

# Product Description:

## High Yield Fixed Income

### INVESTMENT PHILOSOPHY

Lord Abbett's high yield philosophy is based upon the following beliefs. First, a consistent, disciplined investment process with an emphasis on asset rich companies and credible management teams will help enhance returns while reducing risk. In addition, rigorous credit analysis and understanding of changing industry conditions are critical to proper valuation of high yield securities. A well-diversified portfolio of high yield bonds can generate high levels of income and opportunity for capital appreciation.

### INVESTMENT PROCESS

The investment process starts with an assessment of economic and capital market conditions to develop an outlook for the overall high yield market and each industry within that universe. This analysis helps to shape the portfolio's optimal credit positioning and identify favored industries for further research. In the next stage of the process, research is focused on the middle part of the credit and yield curves where we believe exposure to undesirable risks such as interest rate sensitivity and default risk is reduced. The ABC's of credit investing – Asset analysis, Balance sheet evaluation and Cash flow coverage – are then applied to further narrow down the universe. The investment team undertakes rigorous fundamental analysis of each company including the quality of management, relative market position and industry dynamics.

### PORTFOLIO CONSTRUCTION

Portfolios are constructed with three main goals: to be optimally positioned along the credit curve, to maximize exposure across favored industries and to select the best security within a company's capital structure. Quantitative risk management tools are applied to avoid excessive concentration by limiting sector and individual positions and by monitoring cross correlations and downside volatility. Our portfolios are well diversified with 300 – 400 high yield securities representing approximately 30 industry sectors.

### RISK MANAGEMENT

The investment team regularly ranks portfolio holdings by performance since the bottom decile performers have historically been a disproportionate source of risk. These underperforming securities are further scrutinized to determine whether each credit merits continued inclusion in the portfolio. An important contributor of strong investment returns is the early interdiction of credit deterioration which eliminates complacency and the emotion attached to a particular security.

### INVESTMENT STRATEGY

*The product seeks to provide high income and the opportunity for capital appreciation through investing in high yield/lower rated U.S. corporate debt securities.*

**KEY INVESTMENT PROFESSIONALS**

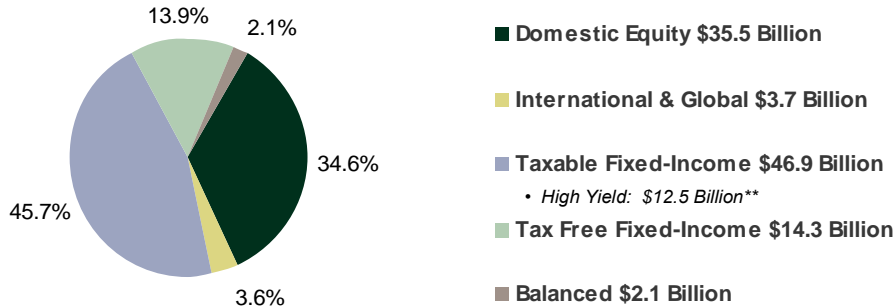
<b>Investment Team Member</b>	<b>Title/Position</b>	<b>Years of Securities Industry Experience</b>
Christopher J. Towle, CFA	Partner & Director	32 years
Steven F. Rocco, CFA	Partner, Portfolio Manager	11 years
Michael Lesesne, Jr.	Partner & Director of Credit Research	23 years
Thomas J. McDonald III	Client Portfolio Manager	37 years

