

Performance Record – As of June 30, 2010

Annualized returns net of fees (%) in U.S. dollars	QTD*	1-Year*	3-Year	5-Year	10-Year	Since Inception	Expense Ratio	
							Total	Net**
Lazard U.S. High Yield Portfolio (Institutional Shares) Inception: January 2, 1998	0.21	17.36	3.81	5.38	3.68	3.12	0.89	0.55
Lazard U.S. High Yield Portfolio (Open Shares) Inception: February 24, 1998	0.35	17.22	3.60	5.13	3.43	2.49	1.21	0.85
Merrill Lynch High Yield Master II Index	-0.07	27.53	6.39	7.10	7.12	Inst 6.03 Open 5.92	N/A	N/A

* Cumulative returns

****The net expenses reflect a contractual agreement by Lazard to waive its fee and, if necessary, to reimburse the Portfolio through April 30, 2011, to the extent the Total Annual Operating Expense Ratio exceeds 0.55% and 0.85% 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 current portfolio management team has managed the Portfolio since November 2002. Performance prior to November 2002 is not attributable to the current portfolio management team.

Morningstar Rating¹ (Institutional Shares)	3-Year -> ★ ★ ★	5-Year -> ★ ★ ★	Overall -> ★ ★ ★
(Open Shares)	3-Year -> ★ ★ ★	5-Year -> ★ ★ ★	Overall -> ★ ★
	Out of 500	Out of 428	Out of 500

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.

Performance Review

For the second quarter of 2010, the Portfolio modestly outperformed the benchmark.

Quarterly Highlights

Quality

Our higher-quality focus helped performance this quarter, as lower-quality securities lost momentum. The CCC sector posted a -1.4% return for the quarter and a 5.0% return year to date. The BB sector returned 0.6% for the quarter and has modestly outperformed the CCC sector year to date with a 5.6% return. Approximately 59% of the invested portfolio is rated BB- or better by Standard & Poor's.

Duration

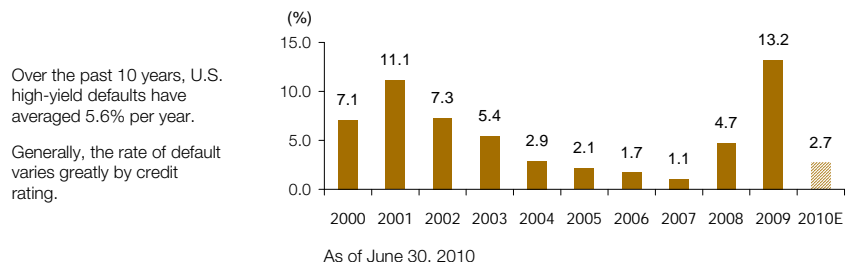
The portfolio's modestly shorter duration compared to the Index had little effect on performance.

Industry Sectors – Highlights

Portfolio performance was helped by overweight positions in gaming/hotel and health care, and by underweight positions in the bank and finance-related sectors. We continue to underweight the bank and

finance related sectors due to their lack of transparency. While the bank and finance related sectors underperformed this quarter, year to date and over the past year they have been very strong performers. Portfolio performance was hurt by overweight positions in energy and by underweight positions in the super retail and the paper sectors.

U.S. High-Yield Issuer Default Rates 2000-2009 and estimate for 2010²



Lazard U.S. High Yield Portfolio

Market Review

High-yield market spreads widened by approximately 130 basis points during the quarter, including an approximate 90 basis point fall in Treasury yields. BB spreads widened by about 115 basis points for the quarter, while CCC spreads widened by 195 basis points. It appears that the CCC sector is starting to lag and give up some of the extraordinary gains it booked over the past 18 months. Mutual fund flows were volatile over the quarter, with large inflows in June that offset the large outflows of May. Net flows year to date are approximately \$500 million. New high-yield bond issuance in the U.S. market was approximately \$40 billion in the quarter and \$98 billion for the first half of 2010. These are relatively strong numbers, so we expect more moderate issuance for the rest of 2010. The Moody's trailing 12-month issuer default rate as of June 30, 2010 was 6.3%, and Moody's has forecast the default rate to fall to 2.7% by the end of 2010. The portfolio has experienced no defaults in 2010.

Looking Ahead

As the third quarter begins, the fear of a double economic dip has resurfaced. In the United States, not only do the effects of government stimulus appear to be fading, but further extension of unemployment benefits—a strong stimulus itself—appears unlikely. Further, a new notion of “perpetual global crisis” may be replacing “the new normal” doctrine. Overall, market risk looks to be rising, with extremely stretched governmental budgets that appear misaligned with their low interest rates. While Treasury yields are minuscule, Treasury returns have been strong, likely as a result of flight-to-quality issues. Additionally, domestic stock returns have been negative so far this year.

In such an environment we find the attributes of better-quality high yield compelling, with a current yield of 7% to 8% and structural seniority. Most better-quality high-yield companies have recently refinanced, pushing their maturity structure out and enhancing liquidity. The vast majority of our high-yield holdings are U.S. mid-cap companies that supply basic goods and services to the U.S. economy. While sales may soften, we do not foresee major liquidity issues for upper-tier credits. We continue to believe 2010 will be a year of mid- to high-single-digit returns for the U.S. high-yield market.

Understanding Investment Risk

The 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 maturity of no less than one year. The index is unmanaged and has no fees. One cannot invest directly in an index.

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. The Portfolio invests in high-yield securities (“junk bonds”), which inherently have a higher degree of market risk, default risk, and credit risk.

NOTES

¹ Source: Morningstar Direct as of June 30, 2010. © 2010 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. The Portfolio's 10-year Morningstar Rating for the Institutional Shares is 2 stars and for the Open Shares is 1 star, out of 280 Funds. Morningstar Category High Yield Bond. Past performance does not guarantee future results.

² Source: Moody's, Lazard. For illustrative purposes only. Not a product managed by Lazard.

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