LORD ABBETT®

FUND COMMENTARY – 3Q20

HIGH YIELD FUND

MARKET REVIEW

- The U.S. bond market, as measured by the Bloomberg Barclays Aggregate U.S. Bond Index (the "Aggregate" Index), was positive for the quarter, returning 0.62%.[1] The U.S. Treasury component of the Aggregate Index returned 0.18% during the quarter. Following the market bounce back in the second quarter, risk assets continued to rally in the first two months of the third quarter on the back of optimistic earnings reports for 2Q2020 and particularly strong gains in technology issues even as coronavirus cases continued to rise and several vaccine candidates entered Phase 3 trials, boosting overall sentiment. Investment grade corporate bonds[2] returned approximately 1.67% and experienced significant spread tightening early in the quarter before widening amid the rebound in volatility in September. Most risk assets fell meaningfully in September as market sentiment was driven lower amid political volatility related to the Supreme Court of the U.S. (SCOTUS) vacancy, heightened COVID-19 concerns in Europe, flaring U.S.-China tensions related to national security concerns, and heightened uncertainty leading up to the U.S. Presidential election.
- High yield bonds[3] posted positive performance in the third quarter. High yield spreads tightened 103 basis points from June month-end levels to 542 basis points at the end of September. Within the asset class, lower quality segments of the high yield market outperformed higher quality tiers. Bank loans[4] also posted positive returns for the quarter, performing in line with the high yield market.
- Over the third quarter, the U.S. Federal Reserve (Fed) announced a new approach to setting monetary policy, whereby the Fed will seek inflation that averages 2% over time. Under this new policy shift, the Fed will allow inflation to moderately overshoot the 2% goal following periods of weakness. Additionally, the new approach permits labor-market gains to reach more workers. The policy shift came about following years of too-low inflation.

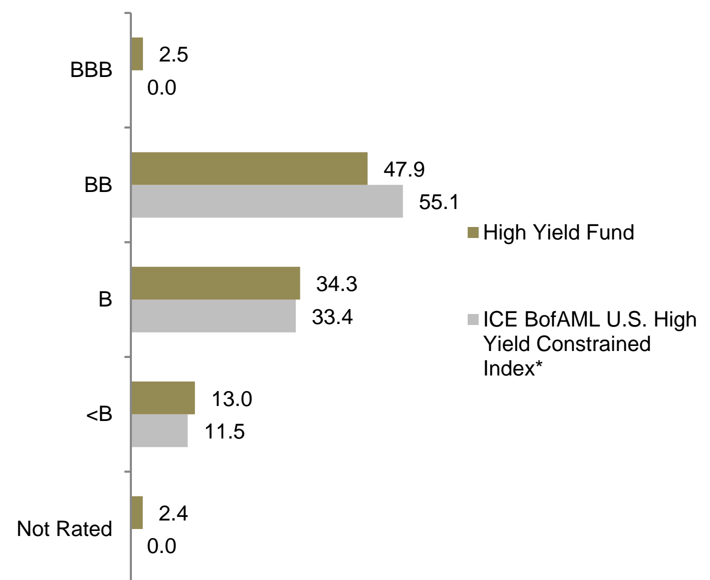
PORTFOLIO REVIEW

- The Fund returned 5.69%, reflecting performance at the net asset value (NAV) of Class A shares with all distributions reinvested, for the quarter ended September 30, 2020. The Fund's benchmark, the ICE BofA U.S. High Yield Constrained Index, returned 4.70% during the same period.
- Security selection within and an overweight allocation to the automotive sector contributed to relative performance. More specifically, the Fund's allocation to select automakers contributed to relative performance following strong sales trends, continued progress in achieving additional capacity, and better-than-expected earnings. Additionally, the Fund's allocation to convertible bonds contributed to relative performance as the asset class's equity-like return profile was advantageous throughout the predominantly risk-on environment. We have been expressing our view on the strength of innovation, most notably in health care and information technology, through select convertible bond issuers.
- Security selection within the transportation sector detracted from relative performance. Within the sector, select airlines underperformed the broader market as COVID-impacted sectors, such as travel-oriented industries, came under pressure in September following an increase in COVID-19 cases, specifically in Europe, and pessimism surrounding the possibility of additional fiscal stimulus. The Fund's allocation to bank loans also detracted from relative performance as the asset class performed worse than high yield bonds over the quarter against the low interest rate backdrop.

