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Investment Perspectives

A Building Blocks Approach to the Yield Curve

A detailed look at the components of the yield curve and what it means for fixed income allocations.

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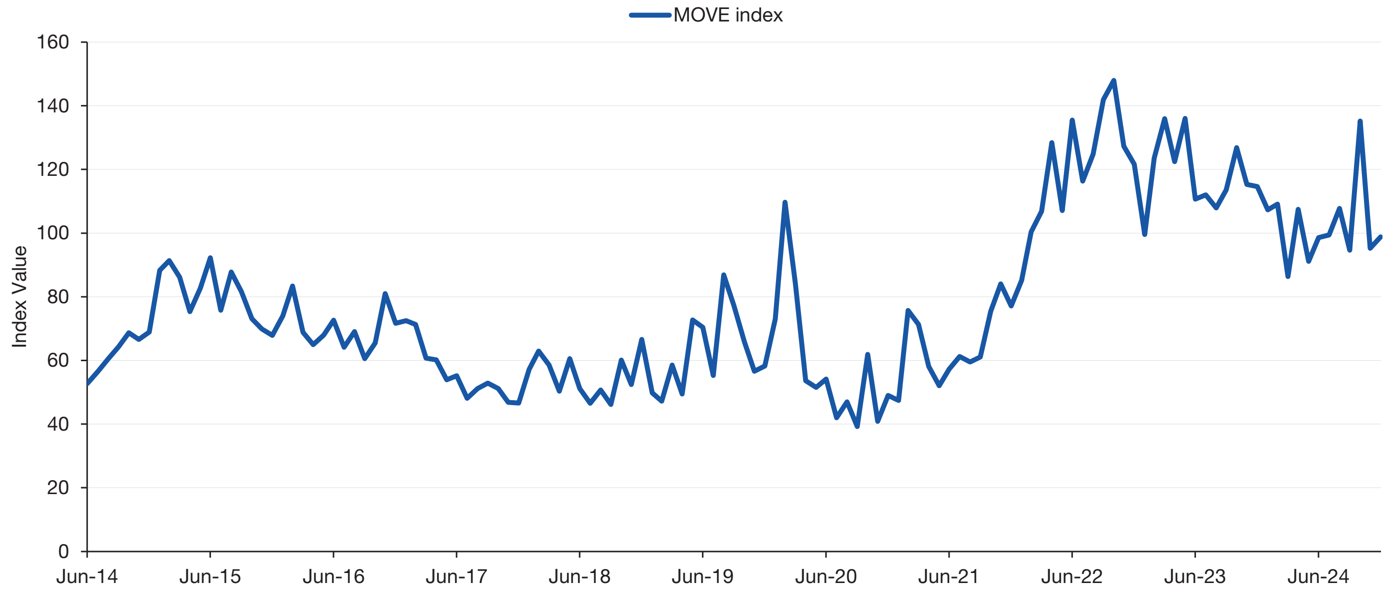
Key Points:

- Interest-rate volatility has increased and may remain elevated due to structural inflation drivers, making future rate forecasts even more challenging.
- Understanding the components of short-term and long-term rates can help investors assess the compensation for inflation and economic growth uncertainty in rate levels today.
- This analysis reviews and evaluates the building blocks of rates to provide an estimate of the appropriate ranges for short- and long-term bonds, which can subsequently help to inform strategic rate positioning and asset allocation.

Forecasting interest rates was undoubtedly a difficult task in 2024. It usually is, with forecasters getting the six-month direction of rates correct only about 55% of the time, and with about 55 basis points (bps) in average forecasting error over that period.[1] But the past year has been especially cruel to forecasters, many of whom rely on extrapolating recent trends to longer-term trends. During 2024, the trend was not a friend, and market expectations for U.S. Federal Reserve (Fed) rate cuts gyrated wildly and led to a continuation of elevated levels of volatility across the curve, which is measured by the ICE BofA Merrill Lynch Option Volatility Estimate (MOVE) index.

Figure 1. Bond Market Volatility Continued in 2024

ICE BofA MOVE index, June 1, 2014-December 31, 2024



Source: Bloomberg. Data as of December 31, 2024. The MOVE index is a measure of the volatility within the U.S. Treasury bond market. For illustrative purposes only and does not represent any specific portfolio managed by Lord Abbett or any particular investment. Indexes are unmanaged, do not reflect the deduction of fees or expenses, and are not available for direct investment.

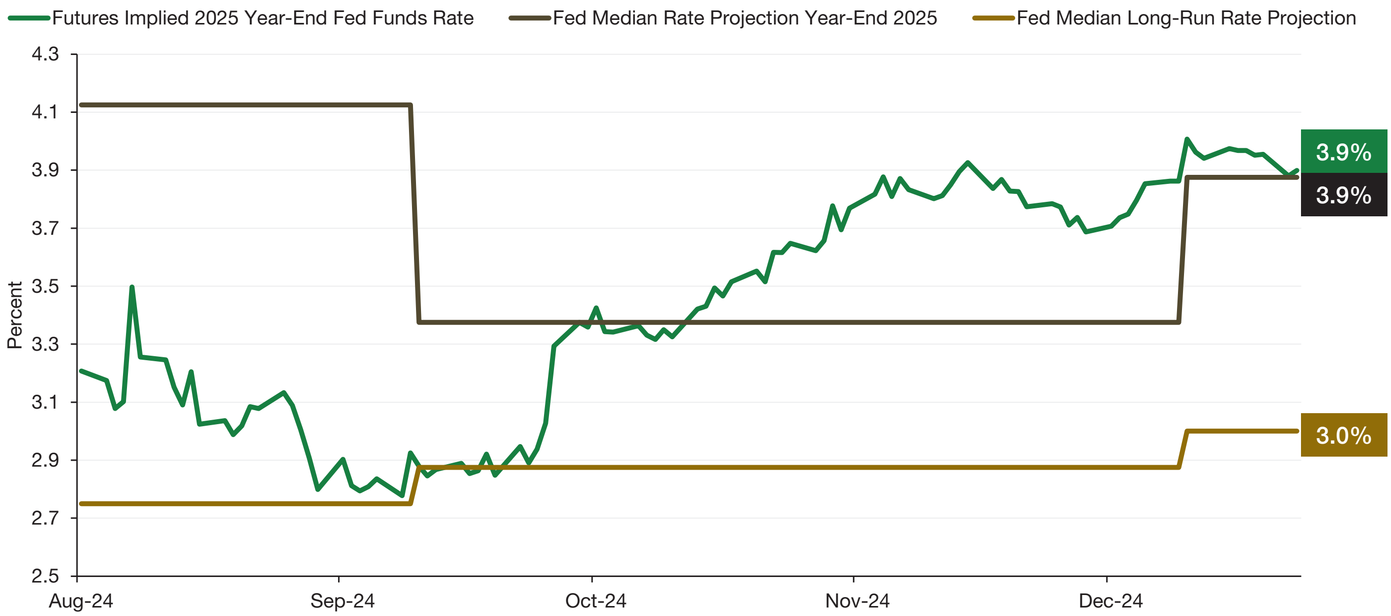
When markets work correctly, uncertainty brings compensation, and today's rate levels are indeed attractive, reflecting the newfound appreciation of the risk in interest rates. Is it enough? Below, we outline a framework for estimating the reasonable ranges for short- and long-term rates, which in turn can help guide active rate positioning and asset allocations. It's a straightforward framework, using the building blocks of rates, the history of where those pieces have been over time, and an assessment of the current market regime to estimate where the pieces should be today.

