



SHORT DURATION INCOME FUND

MARKET REVIEW

- In a reversal from the turmoil of the fourth quarter of 2018, a dovish turn in the U.S. Federal Reserve's ("Fed") tone, and mounting hopes for a U.S.-China trade deal provided strength to U.S. equities in the first quarter of 2019. The S&P 500 Index posted its best quarterly returns since 2009, gaining 14% during the first quarter.¹
- In March, the U.S. Federal Open Market Committee ("FOMC") decided to maintain its target range for the federal funds rate at 2.25-2.50% in order to support their goals of maximum employment and price stability.²
- In late March, the yield on the 10-year U.S. Treasury note dipped below the yield on the 3-month paper for the first time since mid-2007. This inversion came undone however, and the 10-year and 3-month Treasury yields ended the quarter at 2.41% and 2.40%, respectively.³
- The general U.S. bond market, as measured by the Bloomberg Barclays U.S. Aggregate Bond Index, was positive for the quarter (+2.94%).⁴ Lower rates led to positive returns for Treasuries, and tightening credit spreads led to positive returns for investment grade and high yield corporate bonds with high yield bonds posting their strongest start to a calendar year on record.⁵

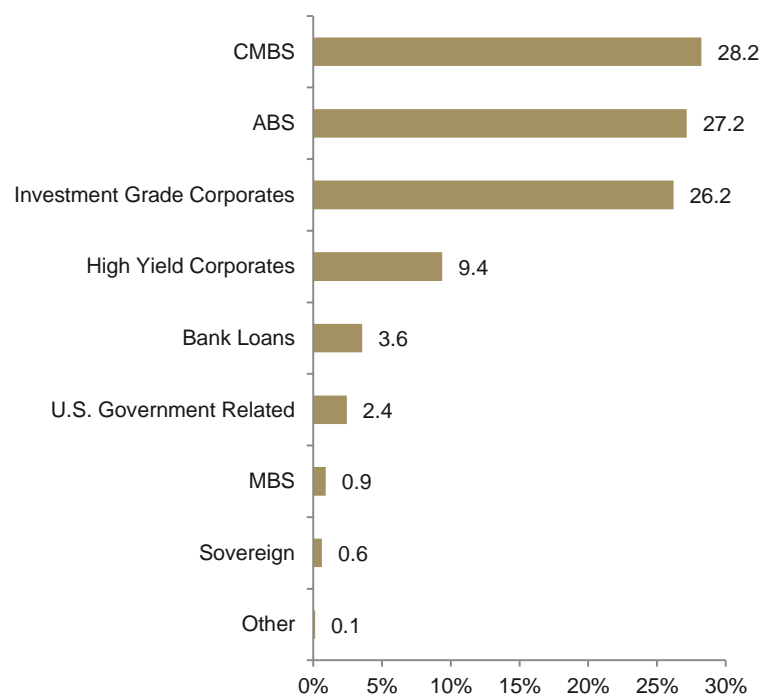
PORTFOLIO REVIEW

- The Fund returned 2.17%, reflecting performance at the net asset value (NAV) of Class A shares with all distributions reinvested, for the quarter ended March 31, 2019. The Fund's benchmark, the ICE BofAML 1-3 Year U.S. Corporate Index,⁶ returned 1.84% during the same period.
- The Fund's allocation to high yield corporate bonds was the primary contributor to relative performance during the year-to-date period. High yield corporate credit spreads tightened during the period, largely due to the dovish pivot by the central banks, the rally in oil prices, and trade optimism. High yield corporate bonds outperformed investment grade corporate bonds, which contributed to performance.
- Security selection within investment grade corporate bonds also contributed to relative performance. Specifically, selection within the financials sector aided performance. We remain attracted to select securities within the financials sector due to strict regulations, strong balance sheets, more conservative management teams, and improved quality relative to the pre-crisis period. Additionally, security selection within the technology sector contributed to relative performance during the period.
- While asset-backed securities ("ABS") posted a positive return for the quarter, the Fund's strategic allocation to high quality ABS underperformed corporate bonds during the "risk-on" period as higher risk assets outperformed. We believe ABS offer liquidity benefits and attractive risk-adjusted returns. Additionally, ABS may provide diversification benefits from corporate credit and exposure to the strength of U.S. consumer, which we feel will persist.

STRATEGY POSITIONING & OUTLOOK

- Following the volatility and spread widening that occurred at the end of 2018, we increased the Fund's exposure to investment grade corporate bonds, maintaining a focus on the "BBB" credit tier. As demand for high quality, short term corporates increased and spreads tightened, we reduced the allocation capitalizing on the gain, and reallocated to commercial paper and bank loans. Given our fundamental outlook, we believed investment grade bank loans offered attractive value versus investment grade corporate credit that was not fully recognized by market participants.
- We also increased the Fund's allocation to ABS. We remain attracted to ABS that are backed by auto loans and credit card receivables and believe this area of the market offers relative value and opportunities to capture favorable risk-adjusted spread. In particular, we continue to focus on higher-quality securities and have opportunistically added to slightly longer maturities as spreads have become more attractive.
- We reduced the Fund's allocation to "AAA" rated commercial mortgage-backed securities ("CMBS"). However, we continue to maintain a positive outlook on the commercial real-estate sector, particularly within single-asset, single-borrower deals.
- We maintain a positive outlook on U.S. domestic growth and are cautiously optimistic in the U.S. economy. In response to the Fed's dovish policy stance, we believe it will take a significant amount of economic growth, a tight labor market, and a pick-up in inflation for the Fed to resume tightening. Therefore, we believe volatility will remain subdued and risk assets will benefit.

SECTOR WEIGHTS



"Other" may include non-index holdings. Sector allocations exclude cash therefore Fund percentage allocations may not equal 100%. As of 03/31/2019.

PERFORMANCE AS OF 03/31/2019

	1Q19	1 Year	3 Years	5 Years	10 Years
Net Asset Value (without sales charge)	2.17%	3.46%	2.82%	2.19%	4.16%
Maximum Offering Price (with 2.25% sales charge)	-0.24	1.06	2.03	1.74	3.91
ICE BofAML1-3 Year U.S. Corporate Index ⁶	1.84	3.89	2.18	1.89	3.59
Lipper Short Investment Grade Debt Funds Average ⁷	1.66	2.89	1.95	1.39	2.72

Expense Ratio: 0.59%

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.

¹The S&P 500 Index. ²Federal Reserve Issues FOMC Statement." Board of Governors of the Federal Reserve System (U.S.), 20 Mar. 2019. ³U.S. Department Of The Treasury "Daily Treasury Yield Curve Rates". ⁴Bloomberg Barclays Aggregate Bond Index as of 03/31/2019. ⁵ICE BofAML US High Yield Constrained Index. ⁶Source: ICE BofAML. ⁷Source: 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. 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 ICE BofAML 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 year remaining to final maturity. Indexes are unmanaged, do not reflect the deduction of fees or expenses, and an investor cannot invest directly in an index.

Lipper Short Investment Grade Debt Funds Category Average is based on a universe of funds with similar investment objectives as the Fund. Peer group averages include the reinvested dividend and capital gains, if any, and exclude sales charges.

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