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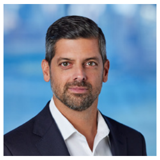
LORD ABBETT®

The Investment Conversation: What to Look for in a Multi-Sector Fixed Income Platform



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In this episode, Lord Abbett Portfolio Managers Robert Lee and Steve Rocco discuss how a flexible multi-sector approach can help investors navigate increasing market dispersion, and why an extensive credit platform is essential to identifying opportunities across the credit spectrum.

KEY TAKEAWAYS

- Flexibility may be increasingly valuable as varying performance across sectors, industries, and issuers creates opportunities to actively allocate risk and identify relative value across fixed income markets.
- A broad and deep credit capability differentiates the investment approach by bringing together specialized teams across credit sectors to evaluate opportunities and respond to today's fast-changing market conditions.
- Investment capabilities are built before capital is deployed. Experienced sector teams provide the foundation for thorough credit analysis, security selection, and ongoing risk management.

ANDY D'SOUZA: Welcome back to *The Investment Conversation*. I'm Andy D'Souza, chief marketing officer here at Lord Abbett. Today we're discussing multi-sector fixed income investing and why flexibility is especially important in a market with increasing dispersion across sectors, industries, and issuers.

Today I'm joined by Rob Lee and Steve Rocco, both partners at the firm and co-heads of Lord Abbett's taxable fixed-income platform. We'll be discussing where they are seeing opportunities, why a multi-sector approach can make sense across different market environments, and how the team brings together the extensive expertise across the platform to inform investment decisions. Rob and Steve, it's great to have you back on the show.

STEVE ROCCO: Great to be here, Andy.

ROBERT LEE: Good to be here.

D'SOUZA: All right, let's get into it. I'll start with you, Steve. When talking about multi-sector as a style of investing, it's something that's been in the industry for many years. It's not new per se to the industry, and one that, I know that we, as a firm at Lord Abbett, have helped pioneer over the decades since the early [1970s] 70s. But I guess, based on your experience in the industry and at Lord Abbett, have you seen that evolve over the years?

ROCCO: Sure, so let's talk about the industry first. So, you know, we've been in a pretty tight spread environment for some time. Before that, we were in a very low yield environment as well. So, the combination of those two things, investors are looking to give managers more flexibility and opportunity to look amongst different sectors. I think that was a big driver.

Second, during COVID-19 we saw obviously a supply shock and inflation and duration hasn't worked for many years. And if you look at this category, multi-sector tends to have lower duration than a traditional [aggregate bond] AGG-type product. I think those two things have kind of driven the growth in multi-sector. And as it relates to Lord Abbett, there's more and more growth in these areas, in these asset classes. We've broadened our capabilities. As you mentioned, we started in the '70s, but in the '70s we had a much more limited product set.

There was equities. There was no high yield market. The high yield market grew in the '80s. We grew along with that market. We've added capabilities, and securitized products, and bank loans, and emerging markets. And as we'll talk about it today, this is all kind of the firepower for what I think makes a great multi-sector asset manager. If you can have the building blocks, and we have eight different building blocks that go into it. And then you can kind of piece it all together. And the more you have and the more securities you cover, I think the better you'll be.

D'SOUZA: Gotcha. And then I guess, Rob, from your perspective, what makes multi-sector investing so relevant today? Is there something unique about today's environment that makes it even more relevant than in the past?

LEE: Sure. I'd say multi-sector fixed-income investing is both evergreen and it has lasted for as long as the fixed-income markets have been around (at least in the modern era). So, there's a persistence to it where it really matters. But there are specific factors going on in today's environment, both snapshot in time and I'd say some particular trends and events that have happened (I'll get to them in a moment) that make it especially relevant.

So just to start, I think great, world-class multi-sector fixed-income investing requires both breadth, so across the different (eight, as we define it) multiple sectors, you need to have that breadth. You have to understand risk and return for high yield corporate bonds, for commercial mortgage-backed securities, for emerging market bonds, for U.S. Treasurys and global rates. I could go on and on in all the different sectors, but you need to understand how they interrelate, the correlations, the history, supply and demand. You need to have a broad landscape and top-down view. Just as importantly, you need depth. You need great analytical rigor in each one of those different sectors, real subject matter expertise in asset-backed securities, or [collateralized loan obligations] CLOs, or investment-grade corporates in all the different industries there. Absolutely critical. You need people who have real depth and understanding.

