LORD ABBETT®

Fund Commentary **4Q23**

BOND DEBENTURE FUND

MARKET REVIEW

Fixed Income Market Review		
Yields and Spreads	**9/30/2023**	**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	**Q4**	**FY 2023**
Bloomberg Aggregate Index Return	6.82%	5.33%
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 decline in bond yields. The strong quarter was characterized by a significant easing of financial conditions, influenced by the recognition of the U.S. Federal Reserve (Fed) around the impacts of previous tightening measures and ongoing disinflation. This dovish pivot by the 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, led to a bullish sentiment across the equity markets.[1]

- U.S. High Yield returns were strong in the fourth quarter as yields declined and spreads compressed.[2] Higher-rated bonds paced performance, with BBs returning 7.37% while Bs and CCCs returned 6.79% and 6.80%, respectively.[3] All high yield sectors were positive for the quarter, led by Broadcasting, Super Retail and Banks & Thrifts. This strong performance came despite an uptick in default activity, which totaled approximately $16bn. This led to a modest increase in the high yield default rate over the quarter which finished the year at 2.84%.[4]

- Higher-quality fixed income sectors also enjoyed healthy returns for the period. 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%.[1] U.S. Investment Grade credit returned 8.50%, outperformed high yield credit given the longer-duration profile of higher-rated bonds.[5] Elsewhere, U.S. leveraged loans trailed their fixed rate counterparts for the quarter, gaining just 2.85%.[6] The asset low duration profile led to more limited returns compared to fixed-rate bonds. However, falling yields and improving investor sentiment ultimately acted as a tailwind for equity markets, highlighted by the S&P 500 which rose 11.69% for the period.[7]

- In Europe, European central banks, influenced by the Fed's policy pivot, also experienced a notable shift in the policy outlook. Eurozone and UK inflation played into this theme, as did weakening macroeconomic data points.[1] However, European high yield credit slightly underperformed U.S. markets, returning 5.55% over the period.[8] Within European high yield, Bs paced performance, returning 6.25%.[9]

PORTFOLIO REVIEW

- The Fund returned 6.29%, reflecting performance at the net asset value (NAV) of Class I shares with all distributions reinvested for the quarter ended December 31, 2023. The Fund's benchmark, the Bloomberg U.S. Aggregate Bond Index, returned 6.82% during the same period.

  Past performance does not predict future returns.

- The Fund takes a flexible, multi-sector approach, which emphasizes credit sensitive sectors of the market, compared to its benchmark, which is largely comprised of U.S. Treasuries and government-related securities. While the Fund generated high positive returns over the period, the Fund underperformed the benchmark, which benefitted from having a much longer duration that led to a strong rally as rates fell. The Fund's underweight to government related securities, such as Agency MBS, detracted from relative performance. Agency MBS was one of the stronger performing fixed income sectors as it benefited from the rally in rates and the Fed signaling a pivot, leading to lower rate volatility. The Fund's allocation to bank loans also detracted from relative performance. As interest rates rallied, bank loans underperformed the benchmark due to their lower duration. The Fund's allocation to securitized products such as commercial mortgage-backed securities (CMBS) and asset-backed securities (ABS) detracted as these securities faced pressure throughout the period. CMBS faced headwinds from higher borrowing costs which are up significantly across the sector. As for ABS, spreads were relatively flat for the period, compared to corporate credit where spreads rallied.

- The Fund's allocation to U.S. High Yield bonds was a meaningful contributor to relative performance as the asset class benefited from both spread compression as a result of improved macroeconomic data in the U.S., as well as declining bond yields. These positions were primarily in BB-rated issues within sectors such as Energy, Healthcare and Technology. Additionally, an underweight to U.S. Treasuries also contributed to relative performance. Despite exhibiting strong returns over the period, Treasuries underperformed corporate credit which benefited from tighter credit spreads.

- The Fund also benefited from security selection within Sovereigns, specifically from overweight positions in Latin America. An allocation to equities also outperformed in the fourth quarter, with stock markets benefiting from the increased adoption of the soft-landing narrative. The Fund's holdings were primarily from issuers in the Information Technology sector that benefited from declining rates.

FUND POSITIONING

- **The Fund remained diversified across broad fixed income sectors.**

  Beyond investment grade and high yield corporate bonds, the Fund maintained a meaningful allocation to agency mortgage-backed securities (MBS), as well as modest allocations to convertible bonds, EM sovereign and corporate debt, bank loans and municipal bonds. We believe select exposures to these sectors offer attractive risk-reward opportunities, potential portfolio diversification benefits and avenues for liquidity.