Estimating the Terminal Rate

First, we need to estimate where the "terminal" short-term rate should be. That's the level of short-term rates that would neither expand nor contract the economy but allow steady "trend" growth. With U.S. gross domestic product (GDP) growing at around 3% in real terms and inflation getting closer over most of 2024 to the Fed's 2% target, it's reasonable to assume the Fed should stay near the neutral terminal rate in order to maintain this goldilocks level of growth and inflation. The problem is no one knows where that terminal rate is exactly. The market has adjusted its expectations for the 2025 year-end fed funds rate substantially and then back again several times during 2024, as shown in Figure 2. Also shown is that the Fed members have adjusted and then reversed their own expectations of where they might be on fed funds by the end of 2025, currently matching the market's expectations. What doesn't match is the market's expectation that the 2025 year-end rate is the terminal short-term rate, while the Fed members think, on average, it will fall to around 3% over the next few years.

Figure 2. Market Versus Fed Terminal Rate Outlook Has Diverged

Implied overnight fed funds rate based on fed fund futures, the Fed's median year-end 2025 fed funds rate projection, and the Fed's median long-term rate projection, August 8, 2024-December 31, 2024



Source: Bloomberg. Data as of December 31, 2024. The prices of federal funds futures contracts indicate what market participants anticipate the fed funds rate will be at various future dates, which is the interest rate at which banks lend to each other overnight. For illustrative purposes only and does not represent any specific portfolio managed by Lord Abbett or any particular investment. Indexes are unmanaged, do not reflect the deduction of fees or expenses, and are not available for direct investment.

Who is correct in this debate is important for investors' fixed income allocations. Because of the Fed's dual mandate of price stability and maximum employment, the neutral short-term rate level, or terminal rate, should approximate inflation expectations, and then with some extra "real" rate on top of that to make credit costly enough to keep prices and growth expanding at a moderate rate.

Estimating Inflation

The first step in estimating the terminal short-term rate is estimating where we should expect inflation to settle. Looking at the long-run history of the Core Personal Consumption Expenditure (PCE) Index, we can see that in the last 20- and 30-year periods up to the COVID pandemic, the Fed has earned its credibility by getting very close to a long-term average of 2%, shown in Figure 3.

The Fed did allow inflation to overshoot prior to the great financial crisis (GFC) and notoriously could not get inflation up to 2% post-GFC, despite a number of creative quantitative easing attempts such as "Operation Twist" launched in the second half of 2011. In this post-COVID pandemic period, we believe there are enough well-documented drivers of inflation both from the demand and supply side that we are likely to remain modestly above the 2% target rather than below it. These include proposed policy measures of the incoming administration around tax cuts, decreased immigration, and increased tariffs as well as long-term drivers such as deglobalization of supply chains, single family housing shortages in developed countries, and a supply-and-demand mismatch in the labor market as populations age. There are intermediate and long-term mitigating factors with a savings glut and artificial intelligence (AI) productivity gains chief among them.

On balance, we see good reason to trust the Fed's ability to control inflation over the long term but also see that being a tough battle over the next few years. The market may have this one well targeted, with the current five-year inflation swap trading close to 2.5%, a level we find fair.

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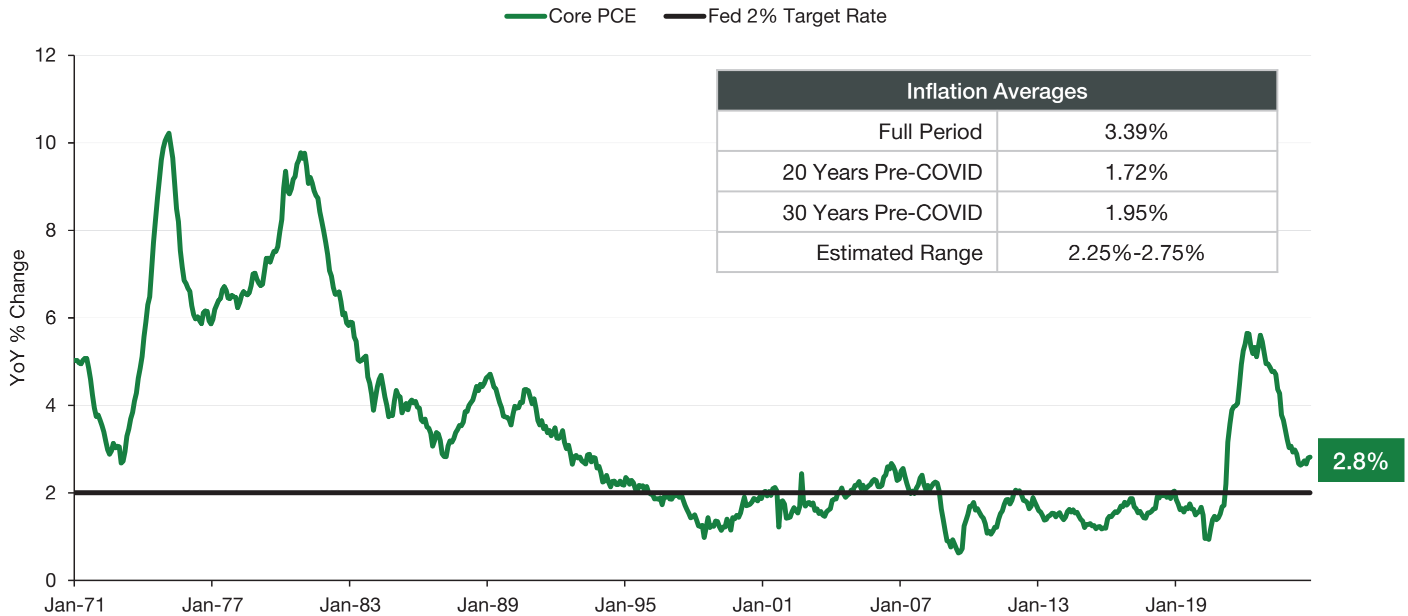
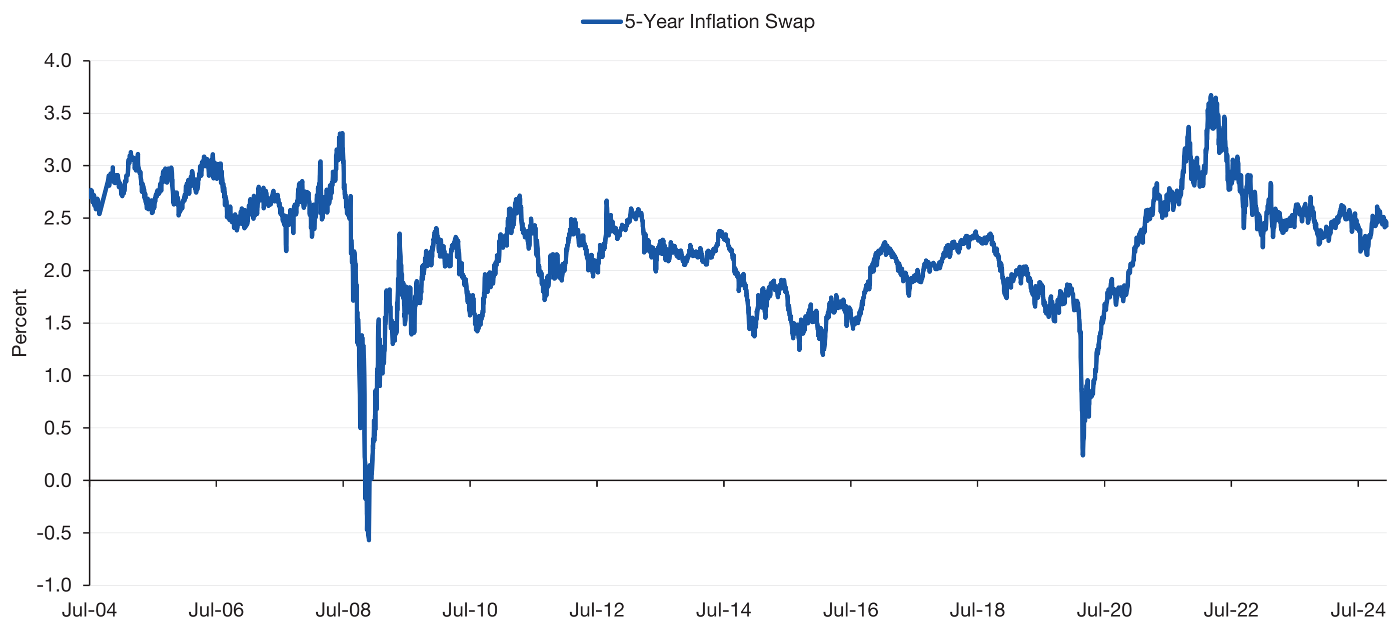
Figure 3. Inflation History and Recent Market Pricing Point to Fed’s Capability

