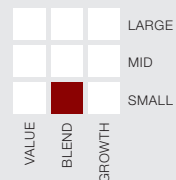


Morningstar category¹

Small Blend

Morningstar style¹



Cusip

Institutional 52106N509
Open 52106N780

Symbol

Institutional LZSCX
Open LZCOX

Minimum initial investment

Institutional \$100,000
Open \$2,500

Inception date

Institutional 1991
Open 1997

Net assets

Institutional \$222.5 million
Open \$25.1 million
Total \$247.6 million

Total annual operating expense ratio

Institutional 1.00%
Open 1.34%

Fund Overview

Description

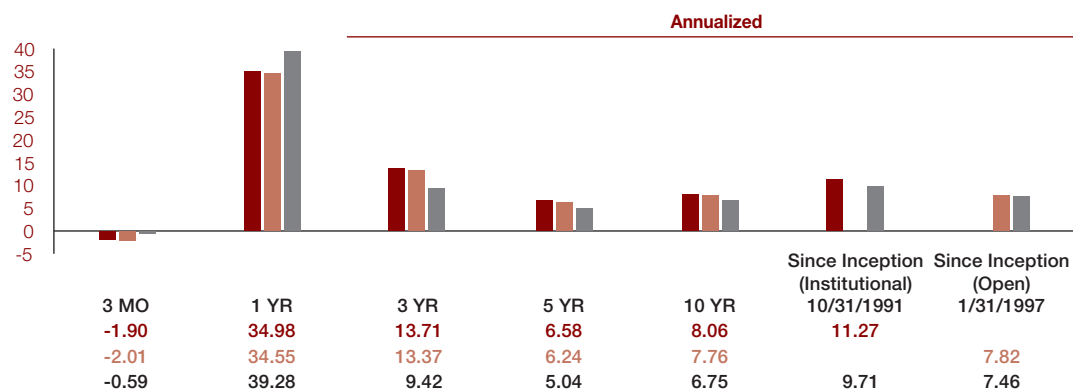
The Lazard U.S. Small-Mid Cap Equity Portfolio seeks long-term capital appreciation by investing in relatively small-to-mid U.S. companies with strong and sustainable financial productivity at attractive valuations. The Portfolio's returns are compared to the Russell 2500 Index.

Strategy

- Bottom-up approach to stock selection, the hallmark of Lazard's relative-value investment style.
- Fundamental analysis considers sustainability of returns, while accounting validation examines companies' stated financial statistics.
- Screening seeks to identify companies that are attractively priced relative to their financial returns.
- Quantitative research techniques are used to monitor risks associated with industry concentrations in order to ensure diversification.

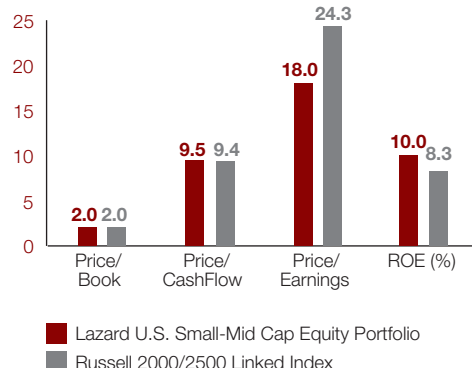
Performance Review

(%; net of fees. As of June 30, 2011.)



■ Lazard U.S. Small-Mid Cap Equity Portfolio (Institutional) ■ Russell 2000/2500 Linked Index
■ Lazard U.S. Small-Mid Cap Equity Portfolio (Open)

Characteristics



	Lazard	Russell 2500 Index
Number of holdings	83	2,478
Weighted average market cap (\$B)	3.2	2.8
Turnover rate (%; 1-year)	85.1	N/A
Beta (3-year)*	Institutional	0.94
	Open	0.94
Standard deviation (%; 3-year)*	Institutional	24.97
	Open	24.92

* Relative to the Russell 2000/2500 Linked Index
Source: Lazard, Russell Investments

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.

Portfolio management team

Daniel Breslin

Michael DeBernardis

Robert A. Failla, CFA

Andrew D. Lacey*

*As a Deputy Chairman of Lazard, Mr. Lacey is ultimately responsible for overseeing this portfolio but is not responsible for its day-to-day management.

Top Ten Holdings²

	Lazard (%)
Healthsouth	1.7
Energizer Holdings	1.7
New Jersey Resources	1.7
PacWest Bancorp	1.6
Helmerich & Payne	1.6
Schweitzer-Mauduit International	1.6
Bally Technologies	1.6
BE Aerospace	1.6
Harsco	1.6
Teradyne	1.6

For a complete list of holdings, please visit www.LazardNet.com

Sector Allocation²

	Lazard (%)	Russell 2500 Index (%)
Information Technology	17.7	16.8
Financials	16.2	20.2
Industrials	15.7	15.3
Consumer Discretionary	15.3	13.6
Health Care	8.1	10.9
Energy	7.7	6.9
Materials	7.5	6.9
Consumer Staples	4.0	3.2
Utilities	2.6	5.0
Telecom Services	0.0	1.2
Cash & Equivalents	5.2	N/A

Source: Lazard, Russell Investments

Understanding Investment Risk

Beta is a relative measure of the sensitivity of a fund's return to changes in the benchmark's return. The beta of the fund versus its benchmark is the amount (and direction) the fund has historically moved when the benchmark moved by one unit.

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).

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.

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.

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 Russell 2000 Index includes approximately 2000 of the smallest securities in the Russell 3000 Index, representing roughly 10% 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 the largest 3000 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.

Published on July 19, 2011.

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²Allocations 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.

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 Linked 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.

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. 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.

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