposure to the consumer staples sector and South Korea, as well as a higher-than-index exposure to Kazakhstan and Russia, hurt returns over the period. However, stock selection within the materials, industrials, and telecom services sectors, as well as in South Africa, Brazil, China, and India, added value.

Stock Highlights by Sector^{1,2}

Industrials

(0.60% attribution effect)

China State Construction International Holdings (2.1% of the Portfolio), a construction and civil engineering company, performed well on the announcement of new contract wins.

Shares of Samsung Engineering (1.4% of the Portfolio), a South Korean engineering and construction company, rose on strong first quarter earnings results.

Materials

(0.60% attribution effect)

Shares of Exxaro Resources (2.7% of the Portfolio), a South African mining and coal

producer, outperformed on the announcement of higher heavy materials prices.

Uralkali (2.2% of the Portfolio), a Russian fertilizer company, did well on expectations of strong global fertilizer demand.

Financials

(-0.68% attribution effect)

Shiriam Transport Finance (1.7% of the Portfolio), an Indian commercial vehicle financing company, underperformed as the central bank is expected to implement stricter measures on securitization.

Shares of VTB Bank (2.0% of the Portfolio) in Russia declined as it was unclear how the

government would contribute to the restructuring of Bank of Moscow, an acquisition interest.

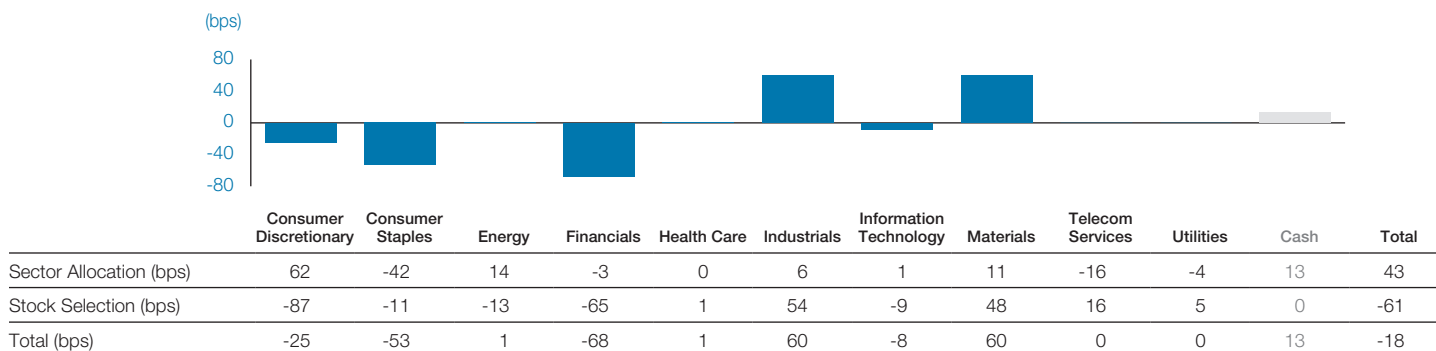
Halyk Savings Bank of Kazakhstan (1.9% of the Portfolio) performed poorly after announcing weaker-than-expected first quarter results.

Consumer Discretionary

(-0.25% attribution effect)

Shares of Tofas Turk Otomobil Fabrika (1.5% of the Portfolio), a Turkish auto manufacturer, were weak due to concerns that the government would implement tax hikes on passenger vehicles.

Value Added Analysis² (April 1 to June 30, 2011)



Market Review

Shares in emerging markets experienced modest declines in the second quarter and again underperformed industrialized markets, as they have year-to-date. Worries about Chinese economic activity resulted in underperformance in Chinese equities. Thai shares declined due to the recent elections, and the information technology sector's weakness held back both Taiwanese and South Korean shares. However, Indonesian equities continued to record decent returns as the economy continued to grow impressively. In Latin America, Chilean, Argentinean, and Colombian shares were the best performers, while Peruvian shares were the weakest market by some distance due to the recent presidential elections. Mixed performance was registered across most of Eastern Europe, the Middle East, and Africa. Share prices rose in both Poland and the Czech Republic as Portugal and Greece successfully refinanced their debts and investor concerns over the euro appeared to diminish. Elsewhere, markets were weaker in Turkey, Egypt, and South Africa, undermined by general risk aversion and weaker precious metals prices.

The energy, materials, and information technology sectors underperformed the MSCI Emerging Markets Index. The consumer discretionary, consumer staples, health care, utilities, and telecom services sectors substantially outperformed the Index.

Looking Ahead

We continue to be optimistic about emerging markets, especially over the long term. While inflationary pressures, record recent investor inflows and the possibility of substantial equity capital raising are important risks to note, we believe that fundamentals and valuations still look attractive. Therefore, we would advise long-term investors to maintain an exposure to the asset class and to consider adding on weakness.

Understanding Investment Risk

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.

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.

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.

Published on July 19, 2011.

- 1 The securities identified should not be considered a recommendation or solicitation to purchase or sell these securities. It should not be assumed that any of the referenced securities were 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 discussed do not represent the Portfolio's entire holdings.
- 2 As of June 30, 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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