INSIGHTS • OCTOBER 2026

How Completion Portfolios Can Help Enhance Separately Managed Accounts

These specialized mutual funds can help SMA portfolios achieve diversification and gain access to a greater range of investable securities.



Stephen Hillebrecht, CFA®
Managing Director,
Portfolio Specialist



Collin Crotty
Managing Director,
Product Manager



Brendan Canning
Product Manager

KEY TAKEAWAYS

- Completion portfolios can help expand the opportunity set within an SMA. These no-management-fee mutual funds are designed exclusively for use within SMA strategies, providing access to certain securities and market segments that may be difficult to hold efficiently in individual accounts.
- Diversification can be particularly important when moving beyond higher-quality bonds. Lower-rated municipal and corporate bonds may offer higher income and total return potential, but prudent exposure often requires more holdings than a traditional SMA can accommodate efficiently.
- SMA strategies that include completion portfolios can combine the potential advantages of individual security ownership with broader market access. Investors can retain the transparency, customization, and tax-management aspects of an SMA while gaining diversified exposure to additional credit sectors and less-liquid opportunities.
- SMA portfolios that incorporate completion portfolios are managed as one integrated strategy. Portfolio managers can coordinate credit quality, yield-curve, and sector exposures across both components to pursue the overall portfolio's investment objectives.
- The approach can extend beyond municipal bonds. In taxable fixed income, completion portfolios can help provide diversified exposure to areas such as high yield, securitized credit, and certain Rule 144A securities that may otherwise be difficult or unavailable for individual SMA accounts.

Although Separately Managed Accounts (SMAs) have seen tremendous growth in recent years—and gained greater attention from investors—they have been around since the 1970s. These vehicles were originally developed to bring institutional-quality investment management to the individual investor. Previously, retail investors could gain access to broad diversification and professional management via mutual funds, but separately managed portfolios of individual securities were only available to investors that could meet institutional minimums.

Through an SMA, individual investors can access institutional-style professional management with much lower minimums (typically $100,000, for example, in the case of equity portfolios). Compared to investing through a mutual fund, some of the potential benefits of an SMA that come from individual security ownership include:

- Increased transparency of portfolio holdings.
- Flexibility to customize portfolios.
- Ability to implement security and industry restrictions.
- Greater control over tax planning.

Given these attributes, it may be surprising to some to see the growing trend of certain SMA portfolios including mutual funds as a key element of their strategy. These funds, also known as completion portfolios, are designed to serve specific functions within an SMA.

Here, we offer more details about completion portfolios, how they work, and their potential benefits to SMA investors.

What are completion portfolios?

Completion portfolios are no-management-fee mutual funds that are designed and managed exclusively to be a component of an SMA portfolio. They are registered with the SEC under the Investment Company Act of 1940 like any other mutual fund but are only available to the manager of the SMA portfolio. Completion portfolios are not available to be purchased or sold by any other investor. These funds could provide portfolio diversification and access to certain securities that are not typically included in SMA strategies, at no additional cost to the investor.

Why would an SMA strategy benefit from a completion portfolio?

While pooled investment vehicles like mutual funds can hold hundreds, if not thousands of securities, an individual SMA tends to have a much smaller number of positions. For example, a high-quality municipal bond strategy (investing in bonds rated ‘AAA’ through ‘A’) is designed to achieve sufficient diversification with a portfolio of as little as 10 to 15 holdings.

However, history shows there are tremendous opportunities in bonds rated ‘BBB’ and below, which not only offer higher tax-free income, but have delivered much higher total returns over the long term.[1] In order to achieve prudent diversification when investing in lower-rated credits, the portfolio would need a much larger number of holdings than are typically found in an SMA strategy.

Even among higher-rated securities, SMA portfolios tend to focus on larger, more liquid issues, as they may be required to sell odd-lot positions to meet redemption requests. Completion portfolios allow investors to access attractive opportunities with enhanced yield and total return potential that might not have the liquidity profile to be included in an SMA portfolio.