And importantly (and we'll get to it in a moment with some examples), you need to be able to combine those two things, the breadth and the depth, extremely well. And you need to do that in a unified, cohesive, and cogent way. So, to get to some specific current-day examples, I'll point to a couple, a handful, that are very relevant.

So earlier this year, at the end of February, Israel and the U.S. struck Iran. Major implications for energy markets, oil, natural gas. Implications for lots of other things that go through the region, from helium to petrochemicals. I can go on. And to understand it, just to give a couple examples across sectors, you'd better understand your high yield, and investment-grade, and emerging-market oil, and gas, and energy companies. That's true for exploration and production. It's true for refining. It's true for oil field services. It's true for midstream. It's true regionally, geographically. What is the differential effect for Asia, for Europe, for the U.S.? Specific example, the U.S. has lots of natural gas. Henry Hub natural gas prices did not move very much. And depending on where you measured it, they actually went down. That wasn't true for lots of natural gas to Europe and Asia, where the prices really spiked.

So, you need emerging market expertise there, energy importers and energy exporters. And here we're just talking about oil and gas right now. There's lots of other implications. Understanding that in a deep way, having studied for years, having subject matter expertise and sector expertise really matters.

That's just one very recent example. The second I'd point to (and then pause, because there's a lot more examples) is the entire, I'd say, innovation and technology. More specifically artificial intelligence [AI]. The massive capital expenditures and investments that are being made. The beneficiaries, and the picks and shovels, and NVIDIA, and semiconductors, and [graphic processing unit] GPU and [tensor processing unit] TPU producers, lots of other parts of the ecosystem relative to the hyperscalers, where they're spending a tremendous amount of their cash flow investing in these things, the building out of data centers, the purchasing of these GPUs and TPUs, kind of the compute they need to train their LLMs, their large language -models.

Big implications for issuance for the investment-grade corporate bond market, for the high yield corporate bond market, for securitization markets, [asset-backed securities] ABS and [commercial mortgage-backed securities] CMBS, the data center securitizations to project finance, kind of not in many of these indices. Understanding this in a deep, deep way cross sector, critically important.

D'SOUZA: I want to come back to the data center theme in a minute, but Steve, Rob mentioned some ideas of macro themes out there, whether geopolitical or otherwise. How do you think about the portfolio top down as a multi-sector portfolio manager? Are there certain questions you ask first, a certain order of events you think in your mind as you go about looking at the portfolio and where to apply and allocate risk in the portfolio?

ROCCO: Sure. So, the first thing is understanding the macro regimes (Rob described some of that) and what regime you're in. So that could be inflationary, stagflationary. Could be Goldilocks. It could be recessionary. I think you've got to get that call right. That's the job that both Rob and I try and do every day. So that's important, how much risk you want to take and where you want to take it, right? And that applies to interest rates. In a multi-sector framework, do you want to be short rates? Do you want to be long rates? It applies to sectors as well.

And when we say multi-sector, at least I'm referring to the big building blocks like investment-grade corporates, or high yield, or emerging markets, securitized products, what have you. And then even a layer lower, you get into industry. And Rob highlighted energy and agentic AI. I think what you saw before the rise of agentic AI in the beginning of the year and before the war is you had spreads (just to bring this to an example) were closely moving' together, right? They were very tightly correlated. And you saw the word you mentioned earlier in the start of the podcast, dispersion, right? And you started to see that happen both with the rise of agentic AI, where some sectors are being disrupted, like software. And then you saw that also on the energy side as well, where energy deviated from sectors that had more price pressure from that energy piece.

So, I think that's a good example. And so, for us as portfolio managers who want to get that call right. I think the magic of it all is, if you can get the security selection as well, right, you can go the breadth and depth if you can go really deep on these sectors, you have that engine in each one of these asset classes where you're a portfolio manager adding that security selection. So, if you combine the security selection with that top-down view, that [potentially] leads to real alpha for our clients.

D'SOUZA: If we go back to the data center example specifically here and we talk about the idea that this is a big, broad theme, and you even both mentioned cutting across multiple sectors that you can choose from when allocating in the portfolio. I don't know if these signals are ever opposed to each other, but they may inform each other or give you a sense of relative value and how to play a certain theme. So, I'd like to hear from both of you some examples or thoughts about, when the signals are telling you something a little bit different, how you think about that. And maybe the data center won't be a good one to talk about.

ROCCO: I'll start with data center. There's a lot there. First of all, I think it's pretty clear there's going to be trillions of dollars. There have been hundreds of billions of dollars of investments into data center and power. And that's going to hit every market, and some of these markets we talked about. So, you need to have the teams work together and figure out where the best place is to take the risk.

