



# INTERNATIONAL EQUITY FUND

## MARKET REVIEW

- International markets rose 10.43% during the first quarter, as measured by the MSCI ACWI ex USA Index. Emerging markets (MSCI EM Index) advanced as well during the first quarter, but underperformed developed equity markets marginally, as represented by the MSCI EAFE Index, by 0.17%. In the past 12 months, developed markets have outperformed emerging markets by approximately 3.9%.<sup>1</sup>
- European and Asian manufacturing Purchasing Managers' Indexes (PMI) continued to fall on the quarter, with quarter end readings in the Eurozone and China indicating a contraction in the manufacturing economy. Continued U.S.-China trade tensions and uncertainty over Britain's exit from the European Union contributed to global trade uncertainty.<sup>2</sup>
- Central Banks turned increasingly dovish as a result of the more clouded economic outlook, and expectations for tighter monetary policy in the U.S. and Eurozone moderated over the quarter. The US Ten Year Bond Yield fell from a peak of 2.78% to 2.40%.<sup>3</sup>
- U.S. crude oil prices rose 32%, the biggest rise since 2009. Oil's upward move was triggered by OPEC's move to curb oil production, and U.S. producers sidelining drilling rigs in response to low oil prices early in the quarter.<sup>4</sup>

## PORTFOLIO REVIEW

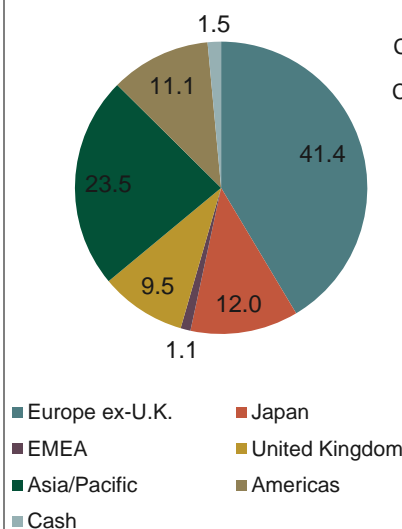
- The Fund returned 9.54%, reflecting performance at the net asset value (NAV) of Class A shares with all distributions reinvested, for the quarter ended March 31, 2019. The Fund's benchmark, the MSCI ACWI ex USA Index—Net Dividends, returned 10.31% in the same period.
- Security selection within the information technology sector detracted from performance. The Fund's underweight position in Samsung Electronics Company, Ltd. (1.2%), a South Korea based consumer electronics company, detracted from relative performance as markets responded positively to the company addressing their inventory oversupply due to a slowdown in data center sales.
- Security selection within the health care sector detracted from performance as shares of MorphoSys AG (0.5%) fell. The Germany based pharmaceutical company fell mainly due to concerns around a recent drug trial design modification and partly due to a CEO retirement.
- Security selection within the financials sector contributed to performance. Shares of AIA Group Ltd.(2.1%), a Hong Kong based life insurance company, rose as the company received approval to sell their products in more regions in China, effectively increasing their addressable base by 25%.
- Security selection within the materials sector contributed to performance. Shares of BHP Group Ltd. (1.8%), the Australia based metals and mining company rose as it benefited from the Vale dam breach in Brazil which led to a significant increase in the price of iron ore.

