LORD ABBETT®

Credit Opportunities Fund
Fourth Quarter 2020
Performance Commentary

Performance Review:

Over the fourth quarter of 2020, the Lord Abbett Credit Opportunities Fund returned 12.48%, reflecting performance at the net asset value (NAV) of Class I shares with all distributions reinvested. The main drivers of this performance by asset class were U.S. high yield bonds, convertible bonds, and Emerging Market sovereign bonds.

Market Review:

The fourth quarter was a tale of two different market environments, with the Presidential election and announcement of the Pfizer and then Moderna vaccines reversing sentiment that had been negatively impacted by rising COVID-19 cases and political uncertainty. The highly positive data around the efficacy of the two vaccines suggested a path to ending the pandemic, which began a market shift toward focusing on a global economic reopening. Against this backdrop, both monetary and fiscal policy remained largely supportive, with the U.S. Federal Reserve (Fed) continuing accommodative policy, and Congress passing a fifth coronavirus relief package worth roughly $900 billion.[1] Evidencing underlying macroeconomic strength, the U.S. housing boom continued, with low vacancies and favorable affordability/historically low financing rates, driving a surge in new construction and sales of existing homes. U.S. manufacturing also staged a powerful recovery, driven by a rapid rebound in global demand for goods, well ahead of the recovery in service industries. Globally, Chinese industrials continued to recover, with output surpassing the pre-shutdown levels, providing a glimpse of the potential recovery to come in other countries.

The S&P 500 finished the calendar year on a strong note, returning 12.15% for the fourth quarter. Investment grade bonds, as represented by the Bloomberg Barclays U.S. Aggregate Bond Index, returned 0.67%. Meanwhile, high yield bonds[2] posted positive performance in the fourth quarter. High yield spreads tightened 155 bps from September month-end levels to 387 bps at the end of December. Within the asset class, lower quality segments of the high yield market outperformed higher quality tiers. The 'CCC & Lower' credit tier returned 12.04% over the quarter, while the 'BB' and 'B segments returned 5.57% and 5.75% respectively. Gross high yield volume in full year 2020 totaled $449.9 billion, compared to the $286.6 billion of issuance that priced over 2019. In the fourth quarter, gross high yield volume reached $99.6 billion.[3] Bank loans[4] also posted positive performance in the fourth quarter, returning 3.64%. Spreads finished the year at 486bps, 93bps tighter from September month-end levels and only 25bps wider from the start of the year. Emerging market corporate bonds[5] returned 3.93% for the quarter while sovereigns[6] posted 5.80%, continuing an impressive recovery from the volatility in early 2020, led by progress on the vaccine front, increased capital flows, and optimism that the new U.S. administration is likely to bring more geopolitical stability. Within EM corporates, high yield outperformed investment grade meaningfully. Convertible bonds[7] returned 19.67% during the fourth quarter, finishing the calendar year up 46.22%. Meanwhile, 10-year U.S. Treasuries posted negative returns of -1.91% during the quarter as yields rose 25bps.

Portfolio Review:

The Fund is comprised of investments that are driven and backed by deep fundamental analysis, then evaluated through a scenario-based framework, where the scenarios, probabilities, and weightings are adjusted by the portfolio management team to comport with the team's macro views. With this framework, the portfolio management team seeks to take advantage of market or sector dislocations and liquidity mismatches, with an eye to capturing unrealized or mispriced optionality. We currently view the portfolio as representing two broad investment baskets: 1. Enhanced carry in which the return is based primarily on income with some price appreciation, and 2. Total return, where our expectation is for catalyst-driven price appreciation to provide a higher proportion of the expected return.

We view enhanced carry as the ballast to the portfolio, which represents higher quality investments that may offer reasonable downside protection while providing extra income over instruments in the broader market. These investments typically either have a lower sensitivity to macro events, or structural protections or collateral that protect the investment. Our investment view is typically centered around a thesis that the market has misrated the credit, allowing us to potentially generate outsized income. In the last quarter, key areas of focus centered around investments in residential real estate, industrials and manufacturing, consumer asset-backed securities, and collateralized loan obligations. Examples of recent enhanced carry investments include: 1. Advisor Group 10.75% Senior Notes due 2027 (1.46%), where we like the Company's exposure to increasing demand for financial advisory services and believe the market was too focused on the effect of low interest rates on held balances, and missing the optionality of increasing revenues from rising asset prices and a potential steepening of the yield curve; and 2. Continental Finance Company 2020-1C ABS (1.80%), where we think the market is underpricing the benefit to sub-prime customers of the recent stimulus package as well as the upside from vaccine-driven economic reopening.

