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A Closer Look at High Yield Municipal Bonds

In this episode, Lord Abbett Portfolio Managers Daniel Solender and Gregory Shuman explore the evolving high-yield municipal bond market, the appeal of elevated tax-exempt yields, and how credit research, portfolio construction, and liquidity management can help investors capitalize on opportunities across the asset class.



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KEY TAKEAWAYS

- The high-yield municipal market has evolved into a larger, more diverse opportunity set. Once dominated by smaller issuers, the market now spans sectors including health care, senior living, charter schools, housing, and industrial development. Many of these sectors are driven by factors distinct from broader economic and corporate credit cycles.
- Credit research is especially important in a market where roughly 70% of index constituents are unrated. The absence of a credit rating does not necessarily indicate poor credit quality. Understanding individual issuers, their financial strength, and the underlying risks can help when seeking opportunities that broad market measures may overlook.
- Portfolio construction and liquidity can be just as important as security selection. Investors can access high-yield municipal bonds through strategies with different allocations, duration profiles, and liquidity structures. Matching those characteristics to investment objectives can help provide greater flexibility and access to opportunities across the market.
- Elevated yields and market volatility are creating opportunities for active investors. With high yield municipal yields near long-term highs, periods of market stress can offer attractive entry points. Deep credit research, trading relationships, and the ability to invest selectively in less-liquid securities can help investors seeking value beyond what broad index spreads suggest.

Brendan Canning: Hi, everybody. Welcome back to The Investment Conversation and thanks for joining us. I'm Brendan Canning, product manager for Lord Abbett's municipal bond capabilities. And today's conversation is going to be geared all around the high-yield municipal bond market.

With tax-equivalent yields around 9%[1], it's become a pretty popular investment choice for investors seeking yield. But the high-yield [municipal bond] muni market is unique, given the size, the complexion, and the different ways that you can access the high-yield muni market.

So, over the course of the discussion, we're going to cover an overview of the high-yield municipals and why investors should consider an allocation here. We'll talk about portfolio construction, liquidity considerations, and then we'll finally close with four distinct ways you can access the high-yield municipal market. I'm joined by Dan Solender, Partner, Director of our tax-free fixed income, and Greg Shuman, Partner, Portfolio Manager, and Head of Strategy for investments. Gentlemen, thanks for being here.

Daniel Solender: Thank you.

Gregory Shuman: Thanks for having us.

Canning: Excited for this discussion. Dan, I think maybe we'll start with you. And you can just share an overview of the high-yield muni market, but maybe more importantly the history of the high yield muni market.

Solender: Sure, thanks. And thanks, everyone, for giving us a chance to talk with you today. A lot of people, when they hear about the high-yield muni market, they might think it's really just the same thing as the high-yield corporate market. But in reality, it's a different market and it's got a different history. If you kind of go back a few years, the high-yield corporate market really started in the 1970s, really picked up in the 1980s with [leveraged buyouts] LBOs, and really was taking off in a big way. The high-yield muni market was slowly building. But even if you go into the 1990s, I started managing portfolios in 1992, and we really didn't have standalone high-yield muni funds. We had a high-yield muni market, but it was much smaller issuers and just a part of funds. It wasn't until the late 1990s that there were standalone funds and there started being enough bond issuance to really have a standalone capability.

And then over time, the market has really grown. We've seen, as more and more funds came out, more and more capital came to the market, and bigger deals could come to the market. At the same time, the issuance was changing too. Pre- [global financial crisis of 2008-2009] credit crisis you had a lot of smaller issuers. If you looked at the makeup of the market at that point it was a lot of smaller issuers. But then over time you also had some interesting situations with big parts of the market getting downgraded into the high-yield market, so you had tobacco bonds, which was a big part of the market. They were [BBB-rated] triple B, investment-grade bonds around the turn of the century. And then they all got downgraded and they became 20% of the high-yield market value when they got downgraded. Puerto Rico was an investment-grade credit. People might not remember that, but it wasn't that long ago that it was investment grade. And then it got downgraded before and it became 20%-plus within the high yield index before it defaulted and dropped out of the index for the most part.

So, we've had this evolution over time of issuers coming in and out of the index, and more and more capital coming in. And now, over the last decade or so, we've had a lot of money flowing into high yield muni funds. At times it's been almost half of the money flowing into municipal bond mutual funds has gone high yield. And the issuance has really grown, and we have this market now of issuers where you have a diverse set of issuers.