Why would an SMA strategy benefit from a completion portfolio?

While pooled investment vehicles like mutual funds can hold hundreds, if not thousands of securities, an individual SMA tends to have a much smaller number of positions. For example, a high-quality municipal bond strategy (investing in bonds rated ‘AAA’ through ‘A’) is designed to achieve sufficient diversification with a portfolio of as little as 10 to 15 holdings.

However, history shows there are tremendous opportunities in bonds rated ‘BBB’ and below, which not only offer higher tax-free income, but have delivered much higher total returns over the long term.[1] In order to achieve prudent diversification when investing in lower-rated credits, the portfolio would need a much larger number of holdings than are typically found in an SMA strategy.

Even among higher-rated securities, SMA portfolios tend to focus on larger, more liquid issues, as they may be required to sell odd-lot positions to meet redemption requests. Completion portfolios allow investors to access attractive opportunities with enhanced yield and total return potential that might not have the liquidity profile to be included in an SMA portfolio.

How are these strategies managed?

SMA portfolios that include completion portfolios are managed in a holistic manner, targeting overall portfolio exposures for yield curve, credit quality, and sector positioning. For example, the Lord Abbett Enhanced Intermediate Municipal Bond SMA strategy includes a portfolio of investment-grade individual municipal bonds (rated A- or higher) along with a completion portfolio consisting of a diversified selection of more credit-sensitive municipals. This approach can help enable a professional manager to deliver to SMA investors an investment solution more typically found in a mutual fund.

Clients could benefit from the transparency, tax efficiency, and customization options from the individual bond holdings, as well as the higher income, potential total return, and diversification benefits of the completion portfolio.

Are completion portfolios only beneficial to municipal strategies?

Completion portfolios could be valuable additions to many SMA investment strategies. Within taxable fixed income, for example, individual positions in SMA portfolios are largely limited to U.S. Treasuries, U.S. government-related securities, and certain segments of the investment-grade corporate and asset-backed securities (ABS) markets. The addition of high yield exposure could enhance yield and total return in these investment-grade portfolios, but as noted earlier, proper diversification in the high yield corporate bond market would require a large number of holdings. Meanwhile, certain segments of the high yield market may have minimum trade sizes or might not have the proper liquidity profile to trade odd-lot sizes in SMA accounts.

In addition, a large and growing part of the taxable bond market (corporate bonds, securitized sectors, and convertible securities) is now issued under the U.S. Securities & Exchange Commission's Rule 144A, meaning that such securities are only available to qualified institutional investors. While securities covered under this rule are commonly found in mutual funds, they are not registered for sale to individual investors. Completion portfolios could allow access to this broader opportunity set; the enhanced diversification and yield of these sectors can help deliver core-plus or multi-sector bond strategies within an SMA portfolio.

Potential Benefits Of An SMA Strategy With A Completion Portfolio

Individual Bond Holdings	Completion Portfolio
▪ Transparency into holdings	▪ Access to broader opportunity set
▪ Ability to customize portfolios	▪ Portfolio diversification
▪ Flexibility to restrict securities and industries	▪ Higher income and total return potential
▪ Greater control over tax planning	▪ Zero additional expense

[1]Based on the performance of ratings-specific segments (i.e., for ratings 'BBB' and below) of the Bloomberg Municipal Bond Index in the 10 years ended July 31, 2026. **Past performance is not indicative of future results.**

Glossary & Index Definitions

Asset-Backed Securities (ABS) are fixed-income securities backed by pools of financial assets, such as loans, leases, or receivables.

High yield bonds are bonds rated below investment grade by major credit-rating agencies. They generally offer higher yields to compensate investors for greater credit risk.

Investment-grade bonds are bonds rated in one of the four highest credit-rating categories by major credit-rating agencies, generally indicating relatively strong credit quality.

Liquidity refers to the ability to buy or sell a security without significantly affecting its market price.

Odd lot refers to a bond transaction involving a smaller amount than the market's typical institutional trading size.

