

Lazard Fund Managers Limited

Lazard Investment Funds

Annual Report & Financial Statements
For the year ended 30 September 2013



Lazard Investment Funds – Annual Report and Financial Statements September 2013

Contents

Company Information and Director's Report	2
Aggregated Long Form Financial Statements for Lazard Investment Funds	3
Lazard Emerging Markets Fund	9
Lazard European Alpha Fund	17
Lazard European Smaller Companies Fund	24
Lazard Global Equity Income Fund	31
Lazard Managed Balanced Fund	40
Lazard Managed Equity Fund	50
Lazard UK Alpha Fund	57
Lazard UK Income Fund	65
Lazard UK Omega Fund	74
Lazard UK Smaller Companies Fund	82
Lazard Developing Markets Fund	90
Statement of ACD's Responsibilities	99
Depository's Report	100
Independent Auditor's Report	101
Management & Professional Services	103

Lazard Investment Funds – Annual Report and Financial Statements September 2013

Company Information and Director's Report

Company

Lazard Investment Funds
Registered Number IC42

Registered Office

50 Stratton Street
London W1J 8LL

Director

The Authorised Corporate Director ('ACD') is Lazard Fund Managers Limited which is the sole director.

Board of Directors of the ACD

M D Allen
W J Smith
A Bhutani
G Mazzari
J Reinsberg

Director's Report

The Director presents its report and financial statements of the Company for the year ended 30 September 2013.

Incorporation

Lazard Investment Funds ('the Company') is an open-ended investment company with variable capital incorporated in England under registration number IC42. The Company is authorised by the FCA* as a UCITS Scheme as defined in the Collective Investment Schemes Sourcebook (COLL), with eleven constituent parts; Developing Markets Fund, Emerging Markets Fund, European Alpha Fund, European Smaller Companies Fund, Global Equity Income Fund, Managed Balanced Fund, Managed Equity Fund, UK Alpha Fund, UK Income Fund, UK Omega Fund, and UK Smaller Companies Fund. All of these Sub-funds have their own investment objective and policy.

The Company's investment and borrowing powers and restrictions are prescribed by the Open-Ended Investment Companies Regulations 2001 (SI 2001/1228) and the COLL as issued and amended by the FCA*. Each Sub-fund can have several share classes with different characteristics. As a consequence each share class has a different price. There is a single price for buying, selling and switching shares in each share class of the Sub-funds. This price is derived from the net asset value of each Sub-fund attributable to the relevant share class.

The accounts have been prepared to cover the year from 1 October 2012 to 30 September 2013.

The shareholders are not liable for the debts of the Company. Each Sub-fund would, if it were a separate investment company with variable capital, be a securities scheme.

Principal Activities

The Company's principal activity is to carry on business as an open-ended investment company.

The Company is structured as an umbrella company so that the Scheme Property of the Company may be divided among two or more Sub-funds. The assets of a Sub-Fund belong exclusively to that Sub-Fund and cannot be used to discharge directly or indirectly the liabilities of, or claims against, any other person or body, including the Company or any other Sub-Fund, and shall not be available for any such purpose. While the OEIC Regulations provide for this "segregated liability" between Sub-Funds, the concept is relatively new and so where claims are brought by local creditors in foreign courts or under foreign law contracts, it is not yet known how those foreign courts will react to the OEIC Regulations. New Sub-funds may be established from time to time by the ACD with the approval of the FCA* and the agreement of the Depositary. If a new Sub-fund is introduced, a new prospectus will be prepared to set out the required information in relation to that Sub-fund.

*The Financial Services Authority (FSA) was abolished on 1 April 2013 and was replaced by the Financial Conduct Authority (FCA).

Results

The results for each Sub-fund are set out in detail in the relevant section of this report.

On behalf of the ACD
M D Allen
W J Smith
22 January 2014

Lazard Investment Funds – Annual Report and Financial Statements September 2013

Aggregated long form financial statements

Statement of total return

for the year ended 30 September 2013

	Notes	30.09.13		30.09.12	
		£'000	£'000	£'000	£'000
Income					
Net capital gains	2		149,671		166,424
Revenue	3	47,619		45,702	
Expenses	4	(16,306)		(15,675)	
Finance costs: Interest	6	(24)		(4)	
Net revenue before taxation		31,289		30,023	
Taxation	5	(3,380)		(3,221)	
Net revenue after taxation for the year			27,909		26,802
Total return before distributions			177,580		193,226
Finance costs: Distributions	6		(31,803)		(29,827)
Change in net assets attributable to Shareholders from investment activities			145,777		163,399

Balance sheet

as at 30 September 2013

	Notes	30.09.13		30.09.12	
		£'000	£'000	£'000	£'000
Assets					
Investment assets			1,288,735		1,205,844
Debtors	8	25,700		25,054	
Cash and bank balances		48,260		42,110	
Total other assets			73,960		67,164
Total assets			1,362,695		1,273,008
Liabilities					
Creditors	9	(25,304)		(29,529)	
Bank overdrafts		(42)		—	
Distribution payable on income shares		(10,863)		(10,577)	
Total other liabilities			(36,209)		(40,106)
Total liabilities			(36,209)		(40,106)
Net assets attributable to Shareholders			1,326,486		1,232,902

Statement of change in net assets attributable to Shareholders

for the year ended 30 September 2013

	Note	30.09.13		30.09.12	
		£'000	£'000	£'000	£'000
Opening net assets attributable to Shareholders			1,232,902		1,189,912
Amounts received on issue of shares		256,274		123,453	
Amounts paid on cancellation of shares		(318,044)		(235,521)	
In-specie cancellations		—		(16,661)	
			(61,770)		(128,729)
Dilution levy	7		76		11
Stamp Duty Reserve tax			(128)		(124)
Change in net assets attributable to Shareholders from investment activities			145,777		163,399
Retained distribution on accumulation shares			9,594		8,417
Unclaimed distributions			35		16
Closing net assets attributable to Shareholders			1,326,486		1,232,902

Lazard Investment Funds – Annual Report and Financial Statements September 2013

Aggregated long form financial statements continued

Notes to the Financial Statements

as at 30 September 2013

1 Accounting policies

a) Basis of accounting

The financial statements have been prepared under the historical cost convention, as modified by the revaluation of investments, and in accordance with the Statement of Recommended Practice for Authorised Funds issued by the IMA in October 2010 ('the IMA SORP 2010').

b) Aggregation

The aggregated accounts represent the sum of the individual Sub-funds within the umbrella company. Further analysis of the distribution and net asset position can be found within the financial statements of the individual Sub-funds.

c) Recognition of revenue

Revenue from quoted equities and non-equity shares is recognised net of attributable tax credits when the security is quoted ex-dividend. Revenue from unquoted equity investments is recognised net of attributable tax credits when the dividend is declared.

Overseas revenue received after the deduction of withholding tax is shown gross of taxation, with the taxation consequences shown within the taxation charge.

Special dividends are treated as either revenue or capital depending on the facts of each particular case.

Bond revenue is accounted for on an effective yield basis, calculated with reference to the purchase price.

Underwriting commission is taken to revenue and recognised when the issue takes place except where the Company is required to take up all or some of the shares underwritten in which case an appropriate proportion of the commission is deducted from the cost of those shares.

d) Treatment of stock dividends

The ordinary element of stock dividends is treated as revenue and forms part of the distribution in accordance with the COLL Sourcebook. In the case of an enhanced stock dividend, the value of the enhancement is treated as capital and does not form part of the distribution.

e) Treatment of expenses

All expenses (other than those relating to the purchase and sale of investments and stamp duty reserve tax) are charged against revenue on an accruals basis.

The ACD, Lazard Fund Managers Limited, is responsible to the Company for the day to day management of investments. The ACD is entitled to receive an annual management fee at the following rates per annum of the net asset value of the relevant share class for each Sub-fund, calculated on a mid-market basis.

1.25% for Retail and 0.75% for Institutional: Managed Balanced and UK Income.

1.50% Retail, 1.00% Institutional and 0.75% Retail C: UK Alpha, UK Smaller, European Smaller, European Alpha, UK Omega and Global Equity.

1.50% for Retail and 1.00% for Institutional: Emerging Markets

1.25% for Retail, 0.75% for Institutional and 0.85% for Retail C: Developing Markets.

1.00% for Institutional: Managed Equity.

All or part of the management charge payable to the ACD, net of associated tax effect, may be added back for the purposes of calculating the distribution. During the year to 30 September 2013, 100% of the UK Income Fund's management charge was added back (2012: 100%). 100% of the Global Equity Income Fund's management charge was added back (2012: 100%), and in the case of Managed Balanced Fund 50% was added back (2012: 50%).

f) Allocation of revenue and expenses to multiple share classes

The allocation of revenue and expenses to each share class is based upon the proportion of the Sub-funds' net assets attributable to each share class, on the day the revenue is earned or expenses are suffered. Revenue equalisation, annual management charges and registration expenses are specific to each share class.

g) Distribution policy

Where the revenue from investments exceeds the expenses and taxation on any Sub-fund, a distribution will be made to those classes in surplus. If one or more shares classes are in deficit but the Sub-fund has an overall surplus, the ACD will restrict the distribution to the overall Sub-fund revenue for the share classes in surplus, and make a transfer at the year end to capital for any remaining balance. Where the Sub-fund has a deficit overall, no distribution will be made on any share class.

In order to conduct a controlled dividend flow to shareholders, interim distributions will be at the ACD's discretion, having regard to the policies stated above. Revenue attributable to accumulation shareholders is retained at the end of each distribution period and represents a reinvestment of revenue.

h) Basis of valuation of investments

All investments are valued at their fair value, being the bid or last traded price, as at 12 noon on 30 September 2013, being the last business day of the accounting year. The fair value for non-derivative securities is bid price, excluding any accrued interest and the fair value for forward currency contracts is the unrealised gain or loss at the balance sheet date. Unquoted investments are shown at the ACD's valuation.

i) Exchange rates

Assets and liabilities denominated in foreign currencies have been translated into Sterling at the rates of exchange ruling at 12 noon on 30 September 2013. Revenue and expenses in foreign currencies are recorded in Sterling at the rates ruling at the date of the transaction. Gains and losses arising on the translation are reported on as part of the return for the year.

j) Taxation

Provision is made for taxation at current rates on the excess of investment revenue over expenses, with relief for overseas taxation taken where appropriate.

Deferred tax is provided on all timing differences that have originated but not reversed by the Balance sheet date, other than those differences that are regarded as permanent. Any liability to deferred tax is provided for at the average rate of tax expected to apply. Deferred tax assets and liabilities are not discounted to reflect the time value of money.

Lazard Investment Funds – Annual Report and Financial Statements September 2013

Aggregated long form financial statements continued

Notes to the Financial Statements continued

2 Net capital gains

	30.09.13 £'000	30.09.12 £'000
The net capital gains during the year comprise:		
Non-derivative securities	149,923	167,122
Forward currency contracts	(2)	—
Currency losses	(66)	(501)
Transaction charges	(184)	(197)
Net capital gains	149,671	166,424

3 Revenue

	30.09.13 £'000	30.09.12 £'000
Bank interest	230	82
Interest on debt securities	336	380
HMRC interest	—	1
Non-taxable overseas dividends	31,651	29,332
Property distributions	211	137
Stock dividends	402	1,004
Taxable overseas dividends	4,058	2,471
UK franked dividends	10,731	12,282
Underwriting commission	—	13
	47,619	45,702

4 Expenses

	30.09.13 £'000	30.09.12 £'000
Payable to the ACD, associates of the ACD and agents of either of them:		
ACD's periodic charge	15,466	14,797
Payable to the Depositary, associates of the Depositary and agents of either of them:		
Depositary's fees	230	218
Safe custody fees	377	352
	607	570
Other expenses:		
Audit fee	88	88
VAT on audit fee	22	22
Distribution fees	11	2
Issuance fees	—	92
Legal and professional fees	17	3
Non-audit fees*	20	18
Registration fees	69	83
Sundry expenses	6	—
	233	308
Total expenses	16,306	15,675

*Fees paid to firms affiliated with PricewaterhouseCoopers LLP.

5 Taxation

	30.09.13 £'000	30.09.12 £'000
a) Analysis of the charge in the year		
<i>Current tax:</i>		
UK corporation tax on profits of the year	332	(2)
	332	(2)
Overseas tax	3,049	3,223
Precompte as tax credit	(1)	—
Total current tax (note 5b)	3,380	3,221
Deferred tax (note 5c)	—	—
Total taxation	3,380	3,221
b) Factors affecting taxation charge for the year		
Net revenue before taxation	31,289	30,023
Net revenue before taxation at the applicable rate of corporation tax in the UK of 20% (2012: 20%)	6,255	6,003
Effects of:		
Adjustments in respect of prior period	332	—
Irrecoverable overseas tax	—	(2)
Excess expense for which no tax relief taken	2,417	2,558
Franked Investments revenue at 20%	(2,147)	(2,459)
Movement in taxable revenue accruals	—	33
Non-taxable overseas dividends	(6,331)	(5,867)
Non-taxable stock dividends	(74)	(198)
Overseas tax	3,049	3,223
Overseas tax expensed	(120)	(70)
Precompte as tax credit	(1)	—
Total current tax (note 5a)	3,380	3,221

c) Provision for Deferred tax

At the year end there is an unrecognised deferred tax asset of £26,375,000 (2012: £23,953,000 due to surplus management expenses).

It is unlikely the Company will generate sufficient taxable profits in the future to utilise these amounts and therefore no Deferred tax asset has been recognised (2012: same).

Lazard Investment Funds – Annual Report and Financial Statements September 2013

Aggregated long form financial statements continued

Notes to the Financial Statements continued

6 Finance costs

Distributions

The distributions take account of revenue received on the creation of shares and revenue deducted on the cancellation of shares and comprise:

	30.09.13 £'000	30.09.12 £'000
1st Interim	5,712	2,116
2nd Interim	2,386	7,456
3rd Interim	7,579	4,572
Final	16,481	15,235
	<u>32,158</u>	<u>29,379</u>
Add: Revenue deducted on cancellation of shares	1,257	1,119
Less: Revenue received on issue of shares	(1,612)	(671)
Net distributions for the year	31,803	29,827
Interest	24	4
Total finance costs	31,827	29,831

The difference between the revenue after taxation and the distributions for the year are as follows:

	30.09.13 £'000	30.09.12 £'000
Net revenue after taxation for the year	27,909	26,802
ACD's periodic charge to capital	4,041	3,137
Tax relief on capital items not deducted from distribution	(147)	(112)
Net distributions for the year	31,803	29,827

Details of the distributions per share are set out in the financial statements for each Sub-fund.

7 Dilution levy

The Company's policy is to charge a dilution levy in certain circumstances and, in accordance with the FCA regulations, to pay this levy into the relevant Sub-fund. The dilution levy may be charged where;

- a Sub-fund is in continual decline
- a Sub-fund experiences high levels of net sales relative to its size
- A large deal triggers the need to charge a levy in the Authorised Corporate Directors opinion
- any other circumstances where the ACD is of the opinion that the interest of shareholders would require the imposition of a dilution levy.

Large deals are defined as 'one representing 5% or more of the net asset value of existing shares'.

Details of the dilution levy per fund are set out in the financial statements for each Sub-fund.

8 Debtors

	30.09.13 £'000	30.09.12 £'000
Accrued revenue	2,645	3,039
Amounts receivable for issue of shares	6,603	1,476
Amounts receivable for FX contracts	4,133	13,190
Bank interest receivable	—	3
Overseas tax recoverable	538	525
Sales awaiting settlement	11,779	6,818
Recoverable capital gains tax	—	2
Recoverable income tax	2	1
	<u>25,700</u>	<u>25,054</u>

9 Creditors

	30.09.13 £'000	30.09.12 £'000
Amounts payable for cancellation of shares	8,796	2,273
Purchases awaiting settlement	10,558	12,629
Amounts payable for FX contracts	4,167	13,177
Accrued expenses	1,451	1,450
Corporation tax payable	332	—
	<u>25,304</u>	<u>29,529</u>

Lazard Investment Funds – Annual Report and Financial Statements September 2013

Aggregated long form financial statements continued

Notes to the Financial Statements continued

10 Contingent liabilities and outstanding commitments

The contingent liabilities or outstanding commitments at the year end are detailed within the accounts for each Sub-fund.

11 Related party disclosures

The Authorised Corporate Director, (ACD), is Lazard Fund Managers Limited (LFM). The Investment Advisor is Lazard Asset Management Limited (LAM). These companies are regarded as controlling parties by virtue of having the ability to act in concert in respect of the operations of the Company.

All management fees are disclosed in note 4 to the financial statements. The balance due to the ACD at the year end in respect of management charges for each Sub-fund are set out below.

	30.09.13 £'000	30.09.12 £'000
Lazard Emerging Markets Fund	442	463
Lazard European Alpha Fund	124	107
Lazard European Smaller Companies Fund	118	100
Lazard Developing Markets Fund	12	14
Lazard Managed Balanced Fund	15	12
Lazard Managed Equity Fund	61	55
Lazard Global Equity Income Fund	255	202
Lazard UK Alpha Fund	103	133
Lazard UK Income Fund	90	78
Lazard UK Omega Fund	1	2
Lazard UK Smaller Companies Fund	61	52
	1,282	1,218

The balance due from the ACD in respect of issued shares is shown in note 8. The balance due to the ACD in respect of cancelled shares is shown in note 9.

All investment purchases and sales are transacted with LAM, details of which are disclosed within each Sub-fund. Amounts receivable or payable at the year end are disclosed in notes 8 and 9. LAM did not enter into any other transactions with the Company during the year.

LAM acts as Investment advisor to the Company. The fee for this service is included in the ACD's periodic charge paid by the Company to LFM. The ultimate party which is considered to have the ability to control both LFM and LAM is Lazard LLC.

12 Soft commission arrangements and best execution

The ACD for the Fund, in accordance with common market practice for ACD, entered into dealing arrangements with brokers, whereby part of the dealing commission paid to them is used to discharge the cost of investment related services supplied by them, by the broker, or by third parties. These services may be either market research or be related to the execution of trades on behalf of clients. The ACD place business with these counterparties including transactions relating to the Sub-fund's investments.

The ACD endeavour at all times to obtain best execution on all transactions for all clients, including the Sub-funds, and are satisfied that these arrangements are of benefit to the Sub-funds. A summary of the ACD summary policies regarding best execution and dealing commission arrangements are available to Shareholders upon request.

13 Proxy Voting

A summary of the ACD policy regarding proxy voting is available to Shareholders on request.

14 Financial instruments

Each Sub-fund's investment objective and strategy are stated within the investment manager's report for each Sub-fund. In pursuing its objectives, each Sub-fund holds financial instruments which expose the Sub-fund to various types of risk. The main risks and the ACD's policy for managing these risks, which were applied consistently throughout the current and preceding year, are set out below.

Liquidity risk

Liquidity risk is the risk that the Sub-funds cannot raise sufficient cash to meet their liabilities when due. One of the key factors influencing this will be the ability to sell investments at, or close to, the fair value without a significant loss being realised.

Under normal circumstances, the Sub-funds will remain close to fully invested. However, where circumstances require: either because a view of illiquid securities markets or high levels of redemptions in the Sub-fund, the Sub-fund may hold cash and/or more liquid assets. Temporary higher liquidity levels may also arise during the carrying out of a change in asset allocation policy, or following a large issue of shares.

Lazard Investment Funds – Annual Report and Financial Statements September 2013

Aggregated long form financial statements continued

Notes to the Financial Statements continued

14 Financial Instruments continued

The ACD manages the Sub-funds' cash to ensure they can meet their liabilities. The ACD receives daily reports of subscriptions and redemptions enabling the ACD to raise cash from the Sub-funds' portfolio in order to meet redemption requests. In addition the ACD monitors market liquidity of all securities, seeking to ensure the Sub-funds maintain sufficient liquidity to meet known and potential redemption activity. Sub-fund cash balances are monitored daily by the ACD and Administrator. Where investments cannot be realised in time to meet any potential liability, the Sub-fund may borrow up to 10% of its value to ensure settlement. All of the Sub-funds' financial liabilities are payable on demand or in less than one year.

Credit risk

Credit risk arises from two main sources. Firstly, the possibility that the issuer of a security will be unable to pay interest and principal in a timely manner. Secondly, there is counterparty risk, which is the risk that the counterparty will not deliver the investment for a purchase, or cash for a sale after the Sub-fund has fulfilled its responsibilities, which could result in the Sub-fund suffering a loss.

In order to manage credit risk the Sub-funds are subject to investment limits for issuers of securities. Issuer credit ratings are evaluated periodically and an approved issuer list is maintained and monitored. In addition the Sub-funds only buy and sell investments through brokers which have been approved by the ACD as an acceptable counterparty and limits are set and monitored to cover the exposure to any individual broker. Changes in brokers' financial ratings are periodically reviewed.

Market risk

Market risk arises mainly from uncertainty about future prices. The primary source of this risk to the Company is the potential movement in the value of financial instruments held as a result of price fluctuations. The ACD adheres to the investment guidelines and borrowing powers established in the Instrument of Incorporation, Prospectus and the Collective Investment Schemes Sourcebook governing the operation of open ended investment companies. In this way, the ACD monitors and controls the exposure to risk from any type of security, sector or issuer.

The Company may also use derivative instruments to mitigate risk and reduce costs. These instruments are not utilised for speculative purposes. Derivative instruments were utilised during the current and preceding period in the form of forward currency contracts.

Currency exposure profile

Foreign currency risk is the risk of movements in the value of overseas financial instruments as a result of fluctuations in exchange rates. This risk is managed by the utilisation of forward currency contracts as necessary. Forward currency contracts were utilised during the current and preceeding year.

The currency exposure profile for each Sub-fund is detailed within the accounts for each Sub-fund.

Interest rate risk profile

Interest rate risk is the risk of movements in the value of financial instruments as a result of fluctuations in interest rates. With the exception of the Lazard Managed Balanced Fund and Lazard UK Income Fund, the Company's only interest bearing financial instruments were its bank balances and overdraft facilities as disclosed in the Balance Sheet. Cash is deposited, and overdraft facilities utilised, on normal commercial terms and earn or bear interest based on LIBOR or its overseas equivalent.

In respect of the Lazard Managed Balanced Fund and Lazard UK Income Fund, this risk is also managed by the active monitoring and adjustment of the credit rating of the portfolios. The interest rate risk profile for these Sub-funds is detailed within the accounts for each Sub-fund.

Derivative risk

Derivative risk arises from uncertainty about future market movements. This risk is managed by the policies shown within Market risk.

The disclosures in relation to derivative risk are detailed within the financial statements for each Sub-fund, where relevant.

Fair value

The fair value of a financial instrument is the amount for which it could be exchanged between knowledgeable, willing parties in an arm's length transaction. There is no significant difference between the value of the financial assets and liabilities, as shown in the financial statements, and their fair value.

15 Portfolio transaction costs

The portfolio transaction costs for the year are detailed within the financial statements for each Sub-fund.

Lazard Investment Funds – Annual Report and Financial Statements September 2013

Lazard Emerging Markets Fund

Investment Manager's Report

Investment Objective

The investment objective of the Sub-fund is to seek long term capital growth.

Investment Review

Over the year under review, the Lazard Emerging Markets Fund returned 2.52% against the MSCI Emerging Markets Index return of 1.04%.⁽¹⁾

Investment Policy

The Sub-fund will invest primarily in issues located, or doing significant business, in emerging market countries. It is likely to focus on, but not be limited to, Latin America, the Pacific Basin and Europe.

Market Review

Over the 12-month period ending 30 September 2013, the MSCI Emerging Markets Index increased by around 1.0% in GBP terms. This result, however, masks the volatility in performance over the period where the index rose almost 15% by early January only to retrace that gain by late June and recover again in the third quarter. Just prior to the fourth quarter of 2012, several central banks, including the US Federal Reserve (the Fed), began quantitative easing (QE) programs, further stimulating liquidity. As 2013 began, emerging-market shares underperformed stocks in developed markets due to a number of factors. The US economy performed better than expected, perceived risk in European markets declined, new growth-oriented policies were enacted in Japan and concerns about Chinese shadow banking and a global commodity collapse escalated. In May 2013, investors were concerned that the Fed was prepared to allow interest rates to increase from their extraordinarily low levels. In June, the Fed tacitly confirmed that QE would be increasingly tapered, and short-term interest rates would be allowed to rise as long as the US economy continued to perform reasonably. In reaction, as investors worried that assets could be repatriated to the United States, emerging-market shares and currencies experienced significant declines. As a result, emerging-market equities underperformed their counterparts in industrialized markets by a considerable margin. However, emerging markets recovered in the third quarter as the Fed backed off on its previous language and decided to not begin tapering bond purchases. In effect, emerging markets currencies managed to reverse a portion of their previous declines. During the one-year period, Asia was the strongest performing region, while Latin America markets underperformed significantly.

Portfolio Review

Stock selection in the telecom services and information technology sectors and in Brazil and Russia helped returns. Conversely, stock selection in the financials and industrials sectors hurt performance.

Shares of Cielo, a Brazilian credit card processing company, increased after the company announced strong results.

Shares of Coway, a South Korean manufacturer of water and air purifiers and air conditioners, performed strongly amid expectations of strong results following recent price increases and management's focus on cost control. Shares of Baidu, a Chinese internet search engine company, also increased as the company's mobile strategy continued to gain momentum.

Punjab National Bank, an Indian bank, came under pressure along with the financial sector in India due to concerns about asset quality trends and a weakened currency as expectations of growth was tapered in India. Bharat Heavy Electricals Limited, an Indian manufacturer of power plant equipment, was hurt by delayed or cancelled power plant projects resulting from the lack of access to coal allocations by local power companies. Jindal Steel & Power, an Indian steel manufacturer and power company, also declined after announcing weak (fiscal) fourth-quarter results.

Outlook

We remain bullish on the outlook for emerging-market equities over the short, medium and long term.

General Information as at 30 September 2013

Fund Size	£455.5 million
Net Yield	1.45% Retail Income
	1.43% Retail Accumulation
	1.96% Institutional Income
	1.93% Institutional Accumulation
	0.00% Institutional S Income
	0.00% Institutional S Accumulation
Sector	Global Emerging Markets
Launch Date	20 October 1999
Fund Managers	James Donald and team

All data contained herein is sourced by Lazard Asset Management unless otherwise noted as at 30 September 2013.

(1) Source: Morningstar Direct, Bid to Bid Price, net income reinvested in sterling, retail share class net of fees, to 30 September 2013.

Figures refer to past performance which is not a reliable indicator of future results.

Lazard Investment Funds – Annual Report and Financial Statements September 2013

Lazard Emerging Markets Fund continued

Portfolio statement

as at 30 September 2013

	Holding	Market Value £'000	% of Net Assets
Argentina (0.48%)		4,145	0.91
YPF Sociedad Anonima (ADR)	333,789	4,145	0.91
Bermuda (0.77%)		2,130	0.47
Huabao	8,257,131	2,130	0.47
Brazil (13.99%)		63,038	13.84
Banco do Brasil	2,254,275	16,134	3.54
BB Seguridade	1,271,700	7,694	1.69
Participacoes CCR	1,092,400	5,258	1.16
Cielo	829,651	13,795	3.03
Companhia De Bebidas Das Amersambev (ADR)	233,300	5,525	1.21
Natura Cosmetics	386,000	5,300	1.16
Souza Cruz	573,215	4,206	0.92
Vale (ADR)	532,100	5,126	1.13
Canada (1.45%)		9,172	2.01
Pacific Rubiales Energy	751,400	9,172	2.01
Cayman Islands (0.81%)		19,642	4.31
Baidu	68,800	6,589	1.45
NetEase.com (ADR)	142,700	6,392	1.40
Wynn Macau	3,162,800	6,661	1.46
China (3.66%)		18,633	4.09
China Construction Bank	32,695,320	15,542	3.41
Weichai Power	1,287,600	3,091	0.68
Egypt (2.32%)		3,795	0.83
Commercial International Bank	1,193,250	3,795	0.83
France (0.78%)			
Hong Kong (3.03%)		17,814	3.91
China Mobile (ADR)	326,100	11,357	2.49
CNOOC	5,145,000	6,457	1.42
Hungary (1.29%)		6,538	1.44
OTP Bank	534,854	6,538	1.44
India (5.47%)		19,463	4.27
Axis Bank	333,418	3,304	0.72
Bank of India	769,923	1,193	0.26
Bharat Heavy Electricals	1,563,014	2,124	0.47
Jindal Steel & Power	866,497	1,996	0.44
Punjab National Bank	675,432	3,078	0.68
Tata Consultancy Services	409,617	7,768	1.70
Indonesia (6.16%)		23,310	5.12
Astra International	8,748,500	2,963	0.65
Bank Mandiri	17,252,305	7,314	1.61
Semen Indonesia (Persero)	3,199,200	2,218	0.49
Tambang Batubara Bukit Asam	397,400	266	0.06
Telekomunikasi Indonesia (ADR)	319,700	7,166	1.57
United Tractors	3,891,553	3,383	0.74
Luxembourg (0.57%)		2,317	0.51
Oriflame Cosmetics	118,010	2,317	0.51
Malaysia (0.79%)		3,505	0.77
British American Tobacco - Malaysia	288,800	3,505	0.77
Mexico (4.68%)		10,788	2.37
Grupo Mexico	1,602,103	2,939	0.64
Grupo Televisa (ADR)	205,300	3,541	0.78
Kimberly Clark De Mexico	2,376,000	4,308	0.95
Netherlands (0.00%)		4,812	1.06
OCI N.V.	230,304	4,812	1.06
Pakistan (1.39%)		6,069	1.33
Oil & Gas Development	2,009,795	2,722	0.60
Pakistan Petroleum	2,994,882	3,347	0.73
Philippines (2.17%)		8,043	1.77
Philippine Long Distance (ADR)	192,400	8,043	1.77

	Holding	Market Value £'000	% of Net Assets
Russia (8.86%)		51,178	11.24
Gazprom	777,489	4,230	0.93
Gazprom (ADR)	814,298	4,435	0.97
LUKOIL (ADR)	91,226	3,572	0.79
Magnit (GDR)	90,897	3,466	0.76
Megafon (GDR)	261,751	5,698	1.25
Mobile Telesystems (ADR)	846,800	11,635	2.56
RN Holding	1,517,575	1,832	0.40
Sberbank	8,749,851	16,310	3.58
South Africa (11.60%)		48,613	10.67
Bidvest Group	444,034	6,858	1.51
Imperial	270,968	3,615	0.79
Nedbank Group	368,014	4,611	1.01
Pretoria Portland Cement	1,470,985	2,726	0.60
Sanlam	1,421,491	4,087	0.90
Shoprite Holdings	790,697	8,025	1.76
Standard Bank Group	452,851	3,326	0.73
Tiger Brands	215,497	3,955	0.87
Truworths International	579,747	3,202	0.70
Vodacom Group	603,835	4,604	1.01
Woolworths Holdings	791,865	3,604	0.79
South Korea (14.21%)		61,224	13.44
Coway	152,287	5,207	1.14
Hanwha Life Insurance	1,430,174	5,711	1.25
Hyundai Mobis	55,517	9,123	2.00
KB Financial Group	360,510	7,789	1.71
KT&G	165,214	7,300	1.60
Naver	668	213	0.05
Samsung Electronics	16,992	13,337	2.93
Shinhan Financial Group	500,116	12,544	2.76
Taiwan (5.05%)		20,898	4.59
Hon Hai Precision Industry	3,196,513	5,060	1.11
Mediatek	336,013	2,565	0.56
Taiwan Semiconductor Manufacturing	6,323,580	13,273	2.92
Thailand (2.35%)		10,662	2.34
CP All	3,866,500	2,691	0.59
PTT Exploration & Production	1,253,851	4,047	0.89
Siam Cement	462,300	3,924	0.86
Turkey (6.33%)		21,283	4.67
Akbank	1,892,318	4,286	0.94
KOC Holdings	2,081,386	5,921	1.30
Turkcell Iletisim Hizmetleri	1,423,717	5,172	1.13
Türkiye Is Bankasi	3,635,464	5,904	1.30
Portfolio of investments (98.21%)		437,072	95.96
Net other assets (1.79%)		18,395	4.04
Net assets attributable to Shareholders		455,467	100.00

Unless otherwise stated, all holdings are quoted in ordinary shares and listed on a recognised exchange.

The percentages in brackets show the equivalent comparative holdings at 30.09.12.

Total purchases for the year: £142,573,382.

Total sales for the year: £167,855,670.

Lazard Investment Funds – Annual Report and Financial Statements September 2013

Lazard Emerging Markets Fund continued

Statement of total return

for the year ended 30 September 2013

	Notes	30.09.13		30.09.12	
		£'000	£'000	£'000	£'000
Income					
Net capital gains	2		9,214		57,105
Revenue	3	15,135		16,644	
Expenses	4	(5,825)		(6,253)	
Finance costs: Interest	6	(9)		(4)	
Net revenue before taxation		9,301		10,387	
Taxation	5	(1,584)		(1,611)	
Net revenue after taxation for the year			7,717		8,776
Total return before distributions			16,931		65,881
Finance costs: Distributions	6		(7,732)		(8,776)
Change in net assets attributable to Shareholders from investment activities			9,199		57,105

Balance sheet

as at 30 September 2013

	Notes	30.09.13		30.09.12	
		£'000	£'000	£'000	£'000
Assets					
Investment assets			437,072		453,026
Debtors	7	10,037		5,960	
Cash and bank balances		23,629		16,509	
Total other assets			33,666		22,469
Total assets			470,738		475,495
Liabilities					
Creditors	8	(10,222)		(8,939)	
Distribution payable on income shares		(5,049)		(5,257)	
Total other liabilities			(15,271)		(14,196)
Total liabilities			(15,271)		(14,196)
Net assets attributable to Shareholders			455,467		461,299

Statement of change in net assets attributable to Shareholders

for the year ended 30 September 2013

	30.09.13		30.09.12	
	£'000	£'000	£'000	£'000
Opening net assets attributable to Shareholders		461,299		479,460
Amounts received on issue of shares	125,321		33,713	
Amounts paid on cancellation of shares	(142,250)		(110,706)	
		(16,929)		(76,993)
Change in net assets attributable to Shareholders from investment activities		9,199		57,105
Retained distribution on accumulation shares		1,898		1,727
Closing net assets attributable to Shareholders		455,467		461,299

Fund facts*

as at 30 September 2013

Ongoing Charges Figure (OCF)

	September 2013
Retail income	1.59%
Retail accumulation	1.59%
Institutional income	1.09%
Institutional accumulation	1.09%
Institutional S income†	0.92%
Institutional S accumulation†	0.92%

The Ongoing Charges Figure (OCF) represents the annual operating expenses of the Sub-fund expressed as a percentage of average net assets - it does not include initial charges or performance fees. The OCF includes the annual management charge and also the following charges which are deducted directly from the Sub-fund: Registration fees, Depositary fees, Safe Custody fees, Audit fee, FCA fee, Distribution fees, Issuance fees, Non-audit fees, and Transaction charges where applicable.

The OCF is expressed as an annual percentage rate.

†Institutional S income and accumulation classes commenced 2 May 2013.

Synthetic Risk and Reward Indicator (SRRI)



The risk and reward category is calculated using historical data and may not be a reliable indicator of the Fund's future risk profile. The risk and reward category may shift over time and is not a target or guarantee.

The lowest category (ie category 1) does not mean "risk free".

The Fund appears in the higher risk category on the risk and reward indicator.

This is because the Fund invests primarily in shares, whose values tend to have higher price fluctuations.

The returns from your investment may be affected by changes in the exchange rate between the Fund's base currency, and the currency of the Fund's investments, your share class and where you live.

Emerging markets may also have less developed political, economic and legal systems and there is a higher risk that the Fund may not get back its money.

There is no capital guarantee or protection of the value of the Fund. The value of your investment and the income from it can go down as well as up and you may not get back the amount you invested.

See "Risk Factors" in the UCITS Prospectus for more information about risks.

*This section has not been audited.

Lazard Investment Funds – Annual Report and Financial Statements September 2013

Lazard Emerging Markets Fund continued

Performance record

as at 30 September 2013

Net asset values

Date	Net asset value (£)	Net asset value (pence per share)	Shares in issue at year end
September 2011			
Retail income	180,085,799	202.03	89,140,314
Retail accumulation	39,556,709	218.06	18,139,879
Institutional income	208,250,847	201.03	103,591,004
Institutional accumulation	51,566,831	220.59	23,376,787
September 2012			
Retail income	161,508,323	227.37	71,031,748
Retail accumulation	38,445,930	249.32	15,420,540
Institutional income	207,234,592	226.31	91,571,499
Institutional accumulation	54,110,097	253.50	21,345,579
September 2013			
Retail income	129,798,104	229.37	56,589,567
Retail accumulation	42,974,165	255.27	16,834,999
Institutional income	190,410,687	228.27	83,415,602
Institutional accumulation	61,442,681	260.82	23,557,321
Institutional S income†	25,338,800	92.42	27,417,185
Institutional S accumulation†	5,502,816	93.69	5,873,445

Distribution and price record (pence per share)

Retail income shares

Calendar year	Net revenue per share p	Highest price per share	Lowest price per share
2008	2.4675	207.40	107.80
2009	4.0183	211.30	116.90
2010	4.2276	260.60	200.90
2011	4.3654	263.50	196.30
2012	3.5780	245.80	207.70
2013 ⁽¹⁾	3.4701	265.60	216.10

Retail accumulation shares

Calendar year	Net revenue per share p	Highest price per share	Lowest price per share
2008	2.5923	207.60	109.60
2009	4.1041	219.60	118.70
2010	4.4508	275.60	208.80
2011	4.6248	278.70	211.90
2012	3.8697	265.40	224.80
2013 ⁽¹⁾	3.8111	291.20	237.40

Institutional income shares

Calendar year	Net revenue per share p	Highest price per share	Lowest price per share
2008	3.2387	206.40	107.30
2009	4.5954	210.50	116.50
2010	5.2949	259.80	200.30
2011	5.5757	262.70	195.30
2012	4.6894	245.20	206.80
2013 ⁽¹⁾	4.6866	264.90	215.40

Institutional accumulation shares

Calendar year	Net revenue per share p	Highest price per share	Lowest price per share
2008	3.2693	207.10	109.50
2009	4.7145	220.20	118.60
2010	5.5791	277.80	209.50
2011	5.9602	280.90	214.40
2012	5.1635	269.10	228.20
2013 ⁽¹⁾	5.2629	296.80	242.30

Institutional S income shares†

Calendar year	Net revenue per share p	Highest price per share	Lowest price per share
2013 ⁽¹⁾	1.2941	105.30	87.04

Institutional S accumulation shares†

Calendar year	Net revenue per share p	Highest price per share	Lowest price per share
2013 ⁽¹⁾	1.2956	105.30	87.04

⁽¹⁾ To 30.09.13.