And it's very different from the corporate market. Now you have enough history to say high yield muni bonds have much lower default rates than high yield corporate bonds. High yield municipal bonds have much higher recovery rates than corporate bonds.[2] And you also have these sectors now which are fascinating, because we're all focused on the economy right now, and oil prices, and inflation, and what's going on in the Middle East. And a lot of this is not directly impacting the municipal bond high yield sectors. And to give you some examples, you look at, for example, senior living. We have a demographic shift in our country. The youngest Baby Boomers are now around 62, 63. That's really evolving into a market of people who really need to find housing and support as they get older.

Charter schools have become a big part of the education system, a big part of the high yield muni market too, and it's not going to change the moment there's inflation or oil issues. And the list goes on and on. We just have a lot of sectors. So, when you're looking at our market, we've got a diverse set of sectors. A lot of people, once again, think of municipal bonds as general obligation bonds, and that's only about 30% of the investment-grade market, under [approximately] 5% of the high yield market. So, it's really revenue bonds, diverse set of sectors, a lot of capital coming in now, a lot of larger issuance, more liquidity, and it's a very different market than we had in the 1990s when I started when you had a bunch of small issuers and you just had an allocation for most funds. Now it's really evolved into a very attractive set of opportunities with a nice history you can track now to see that it performs really well.

Canning: Thanks, Dan. I'll jump in on one of the things that you said around credit quality with high yield munis historically defaulting less than high yield corporates. Maybe comment on any one credit quality. And when you actually look under the hood of the Bloomberg High Yield Muni Index, about 70% of that is not rated [data source: Bloomberg High Yield Municipal Bond Index and Bloomberg U.S. High Yield Index as of August 31, 2026]. Can you comment on that as well?

Solender: Sure. That's another thing that's very interesting about the municipal bond market, is if you look at the corporate market, bonds are rated. And it's a very different situation where, as you said, 70% of the municipal bond market. And you have kind of two reasons why you don't have a lot of ratings. One is you have a lot of large issuers, like World Trade Center in New York is an example of a very high-performing, large municipal bond issuer. They don't need to pay for a rating. Everyone knows the credit. It has markets made every day, very liquid markets. Buckeye Tobacco, another issuer that's got a large presence.

Everyone knows what the credit quality is. You don't really need to pay for a rating, so a lot of them are issuers who just don't need to pay that amount. The non-rated works for them. And then you have a lot of issuers that are smaller and Moody's, or S&P, or Fitch don't have the capability to rate those sectors. So, if they don't have the capability, there can't be a rating. And those sectors trade pretty well too.

And then you have a large situation which is that Puerto Rico, as I mentioned before, they were in the high yield market. They defaulted. Now they've come back, most of the issuers, it is only the Power Authority that is still in default. They can't really get investment-grade ratings while the Power Authority's in default. And they're around [approximately] 15% of the index in those issuers, and they're all non-rated because there's no reason for Puerto Rico to pay for a rating [data source: Bloomberg Municipal High Yield Index as of August 31, 2026]. So, you have a market where you have a lot of issuers who don't have ratings, so you have to trust the research capability and have the depth of research to follow them. You also have now a history of credit quality. Credit quality of municipal bond market is great right now in investment-grade and high-yield. We're seeing very low default rates, under 2% the last couple of years[3], and we can go in more detail, but it doesn't look like it's going to grow much from that range going forward right now. So, a great credit quality history, not a need for ratings because the issuers can trade and get market access without the ratings. And then just some parts of the market that many issuers just don't have the capability to rate, but they're good issuers. They're very strong issuers. And if I had to estimate most non-rated bonds, not all, but the bulk of them are low [BB-rated] double B, high [B-rated] B range, if you had to put a rating on them.

Canning: Interesting. And just to put some numbers around some of the comments around the size of the issuers, the high-yield muni market is about $170 billion in size. Compare that to the high-yield corporate market that's about $1.5 trillion, yet the number of issuers in the high-yield muni market is almost double that of high-yield corporate issuers, [data source is Bloomberg as of June 30, 2026]. Dan, maybe for the audience, it might be helpful just to walk through an example of a high-yield muni bond that you've purchased in the past. What the underwriting looks like and just an example of the issuer itself.

