

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. Small-Mid Cap Equity Portfolio (Institutional Shares) Inception: October 31, 1991	-7.34	28.56	-4.36	2.60	6.95	10.12	1.23	1.15
Lazard U.S. Small-Mid Cap Equity Portfolio (Open Shares) Inception: January 31, 1997	-7.42	28.05	-4.66	2.26	6.66	6.06	1.52	1.45
Russell 2000/2500 Blended Index	-9.98	24.03	-7.62	1.01	3.33	Inst 8.31 Open 5.41	N/A	N/A

* Cumulative returns

** *The net expenses reflect a contractual agreement by Lazard to waive its fee and, if necessary, reimburse the Portfolio through April 30, 2011, to the extent Total Annual Portfolio Operating Expenses exceed 1.15% and 1.45% 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.*

Morningstar Rating¹	(Institutional Shares)	3-Year -> ★★★★★	5-Year -> ★★★★★	Overall -> ★★★★★
	(Open Shares)	3-Year -> ★★★★★	5-Year -> ★★★★★	Overall -> ★★★★★
		Out of 565	Out of 479	Out of 565

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 Review²

The Lazard U.S. Small-Mid Cap Equity Portfolio outperformed the Russell 2500 Index for the quarter. The main drivers of performance were stock selection in the information technology, energy, and industrials sectors. Stock selection in consumer discretionary hurt performance.

Quarterly Stock Highlights by Sector

Information Technology

(0.70% attribution effect)

In the information technology sector, we tended to avoid many of the higher-beta names that had led the market in the first quarter, as we questioned the sustainability of their performance. CPI International (0.8% of the Portfolio), a market leader in microwave and radio frequency technology, was a leading contributor following the news that Comtech Telecommunications would acquire it. Flir Systems (1.3% of the Portfolio), one of the market leaders in thermal imaging, also aided performance, as the company's recent purchase of a bankrupt marine GPS maker is forecast to be accretive to its earnings.

Energy

(0.62% attribution effect)

Cimarex Energy, one of the largest holdings in the Portfolio (2.7%), moved sharply higher. The company continues to execute the restructuring of its balance sheet, which is beginning to be reflected in its share price. Operational flexibility and strong free cash flows have enabled it to endure weak natural gas prices and maintain its strong positioning in the oil and natural gas market.

Industrials

(0.51% attribution effect)

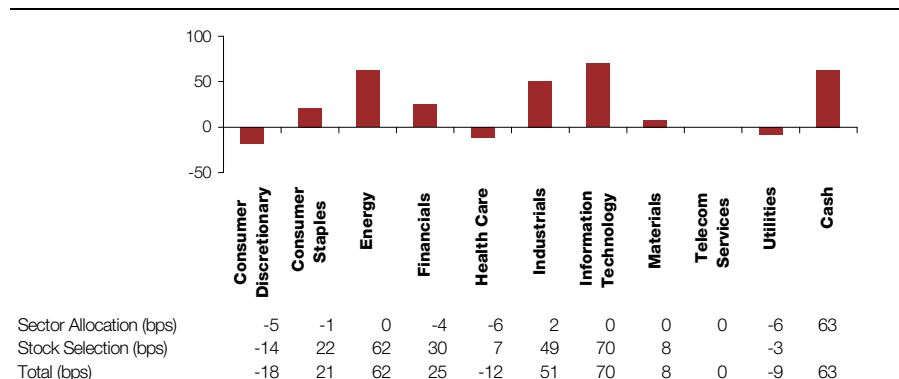
Both DXP Enterprises (0.8% of the Portfolio) and Great Lakes Dredge & Dock (0.8% of the Portfolio) added to performance in the industrials sector. Great Lakes is benefiting from solid execution and additional dredging contracts due to the Gulf of Mexico oil spill, where it will be dredging berms and barrier islands. DXP Enterprises is benefiting from the strong corporate earnings and positive guidance provided by other industrial distributors.

Consumer Discretionary

(-0.18% attribution effect)

Several companies with focused retail exposure, such as American Eagle Outfitters (1.1% of the Portfolio), Expedia (1.1% of the Portfolio), and Liz Claiborne (0.6% of the Portfolio), had difficult quarters on concerns that a slowing economic recovery could dampen retail spending. We believe that these companies will rebound due to their strong business models; therefore, we continue to hold them in the Portfolio.

Value Added Analysis³ – April 1 to June 30, 2010



Lazard U.S. Small-Mid Cap Equity Portfolio

Market Review

Equity markets abruptly changed course in the second quarter, selling off significantly in the wake of the debt crisis in Europe, a potentially slowing economy in China, and overall fears about global growth. The retreat was broad-based, as every sector of the Russell 2500 Index posted negative returns. The traditionally defensive utilities sector held up the best for the quarter, while consumer discretionary was the laggard. The Russell 2500 Index saw its worst second-quarter performance ever, declining 10%.

Looking Ahead

We had been somewhat skeptical of the continued rise in the market through the first quarter of 2010, as fundamentals seemed to be a bit rich and market leadership had been narrow and concentrated in the consumer discretionary and financials sectors. While we also remained engaged in the markets, the Portfolio was positioned a bit more defensively, as we found more value opportunities in these types of securities. The market continues to shift rapidly between optimism and pessimism as investors attempt to assess fundamentals in a quickly changing world. While this instability can make investing more difficult, our view is that this environment can also open the door for investment opportunities. We believe our fundamental analysis approach will be rewarded, as the companies with stronger and healthier business models will prevail over those without the ability to sustain or grow their business. Though we expect to see continued volatility in the upcoming months, we remain committed to finding opportunities to add value through this next leg of the economic cycle. We continue to utilize our deep research coverage to identify opportunities across the depth and breadth of our investable universe.

Understanding Investment Risk

Equity securities will fluctuate in price; the value of your investment will thus fluctuate, and this may result in a loss. 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.

As of August 25, 2008, the Portfolio changed its name from U.S. Small Cap Equity Portfolio, and adopted the Portfolio's current investment strategy, which compares its performance to the Russell 2500 Index. Prior to August 25, 2008, the Portfolio focused on U.S. small-cap companies and compared its performance to the Russell 2000 Index. The Portfolio's benchmark, the Russell 2000/2500 Blended Index, is comprised of the Russell 2000 Index from inception to August 24, 2008 and the Russell 2500 Index from August 25, 2008 to the present.

The Russell 2000 Index includes approximately 2000 of the smallest securities in the Russell 3000 Index, representing roughly 8% of the total market capitalization of Russell 3000 companies. (The Russell 3000 Index measures the performance of the largest 3000 U.S. companies representing approximately 98% of the investable U.S. equity market.) The index is unmanaged and has no fees. One cannot invest directly in an index.

The Russell 2500 Index measures the performance of the small to mid-cap segment of the U.S. equity universe, commonly referred to as "smid" cap. The Russell 2500 Index is a subset of the Russell 3000 Index. (The Russell 3000 Index measures the performance of approximately 3000 of the largest U.S. companies, representing approximately 98% of the investable U.S. equity market.) It includes approximately 2500 of the smallest securities based on a combination of their market cap and current index membership. The index is unmanaged and has no fees. One cannot invest directly in an index.

Portfolio Turnover Risk: The Portfolio's investment strategy may involve high portfolio turnover. A portfolio turnover rate of 100%, for example, is equivalent to the Portfolio buying and selling all of its securities once during the course of the year. A high portfolio turnover rate (such as 100% or more) could result in high brokerage costs and an increase in taxable capital gains distributions to the Portfolio's shareholders.

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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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, 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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