†Institutional S income and accumulation classes commenced 2 May 2013.

Risk warning

It is important to remember that past performance is not a guide to the future. The value of shares and the income from them can go down as well as up. An investor may get back less than their original investment.

Lazard Investment Funds – Annual Report and Financial Statements September 2013

Lazard Emerging Markets Fund continued

Distribution tables

for the year ended 30 September 2013

Dividend distribution in pence per share.

Final distribution

	Net revenue	Equalisation	Distribution payable 30.11.13	Distribution paid 30.11.12
Retail income				
Group 1	3.0003	—	3.0003	2.9227
Group 2	0.9381	2.0622	3.0003	2.9227
Retail accumulation				
Group 1	3.3010	—	3.3010	3.1624
Group 2	1.3670	1.9340	3.3010	3.1624
Institutional income				
Group 1	3.5915	—	3.5915	3.4738
Group 2	1.5919	1.9996	3.5915	3.4738
Institutional accumulation				
Group 1	4.0412	—	4.0412	3.8324
Group 2	1.4738	2.5674	4.0412	3.8324
Institutional S income†				
Group 1	1.2941	—	1.2941	NA
Group 2	0.3390	0.9551	1.2941	NA
Institutional S accumulation†				
Group 1	1.2956	—	1.2956	NA
Group 2	0.3469	0.9487	1.2956	NA

Interim distribution

	Net revenue	Equalisation	Distribution paid 31.05.13	Distribution paid 31.05.12
Retail income				
Group 1	0.4698	—	0.4698	0.6553
Group 2	0.3532	0.1166	0.4698	0.6553
Retail accumulation				
Group 1	0.5101	—	0.5101	0.7073
Group 2	0.3703	0.1398	0.5101	0.7073
Institutional income				
Group 1	1.0951	—	1.0951	1.2156
Group 2	0.9237	0.1714	1.0951	1.2156
Institutional accumulation				
Group 1	1.2217	—	1.2217	1.3311
Group 2	1.0847	0.1370	1.2217	1.3311

†Institutional S income and accumulation classes commenced 2 May 2013.

Group 1: shares purchased prior to the distribution period.

Group 2: shares purchased during the distribution period.

Equalisation is the average amount of revenue included in the purchase price of all Group 2 shares and is refunded to holders of these shares as a return of capital. Being capital it is not liable for income tax but must be deducted from the cost of shares for capital gains tax purposes.

Lazard Investment Funds – Annual Report and Financial Statements September 2013

Lazard Emerging Markets Fund continued

Notes to the Financial Statements

as at 30 September 2013

1 Accounting policies

The accounting policies for the Sub-fund are the same as those disclosed in the aggregated financial statements on page 4.

2 Net capital gains

	30.09.13 £'000	30.09.12 £'000
The net capital gains during the year comprise:		
Non-derivative securities	9,189	57,527
Currency gains/(losses)	97	(337)
Transaction charges	(72)	(85)
Net capital gains	9,214	57,105

3 Revenue

	30.09.13 £'000	30.09.12 £'000
Bank interest	31	22
Non-taxable overseas dividends	13,386	14,869
Stock dividends	122	200
Taxable overseas dividends	1,596	1,544
UK franked dividends	—	9
	15,135	16,644

4 Expenses

	30.09.13 £'000	30.09.12 £'000
Payable to the ACD, associates of the ACD and agents of either of them:		
ACD's periodic charge	5,483	5,823
Payable to the Depositary, associates of the Depositary and agents of either of them:		
Depositary's fees	65	66
Safe custody fees	241	241
	306	307

Other expenses:

Audit fee	8	8
VAT on Audit fee	2	2
Distribution fees	1	—
Issuance fees	—	83
Legal fees	1	—
Non-audit fees*	13	14
Professional fees	1	—
Registration fees	8	16
Sundry expenses	2	—
	36	123
Total expenses	5,825	6,253

*Fees paid to overseas firms affiliated with PricewaterhouseCoopers LLP.

5 Taxation

	30.09.13 £'000	30.09.12 £'000
a) Analysis of the charge in the year		
<i>Current tax:</i>		
Overseas tax	1,584	1,611
Total current tax (note 5b)	1,584	1,611
Deferred tax (note 5c)	—	—
Total taxation	1,584	1,611
b) Factors affecting taxation charge for the year		
Net revenue before taxation	9,301	10,387
Net revenue before taxation at the applicable rate of corporation tax in the UK of 20% (2012: 20%)	1,860	2,077
Effects of:		
Excess expenses for which no tax relief taken	892	950
Franked Investment at 20%	—	(2)
Overseas tax	1,584	1,611
Overseas tax expensed	(51)	(49)
Movement in taxable revenue accruals	—	38
Non-taxable overseas dividends	(2,677)	(2,974)
Non-taxable stock dividends	(24)	(40)
Total current tax (note 5a)	1,584	1,611

c) Provision for Deferred tax

There is no Deferred tax provision in the current or preceding year.

At the year end there is a potential Deferred tax asset of £4,668,000 (2012 : £3,776,000) due to surplus management expenses.

It is unlikely the Sub-fund will generate sufficient taxable profits in the future to utilise these amounts and therefore no Deferred tax asset has been recognised (2012: same).

Lazard Investment Funds – Annual Report and Financial Statements September 2013

Lazard Emerging Markets Fund continued

Notes to the Financial Statements continued

6 Finance costs

Distributions

The distributions take account of revenue received on the creation of shares and revenue deducted on the cancellation of shares and comprise:

	30.09.13 £'000	30.09.12 £'000
Interim	1,518	2,041
Final	6,632	6,563
	8,150	8,604
Add: Revenue deducted on cancellation of shares	397	359
Less: Revenue received on issue of shares	(815)	(187)
Net distributions for the year	7,732	8,776
Interest	9	4
Total finance costs	7,741	8,780

The difference between net revenue after taxation and the distributions for the year are as follows:

	30.09.13 £'000	30.09.12 £'000
Net revenue after taxation for the year	7,717	8,776
Add: Capitalised fees	15	—
Net distribution for the year	7,732	8,776

Details of the distributions per share are set out in the tables on page 13.

7 Debtors

	30.09.13 £'000	30.09.12 £'000
Accrued revenue	1,088	1,127
Amounts receivable for FX contracts	3,603	3,876
Amounts receivable for issue of shares	4,578	—
Sales awaiting settlement	768	957
	10,037	5,960

8 Creditors

	30.09.13 £'000	30.09.12 £'000
Accrued expenses	472	544
Amounts payable for cancellation of shares	1,027	1,080
Amounts payable for FX contracts	3,639	3,878
Purchases awaiting settlement	5,084	3,437
	10,222	8,939

9 Contingent assets/liabilities and outstanding commitments

As at the balance sheet date, the fund has not recognised a contingent asset of £7,902 (2012 - £0), net of associated costs, in relation to reclaims made to recover withholding tax previously withheld by French tax authorities.

Accounting standards permit the reclaims to be included as an asset in the balance sheet only where the receipt is “virtually certain”. In the opinion of the Manager, receipt is probable rather than virtually certain and accordingly the reclaims are regarded as a contingent or potential asset rather than an actual asset for the purposes of preparing the accounts.

Notwithstanding the treatment for the purposes of the preparation of accounts, an appropriate adjustment to reflect the reclaims has been made for the purposes of daily pricing.

10 Related party disclosures

Details of the related party disclosures are included within note 11 of the aggregated financial statements on page 7.

11 Financial Instruments

Details of the financial instruments risk disclosures are set out in note 14 of the aggregated financial statements on page 7 to 8.

Currency exposure profile

30.09.13 Currency	Net currency assets/(liabilities)		
	Monetary exposures £'000	Non-monetary exposures £'000	Total £'000
Brazilian Real	673	52,386	53,059
Canadian Dollar	732	9,172	9,904
Chinese Yuan	11	—	11
Egyptian Pound	89	—	89
Euro	(51)	4,812	4,761
Hong Kong Dollar	173	33,882	34,055
Hungarian Forint	—	6,538	6,538
Indian Rupee	291	19,464	19,755
Indonesian Rupiah	(66)	16,143	16,077
Korean Won	170	61,225	61,395
Malaysian Ringgit	—	3,505	3,505
Mexican Peso	37	7,246	7,283
New Turkish Lira	(100)	21,284	21,184
Pakistani Rupee	95	6,069	6,164
South African Rand	(111)	48,613	48,502
Swedish Krona	51	2,317	2,368
Taiwan Dollar	363	20,898	21,261
Thai Baht	(78)	10,662	10,584
US Dollar	39	112,856	112,895
	2,318	437,072	439,390
UK Sterling	16,077	—	16,077
Net assets attributable to Shareholders	18,395	437,072	455,467

Lazard Investment Funds – Annual Report and Financial Statements September 2013

Lazard Emerging Markets Fund continued

Notes to the Financial Statements continued

11 Financial instruments continued

30.09.12 Currency	Net currency assets/(liabilities)		
	Monetary exposures £'000	Non-monetary exposures £'000	Total £'000
Brazil Real	206	45,230	45,436
Canadian Dollar	—	6,697	6,697
Chinese Yuan	12	—	12
Egyptian Pound	—	10,697	10,697
Euro	—	3,619	3,619
Hong Kong Dollar	103	24,998	25,101
Hungarian Forint	—	5,968	5,968
Indian Rupee	138	22,901	23,039
Indonesian Rupiah	(26)	17,715	17,689
Malaysian Ringgit	—	3,625	3,625
Mexican Peso	—	10,494	10,494
Pakistan Rupee	134	6,402	6,536
South African Rand	—	53,509	53,509
South Korean Won	(213)	65,544	65,331
Swedish Krona	—	2,621	2,621
Taiwanese Dollar	270	23,306	23,576
Thailand Baht	—	10,813	10,813
Turkish Lira	—	29,201	29,201
US Dollar	877	109,686	110,563
	1,501	453,026	454,527
Sterling	6,772	—	6,772
Net assets attributable to Shareholders	8,273	453,026	461,299

12 Portfolio transaction costs

	30.09.13 £'000	30.09.12 £'000
Purchases		
Purchases excluding transaction costs	142,345	91,672
Commissions	161	150
Taxes	67	53
Total transaction costs	228	203
Total purchases including transaction costs	142,573	91,875
Sales		
Sales excluding transaction costs	168,210	181,286
Commissions	(230)	(274)
Fees	(124)	(107)
Total transaction costs	(354)	(381)
Total sales net of transaction costs	167,856	180,905

Interest rate risk profile

The Sub-fund's only interest bearing financial instruments at the balance sheet date are represented by its cash balances and overdraft facility, which earn and pay interest on normal commercial terms based on LIBOR or its overseas equivalent.

Derivative risk

No derivatives were held at the balance sheet date or throughout the year (2012: same).

Lazard Investment Funds – Annual Report and Financial Statements September 2013

Lazard European Alpha Fund

Investment Manager's Report

Investment Objective

The objective of the Sub-fund is to achieve capital growth at a rate greater than that of the FTSE World Europe ex UK Index, measured in Sterling.

Investment Review

Over the 12 months under review, the Lazard European Alpha Fund returned 23.82% against the FTSE World Europe ex UK Index return of 28.32%.⁽¹⁾

Investment Policy

The portfolio will consist of actively managed investments in equity, equity-related and debt related issues of continental European markets. The ACD will select investments by a combination of identifying attractive markets and selecting individual stock in all markets of Continental Europe.

Market Review

European equities made significant gains during the past 12 months, outperforming equities globally. The European Central Bank's (ECB) support for the euro was of the upmost importance during the second half of 2012, as it was made clear that everything necessary would be done to protect the single currency, in addition to a further cut in interest rates during May. Such support laid the foundations for an improvement in investor confidence and stabilisation in euro zone economies. Improving growth in other western economies, as well as better data from China toward the end of the period, also bolstered European share prices. However, political issues have remained, causing short bouts of volatility over the past year, with February's inconclusive election result in Italy and the near collapse of the Portuguese Government being prominent examples.

Portfolio Review

The European Alpha Fund produced positive absolute returns, but underperformed the FTSE World Europe ex UK Index during the period in question.

Stock selection in the consumer services sector was additive to returns during the period. At the stock level, the strongest performer in the sector and Fund was Sky Deutschland, the German pay TV operator, which reported results that exceeded expectations. Low-cost airline Ryanair also contributed positively to returns, due to positive results, plans to grow its fleet and plans to return capital to shareholders.

Stock selection in the oil & gas sector detracted from performance. Petroleum Geo-Services was the worst performing stock in the portfolio during the period under review, due to concerns over pricing and exploration & production cash flows.

CGG was another poor performer in the sector, suffering since beginning a rights issue in the fourth quarter to fund its takeover of Fugro.

Consumer goods company Valeo was the one of the strongest performing holding for the Fund during the past 12 months. The automotive components producer has delivered earnings ahead of expectations and benefitted from a stabilising auto industry in Europe.

Lastly, an underweight position and stock selection in the industrials sector detracted from performance. Volvo and Alstom were among our poorest performing holdings in the sector.

Outlook

In the coming months, while we are unlikely to significantly move away from the low growth scenario the world economy currently finds itself in, there are a number of reasons for optimism, as Europe begins to stabilise and growth from elsewhere in the world continues to display steady progress. Given the structural reforms taking place across the continent, European economies and companies are well placed in the long term. This is important, as European companies still look to be on compelling valuations and could soon benefit from a cyclical recovery in share prices.

General Information as at 30 September 2013

Fund Size	£105.7 million
Net Yield	1.22% Retail Income 1.23% Retail Accumulation 1.62% Institutional Income 0.00% Retail C Income 0.00% Retail C Accumulation
Sector	Europe excluding UK
Launch Date	27 August 1986
Fund Managers	Aaron Barnfather, Barnaby Wilson and team.

All data contained herein is sourced by Lazard Asset Management unless otherwise noted as at 30 September 2013.

(1) Source: Morningstar Direct, Bid to Bid Price, net income reinvested in sterling, retail share class net of fees, to 30 September 2013.

Figures refer to past performance which is not a reliable indicator of future results.

Lazard Investment Funds – Annual Report and Financial Statements September 2013

Lazard European Alpha Fund continued

Portfolio statement

as at 30 September 2013

	Holding	Market Value £'000	% of Net Assets
Belgium (4.11%)		3,701	3.50
Anheuser-Busch InBev	60,167	3,701	3.50
Cayman Island (0.37%)		316	0.30
Polarcus	803,037	316	0.30
Denmark (2.08%)		5,089	4.81
Carlsberg	19,996	1,272	1.20
Novo Nordisk	27,506	2,882	2.73
Pandora	36,644	935	0.88
Finland (2.08%)		4,104	3.88
Nokia	404,330	1,642	1.55
Sampo (A)	92,756	2,462	2.33
France (22.42%)		14,892	14.09
BNP Paribas	98,433	4,114	3.89
Cap Gemini	33,640	1,236	1.17
EADS	47,289	1,862	1.76
Neopost	19,992	899	0.85
Sanofi-Aventis	51,805	3,246	3.07
Technip	18,207	1,321	1.25
Valeo	41,994	2,214	2.10
Germany (15.98%)		20,444	19.34
Allianz	22,983	2,230	2.11
Bayer	61,896	4,502	4.26
BMW	40,001	2,655	2.51
Continental	13,560	1,420	1.34
Deutsche Bank	35,370	1,000	0.95
Deutsche Wohnen	86,125	949	0.90
Merck	9,757	940	0.89
SAP	51,642	2,356	2.23
Siemens	38,226	2,845	2.69
Sky Deutschland	273,254	1,547	1.46
Ireland (3.07%)		3,321	3.14
Kerry Group	8,684	324	0.31
Kerry Group 'A'	40,086	1,497	1.41
Ryanair	283,541	1,500	1.42
Italy (8.20%)		3,813	3.61
Eni	131,800	1,866	1.77
Mediaset	222,201	557	0.53
Mediolanum	310,007	1,390	1.31
Netherlands (7.20%)		7,970	7.54
Koninklijke Philips	85,300	1,699	1.61
PostNL	557,400	1,490	1.41
Reed Elsevier	145,856	1,811	1.71
Unilever	123,579	2,970	2.81
Norway (5.83%)		5,506	5.21
Algeta	40,160	957	0.91
Dolphin Group	416,274	246	0.23
Gjensidige Forsikring	97,172	905	0.86
Petroleum Geo-Services	156,973	1,198	1.13
Telenor	78,388	1,106	1.05
Yara International	42,984	1,094	1.03
Poland (0.99%)		-	-
Portugal (0.54%)		861	0.81
Galp Energia	84,032	861	0.81
Spain (4.17%)		5,323	5.04
Atresmedia	162,070	1,287	1.22
BBVA	413,741	2,857	2.71
BBVA Rights	413,741	35	0.03
Red Electrica de Espana	32,524	1,144	1.08
Sweden (7.43%)		8,496	8.04
Electrolux	75,413	1,210	1.14
Gefinge	39,042	862	0.82
Modern Times	57,643	1,857	1.76
SKF	83,969	1,444	1.37
Swedbank 'A'	117,868	1,696	1.60
Volvo	154,163	1,427	1.35

	Holding	Market Value £'000	% of Net Assets
Switzerland (12.94%)		18,693	17.69
Compagnie Financiere Richemont	30,323	1,876	1.78
GAM	92,275	1,030	0.97
Julius Baer	26,563	765	0.72
Novartis	141,967	6,733	6.37
Panalpina Welttransport	11,080	1,005	0.95
Swatch	3,259	1,295	1.23
Swiss Re	29,314	1,496	1.42
Syngenta	8,399	2,118	2.00
UBS	187,966	2,375	2.25
Turkey (1.34%)		2,774	2.63
Pegasus Hava Tasimaciligi	109,866	1,117	1.06
Turkcell Iletism Hizmetleri	242,357	880	0.83
Türkiye Halk	172,469	777	0.74
Portfolio of investments (98.75%)		105,303	99.63
Net other assets (1.25%)		391	0.37
Net assets attributable to Shareholders		105,694	100.00

Unless otherwise stated, all holdings are quoted in ordinary shares and listed on a recognised exchange.

The percentages in brackets show the equivalent comparative holdings at 30.09.12.

Total purchases for the year: £61,590,168.

Total sales for the year: £64,348,144.

Lazard Investment Funds – Annual Report and Financial Statements September 2013

Lazard European Alpha Fund continued

Statement of total return

for the year ended 30 September 2013

	Notes	30.09.13		30.09.12	
		£'000	£'000	£'000	£'000
Income					
Net capital gains	2		19,893		12,347
Revenue	3	3,133		3,512	
Expenses	4	(1,496)		(1,418)	
Finance costs: Interest	6	(1)		—	
Net revenue before taxation		1,636		2,094	
Taxation	5	(87)		(384)	
Net revenue after taxation for the year			1,549		1,710
Total return before distributions			21,442		14,057
Finance costs: Distributions	6		(1,549)		(1,710)
Change in net assets attributable to Shareholders from investment activities			19,893		12,347

Balance sheet

as at 30 September 2013

	Notes	30.09.13		30.09.12	
		£'000	£'000	£'000	£'000
Assets					
Investment assets			105,303		88,143
Debtors	7	1,582		427	
Cash and bank balances		2,241		2,616	
Total other assets			3,823		3,043
Total assets			109,126		91,186
Liabilities					
Creditors	8	(2,037)		(623)	
Distribution payable on income shares		(1,395)		(1,305)	
Total other liabilities			(3,432)		(1,928)
Total liabilities			(3,432)		(1,928)
Net assets attributable to Shareholders			105,694		89,258

Statement of change in net assets attributable to Shareholders

for the year ended 30 September 2013

	30.09.13		30.09.12	
	£'000	£'000	£'000	£'000
Opening net assets attributable to Shareholders		89,258		99,212
Amounts received on issue of shares	13,020		8,900	
Amounts paid on cancellation of shares	(16,643)		(31,284)	
		(3,623)		(22,384)
Stamp Duty Reserve tax		—		(1)
Change in net assets attributable to Shareholders from investment activities		19,893		12,347
Retained distribution on accumulation shares		148		82
Unclaimed distributions		18		2
Closing net assets attributable to Shareholders		105,694		89,258

Fund facts*

as at 30 September 2013

Ongoing Charges Figure (OCF)

	September 2013
Retail income	1.57%
Retail accumulation	1.56%
Institutional income	1.07%
Retail C income†	0.81%
Retail C accumulation†	0.81%

†Retail C income and accumulation classes commenced 1 November 2012.

The Ongoing Charges Figure (OCF) represents the annual operating expenses of the Sub-fund expressed as a percentage of average net assets - it does not include initial charges or performance fees. The OCF includes the annual management charge and also the following charges which are deducted directly from the Sub-fund: Registration fees, Depositary fees, Safe Custody fees, Audit fee, FCA fee, Distribution fees, Issuance fees, Non-audit fees, and Transaction charges where applicable.

The OCF is expressed as an annual percentage rate.

Synthetic Risk and Reward Indicator (SRRI)

◀ Lower Risk				Higher Risk ▶		
Typically Lower Rewards				Typically Higher Rewards		
1	2	3	4	5	6	7

The risk and reward category is calculated using historical data and may not be a reliable indicator of the Fund's future risk profile. The risk and reward category may shift over time and is not a target or guarantee.

The lowest category (ie category 1) does not mean "risk free".

The Fund appears in the higher risk category on the risk and reward indicator.

This is because the Fund invests primarily in shares, whose values tend to have higher price fluctuations.

The returns from your investment may be affected by changes in the exchange rate between the Fund's base currency, and the currency of the Fund's investments, your share class and where you live.

There is no capital guarantee or protection of the value of the Fund. The value of your investment and the income from it can go down as well as up and you may not get back the amount you invested.

See "Risk Factors" in the UCITS Prospectus for more information about risks.

*This section has not been audited.

Lazard Investment Funds – Annual Report and Financial Statements September 2013

Lazard European Alpha Fund continued

Performance record

as at 30 September 2013

Net asset values

Date	Net asset value (£)	Net asset value (pence per share)	Shares in issue at year end
September 2011			
Retail income	72,031,658	371.79	19,374,343
Retail accumulation	4,052,285	389.38	1,040,698
Institutional income	23,127,910	372.41	6,210,348
September 2012			
Retail income	72,932,236	425.15	17,154,407
Retail accumulation	5,373,636	452.22	1,188,280
Institutional income	10,952,451	425.96	2,571,229
September 2013			
Retail income	77,622,390	522.35	14,860,218
Retail accumulation	6,955,330	563.32	1,234,713
Institutional income	16,443,788	523.37	3,141,900
Retail C income†	1,764,870	519.88	339,475
Retail C accumulation†	2,907,471	566.99	512,794

Distribution and price record (pence per share)

Retail income shares

Calendar year	Net revenue per share p	Highest price per share	Lowest price per share
2008	7.3467	509.60	309.30
2009	8.7051	463.50	288.50
2010	5.2214	464.00	381.10
2011	5.3561	494.20	352.90
2012	6.4457	460.50	366.10
2013 ⁽¹⁾	7.2703	550.80	462.70

Retail accumulation shares

Calendar year	Net revenue per share p	Highest price per share	Lowest price per share
2009 ⁽²⁾	5.9802	472.70	346.90
2010	6.1431	479.60	388.60
2011	5.9134	510.20	364.40
2012	6.8702	489.80	383.50
2013 ⁽¹⁾	7.8485	585.90	492.20

Institutional income shares

Calendar year	Net revenue per share p	Highest price per share	Lowest price per share
2008	9.7170	511.90	310.20
2009	10.4495	465.50	289.90
2010	7.4622	465.40	383.00
2011	7.7375	497.00	353.80
2012	8.5365	461.90	367.20
2013 ⁽¹⁾	9.8500	553.30	464.20

Retail C income shares†

Calendar year	Net revenue per share p	Highest price per share	Lowest price per share
2012	—	461.00	100.00
2013 ⁽¹⁾	11.3799	551.90	463.30

Distribution and price record (pence per share) (continued)

Retail C accumulation shares†

Calendar year	Net revenue per share p	Highest price per share	Lowest price per share
2012	—	490.50	100.00
2013 ⁽¹⁾	11.9044	589.20	492.90

⁽¹⁾ To 30.09.13.

†Retail C income and accumulation classes commenced 1 November 2012.

Risk warning

It is important to remember that past performance is not a guide to the future. The value of shares and the income from them can go down as well as up. An investor may get back less than their original investment.

Distribution tables

for the year ended 30 September 2013

Dividend distribution in pence per share.

Final distribution

	Net revenue	Equalisation	Distribution payable 30.11.13	Distribution paid 30.11.12
Retail income				
Group 1	7.2703	—	7.2703	6.4457
Group 2	1.0554	6.2149	7.2703	6.4457
Retail accumulation				
Group 1	7.8485	—	7.8485	6.8702
Group 2	2.0248	5.8237	7.8485	6.8702
Institutional income				
Group 1	8.9765	—	8.9765	7.7355
Group 2	1.3976	7.5789	8.9765	7.7355
Retail C income†				
Group 1	9.5854	—	9.5854	N/A
Group 2	3.2632	6.3222	9.5854	N/A
Retail C accumulation†				
Group 1	9.8764	—	9.8764	N/A
Group 2	1.4431	8.4333	9.8764	N/A

Interim distribution

	Net revenue	Equalisation	Distribution paid 31.05.13	Distribution paid 31.05.12
Retail income				
Group 1	—	—	—	—
Group 2	—	—	—	—
Retail accumulation				
Group 1	—	—	—	—
Group 2	—	—	—	—
Institutional income				
Group 1	0.8735	—	0.8735	0.8010
Group 2	0.8310	0.0425	0.8735	0.8010
Retail C income†				
Group 1	1.7945	—	1.7945	N/A
Group 2	—	—	—	N/A
Retail C accumulation†				
Group 1	2.0280	—	2.0280	N/A
Group 2	0.6010	1.4270	2.0280	N/A

†Retail C income and accumulation classes commenced 1 November 2012.

Group 1: shares purchased prior to the distribution period.

Group 2: shares purchased during the distribution period.

Equalisation is the average amount of revenue included in the purchase price of all Group 2 shares and is refunded to holders of these shares as a return of capital. Being capital it is not liable for income tax but must be deducted from the cost of shares for capital gains tax purposes.

Lazard Investment Funds – Annual Report and Financial Statements September 2013

Lazard European Alpha Fund continued

Notes to the Financial Statements

as at 30 September 2013

1 Accounting policies

The accounting policies for the Sub-fund are the same as those disclosed in the aggregated financial statements on page 4.

2 Net capital gains

	30.09.13 £'000	30.09.12 £'000
The net capital gains during the year comprise:		
Non-derivative securities	19,923	12,440
Forward currency contracts	(3)	—
Currency losses	(16)	(82)
Transaction charges	(11)	(11)
Net capital gains	19,893	12,347

3 Revenue

	30.09.13 £'000	30.09.12 £'000
Bank interest	120	8
Non-taxable overseas dividends	2,994	3,353
Stock dividends	—	127
Taxable overseas dividends	19	24
	3,133	3,512

4 Expenses

	30.09.13 £'000	30.09.12 £'000
Payable to the ACD, associates of the ACD and agents of either of them:		
ACD's periodic charge	1,431	1,364
Payable to the Depositary, associates of the Depositary and agents of either of them:		
Depositary's fees	22	21
Safe custody fees	16	13
	38	34
Other expenses:		
Audit fee	8	8
VAT on audit fee	2	2
Non-audit fees*	7	—
Distribution fees	1	—
Legal fees	1	—
Professional fees	1	—
Registration fees	7	10
	27	20
Total expenses	1,496	1,418

*Fees paid to firms affiliated with PricewaterhouseCoopers LLP.

5 Taxation

	30.09.13 £'000	30.09.12 £'000
a) Analysis of the charge in the year		
<i>Current tax:</i>		
Corporation tax	332	—
Overseas tax	(244)	384
Precompte as tax credit	(1)	—
Total current tax (note 5b)	87	384
Deferred tax: (note 5c)	—	—
Total taxation	87	384

b) Factors affecting taxation charge for the year

Net revenue before taxation	1,636	2,094
Net revenue before taxation at the applicable rate of corporation tax in the UK of 20% (2012: 20%)	327	419
Effects of:		
Adjustments in respect of prior period	332	—
Excess expenses for which tax relief taken	272	277
Non-taxable overseas dividends	(599)	(671)
Non-taxable stock dividends	—	(25)
Overseas tax	(244)	384
Precompte as tax credit	(1)	—
Total current tax (note 5a)	87	384

c) Provision for Deferred tax

There is no Deferred tax provision in the current or preceding year.

At the year end there is a potential Deferred tax asset of £1,372,000 (2012: £1,100,000) due to surplus management expenses.

It is unlikely the Sub-fund will generate sufficient taxable profits in the future to utilise these amounts and therefore no Deferred tax asset has been recognised (2012: same).

Lazard Investment Funds – Annual Report and Financial Statements September 2013

Lazard European Alpha Fund continued

Notes to the Financial Statements continued

6 Finance costs

Distributions

The distribution takes account of revenue received on the creation of shares and revenue deducted on the cancellation of shares and comprises:

	30.09.13 £'000	30.09.12 £'000
Interim	24	44
Final	1,543	1,386
	1,567	1,430
Add: Revenue deducted on cancellation of shares	135	359
Less: Revenue received on issue of shares	(153)	(79)
Net distributions for the year	1,549	1,710
Interest	1	—
Total finance costs	1,550	1,710

Details of the distributions per share are set out in the tables on page 20.

7 Debtors

	30.09.13 £'000	30.09.12 £'000
Accrued revenue	—	47
Amounts receivable for FX contracts	96	—
Amounts receivable for issue of shares	947	116
Bank interest receivable	—	1
Overseas tax recoverable	285	263
Sales awaiting settlement	254	—
	1,582	427

8 Creditors

	30.09.13 £'000	30.09.12 £'000
Accrued expenses	145	123
Amounts payable for cancellation of shares	1,465	500
Amounts payable for FX contracts	95	—
Corporation tax payable	332	—
	2,037	623

9 Contingent assets/liabilities and outstanding commitments

Contingent liabilities and outstanding commitments at the balance sheet date were:

	30.09.13 £'000	30.09.12 £'000
Final	—	148
	—	148

As at the balance sheet date, the fund has not recognised a contingent asset of £350,984 (2012 - £0), net of associated costs, in relation to reclaims made to recover withholding tax previously withheld by French tax authorities.

Accounting standards permit the reclaims to be included as an asset in the balance sheet only where the receipt is “virtually certain”. In the opinion of the Manager, receipt is probable rather than virtually certain and accordingly the reclaims are regarded as a contingent or potential asset rather than an actual asset for the purposes of preparing the accounts.

Notwithstanding the treatment for the purposes of the preparation of accounts, an appropriate adjustment to reflect the reclaims has been made for the purposes of daily pricing.

10 Related party disclosures

Details of the related party disclosures are included within note 11 of the aggregated financial statements on page 7.

11 Financial Instruments

Details of the financial instruments risk disclosures are set out in note 14 of the aggregated financial statements on page 7 to 8.

Currency exposure profile

30.09.13 Currency	Net currency assets/(liabilities)		
	Monetary exposures £'000	Non-monetary exposures £'000	Total £'000
Danish Krone	—	5,089	5,089
Euro	117	64,429	64,546
New Turkish Lira	—	2,774	2,774
Norwegian Krone	—	5,821	5,821
Swedish Kroner	158	8,496	8,654
Swiss Franc	168	18,694	18,862
	443	105,303	105,746
Sterling	(52)	—	(52)
Net assets attributable to Shareholders	391	105,303	105,694

Lazard Investment Funds – Annual Report and Financial Statements September 2013

Lazard European Alpha Fund continued

Notes to the Financial Statements continued

11 Financial instruments continued

30.09.12 Currency	Net currency assets		
	Monetary exposures £'000	Non-monetary exposures £'000	Total £'000
Danish Krone	—	1,857	1,857
Euro	185	60,497	60,682
New Turkish Lira	—	1,197	1,197
Norwegian Krone	—	5,527	5,527
Polish Zloty	—	887	887
Swedish Kroner	—	6,632	6,632
Swiss Franc	123	11,546	11,669
US Dollar	38	—	38
	346	88,143	88,489
Sterling	769	—	769
Net assets attributable to Shareholders	1,115	88,143	89,258

12 Portfolio transaction costs

	30.09.13 £'000	30.09.12 £'000
Purchases		
Purchases excluding transaction costs	61,483	64,215
Commissions	76	92
Taxes	31	15
Total transaction costs	107	107
Total purchases including transaction costs	61,590	64,322
Sales		
Sales excluding transaction costs	64,430	85,496
Commissions	(82)	(98)
Total transaction costs	(82)	(98)
Total sales net of transaction costs	64,348	85,398

Interest rate risk profile

The Sub-fund's only interest bearing financial instruments at the balance sheet date are represented by its cash balances and overdraft facility, which earn and pay interest on normal commercial terms based on LIBOR or its overseas equivalent.

Derivative risk

No derivatives were held at the balance sheet date or throughout the year (2012: same).

Lazard Investment Funds – Annual Report and Financial Statements September 2013

Lazard European Smaller Companies Fund

Investment Manager's Report

Investment Objective

The objective of the Sub-fund is to achieve long term capital growth by investing in European Smaller Companies.

Investment Review

Over the 12 month period under review, the Lazard European Smaller Companies Fund returned 28.69%, net of fees, against the MSCI Europe Small Cap Index return of 35.97%.⁽¹⁾

Investment Policy

The Sub-fund will achieve this by generally investing in the smallest 10% of European listed companies, measured by market capitalisation.

At the discretion of the ACD, the Sub-fund may retain its investments in companies which were within that bracket at the time of acquisition but which grow beyond it in course of time.

Market Review

European equities made significant gains during the past 12 months, outperforming equities globally. The European Central Bank's (ECB) support for the euro was of the upmost importance during the period, as it was made clear that everything necessary would be done to protect the single currency, in addition to a further cut in interest rates during May. Such support laid the foundations for an improvement in investor confidence and stabilisation in euro zone economies. Improving growth in other western economies, as well as better data from China toward the end of the period, also bolstered European share prices. However, political issues have remained, causing short bouts of volatility over the past year, with February's inconclusive election result in Italy and the near collapse of the Portuguese Government being prominent examples.

Portfolio Review

Asset manager Azimut, contributed positively to performance during the period. Net inflows have been extremely strong: in the first months of 2013, the company had already achieved two thirds of its full-year target. In May, Azimut announced good results for the first quarter, with revenues and management fees higher than expected.

Another positive contributor to performance was the capital goods firm Norma. The German-based company develops and manufactures plastic and metal-based components and systems in the field of connecting technology, and also develops engineered joining technology components for various applications. Norma has announced encouraging results over the past year with a robust profit margin. The company's growth is expected to continue to outperform its underlying markets, given the benefits of the structural trend of more content per unit for cars and trucks.

The largest detractor to performance over the period was the Norwegian company PGS (Petroleum Geo-Services). The company provides a range of seismic and reservoir services, and operates worldwide. Investors were concerned that seismic rates would decline, with the decline in the oil price over 2013 and limited free cash flow for the oil companies.

The strategy was also hurt by the strong rise of a stock that had been a major past underperformer, the French telecommunications equipment manufacturer Alcatel Lucent. The company had announced a major turnaround program and divestment plan and the shares rose rapidly. Alcatel formerly had been a large cap stock that entered the small cap index during a period of dramatic underperformance, following the rapid recent rise, the stock now is materially outside the market cap maximum of Lazard's small cap universe so is not eligible for investment.

Outlook

In the coming months, while we are unlikely to significantly move away from the low growth scenario the world economy currently finds itself in, there are a number of reasons for optimism, as Europe begins to stabilise and growth from elsewhere in the world continues to display steady progress. Given the structural reforms taking place across the continent, European economies and companies are well placed in the long term. This is important, as European companies still look to be on compelling valuations and could soon benefit from a cyclical recovery in share prices.

General Information as at 30 September 2013

Fund Size	£141.0 million
Net Yield	0.69% Retail Accumulation 0.00% Retail C Accumulation 0.94% Institutional Accumulation
Sector	European Smaller Companies
Launch Date	31 May 2000
Fund Manager	Brian Pessin and team

All data contained herein is sourced by Lazard Asset Management unless otherwise noted as at 30 September 2013.

(1) Source: Morningstar Direct, Bid to Bid Price, net income reinvested in sterling, retail share class net of fees, to 30 September 2013.

Figures refer to past performance which is not a reliable indicator of future results.