Solender: Sure, and as I mentioned before, there are a lot of interesting sectors. So, there's health care, hospital systems, there's senior living, there's charter schools, there's industrial development. I could go on and on about how many interesting bonds there are in the sector. And it is very diverse. To give you a couple of examples, in the hospital sector one of the larger issuers we bought is Oklahoma University Medical Center. This is an issuer in Oklahoma, obviously, a large issuer. And they went through a whole bunch of management changes where they were breaking away from a parent company. They had mergers. They had to build a new tower. They had to really leverage themselves. And they're also a safety net provider in Oklahoma, which means they have to take all patients coming to them, which means they have a lot of tight margins on Medicaid and Medicare and different things like that. So they went through a tough period, especially after COVID. When we went through COVID, hospitals had to prioritize COVID patients and they had to stop having elective surgeries, which were higher margin. So, Oklahoma University Medical Center was going through all these structural changes. Margins were tight; liquidity was dropping. They really dropped down into the low-investment-grade range. And our analysts looked in-depth and liked the credit. We thought it was a very important one, and it was going to get the support it needed. And now it's come all the way back where one rating agency has them investment-grade, one below investment-grade, and it's a much better situation than it was.

I'll give you one more. My family says I talk too much about these kind of things. But in the senior living sector there's an interesting one. There are continuing care retirement communities, where there are centers that have independent living, assisted living, and then skilled nursing or memory care. So, as you move along you need more health care, you have it all in one particular place. And New York City has not historically had any of those types of facilities. And they just got one of the first ones in Riverdale in the Bronx, which is kind of affiliated with the Jewish population. And this was an interesting opportunity because there's a huge population interested in living there. Demand is strong. Once again, the demographics fit it perfectly, the aging population. And it provided really interesting yields in the market.

The risk with this type of thing is in New York there are high costs to get in. Entrance fees are high. And it takes a couple years to build this, so there is some risk over time of it filling up in an appropriate time. But that's the kind of example of something in the senior living sector. And I won't go on and on, but there's a lot of interesting things. In the industrial development sector, I'll mention one more where there's a lot of corporate issuers. We talked about it. We're not high-yield corporates, but we do have a lot of high-yield corporate issuers. So, we have waste-management companies that are below-investment-grade. Waste Pro is an example of one of those. Covanta's another one. In the steel industry, U.S. Steel's in our market. We have airlines in our market. So, we have all these different opportunities, and those are more liquid issuers with kind of corporate-type disclosure that are also in the market. All these are opportunities in a very diverse set of investments.

Canning: Thanks, Dan. Super helpful overview of the high-yield muni market. And if we were to shift gears and also get our friend Greg involved in the conversation, Greg, let's talk about portfolio construction. And I'll just share a [statistic] stat and would love your reaction. When an investor buys a high yield corporate bond fund and you look at the average allocation to high yield corporate bond funds out there, it's about 92% invested in high-yield corporates. But when that same investor buys a high yield muni fund, it's only about 53% invested in high-yield munis [data sources: Bloomberg and Morningstar as of September 30, 2026]. Why is that?

Shuman: Yeah, thanks. And if you can't tell, we're pretty passionate about the high yield muni market, as Dan was focused on. But when you think about the high yield muni

space, we've effectively created four ways for you to access the high yield muni market. We've got a separately managed account where you get [approximately] 65% individual bonds, 35% high yield and [BBB-rated] triple-B component. You've got a short-duration high-income fund. And typically, that sits at about 50-60% true below investment grade and [approximately] 40% of the portfolio's investment-grade. And then you've got our longer-term high-income fund, which is typically between 60% and 70% below investment grade. And then obviously a limited-liquidity interval fund, where we've got somewhere between 70% and 90% below investment grade in the portfolio.

And so, as you think about that tiering, really it's market opportunity. So, what are the opportunities available to us in that particular market that we're trying to effectively invest in? It's "What is the structure of the underlying fund or vehicle?" [and that] can have an impact. And then I think it's "What are the total return or relative value opportunities available to us?" So, if [BBB-rated] triple B looks really good versus the potential return in high yield, we don't have to be constrained. We can go into the [BBB-rated] triple B part of the market to invest. So really, it's those things. And then I think the last thing I would put into context is, as you alluded to, there are [approximately] 6,000 or so securities or issuers in the high yield muni market [data source: Bloomberg Municipal High Yield Index as of August 31, 2026]. That means that not every bond is going to trade every day. And so, I think Dan and I spend a lot of time focused on liquidity of the portfolio, what you're able to sell when you want to sell it, and how easy it is to get access to liquidity. And we take that into consideration and take that very seriously as we think about constructing a portfolio.