STRATEGY POSITIONING & OUTLOOK

- The Fund is overweight the basic industry sector, and more specifically the building and construction and building materials industries, as we have added to the portfolio's exposure in homebuilders and repair and remodeling companies. COVID-19 lockdowns coupled with dramatically decreased travel demand allowed consumers to transfer their spending from vacations to home upgrades. Additionally, historically low new mortgage and refinancing rates have served as stimulus to jump start renovations and move new home buyers off the sidelines.
- We continue to have a broadly constructive view on credit, and are positioning the Fund based on relative value, underlying fundamentals, and our top-down view. We are investing in the essential and nonessential industries that are benefiting from a continued reopening of the economy. The magnitude and scale of this global pandemic is causing some secular shifts even with the ultimate arrival of therapeutics and a vaccine. The Fund's positioning currently reflects this view as we are investing in companies and industries that we believe are better poised to adapt to and benefit from these structural economic changes. We are still waiting for better data on the health, economic and consumer behavioral fronts before we get more constructive in unsecured risk of directly affected sectors such as airlines and crowd-oriented leisure. However, we have begun to selectively add higher quality paper in these industries primarily, but not exclusively, to secured bonds where we believe our commitments are well collateralized.

CREDIT QUALITY DISTRIBUTION



*Source: ICE Data Indices, LLC.
Due to rounding, the percentage allocation of the portfolio breakdown may not equal 100%. Portfolio breakdown as of 06/30/20.

PERFORMANCE AS OF 9/30/2020

	3Q20	1 Year	3 Years	5 Years	10 Years
Net Asset Value (without sales charge)	5.69%	0.33%	2.45%	5.61%	6.31%
Maximum Offering Price (with 2.25% sales charge)	3.38	-1.93	1.66	5.14	6.06
ICE BofA U.S. High Yield Constrained Index	4.70	2.22	3.81	6.60	6.27
Morningstar High Yield Funds Average[5]	4.33	1.33	2.89	5.18	5.29

Expense Ratio: 0.91%

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]As represented by the Bloomberg Barclays U.S. Aggregate Bond Index as of 09/30/2020. [2]As represented by the ICE BofA U.S. Corporate (A-BBB) as of 09/30/2020. [3]As represented by the ICE BofA U.S. High Yield Constrained Index as of 09/30/2020. [4]As represented by the Credit Suisse Leveraged Loan Index as of 09/30/2020. [5]Source: Morningstar.

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 invests primarily 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 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.

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

Ratings (other than U.S. Treasury securities or securities issued or backed by U.S. agencies.) provided by Standard & Poor's, Moody's, and Fitch. For certain securities that are not rated by any of these three agencies, credit ratings from other agencies may be used. Where the rating agencies rate a security differently, Lord Abbett uses the median, but if there are only two ratings, the lower is used. 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. A portion of the portfolio's securities may not be rated. Breakdown is not an S&P credit rating or an opinion of S&P as to the creditworthiness of such portfolio. Ratings apply to the credit worthiness of the issuers of the underlying securities and not the fund or its shares. Ratings may be subject to change.

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. Instances of high double-digit returns were achieved primarily during favorable market conditions and may not be sustainable over time.

The ICE BofA Merrill Lynch U.S. High Yield Constrained Index is a capitalization weighted index of all U.S. dollar denominated below investment grade corporate debt publicly issued in the U.S. domestic market. Indexes are unmanaged, do not reflect the deduction of fees or expenses, and an investor cannot invest directly in an index.

ICE BofA Index Information:

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Morningstar High Yield Funds: High-yield bond portfolios concentrate on lower-quality bonds, which are riskier than those of higher-quality companies. These portfolios generally offer higher yields than other types of portfolios, but they are also more vulnerable to economic and credit risk. These portfolios primarily invest in U.S. high-income debt securities where at least 65% or more of bond assets 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.

The views and information discussed in this commentary are as of September 30, 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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