Lazard Investment Funds – Annual Report and Financial Statements September 2013

Lazard European Smaller Companies Fund continued

Portfolio statement (unaudited)

as at 30 September 2013

	Holding	Market Value £'000	% of Net Assets
Austria (0.99%)		2,676	1.90
AMS	27,118	1,596	1.13
Kapsch Trafficom	35,396	1,080	0.77
Belgium (5.87%)		7,152	5.07
Ackermans & van Haaren	31,845	2,006	1.42
Bpost	57,100	673	0.48
EVS Broadcast Equipment	39,029	1,550	1.10
Kinepolis	33,462	2,923	2.07
Cayman Islands (0.73%)		-	-
Denmark (1.66%)		2,043	1.45
Royal Unibrew	27,828	2,043	1.45
Finland (0.00%)		1,384	0.98
Huhtamaki	104,771	1,384	0.98
France (6.97%)		6,314	4.48
Altran Technologies	285,720	1,450	1.03
Ingenico	57,881	2,574	1.83
Valeo	43,431	2,290	1.62
Germany (6.42%)		17,255	12.24
Aurelius	86,877	1,726	1.22
Compugroup Medical	89,684	1,351	0.96
CTS Eventim	59,438	1,608	1.14
Duerr	50,337	2,283	1.62
Freenet	90,000	1,344	0.95
Jenoptik	130,689	1,259	0.90
Kuka	51,734	1,383	0.98
Norma Group	88,200	2,617	1.86
Sartorius	19,037	1,301	0.92
Wirecard	112,957	2,383	1.69
Greece (0.00%)		1,749	1.24
Jumbo	231,215	1,749	1.24
Ireland (4.96%)		6,363	4.52
Glanbia	160,816	1,290	0.92
Greencore	1,215,372	1,789	1.27
Paddy Power	23,651	1,172	0.83
United Drug	661,511	2,112	1.50
Italy (4.90%)		10,842	7.69
Azimut Holdings	250,095	3,525	2.50
Ei Towers	56,938	1,347	0.96
Mediolanum	275,097	1,234	0.87
Recordati	253,826	1,865	1.32
Societa Iniziative Autostradali e Servizi	203,279	1,225	0.87
Sorin	986,045	1,646	1.17
Luxembourg (1.10%)		2,719	1.93
AZ Electronic Materials	388,450	1,135	0.81
Saf-Holland	210,500	1,584	1.12
Netherlands (5.51%)		3,780	2.68
Aalberts Industries	180,438	2,971	2.11
Frank's International	43,700	809	0.57
Norway (6.45%)		3,012	2.14
Kongsberg Gruppen	122,828	1,476	1.05
Petroleum Geo-Services	201,396	1,536	1.09
Philippines (1.90%)		-	-
Sweden (7.51%)		11,191	7.94
Cloetta	779,572	1,394	0.99
Hexpol	46,060	2,008	1.42
Indutrade	65,659	1,575	1.12
Intrum Justitia	161,784	2,675	1.90
Loomis	146,970	1,996	1.42
Modern Times	47,886	1,543	1.09
Switzerland (3.56%)		5,444	3.86
Dufry Group	22,280	2,068	1.47
Gam	150,244	1,678	1.19
Kardex	59,541	1,698	1.20

	Holding	Market Value £'000	% of Net Assets
United Kingdom (38.56%)		54,878	38.94
Abcam	268,874	1,351	0.96
Aberdeen Asset Management	349,983	1,325	0.94
APR Energy	157,120	1,526	1.08
Ashtead Group	339,795	2,088	1.48
Brammer	455,741	2,091	1.48
Dignity	127,248	1,837	1.30
Diploma	221,207	1,444	1.02
Direct Line Insurance	633,677	1,345	0.95
Domino's Pizza UK & Ireland	219,260	1,280	0.91
Elementis	616,997	1,479	1.05
Fenner	436,127	1,734	1.23
Foxtons Group	184,400	494	0.35
Galliford Try	143,200	1,485	1.05
Hansteen	1,940,878	1,912	1.36
Hellermannntyton	495,100	1,337	0.95
Hunting	209,712	1,665	1.18
IG Group	550,409	3,181	2.26
Intertek Group	62,771	2,075	1.47
Micro Focus International	150,575	1,136	0.81
Ophir Energy	219,033	731	0.52
Provident Financial	92,738	1,541	1.09
Restaurant Group	221,362	1,178	0.84
Rightmove	96,557	2,278	1.62
Rotork	57,668	1,571	1.11
RPC Group	346,821	1,578	1.12
Spectris	72,512	1,600	1.14
Spirax-Sarco Engineering	52,442	1,576	1.12
Spirent Communications	826,728	1,052	0.75
Synergy Healthcare	181,615	1,987	1.41
Taylor Wimpey	2,597,434	2,605	1.85
Telecity	129,246	1,072	0.76
Ultra Electronics Holdings	116,903	2,207	1.57
Wood Group(John)	163,744	1,313	0.93
Workspace	397,451	1,804	1.28
Portfolio of investments (97.09%)		136,802	97.06
Net other assets (2.91%)		4,151	2.94
Net assets attributable to Shareholders		£140,953	100.00

Unless otherwise stated, all holdings are quoted in ordinary shares and listed on a recognised exchange.

The percentages in brackets show the equivalent comparative holdings at 30.09.12.

Total purchases for the year: £50,106,054.

Total sales for the year: £61,397,634.

Lazard Investment Funds – Annual Report and Financial Statements September 2013

Lazard European Smaller Companies Fund continued

Statement of total return

for the year ended 30 September 2013

	Notes	30.09.13		30.09.12	
		£'000	£'000	£'000	£'000
Income					
Net capital gains	2		32,412		17,876
Revenue	3	3,312		3,102	
Expenses	4	(1,395)		(1,223)	
Finance costs: Interest	6	—		—	
Net revenue before taxation		1,917		1,879	
Taxation	5	(166)		(159)	
Net revenue after taxation for the year			1,751		1,720
Total return before distributions			34,163		19,596
Finance costs: Distributions	6		(1,751)		(1,720)
Change in net assets attributable to Shareholders from investment activities			32,412		17,876

Balance sheet

as at 30 September 2013

	Notes	30.09.13		30.09.12	
		£'000	£'000	£'000	£'000
Assets					
Investment assets			136,802		115,839
Debtors	7	803		297	
Cash and bank balances		4,862		3,437	
Total other assets			5,665		3,734
Total assets			142,467		119,573
Liabilities					
Creditors	8	(1,514)		(261)	
Total other liabilities			(1,514)		(261)
Total liabilities			(1,514)		(261)
Net assets attributable to Shareholders			140,953		119,312

Statement of change in net assets attributable to Shareholders

for the year ended 30 September 2013

	30.09.13		30.09.12	
	£'000	£'000	£'000	£'000
Opening net assets attributable to Shareholders		119,312		111,136
Amounts received on issue of shares	4,790		4,394	
Amounts paid on cancellation of shares	(17,269)		(15,759)	
		(12,479)		(11,365)
Stamp Duty Reserve tax		(7)		(9)
Change in net assets attributable to Shareholders from investment activities		32,412		17,876
Retained distribution on accumulation shares		1,715		1,674
Closing net assets attributable to Shareholders		140,953		119,312

Fund facts*

as at 30 September 2013

Ongoing Charges Figure (OCF)

	September 2013
Retail accumulation	1.60%
Institutional accumulation	1.04%
Retail C accumulation†	1.10%

The Ongoing Charges Figure (OCF) represents the annual operating expenses of the Sub-fund expressed as a percentage of average net assets - it does not include initial charges or performance fees. The OCF includes the annual management charge and also the following charges which are deducted directly from the Sub-fund: Registration fees, Depositary fees, Safe Custody fees, Audit fee, FCA fee, Distribution fees, Issuance fees, Non-audit fees, and Transaction charges where applicable.

The OCF is expressed as an annual percentage rate.

†Retail C accumulation class commenced 1 November 2012.

Synthetic Risk and Reward Indicator (SRRI)

◀ Lower Risk				Higher Risk ▶		
Typically Lower Rewards				Typically Higher Rewards		
1	2	3	4	5	6	7

The risk and reward category is calculated using historical data and may not be a reliable indicator of the Fund's future risk profile. The risk and reward category may shift over time and is not a target or guarantee.

The lowest category (ie category 1) does not mean "risk free".

The Fund appears in the higher risk category on the risk and reward indicator.

This is because the Fund invests primarily in shares, whose values tend to have higher price fluctuations.

The returns from your investment may be affected by changes in the exchange rate between the Fund's base currency, and the currency of the Fund's investments, your share class and where you live.

It may not be possible to sell the shares of smaller companies as easily as those of larger companies and this may cause the share price to fall.

There is no capital guarantee or protection of the value of the Fund. The value of your investment and the income from it can go down as well as up and you may not get back the amount you invested.

See "Risk Factors" in the UCITS Prospectus for more information about risks.

*This section has not been audited.

Lazard Investment Funds – Annual Report and Financial Statements September 2013

Lazard European Smaller Companies Fund continued

Performance record

as at 30 September 2013

Net asset values

Date	Net asset value (£)	Net asset value (pence per share)	Shares in issue at year end
September 2011			
Retail accumulation	3,465,491	207.55	1,669,738
Institutional accumulation	107,670,805	215.43	49,980,598
September 2012			
Retail accumulation	5,058,266	244.49	2,068,937
Institutional accumulation	114,253,299	255.24	44,763,187
September 2013			
Retail accumulation	4,421,684	316.38	1,397,566
Institutional accumulation	136,459,523	332.20	41,077,593
Retail C accumulation†	71,886	318.09	22,599

Distribution and price record (pence per share)

Retail accumulation shares

Calendar year	Net revenue per share p	Highest price per share	Lowest price per share
2008	1.7310	235.80	118.30
2009	2.5313	201.20	121.30
2010	1.2409	242.40	183.40
2011	1.3127	254.40	196.30
2012	2.1895	262.70	212.10
2013 ⁽¹⁾	2.1937	322.60	265.60

Institutional accumulation shares

Calendar year	Net revenue per share p	Highest price per share	Lowest price per share
2008	3.2067	239.90	120.80
2009	3.2695	206.60	124.10
2010	2.4928	250.60	189.00
2011	2.7743	263.70	204.00
2012	3.6150	274.70	220.50
2013 ⁽¹⁾	4.0988	338.70	277.70

Retail C Accumulation shares†

Calendar year	Net revenue per share p	Highest price per share	Lowest price per share
2012	—	263.00	100.00
2013 ⁽¹⁾	3.8360	324.40	266.00

⁽¹⁾ To 30.09.13.

†Retail C accumulation class commenced 1 November 2012.

Risk warning

It is important to remember that past performance is not a guide to the future. The value of shares and the income from them can go down as well as up. An investor may get back less than their original investment.

Distribution tables

for the year ended 30 September 2013

Dividend distribution in pence per share.

Final distribution

	Net revenue	Equalisation	Distribution payable 30.11.13	Distribution paid 30.11.12
Retail accumulation				
Group 1	2.1937	—	2.1937	2.1895
Group 2	0.3617	1.8320	2.1937	2.1895
Institutional accumulation				
Group 1	4.0988	—	4.0988	3.1147
Group 2	0.2443	3.8545	4.0988	3.1147
Retail C accumulation†				
Group 1	3.7413	—	3.7413	N/A
Group 2	0.0426	3.6987	3.7413	N/A

Interim distribution

	Net revenue	Equalisation	Distribution paid 31.05.13	Distribution paid 31.05.12
Retail accumulation⁺				
Group 1	—	—	—	—
Group 2	—	—	—	—
Institutional accumulation⁺				
Group 1	—	—	—	0.5003
Group 2	—	—	—	0.5003
Retail C accumulation†				
Group 1	0.0947	—	0.0947	N/A
Group 2	—	0.0947	0.0947	N/A

⁺Due to expenses exceeding revenue on this class there was no interim distribution.

†Retail C accumulation class commenced 1 November 2012.

Group 1: shares purchased prior to the distribution period.

Group 2: shares purchased during the distribution period.

Equalisation is the average amount of revenue included in the purchase price of all Group 2 shares and is refunded to holders of these shares as a return of capital. Being capital it is not liable for income tax but must be deducted from the cost of shares for capital gains tax purposes.

Lazard Investment Funds – Annual Report and Financial Statements September 2013

Lazard European Smaller Companies Fund continued

Notes to the Financial Statements

as at 30 September 2013

1 Accounting policies

The accounting policies for the Sub-fund are the same as those disclosed in the aggregated financial statements on page 4.

2 Net capital gains

	30.09.13 £'000	30.09.12 £'000
The net capital gains during the year comprise:		
Non-derivative securities	32,458	17,893
Forward currency contracts	2	—
Currency losses	(41)	(9)
Transaction charges	(7)	(8)
Net capital gains	32,412	17,876

3 Revenue

	30.09.13 £'000	30.09.12 £'000
Bank interest	15	8
Non-taxable overseas dividends	2,058	1,639
Property distributions	31	—
Stock dividends	64	632
UK franked dividends	1,144	823
	3,312	3,102

4 Expenses

	30.09.13 £'000	30.09.12 £'000
Payable to the ACD, associates of the ACD and agents of either of them:		
ACD's periodic charge	1,342	1,176
Payable to the Depositary, associates of the Depositary and agents of either of them:		
Depositary's fees	25	23
Safe custody fees	13	11
	38	34
Other expenses:		
Audit fee	8	8
VAT on audit fee	2	2
Legal fees	1	—
Professional fees	1	—
Registration fees	3	3
	15	13
Total expenses	1,395	1,223

5 Taxation

	30.09.13 £'000	30.09.12 £'000
a) Analysis of the charge in the year		
<i>Current tax:</i>		
Overseas tax	166	159
Total current tax (note 5b)	166	159
Deferred tax (note 5c)	—	—
Total taxation	166	159
b) Factors affecting taxation charge for the year		
Net revenue before taxation	1,917	1,879
Net revenue before taxation at the applicable rate of corporation tax in the UK of 20% (2012: 20%)	383	376
Effects of:		
Excess expenses for which no tax relief taken	270	243
Franked Investment revenue at 20%	(229)	(165)
Non-taxable overseas dividends	(411)	(328)
Non-taxable stock dividends	(13)	(126)
Overseas tax	166	159
Total current tax (note 5a)	166	159

c) Provision for Deferred tax

There is no Deferred tax provision in the current or preceding year.

At the year end there is a potential Deferred tax asset of £1,183,000 (2012: £914,000) due to surplus management expenses.

It is unlikely the Sub-fund will generate sufficient taxable profits in the future to utilise these amounts and therefore no Deferred tax asset has been recognised (2012: same).

Lazard Investment Funds – Annual Report and Financial Statements September 2013

Lazard European Smaller Companies Fund continued

Notes to the Financial Statements continued

6 Finance costs

Distributions

The distributions take account of revenue received on the issue of shares and revenue deducted on the cancellation of shares and comprise:

	30.09.13 £'000	30.09.12 £'000
Interim	—	234
Final	1,715	1,440
	<u>1,715</u>	<u>1,674</u>
Add: Revenue deducted on cancellation of shares	75	76
Less: Revenue received on issue of shares	(39)	(30)
Net distributions for the year	<u>1,751</u>	<u>1,720</u>
Interest	—	—
Total finance costs	<u>1,751</u>	<u>1,720</u>

Details of the distributions per share are set out in the tables on page 27.

7 Debtors

	30.09.13 £'000	30.09.12 £'000
Accrued revenue	211	138
Amounts receivable for issue of shares	167	45
Overseas tax recoverable	129	114
Sales awaiting settlement	296	—
	<u>803</u>	<u>297</u>

8 Creditors

	30.09.13 £'000	30.09.12 £'000
Accrued expenses	132	115
Amounts payable for cancellation of shares	63	146
Purchases awaiting settlement	1,319	—
	<u>1,514</u>	<u>261</u>

9 Contingent assets/liabilities and outstanding commitments

As at the balance sheet date, the fund has not recognised a contingent asset of £142,614 (2012 - £0), net of associated costs, in relation to reclaims made to recover withholding tax previously withheld by French tax authorities.

Accounting standards permit the reclaims to be included as an asset in the balance sheet only where the receipt is “virtually certain”. In the opinion of the Manager, receipt is probable rather than virtually certain and accordingly the reclaims are regarded as a contingent or potential asset rather than an actual asset for the purposes of preparing the accounts.

Notwithstanding the treatment for the purposes of the preparation of accounts, an appropriate adjustment to reflect the reclaims has been made for the purposes of daily pricing.

10 Related party disclosure

Details of the related party disclosures are included within note 11 of the aggregated financial statements on page 7.

11 Financial Instruments

Details of the financial instruments risk disclosures are set out in note 14 of the aggregated financial statements on page 7 to 8.

Currency exposure profile

30.09.13 Currency	Net currency assets		
	Monetary exposures £'000	Non-monetary exposures £'000	Total £'000
Danish Krone	—	2,043	2,043
Euro	68	52,793	52,861
Norwegian Krone	—	3,012	3,012
Swedish Krona	—	11,191	11,191
Swiss Franc	166	7,039	7,205
US Dollar	34	809	843
	<u>268</u>	<u>76,887</u>	<u>77,155</u>
Sterling	3,883	59,915	63,798
Net assets attributable to Shareholders	4,151	136,802	140,953

Lazard Investment Funds – Annual Report and Financial Statements September 2013

Lazard European Smaller Companies Fund continued

Notes to the Financial Statements continued

11 Financial Instruments continued

Net currency assets

30.09.12 Currency	Monetary exposures £'000	Non-monetary exposures £'000	Total £'000
Danish Krone	—	1,984	1,984
Euro	187	44,096	44,283
Norwegian Krone	—	7,692	7,692
Swedish Krona	—	8,954	8,954
Swiss Franc	24	4,247	4,271
US Dollar	10	2,159	2,169
	221	69,132	69,353
Sterling	3,252	46,707	49,959
Net assets attributable to Shareholders	3,473	115,839	119,312

Interest rate risk profile

The Sub-fund's only interest bearing financial instruments at the balance sheet date are represented by its cash balances and overdraft facility, which earn and pay interest on normal commercial terms based on LIBOR or its overseas equivalent.

Derivative risk

No derivatives were held at the balance sheet date or throughout the year (2012: same).

12 Portfolio transaction costs

	30.09.13 £'000	30.09.12 £'000
Purchases		
Purchases excluding transaction costs	49,966	37,175
Commissions	54	44
Taxes	86	84
Total transaction costs	140	128
Total purchases including transaction costs	50,106	37,303
Sales		
Sales excluding transaction costs	61,476	49,597
Commissions	(78)	(58)
Total transaction costs	(78)	(58)
Total sales net of transaction costs	61,398	49,539

Lazard Investment Funds – Annual Report and Financial Statements September 2013

Lazard Global Equity Income Fund

Investment Manager's Report

Investment Objective

The objective of the Sub-fund is to seek to generate substantial income as well as long term capital growth.

Investment Review

In the 12 months under review, the Lazard Global Equity Income Fund returned 15.01% against the MSCI AC World Index return of 18.04%.⁽¹⁾

Investment Policy

The Sub-fund will invest in global securities seeking to diversify income stream through exposure to a portfolio of high-yielding securities, comprising primarily of equities, a proportion of which may be in emerging markets.

Market Review

The global market rose during the last 12 months as the market rallied due to ongoing accommodative global monetary policy, encouraging, albeit slow progress in the US economic recovery, and signs that the European economy has stabilised. In the United States, markets met and exceeded highs last seen in 2007, as house prices continued to rebound, household assets and net worth rose, and federal fiscal deficits declined. In Europe, markets also rose as investors anticipated that the euro zone economies had reached an inflection point. In Japan, the market rebounded on Prime Minister Shinzo Abe's plan, dubbed Abenomics, which is an attempt to revitalise the nation's economy. The emerging markets lagged, primarily due to the fears of a slowing Chinese economy and its effect on global commodity prices. The global market grew increasingly volatile toward the end of May amid uncertainty over US monetary policy. Equity markets declined globally after US Federal Reserve (the Fed) Chairman Ben Bernanke suggested late in the second quarter that the Fed may start to scale back on its bond purchases. However, at the Fed's September meeting, the bank elected to maintain the pace of its bond-buying program.

Portfolio Review

Stock selection and an overweight position in the consumer discretionary sector contributed positively to performance. Shares of automobile component manufacturer Valeo rose after the company reported better-than-expected first-half results, driven by strong margins and cash flow generation. Management also raised its full-year guidance, signaling it believes that vehicle production in Europe has reached an inflection point. Also in the consumer discretionary sector, shares of Danish jeweler Pandora rose after the company announced better-than-expected results from the change in its merchandising strategy.

We sold our position during the second quarter, as the stock approached our target valuation. Stock selection and an underweight position in the information technology sector also helped returns. The Fund benefited from an underweight position in Apple, as the stock fell amid uncertainty surrounding gross margins and iPhone demand. The position in Apple was increased following this price weakness as we believe that Apple's leading platform in the smart phone and tablet markets will continue to drive growth as gross margins stabilise, and we are encouraged by the company's recent efforts to increase returns of capital to shareholders.

In contrast, stock selection in the industrials sector detracted from performance. Shares of Egyptian construction contractor Orascom Construction fell as continued political unrest in the country spurred investor concerns about the company's operations. We sold our position during the second quarter. Also in the industrials sector, shares of Russian rail transport operator Globaltrans fell as prices for Russian rail transport declined due to deteriorating GDP growth and lower industrial production. However, we believe that volume declines have not been significant, and that the company's strong cash flow will allow for a higher return of capital to shareholders. Additionally, we believe that Globaltrans is well-positioned to increase its scale in the highly-fragmented Russian rail market through increased merger-and-acquisition activity. Stock selection and an underweight position in the health care sector also hurt returns. Shares of South African health care services provider Life Healthcare underperformed, largely amid investor concerns about inflation in South Africa's currency. Despite this, the company reported solid first-half results, which highlighted improved margins and strength in its underlying business. We like Life Healthcare's strong balance sheet and free-cash-flow generation, and believe that the company could increase its returns of capital to shareholders in the future.

All data contained herein is sourced by Lazard Asset Management unless otherwise noted as at 30 September 2013.

(1) Source: Morningstar Direct, Bid to Bid Price, net income reinvested in sterling, retail share class net of fees, to 30 September 2013.

Figures refer to past performance which is not a reliable indicator of future results.

Lazard Investment Funds – Annual Report and Financial Statements September 2013

Lazard Global Equity Income Fund continued

Outlook

The global economic recovery that started with the improvement of the US housing market roughly 18 months ago has now broadened, with Europe recently emerging from recession and Chinese growth showing signs of stabilisation. This synchronised recovery is a clear positive for equity markets globally and it has led investors to begin to return to equity markets after consistent outflows since the financial crisis. Emerging markets equities have the most to gain from this recovery as they possess the lowest valuations globally and companies are often export-oriented with substantial operating leverage.

General Information as at 30 September 2013

Fund Size	£271.8 million
Net Yield	4.76% Retail Income 4.62% Retail Accumulation 4.75% Institutional Income 4.59% Institutional Accumulation 0.00% Retail C Income† 0.00% Retail C Accumulation†
Sector	Global Growth
Launch Date	22 October 2007
Fund Manager	Patrick Ryan and team.

Lazard Investment Funds – Annual Report and Financial Statements September 2013

Lazard Global Equity Income Fund continued

Portfolio statement (unaudited)

as at 30 September 2013

	Holding	Market Value £'000	% of Net Assets
Australia (4.06%)		5,315	1.96
DUET Group	2,046,619	2,576	0.95
Transurban Group	697,584	2,739	1.01
Belgium (0.00%)		2,903	1.07
Bpost	246,268	2,903	1.07
Brazil (3.66%)		13,459	4.95
Banco do Brasil	799,334	5,721	2.10
BB Seguridade Participacoes	672,500	4,069	1.50
Cia Hering	198,200	1,850	0.68
Direcional Engenharia	545,000	1,819	0.67
Canada (0.84%)		—	—
Cayman Islands (0.11%)		10,885	4.01
Nagacorp	1,294,000	672	0.25
Sands China	1,111,600	4,240	1.56
Wynn Macau	2,836,000	5,973	2.20
Channel Islands (0.00%)		3,164	1.16
Resolution	996,633	3,164	1.16
China (4.02%)		11,780	4.33
Agricultural Bank of China	19,417,000	5,504	2.02
China Construction Bank	9,772,240	4,645	1.71
Industrial & Commercial Bank of China	3,792,055	1,631	0.60
Denmark (0.70%)		—	—
Egypt (1.47%)		—	—
Finland (2.13%)		2,524	0.93
Sampo 'A'	95,116	2,524	0.93
France (6.22%)		13,722	5.04
AXA	321,130	4,593	1.69
Rexel	140,637	2,204	0.81
Total	104,931	3,762	1.38
Valeo	59,986	3,163	1.16
Germany (3.32%)		6,413	2.36
Allianz	34,809	3,378	1.24
BMW	45,736	3,035	1.12
Indonesia (1.49%)		861	0.32
Bank Pembangunan Daerah Jawa Barat dan Banten	18,151,500	861	0.32
Israel (3.70%)		3,077	1.13
Bezeq The Israeli Telecom Company	2,713,962	3,077	1.13
Italy (5.81%)		17,152	6.31
Atlantia	721,121	9,060	3.33
ENI	571,459	8,092	2.98
Japan (2.24%)		4,072	1.50
Mizuho Financial Group	3,037,700	4,072	1.50
Luxembourg (1.12%)		4,288	1.58
RTL Group	68,442	4,288	1.58
Mexico (0.00%)		1,068	0.39
Fibra Uno	629,000	1,068	0.39
Norway (0.69%)		1,589	0.58
Orkla ASA	353,419	1,589	0.58
Russia (3.78%)		10,351	3.81
Mobile Telesystems (ADR)	514,800	7,073	2.60
Sberbank of Russia (ADR)	440,854	3,278	1.21
South Africa (3.94%)		12,152	4.47
Avi	276,076	1,010	0.37
Kumba Iron Ore	50,704	1,437	0.53
Life Healthcare Group Holdings	1,376,677	3,019	1.11
MTN Group	134,079	1,613	0.59
Vodacom Group	665,378	5,073	1.87
Spain (1.07%)		6,360	2.34
Red Electrica de Espana	180,886	6,360	2.34

	Holding	Market Value £'000	% of Net Assets
Sweden (0.00%)		5,710	2.10
Electrolux	230,038	3,691	1.36
SwedBank	140,310	2,019	0.74
Switzerland (1.75%)		6,615	2.44
Swiss Re	70,572	3,602	1.33
Transocean	45,200	1,242	0.46
Zurich Insurance Group	11,139	1,771	0.65
Taiwan (2.13%)		6,267	2.31
Radiant Opto-Electronics	1,399,690	3,069	1.13
Siliconware Precision Industries	4,432,000	3,198	1.18
Thailand (0.30%)		5,522	2.03
Dynasty Ceramic	1,789,100	1,969	0.72
Krung Thai Bank	5,997,900	2,309	0.85
Tisco Financial Group (Alien Market)	1,679,720	1,244	0.46
Turkey (2.17%)		4,933	1.81
Tofas Turk Otomobil Fabrikasi	703,455	2,641	0.97
Tupras-Türkiye Petrol Rafinerileri	175,863	2,292	0.84
United Kingdom (8.18%)		26,066	9.59
Direct Line Insurance	2,380,855	5,055	1.86
Ladbrokes	1,136,960	1,924	0.71
Rexam	335,711	1,616	0.59
Royal Dutch Shell 'A'	374,579	7,632	2.81
Vodafone Group	4,556,008	9,839	3.62
United States (32.53%)		81,116	29.83
Apple	15,306	4,506	1.66
Aviv	95,676	1,346	0.50
Blackstone Mortgage Trust	275,200	4,281	1.57
Capital One Financial (Non-Cumulative Perpetual Preference shares)	234,335	3,159	1.16
Century Link	460,485	8,923	3.28
Cisco Systems	216,300	3,129	1.15
City National	1,766	22	0.01
ConocoPhillips	63,560	2,728	1.00
EPR Properties	43,755	1,317	0.48
Globaltrans GDR	395,092	3,537	1.30
Harsco	85,460	1,314	0.48
Hasbro	116,665	3,396	1.25
Intel	411,580	5,825	2.14
JP Morgan Chase	102,422	1,348	0.50
Lexington Realty Trust	298,050	2,065	0.76
Medical Properties Trust	176,200	1,325	0.49
Microsoft	120,100	2,470	0.91
National Cinemedia	151,178	1,762	0.65
NRG Yield	76,883	1,439	0.53
Pattern Energy	195,930	2,819	1.04
People's United Financial	302,965	2,686	0.99
Pfizer	280,910	4,980	1.83
Qualcomm	31,900	1,326	0.49
Regions Financial	57,438	800	0.29
Republic Services	90,500	1,864	0.69
Seadrill	87,100	2,426	0.89
Southern Copper	224,195	3,771	1.39
Stag Industrial	191,300	2,378	0.87
Sysco	105,647	2,076	0.76
Wynn Resorts	21,500	2,098	0.77
Portfolio of investments (97.43%)		267,364	98.35
Net other assets (2.57%)		4,474	1.65
Net assets attributable to Shareholders		£271,838	100.00

Unless otherwise stated, all holdings are quoted in ordinary shares and listed on a recognised exchange.

The percentages in brackets show the equivalent comparative holding at 30.09.12.

Total purchases for the year: £190,661,791.

Total sales for the year: £142,947,819.

Lazard Investment Funds – Annual Report and Financial Statements September 2013

Lazard Global Equity Income Fund continued

Statement of total return

for the year ended 30 September 2013

	Notes	30.09.13		30.09.12	
		£'000	£'000	£'000	£'000
Income					
Net capital gains	2		21,705		20,992
Revenue	3	14,207		9,560	
Expenses	4	(3,029)		(2,284)	
Finance costs: Interest	6	(6)		—	
Net revenue before taxation		11,172		7,276	
Taxation	5	(1,403)		(946)	
Net revenue after taxation for the year			9,769		6,330
Total return before distributions			31,474		27,322
Finance costs: Distributions	6		(12,563)		(8,459)
Change in net assets attributable to Shareholders from investment activities			18,911		18,863

Balance sheet

as at 30 September 2013

	Notes	30.09.13		30.09.12	
		£'000	£'000	£'000	£'000
Assets					
Investment assets			267,364		198,161
Debtors	7	2,925		14,161	
Cash and bank balances		8,732		8,109	
Total other assets			11,657		22,270
Total assets			279,021		220,431
Liabilities					
Creditors	8	(4,609)		(15,290)	
Distribution payable on income shares		(2,574)		(1,744)	
Total other liabilities			(7,183)		(17,034)
Total liabilities			(7,183)		(17,034)
Net assets attributable to Shareholders			271,838		203,397

Statement of change in net assets attributable to Shareholders

for the year ended 30 September 2013

	30.09.13		30.09.12	
	£'000	£'000	£'000	£'000
Opening net assets attributable to Shareholders		203,397		151,634
Amounts received on issue of shares	75,957		42,711	
Amounts paid on cancellation of shares	(28,542)		(11,152)	
		47,415		31,559
Stamp Duty Reserve tax		(19)		(10)
Change in net assets attributable to Shareholders from investment activities		18,911		18,863
Retained distribution on accumulation shares		2,134		1,351
Closing net assets attributable to Shareholders		271,838		203,397

Fund Facts*

as at 30 September 2013

Ongoing Charges Figure (OCF)

	September 2013
Retail income	1.56%
Retail accumulation	1.55%
Institutional income	1.05%
Institutional accumulation	1.06%
Retail C income†	0.81%
Retail C accumulation†	0.81%

The Ongoing Charges Figure (OCF) represents the interim operating expenses of the Sub-fund expressed as a percentage of average net assets - it does not include initial charges or performance fees. The OCF includes the annual management charge and also the following charges which are deducted directly from the Sub-fund: Registration fees, Depositary fees, Safe Custody fees, Audit fee, FCA fee, Distribution fees, Issuance fees, Non-audit fees, and Transaction charges where applicable.

The OCF is expressed as an annual percentage rate.

†Retail C income and accumulation classes commenced 1 November 2012.

*This section has not been audited.

Lazard Investment Funds – Annual Report and Financial Statements September 2013

Lazard Global Equity Income Fund continued

Fund Facts continued*

as at 30 September 2013

Synthetic Risk and Reward Indicator (SRRI)



The risk and reward category is calculated using historical data and may not be a reliable indicator of the Fund's future risk profile. The risk and reward category may shift over time and is not a target or guarantee.

The lowest category (ie category 1) does not mean "risk free".

The Fund appears in the higher risk category on the risk and reward indicator.

This is because the Fund invests primarily in shares, whose values tend to have higher price fluctuations.

The returns from your investment may be affected by changes in the exchange rate between the Fund's base currency, and the currency of the Fund's investments, your share class and where you live.

High yielding assets may carry a greater risk of capital values falling or have limited prospects of capital growth or recovery.

The securities markets may be less developed in emerging markets and there is a greater risk that the Fund may experience delays in buying, selling and claiming ownership of its investments. Emerging markets may also have less developed political, economic and legal systems and there is a higher risk that the Fund may not get back its money.

The annual management charge is deducted from the capital of the Fund. This will increase the income from the Fund but may constrain or erode potential for capital growth.

There is no capital guarantee or protection of the value of the Fund. The value of your investment and the income from it can go down as well as up and you may not get back the amount you invested.

See "Risk Factors" in the UCITS Prospectus for more information about risks.

*This section has not been audited.

Performance record

as at 30 September 2013

Net asset values

Date	Net asset value (£)	Net asset value (pence per share)	Shares in issue at year end
September 2011			
Retail income	37,237,417	77.84	47,841,426
Retail accumulation	24,407,130	95.17	25,645,795
Institutional income	88,808,814	79.42	111,821,900
Institutional accumulation	1,180,969	97.59	1,210,108
September 2012			
Retail income	53,670,962	86.88	61,774,749
Retail accumulation	30,272,285	111.24	27,213,446
Institutional income	117,451,648	89.10	131,824,759
Institutional accumulation	2,002,068	114.64	1,746,357
September 2013			
Retail income	55,395,263	94.85	58,404,290
Retail accumulation	40,705,219	127.69	31,878,934
Institutional income	137,859,521	97.76	141,020,499
Institutional accumulation	2,634,790	132.24	1,992,392
Retail C income†	32,266,261	95.45	33,802,733
Retail C accumulation†	2,976,606	128.63	2,314,053

Distribution and price record (pence per share)

Retail income shares

Calendar year	Net revenue per share p	Highest price per share	Lowest price per share
2008	3.6014	96.80	59.30
2009	3.8159	84.98	56.20
2010	4.3112	91.52	77.03
2011	4.2554	92.97	75.01
2012	3.9252	91.37	81.06
2013 ⁽ⁱ⁾	4.7856	104.90	90.87

Retail accumulation shares

Calendar year	Net revenue per share p	Highest price per share	Lowest price per share
2008	3.5169	96.90	61.70
2009	4.0977	93.97	59.60
2010	4.9096	106.50	88.66
2011	4.9961	111.00	90.70
2012	4.8875	117.00	100.80
2013 ⁽ⁱ⁾	6.2318	136.30	117.50

Institutional income shares

Calendar year	Net revenue per share p	Highest price per share	Lowest price per share
2008	4.0330	96.90	59.40
2009	3.9402	85.98	56.70
2010	4.4112	92.92	78.11
2011	4.3499	94.67	76.54
2012	4.0270	93.82	82.98
2013 ⁽ⁱ⁾	4.9252	107.90	93.31

Institutional accumulation shares

Calendar year	Net revenue per share p	Highest price per share	Lowest price per share
2008	4.1533	96.90	62.00
2009	4.1904	95.55	60.30
2010	4.9800	108.80	90.37
2011	5.1516	113.70	92.94
2012	5.0430	120.70	103.70
2013 ⁽ⁱ⁾	6.4323	140.90	121.20

Retail C income shares†

Calendar year	Net revenue per share p	Highest price per share	Lowest price per share
2012	—	100.00	85.61
2013 ⁽ⁱ⁾	4.7887	105.40	90.99

Retail C accumulation shares†

Calendar year	Net revenue per share p	Highest price per share	Lowest price per share
2012	—	117.20	100.00
2013 ⁽ⁱ⁾	6.2697	137.00	117.70

⁽ⁱ⁾ To 30.09.13.

†Retail C income and accumulation classes commenced 1 November 2012.

Risk warning

It is important to remember that past performance is not a guide to the future. The value of shares and the income from them can go down as well as up. An investor may get back less than their original investment.

Lazard Investment Funds – Annual Report and Financial Statements September 2013

Lazard Global Equity Income Fund continued

Distribution tables

for the year ended 30 September 2013

Dividend distribution in pence per share.

