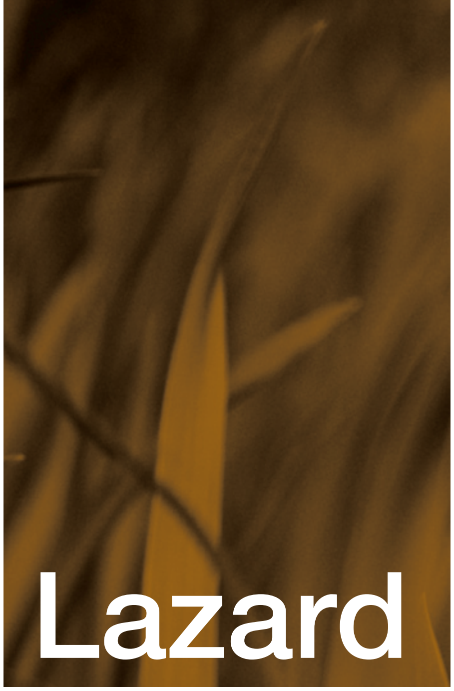


U.S. High Yield Portfolio

About the Portfolio

Symbol
LZHYX (Institutional)
LZHOX (Open)

CUSIP
52106N699 (Institutional)
52106N681 (Open)

Benchmark
Bank of America Merrill Lynch U.S. High Yield Master II Index

A Distinct Style High Yield Opportunity

- Seeks maximum total return from a combination of capital appreciation and current income over a complete market cycle by focusing on securities that may be considered "better quality," as rated B1 or B+ by Moody's or Standard & Poor's, respectively.
- Aims to add value to a client's bond portfolio by being a steady high income producer over a complete market cycle
- Follows a credit discipline with tenets of fundamental security analysis, with the intent of building in a margin of safety and downside protection

Portfolio Overview

The Lazard U.S. High Yield Portfolio (the "Portfolio") holds a core of better-quality high yield securities and supplements this core with opportunistic purchases. We believe there is excess spread present in better-quality high yield because the yield on better-quality securities should materially exceed any credit losses and the riskless rate of return. We intend for the Portfolio to perform as a bond portfolio by employing higher-quality securities and avoiding lower-quality securities that have equity-like characteristics. The core holdings seek to provide income and downside protection while the opportunistic purchases are selected with the intent of adding yield and potential capital gains to the Portfolio. Security selection is a function of Graham & Dodd fundamental analysis, focused on a margin of safety and downside protection. Securities are purchased based on relative value within the market. Our fundamental, bottom-up research process seeks to identify good companies and management teams without reaching for the highest yields available.

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.

BofA Merrill Lynch U.S. High Yield Master II Index is a broad-based index consisting of all U.S. dollar–denominated high yield bonds with a minimum outstanding amount of $100 million and maturing over one year. The index is unmanaged and has no fees. One cannot invest directly in an index.

Why Buy Better-quality High Yield?

The BB quality sector of the Merrill Lynch Cash Pay Index, which we use as a proxy for better-quality high yield, has provided the best risk adjusted returns in high yield since 1989, the first full year of returns for the Merrill Lynch High Yield Indices (Exhibit 1).

Exhibit 1: Comparative Index Performance

	Annualized Return	Standard Deviation	Sharpe Ratio
Cash Pay Index	8.83	8.45	0.55
BB	8.99	6.89	0.70
B	8.37	8.79	0.48
CCC	8.37	13.94	0.30
Barclays U.S. Aggregate	7.32	3.88	0.82
S&P 500 Index	9.66	15.13	0.36
Nasdaq Index	9.18	23.54	0.21

As of December 31, 2010

The information in the chart above is for illustrative purposes only and does not represent the performance of any product offered by Lazard including the Portfolio.

Past performance is not a guarantee of future results.

