# INCOME FUND

## MARKET REVIEW

- Risk assets generally rallied during the quarter, but experienced a setback in May, as heightened U.S.-China trade tensions and global growth concerns roiled markets. Dovish U.S. Federal Reserve ("Fed") posture and optimism towards reaching a trade deal during the G20 Summit talks contributed to a rally in June. The U.S. equity market, as defined by the S&P 500 Index, experienced the strongest June performance since 1955, returning over 7%.[1]
- Rates fell sharply across the yield curve, with the front-end of the curve experiencing a larger drop than the long-end of the curve. The 2-year Treasury and 10-year Treasury yields finished the quarter at 1.75% and 2.00%, respectively.[2]
- Fixed income markets were positive across the board. The general U.S. bond market, as measured by the Bloomberg Barclays U.S. Aggregate Bond Index, was positive for the quarter (+3.08%).[3] A sharp decline in rates led to positive returns for Treasuries, while the decline in rates along with tightening credit spreads led to positive returns within the investment grade credit space. High yield corporate bonds experienced positive returns, although spreads widened slightly during the period due to weakness in the CCC segment.[4]

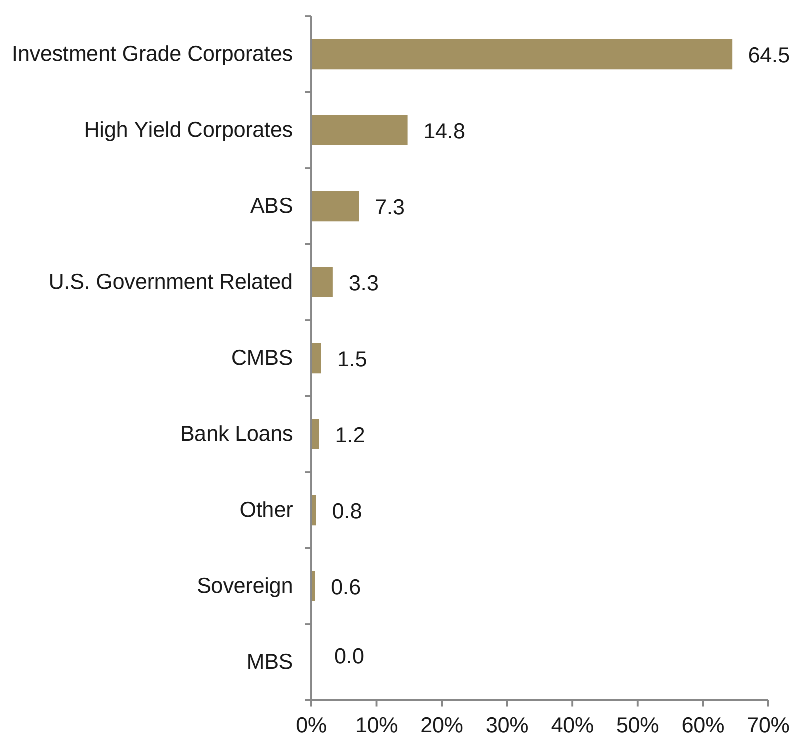
## PORTFOLIO REVIEW

- The Fund returned 3.54%, reflecting performance at the net asset value (NAV) of Class A shares with all distributions reinvested, for the quarter ended June 30, 2019. The Fund's benchmark, the Bloomberg Barclays U.S. Credit Bond Index,[5] returned 4.27% during the period.
- The Fund's allocation to non-benchmark securities, including securitized products and bank loans, was the primary detractor from relative performance. Despite some modest spread widening during May, investment grade corporate bonds exhibited exceptional returns and outperformed the majority of fixed income sectors, as the Fed acknowledged that a rate cut might be necessary and as expectations of a U.S.-China trade deal increased.
- Within investment grade corporate bonds, security selection and the Fund's overweight positioning to securities within the energy sector that were negatively impacted by the decline in oil prices detracted from relative performance.
- The Fund's overweight position to "BBB" rated corporate bonds contributed to performance, as this credit tier outperformed higher rated securities. Additionally, the selection of American auto securities within the consumer cyclicals sector and stable banks within the financials sector contributed to performance. We remain attracted to securities within the financials sector due to their strict regulations, strong balance sheets, more conservative management teams, and improved quality relative to the pre-crisis period.

