



# CORE PLUS BOND FUND

## MARKET REVIEW

Fixed Income Market Review		
Yields and Spreads	09/30/2023	12/31/2023
2 Year Treasury Yield	5.04%	4.25%
10 Year Treasury Yield	4.57%	3.88%
2-10 Treasury Yield Spread	-47	-37
Bloomberg U.S. Corporate Investment Grade Bond Index Spread (OAS)	121	99
ICE BofA U.S. High Yield Constrained Index Spread (OAS)	406	339
Returns	QTD (As of 12/31/23)	YTD (As of 12/31/23)
Bloomberg Aggregate Index Return	6.82%	5.53%
Bloomberg U.S. Corporate Investment Grade Bond Index Return	8.50%	8.52%
Bloomberg U.S. CMBS Index Return	4.92%	5.16%
Bloomberg U.S. ABS Index Return	3.48%	5.54%
Bloomberg U.S. MBS Index Return	7.48%	5.05%
ICE BofA U.S. High Yield Constrained Index Return	7.07%	13.46%
Credit Suisse Leveraged Loan Index	2.85%	13.04%
ICE BofA U.S. Convertible Index Return	6.79%	12.99%

Source: FactSet. **Past performance is not a reliable indicator or guarantee of future results.** Due to market volatility, the market may not perform in a similar manner in the future. Indexes are unmanaged, do not reflect the deduction of fees or expenses, and are not available for direct investment. The index data provided is not representative of any Lord Abbett product.

- Fixed income markets exhibited robust returns in the fourth quarter driven by positive sentiment that led to meaningful compression in spreads and a decline in bond yields. U.S. Treasuries rallied sharply across the curve with the yield on the 2-year note down more than 75 basis points (bps) to 4.25% and the yield on the 10-year note down 70 bps to 3.88%. The dovish pivot by the U.S. Federal Reserve (Fed) in December hinted at a potential policy easing, contributing to the market's positive momentum and fall in bond yields. This environment was further supported by a combination of factors: a decline in core personal consumption expenditures (PCE) inflation, favorable Treasury refunding announcements, strong consumer resilience, and stable earnings expectations. These elements, along with a shift in market sentiment and positioning, buoyed by seasonality and increased corporate buybacks, culminated in a bullish sentiment across the equity markets.<sup>1</sup>
- Over the quarter, investment grade corporate<sup>2</sup> spreads tightened 21 bps, and asset-backed securities (ABS)<sup>3</sup> spreads tightened by 8 bps, while commercial mortgage-backed securities (CMBS)<sup>4</sup> spreads were unchanged. In equity markets, major U.S. indices were up over the quarter in response to a more dovish Fed and increased market breadth.<sup>1</sup>

