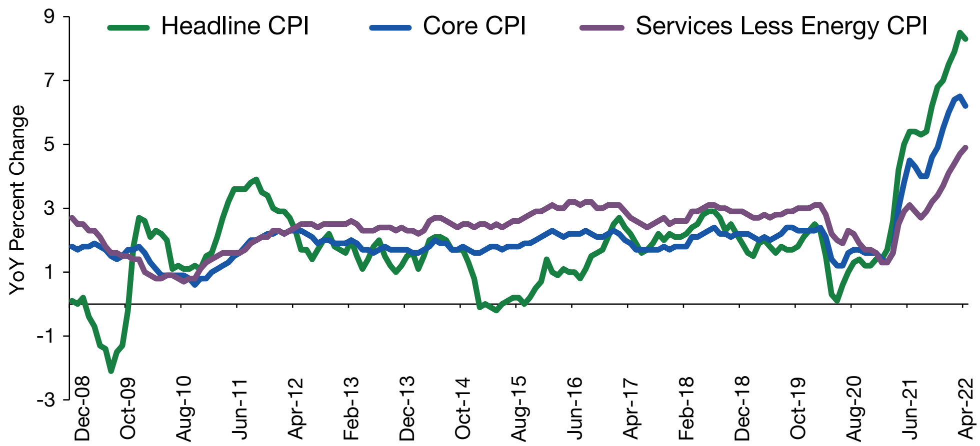
How Major Central Banks May Respond To Inflation

United States

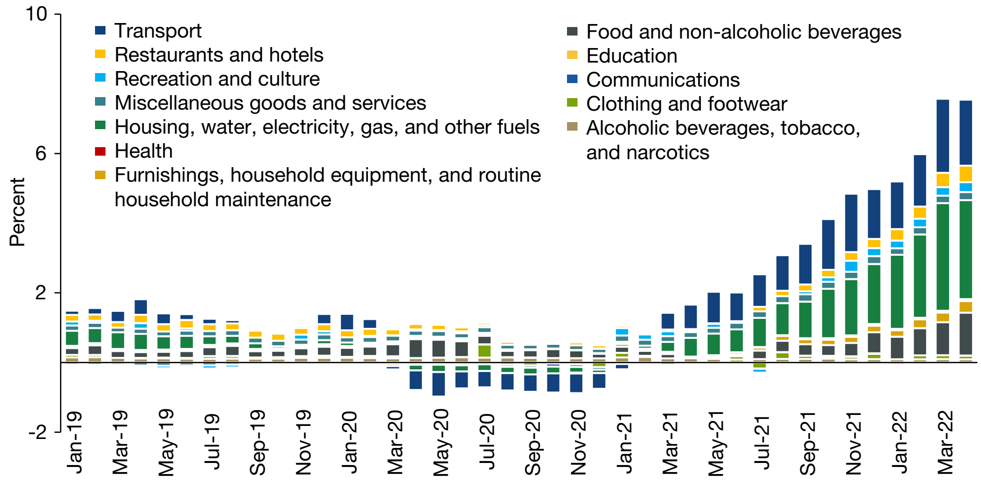
We think the persistence of uncomfortably high and broad inflation will continue. The fundamental story from recent data reflects our view that inflation will gradually come down and shift from goods to services.



Source: Bloomberg. Data as of 05/11/2022 This data is being provided for informational purposes only and does not represent any specific portfolio managed by Lord Abbett or any particular investment. YoY=year-over-year. CPI=Consumer Price Index. The Consumer Price Index (CPI) is a measure of the average change over time in the prices paid by urban consumers for a market basket of consumer goods and services. **Past performance is not a reliable indicator or guarantee of future results.**

Eurozone

The European Central Bank (ECB) may set aside some of their post-invasion of Ukraine caution. A breakdown of the components contributing to the harmonised index of consumer prices (HICP) suggests that the rising cost of energy is contributing a substantial portion of the 8.1% year-on-year inflation experienced by Europe.



Source: Bloomberg. Eurostat. Data (monthly) as of April 1, 2022. Harmonised indices of consumer prices (HICPs) are comparable measures of changes in consumer prices. They are compiled on the basis of harmonised rules and standards, in particular regarding the coverage of goods and services and the treatment of price observations. For illustrative purposes only.

Investment Implications

To counter inflation, the Fed (U.S. Federal Reserve) is raising rates. Looking back historically to previous hiking cycles may provide some insight into how asset classes have performed during prior periods of rate hikes.

How Have Asset Classes Performed During Past Periods of Fed Rate Hikes?

Total return by index during indicated periods of Federal Reserve rate hikes

	2-Year U.S. Treasuries	10-Year U.S. Treasuries	Bloomberg Aggregate	Short Corporate Bonds	Bank Loans	U.S. High Yield	Growth Stocks	Value Stocks
12/17/2015-12/20/2018	0.64	0.25	1.87	1.88	5.49	7.40	10.35	6.66
06/29/2004-06/29/2006	1.71	1.67	2.99	2.41	5.92	7.41	4.24	13.41
06/30/1999-05/16/2000	2.43	-0.09	1.40	3.23	2.14	-2.06	21.89	-2.98
02/03/1994-02/01/1995	1.13	-7.64	-2.04	1.84	9.33	-1.71	2.43	-2.13
03/28/1988-02/24/1989	3.44	1.41	3.41	5.65		8.95	11.59	16.94
Average Return	**1.87**	**-0.88**	**1.52**	**3.00**	**5.72**	**4.00**	**10.1**	**6.38**