Source: BofA Merrill Lynch Cash Pay Index and Cash Pay BB, B, CCC subindices, Bloomberg, Lazard

Better-quality high yield also tends to outperform over a complete market cycle since it is less volatile than the lower tiers of high yield. While the coupon earned on better-quality high yield is typically lower than the riskier sectors, the credit losses are generally materially less. Most defaults occur in the lowest rated securities. Two other points are relevant for holding better-quality high yield as a long-term investment. First, better-quality high yield has historically posted strong relative performance in a modestly stable economic environment and does not typically need a strong economy to perform or survive. Secondly, better-quality high yield can be held over a complete market cycle removing the prospect of potentially poor timing in tactical allocations.

Building upon Lazard's Valuation Philosophy through Quality Fundamentals

Lazard's relative value investment philosophy is based on value creation through the process of bottom-up security selection. This philosophy is implemented by assessing the trade-off between the market valuation of a security and its underlying financial strength. Our perspective is that we are making a loan to a company, and we are looking for appropriate protection relative to the risk we are taking. Simply put, are we being appropriately paid, or preferably overpaid, for the loan we are making? Our relative value process evaluates each security relative to its industry, credit quality, structure, and relevant benchmark credit spread.

Exhibit 2: Investment Process

Idea Sourcing
- Internal analysis
- Database screens
- Market opportunities

Fundamental Analysis
- Graham & Dodd analysis
- Accounting validation
- Credit discipline

Portfolio Construction
- Understand risks
- Quantify rewards

Portfolio Monitoring
(Daily maintenance, Sell discipline, Risk management)

Security Criteria
- Core of domestic securities, cash paying, B+ or higher
- Target large, higher quality companies with critical business mass
- Seek seasoned securities in the upper tier of capital structure
- Look for margin of safety and hard asset coverage
- Focus on intermediate maturity securities

Valuation & Buy Discipline
- Compare and contrast credits by sector and spread
- Buy based on relative value
- Continually assess risk/reward of individual issuer
- Maintain proprietary model to track characteristics

Sell Discipline
- Sell when:
  - credit no longer represents good relative value
  - fundamentals deteriorate
  - unexplained change in bond spread/trading pattern

Risk Management
- Portfolio management
  - Individual security risk
  - Correlation and diversification factors
  - Any unintended bets?
- Central compliance
  - Portfolio relative to strategy objectives
  - Portfolio relative to client objectives
- Independent risk oversight
  - Factor bets
  - Maintain investment objectives

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

Lazard's High Yield Approach and Discipline

Our design is to be a pure play on U.S. high yield, keeping our building blocks clean and transparent. We seek to build a portfolio with the defined risks of credit, sector, and duration. We primarily buy U.S. dollar-denominated securities that pay a cash coupon semi-annually, and we generally avoid foreign-denominated, emerging market, and structured or derivative securities. We try to avoid situations that are opaque, have binary outcomes, or are politically directed.

Research Process

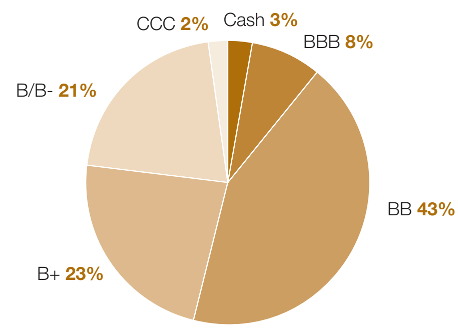
We employ a repeatable credit analysis process (Exhibit 2) and look for particular attributes in the credits and securities we buy, including: a competitive reason to exist, viability within their market, and management teams that are seeking to build and improve their company. Our focus is on basic fundamentals, such as operating margins, accounting and quality of earnings, capital access and liquidity, and seniority within the capital structure. We employ a credit discipline in our evaluation process to help measure each credit on a fair basis. Our research is further supported by Lazard's U.S. Fixed Income Investment Team, which includes an incremental 13 corporate credit analysts.

