LORD ABBETT®

Fund Commentary **4Q23**

HIGH YIELD FUND

MARKET REVIEW

Fixed Income Market Review		
Yields and Spreads	**9/30/2023**	**12/31/2023**
2 Year U.S. Treasury Yield	5.04%	4.25%
10 Year U.S. Treasury Yield	4.57%	3.88%
2-10 U.S. 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	**QTD (as of 12/31)**	**YTD (as of 12/31)**
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 as of 12/31/2023.
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. U.S. Treasuries rallied sharply across the curve with the yield on the 2-year note down more than 75 bps (basis-points) to 4.25% and the yield on the 10-year note down 70 bps to 3.88%. 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 PCE (Personal Consumption Expenditures) 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] Performance was particularly favorable in the back half of the quarter with November and December being the two of the best months of high yield returns in 2023. 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 a modest uptick in default activity. This led to a modest increase in the high yield default rate over the quarter which finished the year at 2.84%.[4]

FUND REVIEW

- The Fund returned 6.85%, 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 ICE BofA U.S. High Yield Constrained Index*, returned 7.07% during the same period.

- Among the primary detractors from relative performance in the quarter was the Fund's overweight allocation to and security selection within the Energy sector. Overweight positions in the Exploration and Production (E&P) and Oil Field Equipment and Services subsectors came under pressure as oil prices declined more than 20% during the quarter. Security selection within the Insurance sector also detracted from relative performance. The Fund was underweight several issuers that outperformed the index following announcements of future M&A activity that led to appreciation in bond valuations. Relative performance was also affected by security selection within the Banking subsector. The Fund was overweight positions in several regional bank issuers that provided softer earnings guidance heading into 2024. The Fund also held several positions in bank loans that detracted from relative performance. While returns were positive overall, these positions trailed high yield bonds as interest rates declined which benefited more duration-sensitive fixed income securities. There were also several loans from issuers that experienced idiosyncratic credit concerns, which affected valuations.

- Credit selection within CCCs was a meaningful contributor to relative performance over the period as the Fund was underweight several issuers that faced idiosyncratic pressure and underperformed the index. These issuers were within sectors such as Telecommunications, Media and Packaging, which had experienced headwinds over the course of the year and had been more susceptible to corporate defaults relative to other sectors in the high yield index. Security selection within Technology and Electronics also contributed, specifically within subsectors like Software and Services where the Fund was overweight issuers that benefited from lower interest rates. The Fund also benefited from security selection within the Transportation and Automotive sectors. Within the Transportation sector, credit selection in Air Transportation and Infrastructure/Services subsectors contributed most as we were overweight companies that outperformed the benchmark, as well as underweight several issuers that underperformed from delays in merger activity. Within the Automotive sector, overweight positions in several Auto Parts manufacturers aided relative performance in response to company-specific positive news.

FUND POSITIONING

- **We continued to invest in shorter duration high yield credits that offer high carry.**

  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 allocation in lower-rated credits.**

  We increased the Fund's exposure to CCC credit throughout the period which we viewed as offering better relative value compared to higher-rated high yield bonds. We viewed that economic data in the U.S. such as lower inflation continued to support lower-rated tiers compared to higher-rated BBs which had relatively tight valuations. The CCC additions over the quarter were across various sectors such as Telecommunications and Media that demonstrated resilient performance, particularly in issuers where we had been meaningfully underweight. We have continued to monetize positions in BBs as a source of funds for these trades, targeting bonds with tight valuations or offering low coupons. We also continue to prioritize liquidity given market uncertainty.

- **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 of the quarter-end, the top sector overweight positions in the Fund included Basic Industry, Energy and Transportation. Fund underweights continued to be Healthcare, Media and Services, albeit more modest than in prior quarters.

