LORD ABBETT®

Fund Commentary **4Q22**

GLOBAL EQUITY FUND

MARKET REVIEW

- International equity markets, as measured by the MSCI ACWI ex USA Index, returned to positive territory in the fourth quarter, returning 14.37%, after three consecutive negative quarters. Emerging Markets, as measured by the MSCI Emerging Markets Index, returned 9.79% during the quarter and underperformed developed equity markets, as represented by the MSCI EAFE Index (17.40%). In 2022, emerging markets underperformed developed markets by 5.73%.[1]
- One of the main themes of the fourth quarter revolved around the market's flexibility in terms of just what constitutes a Fed pivot. The U.S. Federal Reserve (Fed) shifted down the pace of rate hikes to 50bps to 4.25%-4.5% during its last monetary policy meeting of 2022, pushing borrowing costs to the highest level since 2007. It was the seventh consecutive rate hike, following four straight three-quarter point increases. However, despite hopes for a near-term peak in the Fed tightening cycle that were fueled by some positive developments on the inflation front, including cooler CPI prints for both October and November, Fed Chair Powell struck a hawkish tone in the post-meeting press conference, sticking to the higher-for-longer messaging – citing sticky services inflation, particularly wages, as one of the Fed's key concerns. The updated Summary of Economic Projections showed a more hawkish outlook than the September version, raising the outlook for the fed funds rate through 2025 from September's forecasts, including a median dot of 5.1% for 2023, 4.1% in 2024, and 3.1% in 2025.[2]
- In Europe, inflation continued to run hot, although started to show signs of moderation, as the November Consumer Price Index (CPI) rose 10.1% y/y, down from October's record high of 10.6% and slowing for the first time since June 2021. Broadly speaking, Europe continues to feel the effects of the energy crisis and the delayed price pass-through to end customers. Although energy prices rose at a softer pace in November than in the previous month, it remained the largest contributor to the overall inflation reading. In the UK, headline inflation eased to 10.7% y/y, which was below market forecasts. In response, the European Central Bank raised interest rates by 50 bps during its last monetary policy meeting of 2022, following two consecutive 75bps hikes, taking the deposit facility to 2%, the refinancing rate to 2.5%, and the marginal lending to 2.75%, a level not seen in fourteen years.[3]
- In China, economic data mostly surprised to the downside and continued to signal a slowdown in growth. Notably imports fell 10.6% y/y in November, the steepest pace since May 2020, as domestic demand tumbled amid a resurgence of COVID cases and strict restriction; retail sales also declined. The People's Bank of China left its key lending rates unchanged for over the period, which was widely expected, as the central bank continued to strike a balance between shoring up a COVID-hit economy and curbing further fall in the yuan. In positive news, after announcing a number of measures to relax COVID restrictions in November, the National Health Commission (NHC) downgraded the management of COVID from the highest to second-highest level starting January 8, 2023. While there will be a continued focus on vaccinating the elderly, availability of medical supply, and tiered medical treatment, almost all standard restrictions will be lifted.[3]
- Lastly, in Japan, despite growing speculations that the Bank of Japan (BOJ) might soon shift away from ultra-easy monetary policy, the BOJ shocked markets on December 20th with a surprise widening of the band around its 10-year yield target, a move that will allow long-term rates to rise more, while keeping its key interest rate steady at -0.1%. According to Governor Haruhiko Kuroda, the decision to widen the allowance band around the BOJ's yield target was "absolutely not a first step" towards an exit from ultra-loose monetary policy, but a move to "continue the implementation of a sustainable monetary easing.[3]"

PORTFOLIO REVIEW

- The Fund returned 8.22%, reflecting performance at the net asset value (NAV) of Class A shares with all distributions reinvested for the quarter ended December 31, 2022. The Fund's benchmark, the MSCI All Country World Index[4], returned 9.76% during the same period.