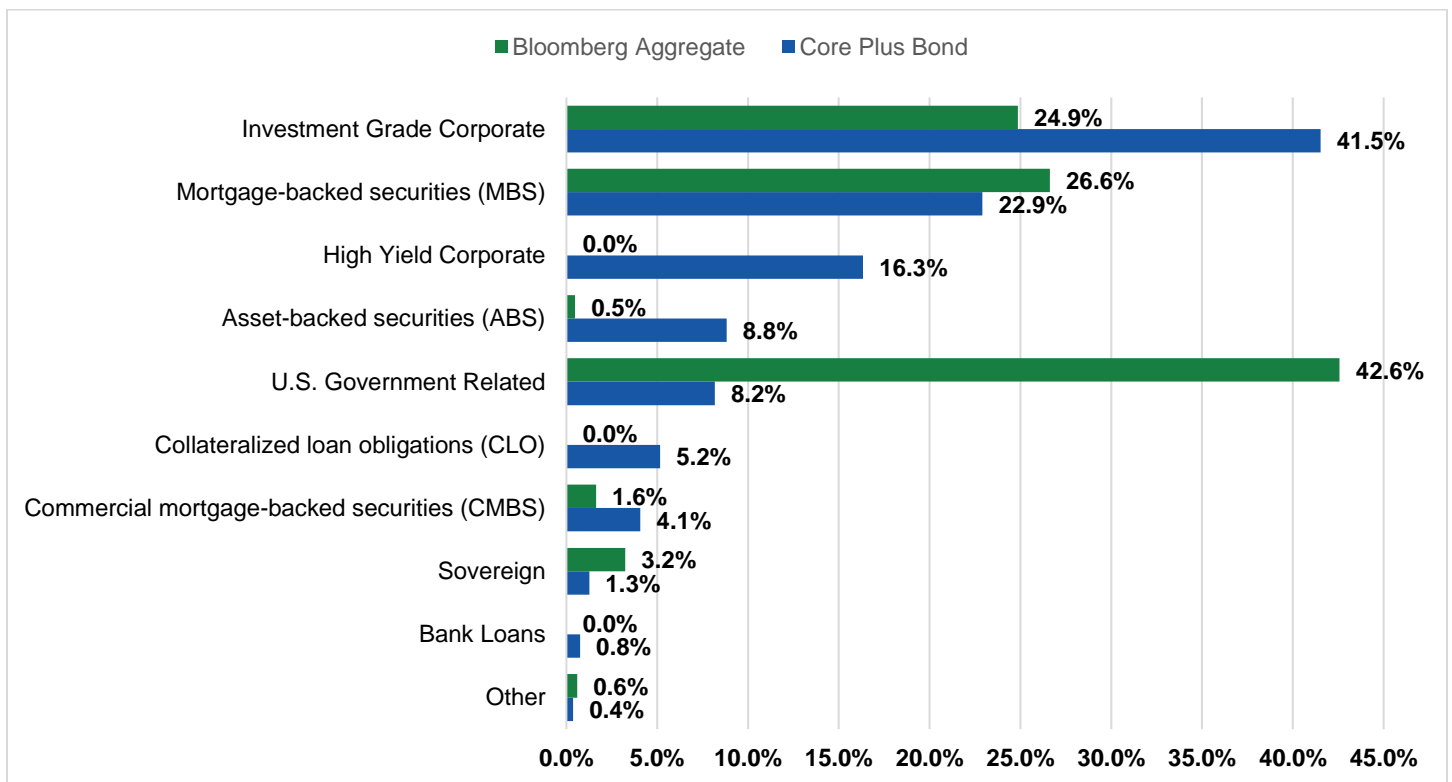
## PORTFOLIO REVIEW

- The Fund returned 6.97%, reflecting performance at the net asset value (NAV) of Class I shares with all distributions reinvested, for the quarter ended December 31<sup>st</sup>, 2023. The Fund's benchmark, the Bloomberg U.S. Aggregate Index\*, returned 6.82% during the same period.
- During the quarter we maintained the Fund's overall up-in-quality and up-in-liquidity positioning.
- Duration positioning was the largest detractor from performance over the quarter. Being underweight duration versus the benchmark detracted as U.S. Treasury rates rallied during the period.



- An allocation to ABS, CMBS, and collateralized loan obligations (CLO) modestly detracted from relative returns. ABS, CMBS and CLO spreads were flat to tighter over the period, but underperformed corporate credit. Within ABS, we reduced our overall exposure and moved up in quality, adding to AAA-rated ABS. Within CLO, we modestly reduced our exposure. Within CMBS, we continued to reduce the portfolio's exposure to CMBS over the quarter as we have been over the last year. Sales were focused on floating rate single asset / single borrower ("SASB") deals and commercial real estate collateralized loan obligations (CRE CLO). We've maintained a very high bar to add with a preference for high quality, liquid names.
- Security selection within investment grade corporate bonds contributed to relative performance, specifically the portfolio's allocation to the Financials and Utilities sectors. We believe many companies in the Utility sector are trading at compelling valuations, given elevated supply to finance environmental initiatives, and we have been buying in at attractive spreads in this non-cyclical, highly regulated industry. We remain conservatively positioned in Financials, overweight U.S. money center and European national champions. The bank debt owned within the portfolio is focused on diversified financial institutions with strong management teams and business models less dependent on deposits. The portfolio remains overweight the Energy, Utilities, and Financials sectors.
- The portfolio's modest allocation to high yield corporate bonds also contributed to relative performance as high yield bond spreads tightened and provided superior carry versus the broader index.

### Asset Class Distribution



\*Source: Bloomberg. "Other" may include non-index holdings. Sector allocations exclude cash therefore Fund percentage allocations may not equal 100%. As of 12/31/2023



## Performance as of 12/31/2023

	4Q23	1 Year	3 Years	5 Years
I Share Net Asset Value	6.97%	7.24%	-2.35%	1.94%
Bloomberg U.S. Aggregate Bond Index*	6.82%	5.53%	-3.31%	1.10%
Morningstar Intermediate Core Plus Bond Funds Average <sup>2</sup>	6.77%	6.22%	-2.99%	1.48%

Expense Ratios: Gross: 0.49%; Net: 0.48%

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](http://lordabbett.com).

\*The Bloomberg U.S. Aggregate Bond Index is an index of U.S. dollar-denominated, investment-grade U.S. government and corporate securities, and mortgage pass-through securities, and asset-backed securities. Indexes are unmanaged, do not reflect the deduction of fees or expenses, and an investor cannot invest directly in an index.

<sup>1</sup>Factset

<sup>2</sup>Intermediate-term core-plus bond portfolios invest primarily in investment-grade U.S. fixed-income issues including government, corporate, and securitized debt, but generally have greater flexibility than core offerings to hold non-core sectors such as corporate high yield, bank loan, emerging-markets debt, and non-U.S. currency exposures. Their durations (a measure of interest-rate sensitivity) typically range between 75% and 125% of the three-year average of the effective duration of the Morningstar Core Bond Index.

**A Note about Risk:** The Fund is subject to the general risks associated with investing in fixed income securities, including market, credit, liquidity, and interest rate risk. The value of an investment in the Fund will change as interest rates fluctuate in response to market movements. When interest rates rise, the prices of debt securities are likely to decline, and when interest rates fall, the prices of debt securities tend to rise. 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.

The performance table above is based on Class I shares. Average Annual Total Returns are based on changes in the net asset value and assume reinvestment of all distributions, and do not reflect deduction of any front-end sales charges which are not applicable for Class I shares. Returns for less than one year are not annualized.

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An **asset-backed security (ABS)** is a type of financial investment that is collateralized by an underlying pool of assets—usually ones that generate a cash flow from debt, such as loans, leases, credit card balances, or receivables.

**Mortgage-backed securities (MBS)** are variations of asset-backed securities that are formed by pooling together mortgages exclusively.



**Commercial mortgage-backed securities (CMBS)** are fixed-income investment products that are backed by mortgages on commercial properties rather than residential real estate.

A **collateralized loan obligation (CLO)** is a single security backed by a pool of debt. Collateralized loan obligations (CLO) are often backed by corporate loans with low credit ratings or loans taken out by private equity firms to conduct leveraged buyouts.

*The views and information discussed in this commentary are as of December 31<sup>st</sup>, 2023, 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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