



# CALIBRATED LARGE CAP VALUE FUND

## MARKET REVIEW

- The U.S. equity market, as measured by the S&P 500 Index, came under pressure in the fourth quarter and declined 13.52%. Value outperformed growth and large cap stocks outperformed small cap stocks during the quarter.<sup>1</sup>
- While earnings season remained strong, investors grew wary of a slowdown in global growth, due to pressure on companies' margins, continued monetary tightening from the Federal Reserve, and geopolitical tensions. The S&P 500 suffered its worst quarterly decline since 2011, with only the utilities sector finishing in positive territory.<sup>2</sup>
- The White House announced a trade truce between the U.S. and China following a meeting between President Trump and President Xi Jinping at the G20 summit in December.<sup>3</sup>
- The U.S. Federal Reserve raised the target range for the federal funds rate to 2.25%-2.50%, citing a strong labor market, low unemployment, and increased household spending.<sup>4</sup>

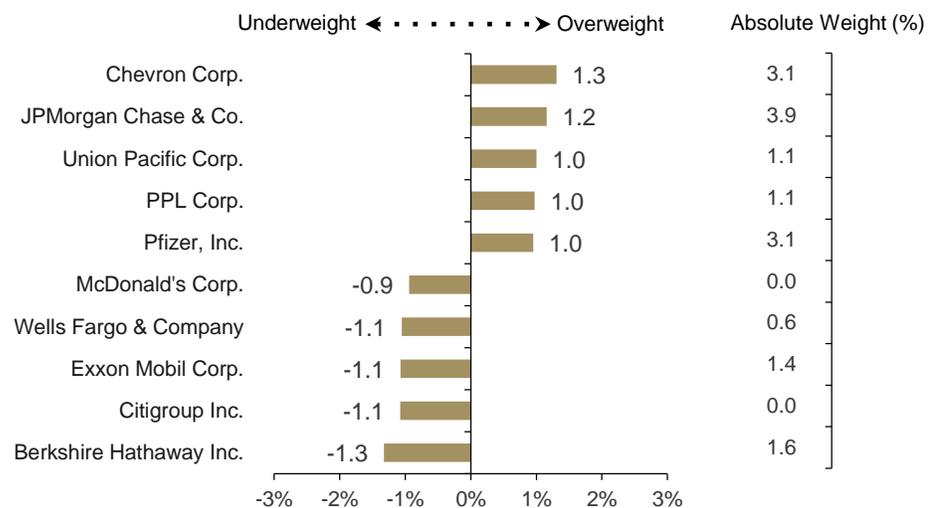
## PORTFOLIO REVIEW

- The Fund returned -12.39%, reflecting performance at the net asset value (NAV) of Class A shares with all distributions reinvested, for the quarter ended December 31, 2018. The Fund's benchmark, the Russell 1000® Value Index<sup>5</sup>, returned -11.72% in the same period.
- Security selection within the consumer staples sector, and more specifically, the Fund's position in Target Corp. (0.9%) detracted from performance. Shares of the firm, which operates general merchandise stores, came under pressure after reporting tighter margins due to higher wages and an unexpected increase in inventories, which analysts suspect may outpace sales.
- Security selection within the materials sector detracted from performance. Within the materials sector, the Fund's holding of Nucor Corp. (0.9%) detracted from relative performance. The steel product manufacturer's stock decreased as the market factored in continued price compression from excess supply as well as uncertainty over global trade tensions.
- Security selection within the information technology sector, and more specifically, the Fund's position in Broadcom Inc. (1.0%) contributed to performance. The analog semiconductors supplier's stock advanced this quarter after beating sales and earnings per share consensus estimates in the fourth quarter.
- The consumer staples sector also contributed to relative performance on the basis of security selection. More specifically, the Fund's holding of Procter & Gamble Co. (1.5%), a branded consumer packaged goods provider, contributed most. The firm's stock price increased after P&G reported organic sales growth of 4% in the most recent quarter, easily topping consensus estimates.