We view total return investments as an expression of event optionality, where price appreciation is a larger part of the story. As with enhanced carry investments, we believe the market is underpricing the probability of positive events, creating a discounted option for the portfolio. Among total return investments, we currently have two prevalent themes: innovation and reopening.

The innovation theme represents companies that are driving secular changes in the structure of the economy. While many of these themes existed prior to the pandemic, a number of them have been accelerated as a result of the shift to 'work from home' amid shelter in place mandates. Some representative themes include renewables, remote workplace/online transformation, and life sciences and health care. While the Fund has loans and bonds that are represented in this wing, a number of the investments are expressed through the Fund's allocation to select convertible bonds. A recent addition in this theme were the Aptiv 5.5% convertible preferreds (0.96%). Aptiv is in the auto supply space, but we believe the market has underestimated the company's optionality to a growing electrical vehicle market as well as sustainable mobility. In addition to an attractive coupon, we are receiving a very low-cost option in this long-term thesis.

In addition to secular innovation winners, we also sought to gain exposure to the reopening theme by finding attractive investments with undervalued options tied to a return to normal economic activity post-COVID. These investments have structural or other features to limit downside. An example of this type investment is BX 2018-GW CMBS (1.01%), which is backed by a loan financing the Waldorf Grand Wailea hotel in Hawaii. We believe domestic leisure destinations are likely to recover more quickly than other destinations. The loan is secured by an actual fee simple interest in beachfront land on Maui, which is extremely rare for non-Islanders to hold. We believe this provides substantial downside protection to the Fund's discounted purchase price.

Portfolio Impact:

One byproduct of vaccine optimism this quarter was a lift in commodity prices driven by renewed expectations for global economic growth. The Fund's investments in high yield corporate bond issues of Centennial Resource Production LLC (1.42%) and Matador Resources (1.57%) benefited in this environment. The rationale for our investment was that both oil and natural gas energy & production companies had strong reserve asset coverage, attractive assets in the Permian basin, and sufficient liquidity and operational flexibility. Our focus on higher quality, second tier producers in core U.S. production areas was a positive contributor to performance during the quarter. Similarly, the Fund's convertible bond issue in Chart Industries, Inc. (1.26%), a leading manufacturer of equipment used in the liquid gas supply chain, contributed as well. The investment was predicated on the company's opportunity to provide infrastructure for cleaner energy solutions, including hydrogen. Since the time of the Fund's original investment, the company's revenues grew in its traditional liquefied natural gas (LNG) and industrial gas business line, and margins expanded driven by diligence around cost-cutting. Most importantly, the company continued its expansion into hydrogen-fueling equipment, an area that began to garner increased interest from investors, leading to a higher multiple of that portion of Chart's business.

Over the quarter, a handful of detractors from performance occurred as a result of market timing, and we generally still have conviction in these holdings long term. eDreams ODIGEO SA (0.33%) is a European online travel agency with a leading market position in flight bookings. Their primary markets are France, Germany, Spain, Italy & the Nordics. The company has managed through the pandemic related shutdowns very well, and despite 70%+ declines in travel bookings, has improved its liquidity position & cost structure. We believe the company will enter 2021 in a very strong position to take advantage of a pick-up in European travel post vaccine. Party City Holdings, Inc. (0.39%) is a retailer specializing in party goods, balloons, and related items. The company has been challenged recently by COVID-19, management issues, and a shortage of helium leading to significant cost increases. Management cost initiatives, a rationalization of helium, and a resumption of demand as the country moves toward reopening and a post-vaccine environment, suggest the short-dated term loan the Fund owns is covered and can be refinanced, potentially leading to a 10%+ return.

Investment in Focus:

On February 3rd, 2020, we initiated a 115 basis point (bp) position in Aston Martin (ASTONM) 6.5% 2022 secured bonds at $96.5. The company was burning cash as it invested in new product launches (largest of which was the upcoming DBX SUV) leading to a strained liquidity profile. They had just secured £500mm of new equity financing, however, from billionaire Larry Stroll, that could help fund operations and investment for several years. We believed the resulting improved balance sheet would allow for a successful refinancing of these bonds in the near-term. The specific bond we purchased was a small non-fungible add-on to existing 6.5% 2022s and traded with a 1-2 percentage point liquidity discount (the larger tranche was offered ~98.5). Our expected internal rate of return (IRR) on this investment was north of 10%.