Core PCE YoY, January 1, 1971-November 30, 2024 (top), and U.S. five-year, zero-coupon inflation swap rate, July 21, 2004-December 31, 2024 (bottom)



Inflation Averages	
Full Period	3.39%
20 Years Pre-COVID	1.72%
30 Years Pre-COVID	1.95%
Estimated Range	2.25%-2.75%



Source: Bloomberg. Data as of November 30, 2024 (top) and December 31, 2024 (bottom). Most recent data available. YoY=year-over-year. Pre-COVID 20-year and 30-year average periods are February 29, 2000-January 31, 2020, and February 28, 1990-January 31, 2020, respectively. Core PCE is a measure of the prices paid by consumers for goods and services, excluding the more volatile categories of food and energy. A zero-coupon inflation swap is a type of financial derivative used to hedge or speculate on inflation. In a zero-coupon swap, cash flows are exchanged at maturity. For illustrative purposes only and does not represent any specific portfolio managed by Lord Abbett or any particular investment. Indexes are unmanaged, do not reflect the deduction of fees or expenses, and are not available for direct investment.

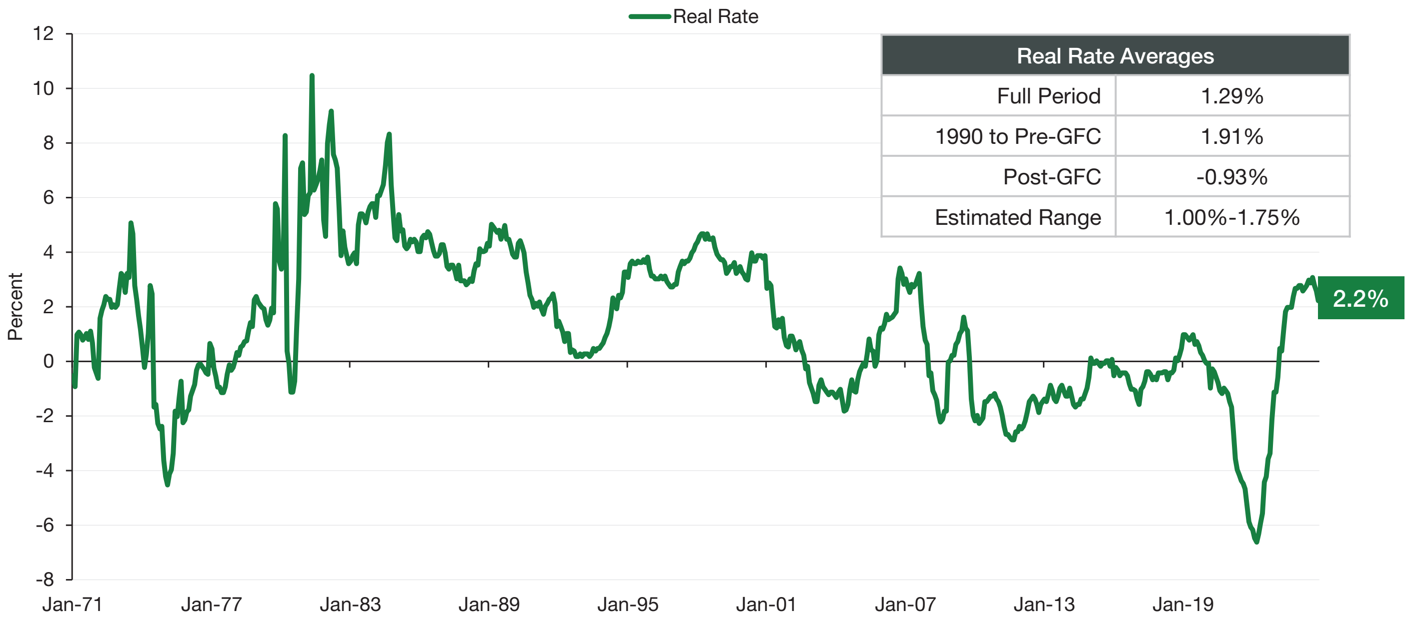
Estimating the Neutral Real Rate

The real rate (calculated by subtracting inflation from the fed funds rate) has averaged 129 bps since 1971, but there are clear regime shifts in the historical data. For most of the Paul Volker Fed and even in the early Alan Greenspan era (August 1987 was the changeover) keeping inflation down was a primary goal, which, combined with a strong economy, led to substantial positive real rates. Conversely, in the post-GFC period real rates were consistently negative as growth stagnated and globalization kept prices falling on many goods. More balanced periods like 1990-2007 had a 191-bps average real rate but included a fair amount of fluctuation between positive and negative values.

Today, the sustainable real rate is hotly debated with the Fed favoring lower values after a 2015 study that pegged the neutral real rate then at 0.5%. The recent experience of real rates over 2% has brought inflation down, but real growth continues at strong levels, suggesting the true "neutral" real rate may be nearer where we are today than 0.5%, though recent growth is likely influenced by significant fiscal deficit spending. With risks balanced between a higher growth and inflation paradigm post-COVID pandemic and the familiar forces of secular stagnation due to oversupply of savings and productive capacity, we believe the neutral real rate is likely lower than 2% but higher than 0.5%, and currently see a range of 1.0%-1.75% as reasonable.

Figure 4. History Suggests a Real Rate Near Today's Levels

Real rates January 1, 1971-November 30, 2024



Source: Bloomberg. Data as of November 30, 2024. Most recent data available. Pre-GFC and Post-GFC periods are January 1, 1990-December 31, 2007, and January 1, 2008-November 30, 2024, respectively. The real rate is calculated by taking the fed funds target rate and subtracting the inflation rate based on the PCE index. For illustrative purposes only and does not represent any specific portfolio managed by Lord Abbett or any particular investment. Indexes are unmanaged, do not reflect the deduction of fees or expenses, and are not available for direct investment.