The other thing is when it comes to this, this is very exciting from the standpoint of an equity investor. You can make a lot of money. From a bond investor, you want to get paid back. So, it's important to look at the structure of these deals, and they're very complex. And depending on what market you're in, what are the guarantees you get, what security you get, what are your attach points in many of these different markets?

So, we created a data center council to have our teams work together to figure out all these things, to put a framework in place. And then for portfolio managers like Rob and myself, we can come in and say, "Let's pick the best one in the best asset class." It could be an [investment grade] IG deal. It could be a high yield deal. It could be a securitized products deal. So, we have a broad menu, and we're not siloed, right? So, we're not just looking at simply one market. And there's a lot of different inputs that go into all of it, right? So, with data center, real estate's an important piece, and power's an important piece. So, you want your utility analyst talking to your [real estate investment trust] REIT analyst. And we have that set up very well within this framework, and there's a pretty strong spirit of collaboration as it relates to all these things. So, you can get that real estate perspective from the real estate analyst, from the CRE, the commercial real estate team. You get the power perspective from a utility analyst. You get the chip perspective from the technology analyst. And you put it all together and then find out where the best place to take risk is.

And we've invested in data center deals in many different markets. What we're looking for is, of course, we want to get paid back, but also you want some convexity in some of these deals. That's a pretty important principle where you have the ability to make some money for your clients on the upside if things go well because you are taking on a certain amount of, what I call "promise me it'll be okay" type of risk, right, when it relates to new construction and such. And so, you want to make sure that you have some upside in these structures.

LEE: If I may add onto that, I'll give you my perspective, which will dovetail very nicely I think with what Steve said. So, first, just to be perfectly clear, Steve and I have worked together for more than two decades. We have 25-35 years of experience in the industry. That's not boasting. It matters because we're multi-sector portfolio managers. Having that experience, seeing different cycles, seeing different trends, seeing different themes play out over time is valuable and, I would say, necessary for a multi-sector portfolio manager. It's a wide span of sectors to cover. And having knowledge and experience built up over time laboriously studying it matters. And that's where we tend to focus our attention, is on the big thematic, top-down, macro trends. We need to have a view and a thesis on scaling laws, AI, monetization, return on invested capital, when that's going to happen.

It doesn't mean we have the monopoly on truth, and it doesn't mean we need to be the foremost experts in every single one of those sectors. But that's first. That's what we do. On top of that is our job, as investment leaders from a franchise perspective, to marshal, coordinate, encourage the right resources and the right mix of those resources in strong collaboration.

Steve mentioned it. We identified this as a key theme. No great insight, but how it is done, where the rubber meets the road is because we have so many great resources at the deep research level, at the sector expertise level, we can bring those resources and talent together, both human resources and other, to create this data center council with the utility analysts, with the CMBS team, with the ABS team, with the technology experts.

I can go on and on. And you put those resources together, they will do very good things and help us be proactive, forward-looking around this entire buildout of AI, including agentic AI. And that has been invaluable, and it's an example of what we've done over the past few decades, to assemble a team that can intelligently, wisely hopefully, make the right decisions and identify the right factors and key things that we should focus on for the investing.

As Steve said, the issuance is coming in, for this buildout, investment-grade corporate bond markets, in high yield, in bank loans, in direct lending/private credit, in ABS, CMBS, I could go on. And understanding the relative value (you mentioned that), what really matters, parsing that, understanding that is key.

D'SOUZA: And then you both spend a lot of time on the top-down thematic trends of the portfolio, but maybe back to you, Steve, for a question. When you've got that trust you've built up with your team, these sector experts and these teams to help you spot individual securities within those sectors, are there some times when you also want to go deep? How often do you spend, I guess, at the macro level versus sometimes getting in the weeds more on certain issues?

ROCCO: Sure. I spend most of my time at the top level. But there are certainly times you need to dig in, and usually it's around controversy, when something's happening in a sector, right? A few examples, back in [2014, 2015] '14, '15, there was a lot happening in energy, which is an important part of high yield markets. So, a lot of my time was spent on energy with that team. And I think that's very appropriate, to try and figure that out.

There's a lot of time being spent on AI right now and data center. And there were times a couple years ago where we were looking at office and commercial real estate and spending a lot of time on that. So usually, it relates to controversy. When there's a lot of controversy or spread-widening events, I think it's important to kind of dig in.

