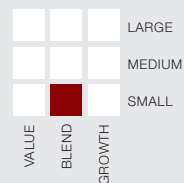


## Morningstar category<sup>1</sup>

Small Blend

## Morningstar style<sup>1</sup>



## 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 \$37.0 million

Open \$10.5 million

Total \$47.5 million

## Total annual operating expense ratio

Institutional 0.93%

Open 1.25%

## Fund Overview

### Description

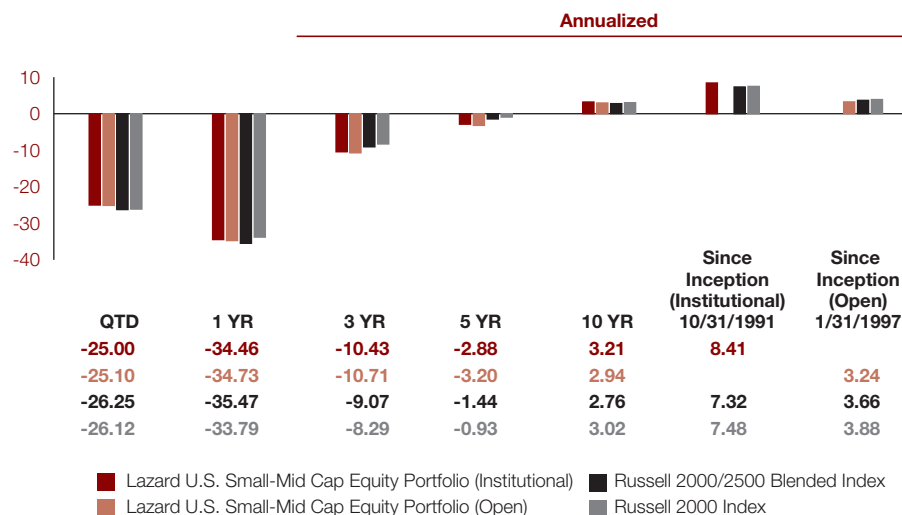
The Lazard U.S. Small-Mid Cap Equity Portfolio seeks long-term capital appreciation by investing in relatively small to mid U.S. companies with strong and sustainable financial productivity at attractive valuations. The Portfolio's returns are compared to the Russell 2500 Index.

### Strategy

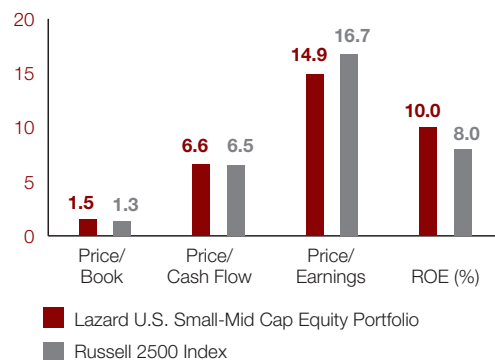
- Bottom-up approach to stock selection, the hallmark of Lazard's relative-value investment style.
- Fundamental analysis considers sustainability of returns, while accounting validation examines companies' stated financial statistics.
- Screening seeks to identify companies that are attractively priced 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 December 31, 2008.)



## Characteristics



	Lazard	Russell 2500 Index
Number of holdings	79	2,433
Weighted average market cap (\$B)	2.5	1.8
Turnover rate (%; 1-year)	139.1	N/A
Beta (3-year)*	Institutional 0.89 Open 0.89	N/A
Standard deviation (%; 3-year)*	Institutional 18.5 Open 18.5	20.1

\*As compared to the Russell 2000/2500 Blended Index  
Source: Lazard Asset Management, FactSet.

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.

**Portfolio management team**

Daniel Breslin

Andrew D. Lacey\*

\*As a Deputy Chairman of Lazard, Mr. Lacey is ultimately responsible for overseeing this portfolio.

**Top Ten Holdings<sup>2</sup>**

	Lazard (%)
Molson Coors Brewing	3.0
Campbell Soup	2.8
Waste Connect	2.7
Duff & Phelps	2.5
South Jersey Industries	2.4
Wisconsin Energy	2.0
Darden Restaurant	1.9
Rollins	1.9
Signature Bank	1.9
Alexandria Real Estate Equities	1.8

For a complete list of holdings, please visit [www.LazardNet.com](http://www.LazardNet.com).

**Sector Allocation<sup>2</sup>**

	Lazard (%)	Russell 2500 Index (%)
Industrials	22.1	15.6
Financials	19.0	21.5
Information Technology	16.0	13.7
Consumer Discretionary	12.0	12.7
Health Care	10.4	13.5
Consumer Staples	7.1	4.0
Utilities	6.3	6.8
Energy	2.2	5.2
Materials	1.5	5.6
Telecommunication Services	N/A	1.3
Cash	3.2	N/A

**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 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 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.

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<sup>2</sup>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.

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.

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 and current performance, you may obtain a prospectus by calling 800.823.6300 or go to [www.LazardNet.com](http://www.LazardNet.com). Read the prospectus carefully before you invest. The prospectus contains investment objectives, risks, charges, expenses, and other information about the Lazard Funds, Inc. which may not be detailed in this document. The Lazard Funds are distributed by Lazard Asset Management Securities LLC.**

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