That leaves the terminal short-term rate midpoint estimate at 2.5% inflation plus a 1.375% real rate, the midpoint of the estimated range, to land right at 3.875%. In our estimation, then, the market is providing a better estimate of this than the Fed, and the Fed may have an anchoring bias in its expectations for inflation and the real rate to the recent past rather than the full set of regimes we've explored.

Estimating Term Premium

The next question is: Where should longer-term rates be? A simple way to look at this is just the spread between fed funds and the 10-year U.S. Treasury. A slightly more nuanced (some might say opaque) way is to measure the extra yield further out on the yield curve after short-term rates correct to "normal," though the determination of normal and the rate of correction give rise to a number of competing models. That measure is called term premium and has averaged 1.65%. In practice, the slope of the yield curve and the extra payment for term once the short-term rate has normalized are satisfyingly similar since 1990 at 1.1% and 1.2%, respectively.

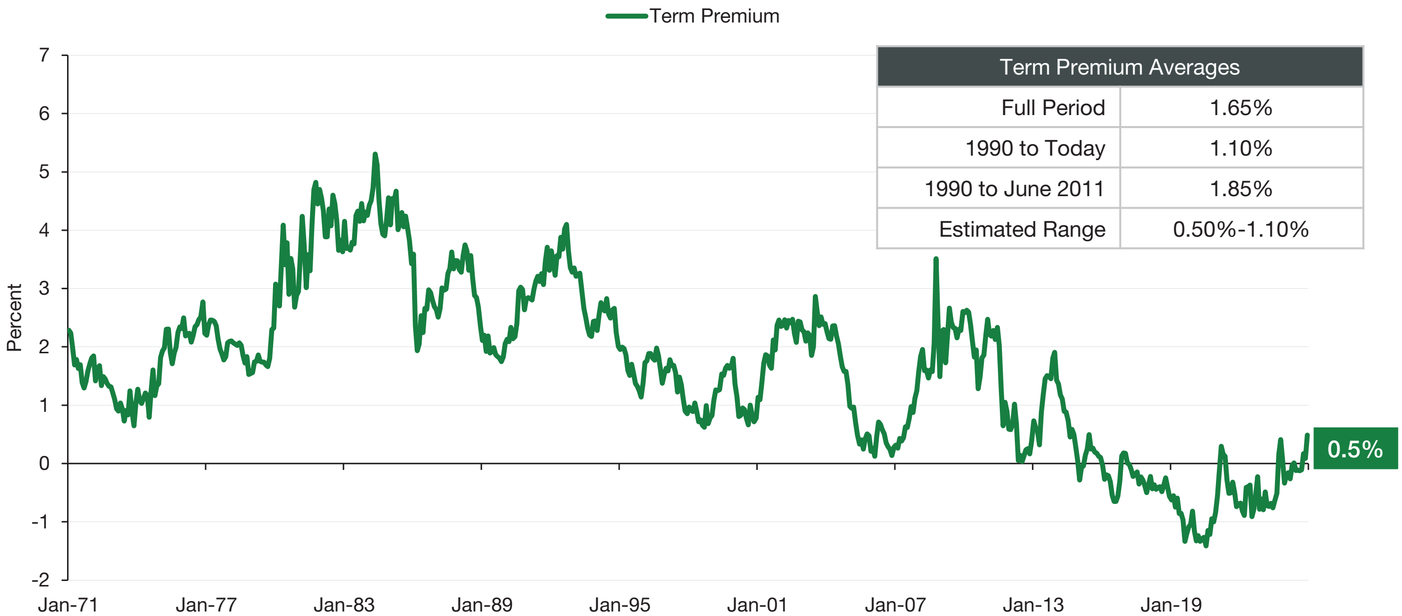
Here again, shifting regimes reveal more complex interworkings than simply noise around a long-term mean. Until 1990, term premiums were generally quite high—and even higher than the yield curve slope, as short-term rates were elevated and expected to come down, although they didn't for years. Post-2008, the opposite was true, as zero-interest-rate policy (ZIRP) failed for years to ignite growth. This was compounded by government buying of bonds that artificially depressed term premiums and an entrenched regime of negative stock and bond correlation that promoted demand for term risk regardless of unattractive yield levels.

Understanding the term premium as payment for the uncertainty around future inflation and rate levels, we currently have two competing forces. First, the regime of higher growth and inflation and massive deficits in a time of growth is an unusual one, especially coming off the heels of a supply-driven inflationary episode. So uncertainty around future inflationary levels is high, providing an argument for higher term premiums. Countering that force is the credibility and transparency of the Fed. Despite acting too slowly to counter inflation in 2021 and 2022, the Fed has since regained stability in pricing. The long-term inflation swaps and Treasury inflation-protection securities (TIPS) breakeven levels in the low 2% range confirm that long-term inflation expectations have yet to become unmoored, arguing for a continuation of low and declining term premiums experienced over the last 30 years.

As shown in Figure 5, the period from 1990 to today averaged 110 bps of 10-year term premium, though excluding the depressed term premiums from "Operation Twist" in 2011 onward would yield a higher average of 185 bps term premium. We accept that the credibility of the Fed should warrant a lower term premium and cannot rule out a return to negative correlation between stocks and bonds, which would also serve to lower the compensation necessary for holding duration. Thus, we think a lower range, bounded at the high end by the longer-term average, is an appropriate estimate of term premium over the next several years.

Figure 5. Countering Forces and Fed Credibility Suggest Low Term Premium

Term premium, January 1, 1971-December 31, 2024



Term Premium Averages	
Full Period	1.65%
1990 to Today	1.10%
1990 to June 2011	1.85%
Estimated Range	0.50%-1.10%

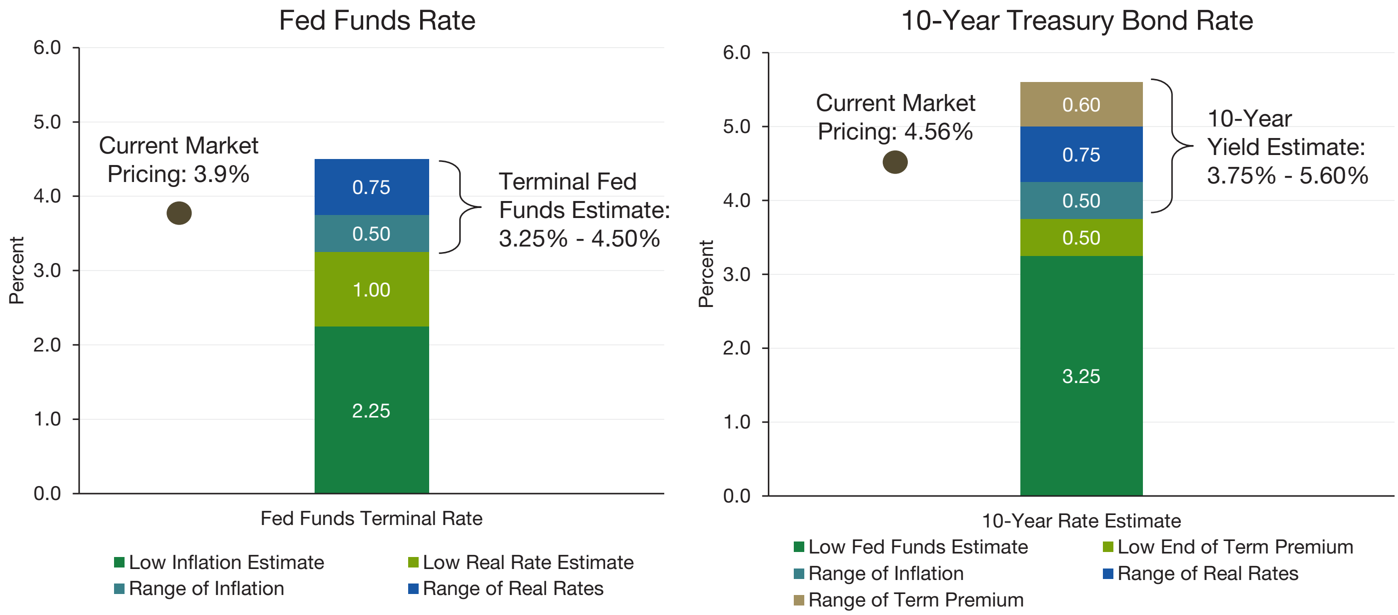
Source: Bloomberg. Data as of December 31, 2024. Term premium shown using the ACMTP10 model, developed by New York Fed economists Tobias Adrian, Richard Crump, and Emanuel Moench, which represents the extra compensation investors require for holding longer-term Treasury securities instead of rolling over shorter-term ones. This premium accounts for the risk that interest rates may change over the bond's life. For illustrative purposes only and does not represent any specific portfolio managed by Lord Abbett or any particular investment. Indexes are unmanaged, do not reflect the deduction of fees or expenses, and are not available for direct investment.