But day to day, I would say, the magic of all this is Rob and I don't have to reinvent the wheel. We can make asset allocation decisions, set targets, let the team go to work, and trust those teams to deliver security selection, because that's what they've done for over 50-plus years here. Different people, but mostly the same people, but we've had a long history of security selection. To be as broad as we are and then to be able to dig in (as the broad and deep concept that Rob touched on earlier), that's the magic in all this.

And then, to get these teams talking to each other, because in a lot of firms you may see siloing. You may see, "Hey, the lone [portfolio manager] PM doesn't talk to the high yield PM." That does not happen here. So, everybody really works together to find the best solution to answer for our client. And I think it makes them better investors, and it also helps us form our opinions at the top because when you see that whole field, it makes you, I think, a better investor as well.

D'SOUZA: Gotcha. So combined, you're both managing over $170 billion [as of July 2, 2026] of our clients' assets across the multiple portfolios that you oversee. As you mentioned, it's been a long, long experience at the firm doing this and the experience of both you here at the firm, all of the sector teams here at the firm, but also just in general, your experience in the industry overall.

There's a lot to this, though, when it comes to multi-sector. By definition, there are a lot of choices you can make in a portfolio at the top down. You guys gave some insights already, but, Rob, maybe just think about how do you balance flexibility with a portfolio, and how do you think about risk, and how does that work in your mind as you're thinking about the portfolios?

LEE: Okay, I'll get to the risk thing and the return thing in a moment. So first, let me just give you my take on it and the way I like to think about it. For us, multi-sector PMs are always broad and sometimes deep. Steve mentioned it. There are times when we need to study. We need to dig deep. A lot of that is talking to, being informed by, learning from our sector experts and their teams, and I'd say the sector teams and the research analysts, who are always deep and often broad.

That's the way I think about it. You have to be able to fly at very different levels and focus at different levels at different times. Steve mentioned controversy, spread widening, lots of issuance. Sometimes, the bigger it is or the riskier it is in the indices, in the markets, or in the portfolios means we need to focus at every level at times. But we spend more of our time at the higher, top-down levels. So that's the first thing I'd say.

The second, and Steve mentioned it, but I think it bears repeating is one of the keys to doing let's say really, really truly excellent multi-sector bond investing is about the culture and the collaboration. We need to be learning from one another, talking to each other, being organized about it, not operating in silos. I'll repeat what Steve said. Many of our senior investors have worked together for a decade, or two, or even three. And that allows us, in the culture, in the team we've built, to I think tackle these key issues, investment issues in multi-sector bond portfolios quite well.

You mentioned risk, so I'll get to the actual question here. This is part of our lifeblood. I'd say even amongst bond investors in general, risk needs to be on your mind and, more importantly or just as importantly, measured very, very well. I'll use the data center, AI, and technology example. You need, in a multi-sector framework, to understand the historical relationships; the correlations; the covariants; the various both vendor-based, model-based, and proprietary risk metrics that are being used, because some of these structures are new and different. And understanding that some of the data may not exist in some of the project finance data center deals that are off-balance-sheet and 144A for life, not publicly registered. Lots of data and models, both proprietary and vendor-based, can get you a long way. But a deeper understanding, creating your own metrics, this is a proprietary, I'd say, advantage is what we need to do. Not always. There's lots of great off-the-shelf models which we buy, and lease, and own. But I think when the world is changing, you need to be both backward looking and forward looking. So, risk is top of mind, but we're doing it in a methodical, organized way. But models only go so far, so a deep risk culture and a focus on it is critical. We're thinking about it, focused on it every single day.

ROCCO: Yeah, so can I just add on to that? So, on the risk piece, I think it's important to realize here that we built the sector teams first before we made the investments. I think from the perspective of me and Rob, what you don't want us doing is to say, "Okay, there's an opportune [emerging market] EM, but there's no team there. We're going to figure that out ourselves."

We didn't do that. For a long time, there were areas we did not invest in. Not because we didn't think there was an opportunity. We didn't have the team yet. And maybe that was a missed opportunity, but we were very methodical in how we built it. So, in non-agency mortgages, we didn't have a team. Now we built a team. Now we feel good about that team, we can make the investment. I think that's important. And same is true on this data center. We luckily had all the pieces in place. And I think this is going to be too big to ignore. So, if we didn't have the team, we'd have to hire the team. Luckily, we had all the pieces in place. But if we didn't have the team, we wouldn't make the investment. And we may not get the luxury, with data center, to do that, because it's going to be so big. And then at some point there's going to be opportunities in both directions. But it's really important from a risk perspective to realize that how we did this was very, very methodical from the bottom up, and only invest in areas that we built that capability first and felt good about the capability. And then we make the investment.