Rule 144A securities are securities offered under Rule 144A of the Securities Act of 1933 that may be traded among qualified institutional buyers rather than being registered for sale to the general public.

Securitized credit refers to fixed-income securities backed by pools of underlying financial assets or cash flows.

Tax efficiency refers to managing investments in a manner intended to reduce the impact of taxes on investment returns.

Total return reflects both income generated by an investment and changes in its market value over a specified period.

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. Yield-to-maturity (YTM) represents the expected return (expressed as an annualized rate) from the bond's future cash flows, including coupon payments over the life of the bond and the bond's principal value received at maturity. Yield-to-worst refers to the lesser of a bond's (a) yield-to-maturity or (b) the lowest yield-to-call calculated on each scheduled call date.

Yield curve is a line that plots the interest rates, at a set point in time, of bonds having equal credit quality, but differing maturity dates. One such comparison involves the two-year and 10-year U.S. Treasury debt. This yield curve is used as a benchmark for other debt in the market, such as mortgage rates or bank lending rates. The curve is also used to predict changes in economic output and growth.

The Bloomberg Municipal Bond Index is a rules-based, market-value-weighted index engineered for the long-term, tax-exempt bond market. Bonds must be rated investment-grade (Baa3/BBB- or higher) by at least two ratings agencies. They must have an outstanding par value of at least $7 million and be issued as part of a transaction of at least $75 million. The bonds must be fixed rate, have a dated-date after December 31, 1990, and must be at least one year from their maturity date.

Bloomberg Index Information

Source: Bloomberg Index Services Limited. BLOOMBERG® is a trademark and service mark of Bloomberg Finance L.P. and its affiliates (collectively "Bloomberg"). Bloomberg owns all proprietary rights in the Bloomberg Indices. Bloomberg does not approve or endorse this material or guarantee the accuracy or completeness of any information herein, or make any warranty, express or implied, as to the results to be obtained therefrom and, to the maximum extent allowed by law, shall not have any liability or responsibility for injury or damages arising in connection therewith.

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

Important Information

Separately managed accounts may not be appropriate for all investors. This information should not be relied upon as investment advice or a recommendation for any particular investment product or strategy and is provided for informational purposes only.

Lord Abbett Separately Managed Accounts - Lord, Abbett & Co. LLC. is the investment advisor for the separately managed accounts (SMA).

The information contained herein is provided by Lord, Abbett & Co. LLC ("Lord Abbett"). Lord Abbett is a registered investment adviser under the U.S. Investment Advisers Act of 1940 (the "Advisers Act"), as amended, and is subject to the Advisers Act rules and regulations adopted by the U.S. Securities and Exchange Commission ("SEC"). Registration with the SEC does not imply a particular ability or training. Lord Abbett is a global asset manager with headquarters in Jersey City, New Jersey.

Certain information provided in the material has been obtained from third-party sources and such information has not been independently verified by Lord Abbett. No representation, warranty, or undertaking, expressed or implied, is given to the accuracy or completeness of such information by Lord Abbett or any other person. While such sources are believed to be reliable, Lord Abbett does not assume any responsibility for the accuracy or completeness of such information. Lord Abbett does not undertake any obligation to update the information contained herein as of any future date.

Certain information contained in the material constitutes "forward-looking statements," which can be identified by the use of forward-looking terminology such as "may," "will," "should," "expect," "anticipate," "project," "estimate," "intend," "continue," or "believe," or the negatives thereof or other variations thereon or comparable terminology. Due to various risks and uncertainties, actual events, results or actual performance may differ materially from those reflected or contemplated in such forward-looking statements. Nothing contained in the material may be relied upon as a guarantee, promise, assurance or a representation as to the future.