# High Yield Fixed Income

## All Information as of September 30, 2011

### ASSETS UNDER MANAGEMENT

\$102.5 Billion Assets Under Management\*

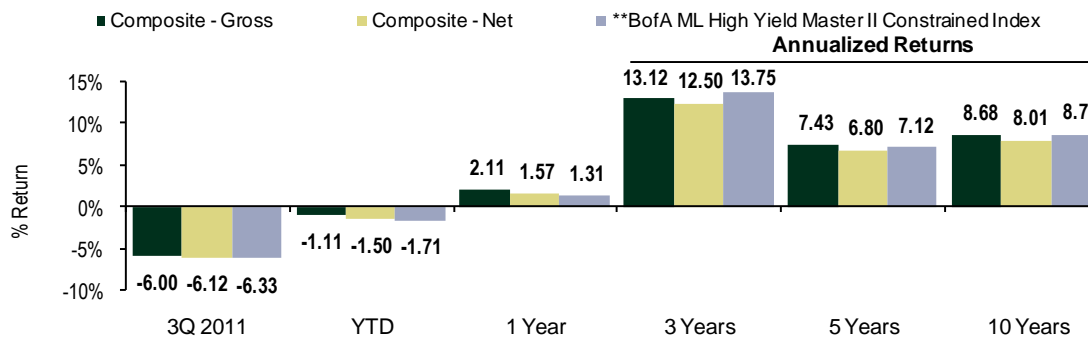


\*Includes \$2.9 billion for which Lord Abbett provides investment models to managed account sponsors.

\*\*A percentage of these assets may be included in another classification.

### PERFORMANCE RESULTS

Lord Abbett High Yield Institutional Composite\*



\*Please see Important Information for additional information regarding the effect of fees on performance.

Past performance is not indicative of future results. \*\*Source: BofA Merrill Lynch

### PORTFOLIO CHARACTERISTICS

	Representative High Yield Fixed Income Portfolio*	BofA ML High Yield Master II Constrained Index
Modified Duration	5.1 years	4.7 years
Average Maturity	7.7 years	6.8 years

\*The representative portfolio information reflects an individually managed institutional account that Lord Abbett deems to be representative of the portfolio composition for the investment strategy at the date shown above. Portfolios are actively managed and portfolio characteristics may change significantly over time.

### MARKET OUTLOOK

We have adopted a more conservative stance toward the high yield market in recent months as global economic and sovereign debt concerns have caused an investor flight to safety. We believe that it is still too early to take advantage of wider spreads amidst the uncertainty surrounding the political and economic ramifications of potential defaults by peripheral Eurozone countries although we do believe that there will come a time over the next quarter or two when renewed risk appetite will provide an opportunity for spread compression and the generation of attractive returns. From a more aggressive posture earlier in the year, we have over the last two quarters reduced risk in the portfolio and shifted more of the portfolio's allocation to 'BB' rated securities and decreased the allocation to 'CCC' credits. With much wider credit spreads prevailing, high-yield bonds should again resume their position as a favored asset class, given the generally low level of interest rates and a benign credit environment featuring improving corporate credit fundamentals and a very low rate of defaults. In our opinion, there is good value in the high-yield market, although we will be deliberate about adding back to portfolio risk.

Our strategy is to continue to actively manage credit exposure, reducing the risk of the portfolio amidst increased volatility in the market. We are also maintaining the portfolio's liquidity position in order to take advantage of upcoming merger and arbitrage opportunities. We also look to opportunistically add to the portfolio's foreign bond allocation in certain emerging markets credits whose valuations have become especially compelling. Regarding sectors, we recently lessened our cyclical exposure and added to cable and the more defensive holdings in utilities.