Canning: So, Greg and Dan, you guys are portfolio managers on all of the strategies that you just mentioned. The Municipal Opportunities Fund, an interval fund. Just to kind of brag on your behalf a little bit. You guys were the number one performing fund in 2025, returning over 7%.* Can you talk a little bit about that strategy and how you were able to achieve that type of return?

*** Ranking based on Morningstar data as of December 31, 2025. Across all Morningstar municipal bond categories, the Municipal Opportunities Fund Class I share ranking was 1% (1/1,531) for one-year ended December 31, 2025, and 1% (1/1,529) for since inception period to September 30, 2026 (11/08/2024-09/30/2026). Year-to-date to September 30, 2026 the Municipal Opportunities Fund rank was 9% (124/1,542).**

The criteria on which the Morningstar percentile rankings are based are total returns and do not take into account the effect of sales charges and loads.

Municipal Opportunities Fund class I shares returns without a sales charge as of September 30, 2026, for the one-year period was 0.75%; and since inception (11/08/2024) was 4.39%.

Municipal Opportunities Fund class I shares returns with a sales charge as of September 30, 2026, for the one-year period was 0.75%; and since inception (11/08/2024) was 4.39%.

Morningstar Rank is the total return percentile rank within each Morningstar Category. The highest (or most favorable) percentile rank is zero and the lowest (or least favorable) percentile rank is 100. Historical percentile ranks are based on a snapshot of a fund at the time of calculation.

Gross Expense ratio: 1.64%. Net Expense ratio: 0.72%. Adjusted Expense Ratio: 0.25% The I Share 30-day Standardized Yield as of 09/30/2026 was 6.7%. The net expense ratio takes into account contractual fee waivers/expense reimbursements that currently are scheduled to remain in place through 01/31/2027. For periods when fees and expenses were waived and/or reimbursed, the Fund benefited by not bearing such expenses. Without such fee waivers/reimbursements, performance would have been lower.

Reflects expenses for the Fund's fiscal year-end and is subject to change. Fund expenses may fluctuate with market volatility. A substantial reduction in Fund assets (since its most recently completed fiscal year), whether caused by market conditions or significant redemptions or both, will likely cause total operating expenses (as a percentage of Fund assets) to become higher than those shown.

Solender: Well, maybe we ought to give background on the strategy. And this was something that was interesting. There's been a whole trend in our industry and in our firm to look at these interval funds, to go to the parts of the market that are less liquid and find a way to invest in them in a [potentially] optimal way. And one of the things we've run into historically in our high yield muni market is that every few years there's some kind of outflow cycle and you have to sell bonds you really want to own at a time you don't really want to sell them. So, when we heard about this type of opportunity in other markets we just suddenly started saying, "This is just perfect for us. We have all these high-yield bonds we want to own." If we don't have to worry about selling them every day, we can invest in things that are less liquid and where we have time to sell them if we need to. And there are a lot of opportunities we've kind of passed on for more liquid funds because we do have to worry about liquidity. So, we kind of started going to the head of our firm and kind of knocking on his door and pushing for this pretty hard. And we ended up seeding it ourselves along with him. A few of us and him seeded the product to get it started.

And the idea really is that you look at the high yield muni market and there are a lot of great things in the high yield muni market. We mentioned Puerto Rico. Those bonds now are very liquid bonds, a good form of liquidity. And our open-end funds are quite good opportunities, but their yields are a little bit lower than some of the other parts of the market. And with this type of fund, we can have a lower allocation or no allocation to those at times when we find better opportunities. So, the idea is to be able to invest in the parts of the market that have more yield, less liquid, and just give us time to just go to the [potentially] best opportunities and give us time to sell them when we need to raise liquidity.

Canning: And I'll just ask maybe a two-part question. What type of target sizes are you looking for, and what's the

number of holdings in the strategy? And then the second part I'll ask is actually more so around the flexibility that you have in the interval fund structure. Are there any examples of ways that you've been opportunistic buyers when other daily liquid strategies have been forced to sell in the first two years since the strategy's been around?

Shuman: Yeah. So two-part question. I think, on the number of holdings or the way we think about it, the way that we think about it is effectively, it's going to be a more concentrated portfolio. We think about risk in absolute terms. Typically, we want to have a starting position somewhere around 1% with maximum exposure typically topping out around 5%. And when we think about individual line items, in the muni market it's very fragmented, as we've already talked about. So, it's not so much line items we're focused on, but it's focused on having the best 100-200 ideas [in our view] across our entire investment platform in munis. So that may mean that we need multiple securities to populate that idea. But that's really how we think about things. And so, you do end up with fewer [Committee on Uniform Securities Identification Procedures] CUSIPs. But it's not necessarily a goal of ours to say, "We want fewer CUSIPs." The goal is to have a limited number of ideas that are focused on only the best that we have on the platform and making those more concentrated concepts. In the second part of your question, do you want to remind me of the second part?

