



# INTERNATIONAL VALUE 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 U.S. ten year Treasury bond's 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>

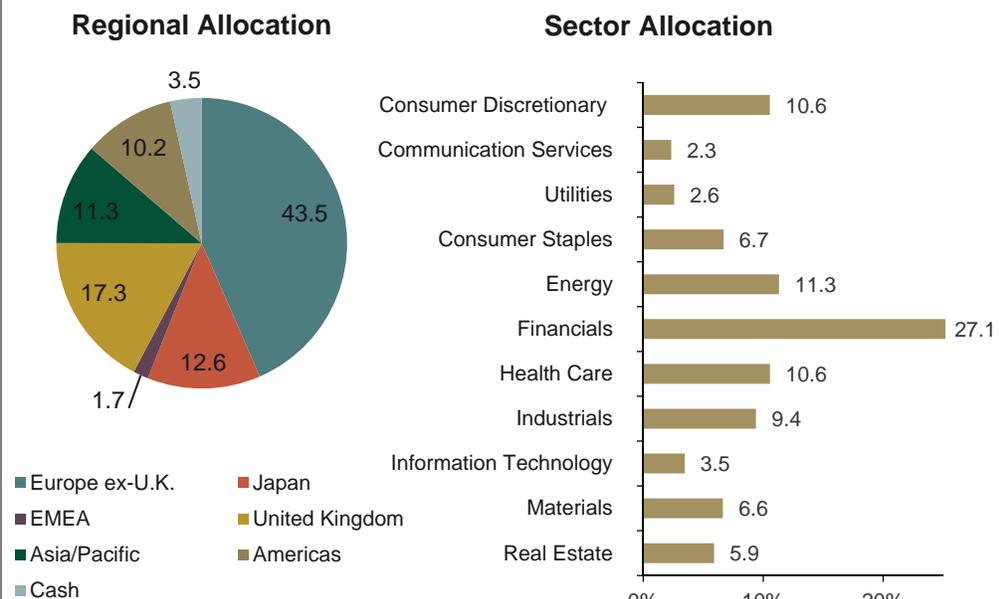
## PORTFOLIO REVIEW

- The Fund returned 7.27%, 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 EAFE Value Index, returned 7.92% in the same period.
- Security selection within the consumer discretionary sector detracted from performance. The Fund's position in TUI AG (1.0%), a Germany-based tour operator and owner of hotels and cruise ships, hurt performance as the company reduced its profit outlook due to lower than anticipated margins in the tour operator business amid increased competition and a slowing macro-economic backdrop.
- An underweight allocation to the materials sector detracted from performance on a relative basis. Materials was one of the best performing sectors during the period, as commodity prices rose significantly in a short period of time, with the broad CRB index up 8%.
- Security selection within the financials sector contributed to performance. Shares of Royal Bank of Scotland (1.9%), a United Kingdom-based bank, rose, reflecting more benign Brexit outcomes and higher expectations of significant capital returns.
- Security selection within the energy sector contributed to performance, as an overweight position in oil company Lukoil Pjsc (1.8%) contributed most. The Russian energy company's strong free cash flow generation was used to accelerate the company's share buyback program.

## STRATEGY POSITIONING & OUTLOOK

- The fund is overweight the energy sector, where we see a combination of strong free cash flows and attractive valuation. The strategy remains overweight the health care sector, with an emphasis on European pharmaceuticals, given their improving organic growth rates and reasonable valuation.
- The Fund is underweight in the financials sector, driven by our underweight in banks in multiple geographies. The Fund is also underweight in the utilities sector as increasingly competitive renewable generation technologies enter the system and energy efficiency efforts slow demand growth for conventional power generation.
- Global equity markets have rallied sharply year to date, driven by a more dovish U.S. Federal Reserve, hopes for an easing of the U.S.-China trade battle, and signs of increased Chinese economic stimulus. We continue to see value opportunities across both Europe/U.K. and Asia-Pacific, with many cyclical companies trading a close to trough valuation levels.
- Key identifiable risks include an escalation in the ongoing U.S.-China trade disputes, a prolonged Brexit process which increases economic uncertainty, and a negative global growth surprise.

### REGIONAL/SECTOR WEIGHTS\*



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)	7.27%	-8.90%	3.76%	-1.28%	6.97%
Maximum Offering Price (with 5.75% sales charge)	1.13	-14.11	2.00	-2.30	6.17
MSCI EAFE Value Net Index	7.92	-6.13	6.90	0.67	8.12
Lipper International Equity Income Funds Average <sup>5</sup>	8.59	-8.89	5.23	0.36	7.49

**Expense Ratios:** Gross: 1.14%; Net: 1.12%

**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.**

Effective September 30, 2018, the Lord Abbett International Dividend Income Fund changed its name to Lord Abbett International Value Fund, and changed its investment strategy. Therefore, the performance of the Fund for periods prior to September 30, 2018 is not representative of the Fund's current investment strategy. The change in investment approach may affect the Fund's performance.

<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 EAFE Value Index** captures large and mid-cap securities exhibiting overall value style characteristics across Developed Markets countries around the world, excluding the US and Canada. **Gross Dividends** approximates the maximum possible dividend reinvestment. The amount reinvested is the entire dividend distributed to individuals resident in the country of the company, but does not include tax credits. **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 or expenses, and are not available for direct investment.

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**Lipper International Equity Income 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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**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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