Source: FTSE Russell, Bloomberg, ICE BofA Indices, Credit Suisse. Two-Year U.S. Treasury = ICE BofA Current 2-Year U.S. Treasury Index. 10-Year U.S. Treasury = ICE BofA Current 10-Year U.S. Treasury Index. Bloomberg Aggregate = Bloomberg U.S. Aggregate Bond Index. Short Corporate Bonds = ICE BofA 1-3 Year U.S. Corporate Bond Index. Bank Loans = Credit Suisse Leveraged Loan Index (historical data for this index is monthly; returns reflect nearest month-end). U.S. High Yield = ICE BofA High Yield Index. Growth Stocks = Russell 1000® Growth Index. Value stocks = Russell 1000® Value Index. **Past performance is not a reliable indicator or guarantee of future results.** For illustrative purposes only and does not represent any specific portfolio managed by Lord Abbett or any particular investment. Indexes are unmanaged, do not reflect the deduction of fees and expenses, and are not available for direct investment.

Potential Investment Opportunities

Investors who understand their tolerance for risk in an environment of high inflation, rising rates, and economic growth may want to consider:

- **Reducing exposure** to interest-rate-sensitive securities such as U.S. Treasury bonds
- **Maintaining or adding exposure** to
  - Securities with lower duration, such as **short-term credit and corporate bonds**
  - Credit, such as **high yield bonds or bank loans**
  - Equities, supported by attractive economic fundamentals and corporate balance sheets

Potential Investment Risks

Central bank policy is not certain, and overly aggressive tightening, due to persistently higher inflation, may potentially lead to a downturn in economic growth. This may impact equity and credit fundamentals.

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IMPORTANT INFORMATION

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

Asset allocation or diversification does not guarantee a profit or protect against loss in declining markets.

No investing strategy can overcome all market volatility or guarantee future results.

The value of investments and any income from them is not guaranteed and may fall as well as rise, and an investor may not get back the amount originally invested. Investment decisions should always be made based on an investor's specific financial needs, objectives, goals, time horizon, and risk tolerance.

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

Equity Investing Risks

The value of investments in equity securities will fluctuate in response to general economic conditions and to changes in the prospects of companies and/or sectors in the economy. While growth stocks are subject to the daily ups and downs of the stock market, their long-term potential as well as their volatility can be substantial. Value investing involves the risk that the market may not recognize that securities are undervalued, and they may not appreciate as anticipated. Smaller companies tend to be more volatile and less liquid than larger companies. Small cap companies may also have more limited product lines, markets, or financial resources and typically experience a higher risk of failure than large cap companies.

Fixed-Income Investing Risks

The value of investments in fixed-income securities will change as interest rates fluctuate and in response to market movements. Generally, when interest rates rise, the prices of debt securities fall, and when interest rates fall, prices generally rise. High yield securities, sometimes called junk bonds, carry increased risks of price volatility, illiquidity, and the possibility of default in the timely payment of interest and principal. Bonds may also be subject to other types of risk, such as call, credit, liquidity, and general market risks. Longer-term debt securities are usually more sensitive to interest-rate changes; the longer the maturity of a security, the greater the effect a change in interest rates is likely to have on its price.

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.

This material may contain assumptions that are "forward-looking statements," which are based on certain assumptions of future events. Actual events are difficult to predict and may differ from those assumed. There can be no assurance that forward-looking statements will materialize or that actual returns or results will not be materially different from those described here.

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Please consult your investment professional for additional information concerning your specific situation.

Glossary & Index Definitions

Treasuries are debt securities issued by the U.S. government and secured by its full faith and credit. Income from Treasury securities is exempt from state and local taxes.

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

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

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

Growth/Value Investing: Growth stocks may be characterized as equities of companies that have demonstrated better-than-average gains in earnings in recent years and that are expected to continue delivering high levels of profit growth. Growth equities typically carry higher price-to-earnings multiples than the broader market, high earnings growth records, and greater volatility than broader market. Value stocks may be characterized as equities of companies that have fallen out of favor with investors but still have good fundamentals, or new companies that have yet to be recognized by investors. Value stocks typically feature lower price-to-earnings multiples than the broader market, and, often industry peers; and somewhat lower volatility than the overall equity market.

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.

The Bloomberg U.S. Aggregate Bond Index represents securities that are SEC-registered, taxable, and dollar denominated. The index covers the U.S. investment-grade, fixed-rate bond market, with index components for government and corporate securities, mortgage pass-through securities, and asset-backed securities. Total return comprises price appreciation/depreciation and income as a percentage of the original investment.

Bloomberg Index Information

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The Credit Suisse Leveraged Loan Index is designed to mirror the investable universe of the U.S. dollar-denominated, leveraged loan market.

The ICE BofA 1-3 Year U.S. Corporate Index is an unmanaged index comprised of U.S. dollar-denominated, investment- grade, corporate debt securities publicly issued in the U.S. domestic market with between one and three years remaining to final maturity.

The ICE BofA Current 2-Year U.S. Treasury Index is a one-security index comprised of the most recently issued two-year U.S. Treasury note. The index is rebalanced monthly.

The ICE BofA Current 10-Year U.S. Treasury Index is a one-security index comprised of the most recently issued 10-year U.S. Treasury note. The index is rebalanced monthly.

The Russell 1000® Growth Index measures the performance of those Russell 1000 companies with higher price-to-book ratios and higher forecasted growth values.

The Russell 1000® Value Index measures the performance of those Russell 1000 companies with lower price-to-book ratios and lower forecasted growth values.

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90 Hudson Street, Jersey City, NJ 07302-3973

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