Canning: The second part was around flexibility.

Shuman: Yeah, so flexibility. Great. Think of April 2025. We went through a significant draw-down in the muni market. If you look at the high-quality part of the market, it was some of the largest days consecutively that we had in a row of cuts. So, the market was moving to the [AAA-rated] triple-A scale. It was moving anywhere from 40-50 basis points a day lower in price, higher in yield. And so, when we were going through that period, it was a wonderful opportunity in the high yield [municipal] space because mutual funds were experiencing very large outflows during that time. And our fund was continuing to get inflows through that time. So, we could be a liquidity provider. We could reposition the portfolio. We were able to buy things that were relatively attractive coming out of various sellers that needed liquidity. And that was really where we got a lot of the performance. If you look back at 2025, that's really where we got a lot of the outperformance, was coming out of that selloff period. Now, that's not to say that you're not going to have drawdowns, like the market, because we are going to experience that. But being able to really capture the upside as you come back out of these types of events is where we've really kind of driven the performance over the last 15 months.

Solender: Just one thing to add. Greg had a great description of all that. One of the things I just think is important to emphasize with all the questions about the valuations out there and pricing and everything like that, it is important to note that, just like all our other municipal bond holdings, we have almost [approximately] 4,000 different credits we own across our franchise in municipals. These are priced daily, marked-to-market, by a third party, not by us. So even though there might be some things where there are a few number of holders and it is less actively traded, it is all evaluated every day by the pricing services, and the best efforts to price it every day accurately.

Canning: Awesome. And I'll just maybe ask one last question, and it's about size. You guys manage north of $50 billion in municipal assets. About $7 billion of that is in high yield municipals in particular [data source: Lord Abbett as of August 31, 2026]. Talk about why that size matters and how that's important.

Solender: Sure. There's the buying side and the selling side. Both are important. On the buying side, Greg already mentioned some of it, but being such a large investor in the high yield space, there are two different places, the primary and secondary market. And he already kind of mentioned the primary market, where there are only a handful of buyers that really can buy a lot of these types of investments. So, there are issuers we're buying where they come to three, four, five of us maybe. And we're seeing opportunities that are limited offerings, not to the entire market, which is a big deal because those are some of the ones that are most interesting and have the most attractive yield. And that's something that's evolved. I kind of mentioned the history of the municipal bond market. Even five or ten years ago it was different. That's really something that's evolving a lot today. And so we're seeing all the new issuers, including limited offerings.

Another part of it is the secondary market, where when there's a great opportunity in the secondary market, all these sales people and the dealers, they want to get the trade. That's their job. So, we need to be one of the first calls when it happens. And because we are in that position, certainly the assets we have and the knowledge they have that we can transact quickly, we get to see the secondary offerings very quickly. And then I'll say on the liquidity side it's very important too. Greg mentioned April 2025. During that time period, one of the reasons there was so much pressure was all the outflows going on in funds over a short period of time. In 2022, all year there were outflows, [approximately] $140 billion out of municipal bond mutual funds. The dealers have a limited amount of liquidity. You kind of look back to the credit crisis, they used to own something like three or four times the inventory they own today. It's limited how much liquidity they're going to provide. So, you have to be one of the larger players to get that liquidity in the market. So, seeing everything in the market on the buyer side and then having the liquidity available on the selling side when you need it. And one other part of that, too, we haven't mentioned separately managed accounts, but that business we have is very large. That keeps us involved with over 100 different dealers throughout the year, so that we don't just have the top dealers, we have hundreds. I think the number's something like [approximately] 130 dealers each year we trade with. So, we're seeing everything, and we have all these different spots for liquidity. Very important, particularly in the high yield market.

Canning: All right, guys. Anything that we missed here? Any last comments on the high yield muni market generally, on Lord Abbett's investment capabilities? Anything you want to close with?