Final distribution

	Net revenue	Equalisation	Distribution payable 30.11.13	Distribution paid 30.11.12
Retail income				
Group 1	1.0837	—	1.0837	0.8842
Group 2	0.5542	0.5295	1.0837	0.8842
Retail accumulation				
Group 1	1.4376	—	1.4376	1.1228
Group 2	0.9561	0.4815	1.4376	1.1228
Institutional income				
Group 1	1.1169	—	1.1169	0.9088
Group 2	0.8368	0.2801	1.1169	0.9088
Institutional accumulation				
Group 1	1.4877	—	1.4877	1.1466
Group 2	1.1644	0.3233	1.4877	1.1466
Retail C income†				
Group 1	1.0823	—	1.0823	NA
Group 2	0.6794	0.4029	1.0823	NA
Retail C accumulation†				
Group 1	1.4319	—	1.4319	NA
Group 2	0.7089	0.7230	1.4319	NA

3rd interim distribution

	Net revenue	Equalisation	Distribution paid 31.08.13	Distribution paid 31.08.12
Retail income				
Group 1	2.3021	—	2.3021	1.6179
Group 2	1.1801	1.1220	2.3021	1.6179
Retail accumulation				
Group 1	2.9957	—	2.9957	2.0134
Group 2	1.5482	1.4475	2.9957	2.0134
Institutional income				
Group 1	2.3704	—	2.3704	1.6586
Group 2	1.3742	0.9962	2.3704	1.6586
Institutional accumulation				
Group 1	3.1016	—	3.1016	2.0691
Group 2	1.0048	2.0968	3.1016	2.0691
Retail C income†				
Group 1	2.3362	—	2.3362	NA
Group 2	0.9074	1.4288	2.3362	NA
Retail C accumulation†				
Group 1	3.0752	—	3.0752	NA
Group 2	2.1735	0.9017	3.0752	NA

2nd interim distribution

	Net revenue	Equalisation	Distribution paid 31.05.13	Distribution paid 31.05.12
Retail income				
Group 1	0.5828	-	0.5828	0.6914
Group 2	0.3927	0.1901	0.5828	0.6914
Retail accumulation				
Group 1	0.7482	-	0.7482	0.8558
Group 2	0.5193	0.2289	0.7482	0.8558
Institutional income				
Group 1	0.6007	-	0.6007	0.7096
Group 2	0.4255	0.1752	0.6007	0.7096
Institutional accumulation				
Group 1	0.7698	-	0.7698	0.9060
Group 2	0.5632	0.2066	0.7698	0.9060
Retail C income†				
Group 1	0.5468	-	0.5468	NA
Group 2	0.3350	0.2118	0.5468	NA
Retail C accumulation†				
Group 1	0.7149	-	0.7149	NA
Group 2	0.3239	0.3910	0.7149	NA

1st interim distribution

	Net revenue	Equalisation	Distribution paid 28.02.13	Distribution paid 29.02.12
Retail income				
Group 1	0.8170	—	0.8170	0.7317
Group 2	0.4338	0.3832	0.8170	0.7317
Retail accumulation				
Group 1	1.0503	—	1.0503	0.8955
Group 2	0.6386	0.4117	1.0503	0.8955
Institutional income				
Group 1	0.8372	—	0.8372	0.7500
Group 2	0.5266	0.3106	0.8372	0.7500
Institutional accumulation				
Group 1	1.0732	—	1.0732	0.9213
Group 2	0.4379	0.6353	1.0732	0.9213
Retail C income†				
Group 1	0.8234	—	0.8234	NA
Group 2	0.0753	0.7481	0.8234	NA
Retail C accumulation†				
Group 1	1.0477	—	1.0477	NA
Group 2	1.0477	—	1.0477	NA

†Retail C income and accumulation classes commenced 1 November 2012.

Group 1: shares purchased prior to the distribution period.

Group 2: shares purchased during the distribution period.

Equalisation is the average amount of revenue included in the purchase price of all Group 2 shares and is refunded to holders of these shares as a return of capital. Being capital it is not liable for income tax but must be deducted from the cost of shares for capital gains tax purposes.

Lazard Investment Funds – Annual Report and Financial Statements September 2013

Lazard Global Equity Income Fund continued

Notes to the Financial Statements

as at 30 September 2013

1 Accounting policies

The accounting policies for the Sub-fund are the same as those disclosed in the aggregated financial statements on page 4.

2 Net capital gains

	30.09.13 £'000	30.09.12 £'000
The net capital gains during the year comprise:		
Non-derivative securities	21,804	21,043
Currency losses	(80)	(39)
Forward currency contracts	(1)	—
Transaction charges	(18)	(12)
Net capital gains	21,705	20,992

3 Revenue

	30.09.13 £'000	30.09.12 £'000
Bank interest	35	20
HMRC interest	—	1
Non-taxable overseas dividends	11,260	8,027
Stock dividends	9	—
Taxable overseas dividends	2,375	846
UK franked dividends	528	666
	14,207	9,560

4 Expenses

	30.09.13 £'000	30.09.12 £'000
Payable to the ACD, associates of the ACD and agents of either of them:		
ACD's periodic charge	2,912	2,181
Payable to the Depositary, associates of the Depositary and agents of either of them:		
Depositary's fees	39	31
Safe custody fees	57	43
	96	74
Other expenses:		
Audit fee	8	8
VAT on audit fee	2	2
Distribution fees	2	1
Issuance fees	—	7
Non-audit fees*	—	2
Professional fees	1	—
Registrations fees	7	9
Sundry expenses	1	—
	21	29
Total expenses	3,029	2,284

5 Taxation

	30.09.13 £'000	30.09.12 £'000
a) Analysis of the charge in the year		
<i>Current tax:</i>		
Overseas tax	1,403	946
Total current tax (note 5b)	1,403	946
Deferred tax (note 5c)	—	—
Total taxation	1,403	946
b) Factors affecting taxation charge for the year		
Net revenue before taxation	11,172	7,276
Net revenue before taxation at the applicable rate of corporation tax in the UK of 20% (2012: 20%)	2,234	1,455
Effects of:		
Excess expenses for which no tax relief taken	193	309
Franked Investment revenue at 20%	(105)	(133)
Movement in taxable revenue accruals	—	(5)
Non-taxable overseas dividends	(2,252)	(1,606)
Non-taxable stock dividends	(2)	—
Overseas tax	1,403	946
Overseas tax expensed	(68)	(20)
Total current tax (note 5a)	1,403	946

c) Provision for Deferred tax

There is no Deferred tax provision in the current or preceding year.

At the year end there is a potential Deferred tax asset of £856,000 (2012: £687,000) due to surplus management expenses.

It is unlikely the Sub-fund will generate sufficient taxable profits in the future to utilise these amounts and therefore no Deferred tax asset has been recognised (2012: same).

*Fees paid to overseas firms affiliated with PricewaterhouseCoopers LLP.

Lazard Investment Funds – Annual Report and Financial Statements September 2013

Lazard Global Equity Income Fund continued

Notes to the Financial Statements continued

6 Finance costs

Distributions

The distributions take account of revenue received on the creation of shares and revenue deducted on the cancellation of shares and comprise:

	30.09.13 £'000	30.09.12 £'000
1st Interim	1,977	1,471
2nd Interim	1,487	1,468
3rd Interim	6,316	3,621
Final	3,095	2,070
	<u>12,875</u>	<u>8,630</u>
Add: Revenue deducted on cancellation of shares	186	62
Less: Revenue received on issue of shares	(498)	(233)
Net distributions for the year	12,563	8,459
Interest	6	—
Total finance costs	12,569	8,459

The differences between net revenue after taxation and the distributions for the year are as follows:

	30.09.13 £'000	30.09.12 £'000
Net revenue after taxation for the year	9,769	6,330
ACD's periodic charge to capital	2,913	2,181
Tax relief on capital items not deducted from distribution	(119)	(52)
Net distributions for the year	12,563	8,459

Details of the distributions per share are set out in the tables on page 36.

7 Debtors

	30.09.13 £'000	30.09.12 £'000
Accrued revenue	303	314
Amounts receivable for FX contracts	275	8,649
Amounts receivable for issue of shares	816	1,098
Bank interest receivable	—	2
Overseas tax recoverable	109	123
Sales awaiting settlement	1,422	3,975
	<u>2,925</u>	<u>14,161</u>

8 Creditors

	30.09.13 £'000	30.09.12 £'000
Accrued expenses	274	228
Amounts payable for cancellation of shares	1,258	5
Amounts payable for FX contracts	274	8,633
Purchases awaiting settlement	2,803	6,424
	<u>4,609</u>	<u>15,290</u>

9 Contingent assets/liabilities and outstanding commitments

As at the balance sheet date, the fund has not recognised a contingent asset of £219,242 (2012 - £0), net of associated costs, in relation to reclaims made to recover withholding tax previously withheld by French tax authorities.

Accounting standards permit the reclaims to be included as an asset in the balance sheet only where the receipt is "virtually certain". In the opinion of the Manager, receipt is probable rather than virtually certain and accordingly the reclaims are regarded as a contingent or potential asset rather than an actual asset for the purposes of preparing the accounts.

Notwithstanding the treatment for the purposes of the preparation of accounts, an appropriate adjustment to reflect the reclaims has been made for the purposes of daily pricing.

10 Related party disclosures

Details of the related party disclosures are included within note 11 of the aggregated financial statements on page 7.

Lazard Investment Funds – Annual Report and Financial Statements September 2013

Lazard Global Equity Income Fund continued

Notes to the Financial Statements continued

11 Financial instruments

Details of the financial instruments risk disclosures are set out in note 14 of the aggregated financial statements on page 7 to 8.

Currency exposure profile

Net currency assets/(liabilities)			
30.09.13 Currency	Monetary exposures £'000	Non-monetary exposures £'000	Total £'000
Australian Dollar	—	5,315	5,315
Brazilian Real	59	13,458	13,517
Euro	136	60,994	61,130
Hong Kong Dollar	617	22,665	23,282
Indonesian Rupiah	—	861	861
Israeli Shekel	7	3,077	3,084
Japanese Yen	53	4,072	4,125
Mexican Peso	—	1,068	1,068
New Turkish Lira	—	4,934	4,934
Norwegian Krone	—	1,588	1,588
South African Rand	5	12,152	12,157
Swedish Krona	—	5,710	5,710
Swiss Franc	—	5,373	5,373
Taiwan Dollar	176	6,268	6,444
Thai Baht	—	5,521	5,521
US Dollar	(2,137)	92,710	90,573
	(1,084)	245,766	244,682
Sterling	5,558	21,598	27,156
Net assets attributable to Shareholders	4,474	267,364	271,838

Net currency assets

30.09.12 Currency	Monetary exposures £'000	Non-monetary exposures £'000	Total £'000
Australian Dollar	—	8,257	8,257
Brazil Real	—	6,688	6,688
Danish Krone	—	1,421	1,421
Egyptian Pound	—	2,992	2,992
Euro	116	43,337	43,453
Hong Kong Dollar	—	8,410	8,410
Indonesian Rupian	—	3,029	3,029
Israeli Shekel	—	7,531	7,531
Japanese Yen	93	4,547	4,640
Norwegian Krone	—	1,399	1,399
Singapore Dollar	28	—	28
South African Rand	6	8,016	8,022
Swedish Kroner	—	2,286	2,286
Swiss Franc	—	3,559	3,559
Taiwanese Dollar	435	1,567	2,002
Thai Baht	—	602	602
Turkish Lira	—	4,412	4,412
US Dollar	149	79,085	79,234
	827	187,138	187,965
Sterling	4,409	11,023	15,432
Net assets attributable to Shareholders	5,236	198,161	203,397

Interest rate risk profile

The Sub-fund's only interest bearing financial instruments at the balance sheet date are represented by its cash balances and overdraft facility, which earn and pay interest on normal commercial terms based on LIBOR or its overseas equivalent.

Derivative risk

No derivatives were held at the balance sheet date or throughout the year (2012: same).

12 Portfolio transaction costs

	30.09.13 £'000	30.09.12 £'000
Purchases		
Purchases excluding transaction costs	190,324	147,447
Commissions	230	186
Taxes	108	96
Total transaction costs	338	282
Total purchases including transaction costs	190,662	147,729
Sales		
Sales excluding transaction costs	143,149	116,584
Commissions	(187)	(144)
Fees	(14)	(19)
Total transaction costs	(201)	(163)
Total sales net of transaction costs	142,948	116,421

Lazard Investment Funds – Annual Report and Financial Statements September 2013

Lazard Managed Balanced Fund

Investment Manager's Report

Investment Objective

The objective of the Sub-fund is to achieve capital growth whilst maintaining a reasonable yield.

Investment Review

Over the 12 months under review the Lazard Managed Balanced Fund returned 13.51% against the Customised Index* return of 12.97%.⁽¹⁾

Investment Policy

The Sub-fund will invest in diversified investments largely in equity markets with a bias towards UK and international equities, fixed income securities issued by governments, corporations and bank deposits.

Market Review

The global market rose during the last 12 months as the market rallied due to ongoing accommodative global monetary policy, encouraging, albeit slow progress in the US economic recovery, and signs that the European economy has stabilised. In the United States, markets met and exceeded highs last seen in 2007, as house prices continued to rebound, household assets and net worth rose, and federal fiscal deficits declined. In Europe, markets also rose as investors anticipated that the euro zone economies had reached an inflection point. In Japan, the market rebounded on Prime Minister Shinzo Abe's plan, dubbed Abenomics, which is an attempt to revitalise the nation's economy. The emerging markets lagged, primarily due to the fears of a slowing Chinese economy and its effect on global commodity prices. The global market grew increasingly volatile toward the end of May amid uncertainty over US monetary policy. Equity markets declined globally after US Federal Reserve (the Fed) Chairman Ben Bernanke suggested late in the second quarter that the Fed may start to scale back on its bond purchases. However, at the Fed's September meeting, the bank elected to maintain the pace of its bond-buying program.

Portfolio Review

An underweight position in the materials sector contributed to performance. Shares of Eastman Chemical rose after the company reported solid earnings, driven by consistently strong margin performance. Management also raised its full-year guidance, despite a difficult macroeconomic environment. We continue to like Eastman as we believe the company has strong execution, growth potential from new product introductions, and an attractive risk/reward profile. Stock selection and an underweight position in the health care sector also helped returns. Shares of pharmaceutical maker Vertex rose as the company announced encouraging data for a cystic fibrosis treatment, including that it is possible a treatment being developed could address approximately 50% of the patient population. We continue to view the company positively.

In contrast, stock selection in the consumer discretionary sector detracted from performance. Shares of Brazilian apparel retailer Cia Hering fell as same-store sales disappointed, which the company attributed to soft demand in the country. We believe that the company's strong brand and prudent growth plans should allow it to navigate ongoing macroeconomic headwinds. Stock selection in the energy sector also hurt returns. Shares of geophysical services provider CGG Veritas also fell after the company reported disappointing earnings, due to increased competition and higher costs. We sold our position during the second quarter. An underweight position in the information technology sector also weighed on returns. Shares of Apple detracted from performance as the stock fell due to uncertainty surrounding gross margin trajectory and iPhone demand. However, we believe that Apple's leading platform in the smart phone and tablet markets will continue to drive growth as gross margins stabilize, and that valuation is attractive at current levels.

In the UK, the Fund made considerable gains in consumer services, due to an overweight and positive stock selection in the sector, most notably through our holdings in easyJet and ITV. The former was our best performing stock during the period, as the low-cost airline benefitted from positive results and forecasts, as well as per-seat revenues growing at a faster rate than per-seat costs. The latter also performed well due to good results, in addition to improving advertising trends.

Stock selection in oil & gas detracted from performance, though the effects of this were mitigated somewhat by our underweight position in the sector. At the stock level, Ophir Energy weighed on relative returns.

In the fixed income portion of the portfolio, our overweight to corporate bonds helped performance, as credit outperformed UK government bonds during the period.

Outlook

As we look to year-end and beyond, we are encouraged by a number of factors. The US recovery remains intact, if not robust, in spite of political concerns and uncertainty over monetary policy. We increasingly believe the evidence emanating from Europe attests to a bottoming out of its economic cycle. Likewise, we see signs of near-term stabilisation in Chinese GDP figures as a positive sign as it reduces the risk of a hard landing.

General Information as at 30 September 2013

Fund Size	£22.5 million
Net Yield	1.70% Retail Income 2.11% Institutional Income 2.08% Institutional Accumulation
Sector	ABI Managed Balanced Index (Pensions)
Launch Date	1 June 1999
Fund Managers	Alan Custis, Andrew Lacey, Tom Hanson and teams

*FTSE All-Share Index 50%; MSCI AC World Index 25%; FTSE UK Govt All Stocks Index 25%.

All data contained herein is sourced by Lazard Asset Management unless otherwise noted as at 30 September 2013.

(1) Source: Morningstar Direct, Bid to Bid Price, net income reinvested in sterling, retail share class net of fees, to 30 September 2013.

Figures refer to past performance which is not a reliable indicator of future results.

Lazard Investment Funds – Annual Report and Financial Statements September 2013

Lazard Managed Balanced Fund continued

Portfolio statement (unaudited)

as at 30 September 2013

	Holding	Market Value £'000	% of Net Assets
Equities (77.42%)		18,135	80.44
Australia (0.39%)		—	—
Belgium (0.95%)		186	0.83
Anheuser-Busch InBev	3,017	186	0.83
Bermuda (0.23%)		91	0.40
Signet Jewellers	2,087	91	0.40
Brazil (1.33%)		67	0.30
Cia Hering	7,140	67	0.30
British Virgin Islands (0.13%)		32	0.14
Gem Diamonds	21,353	32	0.14
Canada (0.41%)		58	0.26
MacDonold Dettwiler	1,218	58	0.26
Channel Islands (1.71%)		218	0.97
Experian Group	18,493	218	0.97
China (0.59%)		—	—
Denmark (0.00%)		109	0.48
Novo Nordisk	1,042	109	0.48
Finland (0.36%)		80	0.35
Sampo 'A'	3,003	80	0.35
France (1.19%)		41	0.18
Technip	570	41	0.18
Germany (1.00%)		204	0.91
BMW	1,032	68	0.30
Continental	658	69	0.31
Sky Deutschland	11,869	67	0.30
Hong Kong (0.16%)		—	—
Indonesia (1.19%)		96	0.43
Bank Mandiri	75,924	32	0.14
Media Nusantara Citra PT	278,500	40	0.18
PT Telekomunikasi Indonesia (ADR)	1,071	24	0.11
Ireland (0.45%)		—	—
Israel (0.30%)		—	—
Japan (2.41%)		401	1.78
Daiwa House Industry	8,000	93	0.41
JS Group	5,400	69	0.31
Mitsubishi Estate	7,600	138	0.61
Sumitomo Mitsui Financial Group	33,000	101	0.45
Peru (0.00%)		73	0.32
Credicorp	919	73	0.32
Philippines (0.00%)		90	0.40
Alliance Global	96,800	32	0.14
Security Bank	31,110	58	0.26
Russia (0.88%)		168	0.74
Magnit (GDR)	884	34	0.15
Mobile Telesystems (ADR)	2,190	30	0.13
Sberbank	55,979	104	0.46
South Africa (0.21%)		64	0.28
Life Healthcare Group Holdings	29,404	64	0.28
South Korea (0.56%)		105	0.47
Samsung Electronics	134	105	0.47
Spain (0.00%)		332	1.47
International Consolidated Airline	98,152	332	1.47
Sweden (0.30%)		100	0.44
Assa Abloy 'B'	3,521	100	0.44
Switzerland (0.00%)		247	1.09
Novartis	2,912	138	0.61
Panalpina Welttransport	299	27	0.12
Swatch	206	82	0.36

	Holding	Market Value £'000	% of Net Assets
Taiwan (0.42%)		57	0.25
Taiwan Semiconductor	5,458	57	0.25
Thailand (0.52%)		78	0.34
Kasikornbank	17,700	62	0.27
Pruksa Real Estate	41,600	16	0.07
Turkey (0.25%)		66	0.29
KOC Holdings	23,195	66	0.29
United Kingdom (45.94%)		11,502	51.03
Oil & Gas Producers (7.97%)		1,363	6.04
BG Group	24,300	287	1.27
BP	72,760	315	1.40
Ophir Energy	21,915	73	0.32
Premier Oil	17,463	57	0.25
Royal Dutch Shell 'B'	25,360	541	2.40
Tullow Oil	8,752	90	0.40
Oil Equipment, Services & Distribution (1.01%)		105	0.47
Hunting	13,244	105	0.47
Chemicals (0.30%)		75	0.33
Elimentis	31,200	75	0.33
Constructions & Materials (0.00%)		76	0.34
Keller Group	7,408	76	0.34
Industrial Metals & Mining (0.18%)		30	0.13
London Mining	26,086	30	0.13
Mining (4.14%)		835	3.70
Anglo American	6,504	99	0.44
Glencore Xstrata	96,632	325	1.44
Rio Tinto	12,027	364	1.61
Vedanta	4,385	47	0.21
Aerospace & Defence (0.64%)		181	0.80
Rolls-Royce Holdings	16,244	181	0.80
General Industrials (0.83%)		173	0.77
Rexam	35,967	173	0.77
Electronic & Electrical Equipment (0.59%)		107	0.47
Spectris	4,854	107	0.47
Industrial Engineering (0.24%)		124	0.55
Weir Group	5,340	124	0.55
Support Services (1.78%)		829	3.69
Ashtead Group	18,576	114	0.51
Capita Group	10,522	105	0.47
Hays	119,370	141	0.63
Howden Joinery	25,698	75	0.33
Intertek Group	5,279	174	0.77
Premier Farnell	41,429	90	0.40
Wolseley	4,068	130	0.58
Automobiles & Parts (0.29%)		—	—
Beverages (1.71%)		451	2.00
Diageo	22,939	451	2.00
Food Producers (2.45%)		373	1.66
Devro	19,159	62	0.28
Unilever	12,765	311	1.38
Personal Goods (0.00%)		271	1.20
Burberry Group	8,188	134	0.59
Taylor Wimpey	137,042	137	0.61
Tobacco (2.61%)		435	1.93
British American Tobacco	13,286	435	1.93
Health Care Equipment & Services (0.46%)		122	0.54
Smith & Nephew	15,799	122	0.54

Lazard Investment Funds – Annual Report and Financial Statements September 2013

Lazard Managed Balanced Fund continued

Portfolio statement (unaudited) continued

	Holding	Market Value £'000	% of Net Assets		Holding	Market Value £'000	% of Net Assets
Pharmaceuticals & Biotechnology (3.07%)				United States (continued)			
AstraZeneca	6,980	224	0.99	Consol Energy	3,030	63	0.28
BTG	27,560	105	0.47	CVS Caremark	2,840	100	0.44
GlaxoSmithKline	19,788	308	1.37	Dover	1,285	71	0.31
Shire	8,030	199	0.88	Eastman Chemical	1,490	72	0.32
Food & Drug Retailers (0.45%)				Eaton	2,105	90	0.40
Tesco	66,146	237	1.05	EMC	6,330	100	0.44
General Retailers (0.49%)				Google	114	62	0.28
Carphone Warehouse Group	31,720	75	0.33	Honeywell International	3,060	157	0.70
Dixons Retail	159,790	74	0.33	Intercontinental	455	51	0.23
Kingfisher	27,237	105	0.47	Joy Global	2,150	68	0.30
Pendragon	236,860	79	0.35	Macy's	2,400	64	0.28
Media (1.40%)				MasterCard	269	112	0.50
ITV	114,358	200	0.89	McKesson	2,120	168	0.75
Reed Elsevier	16,223	135	0.60	MD Medical Group	2,598	20	0.09
Travel & Leisure (2.74%)				Molson Coors Brewing	3,247	101	0.45
Compass Group	27,633	235	1.04	Peabody Energy	6,185	66	0.29
easyJet	10,202	130	0.58	Pfizer	8,180	145	0.64
TUI Travel	26,161	96	0.43	Qualcomm	2,420	101	0.45
Fixed Line Telecommunications (1.09%)				Ross Stores	1,900	85	0.38
BT Group	60,041	206	0.91	Schlumberger	1,705	93	0.41
Mobile Telecommunications (2.36%)				Taylor Morrison	2,175	30	0.13
Vodafone Group	344,783	745	3.30	Tibco Software	2,120	34	0.15
Electricity (0.23%)				United Health Group	1,515	67	0.30
Drax Group	12,405	85	0.38	United Technologies	1,865	124	0.55
Gas, Water & Multiutilities (1.24%)				US Silica Holdings	2,195	34	0.15
Centrica	44,131	163	0.72	Vertex Pharmaceuticals	1,135	53	0.24
Pennon Group	15,536	109	0.48	Viacom 'B'	3,305	171	0.76
Banks (4.36%)				Visa	925	109	0.48
Barclays	64,645	172	0.76	Zoetis	3,540	68	0.30
Barclays (Rights 17.10.2013)	19,063	15	0.07	Government Stocks (10.14%)			1,769 7.84
HSBC Holdings	102,932	689	3.06	Treasury 4.25% 07.06.2032	£150,000	170	0.75
Lloyds	409,577	301	1.34	Treasury 4.25% 07.03.2036	£198,000	225	1.00
Standard Chartered	25,498	378	1.68	Treasury 4.25% 07.12.2046	£200,000	230	1.02
Nonlife Insurance (0.57%)				Treasury 4.25% 07.12.2055	£170,000	199	0.88
Life Insurance (1.35%)				Treasury 4.75% 07.09.2015	£350,000	379	1.68
Prudential	20,840	240	1.06	Treasury 4.75% 07.03.2020	£130,000	152	0.67
Resolution	41,656	132	0.59	Treasury 4.75% 07.12.2038	£160,000	196	0.87
Real Estate Investment Trusts (0.87%)				Treasury 5% 07.03.2025	£180,000	218	0.97
Derwent London	3,246	77	0.34	Corporate Bonds (8.67%)			1,742 7.74
Foxtons Group	16,000	43	0.19	Aviva 6.125% Open Maturity	£70,000	69	0.31
Shaftesbury	14,227	84	0.37	Barclays Bank 5.75% 14.09.2026	£50,000	53	0.24
Financial Services (0.00%)				Barclays Bank 10% 21.05.2021	£75,000	97	0.43
Man Group	61,611	52	0.23	Compagnie 5.625% 15.11.2024	£100,000	109	0.48
Sherborne Investors	49,419	50	0.22	Deutsche Telekom 6.5% 08.04.2022	£50,000	60	0.27
Technology Hardware & Equipment (0.52%)				Deutsche Bahn Finance 2.75% 20.06.2012	£75,000	74	0.33
ARM Holdings	16,781	165	0.73	DWR Cymru Financing 6.907% 31.03.2021	£90,000	111	0.49
IQE	149,033	44	0.20	General Electric Capital 5.50% 15.09.2066	£50,000	50	0.22
United States (15.54%)				Glencore 6.5% 27.02.2019	£50,000	56	0.25
American Express	2,920	136	0.60	Halifax 7.881% Open Maturity	£30,000	31	0.14
Apache	1,335	70	0.31	Holcim 8.75% 24.04.2017	£50,000	61	0.27
Apple	513	151	0.67	HSBC Bank 5.844% 29.11.2049	£100,000	99	0.44
Autozone	270	70	0.31	Investec 7.75% 01.03.2016	£50,000	49	0.22
Baidu	775	74	0.33	Munich Finance 7.625% 21.06.2028	£72,000	85	0.38
Bank Of America	7,865	67	0.30	Northern Gas Networks 4.875% 15.11.2035	£70,000	73	0.32
Bristol-Myers Squibb	1,210	35	0.16	Prudential 6.125% 19.12.2031	£50,000	56	0.25
Chevron	2,610	196	0.87	Rabobank Nederland 4.625% 13.01.2021	£100,000	108	0.48
Cisco Systems	8,335	121	0.54	Rolls-Royce 6.75% 30.04.2019	£50,000	61	0.27
Citigroup	5,960	179	0.79	Royal Bank of Scotland 5.50% Open Maturity	£70,000	54	0.24
Comcast ('A' Non-voting)	3,440	92	0.41	RWE Finance 6.25% 03.06.2030	£30,000	35	0.16

Lazard Investment Funds – Annual Report and Financial Statements September 2013

Lazard Managed Balanced Fund continued

Portfolio statement (unaudited) continued

	Holding	Market Value £'000	% of Net Assets
Corporate Bonds (continued)			
Santander UK 6.222% 24.05.2019	£65,000	52	0.23
Siemens Financieringsmaatschappij 6.125% 14.09.2066	£65,000	70	0.31
Southern Gas Network 4.875% 21.03.2029	£60,000	64	0.28
Verizon Wireless Capital 8.875% 18.12.2018	£50,000	65	0.29
Volkswagen International Financing 1.25% 20.08.2015	£100,000	100	0.44
Portfolio of investments (96.23%)		21,646	96.02
Net other assets (3.77%)		898	3.98
Net assets attributable to Shareholders		22,544	100.00

Unless otherwise stated, all holdings are quoted in ordinary shares and listed on a recognised exchange.

The percentages in brackets show the equivalent comparative holdings at 30.09.2012.

Total purchases for the year: £12,149,100.

Total sales for the year: £10,679,323.

Rating	Market Value £'000
AAA	1,769
AA	74
AA-	222
A	257
A-	320
BBB+	388
BBB	295
BBB-	52
BB	31
NR	103
Total Corporate Bonds	1,742
Government Stocks	1,769
Equities	18,135
Portfolio of investments	£21,646

Bonds have been categorized by Bloomberg Composite Ratings
(Source: Bloomberg L.P.).

Lazard Investment Funds – Annual Report and Financial Statements September 2013

Lazard Managed Balanced Fund continued

Statement of total return

for the year ended 30 September 2013

	Notes	30.09.13		30.09.12	
		£'000	£'000	£'000	£'000
Income					
Net capital gains	2		2,346		2,286
Revenue	3	612		556	
Expenses	4	(196)		(161)	
Finance costs: Interest	6	—		—	
Net revenue before taxation		416		395	
Taxation	5	(13)		(13)	
Net revenue after taxation for the year			403		382
Total return before distributions			2,749		2,668
Finance costs: Distributions	6		(480)		(436)
Change in net assets attributable to Shareholders from investment activities			2,269		2,232

Balance sheet

as at 30 September 2013

	Notes	30.09.13		30.09.12	
		£'000	£'000	£'000	£'000
Assets					
Investment assets			21,646		17,837
Debtors	7	251		148	
Cash and bank balances		848		689	
Total other assets			1,099		837
Total assets			22,745		18,674
Liabilities					
Creditors	8	(150)		(95)	
Bank overdraft		(7)		—	
Distribution payable on income shares		(44)		(43)	
Total other liabilities			(201)		(138)
Total liabilities			(201)		(138)
Net assets attributable to Shareholders			22,544		18,536

Statement of change in net assets attributable to Shareholders

for the year ended 30 September 2013

	30.09.13		30.09.12	
	£'000	£'000	£'000	£'000
Opening net assets attributable to Shareholders		18,536		15,195
Amounts received on issue of shares	3,499		2,978	
Amounts paid on cancellation of shares	(2,163)		(2,227)	
		1,336		751
Stamp Duty Reserve tax		(5)		(3)
Change in net assets attributable to Shareholders from investment activities		2,269		2,232
Retained distribution on accumulation shares		408		361
Closing net assets attributable to Shareholders		22,544		18,536

Fund facts*

as at 30 September 2013

Ongoing Charges Figure (OCF)

	September 2013
Retail income	1.64%
Institutional income	0.96%
Institutional accumulation	0.94%

The Ongoing Charges Figure (OCF) represents the annual operating expenses of the Sub-fund expressed as a percentage of average net assets - it does not include initial charges or performance fees. The OCF includes the annual management charge and also the following charges which are deducted directly from the Sub-fund: Registration fees, Depositary fees, Safe Custody fees, Audit fee, FCA fee, Distribution fees, Issuance fees, Non-audit fees, and Transaction charges where applicable.

Synthetic Risk and Reward Indicator (SRRI)

◀ Lower Risk Higher Risk ▶

Typically Lower Rewards Typically Higher Rewards

1	2	3	4	5	6	7
---	---	---	---	---	---	---

The risk and reward category is calculated using historical data and may not be a reliable indicator of the Fund's future risk profile. The risk and reward category may shift over time and is not a target or guarantee.

The lowest category (ie category 1) does not mean "risk free".

The Fund appears in the higher risk category on the risk and reward indicator.

This is because the prices of the investments made by the Fund have been subject to higher price fluctuations.

The returns from your investment may be affected by changes in the exchange rate between the Fund's base currency, and the currency of the Fund's investments, your share class and where you live.

Investment in lower rated bonds increases the risk of default on repayment and the risk to capital of the Fund.

50% of the annual management charge is deducted from the capital of the Fund. This will increase the income from the Fund but may constrain or erode potential for capital growth.

There is no capital guarantee or protection of the value of the Fund. The value of your investment and the income from it can go down as well as up and you may not get back the amount you invested.

*This section has not been audited.

Lazard Investment Funds – Annual Report and Financial Statements September 2013

Lazard Managed Balanced Fund continued

Performance record

as at 30 September 2013

Net asset values

Date	Net asset value (£)	Net asset value (pence per share)	Shares in issue at year end
September 2011			
Retail income	1,471,303	98.67	1,491,183
Institutional income	1,728,472	100.61	1,717,913
Institutional accumulation	11,995,027	109.33	10,971,364
September 2012			
Retail income	1,514,913	112.88	1,342,025
Institutional income	1,983,041	115.43	1,717,887
Institutional accumulation	15,037,760	128.65	11,688,714
September 2013			
Retail income	1,475,290	125.86	1,172,125
Institutional income	2,216,915	129.05	1,717,826
Institutional accumulation	18,852,029	147.08	12,817,299

Distribution and price record (pence per share)

Retail income shares

Calendar year	Net revenue per share p	Highest price per share	Lowest price per share
2008	3.2439	118.20	75.60
2009	2.5521	101.00	75.30
2010	2.3291	111.10	95.48
2011	2.3883	113.40	96.53
2012	2.4572	116.20	105.60
2013 ⁽¹⁾	2.2259	131.90	116.90

Institutional income shares

Calendar year	Net revenue per share p	Highest price per share	Lowest price per share
2008	3.5487	119.50	76.50
2009	2.8358	103.40	76.40
2010	2.7113	113.20	97.20
2011	2.7950	115.70	98.44
2012	2.9019	119.10	108.00
2013 ⁽¹⁾	2.8781	135.20	119.80

Institutional accumulation shares

Calendar year	Net revenue per share p	Highest price per share	Lowest price per share
2008 ⁽²⁾	—	89.60	78.20
2009	2.8721	105.90	76.40
2010	2.8093	119.80	101.50
2011	3.0093	123.70	106.50
2012	3.2041	132.80	118.30
2013 ⁽¹⁾	3.2166	152.10	133.50

⁽¹⁾ To 30.09.13.

⁽²⁾ Available from 03.11.08.

Risk warning

It is important to remember that past performance is not a guide to the future. The value of shares and the income from them can go down as well as up. An investor may get back less than their original investment.

Distribution tables

for the year ended 30 September 2013

Dividend distribution in pence per share.

Final distribution

	Net revenue	Equalisation	Distribution payable 30.11.13	Distribution paid 30.11.12
Retail income				
Group 1	1.3507	—	1.3507	1.2844
Group 2	0.5497	0.8010	1.3507	1.2844
Institutional income				
Group 1	1.6351	—	1.6351	1.5132
Group 2	0.7120	0.9231	1.6351	1.5132
Institutional accumulation				
Group 1	1.8467	—	1.8467	1.6869
Group 2	0.8727	0.9740	1.8467	1.6869

Interim distribution

	Net revenue	Equalisation	Distribution paid 31.05.13	Distribution paid 31.05.12
Retail income				
Group 1	0.8752	—	0.8752	1.1728
Group 2	0.7143	0.1609	0.8752	1.1728
Institutional income				
Group 1	1.2430	—	1.2430	1.3887
Group 2	—	—	—	1.3887
Institutional accumulation				
Group 1	1.3699	—	1.3699	1.5172
Group 2	0.8700	0.4999	1.3699	1.5172

Group 1: shares purchased prior to the distribution period.

Group 2: shares purchased during the distribution period.

Equalisation is the average amount of revenue included in the purchase price of all Group 2 shares and is refunded to holders of these shares as a return of capital. Being capital it is not liable for income tax but must be deducted from the cost of shares for capital gains tax purposes.

Lazard Investment Funds – Annual Report and Financial Statements September 2013

Lazard Managed Balanced Fund continued

Notes to the Financial Statements

as at 30 September 2013

1 Accounting policies

The accounting policies for the Sub-fund are the same as those disclosed in the aggregated financial statements on page 4.

2 Net capital gains

	30.09.13 £'000	30.09.12 £'000
The net capital gains during the year comprise:		
Non-derivative securities	2,361	2,303
Currency gains/(losses)	2	(2)
Transaction charges	(17)	(15)
Net capital gains	2,346	2,286

3 Revenue

	30.09.13 £'000	30.09.12 £'000
Bank interest	2	1
Interest on debt securities	140	143
Non-taxable overseas dividends	130	115
Property distributions	4	4
Stock dividends	7	3
Taxable overseas dividends	6	11
UK franked dividends	323	279
	612	556

4 Expenses

	30.09.13 £'000	30.09.12 £'000
Payable to the ACD, associates of the ACD and agents of either of them:		
ACD's periodic charge	167	135
Payable to the Depositary, associates of the Depositary and agents of either of them:		
Depositary's fees	5	4
Safe custody fees	6	6
	11	10
Other expenses:		
Audit fee	8	8
VAT on audit fee	2	2
Distribution fees	1	—
Legal and professional fees	3	3
Registration fees	4	3
	18	16
Total expenses	196	161

5 Taxation

	30.09.13 £'000	30.09.12 £'000
a) Analysis of the charge in the year		
<i>Current tax</i>		
UK corporation tax on profits for the year	—	(2)
	—	(2)
Overseas tax	13	15
Total current tax (note 5b)	13	13
Deferred tax (note 5c)	—	—
Total taxation	13	13
b) Factors affecting taxation charge for the year		
Net revenue before taxation	416	395
Net revenue before taxation at the applicable rate of corporation tax in the UK of 20% (2012: 20%)	83	79
Effects of:		
Excess expenses for which no tax relief is given	9	—
Franked Investment revenue at 20%	(65)	(56)
Irrecoverable overseas tax	—	(2)
Non-taxable overseas dividends	(26)	(23)
Non-taxable stock dividends	(1)	—
Overseas tax	13	15
Total current tax (note 5a)	13	13

c) Provision for Deferred tax

There is no Deferred tax provision in the current or preceding year.