## STRATEGY POSITIONING & OUTLOOK

- Consistent with our Calibrated investment approach, which seeks to achieve excess returns through a focus on security selection, we continue to find opportunities consisting of undervalued securities that we believe will drive relative performance in the future.
- Chevron Corp. (3.1%), an energy company, remains the portfolio's largest overweight position relative to its benchmark, the Russell 1000® Value Index, as of December 31, 2018. We believe that Chevron's focus on responsible capital spending, shareholder-friendly payout policies, and solid execution in growth projects likely will result in a higher valuation going forward.
- The portfolio also has an overweight position relative to its benchmark in JPMorgan Chase & Co. (3.9%), a global financial services company. Despite recently missing market expectations, we expect the company to benefit from increasing interest rates, a decreasing regulatory burden, a lower corporate tax rate, and higher U.S. GDP growth. Additionally, the company continues to de-risk its balance sheet and build up large amounts of capital, which it is deploying to shareholders.

## TOP ACTIVE POSITION WEIGHTS



Portfolio Breakdown as of 12/31/2018.

\*Source: Wilshire. Active weights reflect over/under relative to the Russell 1000® Value Index. Absolute weight is based on percentage of the Fund. Holdings are included for informational purposes only and are not a recommendation to buy, sell, or hold any security. The Fund's portfolio active weight positions should not be relied upon as a complete listing of a fund's holdings. Please refer to [www.lordabbett.com](http://www.lordabbett.com) for a complete list of holdings of the Fund, including the securities discussed above, to the extent they are held by the Fund.

## PERFORMANCE AS OF 12/31/2018

	4Q18	1 Year	3 Years	5 Years	Since Inception 12/29/2011
Net Asset Value (without sales charge)	-12.39%	-9.91%	5.37%	4.30%	10.06%
Maximum Offering Price (with 5.75% sales charge)	-17.43	-15.08	3.30	3.07	9.14
Russell 1000 <sup>®</sup> Value Index <sup>5</sup>	-11.72	-8.27	6.95	5.95	10.94
Lipper Large Cap Value Funds Category Average <sup>6</sup>	-14.47	-11.42	5.63	4.24	10.11

**Expense Ratios:** Gross: 0.97%; Net: 0.93%

**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>Udland, Myles. "The Scariest Phrase for Investors Right Now: 'Since 2016'." Yahoo! Finance, Yahoo!, 2 Jan. 2019.

<sup>3</sup>Statement from the Press Secretary Regarding the President's Working Dinner with China." The White House, The United States Government, 1 Dec. 2018.

<sup>4</sup>"Federal Reserve Issues FOMC Statement." Board of Governors of the Federal Reserve System (U.S.), 19 Dec. 2018.

<sup>5</sup>Source: Russell. <sup>6</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. Larger companies may be unable to respond quickly to certain market developments and may have slower rates of growth as compared to smaller successful companies. These factors can adversely affect Fund performance.

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

The portfolio weights shown in parenthesis in the Strategy Positioning & Outlook section are based on the portfolio weight at the end of the quarter for each security. The portfolio weights shown in parenthesis in the Portfolio Review section are based on the average portfolio 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.

**Expense ratio information:** The net expense ratio takes into account contractual fee waivers/expense reimbursements that currently are scheduled to remain in place through 11/30/2019. For periods when fees and expenses were waived and/or reimbursed, the Fund benefited by not bearing such expenses. Without such fee waivers/reimbursements, performance would have been lower.

**The Russell 1000<sup>®</sup> Value Index** measures the performance of those Russell 1000 companies with lower price-to-book ratios and lower forecasted growth values. Indexes are unmanaged, do not reflect the deduction of fees or expenses, and are not available for direct investment.

**Lipper Large 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 December 31, 2018, 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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**Investors should carefully consider the investment objectives, risks, charges, and expenses of the Lord Abbett Funds. This and other important information is contained in the fund's summary prospectus and/or prospectus. To obtain a prospectus or summary prospectus on any Lord Abbett mutual fund, contact your investment professional, Lord Abbett Distributor LLC at (888) 522-2388 or visit us at lordabbett.com. Read the prospectus carefully before you invest.**

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