Solender: I'll just add one thing. When people look at relative value, they try to find a simple way to determine whether municipals or any high yield market credit spreads, whether they're rich or cheap. And in corporate markets things are very liquid. They trade more. So, you have a spread between the high yield index, investor index. That's a very good indicator. You talk to our taxable fixed income people, they can throw that out there on the tip of their tongue whenever you ask for it. Everyone tries to bring that over into the municipal bond market and say credit spreads are based on that spread between the high yield indexes. We've already talked about how there are a lot of bonds in the high yield index that are non-rated bonds. If you do spreads with those numbers, it looks very different from senior living, charter schools. So doing basic spread analysis you hear people say, "Relative value, high yield versus investment grade. It looks richer." Or whatever it is. That's too simple an analysis. Right now, you can look at the market and there's a lot of value in these sectors, but they're not the ones that are the most liquid and just the larger issuers. And there is a lot of value. So, I think it's still a really great time to invest in municipals despite some people saying credit spreads are tight, because we don't think they're tight in lots of parts of the market.

Shuman: Yeah, I would just add the best [potential] opportunities are presented from times of market stress or times when people are nervous. And there are a lot of nerves around debt and deficits, around infrastructure spending going on in the country, around rising yields. And I only see that as opportunity because yields are as high as they've been in 15 years [according to Bloomberg High Yield Municipal Bond Index data as of September 30, 2026], and you're getting an opportunity to invest in very elevated starting yields in today's market environment. And that creates opportunity for your forward returns [Source: Bloomberg High Yield Municipal Bond Index monthly observations of yield to worst and subsequent forward returns, as of September 30, 2026]. So, as I look around the landscape of what is available to investors, I think high yield municipals offer a really attractive opportunity set going forward from here.

Canning: Greg, Dan, this has been excellent. I'll do my best to just recap some of the comments, but I think your enthusiasm around the asset class is the real reason why people are going to flock towards high yield muni today. Tax equivalent yields looking very attractive within high yield municipals, historically less default risk than their corporate counterparts.3 And we talked about the many different ways investors can access high yield municipals within separately managed accounts. Professional managers like Lord Abbett tend to offer a completion fund sleeve to access high yield municipals. There's short high yield muni for investors that want access to high yield muni with a little bit less interest rate risk. Traditional high yield muni for investors that value having daily liquidity access to their investments. And then we spent a lot of time today talking about the muni opportunities interval fund. So, I just want to thank you both for your time here. And hopefully you had a good time with this conversation, just like I did.

Solender: It was great. And thanks, everyone, for listening. Appreciate it.

Shuman: Thank you.

Canning: Thank you for listening to *The Investment Conversation.* Find more episodes wherever you get your podcasts, or at www.lordabbett.com, and follow us on LinkedIn, Instagram, and YouTube for more perspectives from across the firm.

[1]Based on the tax-equivalent yield of the Bloomberg High Yield Municipal Index as of June 30, 2026. Tax-equivalent return calculation assumes the top marginal federal tax bracket of 40.8% on investment income, which includes the 37.0% income tax rate and the 3.8% in Medicare tax. This is applied to the income component of return. This tax rate does not factor in the effect of AMT (alternative minimum tax) Tax-equivalent yield will vary based on an investor's tax bracket.

[2,3] Source: Moody's, "Moody's U.S. Municipal Bond Defaults and Recoveries, 1970–2024," July 2023. Data show the average 10-year cumulative default rates of Moody's rated corporate and municipal bonds for a study covering the period 1970-2022. **Ratings are not assigned to all entities. Data are the most recent available.

GLOSSARY OF TERMS USED IN THIS BROADCAST

Basis point (bp) is one one-hundredth of a percentage point (0.01%). Basis points are commonly used to describe changes in interest rates, bond yields, and credit spreads.

Charter school bonds are municipal revenue bonds issued to finance charter school facilities and related projects. Repayment typically depends on revenues generated by the school or its financing arrangements.

Completion fund is an investment portfolio designed to complement an investor's existing holdings by filling gaps in asset allocation, diversification, or risk exposures. It is typically customized to help the combined portfolio more closely align with a target benchmark or investment objective.

Credit ratings are assessments of a bond issuer's creditworthiness, generally assigned by agencies such as Moody's, S&P Global Ratings, and Fitch Ratings.

Credit risk is the risk that a borrower or bond issuer may fail to make required interest or principal payments.

Credit spread is the difference in yield between a bond and a comparable benchmark, generally reflecting compensation for credit risk and other factors.

CUSIP (Committee on Uniform Securities Identification Procedures) is a nine-character alphanumeric identifier assigned to securities, including municipal bonds, to facilitate identification and trading.

Default rate measures the percentage of issuers or debt obligations that fail to meet required payment obligations over a specified period.

Duration measures the sensitivity of a bond's or fixed-income portfolio's price to changes in interest rates. Bonds with longer durations generally experience greater price fluctuations when rates change.