Lazard Investment Funds – Annual Report and Financial Statements September 2013

Lazard Managed Balanced Fund continued

Notes to the Financial Statements continued

6 Finance costs

Distributions

The distributions take account of revenue received on the creation of shares and revenue deducted on the cancellation of shares and comprise:

	30.09.13 £'000	30.09.12 £'000
Interim	204	205
Final	280	240
	484	445
Add: Revenue deducted on cancellation of shares	13	11
Less: Revenue received on issue of shares	(17)	(20)
Net distributions for the year	480	436
Interest	—	—
Total finance costs	480	436

The differences between net revenue after taxation and the distributions for the year are as follows:

	30.09.13 £'000	30.09.12 £'000
Net revenue after taxation for the year	403	382
ACD's periodic charge to capital	84	67
Tax relief on capital items not deducted from distribution	(7)	(13)
Net distributions for the year	480	436

Details of the distributions per share are set out in the tables on page 45.

7 Debtors

	30.09.13 £'000	30.09.12 £'000
Accrued revenue	104	99
Amounts receivable for FX contracts	27	11
Amounts receivable for issue of shares	19	36
Overseas tax recoverable	2	—
Recoverable capital gains tax	—	2
Sales awaiting settlement	99	—
	251	148

8 Creditors

	30.09.13 £'000	30.09.12 £'000
Accrued expenses	26	24
Amounts payable for cancellation of shares	29	17
Amounts payable for FX contracts	27	10
Purchases awaiting settlement	68	44
	150	95

9 Contingent assets/liabilities and outstanding commitments

Contingent liabilities and outstanding commitments at the balance sheet date were:

	30.09.13 £'000	30.09.12 £'000
Commitment on rights issue	35	6
	35	6

As at the balance sheet date, the fund has not recognised a contingent asset of £10,780 (2012 - £0), net of associated costs, in relation to reclaims made to recover withholding tax previously withheld by French tax authorities.

Accounting standards permit the reclaims to be included as an asset in the balance sheet only where the receipt is "virtually certain". In the opinion of the Manager, receipt is probable rather than virtually certain and accordingly the reclaims are regarded as a contingent or potential asset rather than an actual asset for the purposes of preparing the accounts.

Notwithstanding the treatment for the purposes of the preparation of accounts, an appropriate adjustment to reflect the reclaims has been made for the purposes of daily pricing.

10 Related party disclosures

Details of the related party disclosures are included within note 11 of the aggregated financial statements on page 7.

Lazard Investment Funds – Annual Report and Financial Statements September 2013

Lazard Managed Balanced Fund continued

Notes to the Financial Statements continued

11 Financial Instruments

Details of the financial instruments risk disclosures are set out in note 14 of the aggregated financial statements on page 7 to 8.

Currency exposure profile

30.09.13 Currency	Net currency assets/(liabilities)		
	Monetary exposures £'000	Non-monetary exposures £'000	Total £'000
Brazilian Real	—	67	67
Canadian Dollar	1	58	59
Danish Krone	—	109	109
Euro	(7)	511	504
Indonesian Rupiah	—	72	72
Japanese Yen	3	401	404
Korean Won	—	105	105
New Turkish Lira	—	66	66
Philippine Peso	—	90	90
South African Rand	—	64	64
Swedish Krona	—	100	100
Swiss Franc	1	247	248
Thai Baht	—	78	78
US Dollar	5	3,989	3,994
	3	5,957	5,960
Sterling	895	15,689	16,584
Net assets attributable to Shareholders	898	21,646	22,544

30.09.12 Currency	Net currency assets		
	Monetary exposures £'000	Non-monetary exposures £'000	Total £'000
Australian Dollar	—	72	72
Brazil Real	—	213	213
Euro	1	649	650
Hong Kong Dollar	—	110	110
Indonesian Rupiah	—	144	144
Japanese Yen	5	447	452
Thailand Baht	—	96	96
South African Rand	—	38	38
South Korean Won	—	105	105
Swedish Krona	—	56	56
Turkish Lira	—	47	47
US Dollar	12	3,393	3,405
	18	5,370	5,388
Sterling	781	12,367	13,148
Net assets attributable to Shareholders	799	17,737	18,536

Interest rate risk profile

The interest rate profile of the Sub-fund's net assets at the balance sheet date was:

	Total £'000	Floating rate £'000	Fixed rate £'000	No interest £'000
30.09.13				
Portfolio	21,646	—	3,511	18,135
Other assets	1,099	848*	—	251
Other liabilities	(201)	(7)	—	(194)
	22,544	841	3,511	18,192
30.09.12				
Portfolio	17,837	—	3,486	14,351
Other assets	837	689*	—	148
Other liabilities	(138)	—	—	(138)
	18,536	689	3,486	14,361

*The Sub-fund's floating rate other assets and liabilities are represented by its bank balances, overdraft facilities and investments in floating rate interest securities. Cash is deposited, and overdraft facilities utilised, on normal commercial terms and earn/bear interest based on LIBOR or its overseas equivalent.

Fixed rate financial assets

Currency	Weighted average interest rate %		Weighted average period for which rate is fixed Years	
	30.09.13	30.09.12	30.09.13	30.09.12
Sterling	4.74	4.18	17.99	17.17

Derivative risk

No derivatives were held at the balance sheet date or throughout the year (2012: same).

Lazard Investment Funds – Annual Report and Financial Statements September 2013

Lazard Managed Balanced Fund continued

Notes to the Financial Statements continued

12 Portfolio transaction costs

	30.09.13 £'000	30.09.12 £'000
Purchases		
Purchases excluding transaction costs	12,114	9,725
Commissions	9	8
Taxes	26	24
Total transaction costs	35	32
Total purchases including transaction costs	12,149	9,757
Sales		
Sales excluding transaction costs	10,688	8,990
Commissions	(8)	(7)
Taxes	(1)	—
Total transaction costs	(9)	(7)
Total sales net of transaction costs	10,679	8,983

Lazard Investment Funds – Annual Report and Financial Statements September 2013

Lazard Managed Equity Fund

Investment Manager's Report

Investment Objective

The objective of the Sub-fund is to achieve capital growth.

Investment Review

Over the 12 month period under review, the Lazard Managed Equity Fund returned 20.69% against the custom benchmark (50% FTSE All-Share TR/50% FTSE World ex UK TR) return of 18.04%.⁽¹⁾

Investment Policy

The Sub-fund will achieve its objective by investing in a diversified portfolio of global equities, with a minimum of 50% exposure to the UK market.

Market Review

The global market rose during the last 12 months as the market rallied due to ongoing accommodative global monetary policy, encouraging, albeit slow progress in the US economic recovery, and signs that the European economy has stabilised. In the United States, markets met and exceeded highs last seen in 2007, as house prices continued to rebound, household assets and net worth rose, and federal fiscal deficits declined. In Europe, markets also rose as investors anticipated that the euro zone economies had reached an inflection point. In Japan, the market rebounded on Prime Minister Shinzo Abe's plan, dubbed Abenomics, which is an attempt to revitalise the nation's economy. The emerging markets lagged, primarily due to the fears of a slowing Chinese economy and its effect on global commodity prices. The global market grew increasingly volatile toward the end of May amid uncertainty over US monetary policy. Equity markets declined globally after US Federal Reserve (the Fed) Chairman Ben Bernanke suggested late in the second quarter that the Fed may start to scale back on its bond purchases. However, at the Fed's September meeting, the bank elected to maintain the pace of its bond-buying program.

Portfolio Review

An underweight position in the materials sector contributed to performance. Shares of Eastman Chemical rose after the company reported solid earnings, driven by consistently strong margin performance. Management also raised its full-year guidance, despite a difficult macroeconomic environment. We continue to like Eastman as we believe the company has strong execution, growth potential from new product introductions, and an attractive risk/reward profile. Stock selection and an underweight position in the health care sector also helped returns. Shares of pharmaceutical maker Vertex rose as the company announced encouraging data for a cystic fibrosis treatment, including that it is possible a treatment being developed could address approximately 50% of the patient population. We continue to view the company positively.

In contrast, stock selection in the consumer discretionary sector detracted from performance. Shares of Brazilian apparel retailer Cia Hering fell as same-store sales disappointed, which the company attributed to soft demand in the country. We believe that the company's strong brand and prudent growth plans should allow it to navigate ongoing macroeconomic headwinds. Stock selection in the energy sector also hurt returns. Shares of geophysical services provider CGG Veritas also fell after the company reported disappointing earnings, due to increased competition and higher costs. We sold our position during the second quarter. An underweight position in the information technology sector also weighed on returns. Shares of Apple detracted from performance as the stock fell due to uncertainty surrounding gross margin trajectory and iPhone demand. However, we believe that Apple's leading platform in the smart phone and tablet markets will continue to drive growth as gross margins stabilize, and that valuation is attractive at current levels.

In the UK, the Fund made considerable gains in consumer services, due to an overweight and positive stock selection in the sector, most notably through our holdings in easyJet and ITV. The former was our best performing stock during the period, as the low-cost airline benefitted from positive results and forecasts, as well as per-seat revenues growing at a faster rate than per-seat costs. The latter also performed well due to good results, in addition to improving advertising trends.

Stock selection in oil & gas detracted from performance, though the effects of this were mitigated somewhat by our underweight position in the sector. At the stock level, Ophir Energy weighed on relative returns.

Outlook

As we look to year-end and beyond, we are encouraged by a number of factors. The US recovery remains intact, if not robust, in spite of political concerns and uncertainty over monetary policy. We increasingly believe the evidence emanating from Europe attests to a bottoming out of its economic cycle. Likewise, we see signs of near-term stabilisation in Chinese GDP figures as a positive sign as it reduces the risk of a hard landing.

General Information as at 30 September 2013

Fund Size	£73.7 million
Net Yield	1.17% Institutional Accumulation
Sector	Global Growth
Launch Date	16 September 2002
Fund Managers	Alan Custis, Andrew Lacey and teams.

All data contained herein is sourced by Lazard Asset Management unless otherwise noted as at 30 September 2013.

(1) Source: Morningstar Direct, Bid to Bid Price, net income reinvested, in Sterling, Institutional Share Class net of fees, to 30 September 2013.

Figures refer to past performance which is not a reliable indicator of future results.

Lazard Investment Funds – Annual Report and Financial Statements September 2013

Lazard Managed Equity Fund continued

Portfolio statement (unaudited)

as at 30 September 2013

	Holding	Market Value £'000	% of Net Assets
Australia (1.24%)		—	—
Belgium (1.82%)		1,098	1.49
Anheuser-Busch InBev	17,859	1,098	1.49
Bermuda (0.40%)		434	0.60
Signet Jewellers	9,936	434	0.60
Canada (0.74%)		322	0.44
Macdonald Dettwiler & Association	6,785	322	0.44
Channel Islands (0.89%)		2,427	3.30
Glencore Xstrata	495,935	1,670	2.27
Shire	30,546	757	1.03
Denmark (0.00%)		639	0.87
Novo Nordisk	6,101	639	0.87
Finland (1.35%)		747	1.01
Sampo 'A'	28,160	747	1.01
France (2.40%)		629	0.85
Technip	8,666	629	0.85
Germany (1.85%)		1,202	1.63
BMW	6,079	403	0.55
Continental	3,846	403	0.55
Sky Deutschland	69,887	396	0.53
Ireland (0.38%)		524	0.71
Eaton	12,315	524	0.71
Israel (0.65%)		—	—
Japan (5.51%)		2,787	3.78
Daiwa House	51,000	592	0.80
Lixil Group	45,800	582	0.79
Mitsubishi Estate	56,000	1,020	1.39
Sumitomo Mitsui Financial Group	40	1	—
Sumitomo Mitsui Trust	194,000	592	0.80
Sweden (0.71%)		695	0.94
Assa Abloy 'B'	24,524	695	0.94
Switzerland (0.00%)		1,464	1.99
Novartis	17,411	826	1.12
Panalpina Welttransp	1,754	159	0.22
Swatch Group	1,204	479	0.65
United Kingdom (48.61%)		36,571	49.65
Apache	7,880	414	0.56
ARM Holdings	81,629	805	1.09
Ashtead Group	59,692	367	0.50
AstraZeneca	22,148	712	0.97
Atkins (WS)	33,054	386	0.52
Babcock International	40,513	484	0.65
BP	258,755	1,120	1.52
Bristol-Myers Squibb	7,165	205	0.28
British American Tobacco	19,878	651	0.88
BT Group	303,466	1,040	1.41
Burberry	38,553	629	0.85
Centrica	195,648	723	0.98
Compass Group	105,702	898	1.22
Dixons Retail	1,411,074	657	0.89
Dover	7,635	423	0.57
Drax Group	87,523	597	0.81
easyJet	35,062	448	0.61
Foxtons	103,893	278	0.38
GlaxoSmithKline	44,760	697	0.94
Hays	478,341	565	0.77
HSBC Holdings	295,207	1,976	2.68
Hunting	54,238	431	0.59
International Consolidated Airline Group	315,130	1,065	1.45
Intertek Group	17,503	578	0.78
ITV	423,361	742	1.01
Lloyds Banking Group	1,666,912	1,227	1.67

	Holding	Market Value £'000	% of Net Assets
United Kingdom (continued)			
Molson Coors	19,156	593	0.81
Ophir Energy	53,292	178	0.24
Peabody Energy	37,070	395	0.54
Premier Farnell	209,489	454	0.62
Prudential	92,434	1,064	1.44
Reed Elsevier	91,808	764	1.04
Resolution	217,102	689	0.94
Rexam	68,388	329	0.45
Rio Tinto	47,973	1,450	1.97
Rolls-Royce Holdings	85,120	947	1.29
Ross Stores	11,135	501	0.68
Royal Dutch Shell 'B'	97,000	2,070	2.81
Segro	184,180	571	0.78
Severn Trent	24,765	436	0.59
Spirant	334,170	425	0.58
Standard Chartered	81,010	1,200	1.63
Taylor Morrison	13,115	183	0.25
Taylor Wimpey	466,021	467	0.63
Tesco	259,190	930	1.26
Tibco Software	12,395	196	0.27
Travis Perkins	40,380	665	0.90
Unilever	49,962	1,219	1.65
Vodafone Group	999,928	2,159	2.93
Weir Group	24,417	568	0.77
United States (28.96%)		20,534	27.87
American Express	24,740	1,154	1.56
Apple	3,336	982	1.33
Autozone	2,320	605	0.82
Bank of America	47,090	401	0.54
Chevron	15,555	1,166	1.58
Cisco Systems	48,528	702	0.95
Citigroup	41,140	1,232	1.67
Comcast ('A' Non-voting)	27,910	748	1.02
Consol Energy	18,745	390	0.53
CVS Caremark	17,605	617	0.84
Eastman Chemical	9,165	441	0.60
EMC	39,490	624	0.85
Google	1,300	703	0.95
Honeywell International	21,400	1,097	1.49
Intercontinental Exchange	2,855	320	0.43
Joy Global	12,939	408	0.55
Macy's	14,665	392	0.53
MasterCard 'A'	1,759	731	0.99
McKesson	15,607	1,237	1.68
Pfizer	54,690	970	1.32
Qualcomm	14,985	623	0.85
Schlumberger	10,080	550	0.75
United Technologies	10,915	726	0.99
Unitedhealth Group	8,980	397	0.54
US Silica Holdings	12,845	197	0.27
Vertex Pharmaceuticals	7,225	338	0.46
Viacom 'B'	19,878	1,026	1.39
Visa 'A'	7,540	891	1.21
Workspace	100,218	455	0.62
Zoetis	21,365	411	0.56
Portfolio of investments (95.51%)		70,073	95.13
Net other assets (4.49%)		3,591	4.87
Net assets attributable to Shareholders		73,664	100.00

Unless otherwise stated, all holdings are quoted in ordinary shares and listed on a recognised exchange.

The percentages in brackets show the equivalent comparative holdings at 30.09.12.

Total purchases for the year: £50,517,051.

Total sales for the year: £56,614,897.

Lazard Investment Funds – Annual Report and Financial Statements September 2013

Lazard Managed Equity Fund continued

Statement of total return

for the year ended 30 September 2013

	Notes	30.09.13		30.09.12	
		£'000	£'000	£'000	£'000
Income					
Net capital gains	2		12,536		9,527
Revenue	3	1,807		1,836	
Expenses	4	(763)		(664)	
Finance costs: Interest	6	(2)		—	
Net revenue before taxation		1,042		1,172	
Taxation	5	(82)		(72)	
Net revenue after taxation for the year			960		1,100
Total return before distributions			13,496		10,627
Finance costs: Distributions	6		(960)		(1,100)
Change in net assets attributable to Shareholders from investment activities			12,536		9,527

Balance sheet

as at 30 September 2013

	Notes	30.09.13		30.09.12	
		£'000	£'000	£'000	£'000
Assets					
Investment assets			70,073		63,571
Debtors	7	1,306		1,021	
Cash and bank balances		3,172		3,429	
Total other assets			4,478		4,450
Total assets			74,551		68,021
Liabilities					
Creditors	8	(852)		(1,464)	
Bank overdrafts		(35)		—	
Total other liabilities			(887)		(1,464)
Total liabilities			(887)		(1,464)
Net assets attributable to Shareholders			73,664		66,557

Statement of change in net assets attributable to Shareholders

for the year ended 30 September 2013

	30.09.13		30.09.12	
	£'000	£'000	£'000	£'000
Opening net assets attributable to Shareholders		66,557		57,724
Amounts received on issue of shares	5,708		8,688	
Amounts paid on cancellation of shares	(12,061)		(10,462)	
		(6,353)		(1,774)
Stamp Duty Reserve tax		(14)		(14)
Change in net assets attributable to Shareholders from investment activities		12,536		9,527
Retained distribution on accumulation shares		938		1,094
Closing net assets attributable to Shareholders		73,664		66,557

Fund facts*

as at 30 September 2013

Ongoing Charges Figure (OCF)

	September 2013
Institutional accumulation	1.07%

The Ongoing Charges Figure (OCF) represents the annual operating expenses of the Sub-fund expressed as a percentage of average net assets - it does not include initial charges or performance fees. The OCF includes the annual management charge and also the following charges which are deducted directly from the Sub-fund: Registration fees, Depositary fees, Safe Custody fees, Audit fee, FCA fee, Distribution fees, Issuance fees, Non-audit fees, and Transaction charges where applicable.

The OCF is expressed as an annual percentage rate.

Synthetic Risk and Reward Indicator (SRRI)

◀ Lower Risk Higher Risk ▶

Typically Lower Rewards				Typically Higher Rewards		
1	2	3	4	5	6	7

The risk and reward category is calculated using historical data and may not be a reliable indicator of the Fund's future risk profile. The risk and reward category may shift over time and is not a target or guarantee.

The lowest category (ie category 1) does not mean "risk free".

The Fund appears in the higher risk category on the risk and reward indicator.

This is because the Fund invests primarily in shares, whose values tend to have higher price fluctuations.

The returns from your investment may be affected by changes in the exchange rate between the Fund's base currency, and the currency of the Fund's investments, your share class and where you live.

There is no capital guarantee or protection of the value of the Fund. The value of your investment and the income from it can go down as well as up and you may not get back the amount you invested.

See "Risk Factors" in the UCITS Prospectus for more information about risks.

*This section has not been audited.

Lazard Investment Funds – Annual Report and Financial Statements September 2013

Lazard Managed Equity Fund continued

Performance record

as at 30 September 2013

Net asset values

Date	Net asset value	Net asset value (pence per share)	Shares in issue at year end
September 2011			
Institutional accumulation	57,724,244	152.77	37,784,517
September 2012			
Institutional accumulation	66,557,282	180.73	36,826,823
September 2013			
Institutional accumulation	73,664,305	217.75	33,829,418

Distribution and price record (pence per share)

Institutional accumulation shares

Calendar year	Net revenue per share p	Highest price per share	Lowest price per share
2008	3.1888	166.50	105.60
2009	2.8066	152.40	103.00
2010	2.2905	175.10	142.40
2011	2.5456	180.20	146.40
2012	3.0264	186.90	165.00
2013 ⁽¹⁾	2.7150	226.10	187.80

⁽¹⁾ To 30.09.13.

Accumulation shares available only.

Risk warning

It is important to remember that past performance is not a guide to the future. The value of shares and the income from them can go down as well as up. An investor may get back less than their original investment.

Distribution tables

for the year ended 30 September 2013

Dividend distribution in pence per share.

Final distribution

	Net revenue	Equalisation	Distribution payable 30.11.13	Distribution paid 30.11.12
Institutional accumulation				
Group 1	1.8133	—	1.8133	1.6476
Group 2	0.7612	1.0521	1.8133	1.6476

Interim distribution

	Net revenue	Equalisation	Distribution paid 31.05.13	Distribution paid 31.05.12
Institutional accumulation				
Group 1	0.9017	—	0.9017	1.3788
Group 2	0.7407	0.1610	0.9017	1.3788

Group 1: shares purchased prior to the distribution period.

Group 2: shares purchased during the distribution period.

Equalisation is the average amount of revenue included in the purchase price of all Group 2 shares and is refunded to holders of these shares as a return of capital. Being capital it is not liable for income tax but must be deducted from the cost of shares for capital gains tax purposes.

Lazard Investment Funds – Annual Report and Financial Statements September 2013

Lazard Managed Equity Fund continued

Notes to the Financial Statements

as at 30 September 2013

1 Accounting policies

The accounting policies for the Sub-fund are the same as those disclosed in the aggregated financial statements on page 4.

2 Net capital gains

	30.09.13 £'000	30.09.12 £'000
The net capital gains during the year comprise:		
Non-derivative securities	12,556	9,553
Currency losses	(10)	(11)
Transaction charges	(10)	(15)
Net capital gains	12,536	9,527

3 Revenue

	30.09.13 £'000	30.09.12 £'000
Bank interest	6	7
Non-taxable overseas dividends	714	673
Property distributions	—	5
Stock dividends	36	6
Taxable overseas dividends	3	7
UK franked dividends	1,048	1,138
	1,807	1,836

4 Expenses

	30.09.13 £'000	30.09.12 £'000
Payable to the ACD, associates of the ACD and agents of either of them:		
ACD's periodic charge	723	628
Payable to the Depositary, associates of the Depositary and agents of either of them:		
Depositary's fees	16	14
Safe custody fees	9	8
	25	22
Other expenses:		
Audit fee	8	8
VAT on audit fee	2	2
Legal fees	1	—
Professional fees	1	—
Registration fees	3	4
	15	14
Total expenses	763	664

5 Taxation

	30.09.13 £'000	30.09.12 £'000
a) Analysis of the charge in the year		
<i>Current tax:</i>		
Overseas tax	82	72
Total current tax (note 5b)	82	72
Deferred tax (note 5c)	—	—
Total taxation	82	72
b) Factors affecting taxation charge for the year		
Net revenue before taxation	1,042	1,172
Net revenue before taxation at the applicable rate of corporation tax in the UK of 20% (2012: 20%)	208	234
Effects of:		
Excess expenses for which no tax relief taken	146	129
Franked Investment revenue at 20%	(210)	(228)
Non-taxable overseas dividends	(143)	(135)
Non-taxable stock dividends	(1)	—
Overseas tax	82	72
Total current tax (note 5a)	82	72

c) Provision for Deferred tax

There is no Deferred tax provision in the current or preceding year.

At the year end there is a potential Deferred tax asset of £557,000 (2012: £412,000) due to surplus management expenses.

It is unlikely the Sub-fund will generate sufficient taxable profits in the future to utilise these amounts and therefore no Deferred tax asset has been recognised (2012: same).

Lazard Investment Funds – Annual Report and Financial Statements September 2013

Lazard Managed Equity Fund continued

Notes to the Financial Statements continued

6 Finance costs

Distributions

The distributions take account of revenue received on the creation of shares and revenue deducted on the cancellation of shares and comprise:

	30.09.13 £'000	30.09.12 £'000
Interim	325	487
Final	613	607
	938	1,094
Add: Revenue deducted on cancellation of shares	36	36
Less: Revenue received on issue of shares	(14)	(30)
Net distributions for the year	960	1,100
Interest	2	—
Total finance costs	962	1,100

Details of the distributions per share are set out in the tables on page 53.

7 Debtors

	30.09.13 £'000	30.09.12 £'000
Accrued revenue	135	202
Amounts receivable for issue of shares	48	69
Amounts receivable for FX contracts	120	512
Overseas tax recoverable	11	14
Sales awaiting settlement	992	224
	1,306	1,021

8 Creditors

	30.09.13 £'000	30.09.12 £'000
Accrued expenses	73	68
Amounts payable for cancellation of shares	11	39
Amounts payable for FX contracts	120	513
Purchases awaiting settlement	648	844
	852	1,464

9 Contingent assets/liabilities and outstanding commitments

Contingent liabilities and outstanding commitments at the balance sheet date were:

	30.09.13 £'000	30.09.12 £'000
Commitment on rights issue	—	37
Total	—	37

As at the balance sheet date, the fund has not recognised a contingent asset of £44,133 (2012 - £0), net of associated costs, in relation to reclaims made to recover withholding tax previously withheld by French tax authorities.

Accounting standards permit the reclaims to be included as an asset in the balance sheet only where the receipt is “virtually certain”. In the opinion of the Manager, receipt is probable rather than virtually certain and accordingly the reclaims are regarded as a contingent or potential asset rather than an actual asset for the purposes of preparing the accounts.

Notwithstanding the treatment for the purposes of the preparation of accounts, an appropriate adjustment to reflect the reclaims has been made for the purposes of daily pricing.

10 Related party disclosures

Details of the related party disclosures are included within note 11 of the aggregated financial statements on page 7.

11 Financial Instruments

Details of the financial instruments risk disclosures are set out in note 14 of the aggregated financial statements on page 7 to 8.

Currency exposure profile

30.09.13 Currency	Net currency assets/(liabilities)		
	Monetary exposures £'000	Non-monetary exposures £'000	Total £'000
Canadian Dollar	3	322	325
Danish Krone	—	639	639
Euro	(31)	3,676	3,645
Japanese Yen	19	2,787	2,806
Swedish Krona	—	695	695
Swiss Franc	5	1,463	1,468
US Dollar	284	23,512	23,796
	280	33,094	33,374
Sterling	3,311	36,979	40,290
Net assets attributable to Shareholders	3,591	70,073	73,664

Lazard Investment Funds – Annual Report and Financial Statements September 2013

Lazard Managed Equity Fund continued

Notes to the Financial Statements continued

11 Financial instruments continued

30.09.12 Currency	Net currency assets		
	Monetary	Non-monetary	Total
	exposures £'000	exposures £'000	£'000
Australian Dollar	—	826	826
Euro	10	4,939	4,949
Japanese Yen	37	3,668	3,705
Swedish Krona	—	476	476
Swiss Franc	1	—	1
US Dollar	164	20,199	20,363
	212	30,108	30,320
Sterling	2,774	33,463	36,237
Net assets attributable to Shareholders	2,986	63,571	66,557

Interest rate risk profile

The Sub-fund's only interest bearing financial instruments at the balance sheet date are represented by its cash balances and overdraft facility, which earn and pay interest on normal commercial terms based on LIBOR or its overseas equivalent.

Derivative risk

No derivatives were held at the balance sheet date or throughout the year (2012: same).

12 Portfolio transaction costs

	30.09.13 £'000	30.09.12 £'000
Purchases		
Purchases excluding transaction costs	50,342	42,542
Commissions	45	36
Taxes	130	120
Total transaction costs	175	156
Total purchases including transaction costs	50,517	42,698
Sales		
Sales excluding transaction costs	56,670	45,005
Commissions	(54)	(43)
Fees	(1)	—
Total transaction costs	(55)	(43)
Total sales net of transaction costs	56,615	44,962

Lazard Investment Funds – Annual Report and Financial Statements September 2013

Lazard UK Alpha Fund

Investment Manager's Report

Investment Objective

The objective of the Sub-fund is to achieve long-term capital growth.

Investment Review

Over the 12 months under review, the Lazard UK Alpha Fund returned 20.87% against the FTSE All-Share Index return of 18.93%.⁽¹⁾

Investment Policy

The Sub-fund will achieve this by investing in a concentrated portfolio of UK equities.

Market Review

UK equities made considerable gains during the past 12 months, as optimism grew about the sustainability of the recovery both in the UK and globally. At the beginning of the period, the UK economy emerged from recession, with only a dip of 0.3% in the fourth quarter of 2012 casting a shadow on what has been a period of stabilisation in economic indicators. However, Moody's downgrading of the country's AAA credit rating in February did come as something of a blow, though this was expected by investors. Volatility has emerged over the year, primarily due to political tensions, such as the fiscal cliff discussions in the US, an uncertain result in February's Italian election and the possibility of military intervention in Syria.

Portfolio Review

The UK Alpha Fund achieved significant absolute returns and outperformed the FTSE All-Share index during the past 12 months.

The Fund made considerable gains in consumer services, due to an overweight position and positive stock selection in the sector, most notably through our holdings in easyJet and ITV. The former was our best performing stock during the period, as the low-cost airline benefitted from positive results and forecasts, as well as per-seat revenues growing at a faster rate than per-seat costs. ITV's strong performance reflects its good results and improving advertising trends.

Stock selection in oil & gas detracted from performance, though the effects of this were mitigated somewhat by our underweight position in the sector. At the stock level, Ophir Energy and an underweight in BG weighed on relative returns. BG was sold during the period.

The industrials sector also contributed positively to performance. Among the top holdings in this sector was equipment hire business Ashtead, which has been supported by the US housing recovery as well as the structural changes which have increased demand for rental equipment.

Lastly, despite being mitigated somewhat by our positive stock selection in the sector, an underweight to financials hurt returns. An overweight in insurer Aviva was among our poorest performing holdings, as it surprised the market with poor results in the first quarter of 2013, showing an underlying loss and cutting its dividend. This undermined our investment thesis and the position was sold.

Outlook

We expect UK equities to consolidate throughout the rest of 2013, supported by a recovering Europe and more stable economic data from China offset by a period of further uncertainty over the timing of quantitative easing in the US. With regards to valuations, at an aggregate level the market appears to represent reasonable value, with some strong companies appearing undervalued. We will continue to focus on such stock specifics, particularly where we see stocks with sustainable cashflows and valuations that do not reflect the business reality.

General Information as at 30 September 2013

Fund Size	£90.8 million
Net Yield	1.27% Retail Income 1.25% Retail Accumulation 0.00% Retail C Income 0.00% Retail C Accumulation 1.73% Institutional Income 1.70% Institutional Accumulation
Sector	UK All Companies
Launch Date	3 November 1999
Fund Manager	Lloyd Whitworth and team

All data contained herein is sourced by Lazard Asset Management unless otherwise noted as at 30 September 2013.

(1) Source: Morningstar Direct, Bid to Bid Price, net income reinvested, in sterling, retail share class net of fees, to 30 September 2013.

Figures refer to past performance which is not a reliable indicator of future results.

Lazard Investment Funds – Annual Report and Financial Statements September 2013

Lazard UK Alpha Fund continued

Portfolio statement (unaudited)

as at 30 September 2013

	Holding	Market Value £'000	% of Net Assets
Oil & Gas Producers (16.68%)		7,936	8.74
BP	608,749	2,636	2.90
Ophir Energy	127,035	424	0.47
Royal Dutch Shell 'B'	228,468	4,876	5.37
Oil Equipment, Services & Distribution (2.45%)		1,031	1.14
Hunting	129,861	1,031	1.14
Mining (9.85%)		7,406	8.16
Glencore Xstrata	1,168,383	3,934	4.33
Rio Tinto	114,856	3,472	3.83
Aerospace & Defence (2.15%)		2,291	2.52
Rolls-Royce Holdings	205,998	2,291	2.52
General Industrials (1.48%)		795	0.88
Rexam	165,106	795	0.88
Electronic & Electrical Equipment (1.48%)		—	—
Industrial Engineering (1.03%)		2,422	2.67
Premier Farnell	496,765	1,076	1.19
Weir Group	57,836	1,346	1.48
Support Services (5.94%)		7,236	7.97
Ashtead Group	143,222	880	0.97
Atkins (WS)	79,456	928	1.02
Babcock	96,720	1,156	1.28
Hays	1,122,915	1,327	1.46
Intertek Group	41,843	1,383	1.52
Travis Perkins	94,790	1,562	1.72
Automobiles & Parts (0.02%)		—	—
Beverages (4.06%)		—	—
Food Producers (5.12%)		2,863	3.15
Unilever	117,369	2,863	3.15
Personal Goods (0.79%)		3,633	4.00
Burberry	92,095	1,503	1.65
Signet Jewellers	23,664	1,033	1.14
Taylor Wimpey	1,093,994	1,097	1.21
Tobacco (4.88%)		1,555	1.71
British American Tobacco	47,469	1,555	1.71
Pharmaceuticals & Biotechnology (6.48%)		5,144	5.66
Astrazeneca	51,770	1,665	1.83
GlaxoSmithKline	107,196	1,669	1.84
Shire	73,030	1,810	1.99
Food & Drug Retailers (0.00%)		2,216	2.44
Tesco	617,283	2,216	2.44
General Retailers (1.06%)		1,568	1.73
Dixons	3,369,080	1,568	1.73
Media (1.91%)		3,614	3.98
ITV	1,019,876	1,788	1.97
Reed Elsevier	219,333	1,826	2.01
Travel & Leisure (7.36%)		5,776	6.36
Compass Group	251,739	2,140	2.36
easyJet	84,126	1,074	1.18
International Consolidated Airlines	758,520	2,562	2.82
Fixed Line Telecommunications (2.48%)		2,439	2.69
BT Group	712,284	2,439	2.69
Mobile Telecommunications (3.63%)		5,093	5.61
Vodafone Group	2,358,353	5,093	5.61
Electricity (0.89%)		1,418	1.56
Drax Group	207,772	1,418	1.56
Gas, Water & Multiutilities (2.63%)		2,773	3.05
Centrica	467,442	1,728	1.90
Severn Trent	59,378	1,045	1.15

	Holding	Market Value £'000	% of Net Assets
Banks (9.99%)		10,394	11.45
HSBC Holdings	693,014	4,638	5.11
Lloyds Banking Group	3,918,811	2,883	3.18
Standard Chartered	193,984	2,873	3.16
Life Insurance (4.26%)		4,141	4.56
Prudential	217,820	2,507	2.76
Resolution	514,655	1,634	1.80
Real Estate Investment & Services (0.00%)		655	0.72
Foxtons	244,215	655	0.72
Real Estate Investment Trusts (0.00%)		2,447	2.69
Segro	436,758	1,354	1.49
Workspace	240,880	1,093	1.20
Technology Hardware & Equipment (1.80%)		2,922	3.22
ARM Holdings	195,070	1,923	2.12
Spirent	784,480	999	1.10
Portfolio of investments (98.42%)		87,768	96.66
Net other assets (1.58%)		3,034	3.34
Net assets attributable to Shareholders		£90,802	100.00

Unless otherwise stated, all holdings are quoted in ordinary shares and listed on a recognised exchange.

The percentages in brackets show the equivalent comparative holdings at 30.09.12.

Total Purchases for the year: £85,044,253.

Total sales for the year: £143,400,857.

Lazard Investment Funds – Annual Report and Financial Statements September 2013

Lazard UK Alpha Fund continued

Statement of total return

for the year ended 30 September 2013

	Notes	30.09.13		30.09.12	
		£'000	£'000	£'000	£'000
Income					
Net capital gains	2		22,466		23,007
Revenue	3	3,587		5,209	
Expenses	4	(1,528)		(1,877)	
Finance costs: Interest	6	(2)		—	
Net revenue before taxation		2,057		3,332	
Taxation	5	—		(4)	
Net revenue after taxation for the year			2,057		3,328
Total return before distributions			24,523		26,335
Finance costs: Distributions	6		(2,057)		(3,328)
Change in net assets attributable to Shareholders from investment activities			22,466		23,007

Balance sheet

as at 30 September 2013

	Notes	30.09.13		30.09.12	
		£'000	£'000	£'000	£'000
Assets					
Investment assets			87,768		123,481
Debtors	7	2,328		1,463	
Cash and bank balances		2,631		3,410	
Total other assets			4,959		4,873
Total assets			92,727		128,354
Liabilities					
Creditors	8	(1,113)		(1,704)	
Distribution payable on income shares		(812)		(1,185)	
Total other liabilities			(1,925)		(2,889)
Total liabilities			(1,925)		(2,889)
Net assets attributable to Shareholders			90,802		125,465

Statement of change in net assets attributable to Shareholders

for the year ended 30 September 2013

	30.09.13		30.09.12	
	£'000	£'000	£'000	£'000
Opening net assets attributable to Shareholders		125,465		149,609
Amounts received on issue of shares	6,890		6,629	
Amounts paid on cancellation of shares	(64,308)		(37,500)	
In-specie cancellations	—		(16,661)	
		(57,418)		(47,532)
Stamp Duty Reserve tax		(54)		(58)
Change in net assets attributable to Shareholders from investment activities		22,466		23,007
Retained distribution on accumulation shares		332		431
Unclaimed distributions		11		8
Closing net assets attributable to Shareholders		90,802		125,465

Fund facts*

as at 30 September 2013

Ongoing Charges Figure (OCF)

	September 2013
Retail income	1.56%
Retail accumulation	1.55%
Institutional income	1.04%
Institutional accumulation	1.04%
Retail C income†	0.80%
Retail C accumulation†	0.87%

The Ongoing Charges Figure (OCF) represents the annual operating expenses of the Sub-fund expressed as a percentage of average net assets - it does not include initial charges or performance fees. The OCF includes the annual management charge and also the following charges which are deducted directly from the Sub-fund: Registration fees, Depositary fees, Safe Custody fees, Audit fee, FCA fee, Distribution fees, Issuance fees, Non-audit fees, and Transaction charges where applicable.

The OCF is expressed as an annual percentage rate.

†Retail C income and accumulation classes commenced 1 November 2012.