## STRATEGY POSITIONING & OUTLOOK

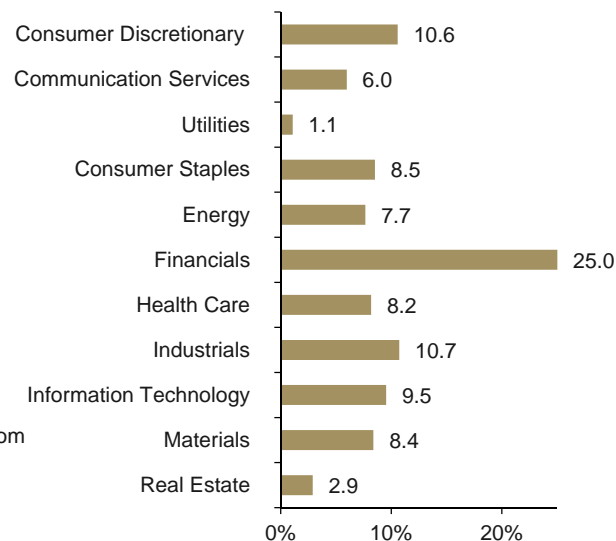
- The Fund is overweight in the financials sector where we favor insurance companies globally. We believe Asia-based insurance companies have strength in their brands, their technology, as well as their growth prospects. In Europe, the insurance firms are well capitalized, are returning capital to shareholders and still have levers to pull on efficiency. The Fund is also overweight in the materials sector which would be a beneficiary of a resolution of the U.S.-China trade war and potential reacceleration of global growth given the change in U.S. monetary policy.
- We increased the portfolio's allocation to the information technology sector where we favor semiconductor manufacturers. We increased positions in Samsung and ASML. ASML is the world leader in lithography, which is the future of a shrinking footprint of semiconductors.
- We increased the portfolio's allocation to the energy sector in anticipation of a further recovery in the price of oil as well in the stability of the commodity. With OPEC maintaining their discipline, and issues arising in the U.S. shale market, the oil market has grown tighter.
- Key identifiable risks include the potential for a generalized global economic slowdown, a significant deceleration of the Chinese economy, and a disruption in global supply chains as a result of the lack of a Sino-U.S. trade agreement and the potential of a hard Brexit.

### REGIONAL/SECTOR WEIGHTS\*

#### Regional Allocation



#### Sector Allocation



Portfolio Breakdown as of 03/31/2019

\*Regional Allocation source: Lord Abbett and Bloomberg. Sector Breakdown source: Wilshire. Sector allocations exclude cash therefore Fund percentage allocations may not equal 100%.

## PERFORMANCE AS OF 03/31/2019

	1Q19	1 Year	3 Years	5 Years	10 Years
Net Asset Value (without sales charge)	9.54%	-9.47%	4.25%	-0.25%	6.96%
Maximum Offering Price (with 5.75% sales charge)	3.22	-14.66	2.28	-1.34	6.25
MSCI ACWI ex USA Index—Net Dividends	10.31	-4.22	8.09	2.57	8.85
Lipper International Multi-Cap Core Funds Average <sup>5</sup>	9.91	-5.71	6.42	2.01	8.60

Expense Ratio: 1.17%

**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>Source: MSCI <sup>2</sup>Source: IHS Markit, Manufacturing and Trade Act As Drags on Global Economy <sup>3</sup>Source: nytimes.com, Dollar Rises as More Central Banks Turn Dovish, Defies Lower Treasury Yields <sup>4</sup>Source: wsj.com, Oil Rises Above \$60 for Largest Quarterly Gain Since 2009 <sup>5</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 and/or sectors in the economy. The foreign securities in which the Fund primarily invests generally pose greater risks than domestic securities, including greater price fluctuations and higher transaction costs. Foreign investments also 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. Investments in either growth or value stocks may shift in and out of favor for long periods of time, depending on market and economic conditions. 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 02/29/2020. 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 MSCI ACWI (All Country World Index) ex-U.S. Index** is a subset of the MSCI ACWI Index. 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. The MSCI ACWI Ex-U.S. Index with Gross Dividends approximates the maximum possible dividend reinvestment. The amount reinvested is the entire dividend distributed to individuals residing in the country of the company, but does not include tax credits. The MSCI ACWI Ex-U.S. Index with Net Dividends approximates the minimum possible dividend reinvestment. The dividend is reinvested after deduction of withholding tax, applying the rate to non-resident individuals who do not benefit from double taxation treaties. MSCI uses withholding tax rates applicable to Luxembourg holding companies, as Luxembourg applies the highest rates.

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

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**Lipper International Multi-Cap Core 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. Source: Lipper Analytical Services.

The views and information discussed in this commentary are as of March 31, 2019, 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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