## STRATEGY POSITIONING & OUTLOOK

- Following strong performance and spread tightening in April, we reduced the Fund's allocation to investment grade corporate bonds, taking gains on our overweight position within the energy and the consumer discretionary sector. After the sell-off in May, we added back to investment grade corporate bonds, as valuations became more attractive.
- We increased the Fund's positioning within the consumer staples sector, specifically adding to issuers that have recently experienced a leveraging event, such as an acquisition, and, therefore, we believe, are unlikely to increase leverage in the near future. We anticipate the consumer staples sector will hold up in a recessionary environment given its non-cyclical orientation.
- We reduced the Fund's allocation within the communication sector. A few communications issuers experienced spread compression following mergers. This allowed us to take profits and reallocate our exposure to other sectors.
- We reduced the Fund's modest allocation to asset-backed securities ("ABS") that are backed by student loans and credit card receivables. While we continue to maintain a favorable view on ABS, we were able to take profits and reallocate our ABS positioning following the volatility that occurred within risk assets during May, which resulted in tighter ABS spreads relative to corporate bonds.
- We are closely monitoring the risks to the Fund, including U.S.-China trade tensions, the weakening of consumer confidence, and the downturn of soft economic indicators. However, we believe that the Fed's accommodative actions will support modest spread tightening.

### SECTOR WEIGHTS




"Other" may include non-index holdings. Sector allocations exclude cash therefore Fund percentage allocations may not equal 100%. As of 6/30/2019.

## PERFORMANCE AS OF 6/30/2019

| | 2Q19 | YTD | 1 Year | 3 Years | 5 Years | 10 Years |
|---|---|---|---|---|---|---|
| Net Asset Value (without sales charge) | 3.54% | 8.93% | 8.42% | 4.64% | 3.56% | 6.69% |
| Maximum Offering Price (with 2.25% sales charge) | 1.36 | 6.54 | 6.11 | 3.90 | 3.08 | 6.44 |
| Bloomberg Barclays U.S. Credit Bond Index[5] | 4.27 | 9.35 | 10.34 | 3.74 | 3.92 | 5.77 |
| Lipper Corporate Debt BBB Rated Funds Average[6] | 3.95 | 9.07 | 9.43 | 3.59 | 3.48 | 5.76 |

**Expense Ratio:** 0.77%

**Performance data quoted reflect past performance and are no guarantee 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. You can obtain performance data current to the most recent month end by calling Lord Abbett at (888) 522-2388 or referring to our website at lordabbett.com.**

[1]The S&P 500 Index as of 6/30/2019. [2]U.S Department of the Treasury "Daily Treasury Yield Curve Rates" as of 6/30/2019. [3]Bloomberg Barclays U.S. Aggregate Bond Index as of 6/30/2019. [4]ICE BofAML US High Yield Constrained Index as of 6/30/2019. [5]Bloomberg Barclays. [6]Lipper Analytical Services.

**A Note about Risk:** The Fund is subject to the general risks associated with investing in debt securities, including market, credit, liquidity, and interest rate risk. The value of an investment will change as interest rates fluctuate and in response to market movements. When interest rates fall, the prices of debt securities tend to rise, and when interest rates rise, the prices of debt securities are likely to decline. Debt securities are subject to credit risk, which is the risk that the issuer will fail to make timely payments of interest and principal to the Fund. The Fund may invest in high yield, lower-rated debt securities, sometimes called junk bonds, and may involve greater risks than higher-rated debt securities. These securities carry increased risks of price volatility, illiquidity, and the possibility of default in the timely payment of interest and principal. The Fund may invest in foreign or emerging market securities, which may be adversely affected by economic, political, or regulatory factors and subject to currency volatility and greater liquidity risk. The Fund may invest in derivatives, which are subject to greater liquidity, leverage, and counterparty risk. The Fund may also invest in convertible securities and senior loans, which are subject to increased credit and liquidity risks. These factors can affect Fund performance.

The Fund's portfolio is actively managed and is subject to change.

The credit quality of the securities in a portfolio are 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.

Performance with sales charges reflects the reinvestment of all distributions and includes initial maximum sales charge. Certain purchases of Class A shares without a sales charge are subject to a contingent deferred sales charge (CDSC). The CDSC is not reflected in the performance shown. If sales charges, including any applicable CDSC had been included, performance would have been lower. Returns for less than one year are not annualized. Instances of high double-digit returns were achieved primarily during favorable market conditions and may not be sustainable over time.

The **Bloomberg Barclays U.S. Credit Bond Index** is the U.S. Credit component of the U.S. Government/Credit index. The index includes publicly issued U.S. corporate and specified foreign debentures and secured notes that meet the specified maturity, liquidity, and quality requirements. Indexes are unmanaged, do not reflect the deduction of fees or expenses, and an investor cannot invest directly in an index.

The **Lipper Corporate Debt BBB Rated Funds** category includes Funds that invest primarily in corporate and government debt issues rated in the top four grades.

*The views and information discussed in this commentary are as of June 30, 2019, are subject to change, and may not reflect the views of the firm as a whole. The views expressed in market commentaries are at a specific point in time, are opinions only, and should not be relied upon as a forecast, research, or investment advice regarding a particular investment or the markets in general. Information discussed should not be considered a recommendation to purchase or sell securities.*

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