Synthetic Risk and Reward Indicator (SRRI)

◀ Lower Risk Higher Risk ▶

Typically Lower Rewards				Typically Higher Rewards		
1	2	3	4	5	6	7

The risk and reward category is calculated using historical data and may not be a reliable indicator of the Fund's future risk profile. The risk and reward category may shift over time and is not a target or guarantee.

The lowest category (ie category 1) does not mean "risk free".

The Fund appears in the higher risk category on the risk and reward indicator.

This is because the Fund invests primarily in shares, whose values tend to have higher price fluctuations.

In view of the concentrated nature of the Fund's portfolio of investments, the level of risk is expected to be higher than for broader based portfolios and the net asset value may be more volatile.

There is no capital guarantee or protection of the value of the Fund. The value of your investment and the income from it can go down as well as up and you may not get back the amount you invested.

See "Risk Factors" in the UCITS Prospectus for more information about risks.

*This section has not been audited.

Lazard Investment Funds – Annual Report and Financial Statements September 2013

Lazard UK Alpha Fund continued

Performance record

as at 30 September 2013

Net asset values

Date	Net asset value (£)	Net asset value (pence per share)	Shares in issue at year end
September 2011			
Retail income	72,089,417	117.45	61,376,943
Retail accumulation	4,574,574	127.06	3,600,218
Institutional income	59,445,590	118.38	50,213,859
Institutional accumulation	13,499,664	130.69	10,329,218
September 2012			
Retail income	64,887,944	136.64	47,487,612
Retail accumulation	1,448,089	150.86	959,896
Institutional income	44,578,066	137.75	32,362,293
Institutional accumulation	14,550,848	156.00	9,327,408
September 2013			
Retail income	62,567,313	163.03	38,378,022
Retail accumulation	1,414,694	182.73	774,212
Institutional income	11,076,705	164.32	6,740,812
Institutional accumulation	15,021,390	189.97	7,907,364
Retail C income†	639,637	162.92	392,601
Retail C accumulation†	81,910	184.09	44,494

Distribution and price record (pence per share)

Retail income shares

Calendar year	Net revenue per share p	Highest price per share	Lowest price per share
2008	3.2057	155.40	82.40
2009	2.4337	126.20	83.40
2010	1.9547	144.70	115.90
2011	1.8885	146.50	113.20
2012	2.7950	144.30	125.90
2013 ⁽¹⁾	2.4754	168.70	145.70

Retail accumulation shares

Calendar year	Net revenue per share p	Highest price per share	Lowest price per share
2008	3.3573	155.40	84.60
2009	2.5316	132.50	85.60
2010	2.0789	154.10	122.40
2011	2.0369	156.10	122.50
2012	3.0209	159.30	137.60
2013 ⁽¹⁾	2.7466	187.10	160.90

Institutional income shares

Calendar year	Net revenue per share p	Highest price per share	Lowest price per share
2008	3.9519	156.90	83.10
2009	2.9902	127.40	84.30
2010	2.6239	146.00	117.00
2011	2.6319	148.00	114.10
2012	3.5165	145.70	127.00
2013 ⁽¹⁾	3.2977	170.40	147.10

Institutional accumulation shares

Calendar year	Net revenue per share p	Highest price per share	Lowest price per share
2008	3.9868	156.90	85.80
2009	3.0770	135.00	86.90
2010	2.8069	157.90	125.10
2011	2.8543	160.00	126.00
2012	3.9109	164.90	142.10
2013 ⁽¹⁾	3.7728	194.50	166.60

Retail C income shares†

Calendar year	Net revenue per share p	Highest price per share	Lowest price per share
2012	—	144.50	100.00
2013 ⁽¹⁾	3.7745	169.20	146.00

Retail C accumulation shares†

Calendar year	Net revenue per share p	Highest price per share	Lowest price per share
2012	—	159.50	100.00
2013 ⁽¹⁾	4.1808	188.50	161.10

⁽¹⁾ To 30 September.

†Retail C income and accumulation classes commenced 1 November 2012.

Risk warning

It is important to remember that past performance is not a guide to the future. The value of shares and the income from them can go down as well as up. An investor may get back less than their original investment.

Lazard Investment Funds – Annual Report and Financial Statements September 2013

Lazard UK Alpha Fund continued

Distribution tables

for the year ended 30 September 2013

Dividend distribution in pence per share.

Final distribution

	Net revenue	Equalisation	Distribution payable 30.11.13	Distribution paid 30.11.12
Retail income				
Group 1	1.7177	—	1.7177	1.3371
Group 2	1.0713	0.6464	1.7177	1.3371
Retail accumulation				
Group 1	1.9042	—	1.9042	1.4367
Group 2	1.1343	0.7699	1.9042	1.4367
Institutional income				
Group 1	2.1301	—	2.1301	1.7001
Group 2	2.1056	0.0245	2.1301	1.7001
Institutional accumulation				
Group 1	2.4518	—	2.4518	1.9042
Group 2	1.1230	1.3288	2.4518	1.9042
Retail C income†				
Group 1	2.3290	—	2.3290	N/A
Group 2	0.0890	2.2400	2.3290	N/A
Retail C accumulation†				
Group 1	2.5566	—	2.5566	N/A
Group 2	2.3592	0.1974	2.5566	N/A

Interim distribution

	Net revenue	Equalisation	Distribution paid 31.05.13	Distribution paid 31.05.12
Retail income				
Group 1	0.7577	—	0.7577	1.4579
Group 2	0.7365	0.0212	0.7577	1.4579
Retail accumulation				
Group 1	0.8424	—	0.8424	1.5842
Group 2	0.8078	0.0346	0.8424	1.5842
Institutional income				
Group 1	1.1676	—	1.1676	1.8164
Group 2	0.8804	0.2872	1.1676	1.8164
Institutional accumulation				
Group 1	1.3210	—	1.3210	2.0067
Group 2	1.1264	0.1946	1.3210	2.0067
Retail C income†				
Group 1	1.4455	—	1.4455	N/A
Group 2	0.0261	1.4194	1.4455	N/A
Retail C accumulation†				
Group 1	1.6242	—	1.6242	N/A
Group 2	1.6242	—	1.6242	N/A

†Retail C income and accumulation classes commenced 1 November 2012.

Group 1: shares purchased prior to the distribution period.

Group 2: shares purchased during the distribution period.

Equalisation is the average amount of revenue included in the purchase price of all Group 2 shares and is refunded to holders of these shares as a return of capital. Being capital it is not liable for income tax but must be deducted from the cost of shares for capital gains tax purposes.

Lazard Investment Funds – Annual Report and Financial Statements September 2013

Lazard UK Alpha Fund continued

Notes to the Financial Statements

as at 30 September 2013

1 Accounting policies

The accounting policies for the Sub-fund are the same as those disclosed in the aggregated financial statements on page 4.

2 Net capital gains

	30.09.13 £'000	30.09.12 £'000
The net capital gains during the year comprise:		
Non-derivative securities	22,477	23,019
Currency losses	(6)	(7)
Transaction charges	(5)	(5)
Net capital gains	22,466	23,007

3 Revenue

	30.09.13 £'000	30.09.12 £'000
Bank interest	7	8
Non-taxable overseas dividends	293	139
Property distributions	64	24
Stock dividends	135	25
UK franked dividends	3,088	5,013
	3,587	5,209

4 Expenses

	30.09.13 £'000	30.09.12 £'000
Payable to the ACD, associates of the ACD and agents of either of them:		
ACD's periodic charge	1,475	1,820
Payable to the Depositary, associates of the Depositary and agents of either of them:		
Depositary's fees	22	26
Safe custody fees	7	7
	29	33
Other expenses:		
Audit fee	8	8
VAT on audit fee	2	2
Distribution fees	1	—
Legal and professional fees	1	—
Registration fees	12	14
	24	24
Total expenses	1,528	1,877

5 Taxation

	30.09.13 £'000	30.09.12 £'000
a) Analysis of the charge in the year		
<i>Current tax</i>		
Overseas tax	—	4
Total current tax (note 5b)	—	4
Deferred tax (note 5c)	—	—
Total taxation	—	4
b) Factors affecting taxation charge for the year		
Net revenue before taxation	2,057	3,332
Net revenue before taxation at the applicable rate of corporation tax in the UK of 20% (2012: 20%)	411	666
Effects of:		
Excess expenses for which no tax relief taken	292	369
Franked Investment revenue at 20%	(618)	(1,003)
Non-taxable overseas dividends	(58)	(27)
Non-taxable stock dividends	(27)	(5)
Overseas tax	—	4
Total current tax (note 5a)	—	4

c) Provision for Deferred tax

There is no Deferred tax provision in the current or preceding year.

At the year end there is a potential Deferred tax asset of £10,954,000 (2012: £10,662,000) due to surplus management expenses.

It is unlikely the Sub-fund will generate sufficient taxable profits in the future to utilise these amounts and therefore no Deferred tax asset has been recognised (2012: same).

Lazard Investment Funds – Annual Report and Financial Statements September 2013

Lazard UK Alpha Fund continued

Notes to the Financial Statements continued

6 Finance costs

Distributions

The distributions take account of revenue received on the creation of shares and revenue deducted on the cancellation of shares and comprise:

	30.09.13 £'000	30.09.12 £'000
Interim	802	1,829
Final	1,022	1,377
	<u>1,824</u>	<u>3,206</u>
Add: Revenue deducted on cancellation of shares	247	158
Less: Revenue received on issue of shares	(14)	(36)
Net distributions for the year	2,057	3,328
Interest	2	—
Total finance costs	2,059	3,328

Details of the distributions per share are set out in the tables on page 61.

7 Debtors

	30.09.13 £'000	30.09.12 £'000
Accrued revenue	242	551
Amounts receivable for issue of shares	8	55
Overseas tax recoverable	—	6
Sales awaiting settlement	2,078	851
	<u>2,328</u>	<u>1,463</u>

8 Creditors

	30.09.13 £'000	30.09.12 £'000
Accrued expenses	116	149
Amounts payable for cancellation of shares	436	333
Purchases awaiting settlement	561	1,222
	<u>1,113</u>	<u>1,704</u>

9 Contingent liabilities and outstanding commitments

There were no contingent liabilities or outstanding commitments at the balance sheet date (2012: same).

10 Related party disclosures

Details of the related party disclosures are included within note 11 of the aggregated financial statements on page 7.

11 Financial Instruments

Details of the financial instruments risk disclosures are set out in note 14 of the aggregated financial statements on page 7 to 8.

Currency exposure profile

30.09.13 Currency	Net currency assets		
	Monetary exposures £'000	Non-monetary exposures £'000	Total £'000
US Dollar	78	—	78
UK Sterling	2,956	87,768	90,724
Net assets attributable to Shareholders	3,034	87,768	90,802

30.09.12 Currency	Net currency assets		
	Monetary exposures £'000	Non-monetary exposures £'000	Total £'000
US Dollar	249	—	249
Sterling	1,735	123,481	125,216
Net assets attributable to Shareholders	1,984	123,481	125,465

Interest rate risk profile

The Sub-fund's only interest bearing financial instruments at the balance sheet date are represented by its cash balances and overdraft facility, which earn and pay interest on normal commercial terms based on LIBOR or its overseas equivalent.

Derivative risk

No derivatives were held at the balance sheet date or throughout the year (2012: same).

Lazard Investment Funds – Annual Report and Financial Statements September 2013

Lazard UK Alpha Fund continued

Notes to the Financial Statements continued

12 Portfolio transaction costs

	30.09.13 £'000	30.09.12 £'000
Purchases		
Purchases excluding transaction costs	84,586	87,657
Commissions	89	97
Taxes	369	420
Total transaction costs	458	517
Total purchases including transaction costs	85,044	88,174
Sales		
Sales excluding transaction costs	143,536	137,433
Commissions	(134)	(121)
Fees	(1)	(1)
Total transaction costs	(135)	(122)
Total sales net of transaction costs	143,401	137,311

Lazard Investment Funds – Annual Report and Financial Statements September 2013

Lazard UK Income Fund

Investment Manager's Report

Investment Objective

The objective of the Sub-fund is to achieve a reasonable level of income combined with capital growth from a portfolio of securities primarily made up of equity investments listed in the United Kingdom.

Investment Review

Over the last 12 months period under review, the Lazard UK Income Fund returned 21.66% against the FTSE All-Share Index return of 18.93%.⁽¹⁾

Investment Policy

The sub-fund will invest primarily in equity investments listed in the United Kingdom. The sub-fund will not be restricted in respect of choice of investments by company size or industry, and up to a maximum of 20% of the sub-fund may be invested in equities listed outside the United Kingdom and in other securities, either listed in the United Kingdom or listed on other exchanges outside the United Kingdom, including but not limited to preference shares, convertibles, fixed income or shares in listed open and closed end funds.

Market Review

UK equities made considerable gains during the past 12 months, as optimism grew about the sustainability of the recovery both in the UK and globally. At the beginning of the period, the UK economy emerged from recession, with only a dip of 0.3% in the fourth quarter of 2012 casting a shadow on what has been a period of stabilisation in economic indicators. However, Moody's downgrading of the country's AAA credit rating in February did come as something of a blow, though this was expected by investors. Volatility has emerged over the year, primarily due to political tensions, such as the fiscal cliff discussions in the US, an uncertain result in February's Italian election and the possibility of military intervention in Syria.

Portfolio Review

The UK Income Fund outperformed the FTSE All-Share Index during the 12 months to 30 September 2013.

Stock selection and an overweight in industrials contributed positively to performance. Utilitywise, which undertakes utilities consultancy and procurement for small to medium businesses, performed well towards the end of the period. During August the company issued a trading update which was well received, and it continued to appreciate through the remainder of the period. Our poorest holding was also in industrials, as office2office fell considerably following a profit warning.

Consumer goods was the only sector to hurt relative performance on the whole during the year. Not holding household goods company Reckitt Benckiser detracted from performance.

Stock selection in consumer services, particularly in the media and travel & leisure industries, contributed positively to performance. Low cost airline easyJet and broadcaster ITV both delivered very strong share price gains and returned cash to shareholders through special dividends. The former was our best performing stock during the period, as the company benefitted from positive results and forecasts, as well as per-seat revenues growing at a faster rate than per-seat costs. ITV's strong performance reflects its good results and improving advertising trends.

Lastly, in financials, an overweight in insurer Aviva was among our poorest performing holdings, as it surprised the market with poor results in the first quarter of 2013, showing an underlying loss and cutting its dividend. This undermined our investment thesis and the position was sold.

Outlook

We expect UK equities to consolidate throughout the rest of 2013, supported by a recovering Europe and more stable economic data from China offset by a period of further uncertainty over the timing of quantitative easing in the US. With regards to valuations, at an aggregate level the market appears to represent reasonable value, with some strong companies appearing undervalued. We will continue to focus on such stock specifics, particularly where we see stocks with sustainable cashflows and valuations that do not reflect the business reality.

General Information as at 30 September 2013

Fund Size	£91.5 million
Net Yield	3.96% Retail Income 3.88% Retail Accumulation 3.97% Institutional Income 3.78% Institutional Accumulation
Sector	UK Equity Income
Launch Date	20 October 1999
Fund Manager	Alan Clifford and team

All data contained herein is sourced by Lazard Asset Management unless otherwise noted as at 30 September 2013.

(1) Source: Morningstar Direct, Bid to Bid Price, net income reinvested in sterling, retail share class net of fees, to 30 September 2013.

Figures refer to past performance which is not a reliable indicator of future results.

Lazard Investment Funds – Annual Report and Financial Statements September 2013

Lazard UK Income Fund continued

Portfolio statement (unaudited)

as at 30 September 2013

	Holding	Market Value £'000	% of Net Assets
EQUITIES (93.79%)		88,073	96.26
Oil & Gas Producers (14.35%)		9,354	10.22
BG Group	75,960	897	0.98
BP	769,887	3,334	3.64
Ophir Energy	94,528	315	0.34
Royal Dutch Shell 'B'	198,323	4,233	4.63
Tullow Oil	56,190	575	0.63
Oil Equipment, Services & Distribution (0.75%)		—	—
Alternative Energy (0.00%)		563	0.62
Utilitywise	372,767	563	0.62
Chemicals (0.45%)		638	0.70
Synthomer	268,944	638	0.70
Industrial Metals & Mining (0.24%)		—	—
Mining (7.00%)		6,748	7.37
BHP Billiton	162,521	2,958	3.23
Glencore Xstrata	521,311	1,755	1.92
Rio Tinto	67,310	2,035	2.22
Construction & Materials (1.16%)		2,692	2.94
Galliford Try	101,860	1,056	1.15
Kier Group	42,280	712	0.78
Low & Bonar	660,600	491	0.54
Norcross	2,110,627	433	0.47
Aerospace & Defence (1.22%)		—	—
General Industrials (0.67%)		1,530	1.67
Rexam	185,907	895	0.98
RPC Group	139,640	635	0.69
Electronic & Electrical Equipment (1.41%)		2,503	2.74
Domino Printing Sciences	95,357	610	0.67
E2V Technologies	418,754	618	0.68
Hellermannntyton	244,329	660	0.72
XP Power	44,750	615	0.67
Industrial Engineering (1.05%)		—	—
Industrial Transportation (1.07%)		1,239	1.35
BBA Aviation	271,475	826	0.90
UK Mail Group	71,220	413	0.45
Support Services (7.08%)		5,225	5.71
AMEC	78,114	839	0.92
Atkins 'WS'	70,490	823	0.90
Brammer	137,944	633	0.69
Capita Group	65,973	657	0.72
office2office	473,530	208	0.23
PayPoint	33,558	356	0.39
Premier Farnell	426,770	925	1.01
S'Three	142,070	505	0.55
Vianet Group	361,951	279	0.30
Automobiles & Parts (0.65%)		—	—
Food Producers (2.93%)		1,891	2.07
Unilever	77,539	1,891	2.07
Household Goods & Home Construction (0.76%)		768	0.84
Headlam Group	199,046	768	0.84
Tobacco (4.66%)		3,488	3.81
British American Tobacco	106,450	3,488	3.81
Health Care Equipment & Services (0.76%)		—	—
Pharmaceuticals & Biotechnology (9.25%)		7,206	7.88
AstraZeneca	71,890	2,312	2.53
GlaxoSmithKline	255,830	3,985	4.36
Shire	36,700	909	0.99
Food & Drug Retailers (0.00%)		2,097	2.29
Conviviality Retail	193,200	296	0.32
Tesco	501,650	1,801	1.97

	Holding	Market Value £'000	% of Net Assets
General Retailers (1.33%)		961	1.05
Debenhams	388,436	396	0.43
Lookers	456,256	565	0.62
Media (3.16%)		3,558	3.89
Informa	121,370	637	0.70
ITV	512,839	899	0.98
Pearson	82,999	1,042	1.14
Reed Elsevier	117,711	980	1.07
Travel & Leisure (4.19%)		3,868	4.23
Compass Group	117,350	997	1.09
easyJet	49,182	628	0.69
Greene King	105,060	841	0.92
Ladbroke's	285,470	483	0.53
TUI Travel	249,981	919	1.00
Fixed Line Telecommunications (2.27%)		1,928	2.11
Alternative Networks	137,010	459	0.50
BT Group	429,040	1,469	1.61
Mobile Telecommunications (4.81%)		4,777	5.22
Vodafone Group	2,212,176	4,777	5.22
Gas, Water & Multiutilities (1.98%)		2,712	2.96
Centrica	493,833	1,825	1.99
Pennon Group	126,912	887	0.97
Banks (8.13%)		9,697	10.60
Barclays	257,597	684	0.75
Barclays (Rights)	64,399	52	0.05
HSBC Holdings	825,470	5,524	6.04
Lloyds Banking Group	1,453,040	1,069	1.17
Standard Chartered	159,909	2,368	2.59
Nonlife Insurance (1.51%)		2,459	2.69
Amlin	138,705	562	0.61
Direct Line Insurance Group	428,394	909	0.99
Novae Group	126,190	635	0.70
Randall & Quilter	245,351	353	0.39
Life Insurance (5.40%)		5,116	5.59
Legal & General Group	718,980	1,411	1.54
Phoenix	93,950	699	0.77
Prudential	86,910	1,000	1.09
Resolution	355,160	1,128	1.23
Standard Life	254,230	878	0.96
Real Estate Investment & Services (0.63%)		978	1.07
Belvoir Lettings	213,700	322	0.35
Foxtons Group	244,705	656	0.72
Real Estate Investment Trusts (1.74%)		2,228	2.43
Hanstee Holdings	828,701	816	0.89
NewRiver Retail	310,390	733	0.80
Workspace Group	149,619	679	0.74
Financial Services (2.02%)		2,572	2.81
Aberdeen Asset Management	107,900	409	0.44
Brewin Dolphin	253,661	686	0.75
Intermediate Capital Group	165,750	739	0.81
Provident Financial	44,430	738	0.81
Software & Computer Services (1.16%)		1,277	1.40
Computacenter	131,485	698	0.77
Micro Focus International	76,756	579	0.63

Lazard Investment Funds – Annual Report and Financial Statements September 2013

Lazard UK Income Fund continued

Portfolio statement (unaudited) continued

	Holding	Market Value £'000	% of Net Assets
BONDS (4.06%)			
Corporate Bonds (4.06%)		1,627	1.78
F&C Asset Management 6.75%			
20.12.2026	£802,000	700	0.77
International Consolidated Airlines			
Group 5.8% 13.08.2014	£519,000	927	1.01
Portfolio of investments (97.85%)		89,700	98.04
Net other assets (2.15%)		1,796	1.96
Net assets attributable to Shareholders		£91,496	100.00

Unless otherwise stated, all holdings are quoted in ordinary shares and listed on a recognised exchange.

The percentages in brackets show the equivalent comparative holding at 30.09.12.

Total purchases for the year: £32,095,658.

Total sales for the year: £31,119,739.

Lazard Investment Funds – Annual Report and Financial Statements September 2013

Lazard UK Income Fund continued

Statement of total return

for the year ended 30 September 2013

	Notes	30.09.13		30.09.12	
		£'000	£'000	£'000	£'000
Income					
Net capital gains	2		14,194		10,761
Revenue	3	3,779		3,420	
Expenses	4	(1,094)		(938)	
Finance costs: Interest	6	(3)		—	
Net revenue before taxation		2,682		2,482	
Taxation	5	(9)		(6)	
Net revenue after taxation for the year			2,673		2,476
Total return before distributions			16,867		13,237
Finance costs: Distributions	6		(3,678)		(3,318)
Change in net assets attributable to Shareholders from investment activities			13,189		9,919

Balance sheet

as at 30 September 2013

	Notes	30.09.13		30.09.12	
		£'000	£'000	£'000	£'000
Assets					
Investment assets			89,700		74,400
Debtors	7	1,794		583	
Cash and bank balances		753		1,615	
Total other assets			2,547		2,198
Total assets			92,247		76,598
Liabilities					
Creditors	8	(335)		(143)	
Distribution payable on income shares		(416)		(421)	
Total other liabilities			(751)		(564)
Total liabilities			(751)		(564)
Net assets attributable to Shareholders			91,496		76,034

Statement of change in net assets attributable to Shareholders

for the year ended 30 September 2013

	30.09.13		30.09.12	
	£'000	£'000	£'000	£'000
Opening net assets attributable to Shareholders		76,034		64,144
Amounts received on issue of shares	9,054		6,065	
Amounts paid on cancellation of shares	(8,686)		(5,707)	
		368		358
Stamp Duty Reserve tax		(21)		(20)
Change in net assets attributable to Shareholders from investment activities		13,189		9,919
Retained distribution on accumulation shares		1,920		1,627
Unclaimed distribution		6		6
Closing net assets attributable to Shareholders		91,496		76,034

Fund facts*

as at 30 September 2013

Ongoing Charges Figure (OCF)

	September 2013
Retail income	1.33%
Retail accumulation	1.30%
Institutional income	0.80%
Institutional accumulation	0.86%

The Ongoing Charges Figure (OCF) represents the annual operating expenses of the Sub-fund expressed as a percentage of average net assets - it does not include initial charges or performance fees. The OCF includes the annual management charge and also the following charges which are deducted directly from the Sub-fund: Registration fees, Depositary fees, Safe Custody fees, Audit fee, FCA fee, Distribution fees, Issuance fees, Non-audit fees, and Transaction charges where applicable.

The OCF is expressed as an annual percentage rate.

Synthetic Risk and Reward Indicator (SRRI)

◀ Lower Risk				Higher Risk ▶		
Typically Lower Rewards				Typically Higher Rewards		
1	2	3	4	5	6	7

The risk and reward category is calculated using historical data and may not be a reliable indicator of the Fund's future risk profile. The risk and reward category may shift over time and is not a target or guarantee.

The lowest category (ie category 1) does not mean "risk free".

The Fund appears in the higher risk category on the risk and reward indicator.

This is because the Fund invests primarily in shares, whose values tend to have higher price fluctuations.

High yielding assets may carry a greater risk of capital values falling or have limited prospects of capital growth or recovery.

The annual management charge is deducted from the capital of the Fund. This will increase the income from the Fund but may constrain or erode potential for capital growth.

There is no capital guarantee or protection of the value of the Fund. The value of your investment and the income from it can go down as well as up and you may not get back the amount you invested.

See "Risk Factors" in the UCITS Prospectus for more information about risks.

*This section has not been audited.

Lazard Investment Funds – Annual Report and Financial Statements September 2013

Lazard UK Income Fund continued

Performance record

as at 30 September 2013

Net asset values

Date	Net asset value (£)	Net asset value (pence per share)	Shares in issue at year end
September 2011			
Retail income	33,391,830	407.24	8,199,546
Retail accumulation	28,750,223	701.35	4,099,272
Institutional income	1,995,708	427.07	467,303
Institutional accumulation	6,368	524.12	1,215
September 2012			
Retail income	35,198,516	469.67	7,494,236
Retail accumulation	38,983,390	846.61	4,604,629
Institutional income	1,844,502	495.06	372,583
Institutional accumulation	7,710	634.57	1,215
September 2013			
Retail income	33,612,666	549.32	6,118,970
Retail accumulation	49,560,345	1,032.47	4,800,193
Institutional income	8,239,961	581.98	1,415,852
Institutional accumulation	83,235	777.10	10,711

Distribution and price record (pence per share)

Retail income shares

Calendar year	Net revenue per share p	Highest price per share	Lowest price per share
2008	21.5740	548.20	292.30
2009	17.0245	429.40	279.00
2010	16.8822	452.60	380.40
2011	18.3626	488.80	395.30
2012	20.8324	495.40	430.60
2013 ⁽¹⁾	22.0870	570.20	496.60

Retail accumulation shares

Calendar year	Net revenue per share p	Highest price per share	Lowest price per share
2008	31.7104	796.90	442.30
2009	26.3095	682.50	426.60
2010	27.3559	732.30	623.80
2011	30.9935	832.70	680.80
2012	36.6986	893.00	757.50
2013 ⁽¹⁾	40.6651	1,061.00	901.70

Institutional income shares

Calendar year	Net revenue per share p	Highest price per share	Lowest price per share
2008	22.2485	564.00	302.00
2009	17.6820	446.30	288.80
2010	17.6669	471.00	396.30
2011	19.1885	512.00	414.50
2012	21.9855	522.80	453.20
2013 ⁽¹⁾	23.4761	604.10	524.10

Institutional accumulation shares

Calendar year	Net revenue per share p	Highest price per share	Lowest price per share
2008	23.3670	587.90	327.70
2009	18.8585	507.30	316.70
2010	19.5805	544.90	464.50
2011	21.5103	621.80	508.70
2012	26.5537	669.90	567.10
2013 ⁽¹⁾	29.9535	798.60	676.40

⁽¹⁾ To 30.09.13.

Risk warning

It is important to remember that past performance is not a guide to the future. The value of shares and the income from them can go down as well as up. An investor may get back less than their original investment.

Lazard Investment Funds – Annual Report and Financial Statements September 2013

Lazard UK Income Fund continued

Distribution tables

for the year ended 30 September 2013

Dividend distribution in pence per share

Final distribution

	Net revenue	Equalisation	Distribution payable 30.11.13	Distribution paid 30.11.12
Retail income				
Group 1	5.4534	—	5.4534	5.3344
Group 2	2.3226	3.1308	5.4534	5.3344
Retail accumulation				
Group 1	10.2056	—	10.2056	9.5505
Group 2	6.3821	3.8235	10.2056	9.5505
Institutional income				
Group 1	5.8079	—	5.8079	5.6405
Group 2	2.9523	2.8556	5.8079	5.6405
Institutional accumulation				
Group 1	7.5495	—	7.5495	6.9176
Group 2	2.4308	5.1187	7.5495	6.9176

3rd interim distribution

	Net revenue	Equalisation	Distribution paid 31.08.13	Distribution paid 31.08.12
Retail income				
Group 1	7.6254	—	7.6254	5.9601
Group 2	2.0433	5.5821	7.6254	5.9601
Retail accumulation				
Group 1	14.0377	—	14.0377	10.5388
Group 2	6.7133	7.3244	14.0377	10.5388
Institutional income				
Group 1	8.0947	—	8.0947	6.2911
Group 2	6.4852	1.6095	8.0947	6.2911
Institutional accumulation				
Group 1	10.4876	—	10.4876	7.6971
Group 2	7.3554	3.1322	10.4876	7.6971

Distribution tables

for the year ended 30 September 2013

Dividend distribution in pence per share

2nd interim distribution

	Net revenue	Equalisation	Distribution paid 31.05.13	Distribution paid 31.05.12
Retail income				
Group 1	5.3609	—	5.3609	5.4538
Group 2	2.6422	2.7187	5.3609	5.4538
Retail accumulation				
Group 1	9.7857	—	9.7857	9.5307
Group 2	6.3849	3.4008	9.7857	9.5307
Institutional income				
Group 1	5.6972	—	5.6972	5.7491
Group 2	5.4062	0.2910	5.6972	5.7491
Institutional accumulation				
Group 1	7.2259	—	7.2259	6.8493
Group 2	6.0775	1.1484	7.2259	6.8493

1st interim distribution

	Net revenue	Equalisation	Distribution paid 28.02.13	Distribution paid 29.02.12
Retail income				
Group 1	3.6473	—	3.6473	4.0841
Group 2	0.6673	2.9800	3.6473	4.0841
Retail accumulation				
Group 1	6.6361	—	6.6361	7.0786
Group 2	2.9458	3.6903	6.6361	7.0786
Institutional income				
Group 1	3.8763	—	3.8763	4.3048
Group 2	0.3512	3.5251	3.8763	4.3048
Institutional accumulation				
Group 1	4.6905	—	4.6905	5.0897
Group 2	—	—	—	5.0897

Group 1: shares purchased prior to the distribution period.

Group 2: shares purchased during the distribution period.

Equalisation is the average amount of revenue included in the purchase price of all Group 2 shares and is refunded to holders of these shares as a return of capital. Being capital it is not liable for income tax but must be deducted from the cost of shares for capital gains tax purposes.

Lazard Investment Funds – Annual Report and Financial Statements September 2013

Lazard UK Income Fund continued

Notes to the Financial Statements

as at 30 September 2013

1 Accounting policies

The accounting policies for the Sub-fund are the same as those disclosed in the aggregated financial statements on page 4.

2 Net capital gains

	30.09.13 £'000	30.09.12 £'000
The net capital gains during the year comprise:		
Non-derivative securities	14,196	10,767
Currency losses	—	(3)
Transaction charges	(2)	(3)
Net capital gains	14,194	10,761

3 Revenue

	30.09.13 £'000	30.09.12 £'000
Bank interest	7	3
Interest on debt securities	196	237
Non-taxable overseas dividends	388	181
Property distributions	42	38
UK dividends	3,146	2,954
Underwriting commission	—	7
	3,779	3,420

4 Expenses

	30.09.13 £'000	30.09.12 £'000
Payable to the ACD, associates of the ACD and agents of either of them:		
ACD's periodic charge	1,044	891
Payable to the Depositary, associates of the Depositary and agents of either of them:		
Depositary's fees	18	16
Safe custody fees	7	6
	25	22
Other expenses:		
Audit fee	8	8
VAT on Audit fee	2	2
Distribution fees	2	—
Registration fees	13	15
	25	25
Total expenses	1,094	938

5 Taxation

	30.09.13 £'000	30.09.12 £'000
a) Analysis of the charge in the year		
<i>Current tax:</i>		
Overseas tax	9	6
Total current tax (note 5b)	9	6
Deferred tax (note 5c)	—	—
Total taxation	9	6
b) Factors affecting taxation charge for the year		
Net revenue before taxation	2,682	2,482
Net revenue before taxation at the applicable rate of corporation tax in the UK of 20% (2012: 20%)	536	496
Effects of:		
Excess expenses for which no tax relief taken	171	131
Franked Investment income at 20%	(629)	(591)
Non-taxable overseas dividends	(78)	(36)
Overseas tax	9	6
Total current tax (note 5a)	9	6

c) Provision for Deferred tax

There is no Deferred tax provision in the current or preceding year.

At the year end there is a potential Deferred tax asset of £3,757,000 (2012: £3,586,000) due to surplus management expenses.

It is unlikely the Sub-fund will generate sufficient taxable profits in the future to utilise these amounts and therefore no Deferred tax asset has been recognised (2012: same).

Lazard Investment Funds – Annual Report and Financial Statements September 2013

Lazard UK Income Fund continued

Notes to the Financial Statements continued

6 Finance costs

Distributions

The distributions take account of revenue received on the creation of shares and revenue deducted on the cancellation of shares and comprise:

	30.09.13 £'000	30.09.12 £'000
1st Interim	593	645
2nd Interim	899	863
3rd Interim	1,263	951
Final	907	861
	<u>3,662</u>	<u>3,320</u>
Add: Revenue deducted on cancellation of shares	44	31
Less: Revenue received on issue of shares	(28)	(33)
Net distributions for the year	3,678	3,318
Interest	3	—
Total finance costs	3,681	3,318

The differences between the net revenue after taxation and the distributions for the year are as follows:

	30.09.13 £'000	30.09.12 £'000
Net revenue after taxation for the year	2,673	2,476
ACD's periodic charge to capital	1,044	890
Tax relief on capital items not deducted from distribution	(39)	(48)
Net distributions for the year	3,678	3,318

Details of the distributions per share are set out in the tables on page 70.

7 Debtors

	30.09.13 £'000	30.09.12 £'000
Accrued revenue	397	396
Amounts receivable for issue of shares	11	4
Overseas tax recoverable	—	3
Recoverable income tax	2	1
Sales awaiting settlement	1,384	179
	<u>1,794</u>	<u>583</u>

8 Creditors

	30.09.13 £'000	30.09.12 £'000
Accrued expenses	103	93
Amounts payable for cancellation of shares	174	50
Purchases awaiting settlement	58	—
	<u>335</u>	<u>143</u>

9 Contingent assets/liabilities and outstanding commitments

Contingent liabilities and outstanding commitments at the balance sheet date were:

	30.09.13 £'000	30.09.12 £'000
Commitment on rights issue	119	—
	<u>119</u>	<u>—</u>

As at the balance sheet date, the fund has not recognised a contingent asset of £5,596 (2012 - £0), net of associated costs, in relation to reclaims made to recover withholding tax previously withheld by French tax authorities.

Accounting standards permit the reclaims to be included as an asset in the balance sheet only where the receipt is "virtually certain". In the opinion of the Manager, receipt is probable rather than virtually certain and accordingly the reclaims are regarded as a contingent or potential asset rather than an actual asset for the purposes of preparing the accounts.

Notwithstanding the treatment for the purposes of the preparation of accounts, an appropriate adjustment to reflect the reclaims has been made for the purposes of daily pricing.

10 Related party disclosures

Details of the related party disclosures are included within note 11 of the aggregated financial statements on page 7.

11 Financial Instruments

Details of the financial instruments risk disclosures are set out in note 14 of the aggregated financial statements on page 7 to 8.

Currency exposure profile

	Net currency assets		
	Monetary exposures £'000	Non-monetary exposures £'000	Total £'000
30.09.13 Currency			
US Dollar	92	—	92
Sterling	1,704	89,700	91,404
Net assets attributable to Shareholders	1,796	89,700	91,496

Lazard Investment Funds – Annual Report and Financial Statements September 2013

Lazard UK Income Fund continued

Notes to the Financial Statements continued

11 Financial Instruments (continued)

Currency exposure profile (continued)

30.09.12 Currency	Net currency assets		
	Monetary exposures £'000	Non-monetary exposures £'000	Total £'000
Euro	8	2,308	2,316
US Dollar	82	396	478
	90	2,704	2,794
Sterling	1,544	71,696	73,240
Net assets attributable to Shareholders	1,634	74,400	76,034

Interest rate risk profile

The interest rate profile of the Sub-fund's net assets at the balance sheet date was:

	Total £'000	Floating rate £'000	Fixed rate £'000	No interest £'000
30.09.13				
Portfolio	89,700	—	1,627	88,073
Other assets	2,547	753*	—	1,794
Other liabilities	(751)	—	—	(751)
	91,496	753	1,627	89,116
30.09.12				
Portfolio	74,400	—	3,086	71,314
Other assets	2,198	1,615*	—	583
Other liabilities	(564)	—	—	(564)
	76,034	1,615	3,086	71,333

*The Sub-fund's floating rate other assets and liabilities are represented by its bank balances, overdraft facilities and investments in floating rate interest securities. Cash is deposited, and overdraft facilities utilised, on normal commercial terms and earn/bear interest based on LIBOR or its overseas equivalent.

Fixed rate financial assets

Currency	Weighted average interest rate %		Weighted average period for which rate is fixed Years	
	30.09.13	30.09.12	30.09.13	30.09.12
Euro	—	9.95	—	2.85
Sterling	5.18	7.91	6.19	7.86
USD	—	5.00	—	2.50

Derivative risk

No derivatives were held at the balance sheet date or throughout the year (2012: same).