- **Within high yield credit, the Fund continued to invest in higher carry, shorter duration securities.**

  The risk rally in the final months of the year led high yield spreads to meaningfully compress and reach their tightest levels since April 2022. While we believe there is still modest room for spreads to move lower, we acknowledge that valuations are relatively tight, and we continue to be more focused on sourcing investments that offer higher income with more limited duration exposure. We see value in the new issue high yield market as a strong source of carry given higher coupons and continue to actively participate in select primary issues. We added to the Fund's Single-B credit exposure throughout the period as macroeconomic data in the U.S. has been mostly positive. We used higher-rated investment grade credit that exhibited tight valuations as a source of cash for these trades.

- **Within corporate sectors, we reduced Energy exposure in favor of higher beta sectors.**

  Although we continue to be constructive in the Energy space given the sector's fundamental strength and improvement in balance sheet management, we reduced exposure in December given continued softness in WTI Crude prices which dropped below $70 for the first time since 2021.[1] However, this allocation change has not altered the Fund's top overweights or underweights, as we remain constructive in the Energy sector overall due to its strong fundamental profile.

- **We increased the Fund's exposure in Agency MBS.**

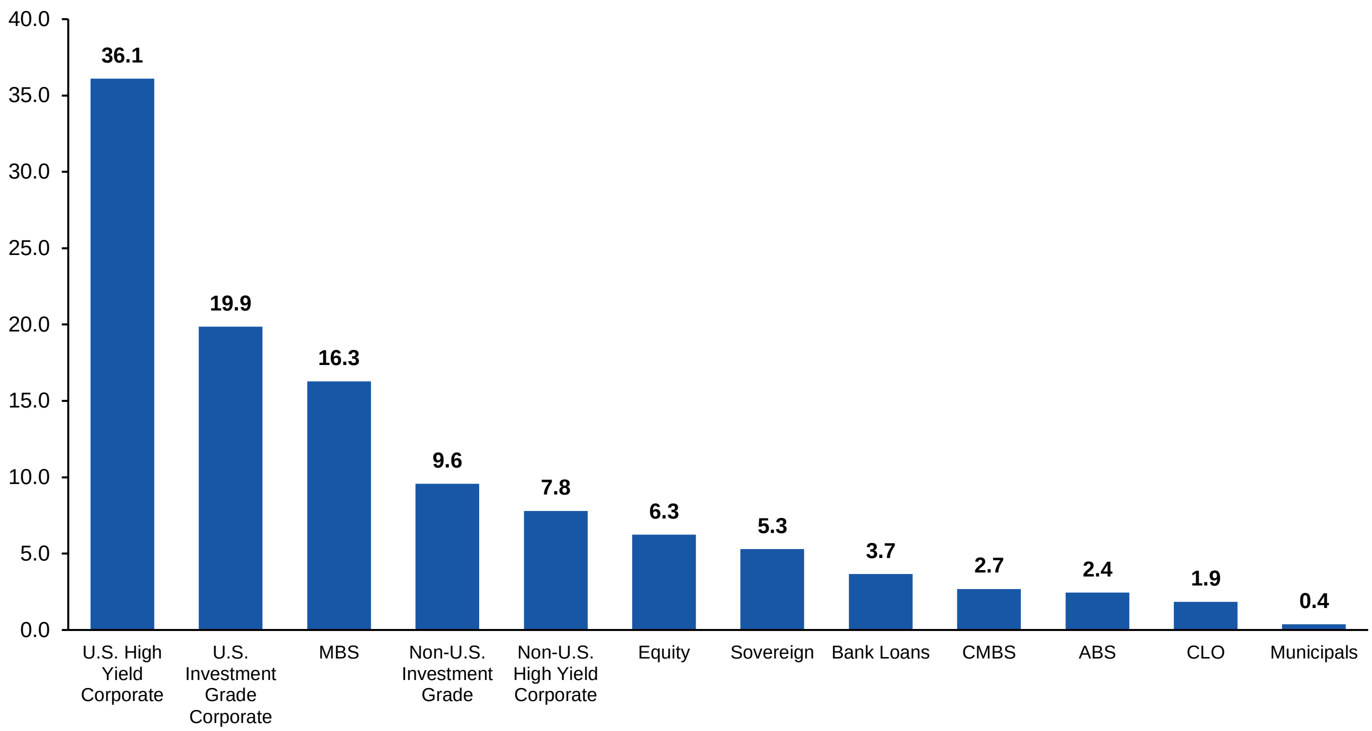
  The Fund continued to invest in Agency MBS, which performed well in the quarter given the rally in bond yields. We view the asset class as a strong source of carry with minimal credit exposure. We continue to closely monitor this asset class for technical pressure from deposits and have reduced some of this allocation in recent months and rotated into more credit-sensitive sectors.

