



# DEVELOPING GROWTH FUND

## MARKET REVIEW

- The U.S. equity market, as measured by the S&P 500 Index, returned 4.30% during the second quarter of 2019.<sup>1</sup> The best performing factor within the equity market was low volatility, while momentum, high beta, and dividend factors lagged.<sup>2</sup> Furthermore, large cap stocks beat small caps, as growth continued its persistent outperformance versus value.<sup>3</sup>
- Trade negotiations dominated headlines during the quarter, as increased tensions between the U.S. and China, and later between the U.S. and Mexico, threatened to derail global markets.
- Macro fundamentals remained largely supportive as the unemployment rate stood at 3.6% in May 2019, touching lows not seen since the 1960's.<sup>4</sup> While the economic backdrop continued to look favorable, there remained a myriad of uncertainties and consumer sentiment fell slightly in June.<sup>5</sup>

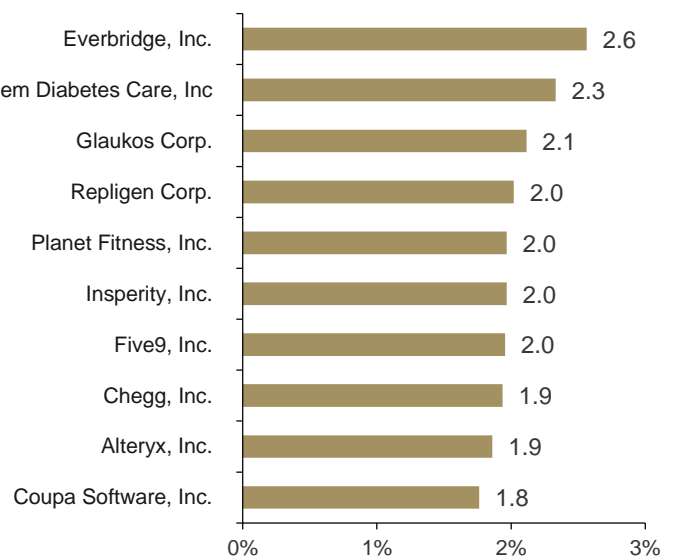
## PORTFOLIO REVIEW

- The Fund returned 9.09%, 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 Russell 2000® Growth Index, returned 2.75% in the same period.
- Security selection within the health care sector contributed to relative performance during the period. The portfolio's position in Array BioPharma, Inc. (0.8%), a researcher and developer of cancer treatments, contributed to performance during the quarter. A month after Array announced a positive phase 3 study for a combination of targeted therapies, Pfizer proposed an acquisition of the company for a significant premium, sending shares surging higher.
- The portfolio's holdings of shares of Okta, Inc. (1.6%), a provider of identity and access management solutions within the cloud, also contributed to relative performance during the month. Shares of Okta rose after it reported above consensus first quarter billings and revenue growth. Additionally, Okta added a large amount of new clients, while significantly increasing its international revenue.
- During the period, the portfolio's position in Myovant Sciences Ltd. (0.5%), a biopharmaceutical company, detracted from relative performance after the company announced results from its first Phase 3 trial evaluating Relugolix in uterine fibroids. During the trial Relugolix displayed a positive response rate, which was in-line with its major competitor, AbbVie/Neurocrine's ORILISSA, but many investors expected a higher response rate.
- The portfolio's position in shares of World Wrestling Entertainment, Inc. (1.2%), a developer and producer of televised and live sporting events, detracted from performance. Shares of World Wrestling Entertainment fell sharply during the month, a continuation of its steep underperformance versus the market year-to-date, as lower engagement from viewers and uncertainty surrounding the UK & India renewals weighed on the share price.