12 Portfolio transaction costs

	30.09.13 £'000	30.09.12 £'000
Purchases		
Purchases excluding transaction costs	31,945	26,703
Commissions	29	28
Taxes	122	119
Total transaction costs	151	147
Total purchases including transaction costs	32,096	26,850
Sales		
Sales excluding transaction costs	31,150	26,145
Commissions	(30)	(27)
Total transaction costs	(30)	(27)
Total sales net of transaction costs	31,120	26,118

Lazard Investment Funds – Annual Report and Financial Statements September 2013

Lazard UK Omega Fund

Investment Manager's Report

Investment Objective

The objective of the Sub-fund is to achieve long term capital growth through a portfolio of primarily UK listed stocks.

Investment Review

Over the 12 months under review the Lazard UK Omega Fund returned 25.92%. The FTSE All-Share Index returned 18.93% over the same period.⁽¹⁾

Investment Policy

The Sub-fund will consist of a portfolio of primarily UK listed securities. Investments may also be made in securities of companies with significant sources of profit from or with close economic links with the UK.

Market Review

UK equities made considerable gains during the past 12 months, as optimism grew about the sustainability of the recovery both in the UK and globally. At the beginning of the period, the UK economy emerged from recession, with only a dip of 0.3% in the fourth quarter of 2012 casting a shadow on what has been a period of stabilisation in economic indicators. However, Moody's downgrading of the country's AAA credit rating in February did come as something of a blow, though this was expected by investors. Volatility has emerged over the year, primarily due to political tensions, such as the fiscal cliff discussions in the US, an uncertain result in February's Italian election and the possibility of military intervention in Syria.

Portfolio Review

During an excellent 12 months, the UK Omega Fund produced significant absolute returns and outperformed the FTSE All-Share Index.

The Fund made significant gains in consumer services, due to an overweight and positive stock selection in the sector, most notably through our holdings in easyJet and ITV. The former was our best performing stock during the period, as the low-cost airline benefitted from positive results and forecasts, as well as per-seat revenues growing at a faster rate than per-seat costs. ITV's strong performance reflects its good results and improving advertising trends.

Although stock selection was positive, our underweight in financials detracted from performance. An overweight in insurer Aviva was among our poorest performing holdings, as it surprised the market with poor results in the first quarter of 2013, showing an underlying loss and cutting its dividend. This undermined our investment thesis and the position was sold. An underweight in HSBC also hurt returns.

The industrials sector also contributed positively to performance.

Among the top holdings in this sector was equipment hire business Ashtead, which has been supported by the US housing recovery as well as the structural changes which have increased demand for rental equipment.

Groundworks business Keller also helped returns and we sold our position late in the period under review, locking in profits.

Lastly, stock selection in oil & gas detracted from performance, though the effects of this were mitigated somewhat by our underweight position in the sector. At the stock level, Ophir Energy and Petrofac, which were both sold earlier in the period, were the two weakest positions in the portfolio.

Outlook

We expect UK equities to consolidate throughout the rest of 2013, supported by a recovering Europe and more stable economic data from China offset by a period of further uncertainty over the timing of quantitative easing in the US. With regards to valuations, at an aggregate level the market appears to represent reasonable value, with some strong companies appearing undervalued. We will continue to focus on such stock specifics, particularly where we see stocks with sustainable cashflows and valuations that do not reflect the business reality.

General Information as at 30 September 2013

Fund Size	£1.3 million
Net Yield	0.33% Retail Income
	0.02% Retail Accumulation
	0.00% Retail C Income
	0.00% Retail C Accumulation
	0.67% Institutional Income
	0.65% Institutional Accumulation
Sector	UK All Companies
Launch Date	25 February 2005
Fund Manager	Alan Custis and team

All data contained herein is sourced by Lazard Asset Management unless otherwise noted as at 30 September 2013.

(1) Source: Morningstar Direct, Bid to Bid Price, net income reinvested in sterling, retail share class net of fees, to 30 September 2013.

Figures refer to past performance which is not a reliable indicator of future results.

Lazard Investment Funds – Annual Report and Financial Statements September 2013

Lazard UK Omega Fund continued

Portfolio statement (unaudited)

as at 30 September 2013

	Holding	Market Value £'000	% of Net Assets
Oil & Gas Producers (13.74%)		—	—
Oil Equipment, Services & Distribution (4.69%)		26	1.99
Hunting	3,250	26	1.99
Mining (11.46%)		69	5.27
Rio Tinto	2,302	69	5.27
General Industrials (2.07%)		54	4.13
Glencore Xstrata	15,979	54	4.13
Electronic & Electrical Equipment (4.15%)		—	—
Industrial Engineering (3.11%)		36	2.75
Ashted Group	5,885	36	2.75
Support Services (4.26%)		89	6.80
Hays	27,930	33	2.52
Travis Perkins	1,670	27	2.06
Weir Group	1,235	29	2.22
Beverages (3.98%)		58	4.43
Diageo	2,945	58	4.43
Food Producers (3.16%)		59	4.51
Unilever	2,400	59	4.51
Personal Goods (2.02%)		25	1.91
Taylor Wimpey	25,253	25	1.91
Tobacco (3.93%)		—	—
Pharmaceuticals & Biotechnology (6.44%)		45	3.44
Shire	1,820	45	3.44
Food & Drug Retailers (0.00%)		41	3.13
Tesco	11,385	41	3.13
General Retailers (0.00%)		98	7.49
Carphone Warehouse	15,384	36	2.75
Pendragon	104,560	35	2.68
Signet Jewelers	610	27	2.06
Media (5.73%)		44	3.36
ITV	25,146	44	3.36
Travel & Leisure (5.51%)		138	10.54
Compass Group	4,536	39	2.98
easyJet	1,995	25	1.91
International Consolidated Airlines	14,370	49	3.74
Restaurant	4,740	25	1.91
Fixed Line Telecommunications (3.60%)		42	3.21
BT Group	12,204	42	3.21
Mobile Telecommunications (2.02%)		75	5.73
Vodafone	34,550	75	5.73
Electricity (2.02%)		35	2.67
Drax Group	5,124	35	2.67
Banks (10.03%)		150	11.46
HSBC Holdings	10,102	68	5.19
Lloyds Banking Group	58,829	43	3.29
Standard Chartered	2,670	39	2.98
Life Insurance (6.33%)		63	4.81
Prudential	2,746	31	2.37
Resolution	10,065	32	2.44
Financial Services (0.00%)		27	2.06
Milton	65,740	27	2.06

	Holding	Market Value £'000	% of Net Assets
Software & Computer Services (0.00%)		41	3.13
Wandisco	3,620	41	3.13
Technology Hardware & Equipment (2.62%)		32	2.44
Arm Holdings	3,240	32	2.44
Portfolio of investments (100.87%)		1,247	95.26
Net other assets/(liabilities) (-0.87%)		62	4.74
Net assets attributable to Shareholders		1,309	100.00

Unless otherwise stated, all holdings are quoted in ordinary shares and listed on a recognised exchange.

The percentages in brackets show the equivalent comparative holdings at 30.09.12.

Total purchases for the year: £1,580,671.

Total sales for the year: £2,576,712.

Lazard Investment Funds – Annual Report and Financial Statements September 2013

Lazard UK Omega Fund continued

Statement of total return

for the year ended 30 September 2013

	Notes	30.09.13		30.09.12	
		£'000	£'000	£'000	£'000
Income					
Net capital gains	2		392		877
Revenue	3	45		81	
Expenses	4	(41)		(51)	
Finance costs: Interest	6	(1)		—	
Net revenue before taxation		3		30	
Taxation	5	—		—	
Net revenue after taxation for the year			3		30
Total return before distributions			395		907
Finance costs: Distributions	6		(3)		(30)
Change in net assets attributable to Shareholders from investment activities			392		877

Balance sheet

as at 30 September 2013

	Notes	30.09.13		30.09.12	
		£'000	£'000	£'000	£'000
Assets					
Investment assets			1,247		1,849
Debtors	7	48		35	
Cash and bank balances		40		71	
Total other assets			88		106
Total assets			1,335		1,955
Liabilities					
Creditors	8	(24)		(112)	
Distribution payable on income shares		(2)		(10)	
Total other liabilities			(26)		(122)
Total liabilities			(26)		(122)
Net assets attributable to Shareholders			1,309		1,833

Statement of change in net assets attributable to Shareholders

for the year ended 30 September 2013

	30.09.13		30.09.12	
	£'000	£'000	£'000	£'000
Opening net assets attributable to Shareholders		1,833		4,490
Amounts received on issue of shares	94		91	
Amounts paid on cancellation of shares	(1,012)		(3,636)	
		(918)		(3,545)
Dilution levy		2		11
Change in net assets attributable to Shareholders from investment activities		392		877
Closing net assets attributable to Shareholders		1,309		1,833

Fund facts*

as at 30 September 2013

Ongoing Charges Figure (OCF)

	September 2013
Retail income	2.87%
Retail accumulation	3.77%
Institutional income	2.25%
Institutional accumulation	2.31%
Retail C income†	1.82%
Retail C accumulation†	1.82%

The Ongoing Charges Figure (OCF) represents the annual operating expenses of the Sub-fund expressed as a percentage of average net assets - it does not include initial charges or performance fees. The OCF includes the annual management charge and also the following charges which are deducted directly from the Sub-fund: Registration fees, Depositary fees, Safe Custody fees, Audit fee, FCA fee, Distribution fees, Issuance fees, Non-audit fees, and Transaction charges where applicable.

The OCF is expressed as an annual percentage rate.

†Retail C income and accumulation classes commenced 1 November 2012.

Synthetic Risk and Reward Indicator (SRRI)

◀ Lower Risk Higher Risk ▶

Typically Lower Rewards				Typically Higher Rewards		
1	2	3	4	5	6	7

The risk and reward category is calculated using historical data and may not be a reliable indicator of the Fund's future risk profile. The risk and reward category may shift over time and is not a target or guarantee.

The lowest category (ie category 1) does not mean "risk free".

The Fund appears in the higher risk category on the risk and reward indicator.

This is because the Fund invests primarily in shares, whose values tend to have higher price fluctuations.

In view of the concentrated nature of the Fund's portfolio of investments, the level of risk is expected to be higher than for broader based portfolios and the net asset value may be more volatile.

There is no capital guarantee or protection of the value of the Fund. The value of your investment and the income from it can go down as well as up and you may not get back the amount you invested.

See "Risk Factors" in the UCITS Prospectus for more information about risks.

*This section has not been audited.

Lazard Investment Funds – Annual Report and Financial Statements September 2013

Lazard UK Omega Fund continued

Performance record

as at 30 September 2013

Net asset values

Date	Net asset value (£)	Net asset value (pence per share)	Shares in issue at year end
September 2011			
Retail income	857,216	109.74	781,104
Retail accumulation	137,590	115.58	119,046
Institutional income	1,635,652	109.47	1,494,092
Institutional accumulation	1,859,823	116.58	1,595,252
September 2012			
Retail income	873,895	137.56	635,290
Retail accumulation	38,552	145.16	26,558
Institutional income	897,951	137.27	654,141
Institutional accumulation	22,859	147.95	15,450
September 2013			
Retail income	835,317	173.42	481,676
Retail accumulation	56,962	181.19	31,438
Institutional income	328,169	173.08	189,609
Institutional accumulation	86,492	187.70	46,080
Retail C income†	1,108	173.13	640
Retail C accumulation†	1,117	184.63	605

Distribution and price record (pence per share)

Retail income shares

Calendar year	Net revenue per share p	Highest price per share	Lowest price per share
2008	2.4050	134.80	124.20
2009	1.3838	114.60	97.50
2010	0.8932	136.40	73.30
2011	0.5017	140.20	105.00
2012	1.0745	147.90	123.10
2013 ⁽¹⁾	0.1357	178.30	149.90

Retail accumulation shares

Calendar year	Net revenue per share p	Highest price per share	Lowest price per share
2008	2.5789	134.80	98.40
2009	1.5598	118.30	75.00
2010	0.9769	143.50	112.20
2011	0.1175	147.00	110.60
2012	0.2307	155.50	129.40
2013 ⁽¹⁾	—	186.20	157.40

Institutional income shares

Calendar year	Net revenue per share p	Highest price per share	Lowest price per share
2008	3.0652	135.00	68.10
2009	1.9666	114.90	73.50
2010	1.6416	136.70	107.70
2011	1.5324	140.90	104.80
2012	1.9593	147.80	123.00
2013 ⁽¹⁾	0.9357	178.60	149.80

Institutional accumulation shares

Calendar year	Net revenue per share p	Highest price per share	Lowest price per share
2008	2.9954	135.00	98.90
2009	2.0607	119.50	75.60
2010	—	143.10	112.20
2011	1.9102	148.10	111.60
2012	1.8551	159.30	131.00
2013 ⁽¹⁾	1.2226	192.80	161.40

Retail C income shares†

Calendar year	Net revenue per share p	Highest price per share	Lowest price per share
2012	—	148.10	100.00
2013 ⁽¹⁾	2.0090	179.20	150.10

Retail C accumulation shares†

Calendar year	Net revenue per share p	Highest price per share	Lowest price per share
2012	—	156.00	100.00
2013 ⁽¹⁾	2.1202	189.60	158.20

⁽¹⁾ To 30.09.13.

†Retail C income and accumulation classes commenced 1 November 2012.

Risk warning

It is important to remember that past performance is not a guide to the future. The value of shares and the income from them can go down as well as up. An investor may get back less than their original investment.

Lazard Investment Funds – Annual Report and Financial Statements September 2013

Lazard UK Omega Fund continued

Distribution tables

for the year ended 30 September 2013

Dividend distribution in pence per share

Final distribution

	Net revenue	Equalisation	Distribution payable 30.11.13	Distribution paid 30.11.12
Retail income				
Group 1	0.1357	—	0.1357	0.5790
Group 2	—	0.1357	0.1357	0.5790
Retail accumulation				
Group 1	—	—	—	0.0438
Group 2	—	—	—	0.0438
Institutional income				
Group 1	0.7990	—	0.7990	1.0318
Group 2	0.7990	—	0.7990	1.0318
Institutional accumulation				
Group 1	1.0016	—	1.0016	1.0001
Group 2	0.2313	0.7703	1.0016	1.0001
Retail C income†				
Group 1	1.3218	—	1.3218	N/A
Group 2	0.2250	1.0968	1.3218	N/A
Retail C accumulation†				
Group 1	1.3950	—	1.3950	N/A
Group 2	0.2571	1.1379	1.3950	N/A

Interim distribution

	Net revenue	Equalisation	Distribution paid 31.05.13	Distribution paid 31.05.12
Retail income				
Group 1	—	—	—	0.4955
Group 2	—	—	—	0.4955
Retail accumulation				
Group 1	—	—	—	0.1869
Group 2	—	—	—	0.1869
Institutional income				
Group 1	0.1367	—	0.1367	0.9275
Group 2	—	—	—	0.9275
Institutional accumulation				
Group 1	0.2210	—	0.2210	0.8550
Group 2	0.1082	0.1128	0.2210	0.8550
Retail C income†				
Group 1	0.6872	—	0.6872	N/A
Group 2	—	—	—	N/A
Retail C accumulation†				
Group 1	0.7252	—	0.7252	N/A
Group 2	—	—	—	N/A

†Retail C income and accumulation classes commenced 1 November 2012.

Group 1: shares purchased prior to the distribution period.

Group 2: shares purchased during the distribution period.

Equalisation is the average amount of revenue included in the purchase price of all Group 2 shares and is refunded to holders of these shares as a return of capital. Being capital it is not liable for income tax but must be deducted from the cost of shares for capital gains tax purposes.

Lazard Investment Funds – Annual Report and Financial Statements September 2013

Lazard UK Omega Fund continued

Notes to the Financial Statements

as at 30 September 2013

1 Accounting policies

The accounting policies for the Sub-fund are the same as those disclosed in the aggregated financial statements on page 4.

2 Net capital gains

The net capital gains during the year comprise:

	30.09.13 £'000	30.09.12 £'000
Non-derivative securities	393	881
Transaction charges	(1)	(4)
Net capital gains	392	877

3 Revenue

	30.09.13 £'000	30.09.12 £'000
Bank interest	1	—
Non-taxable overseas dividends	5	2
Property distributions	—	1
Stock dividends	1	—
UK franked dividends	38	78
	45	81

4 Expenses

	30.09.13 £'000	30.09.12 £'000
Payable to the ACD, associates of the ACD and agents of either of them:		
ACD's periodic charge	21	33
Payable to the Depositary, associates of the Depositary and agents of either of them:		
Depositary's fees	—	1
Safe custody fees	4	4
	4	5
Other expenses:		
Audit fee	8	8
VAT on audit fee	2	2
Distribution fees	1	—
Legal fees	1	—
Professional fees	1	—
Registration fees	3	3
	16	13
Total expenses	41	51

5 Taxation

	30.09.13 £'000	30.09.12 £'000
a) Analysis of the charge in the year		
<i>Current tax:</i>		
Overseas tax	—	—
Total current tax (note 5b)	—	—
Deferred tax (note 5c)	—	—
Total taxation	—	—
b) Factors affecting taxation charge for the year		
Net revenue before taxation	3	30
Net revenue before taxation at the applicable rate of corporation tax in the UK of 20% (2012: 20%)	1	6
Effects of:		
Excess expenses for which no tax relief taken	8	10
Franked Investment income at 20%	(8)	(16)
Non-taxable overseas dividends	(1)	—
Total current tax (note 5a)	—	—

c) Provision for Deferred tax

There is no Deferred tax provision in the current or preceding year.

At the year end there is a potential Deferred tax asset of £455,000 (2012: £447,000) due to surplus management expenses.

It is unlikely the Sub-fund will generate sufficient taxable profits in the future to utilise these amounts and therefore no Deferred tax asset has been recognised (2012: same).

Lazard Investment Funds – Annual Report and Financial Statements September 2013

Lazard UK Omega Fund continued

Notes to the Financial Statements continued

6 Finance costs

Distributions

The distributions take account of revenue received on the issue of shares and revenue deducted on the cancellation of shares and comprise:

	30.09.13 £'000	30.09.12 £'000
Interim	—	13
Final	2	10
	<u>2</u>	<u>23</u>
Add: Revenue deducted on cancellation of shares	1	7
Less: Revenue received on issue of shares	—	—
Net distributions for the year	<u>3</u>	<u>30</u>
Interest	1	—
Total finance costs	<u>4</u>	<u>30</u>

Details of the distributions per share are set out in the tables on page 78.

7 Debtors

	30.09.13 £'000	30.09.12 £'000
Accrued revenue	3	6
Amounts receivable for issue of shares	—	13
Sales awaiting settlement	45	16
	<u>48</u>	<u>35</u>

8 Creditors

	30.09.13 £'000	30.09.12 £'000
Accrued expenses	13	14
Amounts payable for cancellation of shares	11	40
Purchases awaiting settlement	—	58
	<u>24</u>	<u>112</u>

9 Contingent liabilities and outstanding commitments

There were no contingent liabilities or outstanding commitments at the balance sheet date (2012: same).

10 Related party disclosures

Details of the related party disclosures are included within note 11 of the aggregated financial statements on page 7.

11 Financial Instruments

Details of the financial instruments risk disclosures are set out in note 14 of the aggregated financial statements on page 7 to 8.

Currency exposure profile

	Net currency assets/(liabilities)		
	Monetary exposures	Non-monetary exposures	Total
30.09.13	£'000	£'000	£'000
Currency			
US Dollar	41	—	41
Sterling	21	1,247	1,268
Net assets attributable to Shareholders	<u>62</u>	<u>1,247</u>	<u>1,309</u>

	Net currency assets/(liabilities)		
	Monetary exposures	Non-monetary exposures	Total
30.09.12	£'000	£'000	£'000
Currency			
US Dollar	1	—	1
Sterling	(17)	1,849	1,832
Net assets attributable to Shareholders	<u>(16)</u>	<u>1,849</u>	<u>1,833</u>

Interest rate risk profile

The Sub-fund's only interest bearing financial instruments at the balance sheet date are represented by its cash balances and overdraft facility, which earn and pay interest on normal commercial terms based on LIBOR or its overseas equivalent.

Derivative risk

No derivatives were held at the balance sheet date or throughout the year (2012: same).

Lazard Investment Funds – Annual Report and Financial Statements September 2013

Lazard UK Omega Fund continued

Notes to the Financial Statements continued

12 Portfolio transaction costs

	30.09.13 £'000	30.09.12 £'000
Purchases		
Purchases excluding transaction costs	1,572	3,003
Commissions	2	3
Taxes	7	13
Total transaction costs	9	16
Total purchases including transaction costs	1,581	3,019
Sales		
Sales excluding transaction costs	2,579	6,433
Commissions	(2)	(6)
Total transaction costs	(2)	(6)
Total sales net of transaction costs	2,577	6,427

Lazard Investment Funds – Annual Report and Financial Statements September 2013

Lazard UK Smaller Companies Fund

Investment Manager's Report

Investment Objective

The objective of the Sub-fund is to achieve capital growth at a rate greater than that of the Numis Small Cap Index (ex. Investment Trusts).

Investment Review

Over the 12 months under review, the Lazard UK Smaller Companies Fund returned 27.08% against the Numis Small Cap Index (ex. Investment Trusts) Index return of 34.35%.⁽¹⁾

Investment Policy

The Sub-fund will invest at least 80% of its assets in UK securities of companies which form part of the Numis Small Cap Index (ex. Investment Trusts) or have an equivalent or lower market capitalisation.

Market Review

UK equities made considerable gains during the past 12 months, as optimism grew about the sustainability of the recovery both in the UK and globally. At the beginning of the period, the UK economy emerged from recession, with only a dip of 0.3% in the fourth quarter of 2012 casting a shadow on what has been a period of stabilisation in economic indicators. However, Moody's downgrading of the country's AAA credit rating in February did come as something of a blow, though this was expected by investors. Volatility has emerged over the year, primarily due to political tensions, such as the fiscal cliff discussions in the US, an uncertain result in February's Italian election and the possibility of military intervention in Syria.

Portfolio Review

The UK Smaller Companies Fund posted significant absolute gains during the past 12 months, but underperformed the Numis Small Cap Index.

Stock selection in basic materials contributed positively to performance during the period under review. Not holding mining companies Centamin, Petropavlovsk and New World Resources were our three strongest performing positions relative to the benchmark.

Stock selection in consumer services detracted from performance, as holdings in Mood Media, which fell on poor operating results, and travel & leisure company Snoozebox weighed on relative performance. Poor performance in the sector was mitigated somewhat by not holding FirstGroup.

Not holding home delivery business Ocado during a period which saw the company's share price rise fivefold had a significant impact on performance relative to the benchmark, and was the single largest detractor.

In industrials, May Gurney contributed positively to returns. In the fourth quarter of 2012, the maintenance business delivered a positive trading statement, which saw the share price rise considerably.

The company was eventually bought by Kier, another positive position for the Fund, which we purchased in June 2013. Conversely, office2office fell very sharply following a profit warning.

Financials was a strong performing sector for the Fund and real estate companies Inland Homes and Quintain Estates & Development were among our best performing holdings.

Lastly, stock selection in oil & gas hurt returns. Ophir Energy and Salamander Energy were both among our poorest performing holdings.

Outlook

We expect UK equities to consolidate throughout the rest of 2013, supported by a recovering Europe and more stable economic data from China offset by a period of further uncertainty over the timing of quantitative easing in the US. With regards to valuations, at an aggregate level the market appears to represent reasonable value, with some strong companies appearing undervalued. We will continue to focus on such stock specifics, particularly where we see stocks with sustainable cashflows and valuations that do not reflect the business reality.

General Information as at 30 September 2013

Fund Size	£59.9 million
Net Yield	0.84% Retail Income 0.00% Retail C Income 1.25% Institutional Income
Sector	UK Smaller Companies
Launch Date	20 October 1999
Fund Manager	Alan Clifford and team

All data contained herein is sourced by Lazard Asset Management unless otherwise noted as at 30 September 2013.

(1) Source: Morningstar Direct, Bid to Bid Price, net income reinvested, in sterling, retail share class net of fees, to 30 September 2013.

Figures refer to past performance which is not a reliable indicator of future results.

Lazard Investment Funds – Annual Report and Financial Statements September 2013

Lazard UK Smaller Companies Fund continued

Portfolio statement (unaudited)

as at 30 September 2013

	Holding	Market Value £'000	% of Net Assets		Holding	Market Value £'000	% of Net Assets
Oil & Gas Producers (4.58%)		1,708	2.85	Support Services (11.89%)		7,534	12.57
Afren	413,048	571	0.95	Anite	543,270	611	1.02
Amerisur Resources	250,310	121	0.20	Atkins (WS)	62,079	725	1.21
Bahamas Petroleum	1,342,840	61	0.10	Brammer	170,265	781	1.30
Graphene Nanochem	300,180	206	0.35	Energy Assets Group	198,360	631	1.05
Gulf Keystone Petroleum	54,714	105	0.18	Essentra	73,912	551	0.92
Ophir Energy	57,783	193	0.32	Johnson Service Group	1,058,180	519	0.87
Salamander Energy	331,369	389	0.65	Mears Group	106,774	447	0.75
Wentworth Resources	129,585	62	0.10	Nature Group	707,806	269	0.45
Oil Equipment, Services & Distribution (1.29%)		675	1.13	office2office	359,846	158	0.26
Hunting	84,954	675	1.13	PayPoint	51,376	546	0.91
Alternative Energy (0.43%)		557	0.93	Premier Farnell	270,300	585	0.98
Utilitywise	368,932	557	0.93	Regus	224,399	408	0.68
Chemicals (3.80%)		1,854	3.09	SIG	264,445	491	0.82
AZ Electronic Materials	118,094	345	0.58	SThree	161,904	576	0.96
Scapa Group	327,546	301	0.50	Vianet Group	306,464	236	0.39
Synthomer	260,892	619	1.03	Food Producers (2.26%)		886	1.48
Victrix	36,912	589	0.98	Britvic	54,720	313	0.52
Industrial Metals & Mining (0.57%)		—	—	Devro	176,726	573	0.96
Mining (3.26%)		907	1.52	Household Goods & Home Construction (3.90%)		2,354	3.92
Boabab Resources	387,723	47	0.08	Bellway	50,247	659	1.10
Ferrexpo	90,056	159	0.27	Bovis Homes Group	79,400	569	0.95
Gem Diamonds	280,955	424	0.71	Halfords Group	90,640	356	0.59
Kenmare Resources	978,119	277	0.46	Headlam Group	151,286	584	0.97
Construction & Materials (3.62%)		3,266	5.45	Telford Homes	65,590	186	0.31
Galliford Try	81,236	842	1.41	Health Care Equipment & Services (0.60%)		1,520	2.53
James Halstead	170,560	497	0.83	AL Noor Hospitals	52,348	428	0.71
Keller Group	56,025	578	0.96	CareTech Holdings	241,765	556	0.93
Kier Group	27,110	457	0.76	NMC Health	164,562	536	0.89
Low & Bonar	552,480	410	0.68	Pharmaceuticals & Biotechnology (2.55%)		1,399	2.33
Norcos	1,686,658	346	0.58	Allergy Therapeutics	1,533,666	130	0.21
Superglass Holdings	322,905	136	0.23	BTG	148,984	570	0.95
Aerospace & Defence (2.66%)		1,503	2.51	Genus	36,369	520	0.87
Chemring Group	76,764	233	0.39	Vectura Group	161,550	179	0.30
Senior	267,574	721	1.20	General Retailers (7.45%)		4,980	8.31
Ultra Electronics Holdings	29,081	549	0.92	Brown (N) Group	140,091	733	1.23
General Industrials (1.29%)		582	0.97	Carphone Warehouse Group	213,537	504	0.84
RPC Group	127,926	582	0.97	Conviviality Retail	144,400	221	0.37
Electronic & Electrical Equipment (4.67%)		2,021	3.37	CVS	252,345	601	1.00
Domino Printing Sciences	90,965	582	0.97	Debenhams	417,363	426	0.71
E2V Holdings	296,644	438	0.73	Dignity	51,068	737	1.23
Morgan Advanced Materials	151,389	470	0.78	Lookers	484,832	600	1.00
Oxford Instruments	28,621	359	0.60	SuperGroup	51,753	593	0.99
Renishaw	9,553	172	0.29	WH Smith	68,445	565	0.94
Industrial Engineering (2.32%)		1,657	2.76	Media (5.24%)		2,499	4.17
Bodycote	116,220	755	1.26	Creston	427,771	434	0.72
Fenner	121,384	483	0.80	Entertainment One	318,351	697	1.16
Hellermannntyton	155,114	419	0.70	Euromoney Institutional Investor	50,129	574	0.96
Industrial Transportation (1.04%)		706	1.18	Moneysupermarket.com	186,810	282	0.47
BBA Aviation	231,787	706	1.18	Perform Group	90,970	509	0.85
				Phorm	86,341	3	0.01

Lazard Investment Funds – Annual Report and Financial Statements September 2013

Lazard UK Smaller Companies Fund continued

Portfolio statement (unaudited) continued

	Holding	Market Value £'000	% of Net Assets
Travel & Leisure (6.79%)		4,194	7.00
Bwin.Party Digital Entertainment	300,067	366	0.61
Enterprise Inns	150,000	216	0.36
Essenden	69,259	16	0.03
Go-Ahead Group	35,853	599	1.00
Goals Soccer Centres	276,656	465	0.78
Greene King	79,644	637	1.06
Northgate	145,906	623	1.04
Snoozebox	1,054,800	158	0.26
Spirit Pub Company	821,162	585	0.98
Thomas Cook Group	345,094	529	0.88
Fixed Line Telecommunications (1.35%)		896	1.49
Alternative Networks	161,487	541	0.90
Cable & Wireless Communications	897,241	355	0.59
Mobile Telecommunications (0.24%)		—	—
Nonlife Insurance (0.99%)		783	1.31
Novae Group	117,259	590	0.99
Randall & Quilter	133,816	193	0.32
Real Estate Investment & Services (4.10%)		3,694	6.16
Belvoir Lettings	195,644	295	0.49
Development Securities Capital	268,649	529	0.88
Foxtons Group	161,030	432	0.72
Hansteen	696,458	686	1.15
Inland Homes	1,169,296	474	0.79
LSL Property Services	91,900	426	0.71
Quintain Estates & Development	1,010,788	852	1.42
Real Estate Investment Trusts (4.01%)		1,906	3.18
Newriver Retail	230,480	544	0.91
Shaftesbury	93,455	550	0.92
Workspace Group	178,941	812	1.35
Financial Services (6.14%)		3,669	6.12
Brewin Dolphin	257,209	696	1.16
Charlemagne Capital	908,525	132	0.22
F&C Asset Management	478,065	462	0.77
Intermediate Capital	155,116	691	1.15
International Personal Finance	99,745	606	1.01
Paragon Group	201,274	628	1.05
Tullett Prebon	131,474	454	0.76
Equity Investment Instruments (0.27%)		133	0.22
St Peter Port Capital	260,864	133	0.22
Software & Computer Services (8.74%)		4,982	8.31
Computacenter	95,757	508	0.85
Dixons Retail	825,750	384	0.64
EMIS Group	61,471	412	0.69
Fidessa Group	21,811	431	0.72
Innovation Group	1,111,100	322	0.54
Kofax	158,221	578	0.96
Micro Focus International	82,570	623	1.04
Phoenix Group	88,873	661	1.10
RM	362,250	384	0.64
SDL	71,656	224	0.37
StatPro	307,948	246	0.41
Wandisco	18,568	209	0.35

Technology Hardware & Equipment (1.90%)	2,347	3.92	
CSR	84,672	435	0.73
Imagination Tech	94,715	308	0.51
IQE	1,065,283	314	0.52
Monitise	409,200	232	0.39
Nanoco	71,073	121	0.20
Playtech	65,971	484	0.81
Spirent Communications	355,806	453	0.76
Portfolio of investments (97.95%)	59,212	98.78	
Net other assets (2.05%)	734	1.22	
Total net assets attributable to shareholders	59,946	100.00	

Unless otherwise stated, all holdings are quoted in ordinary shares and listed on a recognised exchange.

The percentages in brackets show the equivalent comparative holding at 30.09.12.

Total purchases for the year: £18,065,744.

Total sales for the year: £28,568,238.

Lazard Investment Funds – Annual Report and Financial Statements September 2013

Lazard UK Smaller Companies Fund continued

Statement of total return

for the year ended 30 September 2013

	Notes	30.09.13		30.09.12	
		£'000	£'000	£'000	£'000
Income					
Net capital gains	2		14,863		10,754
Revenue	3	1,625		1,454	
Expenses	4	(719)		(622)	
Finance costs: Interest	6	—		—	
Net revenue before taxation		906		832	
Taxation	5	(3)		(2)	
Net revenue after taxation for the year			903		830
Total return before distributions			15,766		11,584
Finance costs: Distributions	6		(903)		(830)
Change in net assets attributable to Shareholders from investment activities			14,863		10,754

Balance sheet

as at 30 September 2013

	Notes	30.09.13		30.09.12	
		£'000	£'000	£'000	£'000
Assets					
Investment assets			59,212		54,882
Debtors	7	4,558		713	
Cash and bank balances		1,113		1,465	
Total other assets			5,671		2,178
Total assets			64,883		57,060
Liabilities					
Creditors	8	(4,387)		(474)	
Distribution payable on income shares		(550)		(556)	
Total other liabilities			(4,937)		(1,030)
Total liabilities			(4,937)		(1,030)
Net assets attributable to Shareholders			59,946		56,030

Statement of change in net assets attributable to Shareholders

for the year ended 30 September 2013

	30.09.13		30.09.12	
	£'000	£'000	£'000	£'000
Opening net assets attributable to Shareholders		56,030		46,767
Amounts received on issue of shares	4,168		3,534	
Amounts paid on cancellation of shares	(15,165)		(5,016)	
		(10,997)		(1,482)
Dilution levy		58		—
Stamp Duty Reserve tax		(8)		(9)
Change in net assets attributable to Shareholders from investment activities		14,863		10,754
Closing net assets attributable to Shareholders		59,946		56,030

Fund facts*

as at 30 September 2013

Ongoing Charges Figure (OCF)

	September 2013
Retail income	1.58%
Institutional income	1.05%
Retail C income†	0.81%

The Ongoing Charges Figure (OCF) represents the annual operating expenses of the Sub-fund expressed as a percentage of average net assets - it does not include initial charges or performance fees. The OCF includes the annual management charge and also the following charges which are deducted directly from the Sub-fund: Registration fees, Depositary fees, Safe Custody fees, Audit fee, FCA fee, Distribution fees, Issuance fees, Non-audit fees, and Transaction charges where applicable.

The OCF is expressed as an annual percentage rate.

†Retail C income share class commenced 1 November 2012.

Synthetic Risk and Reward Indicator (SRRI)

◀ Lower Risk				Higher Risk ▶		
Typically Lower Rewards				Typically Higher Rewards		
1	2	3	4	5	6	7

The risk and reward category is calculated using historical data and may not be a reliable indicator of the Fund's future risk profile. The risk and reward category may shift over time and is not a target or guarantee.

The lowest category (ie category 1) does not mean "risk free".

The Fund appears in the higher risk category on the risk and reward indicator.

This is because the Fund invests primarily in shares, whose values tend to have higher price fluctuations.

In view of the concentrated nature of the Fund's portfolio of investments, the level of risk is expected to be higher than for broader based portfolios and the net asset value may be more volatile.

It may not be possible to sell the shares of smaller companies as easily as those of larger companies and this may cause the share price to fall.

There is no capital guarantee or protection of the value of the Fund. The value of your investment and the income from it can go down as well as up and you may not get back the amount you invested.

See "Risk Factors" in the UCITS Prospectus for more information about risks.

*This section has not been audited.

Lazard Investment Funds – Annual Report and Financial Statements September 2013

Lazard UK Smaller Companies Fund continued

Performance record

as at 30 September 2013

Net asset values

Date	Net asset value (£)	Net asset value (pence per share)	Shares in issue at year end
September 2011			
Retail income	11,008,824	924.14	1,191,247
Institutional income	35,757,990	924.31	3,868,625
September 2012			
Retail income	12,435,999	1,138.97	1,091,862
Institutional income	43,593,761	1,139.57	3,825,447
September 2013			
Retail income	13,183,178	1,446.43	911,427
Institutional income	45,631,195	1,447.66	3,152,064
Retail C income†	1,131,768	1,447.24	78,202

Distribution and price record (pence per share)

Retail income shares

Calendar year	Net revenue per share p	Highest price per share	Lowest price per share
2008	11.5512	992.20	504.40
2009	10.3799	857.00	508.30
2010	4.8200	1,040.00	806.50
2011	8.5168	1,149.00	897.30
2012	12.2148	1,204.00	963.70
2013 ⁽¹⁾	13.5262	1,493.00	1225.00

Institutional income shares

Calendar year	Net revenue per share p	Highest price per share	Lowest price per share
2008	16.4135	993.10	504.70
2009	13.6880	857.20	509.30
2010	9.2572	1,042.00	808.10
2011	13.9686	1,151.00	897.50
2012	17.8583	1,206.00	965.20
2013 ⁽¹⁾	20.3657	1,498.00	1228.00

Retail C income shares†

Calendar year	Net revenue per share p	Highest price per share	Lowest price per share
2012	—	1,206.00	1,000.00
2013 ⁽¹⁾	22.9504	1,499.00	1,227.00

⁽¹⁾ To 30.09.13.

Income shares available only.

†Retail C income share class launched on 1 November 2012.

Risk warning

It is important to remember that past performance is not a guide to the future. The value of shares and the income from them can go down as well as up. An investor may get back less than their original investment.

Distribution tables

for the year ended 30 September 2013

Dividend distribution in pence per share.