Adding Up the Components

We find today's interest rate levels well justified by the component analysis above, with the midpoint levels of our ranges very close to current levels. Conditions can change, of course, and we will adjust our views accordingly with new data, but currently there are no glaring biases in fixed income pricing.

Figure 6. Short- and Long-Term Rates Appear Reasonable

The building blocks of the fed funds terminal rate and the 10-year U.S. Treasury bond yield



Source: Bloomberg and Lord Abbett. Data as of December 31, 2024. For illustrative purposes only and does not represent any specific portfolio managed by Lord Abbett or any particular investment. Indexes are unmanaged, do not reflect the deduction of fees or expenses, and are not available for direct investment.

Implications for Fixed Income Investing

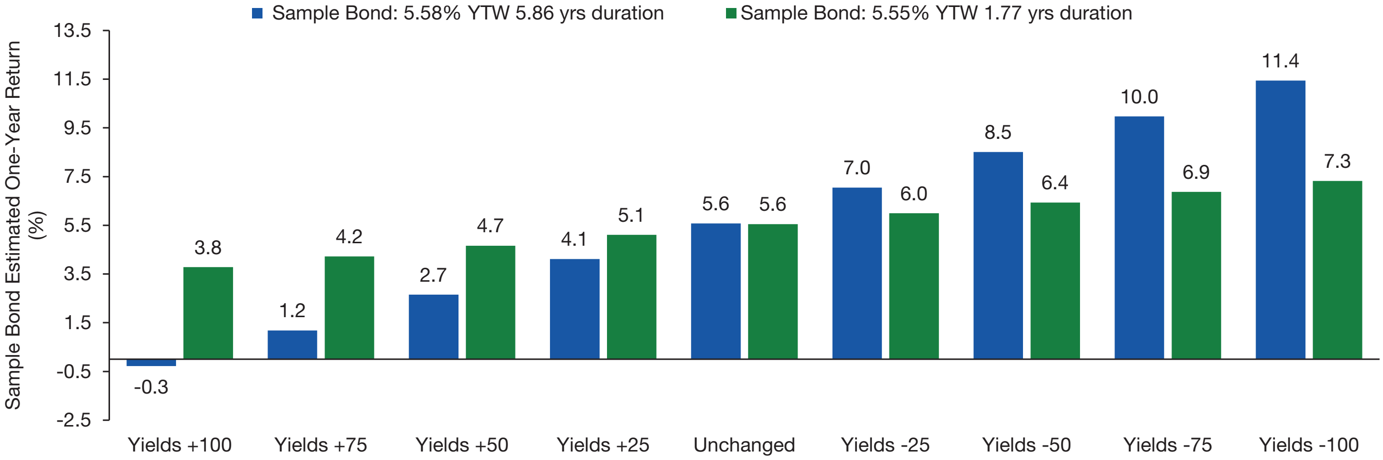
The uncertainty around interest rates is understandable as the "neutral" or long-run state of the components is unobservable, and no economic environment is the same. We believe active rate positions should be modest in most periods, but especially today as current pricing of short-term and long-term rates is reasonable given the history of the components and the current economic backdrop. However, we believe fixed income is an attractive option in this environment. We have good reason to trust the Fed will, over the long run, achieve its dual mandate of price stability and full employment simply because we have experienced a wide array of shocks over the last 30 years that have been successfully managed by the Fed. As such, current yields provide excellent compensation for the risks that this time is very different from those periods. If the Fed's 3% estimate of terminal rate were to be achieved, for example, that would provide a healthy tailwind for fixed income allocations over the next several years.

Finally, credit exposures along the curve can enhance yields while offering a diversifying risk to the underlying rate risk in fixed income. The Lord Abbett Core Plus and Short Duration Income strategies are examples of diversified, credit-oriented strategies that can provide an attractive yield and sound breakeven characteristics.

Figure 7. Credit Can Offer Diversification from Rate Risk

Estimated one-year holding period returns of sample bonds under different rate scenarios as of December 31, 2024

As of December 31, 2024	Core Plus Full Discretion Portfolio Characteristics*	Short-Duration Income Portfolio Characteristics*
Yield (YTW %)	5.58%	5.55%
Effective Duration	5.86 years	1.77 years
Breakeven Change in Yield	Yields +95 bps	Yields +314 bps



Source: Lord Abbett. Data as of December 31, 2024. * Representative composite portfolios. **Please see Important Information for the full composite performance presentation, including gross and net returns.** Estimated returns are based on a sample bond with the yield and duration of the Core Plus Full Discretion representative portfolio and the Short Duration Income Institutional representative portfolio. One-year holding period estimated return assumes starting yield is earned in income over the course of the year. The price impact is (change in yield) * (effective duration). Sample bond one-year holding period returns are gross of any fees and are for example only.

This is for illustrative purposes only and to provide a framework to understand the potential impact from various interest rate environments. The sample bond one-year holding period performance does not represent actual performance, was not achieved by any investor, and actual results may vary substantially. No investor achieved these returns. Indexes are unmanaged, do not reflect the deduction of fees or expenses, and are not available for direct investment. The estimated returns based on simple bond mathematical calculations are not intended to be a guarantee or a predictor of future results.

Past Performance of Selected Indices (Calendar Year):

	ICE BofA U.S. Corporate Index	ICE BofA 1-3 Year U.S. Corporate Index	Core Plus Full Discretion Institutional Composite (gross)	Core Plus Full Discretion Institutional Composite (net)	Short Duration Income Institutional Composite (gross)	Short Duration Income Institutional Composite (net)
2024	2.76	5.40	4.40	3.91	5.96	5.31
2023	8.40	5.61	8.21	7.78	5.80	5.59
2022	-15.44	-4.05	-12.94	-13.20	-4.16	-4.35
2021	-0.95	-0.01	1.51	1.22	1.67	1.47
2020	9.81	4.16	7.71	7.41	3.54	3.33

NOTE: Past performance is no indication or guarantee of future results.

