



# MID CAP STOCK FUND

## High Quality Mid Cap Value

**INVESTMENT PHILOSOPHY:** We believe successful investing requires the identification of high quality companies with stable to improving business trends whose equity trades at high normalized free cash flow yields.

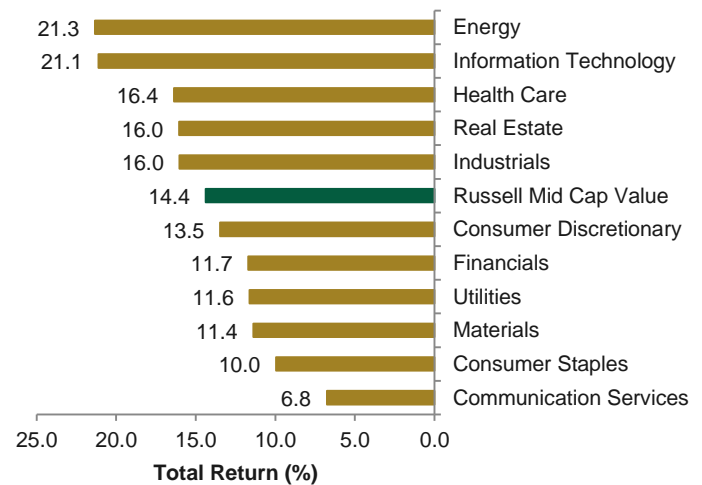
### MARKET REVIEW

- The U.S. equity market, as measured by the S&P 500 Index, saw a rebound in the first quarter and rose 13.65%, marking the best quarter since 2009. Value underperformed growth and large cap stocks underperformed small cap stocks during the quarter.<sup>1</sup>
- The market rally ensued despite a host of headwinds, including mixed economic data and, more specifically, the lower than expected increase in February's U.S. nonfarm payroll, the longest government shutdown in history, mounting concerns of a global economic slowdown, continued trade tensions between the U.S. and China, and the inversion of the yield curve.<sup>2</sup>
- The March Federal Open Market Committee (FOMC) meeting resulted in a major shift in the direction of U.S. monetary policy for the foreseeable future as rates went unchanged and expectations for 2019 rate hikes shifted from two to zero.<sup>3</sup>

### RELATIVE PERFORMANCE

- The Fund returned 13.37%, 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 Russell Midcap® Value Index<sup>4</sup> returned 14.37% in the same period.
- Each sector within the Russell Midcap® Value Index finished in positive territory, with the energy sector posting the largest gains and the communication services and consumer staples sectors lagging.
- Within the energy sector, the Fund's holding of Hess Corporation (1.3%), an oil exploration and production company, contributed the most to relative performance. Shares of Hess Corp. rallied in January following the rebound in the crude oil market, with oil prices recouping losses from the end of 2018.
- The Fund's holding in Alaska Air Group, Inc. (1.3%), an air transportation services company, detracted most from performance. The airline industry has come under pressure following rising jet fuel costs as well as the prolonged and costly U.S. government shutdown. These industry risks weighed on the firm's share price.

### NOTABLE INDEX SECTOR PERFORMANCE

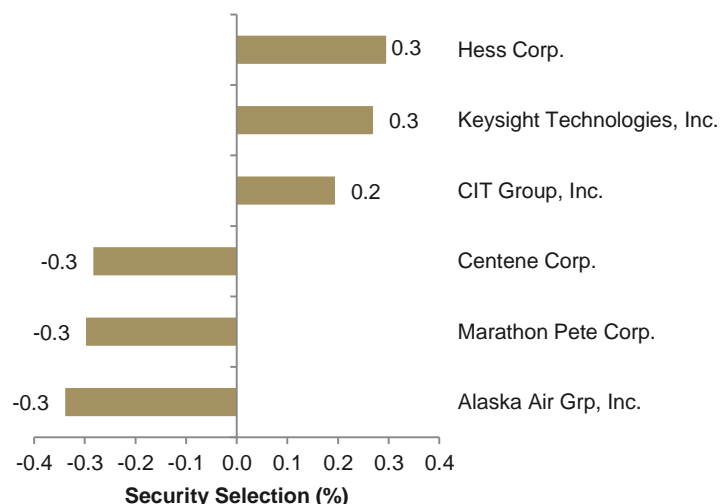


Source: Wilshire. Russell Mid Cap Value Index performance for the quarter ended March 31, 2019.

### NEW & EXITED POSITIONS & PERFORMANCE

- The Fund employs a fundamental, bottom-up individual stock selection strategy that focuses on quality companies with compelling valuation over a long term horizon.
- We initiated a position in shares of Masco Corporation (1.6%), a company that manufactures a variety of residential building products. Under new management, the company has aggressively restructured, exiting low margin businesses, removing excess capacity and revitalizing its relationships in the dealer channel, leading to better overall execution and profitability. Furthermore, a new strategic review was just announced that we believe should continue this trend of improved focus on quality and better returns.
- We purchased shares of Avnet, Inc. (1.5%), a global distributor of primarily semiconductor products and related services. We expect the company to increase operating margins over the next few years as the company recovers from a problematic ERP system implementation in its Americas business and continues to grow its higher margin "Demand Creation" businesses.
- We sold the Fund's position in Corning, Inc. (0%), a glass and ceramics manufacturer, which was consistent with our normalized free cash flow framework.
- We eliminated the Fund's position in Jacobs Engineering Group, Inc. (0%), an international technical professional services firm, which was consistent with our normalized free cash flow framework.

### TOP CONTRIBUTORS AND DETRACTORS



Source: Wilshire. Security Selection % reflects the effect of the individual stock's performance relative to the Fund's benchmark, the Russell Midcap Value Index, for the period. Individual holdings and their effect on Fund performance may change significantly over time. Investors should consider the overall performance of the Fund before making a decision on whether or not to invest in the Fund. Breakdown 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)	13.37%	-1.36%	5.87%	4.77%	12.96%
Maximum Offering Price (with 5.75% sales charge)	6.87	-7.03	3.80	3.53	12.29
Russell Midcap Value Index <sup>4</sup>	14.37	2.89	9.50	7.22	16.39
Lipper Mid-Cap Value Funds Average <sup>5</sup>	13.41	-1.54	7.57	4.92	14.29

**Expense Ratio:** 0.95%

**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> Russell 3000 Value, Russell 3000 Growth, Russell 1000, Russell 2000.

<sup>2</sup> Carew, Sinéad. "U.S. Investors Seek Comfort in Flood of Data." Reuters, Thomson Reuters, 31 Mar. 2019.

<sup>3</sup> "Federal Reserve Issues FOMC Statement." Board of Governors of the Federal Reserve System. March 2019.

<sup>4</sup>Source: Russell.

<sup>5</sup>Source: Lipper Analytical Services.

**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. Mid and small cap company stocks tend to be more volatile and may be less liquid than large cap company stocks. Mid and small cap companies typically experience higher risk of failure than large cap companies. Investments in value stocks can continue to be undervalued for long periods of time if the market fails to recognize the company's intrinsic worth. These factors can adversely affect Fund performance.

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

The Fund weights shown in parenthesis within the New and Exited Positions and Performance section are based on the ending Fund weight during the quarter for each security. The Fund weights shown in parenthesis within the Relative Performance section are based on the average 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.

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

Lipper Mid-Cap Value 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 March 31, 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.

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