- The Fund's underperformance over the quarter was primarily driven by stock selection, with the largest negative contributions coming from the industrials and energy sectors. Within industrials, Carlisle Companies, Inc. (0.6%), an American based commercial roofing company, was among the Fund's largest individual detractors. Carlisle had been a successful long-term holding in the strategy. Aside from the company's strong execution, there's also an ESG angle given the push for energy efficient commercial roofing solutions. Carlisle had been consistently beating quarterly earnings estimates by a wide margin. However, their most recent earnings print came in mostly in line while the market was expecting more. We subsequently exited the position following the report.
- The energy sector also faced headwinds over the quarter which ultimately had a negative impact on relative performance. Namely, many companies within the sector sold off as a result of falling natural gas prices – which was partially driven by a decrease in demand due to the abnormally warm winter season across the northern hemisphere. Within the sector, Cheniere Energy, Inc. (0.8%), a U.S-based liquefied natural gas company, was a notable detractor. In addition to the aforementioned demand-related headwinds, shares of the stock sold off after company reported disappointing adjusted EBITDA in its last quarterly earnings print.
- Conversely, security selection within consumer discretionary was a primary contributor over the period despite a relatively tough quarter for the sector. Entering the quarter, many of the same headwinds that have plagued the sector throughout 2022 were still in place, including COVID lockdowns causing concerns about global economic growth and supply chain disruptions impacting the auto industry, among other areas. However, despite these headwinds, the Fund's position in LVMH Moet Hennessy Louis Vuitton SE (1.9%), a French multinational corporation specializing in luxury goods, was a standout contributor. LVMH has been a multi-year winner for us and has continued to benefit from a strong environment in luxury spend, as well as strong pricing power. China shifting away from its Zero COVID policy also brings another tailwind as tourism begins to open up.
- Also within the consumer discretionary sector, the portfolio's position in Next PLC (0.8%), a British brick and mortar retailer of affordable apparel, was also a notable contributor over the period. We believed the stock was oversold coming into the quarter and our thesis was confirmed after the stock price rallied in response to a favorable outlook from the company. Next has also developed a very strong e-commerce offering which further helps differentiate its offering relative to peers.

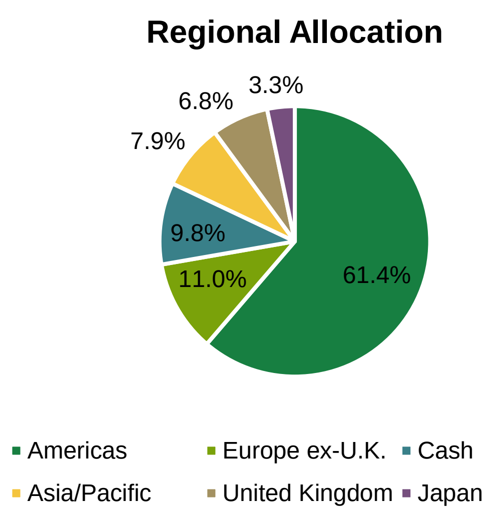
PORTFOLIO POSITIONING

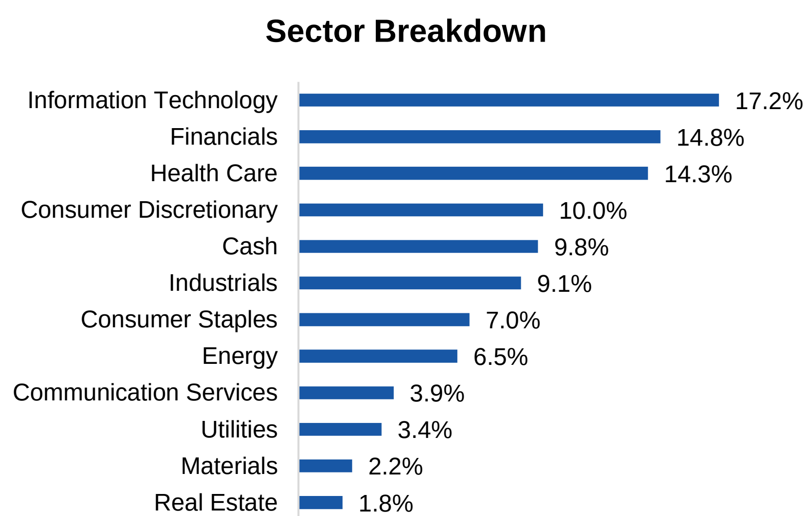
- Thematically, one of the most notable shifts in the portfolio over the quarter was an increase in exposure to Chinese companies. In our view, there were a number of catalysts that occurred over the period within China which ultimately appear to be positive. First, although there was initial concern surrounding what China would look like following President Xi's re-election, he has been, at least temporarily, far more pragmatic than anticipated – especially as it pertains to embracing the West and being less aggressive in relation to Taiwan. In addition, China's shift away from Zero-COVID will also ultimately improve consumption growth.
- As such, the portfolio is currently overweight China and we continue to add on margin, with the bulk of the holdings in consumer-facing areas of the market. We also continued to favor companies that exhibit superior pricing power, particularly within areas such as utilities and luxury goods. Our primary reductions over the quarter were predominantly within Big Tech stocks, as software, consumer electronics, and digital advertising all continue to face challenges.

