

## 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
<b>Lazard U.S. Mid Cap Equity Portfolio</b> (Institutional Shares) Inception: November 4, 1997	-9.18	23.36	-10.23	-0.07	6.30	6.23	0.91	N/A
<b>Lazard U.S. Mid Cap Equity Portfolio</b> (Open Shares) Inception: November 4, 1997	-9.31	23.03	-10.46	-0.35	5.99	5.92	1.17	N/A
Russell Midcap Index	-9.88	25.13	-8.19	1.22	4.24	6.18	N/A	N/A

\* Cumulative returns

<b>Morningstar Rating<sup>1</sup></b> (Institutional Shares)	<b>3-Year -&gt;</b> ★★ ★	<b>5-Year -&gt;</b> ★★ ★	<b>Overall -&gt;</b> ★★ ★
(Open Shares)	<b>3-Year -&gt;</b> ★★ ★	<b>5-Year -&gt;</b> ★★ ★	<b>Overall -&gt;</b> ★★ ★
	Out of 345	Out of 259	Out of 345

**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.**

## Performance Review<sup>2</sup>

The Lazard U.S. Mid Cap Equity Portfolio finished the second quarter ahead of the Russell Midcap Index.

### Quarterly Stock Highlights by Sector

#### Information Technology

(0.45% attribution effect)

During the quarter, stock selection in information technology benefited performance. Shares of Fidelity National Information Services (0.9% of the Portfolio), a payment services provider, rose sharply following news of buyout talks with Blackstone Group. Shares of NetApp (1.2% of the Portfolio), a data storage provider, rose after the company's forecast for next quarter's sales came in higher than expected.

#### Industrials

(0.06% attribution effect)

Stock selection in the materials sector also helped returns for the quarter. Shares of Ball Corp. (3.6% of the Portfolio), a manufacturer of metal and plastic packaging for food and household products, performed well after announcing plans to sell non-core assets and further strengthen its position in China.

#### Energy

(-0.43% attribution effect)

Stock selection in the energy sector detracted from returns. Shares of Massey Energy (0.4% of the Portfolio) underperformed due to concerns over the impact from an explosion in one of its coal mines in West Virginia.

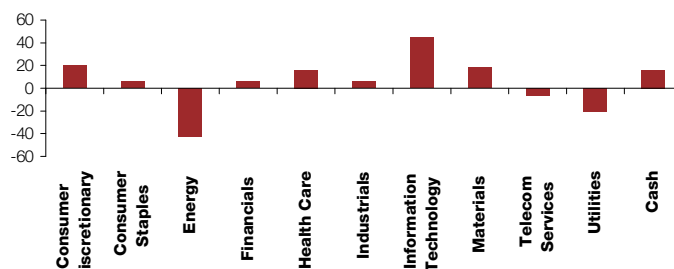
#### Utilities

(-0.21% attribution effect)

An underweight position and stock selection in the utilities sector also hurt performance, as the sector outperformed overall due to its more defensive nature.

Our position in EQT Corporation (1.0% of the Portfolio), a supplier of natural gas, detracted from returns based on speculation that the recent offshore drilling moratorium enacted by the Obama administration could spread to land drilling. This speculation began following the explosion of a gas well in Pennsylvania (which was owned by EOG Resources).

### Value Added Analysis<sup>3</sup> – April 1 to June 30, 2010



Sector Allocation (bps)	-1	2	3	-2	0	4	1	-8	-7	-6	16
Stock Selection (bps)	21	3	-46	8	16	2	44	26		-16	
Total (bps)	20	6	-43	6	16	6	45	18	-7	-21	16

# Lazard U.S. Mid Cap Equity Portfolio

## Market Review

U.S. stocks were volatile in the second quarter, falling sharply from mid-April to late May, as investors became increasingly wary of a global recovery amid a potential slowdown in China and the ongoing sovereign debt crisis in the Eurozone. Stocks rallied earlier in the quarter on the back of strong corporate earnings announcements, but failed to maintain the positive momentum, as the U.S. recovery appears to have hit a soft patch with housing, consumer confidence, and retail sales data coming in below expectations. Despite adding 431,000 jobs, May non-farm payroll also disappointed investors due to weaker-than-expected additions in the private sector, where a recovery is key to improvement in the housing market and consumer spending. A series of recent events, including ongoing financial reforms and the oil spill in the Gulf of Mexico, also hinted at more aggressive government influence on business, which further dampened investors' sentiment. By sector, economically defensive groups such as telecom services, consumer staples, and utilities outperformed, while the materials sector, particularly commodity producers, lagged over concerns about weaker Chinese growth. The consumer discretionary sector also underperformed amid a potentially slowing recovery in the United States.

## Looking Ahead

As we move into the second half of 2010, we see conflicting signals regarding economic conditions. The technology and industrials sectors appear resilient, while the consumer and materials industries are demonstrating questionable-to-weak trends. Energy, financials, and health care seem to be more focused on Washington D.C. than anything else these days, confirming our view that government intervention will be more prominent and sustained in the years ahead than it has been over the course of the last two decades. As we evaluate the investment opportunities in the United States against this macroeconomic backdrop, we continue to find very attractive opportunities to invest in on behalf of our clients. Our scenario analyses consistently show that the companies with strong balance sheets, robust organic cash flow, and the resulting operational flexibility typically offer better reward and risk profiles than do their peers with lesser characteristics. While we expect short-term ebbs and flows in actual stock price performance, we believe strongly that these companies will deliver better results over 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. Mid-cap securities carry additional risks, their earnings may be less predictable, their share prices more volatile, and their securities less liquid than large-cap securities.

The Russell Midcap Index includes approximately 800 of the smallest securities in the Russell 1000 Index, representing roughly 27% of the total market capitalization of Russell 1000 companies. (The Russell 1000 Index measures the performance of the large-cap segment of the U.S. equity universe. It includes approximately 1000 of the largest securities based on a combination of their market cap and current index membership. The Russell 1000 represents approximately 90% of the U.S. market.) 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.

## NOTES

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- <sup>2</sup> 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.
- <sup>3</sup> 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.

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, 2010 and are subject to change.

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