D'SOUZA: We all have our history, maybe our biases if you will. Do you think about someone potentially having a bias in a multi-sector portfolio for a certain asset class or a certain sector? Do you embrace those biases? Do you try and get rid of them? How do you guys think about biases overall? I'd be curious to hear from both of you on that one.

ROCCO: Sure. I try and operate without any. I always talk about [intelligence quotient] IQ and [emotional quotient] EQ in investing, right? I think many times EQ is more important than IQ. And when I think about eliminating them, I think the worst thing you could say is, "Hey, I lost money in some area, and I'm never going to invest there again." Well, there will probably be a time when you can. But I know it's hard when people lose money never to go there. That's not the way I want the team to operate. It's not the way that I operate. I think if there's an opportunity set, we need to go there. And even if we lost money in it before, if it evaluates well, then we'll make that investment.

So, I always try and take a fresh look at the portfolio every day. And listen, we're dealing with illiquid things, so it's hard to say, "Let's have a new portfolio every day." But if the portfolio needs to change, we're going to change, and we don't really operate with any biases. And I think the way that we have this team built is that people are not siloed. People have that ability to talk to a lot of different people in a department. Everything is so transparent to everybody, and they're not just kind of living in one area and isolated.

And so, the research is shared broadly. People can talk to or learn from anybody and get out of their shell a little bit, and realize there's a big world, right, and it's not just the one sector that I cover. And I think that makes everybody a better investor. So, I'll stop there and see if Rob has anything to add.

LEE: I'll just add kind of my words here. So, I'll take it in two parts. The first part, and you, Steve, talked about it, is capabilities. We have purposefully constructed our team for balance. I'm talking about the sector teams and their expertise. Not in every single area of the fixed-income markets, although we are pretty broad and cover a pretty broad swathe of the fixed-income sectors. If you have strength and are striving to approach world class, hopefully getting there (that's our job), you have the ability to go where the opportunity is, where the best risk-adjusted return (as one example) is. So that's the first.

If you have the capabilities, and you're using good judgment, and the opportunity set is there, having built those building blocks, those eight different sector teams that we're referencing, allows you to do it. If it is time to be in emerging markets, we want to be there. If it's time to be in high yield energy, we want to be there. If it's time to be in investment-grade technology, we want to be there. Again, these are easier said than done. But truly active management with conviction based on lots of research, deep insight, non-consensus view at times, you just need to size it and time it pretty well. And having the balance and those capabilities is very, very important. So that's the first part. And that's exactly what we've tried to do over decades and still strive to do.

The second is really at (and Steve mentioned this) the individual investment professional level. It's the mindset. Everybody has their biases. That's true in life, and it's certainly true in investing. We want to be as objective, as balanced, as egalitarian as we can and let the data, the analysis (this is where deep research and expertise really matter) do the speaking. And if we do that well, it accrues to the benefit of everyone who has entrusted their money with us. And that's what we strive to do. I think we're pretty good at it after all these decades and years.

D'SOUZA: I think you are too. So, to go back to those folks that have entrusted us with their allocations over the years and the $170 billion that you manage today, both of you. What have you heard or seen from clients and their viewpoint on multi-sector investing? You talk to a lot of them, and when they share with you why they are looking for managers like yourselves, what are some of the reasons and rationales they give you when they're hiring you for a multi-sector mandate?

ROCCO: We do talk to a lot of clients. I would say what they tell me is the world is becoming increasingly more complex. And, more importantly, the speed. We haven't talked about speed yet. Things happen very, very quickly, right? Let's point to two examples.

2025, you had tariffs. That lasted for one month, that episode. Then this year you had a war. And hopefully the war is ending. We don't know that yet, but it seems to be. But these are very brief moments, and I think it's very hard for an institutional asset allocator to make these moves in these moments, and they want a manager who can do it for them. And that makes a lot of sense to me. So, the complexity and the speed I think are really big reasons as to why. And also, what we talked about up front. We have been in a pretty tight spread environment and pretty compressed and, up until recently, very little dispersion. And I think that's favored the multi-sector manager over the pure asset class. I think if we go back to a world where it's like one asset class that really blows out, maybe you'll see more focus on that single asset class. But I think in this environment, they're looking to the manager, really, to add that piece in a very tightly controlled world of spreads, to add a little bit of alpha on top through this asset allocation. And they want us to do it. And that makes sense to me.