On November 2nd, 2020, we exited the position in Aston Martin 6.5% 2022 secured bonds at $100.75 after an announcement of a refinancing transaction that included another equity raise, consistent with our thesis that equity would continue to support the company. Given additions at lower prices after our initiation in February at $96.5, the Fund's realized total return was 13.5%.

Conclusion:

We continue to have a broadly constructive view on credit even while acknowledging that today's valuations are far less dislocated than they were for much of 2020. Management teams have positioned balance sheets to weather any residual economic softness near term through an active new issue market in 2020 while also working to preserve margins. As we begin to monetize certain innovation investments, the Fund is now taking two tracks. The first is the "reopening" trade. The reopening trade will continue to focus on companies that we believe can survive over the near to mid-term in the event of a protracted economic slowdown, but should allow the Fund to participate in the upside when the economy begins to take hold in a post-COVID environment. The second investment theme pivots back to our core strategy - identifying unrecognized value with a focus on yield versus total return.

PERFORMANCE AS OF 12/31/2020

	4Q20	1 Year	Since Inception*
Credit Opportunities Fund Class I	12.48%	12.84%	10.22%

Gross Expense Ratio: 3.79%
Net Expense Ratio: 1.50%
*Fund Incepted on February 22, 2019

[1] Factset.
[2]As represented by the ICE BofA U.S. High Yield Constrained Index.
[3]JP Morgan
[4]As represented by the Credit Suisse Leveraged Loan Index
[5]As represented by the JP Morgan CEMBI Broad Index.
[6]As represented by the JP Morgan EMBI Global Diversified Index.
[7]As represented by the ICE BofA All Convertible Index.

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.

The net expense ratio takes into account contractual fee waivers/expense reimbursements that currently are scheduled to remain in place through 06/30/2021. 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 Fund is structured as an unlisted closed-end interval fund. Limited liquidity is provided to shareholders only through the Fund's quarterly offers to repurchase between 5% and 25% of its outstanding shares at net asset value, subject to applicable law and approval of the Board of Trustees. The Fund currently expects to offer to repurchase 5% of outstanding shares per quarter. There is no secondary market for the Fund's shares and none is expected to develop. There is no guarantee that an investor will be able to tender all or any of their requested Fund shares in a periodic repurchase offer. Investors should consider shares of the Fund to be an illiquid investment.

Although the Fund may impose a repurchase fee of up to 2.00% on shares accepted for repurchase by the Fund that have been held for less than one year, the Fund does not currently intend to impose such a fee. Please refer to the Fund's prospectus for additional information.

The Fund's ability to be fully invested and achieve its investment objective may be affected by the need to fund repurchase obligations. In addition, the fees and costs associated with investing in an interval fund may be significantly greater than those of other fund structures.

New Fund Risk: The Fund is newly organized. There can be no assurance that the Fund will reach or maintain a sufficient asset size to effectively implement its investment strategy.

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 Fund may invest in high-yield, lower-rated securities, sometimes called junk bonds. 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 debt securities of stressed and distressed issuers as well as in defaulted securities and debtor-in-possession financings. Distressed and defaulted instruments generally present the same risks as investment in below investment grade instruments. However, in most cases, these risks are of a greater magnitude because of the uncertainties of investing in an issuer undergoing financial distress. 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.

Because of the risks associated with the Fund's ability to invest in high yield securities, loans and related instruments and mortgage-related and other asset-backed instruments, foreign (including emerging market) securities (and related exposure to foreign currencies), and the Fund's ability to use leverage, an investment in the Fund should be considered speculative and involving a high degree of risk, including the risk of a substantial loss of investment.

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

The portfolio weights shown in parenthesis within the Portfolio Impact section are based are based on the average weight during the quarter. The portfolio weights shown in parenthesis within the Portfolio Review section are based on the weight of each security on the last day of the quarter

Carry is defined as the return (or premia) accruing to an investor from holding (being long) a higher yielding security over a lower yielding security, assuming prices remain constant.

Basis points (bps) refers to a common unit of measure of interest rates and other percentages. One basis point is equal to $1/100^{th}$ of 1%, or 0.01%, or 0.0001, and is used to denote the percentage change in a financial instrument.

The credit quality of the debt 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). Securities rated `BBB' or above are considered investment grade. Credit ratings `BB' and below are lower-rated securities (junk bonds). High-yielding, non-investment-grade loans and bonds (junk bonds) involve higher risks than investment-grade securities. Adverse conditions may affect the issuer's ability to pay interest and principal on these securities.

The views and information discussed in this commentary are as of December 31, 2020, 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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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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