

## Performance Review

Returns (%; net of fees. As of June 30, 2011.)	QTD	1 Year	Annualized			Total Expense Ratio
			3 Years	5 Years	Since Inception	
<b>Lazard International Strategic Equity Portfolio</b> (Institutional Shares) Inception: October 31, 2005	4.06	34.87	2.02	3.45	6.55	0.90
<b>Lazard International Strategic Equity Portfolio</b> (Open Shares) Inception: February 3, 2006	3.94	34.44	1.73	3.09	3.78	1.20
MSCI EAFE Index	1.56	30.36	-1.77	1.48	Inst 4.32 Open 2.07	N/A

### Morningstar Rating<sup>1</sup>

	3 Years Out of 714	5 Years Out of 539	Overall Out of 714
<b>Lazard International Strategic Equity Portfolio</b> (Institutional Shares)	★★★★★	★★★★★	★★★★★
<b>Lazard International Strategic Equity Portfolio</b> (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](http://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.

### Commentary<sup>2</sup>

The Lazard International Strategic Equity Portfolio outperformed the MSCI EAFE Index for the quarter.

### Stock Highlights by Sector<sup>2,3</sup>

#### Consumer Discretionary

(1.58% attribution effect)

Auto stocks BMW (2.2% of the Portfolio), Hyundai Mobis (1.2% of the Portfolio), and Valeo (2.6% of the Portfolio) continued to see resilient demand and margin growth not reflected in single-digit valuation multiples, while in the retailing industry, Japanese companies Don Quijote (2.8% of the Portfolio) and Yamada Denki (2.0% of the Portfolio) both saw encouraging sales progress, despite the earthquake in March.

#### Financials

(0.60% attribution effect)

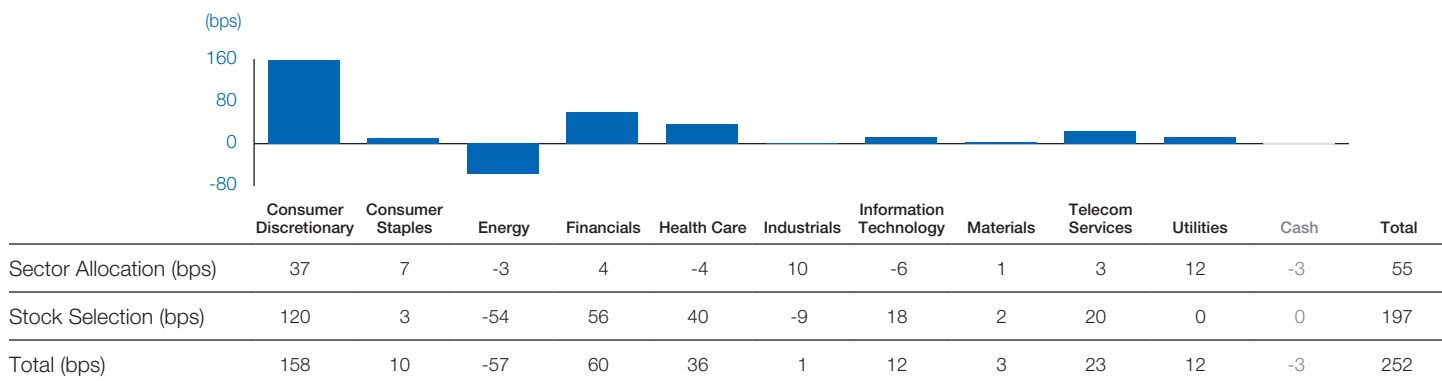
Within financials, Daito Trust Construction (1.9% of the Portfolio) received increased orders for its apartments, and AIA Group (2.2% of the Portfolio) experienced strong growth in sales in Asia.

#### Energy

(-0.57% attribution effect)

Stock selection in the energy sector hurt performance as market weakness affected exploration and production company Tullow Oil (1.0% of the Portfolio) and petrochemical engineer Tecnicas Reunidas & Westinghouse (1.2% of the Portfolio).