LEE: The only thing I'd add, and there's nothing wrong with either model. One model is to have some other allocator choose. I'll give you a hypothetical example. A specialist high yield manager. A specialist agency mortgage-backed securities manager. A specialist (rates) manager. And then allocate among and between them. That's one model. It's not a bad model necessarily. If you believe what we believe, that sometimes things happen fast (fast is a relative term), markets are fast moving, the world's fast moving, the war, the Iran War, the Russian invasion of Ukraine, AI/data center issues—

ROCCO: COVID-19 was three weeks, yeah.

LEE: COVID-19—

ROCCO: From the market perspective, it was three weeks.

LEE: Another model for allocation is to hire a very strong multi-sector fixed-income manager who's built those capabilities, who has a proven track record doing this over years and decades to be able to quickly understand, with breadth and depth, where the [potentially] best opportunities are, where the markets might have gotten misaligned or mispriced.

And you trust the judgment of that manager on average over time. That's another model and a good one. We think it is, quite frankly, our bread and better. What we've focused on is multi-sector fixed income investing for more than 50 years. It's how we've intentionally built our team. We think that model is also a very good one for capital allocators.

D'SOUZA: But I guess by having the eight sectors that you have to choose from and work with on the team, by definition, you're also able to offer individual sectors to clients.

ROCCO: And we do have that. And that's what's great. And also, I think it makes those teams better for having their dedicated projects and their managing projects, obviously, as leads, and making some of the same decisions we're talking about at a different level. But it certainly informs how they make investments for these multi-sector products as well.

D'SOUZA: Again, from the client perspective, we see it both in [assets under management] AUM and in flows, both institutional and the wealth channels, that both approaches do work. And so, it depends on what their preference is as a client. But they do both work, but the multi-sector approach has definitely seemed to be picking up steam here recently, and gained momentum on both sides of the house. So, as we look forward now, you've built the teams over time. We've been doing this since the early '70s, as you mentioned, as a firm. You've both been with us 25-plus years here. I'd love to hear from each of you on this one.

How does the platform evolve here at Lord Abbett to keep pace with the rate of change happening in the marketplace and client needs and demands? What do you think you need to do to keep an eye on or make changes as the market evolves, to maintain relevance?

ROCCO: Sure, I'll start. I think AI's going to be a big one and just how we incorporate that into our investment process, because I mentioned we are covering a lot of securities. And we want to do that in a very efficient way, and then we want to cover across. And I think AI is and already has been an efficiency saver for us. We can get to certain examples, but I think we have to continue to embrace that, because that'll help with the speed element that I talked about, right? I don't want an analyst spending hours of their time typing up quarterly reports that an agent can do for them, and then they can interpret it. I don't want an analyst spending a ton of time looking at covenants that a program that we created can do for them. And then across, I want to use technology tools to help us with these relative value decisions across sectors. So, I think that's going to be a big one in how we evolve.

In terms of other things that we need, I think we're pretty broad. We're building out non-U.S. capabilities. We did the EM. We have European capabilities. I don't think there's much we're missing to be quite honest. I think we have all the various asset classes covered pretty well. But there always are new things that pop up. The data center example's a good one, which is maybe an asset class unto itself. And so maybe we have to think about how we want to position for that. And we will adapt. But as I said earlier, we're very deliberate in how we build these areas. And I think we feel pretty good about the expertise we currently have in these areas.

LEE: The only thing I'd add here is that investment talent is critical. Maybe that's obvious. And until the machines or if the machines eventually take over everything (not today, certainly hopefully not this week), the quality of the investment professional really matters. It's something we focus and spend a lot of time on, both hiring, development, culture, motivation, incentive systems. It's something that Steve and I are focused on. If you want world-class results in any kind of investing, active investing in particular, you need exceptional investment professionals. That's true in every way you can think of.

Importantly, and not to repeat what Steve said, you need to race with the machines. AI, as one example, can free up time and energy for the best investment professionals to really think, plan, and help see the future as best they can. And the brute force, more rote but important work that needs to be done and needs to be checked can increasingly be done by AI, a machine, an agent. And planning for that, which as you might imagine, we are thinking about and planning for in real time, the combination of those two things is a key focus for us as we strive to deliver for our clients.

D'SOUZA: First of all, congrats to both of you on the success you've had with the entire platform. Rob, when you joined us back in '97, do you remember how large the platform was back then and sort of how it evolved to today? It's a pretty big jump.