## STRATEGY POSITIONING & OUTLOOK

- The portfolio has an overweight in the information technology sector relative to its benchmark, the Russell 2000® Growth Index, as we anticipate continued innovation in e-commerce and cloud computing. Additionally, the portfolio maintains an overweight position in internet service and software providers within the sector.
- Within the health care sector, we remain focused on innovative biotechnology companies, as large cap firms within the industry seek growth opportunities. Moreover, the portfolio maintains exposure to innovative minimally-invasive medical device companies.
- The portfolio remains underweight in certain bond proxy sectors, such as consumer staples and real estate, as we continue to believe these sectors are extremely overvalued.
- During the second quarter, the equity market wrestled with trade war worries but continued to advance as interest rates fell. We believe that high growth companies continue to be very attractive in this environment. Furthermore, we believe that improving fundamentals and moderate inflation levels will continue to support higher equity prices for select secular growth stocks.

## TOP 10 FUND POSITIONS



Portfolio Breakdown as of 06/30/2019.

\*Source: Wilshire. Absolute weight is based on percentage of the Fund. Holdings are included for informational purposes only and are not a recommendation to buy, sell, or hold any security. Please refer to [www.lordabbett.com](http://www.lordabbett.com) for a complete list of holdings of the Fund, including the securities discussed above, to the extent they are held by the Fund.

## PERFORMANCE AS OF 06/30/2019

	2Q19	1 Year	3 Years	5 Years	10 Years
Net Asset Value (without sales charge)	9.09%	18.19%	26.14%	11.20%	17.16%
Maximum Offering Price (with 5.75% sales charge)	2.82	11.41	23.68	9.89	16.47
Russell 2000 <sup>®</sup> Growth Index	2.75	-0.49	14.69	8.63	14.41
Lipper Small-Cap Growth Funds Average	4.60	5.15	17.09	9.66	14.82

Expense Ratio: 0.93%

**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.**

<sup>1</sup> The S&P 500<sup>®</sup> Index. <sup>2</sup> S&P Dow Jones Index Dashboard: S&P 500 Factor Indices. <sup>3</sup> FTSE Russell Index Performance. <sup>4</sup> Bureau of Labors Statistics, June 31, 2019. <sup>5</sup> Survey of Consumers, University of Michigan. June 2019.

**A Note about Risk:** The value of investments in equity securities will fluctuate in response to general economic conditions and to changes in the prospects of particular companies, including market, liquidity, currency, and political risks. Small cap company stocks tend to be more volatile and may be less liquid than other types of stocks. 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. Investments in growth companies can be more sensitive to the company's earnings and more volatile than the stock market in general. The Fund engages in active and frequent trading of its securities, which may result in increased transaction fees, reduced investment performance, and higher taxes. These factors can adversely affect Fund performance.

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

The Fund is closed to new investors, with the exception of certain retirement and benefit plans and existing mutual funds advisory programs.

The portfolio weights shown in parenthesis are based on the average portfolio weight during the quarter for each security.

Performance reflects the reinvestment of all distributions. 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. If applicable, instances of high double-digit returns were achieved primarily during favorable market conditions and may not be sustainable over time.

**Russell 2000<sup>®</sup> Growth Index** measures the performance of those Russell 2000 companies with higher price-to-book ratios and higher forecasted growth values. Indexes are unmanaged, do not reflect the deduction of fees or expenses, and are not available for direct investment.

**Lipper Small-Cap Growth Funds Average** is based on a universe of funds with similar investment objectives as the Fund. Peer group averages are based on all share classes in the category, and include the reinvested dividend and capital gains, if any, and exclude sales charges.

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.

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.

**Investors should carefully consider the investment objectives, risks, charges, and expenses of the Lord Abbett Funds. This and other important information is contained in the fund's summary prospectus and/or prospectus. To obtain a prospectus or summary prospectus on any Lord Abbett mutual fund, contact your investment professional, Lord Abbett Distributor LLC at (888) 522-2388 or visit us at lordabbett.com. Read the prospectus carefully before you invest.**

**NOT FDIC INSURED-NO BANK GUARANTEE-MAY LOSE VALUE**