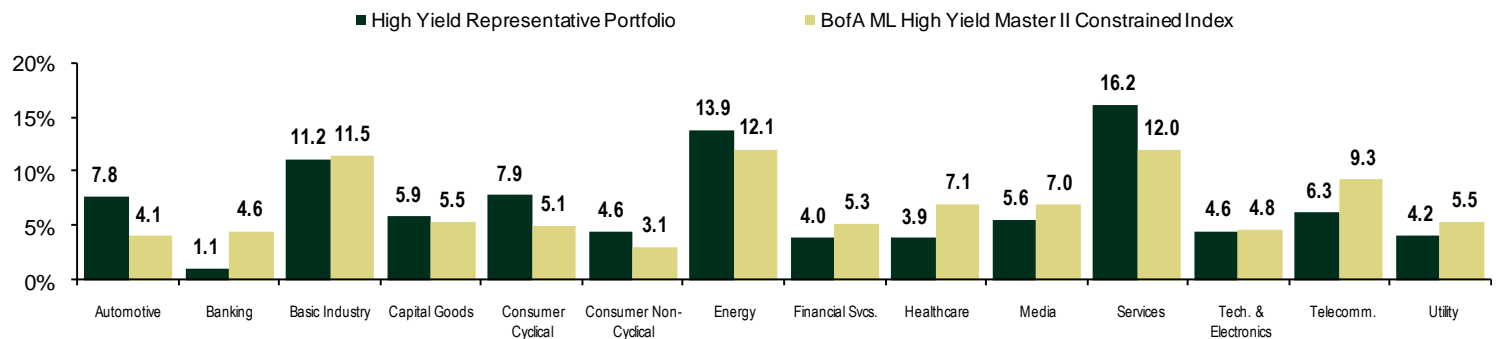


Christopher J. Towle, CFA  
Partner & Director



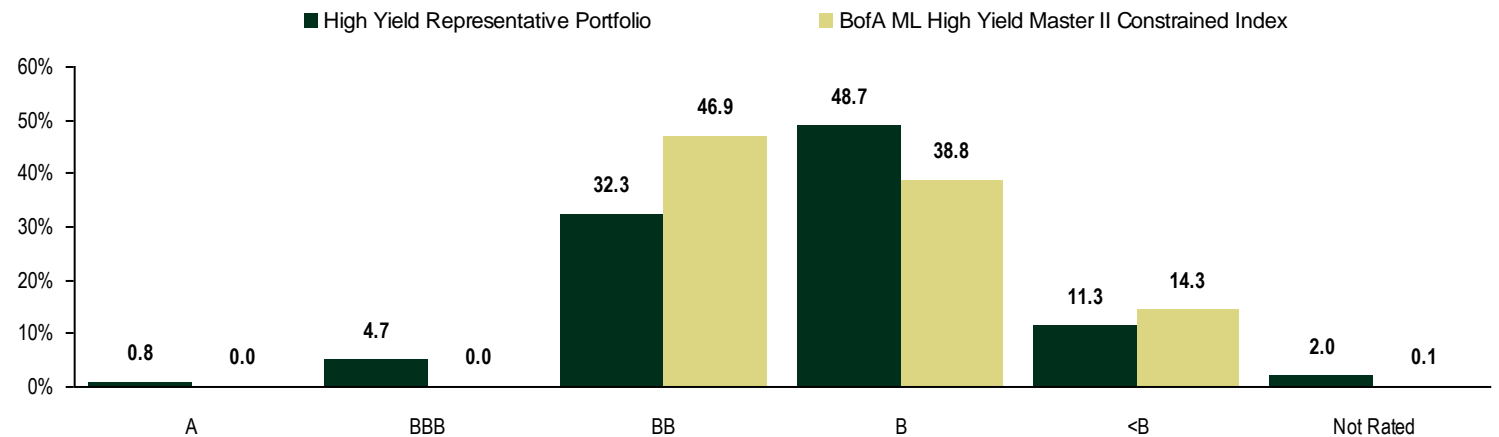
Steven F. Rocco, CFA  
Partner, Portfolio Manager

## SECTOR ALLOCATION



Key sector allocations are defined as sectors having a market value weighting greater than 3%.

## CREDIT QUALITY DISTRIBUTION



Ratings provided by Standard & Poor's and Moody's. Where S&P and Moody's rate a security differently, Lord Abbett uses the higher credit rating. Ratings range from AAA (highest) to D (lowest). Bonds rated BBB or above are considered investment grade. Credit ratings BB and below are lower-rated securities (junk bonds). High-yielding, non investment grade bonds (junk bonds) involve higher risks than investment grade bonds. Adverse conditions may affect the issuer's ability to pay interest and principal on these securities. A portion of the portfolio's securities are not rated.

