



# HIGH YIELD MUNICIPAL BOND FUND

## MARKET REVIEW

- The municipal market, as represented by the Bloomberg Barclays Municipal Bond Index, returned 2.7% during the second quarter of 2020.
- During the quarter, within the investment grade range, lower tiers underperformed their higher quality counterparts. The high yield segment of the municipal bond market, as represented by the Bloomberg Barclays High Yield Municipal Index, returned 4.6% during the quarter, staging an impressive rebound from the massive market sell-off in mid-March.
- In terms of maturities, during the second quarter, shorter term bonds underperformed credits further out on the yield curve. Riskier assets were able to stage an impressive rebound from their massive market sell-off in mid-March.
- The municipal market closed the second quarter of 2020 with seven straight periods of combined weekly and monthly inflows, decreasing total year-to-date outflows to \$6.2 billion.
- The latest available data from the United States Census Bureau showed 1Q20 combined tax revenues for property, sales and gross receipts, and income taxes increasing 3.6% to \$401.8 billion from \$387.7 billion in the same quarter of 2019.

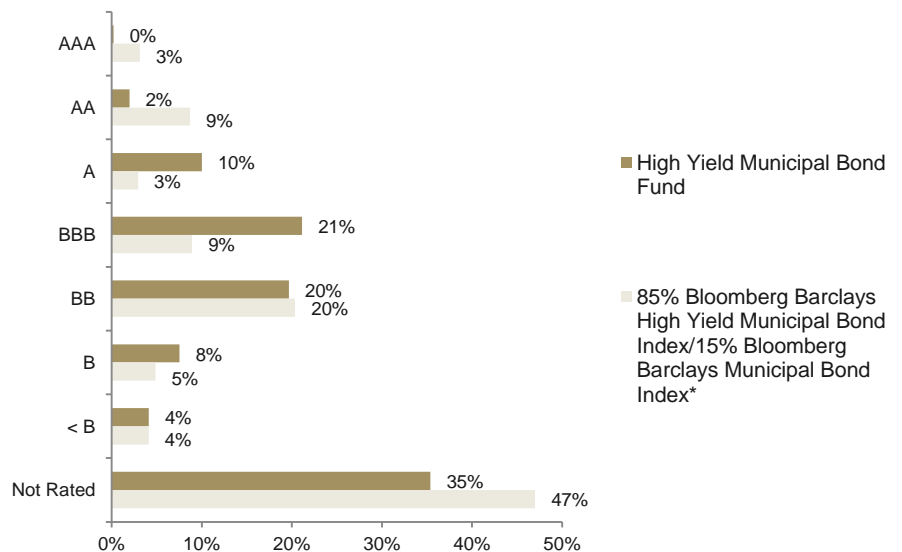
## PORTFOLIO REVIEW

- The Fund returned 4.36%, reflecting performance at the net asset value (NAV) of class A Shares with all distributions reinvested, for the quarter ended June 30, 2020. The Fund’s secondary benchmark, an 85%/15% blend of the Bloomberg Barclays High Yield Municipal Bond Index and the Municipal Bond Index, returned 4.29% during the same period.
- As yields declined across the curve, our longer duration versus the benchmark contributed to relative performance.
- An overweight to the health care sector detracted from relative performance. Lost revenues from the deferral of high-margin elective procedures, as health care systems provide lower margin basic care due to the coronavirus, resulted in headwinds.
- Security selection within the industrial development sector contributed to relative performance as certain industrial projects began to rebound with the reopening of the economy.
- An underweight allocation to Puerto Rico’s sales tax revenue (COFINA) bonds led to a negative impact on relative performance as these credits posted strong returns during the quarter.

## STRATEGY POSITIONING & OUTLOOK

- Although primarily invested in non-investment-grade bonds, the Fund has an overweight in ‘A’ and ‘BBB’ rated bonds, relative to its secondary benchmark, an 85%/15% blend of the Bloomberg Barclays U.S. High Yield Municipal Bond Index and the Bloomberg Barclays Municipal Bond Index. These securities offer attractive risk-adjusted income and greater liquidity relative to below investment-grade bonds.
- The Fund is overweight the industrial development sector which stands to benefit from better-than-expected corporate earnings and the Federal Reserve’s support for the corporate bond market.
- While high yield municipals are generally comprised of revenue bond issuers, the market will still be monitoring state and local municipalities that have seen revenues decline in the economic downturn due to individuals’ ability to defer their tax payments for several months. Despite these headwinds, municipalities have been cutting expenses and taking steps to remain financially healthy.

### CREDIT QUALITY BREAKDOWN



\*Source: Bloomberg, As of 06/30/2020

## PERFORMANCE AS OF 06/30/2020

|   | 2Q20  | YTD    | 1 Year | 3 Years | 5 Years | 10 Years |
|---|-------|--------|--------|---------|---------|----------|
| Class A Share at Net Asset Value (without sales charge)                 | 4.36% | -3.39% | 0.21%  | 4.66%   | 4.94%   | 5.20%    |
| Maximum Offering Price (with 2.25% sales charge)                        | 1.98  | -5.56  | -2.00  | 3.87    | 4.45    | 4.97     |
| 85% Bloomberg Barclays High Yield Muni/15% Muni Bond Index <sup>1</sup> | 4.29  | -1.90  | 1.58   | 5.13    | 5.51    | 5.84     |
| Morningstar High Yield Municipal Funds Average <sup>2</sup>             | 3.35  | -2.38  | 0.35   | 3.64    | 4.09    | 5.13     |

Expense Ratios: 0.79%

**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>Source: Bloomberg Barclays. <sup>2</sup>Source: Morningstar

**A Note about Risk:** The 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 non-diversified, 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, 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 bonds of issuers 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. The Fund's portfolio is actively managed and is subject to change.

**Credit Quality Breakdown:** Ratings provided by Standard & Poor's, Moody's, and Fitch. Where the rating agencies rate a security differently, Lord Abbett uses the higher credit rating. For a security with both a short-term and a long-term rating, Lord Abbett has categorized the security in the chart above using its short-term rating only. 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. A portion of the portfolio's securities are not rated. A-1/MIG1, A-2/MIG2 and A-3/MIG3 designations denote securities with less than a three-year maturity as well as superior (A-1/MIG1), strong (A-2/MIG2) and favorable (A-3/MIG3) credit quality. The credit quality breakdown is not an S&P credit rating or an opinion of S&P as to the creditworthiness of such portfolio. Credit quality allocation reflects market value weightings.

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.

#### Bloomberg Barclays Index Information

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**The Bloomberg Barclays High Yield Municipal Bond Index** covers the universe of fixed rate, non-investment grade debt. **The Bloomberg Barclays Municipal Bond Index** is a rules-based, market-value-weighted index engineered for the long-term tax-exempt bond market. An index is unmanaged, does not reflect the deduction of fees or expenses, and is not available for direct investment.

**Morningstar High Yield Municipal 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, 2020, 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.*

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