General obligation (GO) bonds are municipal bonds typically backed by the taxing authority of the issuing state or local government rather than revenues from a specific project.

Interval fund is a type of closed-end investment fund that offers to repurchase a limited percentage of its shares at predetermined intervals rather than providing daily redemption. This structure can allow investment in less-liquid or illiquid securities but limits investors' ability to access their capital.

Liquidity refers to the ease with which an investment can be bought or sold without significantly affecting its market price.

Mark-to-market is the process of valuing a security or portfolio using current market prices or estimates of fair market value.

Municipal revenue bonds are bonds issued to finance specific projects or enterprises, with repayment generally supported by revenues generated by those projects or designated revenue sources rather than broad taxing authority.

Non-rated municipal bonds are municipal securities that have not been assigned a credit rating by a major rating agency. The absence of a rating does not necessarily indicate poor credit quality, but independent credit analysis is important in assessing their risks.

Primary market is the market in which newly issued securities are sold to investors, allowing issuers to raise capital.

Recovery rate measures the percentage of principal or other amounts owed that investors recover following a bond issuer's default.

Secondary market is the market in which investors buy and sell previously issued securities.

Separately managed account (SMA) is an investment portfolio of individual securities managed by a professional investment manager on behalf of an investor, generally according to specified investment objectives and guidelines.

Spread compression refers to a narrowing of the yield difference between a bond and its benchmark. All else equal, narrowing credit spreads generally contributes to rising bond prices.

Tax-equivalent yield is the yield a taxable bond would need to offer to provide the same after-tax income as a tax-exempt municipal bond. It is calculated by dividing the tax-exempt yield by one minus the investor's marginal income tax rate. The calculation assumes that the municipal bond's income is exempt from the taxes included in that rate and that the comparable taxable bond's income is fully taxable.

Total return measures an investment's overall performance over a specified period, including income received and changes in market value.

Underwriting is the process of evaluating a bond issuer's financial condition, repayment capacity, and other credit risks to determine the attractiveness of an investment.

Yield to worst (YTW) is the lowest potential yield a bond can generate under its contractual terms, assuming the issuer does not default. It considers potential early redemption or call dates.

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

The **Bloomberg High Yield Municipal Bond Index** is market value-weighted and designed to measure the performance of U.S. dollar-denominated high-yield municipal bonds issued by U.S. states, the District of Columbia, U.S. territories and local governments or agencies. The Index includes fully tax-exempt investment grade, non-investment grade ('junk') and non-rated bonds, but does not include defaulted securities.

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Default and recovery data source: Moody's, "Moody's U.S. Municipal Bond Defaults and Recoveries, 1970–2024," July 2023. Data show the average 10-year cumulative default rates of Moody's rated corporate and municipal bonds for a study covering the period 1970-2022. Ratings are not assigned to all entities. Data are the most recent available.

Mentions of the tax-equivalent yield based on the Bloomberg High Yield Municipal Index as of June 30, 2026. Tax-equivalent return calculation assumes the top marginal federal tax bracket of 40.8% on investment income, which includes the 37.0% income tax rate and the 3.8% in Medicare tax. This is applied to the income component of return. This tax rate does not factor in the effect of AMT (alternative minimum tax) Tax-equivalent yield will vary based on an investor's tax bracket.

References to credit quality sources and data: The National Assn. of State Budget Officers (NASBO), the U.S. Census Bureau, and S&P Global Ratings Research. Data as of June 30, 2026. Data include rainy-day fund and total balances as a percentage of state general fund expenditures, fiscal 2000–fiscal 2026 (fiscal 2025 estimated; fiscal 2026 projected). Rainy-day funds, also known as budget stabilization funds, allow states to set aside surplus revenue for use during unexpected deficits. Quarterly state government tax revenue data as of 03/31/2025. Most recent data available. Source: Moody's Ratings and S&P Global Ratings, April 2026.

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.

Morningstar Rank is the total return percentile rank within each Morningstar Category. The highest (or most favorable) percentile rank is zero and the lowest (or least favorable) percentile rank is 100. Historical percentile ranks are based on a snapshot of a fund at the time of calculation.

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The Municipal Opportunities Fund is structured as an unlisted closed-end interval fund. Limited liquidity is provided to shareholders only through the Fund's quarterly offers to repurchase between 5% and 25% of its outstanding shares at net asset value, subject to applicable law and approval of the Board of Trustees. Each Fund currently expects to offer to repurchase 5% of outstanding shares per quarter. There is no secondary market for the Fund's shares and none is expected to develop. There is no guarantee that an investor will be able to tender all or any of their requested Fund shares in a periodic repurchase offer. Investors should consider shares of each Fund to be an illiquid investment.