LEE: I don't remember the exact AUM, because it was almost 29 years ago now. But I do think the entire firm's assets, and it was heavily equities, was probably $25-30 billion. We're over $260 billion now. So, if taxable fixed income was (call it) a third of that (this is kind of going from memory), call it 10 billion to 170. But the last thing I would add here is the last thing we are is complacent. The old Lee Iacocca, if I remember that one correctly, when he was at Chrysler, "You lead, follow, or get out of the way." We never rest. We can never rest in trying to improve. It's as simple as that.

ROCCO: Yeah, and I also would say we want our teams to be encouraged to take risks, and to be risk takers. Even if you're not a lead manager, you're making recommendations for these portfolios, and we want to create that culture. We think we have created that culture to promote that risk taking. And I think that's important. And our teams hear that every day, and it's okay to be wrong. You don't want to be wrong too many times, but you can be wrong a lot in this business. But you have to correct your mistakes. That gets into that EQ piece and the flexibility that we encourage from our investors.

But it's important that Rob and I and the rest of our leaders maintain that culture, because, as I said, we can get the top-down calls right, but as you can probably see from this conversation, if we say we want to buy energy and we can't pick energy securities, it doesn't matter. And they've got to pick the right securities. And we really depend on our teams for that, and we want them to be encouraged to take that risk for us, and they have been and will hopefully continue to be.

D'SOUZA: It's a lot of trust and expertise that you just can't get overnight, so, again, congrats on all the success you guys have had with the team and with our clients. It's been great talking to you guys today. Thank you for the time.

ROCCO: Thank you.

D'SOUZA: Appreciate it.

LEE: Thanks. Great to be here.

D'SOUZA: Great having you guys.

D'SOUZA: And thank you for listening to *The Investment Conversation*. Find more episodes wherever you get your podcasts or at LordAbbett.com, and follow us on LinkedIn, Instagram, and YouTube for more perspectives from across the firm.

GLOSSARY OF TERMS USED IN THIS BROADCAST

Agentic AI is a form of artificial intelligence that can perform tasks and make decisions with limited human direction.

Aggregate bond (AGG) refers to a diversified fixed-income strategy that invests across the major sectors of the investment-grade bond market, typically using the Bloomberg U.S. Aggregate Bond Index as a benchmark. It is often used as a core bond allocation in a portfolio.

Alpha is the return an investment earns above or below its benchmark, often used as a measure of the value added by active management.

Asset allocation refers to the process of dividing investments across different asset classes or sectors to help balance risk and return.

Asset-backed securities (ABS) are bonds backed by pools of financial assets, such as auto loans, credit card receivables, or other consumer loans.

Capital expenditures (CapEx) refers to the money companies spend to acquire, upgrade, or maintain long-term assets such as buildings, equipment, or technology.

Collateralized Loan Obligation (CLO) is a security backed by a diversified pool of corporate loans.

Commercial mortgage-backed securities (CMBS) are bonds backed by loans on commercial properties, such as office buildings, shopping centers, or apartment complexes.

Commercial real estate (CRE) are properties used for business purposes, including office buildings, warehouses, retail centers, and apartment communities.

Convexity is a measure of how a bond's price changes as interest rates rise or fall. It can also refer to the potential for an investment to provide upside if conditions improve, while helping to compensate investors for taking additional risk.

Corporate bonds are debt securities issued by companies to finance business activities. Corporate bond investors receive periodic interest payments and are repaid the bond's principal at maturity, assuming the issuer does not default.

Correlation is a measure of how closely two investments or markets move in relation to one another.

Covariance is a statistical measure used to assess how two investments move together over time.

Data center securitization refers to a financing structure that raises capital by issuing securities backed by the cash flows generated by data center assets.

Dispersion refers to market environment in which performance varies significantly across sectors, industries, issuers, or individual securities.

Duration is a measure of a bond's sensitivity to changes in interest rates. In general, bonds with longer durations tend to experience larger price changes when interest rates rise or fall than bonds with shorter durations.

Emerging markets refers to developing economies that may offer higher growth potential but generally involve greater investment risk.

Equities are securities that represent ownership in a company. Equity investors participate in a company's potential growth and earnings through stock price appreciation and, in some cases, dividend income.

Evergreen refers to an investment approach, theme, or strategy that remains relevant and useful across different market environments and over long periods of time.

Fixed income is an asset class composed of debt securities, such as bonds, that are designed to provide income through interest payments and the repayment of principal, typically at a specified future date.