- **The Fund maintained modest exposure to off-benchmark sectors.**

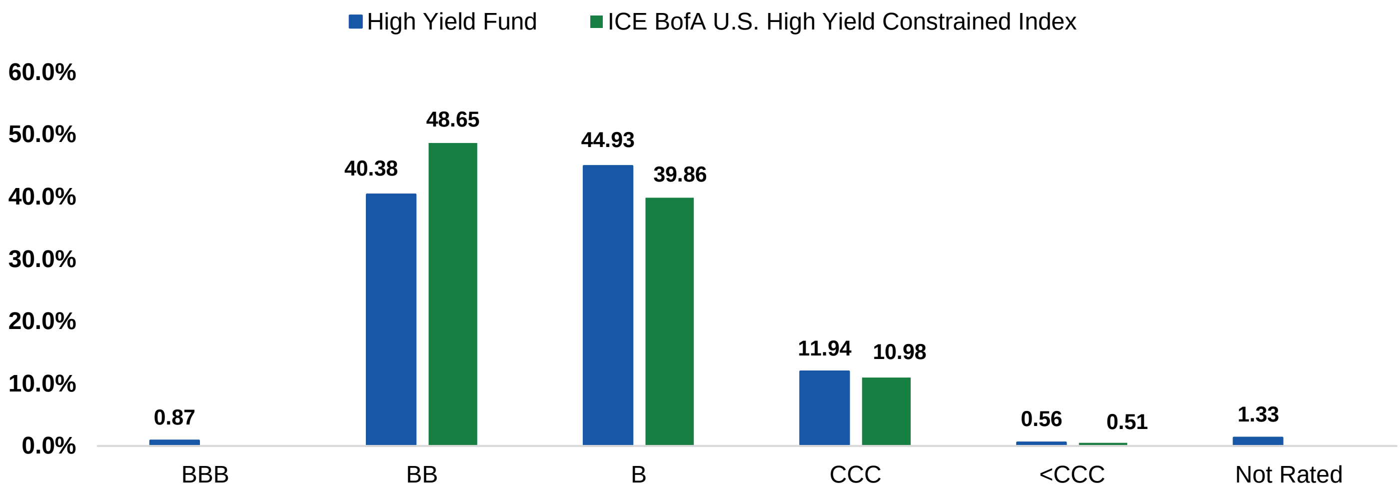
  We generally believe that select exposures to non-high yield sectors can offer attractive risk-reward opportunities, potential portfolio diversification benefits, and avenues for liquidity. While the Fund has the flexibility to toggle allocations to off-benchmark asset classes, such as bank loans and equities, we view traditional high yield corporate bonds as a better source of relative value compared to other sectors.

OUTLOOK

- **We view high yield as an opportunity to capture high-quality carry.**

  Yields, which have come down modestly following a strong quarter for high yield, are still near the highest levels seen in the last decade. We remain constructive in high yield credit 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.

CREDIT QUALITY DISTRIBUTION



*Index Data Source: ICE Data Indices, LLC. Due to rounding, the percentage allocation of the portfolio breakdown may not equal 100%. Portfolio breakdown as of 12/31/2023.

Performance as of 12/31/2023

	4Q23	1 Year	3 Years	5 Years	10 Years
Net Asset Value	6.85%	10.84%	0.60%	4.20%	4.11%
ICE BofA U.S. High Yield Constrained Index	7.07%	13.55%	2.05%	5.22%	4.52%
Morningstar High Yield Funds Average[5]**	6.23%	12.18%	1.95%	4.76%	3.73%

Expense Ratio: 0.70%.

** High Yield Funds Average data as of 12/29/2023, latest data available.

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 ICE BofA 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.

[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

[5] Source: Morningstar, as of 12/29/2023. **Morningstar High Yield Funds:** High-yield bond Funds concentrate on lower-quality bonds, which are riskier than those of higher-quality companies. These Funds generally offer higher yields than other types of Funds, but they are also more vulnerable to economic and credit risk. These Funds 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.

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 Fund is actively managed and is subject to change.

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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.

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