Note about Risk: As interest rates rise, the prices of debt securities tend to fall; as rates fall, prices tend to rise. The value of a portfolio will change as interest rates fluctuate. Municipal securities may include insured municipal securities that are covered by insurance policies that guarantee the timely payment of principal and interest. Insurance does not pertain to yield or market values, which will fluctuate over the life of bonds. Income from municipal bonds may be subject to the alternative minimum tax. Federal, state, and local taxes may apply. Although these are the main risks of investing in bonds, there may be other risks associated with investing in bonds, such as credit, inflation, call, high-yield, and market risks. An investor should consult with his or her investment professional before making an investment decision.

Market forecasts and projections are based on current market conditions and are subject to change without notice. Projections should not be considered a guarantee.

Past performance is not a reliable indicator or guarantee of future results. All investments involve risk, including the loss of capital.

The views and opinions expressed are those of the Lord Abbett author as of the date of the material, and do not necessarily represent the views of the firm as a whole. Any such views are subject to change at any time based upon market or other conditions and Lord Abbett disclaims any responsibility to update such views. References to specific asset classes and financial markets are for illustrative purposes only. This material is not intended to be relied upon as a forecast, research or investment advice. Neither Lord Abbett nor the Lord Abbett author can be responsible for any direct or incidental loss incurred by applying any of the information offered.

The credit quality of fixed-income securities in a portfolio is assigned by a nationally recognized statistical rating organization (NRSRO), such as Standard & Poor's, Moody's, or Fitch, as an indication of an issuer's creditworthiness. Ratings range from 'AAA' (highest) to 'D' (lowest). Bonds rated 'BBB' or above are considered investment grade. Credit ratings 'BB' and below are lower-rated securities (junk bonds). High-yielding, non-investment-grade bonds (junk bonds) involve higher risks than investment-grade bonds. Adverse conditions may affect the issuer's ability to pay interest and principal on these securities.

The information in this material does not constitute a distribution, an offer, an invitation, a personal or general recommendation or solicitation in any jurisdiction. This material has not been reviewed or approved by any regulatory authority in any jurisdiction.

None of the information provided should be regarded as a suggestion to engage in or refrain from any investment-related course of action as neither Lord Abbett nor its affiliates are undertaking to provide impartial investment advice, act as an impartial adviser, or give advice in a fiduciary capacity.

Mentions of specific companies are for reference purposes only and are not meant to describe the investment merits of, or potential or actual portfolio changes related to, securities of those companies.

Unless otherwise noted, all discussions are based on U.S. markets and U.S. monetary and fiscal policies.

This material may not be reproduced in whole or in part or any form without the permission of Lord Abbett.

Important Information for U.S. Investors

Lord Abbett mutual funds are distributed by Lord Abbett Distributor LLC.

FOR MORE INFORMATION ON ANY LORD ABBETT FUNDS, CONTACT YOUR INVESTMENT PROFESSIONAL OR LORD ABBETT DISTRIBUTOR LLC AT 888-522-2388, OR VISIT US AT LORDABBETT.COM FOR A PROSPECTUS, WHICH CONTAINS IMPORTANT INFORMATION ABOUT A FUND'S INVESTMENT GOALS, SALES CHARGES, EXPENSES AND RISKS THAT AN INVESTOR SHOULD CONSIDER AND READ CAREFULLY BEFORE INVESTING.

The information provided is not directed at any investor or category of investors and is provided solely as general information about Lord Abbett's products and services and to otherwise provide general investment education. None of the information provided should be regarded as a suggestion to engage in or refrain from any investment-related course of action as neither Lord Abbett nor its affiliates are undertaking to provide impartial investment advice, act as an impartial adviser, or give advice in a fiduciary capacity. If you are an individual retirement investor, contact your financial advisor or other fiduciary about whether any given investment idea, strategy, product or service may be appropriate for your circumstances.

Copyright © 2026 by Lord, Abbett & Co. LLC. All rights reserved.

Lord, Abbett & Co. LLC | 30 Hudson Street, Jersey City, NJ 07302-4804 | T 1.888.522.2388 | LordAbbett.com
Copyright © 2026 by Lord, Abbett & Co. LLC/Lord Abbett Distributor LLC. All rights reserved.

IP-COMPPORTFOLIOS
10-26