Global rates refers to a fixed-income strategy focused on government bonds and interest-rate markets across countries and regions. Portfolio managers seek to capitalize on differences in interest rates, inflation trends, economic conditions, and central bank policies globally

Goldilocks economy refers to an economic environment characterized by steady growth, moderate inflation, and stable interest rates.

Graphic Processing Unit (GPU) is a specialized computer chip designed to process large amounts of data simultaneously, commonly used for artificial intelligence applications.

Henry Hub is the primary U.S. benchmark for natural gas prices, based on a major natural gas distribution hub in Louisiana.

High yield bonds are corporate debt securities rated below investment grade (below BBB-/Baa3 by major rating agencies). These securities offer higher yields to compensate investors for elevated credit risk, including a greater likelihood of default.

Hyperscalers are large cloud service providers that operate massive, highly scalable data center infrastructure to deliver computing, storage, and networking services at global scale.

Intelligence quotient (IQ) refers to a score obtained from standardized tests that assess cognitive abilities such as reasoning, problem-solving, and learning, relative to the broader population.

Investment-grade bonds are debt securities rated BBB-/Baa3 or higher by major credit rating agencies, indicating a relatively low risk of default and strong capacity to meet financial obligations.

Issuance refers to the offering and sale of new fixed-income securities, such as government, municipal, or corporate bonds, by issuers seeking to raise funds.

Large language model (LLM) is a type of artificial intelligence trained on large amounts of data to understand and generate human language.

Macro refers to broad economic and market conditions, such as inflation, interest rates, economic growth, and monetary policy.

Midstream refers to companies involved in transporting, storing, and processing oil and natural gas after production and before refining or distribution.

Model-based risk metrics refers to risk measures generated using quantitative models that estimate potential risks based on statistical, mathematical, or financial assumptions. These models may be developed by a third-party vendor or internally and are designed to analyze how investments may perform under different market conditions.

Mortgage-backed securities (MBS) are fixed-income securities backed by a pool of residential or commercial mortgage loans. Investors receive income from the principal and interest payments made on the underlying mortgages.

Non-agency mortgage-backed securities are backed by pools of mortgages that are not guaranteed by government agencies or government-sponsored enterprises. Investors are exposed to the credit risk of the underlying borrowers.

Portfolio refers to a collection of investments, such as bonds, stocks, cash, and other securities, managed together to pursue specific investment objective.

Project finance refers to financing used to fund large infrastructure or development projects, with repayment typically supported by the project's expected cash flows.

Proprietary risk metrics refers to risk measurements developed internally by an investment manager using its own research, data, and analytical methods.

Real Estate Investment Trust (REIT) is a company that owns, operates, or finances income-producing real estate and typically distributes a significant portion of its earnings to shareholders.

Relative value refers to comparing investments to identify those that appear more attractively priced than similar securities.

Risk-adjusted return is an investment's return measured in relation to the amount of risk taken to achieve it.

Securities are tradable financial instruments, such as stocks and bonds, that represent ownership in an asset, a company, or a debt obligation.

Securitized products are fixed income investments backed by pools of financial assets, such as mortgages, auto loans, or corporate loans.

Semiconductor is a material whose electrical conductivity is intermediate between that of a conductor and an insulator, and whose conductivity can be controlled by external factors such as doping, temperature, or light. Semiconductors are the foundation of modern electronic devices.

Spread refers to the difference in yield between two bonds, typically between a credit security and a comparable maturity U.S. Treasury, representing the additional compensation investors require for taking on credit risk.

Stagflation refers to an economic environment characterized by slow economic growth, high inflation, and rising unemployment.

Tensor Processing Unit (TPU) is a specialized computer chip designed to accelerate artificial intelligence and machine learning workloads.

Top-down refers to an analysis that focuses on economic and market trends, such as inflation, interest rates, geopolitical events, and other macroeconomic factors, in order to evaluate the investment environment and related impacts on sectors and industries.

U.S. Treasurys: Debt securities issued by the U.S. government that are generally considered among the safest fixed income investments.

Vendor-based risk metrics refers to risk measures produced by third-party providers using commercially available risk models and analytics. These standardized tools help investors assess factors such as volatility, credit risk, and portfolio exposures across securities.

Yield is the income returned on an investment, such as the interest earned from holding a bond or other security. It is typically expressed as an annual percentage rate based on the investment's cost, current market value, or face value.

Indexes are unmanaged, do not reflect the deduction of fees or expenses, and are not available for direct investment.