Performance data quoted is historical. Past performance is not indicative of future results. Current performance may be higher or lower than the performance quoted. The investment return and principal value of an investment in the Fund will fluctuate so that shares, on any given day or when redeemed, may be worth more or less than their original cost. To obtain performance data current to the most recent quarter-end, go to quarter ending performance on our Website or call Lord Abbett at (888) 522-2388.

New Fund Risk: The Municipal Opportunities Fund is newly organized. There can be no assurance that the Fund will reach or maintain a sufficient asset size to effectively implement its investment strategy.

A Note about Risk: The Municipal Opportunities Fund invests substantially in high-yield securities which carry increased risks of price volatility, illiquidity, and the possibility of default in the timely payment of interest and principal. High-yield municipal bonds are subject to greater risk of loss of income and principal than higher-rated securities, and are likely to be more sensitive to adverse economic changes or individual municipal developments than those of higher-rated securities. In addition, because the Fund is nondiversified, it will be more exposed to risks from a single adverse economic, political, or regulatory event than a diversified fund. A portion of the income derived from the Fund's portfolio may be subject to the alternative minimum tax. Any capital gains realized may be subject to taxation. Federal, state, and local taxes may apply. There is a risk that a bond issued as tax-exempt may be reclassified by the IRS as taxable, creating taxable rather than tax-exempt income. The Fund may also invest in trust certificates issued in tender option bond programs, including the residual interest certificates ("inverse floaters") of such programs. The Fund's use of inverse floaters may reduce the Fund's returns and/or increase the Fund's volatility. Distributions on inverse floaters are inversely related to short-term municipal bond interest rates. Therefore, distributions paid to the Fund on its inverse floaters will fall when short-term municipal interest rates rise and will rise when short-term municipal interest rates fall. In addition, the Fund is subject to other types of risks, such as call, credit, liquidity, interest rate, and general market risks. The Fund may invest in Puerto Rico and other U.S. territories, commonwealths, and possessions, and may be affected by local, state, and regional factors. These may include, for example, economic or political developments, erosion of the tax base, and the possibility of credit problems. These factors can affect Fund performance.

Risks to Consider: High-yield securities carry increased risks of price volatility, illiquidity, and the possibility of default in the timely payment of interest and principal. High-yield municipal bonds are subject to greater risk of loss of income and principal than higher-rated securities, and are likely to be more sensitive to adverse economic changes or individual municipal developments than those of higher-rated securities. In addition, because the Fund is nondiversified, it will be more exposed to risks from a single adverse economic, political, or regulatory event than a diversified fund. A portion of the income derived from the Fund's portfolio may be subject to the alternative minimum tax. Any capital gains realized may be subject to taxation. Federal, state, and local taxes may apply. There is a risk that a bond issued as tax-exempt may be reclassified by the IRS as taxable, creating taxable rather than tax-exempt income. In addition, other types of risks exist, such as call, credit, liquidity, interest rate, and general market risks. Puerto Rico bonds and other U.S. territories, commonwealths, and possessions, may be affected by local, state, and regional factors. These may include, for example, economic or political developments, erosion of the tax base, and the possibility of credit problems. These factors can affect performance.

Lord Abbett municipal bond funds held the following securities as a percent of fund market value as of September 24, 2026:

Covanta: New Jersey Tax Free Fund held 1.08%

National Tax Free Fund held 0.16%

Oklahoma University Medicine Obligated Group:

Short Duration High Income Municipal Bond Fund held 2.40%

High Income Municipal Bond Fund held 2.52%

Intermediate Tax Free Fund held 0.86%

National Tax Free Fund held 1.06%

United States Steel Corporation:

Short Duration High Income Municipal Bond Fund held 0.82%

High Income Municipal Bond Fund held 2.48%

Intermediate Tax Free Fund held 0.42%

National Tax Free Fund held 0.58%

Waste Pro USA:

Short Duration High Income Municipal Bond Fund held 3.38%

High Income Municipal Bond Fund held 0.28%

Intermediate Tax Free Fund held 1.54%

National Tax Free Fund held 0.42%

Buckeye Tobacco:

Municipal Opportunities Fund held 2.95%

Commonwealth of Puerto Rico:

Municipal Opportunities Fund held 2.21%

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.

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