OUTLOOK

- **Looking forward, we continue to see opportunity to capture high-quality carry within fixed income sectors.**

  While starting yields have come down slightly from decade-highs as we transition to the new year, we remain constructive in corporate credit, particularly high yield, considering the overall resilience of the U.S. macroeconomy. Inflation may remain above the Fed's target, which could potentially cause elevated market volatility in the first half of 2024. Yet, the probability of more policy hikes continues to be low, which should translate into a meaningful tailwind for leveraged credit markets. Additionally, the default outlook for 2024 is expected to be manageable and similar to 2023. Despite the presence of higher policy rates compared to the last several years, high yield bond issuers' balance sheets have remained robust, and we believe that the corporate sector is expected to maintain financial discipline, with possible benefits from strategic mergers and acquisitions by higher-rated companies. Looking ahead, we are focused on maintaining a cyclical approach in the Fund, with emphasis on commodities, consumer cyclicals, and sectors benefiting from lower financing rates. We also look to maintain balance within the Fund with allocations to higher quality MBS and government related securities, while selectively adding opportunities in securitized products and equities.

PORTFOLIO BREAKDOWN



Due to rounding and the exclusion of cash, the percentage allocation of the Fund breakdown may not equal 100%. Fund breakdown as of 12/31/2023.

Performance as of 12/31/2023

	4Q23	1 Year	3 Years	5 Years	10 Years
I Share Net Asset Value	6.29%	7.08%	-1.03%	3.51%	3.80%
Bloomberg U.S. Aggregate Bond Index	6.82%	5.53%	-3.31%	1.10%	1.81%
Morningstar Multi-Sector Bond Funds Average[10]	5.69%*	8.13%	0.10%	2.93%	2.83%

Expense Ratio: 0.58%.

*Morningstar Category Returns for 4Q23 as of 12/29/2023.
[1]Factset
[2]As represented by the ICE BofA U.S. High Yield Constrained Index as of 12/31/2023.
[3]As represented by the ICE BofA U.S. High Yield BB Constrained Index, the ICE BofA U.S. High Yield B Constrained Index, and the ICE BofA U.S. High Yield CCC & Lower Constrained Index as of 12/31/2023.
[4]J.P. Morgan, as of 12/31/2023.
[5]As represented by the Bloomberg U.S. Corporate Investment Grade Bond Index Return as of 12/31/2023.
[6]As represented by the Credit Suisse Leveraged Loan Index as of 12/31/2023.
[7]As represented by the S&P 500 Index as of 12/31/2023.

[8]As represented by the ICE BofA European High Yield Index as of 12/31/2023.

[9]As represented by the ICE BofA European High Yield BB Index as of 12/31/2023.

[10]Source: Morningstar, as of 12/31/2023. **Morningstar Multi-Sector Bond Funds:** Multisector-bond portfolios seek income by diversifying their assets among several fixed income sectors, usually U.S. government obligations, U.S. corporate bonds, foreign bonds, and high-yield U.S. debt securities. These portfolios typically hold 35% to 65% of bond assets in securities that are not rated or are rated by a major agency such as Standard & Poor's or Moody's at the level of BB (considered speculative for taxable bonds) and below.

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.

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 your 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. Longer-term debt securities are usually more sensitive to interest-rate changes; the longer the maturity of a security, the greater the effect a change in interest rates is likely to have on its price. The Fund may make substantial investments in high-yield debt securities and may invest in senior loans which may be primarily below-investment grade. High yield securities, sometimes called junk bonds, carry increased risks of price volatility, illiquidity, and the possibility of default in timely payment of interest and expenses. The value of investments in equity securities will fluctuate in response to general economic conditions and to changes in the prospects of particular companies and/or sectors in the economy. Convertible securities are subject to the risks affecting both equity and fixed income securities, including market, credit, liquidity, and interest rate risk. These factors can affect Fund performance.

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

Bond credit 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.

One basis point is equal to 1/100th of 1%, or 0.01%, or 0.0001, and is used to denote the percentage change in a financial instrument.

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 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.

Bloomberg Index Information:

ICE BofA Index Information:

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