OUTLOOK

- We still place most of our focus on individual companies and key themes we derive from intensive company research. With respect to the relative attractiveness of equities around the world, it is worth noting that valuations today are at the cheapest levels they have been since the depths of the global financial crisis, with P/E multiples having dipped briefly below 10x forward earnings in the fall before modestly rallying. While cheapness alone is not necessarily a reliable investment argument, when we look at the potentially improving macro backdrop and the potential for fundamental strength in higher quality areas of the market, we are getting increasingly optimistic.
- We have also begun to see evidence of a peaking US Dollar, which could provide an additional tailwind in the months ahead. From March 2021 – October 2022, the US Dollar Index appreciated substantially, which negatively impacted local returns from foreign stocks. One key driver of this relative strength was the higher interest rate environment in the US, driven by the Fed. However, as US inflation has shown some recent signs of fading while other economies around the world are seeing hotter inflation numbers, such as in the EU, we believe it is likely we will start to see their central banks ratchet up interest rate policies, potentially shifting the flow of capital and unwinding the dollar trade from the previous year.

- With that said, there are risks still abound; most notably, the uncertainty coming from rate hikes to address inflation and the continued risks from war in Europe, even if things may be getting “less bad” on a relative basis. Unlike some of the recent recoveries from economic and market downturns (e.g., 2003, 2009, 2020), it is important to note that there will almost certainly not be a global coordinated stimulus from fiscal and monetary authorities any time soon, meaning that a powerful beta / junk rally is unlikely. Instead, as the current bear market ends and a new bull market takes shape, it will likely be quality metrics, such as strong return on equity and healthy balance sheets, along with long-term competitive advantages and pricing power, that prove to be key factors in which companies outperform. As such, the portfolio has been tilted towards these types of resilient quality names, looking to preserve capital and manage risk-reward tradeoffs.





Portfolio Breakdown as of 12/31/2022. Regional Allocation and Sector Breakdown source: Lord Abbett.

Performance as of 12/31/2022

	4Q22	YTD	1 Year	3 Years	5 Years	Since Inception*
Net Asset Value (without sales charge)	8.22%	-19.03%	-19.03%	5.67%	6.16%	8.31%
Maximum Offering Price (with 5.75% sales charge)	1.99	-23.67	-23.67	3.60	4.90	7.23
MSCI All Country World Index	9.76	-18.37	-18.37	4.00	5.23	7.81
Morningstar World Large-Stock Blend[5]	10.44	-16.67	-16.67	4.08	4.91	--

*Since Inception Date: 1/17/2017

Expense Ratios: Gross: 3.53% Net: 0.90%

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.

[1]*Source: MSCI*

[2]*Factset*

[3]*Trading Economics*

[4]*The MSCI ACWI (All Country World Index) Index is a free float-adjusted market capitalization weighted index that is designed to measure the equity market performance of developed and emerging markets. Indexes are unmanaged, do not reflect the deduction of fees or expenses, and are not available for direct investment.*

[5]*Morningstar World Large-Stock Blend: World large-stock blend portfolios invest in a variety of international stocks and typically skew towards large caps that are fairly representative of the global stock market in size, growth rates, and price. World large stock blend portfolios have few geographical limitations. It is common for these portfolios to invest the majority of their assets in developed markets, with the remainder divided among the globe's emerging markets. These portfolios are not significantly overweight U.S. equity exposure relative to the Morningstar Global Market Index and maintain at least a 20% absolute U.S. exposure.*

A Note about Risk: The Fund invests primarily in foreign small and mid-cap company stocks, which tend to be more volatile and less liquid than U.S. or large cap company stocks. Foreign securities generally pose greater risks than domestic securities, including greater price fluctuations and higher transaction costs. Foreign investments may be affected by changes in currency rates or currency controls. With respect to certain foreign countries, there is a possibility of nationalization, expropriation or confiscatory taxation, imposition of withholding or other taxes, and political or social instability that could affect investments in those countries. These risks can be greater in the case of emerging country securities. Small and mid-cap companies may have more limited product lines, markets, or financial resources and typically experience a higher risk of failure than large cap companies. The Fund is subject to the risks associated with derivatives, which may be different from and greater than the risks associated with investing directly in securities and other investments. These factors can affect Fund performance.

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

The portfolio weights shown in parenthesis 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 02/28/2023. 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.

Indexes are unmanaged, do not reflect the deduction of fees and expenses, and are not available for direct investment.

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