Source: Bloomberg, ICE BofA Indices LLC., and Lord Abbett. Net-of-fee performance of the Lord Abbett Short Duration Income Institutional Composite and the Lord Abbett Core Plus Full Discretion Institutional Composite reflect the deduction of the highest applicable management fee ("Model Net Fee") that would be charged based on the fee schedule appropriate to a typical institutional separate account investor for the Short Duration Income strategy and the Core Plus Full Discretion strategy, without the benefit of breakpoints. Performance of the composites and the indices may be affected by changes in the exchange rates between the currency denomination of the composites and indices and any non-U.S. dollar denomination.

[1]*The Wall Street Journal* Economic Forecasting Survey, December 31, 2023, https://www.wsj.com/economy/economic-forecasting-survey-archive-11617814998

Standardized Performance:

Past performance is not a reliable indicator or guarantee of future results. Please refer to the GIPS Reports for important performance information, including the effect of fees on performance. The gross performance shown does not reflect a deduction of investment advisory fees or other expenses but does reflect the deduction of transaction costs if applicable. Net of fees performance reflects the deduction of the actual fees charged to the accounts in the strategy's composite. Indexes are unmanaged, do not reflect the deduction of fees and expenses, and are not available for direct investment.

Standard Performance Periods as of 12/31/2024	1 Year	5 Years	Since Inception*
Core Plus Full Discretion Institutional Composite (gross)	4.40%	1.46%	3.14%
Core Plus Full Discretion Institutional Composite (net)	3.91%	1.11%	2.72%
Bloomberg U.S. Aggregate Bond Index/Bloomberg U.S. Universal Bond Index Prior to 01/01/2020	1.25%	-0.33%	1.66%
Standard Performance Periods as of 12/31/2024	**1 Year**	**5 Years**	**10 Year**
Short Duration Income Institutional Composite (gross)	5.96%	2.50%	2.89%
Short Duration Income Institutional Composite (net)	5.31%	1.89%	2.27%
Bloomberg 1-3 Yr. U.S. Gov/Credit (2/1/2022-present) / ICE BofA 1-3 Year U.S. Corporate Index	4.36%	1.83%	2.14%

* Inception date is January 1, 2016

The Global Investment Performance Standards (GIPS®) compliant performance results shown represent the investment performance record for the Lord, Abbett & Co. LLC (Lord Abbett) Short Duration Income Institutional Composite. This composite is comprised of all fully discretionary portfolios managed on behalf of institutional investors investing primarily in taxable short duration investment grade debt securities of various types. The portfolios may also invest in lower-rated debt securities, including non-U.S. debt securities denominated in foreign currencies and floating or adjustable-rate senior loans. Effective July 1, 2022, only accounts that may invest in treasury futures may be in included in the composite. Effective November 2017, only accounts with a value of $40 million or more are included in the composite. Effective July 2014, only accounts with an initial value of $100 million or more are included in the composite. Prior to February 2022, the composite was named the Short Duration Credit Institutional Composite. Effective January 2018, accounts funded on or before the 15th of the month will be included in the Composite effective the first day of the first following month. Accounts funded after the 15th of the month will be included effective on the first day of the second following month. Prior to January 2018, other than registered investment companies sponsored by Lord Abbett, accounts opened/funded on or before the 15th day of the month were included in the Composite effective the first day of the second following month and accounts opened/funded after 15th of the month were included effective on the first day of the third following month. Registered investment companies sponsored by Lord Abbett are included in the Composite in the first full month of management. Closed accounts are removed from the Composite after the last full month in which they were managed in accordance with applicable objectives, guidelines, and restrictions. Performance results are expressed in U.S. dollars and reflect reinvestment of any dividends and distributions. The Composite was created and incepted in 2008. A list of all composite and pooled fund investment strategies offered by the firm, with a description of each strategy, is available upon request. The type of portfolios in which each strategy is available (segregated account, limited distribution pooled fund, or broad distribution pooled fund) is indicated in the description of each strategy. Policies for valuing investments, calculating performance, and preparing GIPS Report are available upon request.

For GIPS® purposes, the firm is defined as Lord, Abbett & Co. LLC ("Lord Abbett"). Total Firm Assets are the aggregate fair value of all discretionary and non-discretionary assets for which the Firm has investment management responsibility. Accordingly, Total Firm Assets include, but are not limited to, mutual funds (all classes of shares), privately placed investment funds, non-U.S. domiciled investment funds, separate/institutional portfolios, individual portfolios and separately managed accounts ("Wrap Fee/SMA Portfolios") managed by Lord Abbett. Total Firm Assets also include any collateralized, structured investment vehicle, such as a collateralized debt obligation or collateralized loan obligation, for which Lord Abbett has been appointed as the collateral manager. For the period prior to January 1, 2000, the definition of the Firm does not include any hedge fund or SMA program accounts where Lord, Abbett & Co. LLC did not have the records so long as it is impossible for Lord, Abbett & Co. LLC to have the records (within the meaning of relevant GIPS® standards interpretations). Total Firm Assets also exclude separately managed program accounts that involve model delivery.

The number of portfolios and total assets in the Composite, and the percentage of total "firm" assets represented by the Composite at the end of each calendar year for which performance information is provided are as follows:

Calendar Year Ended	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
# of Portfolios	12	14	15	14	14	11	7	3	2	2
Total Assets ($M)	$51,665	$59,810	$75,146	$65,346	$63,124	$45,184	$43,387	$38,072	$34,127	$37,197
Percentage of Firm Assets	26.61%	31.00%	29.58%	29.36%	30.94%	28.06%	27.79%	28.29%	27.52%	27.36%
Total Firm Assets ($M)	$194,188	$192,949	$254,075	$222,535	$204,031	$161,055	$156,110	$134,565	$124,007	$135,945
Dispersion	0.12	0.13	0.13	0.09	0.03	0.03	N/A	N/A	N/A	N/A
Lord Abbett Short Duration Income Institutional Composite Gross (Annual)	5.80%	-4.16%	1.67%	3.54%	6.05%	1.84%	2.91%	4.64%	1.03%	2.33%
Lord Abbett Short Duration Income Institutional Composite Gross (3 Year Annualized Return)	1.02%	0.30%	3.74%	3.80%	3.59%	3.13%	2.85%	2.66%	1.86%	3.91%
Lord Abbett Short Duration Income Institutional Composite Gross (3 Year Annualized Ex-Post Standard Deviation)	2.54%	4.78%	4.40%	4.11%	0.91%	1.06%	1.18%	1.33%	1.27%	1.49%
Lord Abbett Short Duration Income Institutional Composite Net (Annual)	5.59%	-4.35%	1.47%	3.33%	5.84%	1.64%	2.70%	4.39%	0.79%	2.08%
Lord Abbett Short Duration Income Institutional Composite Net (3 Year Annualized Return)	0.82%	0.10%	3.53%	3.59%	3.38%	2.90%	2.61%	2.41%	1.62%	3.66%
Bloomberg 1-3 Yr. U.S. Gov/Credit (2/1/2022-present)/ICE BofA 1-3 Year U.S. Corporate Index (Annual)	4.61%	-3.72%	-0.01%	4.16%	5.43%	1.62%	1.91%	2.39%	1.01%	1.19%
Bloomberg 1-3 Yr. U.S. Gov/Credit (2/1/2022-present)/ICE BofA 1-3 Year U.S. Corporate Index (3 Year Annualized Return)	0.24%	0.09%	3.17%	3.73%	2.97%	1.97%	1.77%	1.53%	1.32%	2.47%
Bloomberg 1-3 Yr. U.S. Gov/Credit (2/1/2022-present)/ICE BofA 1-3 Year U.S. Corporate Index (3 Year Annualized Ex-Post Standard Deviation)	2.19%	2.85%	2.45%	2.43%	0.93%	0.87%	0.84%	0.88%	0.77%	0.98%

Dispersion is represented by the asset-weighted standard deviation, a measure that explains deviations of gross portfolio rates of return from the asset-weighted composite return. Only portfolios that have been managed within the Composite style for a full year are included in the asset-weighted standard deviation calculation. The measure may not be meaningful (N/A) for composites consisting of five or fewer portfolios or for periods of less than a full year.