Portfolio Construction

We look to build a highly diversified portfolio consisting of over 100 separate securities from a diverse group of industries. Industry weightings are a residual of our process, and we do not seek to manage to a benchmark. Generally, our Portfolio will be comprised of better-quality securities, rated high single-B or better by either Moody's or Standard & Poor's, as shown in Exhibit 3 using Standard & Poor's ratings.[1] The high single-B securities are included in our definition of better quality, as we believe there is a material quality difference between a high single-B security and a low single-B security. Duration positioning is not an active part of our strategy, and the Portfolio's duration will generally be neutral to modestly shorter than the benchmark.

Exhibit 3: Quality Distribution[1]

S&P Ratings by Portfolio Weight



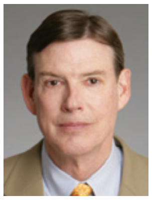
As of December 31, 2010

Why invest in the Lazard U.S. High Yield Portfolio?

This Portfolio seeks to:

- produce attractive returns from the U.S. high yield market with less risk/volatility;
- provide a steady high income stream over a complete market cycle;
- be highly diversified and offer downside protection;
- be a pure play on U.S. high yield without the exogenous risks of currency, emerging markets, structured products and derivatives.

The Portfolio Management Team



J. William Charlton

Director, Portfolio Manager/Analyst

William Charlton is a Portfolio Manager/Analyst on the U.S. High Yield Fixed Income team. He began working in the investment field in 1977. Prior to joining the Lazard in 2002, William was a Managing Director with Offitbank and Head of the High Yield department. Previously, he had management and investment research responsibilities at Columbus Circle Investors, E F Hutton, and Morgan Stanley & Co. He has an MBA and a BS in Finance from the University of Connecticut.

Thomas M. Dzwil

Senior Vice President, Portfolio Manager/Analyst

Thomas M. Dzwil is a Portfolio Manager/Analyst on the U.S. Fixed Income portfolio management teams. He began working in the investment field in 1982. Prior to joining Lazard in 2002, Thomas was a Portfolio Manager with OFFITBANK. Previously he was a Vice President with North Star Investment Management. Prior to that, Thomas was an Associate with Morgan Stanley & Co. He has an AA from Brookdale College.

1 Excludes cash. Credit ratings as assigned by Standard & Poor's. Bonds rated BBB are investment grade and are defined as having adequate capacity to meet financial commitments, but more subject to adverse economic conditions than bonds rated higher. Bonds rated below BBB are generally referred to as speculative grade securities. Bonds rated BB, B, or CCC are regarded as possessing a speculative capacity to pay debt service because of the existence of negative factors or uncertainties for which there are no compensating positive factors. Ratings from BBB to CCC may be modified by the addition of a plus (+) or minus (-) sign to show relative standing within each of the major rating categories. Allocations and security selection are subject to change. The information provided in this list should not be considered a recommendation or solicitation to purchase or sell any particular security. It should not be assumed that any investment in these securities was, 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.

Published on March 10, 2011.

Standard deviation measures the dispersion or "spread" of individual observations around their mean. Standard deviation of returns measures a fund's historical volatility, where a higher number is evidence of greater volatility (i.e., higher risk).

The Merrill Lynch High Yield, Cash Pay Index (Merrill Lynch HY Cash Pay) is constructed to mirror the public high yield corporate debt market and is a subset of the Merrill Lynch High Yield Master II Index. The index is unmanaged and has no fees. One cannot invest directly in an index.

The Barclays Capital U.S. Aggregate Bond Index (Barclays U.S. Agg) includes the U.S. government, corporate, and mortgage-backed and asset-backed securities with maturities up to 30 years. The index is unmanaged and has no fees. One cannot invest directly in an index.

The S&P 500 Index is a market capitalization-weighted index of 500 companies in leading industries of the U.S. economy. The index is unmanaged and has no fees. One cannot invest directly in an index.

The Nasdaq Composite Index is a market-capitalization weighted index of the common equities listed on the Nasdaq stock exchange. The index includes all Nasdaq listed stocks that are not derivatives, preferred shares, funds, exchange-traded funds (ETFs) or debentures.

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