Final distribution

	Net revenue	Equalisation	Distribution payable 30.11.13	Distribution paid 30.11.12
Retail income				
Group 1	10.4317	—	10.4317	9.0496
Group 2	2.1429	8.2888	10.4317	9.0496
Institutional income				
Group 1	14.0435	—	14.0435	11.9551
Group 2	4.9276	9.1159	14.0435	11.9551
Retail C income†				
Group 1	15.6389	—	15.6389	N/A
Group 2	5.3936	10.2453	15.6389	N/A

Interim distribution

	Net revenue	Equalisation	Distribution paid 31.05.13	Distribution paid 31.05.12
Retail income				
Group 1	3.0945	—	3.0945	3.1652
Group 2	—	3.0945	3.0945	3.1652
Institutional income				
Group 1	6.3222	—	6.3222	5.9032
Group 2	0.6169	5.7053	6.3222	5.9032
Retail C income†				
Group 1	7.3115	—	7.3115	N/A
Group 2	0.6681	6.6434	7.3115	N/A

†Retail C income share class launched on 1 November 2012.

Group 1: shares purchased prior to the distribution period.

Group 2: shares purchased during the distribution period.

Equalisation is the average amount of revenue included in the purchase price of all Group 2 shares and is refunded to holders of these shares as a return of capital. Being capital it is not liable for income tax but must be deducted from the cost of shares for capital gains tax purposes.

Lazard Investment Funds – Annual Report and Financial Statements September 2013

Lazard UK Smaller Companies Fund continued

Notes to the Financial Statements

as at 30 September 2013

1 Accounting policies

The accounting policies for the Sub-fund are the same as those disclosed in the aggregated financial statements on page 4.

2 Net capital gains

	30.09.13 £'000	30.09.12 £'000
The net capital gains during the year comprise:		
Non-derivative securities	14,861	10,756
Currency gains	5	—
Transaction charges	(3)	(2)
Net capital gains	14,863	10,754

3 Revenue

	30.09.13 £'000	30.09.12 £'000
Bank interest	5	4
Non-taxable overseas dividends	141	50
Property distributions	63	65
Stock dividends	—	7
UK franked dividends	1,416	1,322
Underwriting commission	—	6
	1,625	1,454

4 Expenses

	30.09.13 £'000	30.09.12 £'000
Payable to the ACD, associates of the ACD and agents of either of them:		
ACD's periodic charge	684	591
Payable to the Depositary, associates of the Depositary and agents of either of them:		
Depositary's fees	14	13
Safe custody fees	6	5
	20	18
Other expenses:		
Audit fee	8	8
VAT on audit fee	2	2
Distribution fees	1	—
Professional fees	1	—
Registration fees	3	3
	15	13
Total expenses	719	622

5 Taxation

	30.09.13 £'000	30.09.12 £'000
a) Analysis of the charge in the year		
<i>Current tax:</i>		
Overseas tax	3	2
Total current tax (note 5b)	3	2
Deferred tax (note 5c)	—	—
Total taxation	3	2
b) Factors affecting taxation charge for the year		
Net revenue before taxation	906	832
Net revenue before taxation at the applicable rate of corporation tax in the UK of 20% (2012: 20%)	181	166
Effects of:		
Excess expenses for which no tax relief taken	130	110
Franked Investment income at 20%	(283)	(265)
Non-taxable overseas dividends	(28)	(10)
Non-taxable stock dividends	—	(1)
Overseas tax	3	2
Total current tax (note 5a)	3	2
c) Provision for Deferred tax		
There is no Deferred tax provision in the current or preceding year.		
At the year end there is a potential Deferred tax asset of £2,483,000 (2012: £2,353,000) due to surplus management expenses.		
It is unlikely the Sub-fund will generate sufficient taxable profits in the future to utilise these amounts and therefore no Deferred tax asset has been recognised (2012: same).		

Lazard Investment Funds – Annual Report and Financial Statements September 2013

Lazard UK Smaller Companies Fund continued

Notes to the Financial Statements continued

6 Finance costs

Distributions

The distributions take account of revenue received on the issue of shares and revenue deducted on the cancellation of shares and comprise:

	30.09.13 £'000	30.09.12 £'000
Interim	269	269
Final	550	556
	<u>819</u>	<u>825</u>
Add: Revenue deducted on cancellation of shares	105	17
Less: Revenue received on issue of shares	(21)	(12)
Net distributions for the year	903	830
Interest	—	—
Total finance costs	903	830

Details of the distributions per share are set out in the tables on page 86.

7 Debtors

	30.09.13 £'000	30.09.12 £'000
Accrued revenue	150	128
Amounts receivable for issue of shares	2	—
Overseas tax recoverable	2	2
Sales awaiting settlement	4,404	583
	<u>4,558</u>	<u>713</u>

8 Creditors

	30.09.13 £'000	30.09.12 £'000
Accrued expenses	73	65
Amounts payable for cancellation of shares	4,314	63
Purchases awaiting settlement	—	346
	<u>4,387</u>	<u>474</u>

9 Contingent liabilities and outstanding commitments

There were no contingent liabilities or outstanding commitments at the balance sheet date (2012: same).

10 Related party disclosures

Details of the related party disclosures are included within note 11 of the aggregated financial statements on page 7.

11 Financial Instruments

Details of the financial instruments risk disclosures are set out in note 14 of the aggregated financial statements on page 7 to 8.

Currency exposure profile

30.09.13 Currency	Net currency assets		
	Monetary exposures £'000	Non-monetary exposures £'000	Total £'000
Euro	5	—	5
US Dollar	20	—	20
	<u>25</u>	<u>—</u>	<u>25</u>
Sterling	709	59,212	59,921
Net assets attributable to Shareholders	734	59,212	59,946

30.09.12 Currency	Net currency assets		
	Monetary exposures £'000	Non-monetary exposures £'000	Total £'000
US Dollar	30	—	30
Sterling	1,118	54,882	56,000
Net assets attributable to Shareholders	1,148	54,882	56,030

Interest rate risk profile

The Sub-fund's only interest bearing financial instruments at the balance sheet date are represented by its cash balances and overdraft facility, which earn and pay interest on normal commercial terms based on LIBOR or its overseas equivalent.

Derivative risk

No derivatives were held at the balance sheet date or throughout the year (2012: same).

Lazard Investment Funds – Annual Report and Financial Statements September 2013

Lazard UK Smaller Companies Fund continued

Notes to the Financial Statements continued

12 Portfolio transaction costs

	30.09.13 £'000	30.09.12 £'000
Purchases		
Purchases excluding transaction costs	17,994	15,919
Commissions	15	15
Taxes	57	64
Total transaction costs	72	79
Total purchases including transaction costs	18,066	15,998
Sales		
Sales excluding transaction costs	28,598	18,125
Commissions	(30)	(19)
Total transaction costs	(30)	(19)
Total sales net of transaction costs	28,568	18,106

Lazard Investment Funds – Annual Report and Financial Statements September 2013

Lazard Developing Markets Fund

Investment Manager's Report

Investment Objective

The investment objective of the Sub-fund is to seek long-term capital growth through a diversified portfolio primarily of equity and equity related shares and securities including warrants, depositary receipts, preference shares and other transferable securities.

Investment Review

Over the 12 month period under review, the Lazard Developing Markets Fund returned -3.85% against the MSCI Emerging Markets Index return of 1.04%.⁽¹⁾

Investment Policy

The Sub-fund will invest, with a growth bias, primarily in issuers that are domiciled, incorporated or listed in, or which have significant business activities in emerging market countries. It is likely to focus on, but not be limited to Latin America, the Pacific Basin and Europe. The Sub-fund may also invest in eligible collective investment schemes including eligible exchange traded funds and in listed closed ended vehicles. On an occasional basis the Sub-fund may invest in investment grade government and corporate fixed income securities including convertible debt securities.

Market Review

Over the 12 month period ending 30 September 2013, the MSCI Emerging Markets Index increased by around 1.0% in GBP terms. This result, however, masks the volatility in performance over the period where the index rose almost 15% by early January only to retrace that gain by late June and recover again in the third quarter. Just prior to the fourth quarter of 2012, several central banks, including the US Federal Reserve (the Fed), began quantitative easing (QE) programs, further stimulating liquidity. As 2013 began, emerging-market shares underperformed stocks in developed markets due to a number of factors. The US economy performed better than expected, perceived risk in European markets declined, new growth-oriented policies were enacted in Japan and concerns about Chinese shadow banking and a global commodity collapse escalated. In May 2013, investors were concerned that the Fed was prepared to allow interest rates to increase from their extraordinarily low levels. In June, the Fed tacitly confirmed that QE would be increasingly tapered, and short-term interest rates would be allowed to rise as long as the US economy continued to perform reasonably. In reaction, as investors worried that assets could be repatriated to the United States, emerging-market shares and currencies experienced significant declines. As a result, emerging-market equities underperformed their counterparts in industrialized markets by a considerable margin.

However, emerging markets recovered in the third quarter as the Fed backed off on its previous language and decided to not begin tapering bond purchases.

In effect, emerging markets currencies managed to reverse a portion of their previous declines. During the one-year period, Asia was the strongest performing region, while Latin America markets underperformed significantly.

Portfolio Review

Stock selection in the utilities, energy and health care sectors, as well as in Peru and Turkey helped performance. Lower-than-index exposure to the materials sector as well as to Chile, and higher-than-index exposure to the consumer discretionary and financials sectors as well as to Russia also added value.

Conversely, stock selection in the financials and consumer discretionary sectors, as well as in Taiwan, Brazil, China, Korea and India hurt returns. Lower-than index exposure to the consumer staples sector and to Korea and Taiwan, as well as higher-than-index exposure to Turkey detracted from performance.

Baidu, a Chinese internet search company, performed well as it reported results which exceeded expectations. Sands China, a Macau based casino operator and developer, also outperformed on strong earnings and continued strong Macau gross-gaming revenues. Yandex, a Russian internet search company, reported results and increased forecasted growth rates for the year. AAC Technologies, a Chinese acoustical components manufacturer, outperformed on continued unit growth of smartphones. Shares of China State Construction, a Chinese building construction and engineering firm, rose as the company's order book remained strong.

TPK Holding, a Taiwanese touch panel manufacturer, fell on continued concerns about touch technology adoption in notebooks. Globaltrans Investment, a Russian rail freight transportation services company, also underperformed after one major shareholder sold a portion of its shares to raise capital to fund the acquisition of an unrelated business and as investors' concerns about gondola pricing rose. ICICI Bank, an Indian bank, performed poorly on the back of Indian rupee weakness and that higher interest rates would slow down future bank lending. Maruti Suzuki India, an Indian auto company, underperformed on expectations of weak volumes in India. MRV Engenharia e Participacoes, a Brazilian homebuilder, underperformed on weak earnings with disappointing topline growth and overall margins.

Outlook

We remain bullish on the outlook for emerging markets equities over the short, medium and long term.

All data contained herein is sourced by Lazard Asset Management unless otherwise noted as at 30 September 2013.

(1) Source: Morningstar Direct, Bid to Bid Price, net income reinvested in sterling, retail share class net of fees, to 30 September 2013.

Figures refer to past performance which is not a reliable indicator of future results.

Lazard Investment Funds – Annual Report and Financial Statements September 2013

Lazard Developing Markets Fund continued

General Information as at 30 September 2013

Fund Size	£12.8 million
Net Yield	0.46% Retail Income
	0.43% Retail Accumulation
	0.00% Retail C Income
	0.00% Retail C Accumulation
	0.96% Institutional Income
	0.97% Institutional Accumulation
Sector	Global Emerging Markets
Launch Date	30 September 2010
Fund Managers	Kevin O'Hare, Peter Gillespie and team.

Lazard Investment Funds – Annual Report and Financial Statements September 2013

Lazard Developing Markets Fund continued

Portfolio statement (unaudited)

as at 30 September 2013

	Holding	Market Value £'000	% of Net Assets
Bermuda (0.89%)		113	0.88
Alliance Oil	24,466	113	0.88
Brazil (13.97%)		2,072	16.22
Banco Bradesco (ADR)	23,899	205	1.61
Cia. Hering	9,879	92	0.72
Cyrela Brazil Realty	68,100	316	2.47
Energias do Brasil	30,300	101	0.79
Estacio Participacoes	52,800	252	1.97
Gerdau (ADR)	32,080	148	1.16
Localiza Rent a Car	11,292	103	0.81
Marcopolo (Preference shares)	143,200	262	2.05
Petroleo Brasileiro (ADR)	25,600	265	2.07
Totvs	12,063	125	0.98
Vale (ADR)	21,040	203	1.59
Canada (2.08%)		350	2.74
Pacific Rubiales Energy	28,668	350	2.74
Cayman Islands (9.74%)		1,117	8.74
AAC Technologies Holdings	45,500	128	1.00
Baidu (ADR)	2,910	279	2.18
China State Construction	253,500	249	1.95
Daphne International Holdings	238,000	89	0.70
Sands China	97,500	372	2.91
China (9.50%)		787	6.16
Agricultural Bank of China	863,000	245	1.92
Changsha Zoomlion Heavy Industry Science and Technology Development	252,120	135	1.06
China Construction Bank	203,394	97	0.76
China Merchants Bank	150,828	169	1.32
China National Materials Company	650,000	85	0.66
First Tractor	146,000	56	0.44
Colombia (1.46%)		398	3.12
Bancolombia (ADR)	4,810	171	1.34
Cemex Latam Holdings	47,435	227	1.78
Cyprus (3.29%)		395	3.09
Globaltrans Investment (GDR)	44,129	395	3.09
Hong Kong (3.10%)		933	7.30
Hengdeli Holdings	249,200	37	0.29
Ping An Insurance Group	55,000	252	1.97
Techtronic Industries	194,500	313	2.45
Zhuzhou CSR Times Electric	165,000	331	2.59
India (7.66%)		1,033	8.09
Cairn India	75,283	236	1.85
HDFC Bank (ADR)	9,450	180	1.41
ICICI Bank (ADR)	14,900	280	2.19
Maruti Suzuki India	12,085	162	1.27
Shriram Transport Finance	31,153	175	1.37
Indonesia (3.04%)		194	1.52
Bank Rakyat Indonesia	502,300	194	1.52
Mexico (5.55%)		429	3.36
Genomma Lab Internacional	196,400	275	2.15
Grupo Financiero Banorte	40,200	154	1.21
Netherlands (2.19%)		446	3.49
X5 Retail Group	14,175	145	1.13
Yandex	13,400	301	2.36
Peru (2.28%)		125	0.98
Credicorp	1,575	125	0.98
Philippines (1.00%)		110	0.86
SM Investments	9,929	110	0.86
Qatar (0.83%)		106	0.83
Qatar Electricity & Water	4,027	106	0.83

	Holding	Market Value £'000	% of Net Assets
Russia (11.88%)		1,222	9.57
Eurasia Drilling	6,606	161	1.26
NovaTek (GDR)	4,995	408	3.19
Sberbank	135,884	253	1.98
TMK (GDR)	25,621	204	1.60
VTB Bank (GDR)	120,097	196	1.54
South Africa (4.41%)		377	2.95
Barloworld	17,491	101	0.79
Exxaro Resources	15,995	161	1.26
Standard Bank Group	15,674	115	0.90
South Korea (5.83%)		683	5.35
Kia Motors	5,779	217	1.70
Samsung Electronics	594	466	3.65
Taiwan (3.45%)		742	5.81
Catcher Technology	49,000	160	1.25
Hiwin Technologies	40,720	168	1.32
MediaTek	41,000	313	2.45
TPK Holding	18,000	101	0.79
Turkey (1.29%)		601	4.71
Aselsan Elektronik Sanayi (GDR)	61,889	166	1.30
Emlak Konut Gayrimenkul Yatirim Ortakligi	209,769	173	1.35
Pegasus Hava Tasimaciligi	13,566	138	1.08
TAV Havalimanlari Holding	28,639	124	0.98
United States (3.10%)		315	2.47
First Cash Financial Services	4,800	172	1.35
Freeport-McMoRan Copper & Gold	7,000	143	1.12
Portfolio of investments (96.54%)		12,548	98.24
Net other assets (3.46%)		225	1.76
Net assets attributable to Shareholders		£12,773	100.00

Unless otherwise stated, all holdings are quoted in ordinary shares and listed on a recognised exchange.

The percentages in brackets show the equivalent comparative holdings at 30.09.12.

Total purchases for the year: £11,406,744.

Total sales for the year: £13,243,244.

Lazard Investment Funds – Annual Report and Financial Statements September 2013

Lazard Developing Markets Fund continued

Statement of total return

for the year ended 30 September 2013

	Notes	30.09.13		30.09.12	
		£'000	£'000	£'000	£'000
Income					
Net capital (losses)/gains	2		(350)		892
Revenue	3	377		328	
Expenses	4	(220)		(184)	
Finance costs: Interest	6	—		—	
Net revenue before taxation		157		144	
Taxation	5	(33)		(24)	
Net revenue after taxation for the year			124		120
Total return before distributions			(226)		1,012
Finance costs: Distributions	6		(127)		(120)
Change in net assets attributable to Shareholders from investment activities			(353)		892

Balance sheet

as at 30 September 2013

	Notes	30.09.13		30.09.12	
		£'000	£'000	£'000	£'000
Assets					
Investment assets			12,548		14,655
Debtors	7	68		246	
Cash and bank balances		239		760	
Total other assets			307		1,006
Total assets			12,855		15,661
Liabilities					
Creditors	8	(61)		(424)	
Distribution payable on income shares		(21)		(56)	
Total other liabilities			(82)		(480)
Total liabilities			(82)		(480)
Net assets attributable to Shareholders			12,773		15,181

Statement of change in net assets attributable to Shareholders

for the year ended 30 September 2013

	30.09.13		30.09.12	
	£'000	£'000	£'000	£'000
Opening net assets attributable to Shareholders		15,181		10,541
Amounts received on issue of shares	7,773		5,750	
Amounts paid on cancellation of shares	(9,945)		(2,072)	
		(2,172)		3,678
Dilution levy		16		—
Change in net assets attributable to Shareholders from investment activities		(353)		892
Retained distribution on accumulation shares		101		70
Closing net assets attributable to Shareholders		12,773		15,181

Fund facts*

as at 30 September 2013

Ongoing Charges Figure (OCF)

	September 2013
Retail income	1.98%
Retail accumulation	2.02%
Institutional income	1.42%
Institutional accumulation	1.43%
Retail C income†	1.22%
Retail C accumulation†	1.43%

The Ongoing Charges Figure (OCF) represents the annual operating expenses of the Sub-fund expressed as a percentage of average net assets - it does not include initial charges or performance fees. The OCF includes the annual management charge and also the following charges which are deducted directly from the Sub-fund: Registration fees, Depositary fees, Safe Custody fees, Audit fee, FCA fee, Distribution fees, Issuance fees, Non-audit fees, and Transaction charges where applicable.

The OCF is expressed as an annual percentage rate.

†Retail C income and accumulation classes commenced 1 November 2012.

Synthetic Risk and Reward Indicator (SRRI)

◀ Lower Risk				Higher Risk ▶		
Typically Lower Rewards				Typically Higher Rewards		
1	2	3	4	5	6	7

The risk and reward category is calculated using historical data and may not be a reliable indicator of the Fund's future risk profile. The risk and reward category may shift over time and is not a target or guarantee.

The lowest category (ie category 1) does not mean "risk free".

The Fund appears in the higher risk category on the risk and reward indicator.

This is because the Fund invests primarily in shares, whose values tend to have higher price fluctuations.

The returns from your investment may be affected by changes in the exchange rate between the Fund's base currency, and the currency of the Fund's investments, your share class and where you live.

Emerging markets may also have less developed political, economic and legal systems and there is a higher risk that the Fund may not get back its money.

There is no capital guarantee or protection of the value of the Fund. The value of your investment and the income from it can go down as well as up and you may not get back the amount you invested.

See "Risk Factors" in the UCITS Prospectus for more information about risks.

*This section has not been audited.

Lazard Investment Funds – Annual Report and Financial Statements September 2013

Lazard Developing Markets Fund continued

Performance record

as at 30 September 2013

Net asset values

Date	Net asset value (£)	Net asset value (pence per share)	Shares in issue at year end
September 2011			
Retail income	571,803	77.96	733,481
Retail accumulation	2,430,220	78.16	3,109,135
Institutional income	3,416,683	78.19	4,369,597
Institutional accumulation	4,122,098	78.20	5,271,259
September 2012			
Retail income	699,828	84.80	825,317
Retail accumulation	2,496,519	85.44	2,922,032
Institutional income	5,768,459	85.07	6,781,179
Institutional accumulation	6,216,011	85.92	7,234,293
September 2013			
Retail income	164,569	81.25	202,549
Retail accumulation	3,340,032	82.07	4,069,667
Institutional income	1,781,252	81.40	2,188,284
Institutional accumulation	6,421,833	83.06	7,731,252
Retail C income†	22,763	81.01	28,099
Retail C accumulation†	1,042,063	82.62	1,261,205

Distribution and price record (pence per share)

Retail income shares

Calendar year	Net revenue per share p	Highest price per share	Lowest price per share
2010 ⁽²⁾	—	110.20	100.00
2011	0.1023	112.20	73.13
2012	0.3767	99.24	80.80
2013 ⁽¹⁾	0.2898	97.29	78.13

Retail accumulation shares

Calendar year	Net revenue per share p	Highest price per share	Lowest price per share
2010 ⁽²⁾	—	110.20	100.00
2011	0.1126	112.20	73.30
2012	0.3540	99.51	81.03
2013 ⁽¹⁾	0.3774	98.02	78.72

Institutional income shares

Calendar year	Net revenue per share p	Highest price per share	Lowest price per share
2010 ⁽²⁾	—	110.40	100.00
2011	0.3425	112.40	73.36
2012	0.8113	99.76	81.29
2013 ⁽¹⁾	0.9107	97.80	78.60

Institutional accumulation shares

Calendar year	Net revenue per share p	Highest price per share	Lowest price per share
2010 ⁽²⁾	—	109.90	100.00
2011	0.4499	111.90	73.35
2012	0.8231	99.80	81.34
2013 ⁽¹⁾	0.9335	98.82	79.47

Retail C income shares†

Calendar year	Net revenue per share p	Highest price per share	Lowest price per share
2012	—	100.00	83.67
2013 ⁽¹⁾	1.0646	97.56	78.51

Retail C accumulation shares†

Calendar year	Net revenue per share p	Highest price per share	Lowest price per share
2012	—	100.00	84.29
2013 ⁽¹⁾	1.0663	98.29	79.06

⁽¹⁾ To 30.09.13.

⁽²⁾ Available from 30.09.10

†Retail C income and accumulation classes commenced 1 November 2012.

Risk warning

It is important to remember that past performance is not a guide to the future. The value of shares and the income from them can go down as well as up. An investor may get back less than their original investment.

Lazard Investment Funds – Annual Report and Financial Statements September 2013

Lazard Developing Markets Fund continued

Distribution tables

for the year ended 30 September 2013

Dividend distribution in pence per share.

Final distribution

	Net revenue	Equalisation	Distribution payable 30.11.13	Distribution paid 30.11.12
Retail income				
Group 1	0.2898	—	0.2898	0.3767
Group 2	0.0552	0.2346	0.2898	0.3767
Retail accumulation				
Group 1	0.3774	—	0.3774	0.3540
Group 2	0.1343	0.2431	0.3774	0.3540
Institutional income				
Group 1	0.9107	—	0.9107	0.7902
Group 2	0.3926	0.5181	0.9107	0.7902
Institutional accumulation				
Group 1	0.9335	—	0.9335	0.8051
Group 2	0.3712	0.5623	0.9335	0.8051
Retail C income[†]				
Group 1	1.0646	—	1.0646	N/A
Group 2	0.0000	1.0646	1.0646	N/A
Retail C accumulation[†]				
Group 1	1.0543	—	1.0543	N/A
Group 2	0.4888	0.5655	1.0543	N/A

Interim distribution

	Net revenue	Equalisation	Distribution paid 31.05.13	Distribution paid 31.05.12
Retail income⁺				
Group 1	—	—	—	—
Group 2	—	—	—	—
Retail accumulation⁺				
Group 1	—	—	—	—
Group 2	—	—	—	—
Institutional income⁺				
Group 1	—	—	—	0.0211
Group 2	—	—	—	0.0211
Institutional accumulation⁺				
Group 1	—	—	—	0.0180
Group 2	—	—	—	0.0180
Retail C income^{††}				
Group 1	—	—	—	N/A
Group 2	—	—	—	N/A
Retail C accumulation[†]				
Group 1	0.0120	—	0.0120	N/A
Group 2	0.0115	0.0005	0.0120	N/A

⁺Due to expenses exceeding revenue on this share class there was no interim distribution.

[†]Retail C income and accumulation classes commenced 1 November 2012.

Group 1: shares purchased prior to the distribution period.

Group 2: shares purchased during the distribution period.

Equalisation is the average amount of revenue included in the purchase price of all Group 2 shares and is refunded to holders of these shares as a return of capital. Being capital it is not liable for income tax but must be deducted from the cost of shares for capital gains tax purposes.

Lazard Investment Funds – Annual Report and Financial Statements September 2013

Lazard Developing Markets Fund continued

Notes to the Financial Statements

as at 30 September 2013

1 Accounting policies

The accounting policies for the Sub-fund are the same as those disclosed in the aggregated financial statements on page 4.

2 Net capital (losses)/gains

	30.09.13 £'000	30.09.12 £'000
The net capital (losses)/gains during the year comprise:		
Non-derivative securities	(295)	940
Currency losses	(17)	(11)
Transaction charges	(38)	(37)
Net capital (losses)/gains	(350)	892

3 Revenue

	30.09.13 £'000	30.09.12 £'000
Bank interest	1	1
Non-taxable overseas dividends	282	284
Property distribution	7	—
Stock dividends	28	4
Taxable overseas dividends	59	39
	377	328

4 Expenses

	30.09.13 £'000	30.09.12 £'000
Payable to the ACD, associates of the ACD and agents of either of them:		
ACD's periodic charge	184	155
Payable to the Depositary, associates of the Depositary and agents of either of them:		
Depositary's fees	4	3
Safe custody fees	11	8
	15	11
Other expenses:		
Audit fee	8	8
VAT on audit fee	2	2
Distribution fees	1	1
Issuance fees	—	2
Legal & Professional fees	1	—
Non-audit fees*	—	2
Registration fees	6	3
Sundry expenses	3	—
	21	18
Total expenses	220	184

*Fees paid to overseas firms affiliated with PricewaterhouseCoopers LLP.

5 Taxation

	30.09.13 £'000	30.09.12 £'000
a) Analysis of the charge in the year		
<i>Current tax:</i>		
Overseas tax	33	24
Total current tax (note 5b)	33	24
Deferred tax (note 5c)	—	—
Total taxation	33	24
b) Factors affecting taxation charge for the year		
Net revenue before taxation	157	144
Net revenue before taxation at the applicable rate of corporation tax in the UK of 20% (2012: 20%)	31	29
Effects of:		
Excess expenses for which no tax relief taken	34	30
Non-taxable overseas dividends	(58)	(57)
Non-taxable stock dividends	(6)	(1)
Overseas tax	33	24
Overseas tax expensed	(1)	(1)
Total current tax (note 5a)	33	24

c) Provision for Deferred tax

There is no Deferred tax provision in the current or preceding year.

At the year end there is a potential Deferred tax asset of £90,000 (2012: £55,000) due to surplus management expenses.

It is unlikely the Sub-fund will generate sufficient taxable profits in the future to utilise these amounts and therefore no Deferred tax asset has been recognised (2012: same).

Lazard Investment Funds – Annual Report and Financial Statements September 2013

Lazard Developing Markets Fund continued

Notes to the Financial Statements continued

6 Finance costs

Distributions

The distributions take account of revenue received on the creation of shares and revenue deducted on the cancellation of shares and comprise:

	30.09.13 £'000	30.09.12 £'000
Interim	—	3
Final	122	125
	122	128
Add: Revenue deducted on cancellation of shares	18	3
Less: Revenue received on issue of shares	(13)	(11)
Net distributions for the year	127	120
Interest	—	—
Total finance costs	127	120

The difference between the revenue after taxation and the distributions for the year are as follows:

	30.09.13 £'000	30.09.12 £'000
Net revenue after taxation for the year	124	120
Add: Capitalised fees	3	—
Net distributions for the year	127	120

Details of the distributions per share are set out in the tables on page 95.

7 Debtors

	30.09.13 £'000	30.09.12 £'000
Accrued revenue	12	31
Amounts receivable for FX contracts	12	142
Amounts receivable for issue of shares	7	40
Sales awaiting settlement	37	33
	68	246

8 Creditors

	30.09.13 £'000	30.09.12 £'000
Accrued expenses	24	27
Amounts payable for FX contracts	12	143
Amounts payable for cancellation of shares	8	—
Purchases awaiting settlement	17	254
	61	424

9 Contingent liabilities and outstanding commitments

There were no contingent liabilities or outstanding commitments at the balance sheet (2012 - same).

10 Related Party disclosures

Details of the related party disclosures are included within note 11 of the aggregated financial statements on page 7.

11 Financial Instruments

Details of the financial instruments risk disclosures are set out in note 14 of the aggregated financial statements on page 7 to 8.

Currency exposure profile

30.09.13 Currency	Net currency assets/(liabilities)		
	Monetary exposures £'000	Non-monetary exposures £'000	Total £'000
Brazil Real	(9)	1,252	1,243
Canadian Dollar	—	350	350
Chinese Yuan	3	—	3
Columbian Peso	—	227	227
Hong Kong Dollar	4	2,557	2,561
Indian Rupee	—	573	573
Indonesian Rupiah	—	194	194
Korean Won	—	683	683
Mexican Peso	—	429	429
New Turkish Lira	—	600	600
Phillipine Peso	—	110	110
Qatari Riyal	23	106	129
South African Rand	—	378	378
Swedish Krona	—	113	113
New Taiwanese Dollar	18	743	761
US Dollar	12	4,233	4,245
	51	12,548	12,599
Sterling	174	—	174
Net assets attributable to Shareholders	225	12,548	12,773

Lazard Investment Funds – Annual Report and Financial Statements September 2013

Lazard Developing Markets Fund continued

Notes to the Financial Statements continued

11 Financial instruments continued

30.09.12 Currency	Net currency assets/(liabilities)		
	Monetary exposures £'000	Non-monetary exposures £'000	Total £'000
Brazil Real	2	1,161	1,163
Canadian Dollar	—	315	315
Chinese Yuan	1	—	1
Hong Kong Dollar	5	3,236	3,241
Indian Rupee	(65)	555	490
Indonesian Rupiah	—	462	462
Mexican Peso	(9)	843	834
South Korean Won	—	885	885
Phillipine Peso	—	151	151
Qatari Riyal	—	126	126
South African Rand	—	669	669
Swedish Krona	—	135	135
New Taiwanese Dollar	94	524	618
New Turkish Lira	—	196	196
US Dollar	(34)	5,397	5,363
	(6)	14,655	14,649
Sterling	532	—	532
Net assets attributable to Shareholders	526	14,655	15,181

12 Portfolio transaction costs

	30.09.13 £'000	30.09.12 £'000
Purchases		
Purchases excluding transaction costs	11,387	13,660
Commissions	15	21
Taxes	5	6
Total transaction costs	20	27
Total purchases including transaction costs	11,407	13,687
Sales		
Sales excluding transaction costs	13,269	10,112
Commissions	(16)	(16)
Fees	(10)	(8)
Total transaction costs	(26)	(24)
Total sales net of transaction costs	13,243	10,088

Interest rate risk profile

The Sub-fund's only interest bearing financial instruments at the balance sheet date are represented by its cash balances and overdraft facility, which earn and pay interest on normal commercial terms based on LIBOR or its overseas equivalent.

Derivative risk

No derivatives were held at the balance sheet date or throughout the year (2012: same).

Lazard Investment Funds – Annual Report and Financial Statements September 2013

Statement of the Authorised Corporate Director's Responsibilities

The Financial Conduct Authority Collective Investment Schemes Sourcebook (COLL) requires the ACD to prepare accounts for each accounting year which give a true and fair view of the financial affairs of the Company and of its income and net gains on the property for the year. In preparing those accounts, the ACD is required to:

- select suitable accounting policies and then apply them consistently;
- comply with the disclosure requirements of the Statement of Recommended Practice relating to Authorised Funds issued by the IMA in October 2010;
- comply with the Prospectus, generally accepted accounting principles and applicable accounting standards subject to any material departures which are required to be disclosed and explained in the accounts;
- keep proper accounting records which enable it to demonstrate that the accounts as prepared comply with the above requirements;
- make judgements and estimates that are reasonable and prudent; and
- prepare the accounts on the going concern basis unless it is inappropriate to presume that the Company will continue in operation for the foreseeable future.

The ACD is responsible for the management of the Company in accordance with the Regulations, the Instrument of Incorporation and the Prospectus.

The ACD is also responsible for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Lazard Investment Funds – Annual Report and Financial Statements September 2013

Statement of the Depositary's Responsibilities in respect of the Scheme and Report of the Depositary to the Shareholders of the Lazard Investment Funds ("the Company") for the year 1 October 2012 to 30 September 2013

The depositary is responsible for the safekeeping of all of the property of the Company (other than tangible moveable property) which is entrusted to it.

It is the duty of the depositary to take reasonable care to ensure that the Company is managed in accordance with the Financial Conduct Authority's Collective Investment Scheme Sourcebook ("COLL"), the Open-Ended Investment Companies Regulations 2001 (SI 2001/1228) (the OEIC Regulations) and the Company's Instrument of Incorporation, in relation to the pricing of, and dealings in, shares in the Company; the application of income of the Company; and the investment and borrowing powers of the Company.

Having carried out such procedures as we consider necessary to discharge our responsibilities as depositary of the Company, it is our opinion, based on the information available to us and the explanations provided, that in all material respects the Company, acting through the Authorised Corporate Director:

- (i) has carried out the issue, sale, redemption and cancellation, and calculation of the price of the Company's shares and the application of the Company's income in accordance with the COLL and, where applicable, the OEIC Regulations and the Instrument of Incorporation of the Company, and
- (ii) has observed the investment and borrowing powers and restrictions applicable to the Company.

State Street Trustees Ltd.
22 January 2014

Lazard Investment Funds – Annual Report and Financial Statements September 2013

Independent Auditors' Report

Independent Auditors' report to the shareholders of Lazard Investment Funds (the "Company")

We have audited the financial statements of Lazard Investment Funds (the "Company") for the year ended 30 September 2013 which comprise the aggregated statement of total return, the aggregated statement of change in net assets attributable to shareholders, the aggregated balance sheet and related notes and for each of the Company's sub-funds, the statement of total return, the statement of change in net assets attributable to shareholders, the balance sheet, the related notes and the distribution tables. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) and the Statement of Recommended Practice 'Financial Statements of Authorised Funds' issued by the Investment Management Association (the "Statement of Recommended Practice for Authorised Funds").

Respective responsibilities of the Authorised Corporate Director and Auditors

As explained more fully in the Authorised Corporate Director's Responsibilities Statement the Authorised Corporate Director is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the Company's members as a body in accordance with paragraph 4.5.12 of the Collective Investment Schemes sourcebook as required by paragraph 67(2) of the Open-Ended Investment Companies Regulations 2001 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Authorised Corporate Director; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Lazard Investment Funds – Annual Report and Financial Statements September 2013

Independent Auditors' Report continued

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the financial position of the Company and each of the sub-funds at 30 September 2013 and of the net revenue and the net capital gains/(losses) of the scheme property of the Company and each of the sub-funds for the year then ended; and
- have been properly prepared in accordance with the Statement of Recommended Practice for Authorised Funds, the Collective Investment Schemes sourcebook and the Instrument of Incorporation.

Opinion on other matters prescribed by the Collective Investment Schemes sourcebook

In our opinion:

- we have obtained all the information and explanations we consider necessary for the purposes of the audit; and
- the information given in the Authorised Corporate Director's Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Collective Investment Schemes sourcebook requires us to report to you if, in our opinion:

- proper accounting records for the Company have not been kept; or
- the financial statements are not in agreement with the accounting records and returns.

PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London

22 January 2014

The accounts are published at:

[http://www.lazardassetmanagement.co.uk/Navigate.95px/Default/5/Literature/Fund Literature](http://www.lazardassetmanagement.co.uk/Navigate.95px/Default/5/Literature/Fund%20Literature), which is a website maintained by the Manager.

- The maintenance and integrity of the Lazard Fund Managers Limited website is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.
- Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Lazard Investment Funds – Annual Report and Financial Statements September 2013

Management and Professional Services

**Authorised
Corporate
Director (ACD)** Lazard Fund Managers Limited
50 Stratton Street
London W1J 8LL
Telephone 020 7588 2721
Dealing 0870 606 6408
www.lazardassetmanagement.co.uk
(Authorised and regulated by the Financial Conduct Authority)
(Member of IMA)

**Investment
Adviser** Lazard Asset Management Limited
50 Stratton Street
London W1J 8LL
www.lazardassetmanagement.co.uk
(Authorised and regulated by the Financial Conduct Authority)
(Member of IMA)

Depository State Street Trustees Limited
20 Churchill Place
London E14 5HJ
(Authorised and regulated by the Financial Conduct Authority)

**Independent
Auditors** PricewaterhouseCoopers LLP
7 More London Riverside
London SE1 2RT

Registrar The Bank of New York Mellon (International) Limited
BNY Mellon House
Ingrave Road
Brentwood
Essex CM15 8TG
(Authorised and regulated by the Financial Conduct Authority)

Prospectus Copies of the latest Prospectus are available free of charge
from the ACD at the above address.

**Key Investor
Information
Documents (KIIDs)** Copies of Key Investor Information Documents are available free of
charge from the ACD at the above address.