

Performance Record – As of June 30, 2010

Annualized returns net of fees in U.S. dollars (%)	QTD*	1-Year*	Since Inception	Expense Ratio	
				Total**	Net
Lazard Developing Markets Equity Portfolio (Institutional Shares) Inception: September 30, 2008	-8.30	33.17	16.45	2.81	1.30
Lazard Developing Markets Equity Portfolio (Open Shares) Inception: September 30, 2008	-8.37	32.74	16.17	2.54	1.60
MSCI Emerging Markets Index	-8.37	23.15	11.65	N/A	N/A

* Cumulative returns

** *The net expenses reflect a contractual obligation by the Investment Manager to waive its fee and, if necessary, reimburse the Portfolio through April 30, 2011, 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 Lazard Funds, Inc. and Lazard to lower the net amount shown and will terminate automatically in the event of termination of the Investment Management Agreement between Lazard and The Lazard Funds, Inc., 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.

Performance Review¹

The Lazard Developing Markets Equity Portfolio performed in line with the MSCI Emerging Markets Index in the second quarter. Stock selection in the consumer discretionary and information technology sectors, as well as in Brazil and Russia, helped performance. A lower-than-index position in the materials sector also added value. A lower-than-index exposure to the consumer staples sector and India, and a higher-than-index exposure to Kazakhstan subtracted value, as did stock selection in the telecom services sector.

Quarterly Stock Highlights by Sector

Consumer Discretionary (1.04% attribution effect)

Hering (1.6% of the Portfolio), a Brazilian retailer, outperformed as investors were attracted to its strong operations and undemanding valuations. The stock price of MRV Engenharia e Participações (1.7% of the Portfolio), a low-income Brazilian housing construction company, recovered strongly after earlier concerns regarding its growth sustainability and execution risk proved too pessimistic.

Industrials (0.21% attribution effect)

China National Materials (or Sinoma, 2.2% of the Portfolio), a Chinese construction company, helped returns as Chinese cement prices stabilized on reports that more local capacity was being retired.

Bank Rakyat (1.4% of the Portfolio), an Indonesian bank, did well on the back of strong loan growth in both microcredit and commercial loans, while improving its operational efficiency.

Materials (0.07% attribution effect)

A lower-than-index position in the materials sector helped returns. However, this was

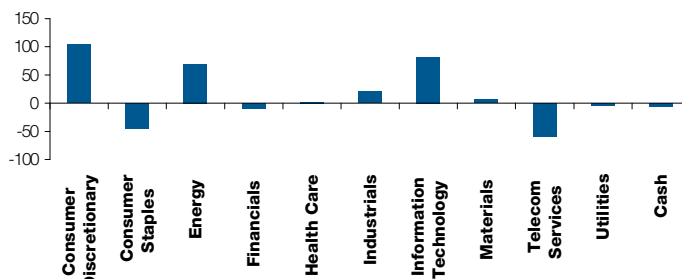
partially offset by stock selection in the sector, as Companhia Vale do Rio Doce (1.7% of the Portfolio), a Brazilian mining company, underperformed on concerns that the company could face higher resource taxes in the future.

Telecom Services (-0.59% attribution effect)

Performance in the telecom services sector was negatively impacted by the decline in NII Holdings (1.1% of the Portfolio), a Latin

American mobile operator. The company has grown subscribers strongly in Brazil, and there are concerns that the pace of growth will slow. Additionally, not owning China Mobile negatively impacted the Portfolio.

Value Added Analysis² – April 1 to June 30, 2010



Sector Allocation (bps)	41	-40	-3	-1	2	0	-2	40	-18	-1	-7
Stock Selection (bps)	63	-5	72	-8	21	83	-34	-41	-4	-4	-7
Total (bps)	104	-45	69	-9	2	21	82	7	-69	-5	-7

Lazard Developing Markets Equity Portfolio

Market Review

Shares in emerging markets experienced weakness in the second quarter of 2010 due to deepening concerns over the fiscal crisis in Greece and Europe, as well as its potential effects on global economic activity. Chinese authorities also re-introduced a currency basket for the renminbi, elevating its value as well as the value of several other Asian currencies. We believe this measure was introduced in some part to deflect negative attention from the matter at the G-20 summit in Toronto. The MSCI Emerging Markets Index decreased by just over 8% for the quarter, as share prices in Eastern Europe significantly underperformed those in Asia and Latin America. Large declines were recorded in Mexican and Brazilian equities, which were hurt by concerns over weaker growth that could impact commodity prices. Shares of Petrobras, a large Brazilian oil company, were volatile because of issues surrounding the financing of its large projected capital expenditures. Colombian equities performed well due to a more stable environment in the country. Asian emerging markets posted mixed performance for the second quarter. Indonesian equities continued to perform well on robust economic results. Relatively weak performance in the information technology sector hurt Indian, Taiwanese, and South Korean shares over the quarter. The latter was also adversely impacted by the South Korean government's claim that North Korea sank one of its naval vessels in March, which exacerbated tensions between the countries. Chinese stocks declined, as investors became more concerned about global growth and as Chinese authorities enacted further measures to moderate bank lending to the property sector. Philippine equities rose modestly on signs of more robust economic activity. Due in part to their proximity to Europe, sharp declines were registered across most of Eastern Europe, the Middle East, and Africa. Hungarian equities fell significantly as the government announced a tax on the financials sector aimed at plugging the country's fiscal deficit. Share prices fell in South Africa and Russia on worries about commodity prices. Turkish equities were the region's bright spot, helped by stable economic performance. By sector, consumer staples, telecom services, and utilities outperformed the Index. The energy, materials, and information technology sectors were the weakest performers over the quarter.

Looking Ahead

We continue to be relatively optimistic about emerging markets over all time periods. In our opinion, valuations are not excessive and fundamentals are good. Therefore, we would advise long-term investors to consider increasing exposure to this asset class at this time.

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.

NOTES

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, 2010. All returns in U.S. dollars. 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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