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 and expenses (and the compounding effect thereof over time) will reduce the performance results and, correspondingly, the return to an investor. Net performance of the Composite as presented in the table on the previous page reflects the deduction of a "model" advisory fee, calculated as the highest advisory fee, borne by any account (without giving effect to any performance fee that may be applicable) in the Composite (an annual rate of 0.20% of assets from April 1, 2017 forward, prior to April 1, 2017 an annual rate of 0.24% of assets) and other expenses (including trade execution expenses). **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 the advisory fee, would be $25,937,425. If an advisory fee of 0.20% of average net assets per year for the 10-year period were deducted, the annual total return would be 9.78% and the ending dollar value would be $25,469,675. The separate account management fee schedule is as follows: 0.20% on the first $50 million, 0.17% on the next $100 million, 0.15% on the next $100 million, and 0.13% on all assets over $250 million. The Lord Abbett Short Duration Credit Trust II management fee schedule is as follows: 0.19% on the first $50 million, 0.18% on the next $100 million, 0.15% on the next $100 million, 0.14% on the next $1250million, 0.12% on the next $500 million, and 0.10% on all assets over $1 billion.** The Lord Abbett Short Duration Credit Trust II total expense ratio is 0.27%. Net-of-fee performance reflects the deduction of the highest applicable institutional advisory fee that would be charged to a new institutional client account based on the current fee schedule for this strategy. The composite includes one or more registered investment companies sponsored by Lord Abbett ("Lord Abbett Funds") that are subject to fees and expenses that would be inapplicable to an institutional client account. Therefore, the actual performance of Lord Abbett Fund accounts included in the composite may be lower than the net-of-fee composite performance presented. Fees and expenses applicable to the Lord Abbett Funds are disclosed in each Fund's Prospectus, which is available upon request. Past performance does not guarantee future results. 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. Portfolios in this composite may be managed against an internal index that is constructed utilizing sectors and sub-sectors of publicly available indices. The weights of the sectors and sub-sectors of the internal index may vary over time and differ materially from the sectors and weightings of the benchmark Index.

Lord Abbett claims compliance with the Global Investment Performance Standards (GIPS®) and has prepared and presented this report in compliance with the GIPS standards. Lord Abbett has been independently verified for the periods 1993-2023. A firm that claims compliance with the GIPS standards must establish policies and procedures for complying with all the applicable requirements of the GIPS standards. Verification provides assurance on whether the firm's policies and procedures related to composite and pooled fund maintenance, as well as the calculation, presentation, and distribution of performance, have been designed in compliance with the GIPS standards and have been implemented on a firm-wide basis. The Short Duration Income Institutional composite has had a performance examination for the periods 2008-2021. The verification and performance examination reports are available upon request.

The ICE BofA 1-3 year U.S. Corporate Index is an unmanaged index comprised of U.S. dollar denominated investment grade corporate debt securities publicly issued in the U.S. domestic market with between one and three year remaining to final maturity. Prior to May 2013, the benchmark for the composite was the Bloomberg Barclays Capital 1-3 Year Government/Credit Bond Index. Lord Abbett believes the ICE BofA 1-3 year U.S. Corporate Index is more representative of the investment strategy based on the strategy's higher allocation to corporates credit and reduced exposure to U.S. Government securities.

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

The Global Investment Performance Standards (GIPS®) compliant performance results shown represent the investment performance record for the Lord, Abbett & Co. LLC (Lord Abbett) Core Plus Full Discretion Institutional Composite. This composite is comprised of all fully discretionary portfolios managed on behalf of institutional investors investing primarily in various types of fixed income securities, including investment grade and non-investment grade corporate debt, mortgage-backed and other asset backed securities and securities issued by the U.S. government, its agencies and instrumentalities, senior loans, and convertible securities. The portfolios can include a significant allocation to non-investment grade holdings and derivative instruments. The strategy may also include allocations to securities of non-US issuers from developed and emerging market countries, including securities denominated in currencies other than the US dollar. Effective January 2018, accounts funded on or before the 15th of the month will be included in the Composite effective the first day of the first following month. Accounts funded after the 15th of the month will be included effective on the first day of the second following month. Prior to January 2018, other than registered investment companies sponsored by Lord Abbett, accounts opened/funded on or before the 15th day of the month were included in the Composite effective the first day of the second following month and accounts opened/funded after 15th of the month were included effective on the first day of the third following month. Registered investment companies sponsored by Lord Abbett are included in the Composite in the first full month of management. Closed accounts are removed from the Composite after the last full month in which they were managed in accordance with applicable objectives, guidelines and restrictions. Performance results are expressed in U.S. dollars and reflect reinvestment of any dividends and distributions. The Composite was created and incepted in 2016. A list of all composite and pooled fund investment strategies offered by the firm, with a description of each strategy, is available upon request. The type of portfolios in which each strategy is available (segregated account, limited distribution pooled fund, or broad distribution pooled fund) is indicated in the description of each strategy. Policies for valuing investments, calculating performance, and preparing GIPS Report are available upon request.

For GIPS® purposes, the firm is defined as Lord, Abbett & Co. LLC ("Lord Abbett"). Total Firm Assets are the aggregate fair value of all discretionary and non-discretionary assets for which the Firm has investment management responsibility. Accordingly, Total Firm Assets include, but are not limited to, mutual funds (all classes of shares), privately placed investment funds, non-U.S. domiciled investment funds, separate/institutional portfolios, individual portfolios and separately managed accounts ("Wrap Fee/SMA Portfolios") managed by Lord Abbett. Total Firm Assets also include any collateralized, structured investment vehicle, such as a collateralized debt obligation or collateralized loan obligation, for which Lord Abbett has been appointed as the collateral manager. For the period prior to January 1, 2000, the definition of the Firm does not include any hedge fund or SMA program accounts where Lord, Abbett & Co. LLC did not have the records so long as it is impossible for Lord, Abbett & Co. LLC to have the records (within the meaning of relevant GIPS® standards interpretations). Total Firm Assets also exclude separately managed program accounts that involve model delivery.