## IMPORTANT INFORMATION

Lord, Abbett & Co. LLC's High Yield Institutional Composite (the "Composite") is comprised of all fully discretionary portfolios investing primarily in deb securities, including corporate debt and convertible securities, rated below investment grade at the time of purchase by one or more nationally recognized statistica rating organizations or deemed to be of equivalent quality. Only portfolios with a value of \$10 million or more are included in the composite. The Composite's asset as of December 31, 2010 were \$5.2 billion, which represented 4.9% of the firm's total assets. Performance results are expressed in U.S. dollars and reflec reinvestment of any dividends and distributions. Cash flows are adjusted on a time-weighted basis and an account is revalued in the event a cash flow equals o exceeds 10%. To receive a complete list and description of Lord Abbett's composites and/or a presentation that adheres to the GIPS® standards, please visit the firm' website at [www.lordabbett.com](http://www.lordabbett.com) or contact Lord Abbett's Performance Measurement Group at (201) 827-2783.

Lord Abbett claims compliance with the Global Investment Performance Standards ("GIPS®"). The CFA Institute has not been involved with or reviewed Lor Abbett's claim of compliance. For GIPS® purposes, Lord Abbett defines the Firm as all assets managed by the Firm, including mutual funds (all classes of shares) separate/institutional accounts, individual accounts and separately managed accounts managed by Lord, Abbett & Co. LLC. This definition of the firm does no include any hedge fund or separately managed program accounts where Lord Abbett does not have the records so long as it is impossible for Lord Abbett to have th records (within the meaning of relevant GIPS interpretations). The BofA Merrill Lynch High Yield Master II Constrained Index is market value-weighted index of al domestic and Yankee high-bonds, including deferred interest bonds and payment-in-kind securities. Issues included in the index have maturities of one year or mor and have a credit rating lower than BB-/Baa3, but are not in default. The BofA Merrill lynch U.S. High Yield Master II Constrained Index limits any individual issue to a maximum of 2% benchmark exposure.

The performance of the Composite is shown net and gross of advisory fees, and reflects the deduction of transaction costs. The deduction of advisory fees an expenses (and the compounding effect thereof over time) will reduce the performance results and, correspondingly, the return to an investor. For all periods through December 31, 2010, net performance of the Composite reflects the deduction of a "model" advisory fee, calculated as the highest advisory fee, borne by any accoun (without giving effect to any performance fee that may be applicable) in the Composite (an annual rate of 0.55% of assets) and other expenses (including trad execution expenses). For all periods beginning January 1, 2011, net performance for the Composite is calculated by deducting the actual advisory fee borne by eac account in the Composite and other expenses (including trade execution expenses and performance incentive fees). Portfolio incentive fees are applied on a cash basi in the period in which they are paid. The effect of fees and expenses on performance will vary with the relative size of the fee and account performance. For example if \$10 million were invested and experienced a 10% compounded annual return for 10 years, its ending dollar value, without giving effect to the deduction of th advisory fee, would be \$25,937,425. If an advisory fee of 0.55% of average net assets per year for the 10-year period were deducted, the annual total return would b 9.40% and the ending dollar value would be \$24,669,347. The management fee schedule is as follows: 0.55% on the first \$30 million, and 0.40% on all assets ove \$30 million. Certain securities held in portfolios contained in this composite may have valuations determined using both subjective observable and subjective unobservable inputs. The Firm's valuation hierarchy does not materially differ from the hierarchy in the GIPS Valuation Principles.

For the periods from 1993 to 2010, Lord, Abbett & Co. LLC has been verified by Deloitte & Touche. A copy of the verification report is available upon requ Additional information regarding the firm's policies and procedures for calculating and reporting performance results is available upon request.

**Past performance is not indicative of future results.** Differences in account size, timing of transactions and market conditions prevailing at the time of investme may lead to different results among accounts. Differences in the methodology used to calculate performance also might lead to different performance results than th shown. The Composite performance is compared to that of an unmanaged index, which does not incur management fees, transaction costs or other expenses associat with a managed account.