### Value Added Analysis<sup>3</sup> (April 1 to June 30, 2011)



## Market Review

International equity markets were broadly flat in the second quarter, with an April rally followed by a sell-off through May and early June, before recovering at the end of the quarter. Macroeconomic concerns abounded, including slowing growth in the United States and China, a renewed bailout for Greece, and the impending end of the Federal Reserve's latest program of quantitative easing. These fears were offset by strong corporate profits and valuations that continue to look relatively attractive, in our view, provided that profits can be maintained at current elevated levels. In this environment, cyclical stocks such as energy and industrials fell, while more defensive companies in health care and consumer staples rose during the quarter. Historic defensiveness did not help telecom or utility stocks as overcapacity continued to depress returns, while auto stocks benefited from continued strong demand and low valuations.

## Looking Ahead

We believe corporate profitability and balance sheets are strong and if this profitability can be sustained, then equity valuations overall may not be considered stretched. Some cyclical and emerging markets stocks are pulling back to more interesting valuation levels, in our view. Nevertheless, risks are substantial and arguably rising; monetary policy remains extraordinary and is just starting to be corrected, governments are just starting to take measures to rein in unsustainable deficits, and fast-rising commodity costs (especially oil and food) are putting pressure on inflation and, ultimately, disposable income. While Japan is recovering admirably from the short-term impact of the recent natural disaster, the longer-term impact remains unclear and the risk of a policy mistake is high. The portfolio management team continues to focus on stock selection, seeking to find stocks with sustainably high or improving returns trading at attractive valuations.

## 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. 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.

The MSCI EAFE Index (Europe, Australasia, Far East) is a free float-adjusted market capitalization index that is designed to measure developed market equity performance, excluding the United States and Canada. The MSCI EAFE Index consists of 22 developed market country indices. The index is unmanaged and has no fees. One cannot invest directly in an index.

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.

Published on July 18, 2011.

- 1 Source: Morningstar Direct as of June 30, 2011. © 2011 Morningstar, Inc. All rights reserved. The information contained herein: (1) is proprietary to Morningstar and/or its content providers; (2) may not be copied or distributed; and (3) is not warranted to be accurate, complete, or timely. Neither Morningstar nor its content providers are responsible for any damages or losses arising from any use of this information. The Morningstar Rating is calculated for funds with at least a three-year history. The Morningstar Rating is calculated based on a Morningstar Risk-Adjusted Return measure that accounts for variation in a fund's monthly performance, placing more emphasis on downward variations and rewarding consistent performance. The top 10% of funds in each category receive 5 stars, the next 22.5% receive 4 stars, the next 35% receive 3 stars, the next 22.5% receive 2 stars, and the bottom 10% receive 1 star. Morningstar Category: Foreign Large Blend. Past performance does not guarantee future results.
- 2 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.
- 3 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.

MSCI makes no express or implied warranties or representations and shall have no liability whatsoever with respect to any MSCI data contained herein. The MSCI data may not be further redistributed or used as a basis for other indices or any securities or financial products. This report is not approved, reviewed, or produced by MSCI.

Information and opinions presented have been obtained or derived from sources believed by Lazard to be reliable. Lazard makes no representation as to their accuracy or completeness. All opinions expressed herein are as of June 30, 2011 and are subject to change.

*Not a deposit. May lose value. Not guaranteed by any bank. Not FDIC insured. Not insured by any government agency.*

**Please consider a fund's investment objectives, risks, charges, and expenses carefully before investing. For more complete information about The Lazard Funds, Inc. and current performance, you may obtain a prospectus or summary prospectus by calling 800-823-6300 or by going to [www.LazardNet.com](http://www.LazardNet.com). Read the prospectus or summary prospectus carefully before you invest. The prospectus and summary prospectus contain investment objectives, risks, charges, expenses, and other information about the Portfolio(s) and The Lazard Funds, Inc. that may not be detailed in this document. Distributed by Lazard Asset Management Securities LLC.**

Lazard Asset Management LLC • 30 Rockefeller Plaza, New York, NY 10112-6300 • [www.LazardNet.com](http://www.LazardNet.com)

©2011 Lazard Asset Management LLC

MF00021