The number of portfolios and total assets in the Composite, and the percentage of total "firm" assets represented by the Composite at the end of each calendar year for which performance information is provided are as follows:

Calendar Year Ended	2023	2022	2021	2020	2019	2018	2017	2016
# of Portfolios	3	4	4	4	4	3	1	1
Total Assets ($M)	$3,150	$2,310	$1,801	$1,496	$1,484	$1,091	$14	$11
Percentage of Firm Assets	1.62%	1.20%	0.71%	0.67%	0.73%	0.68%	0.01%	0.01%
Total Firm Assets ($M)	$194,188	$192,949	$254,075	$222,535	$204,031	$161,055	$156,110	$134,565
Dispersion	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Lord Abbett Core Plus Full Discretion Institutional Composite Gross (Annual)	8.21%	-12.94%	1.51%	7.71%	10.50%	-0.83%	5.36%	6.36%
Lord Abbett Core Plus Full Discretion Institutional Composite Gross (3 Year Annualized Return*)	-1.48%	-1.63%	6.50%	5.68%	4.91%	3.58%	N/A	N/A
Lord Abbett Core Plus Full Discretion Institutional Composite Gross (3 Year Annualized Ex-Post Standard Deviation*)	7.04%	7.28%	5.41%	5.43%	2.39%	2.83%	N/A	N/A
Lord Abbett Core Plus Full Discretion Institutional Composite Net (Annual)	7.78%	-13.20%	1.22%	7.41%	10.26%	-1.14%	4.65%	5.64%
Lord Abbett Core Plus Full Discretion Institutional Composite Net (3 Year Annualized Return*)	-1.80%	-1.91%	6.23%	5.40%	4.48%	3.01%	N/A	N/A
Bloomberg U.S. Aggregate Bond Index/Bloomberg U.S. Universal Bond Index Prior to 01/01/2020 (Annual)	5.53%	-13.01%	-1.54%	7.51%	9.29%	-0.26%	4.09%	3.91%
Bloomberg U.S. Aggregate Bond Index/Bloomberg U.S. Universal Bond Index Prior to 01/01/2020 (3 Year Annualized Return)	-3.31%	-2.71%	4.98%	5.34%	4.30%	2.56%	N/A	N/A
Bloomberg U.S. Aggregate Bond Index/Bloomberg U.S. Universal Bond Index Prior to 01/01/2020 (3 Year Annualized Ex-Post Standard Deviation)	7.24%	5.85%	3.30%	3.19%	2.65%	2.71%	N/A	N/A

*N/A for performance periods with less than 3 years of data based on the composite inception date.

Dispersion is represented by the asset-weighted standard deviation, a measure that explains deviations of gross portfolio rates of return from the asset-weighted composite return. Only portfolios that have been managed within the Composite style for a full year are included in the asset-weighted standard deviation calculation. The measure may not be meaningful (N/A) for composites consisting of five or fewer portfolios or for periods of less than a full year.

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 and expenses (and the compounding effect thereof over time) will reduce the performance results and, correspondingly, the return to an investor. The table on the previous page also includes net performance for the Composite and reflects the deduction of the actual advisory fee borne by each account in the Composite and other trading expenses and performance incentive fees. Portfolio incentive fees are applied on a cash basis 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 the advisory fee, would be $25,937,425. If an advisory fee of 0.30% of average net assets per year for the 10-year period were deducted, the annual total return would be 9.67% and the ending dollar value would be $25,238,659. The management fee schedule is as follows: 0.30% on the first $50 million, 0.23% on the next $100 million, 0.20% on the next $100 million and 0.19% on all assets over $250 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. Portfolios in this composite may have sector weights that vary significantly from the Index.

Lord Abbett claims compliance with the Global Investment Performance Standards (GIPS®) and has prepared and presented this report in compliance with the GIPS standards. Lord Abbett has been independently verified for the periods 1993-2023. A firm that claims compliance with the GIPS standards must establish policies and procedures for complying with all the applicable requirements of the GIPS standards. Verification provides assurance on whether the firm's policies and procedures related to composite and pooled fund maintenance, as well as the calculation, presentation, and distribution of performance, have been designed in compliance with the GIPS standards and have been implemented on a firm-wide basis. The Core Plus Full Discretion Institutional composite has had a performance examination for the periods 01/01/16-2021. The verification and performance examination reports are available upon request.

Effective January 2020, the benchmark for the composite is the Bloomberg U.S. Aggregate Bond Index as that is more reflective of the strategy's investment universe. Prior to January 2020, the benchmark for the composite was the Bloomberg U.S. Universal Index. The Bloomberg U.S. Universal Index represents the union of the U.S. Aggregate Index, the U.S. High-Yield Corporate Index, the 144A Index, the Eurodollar Index, the Emerging Markets Index, and the non-ERISA portion of the CMBS Index. Municipal debt, private placements, and non-dollar-denominated issues are excluded from the Universal Index. The only constituent of the index that includes floating-rate debt is the Emerging Markets Index.

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

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Glossary & Index Definitions

A basis point is one one-hundredth of a percentage point.

Carry is the difference between the yield on a longer-maturity bond and the cost of borrowing.

Duration is a measure of the sensitivity of the price (the value of principal) of a fixed--income investment to a change in interest rates.

The Federal Reserve (Fed) is the central bank of the United States. The federal funds (fed funds) rate is the target interest rate set by the Fed at which commercial banks borrow and lend their excess reserves to each other overnight.

Gross domestic product (GDP) is the total monetary value of all finished goods and services produced within a country's borders during a specific time period. For the United States, GDP is a comprehensive measure of overall domestic production and serves as a key indicator of the country's economic health.

Operation Twist is a monetary policy strategy used by the Federal Reserve that involves selling short-term government bonds and using the proceeds to buy long-term government bonds. The strategy is intended to increase short-term interest rates and reduce long-term interest rates simultaneously.

Spread is the percentage difference in current yields of various classes of fixed-income securities versus Treasury bonds or another benchmark bond measure. A bond spread is often expressed as a difference in percentage points or basis points (which equal one-one hundredth of a percentage point). The option-adjusted spread (OAS) is the measurement of the spread of a fixed-income security rate and the risk-free rate of return, which is adjusted to take into account an embedded option. Typically, an analyst uses the Treasury securities yield for the risk-free rate.

Yield is the income returned on an investment, such as the interest received from holding a security. The yield is usually expressed as an annual percentage rate based on the investment's cost, current market value, or face value.

Zero Interest Rate Policy (ZIRP) is a monetary policy where a central bank sets its target short-term interest rate at or close to 0%. The primary goal of ZIRP is to stimulate economic activity by encouraging low-cost borrowing and greater access to cheap credit for both firms and individuals.

The ICE BofA U.S. Corporate Bond Index is a benchmark index that tracks the performance of U.S. dollar-denominated investment-grade corporate debt publicly issued in the U.S. domestic market. To be included in the index, securities must meet specific criteria, such as having an investment-grade rating from major rating agencies (Moody's, S&P, and Fitch), a fixed coupon schedule, and a minimum amount outstanding of $250 million.

ICE BofA 1-3 year U.S. Corporate Bond Index is a subset of the broader ICE BofA US Corporate Master Index. It tracks the performance of U.S. dollar-denominated investment-grade corporate debt that is publicly issued in the U.S. domestic market and has a remaining term to maturity of less than three years. This index is designed to provide a measure of the short-term segment of the investment-grade corporate bond market.

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Bloomberg U.S. Aggregate Bond Index is a broad-based benchmark that measures the performance of the U.S. investment-grade bond market. This index includes a diverse range of fixed-income securities, such as: Government Treasury securities, corporate bonds, mortgage-backed securities (MBS), asset-backed securities (ABS), and municipal bonds. To be included in the index, bonds must be of investment-grade quality, have a fixed-rate coupon, and meet specific criteria regarding their issuance size and maturity.

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