



INFLATION INCOME 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 12/31/23)	YTD (As of 12/31/23)
Bloomberg Aggregate Index Return	6.82%	5.53%
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. **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 corporate credit spreads and a decline in bond yields. U.S. Treasuries rallied sharply across the curve with the yield on the 2-year note down more than 75 basis points (bps) to 4.25% and the yield on the 10-year note down approximately 70 bps to 3.88%.¹
- Over the quarter, short-term investment grade corporates² spreads tightened by 14 bps, while short-term asset-backed securities (ABS)³ spreads widened by 1 bp and short-term commercial mortgage-backed securities (CMBS)⁴ spreads widened by 15 bps.
- The 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 personal consumption expenditures (PCE) 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, culminated in a bullish sentiment across the equity markets.¹

PORTFOLIO REVIEW

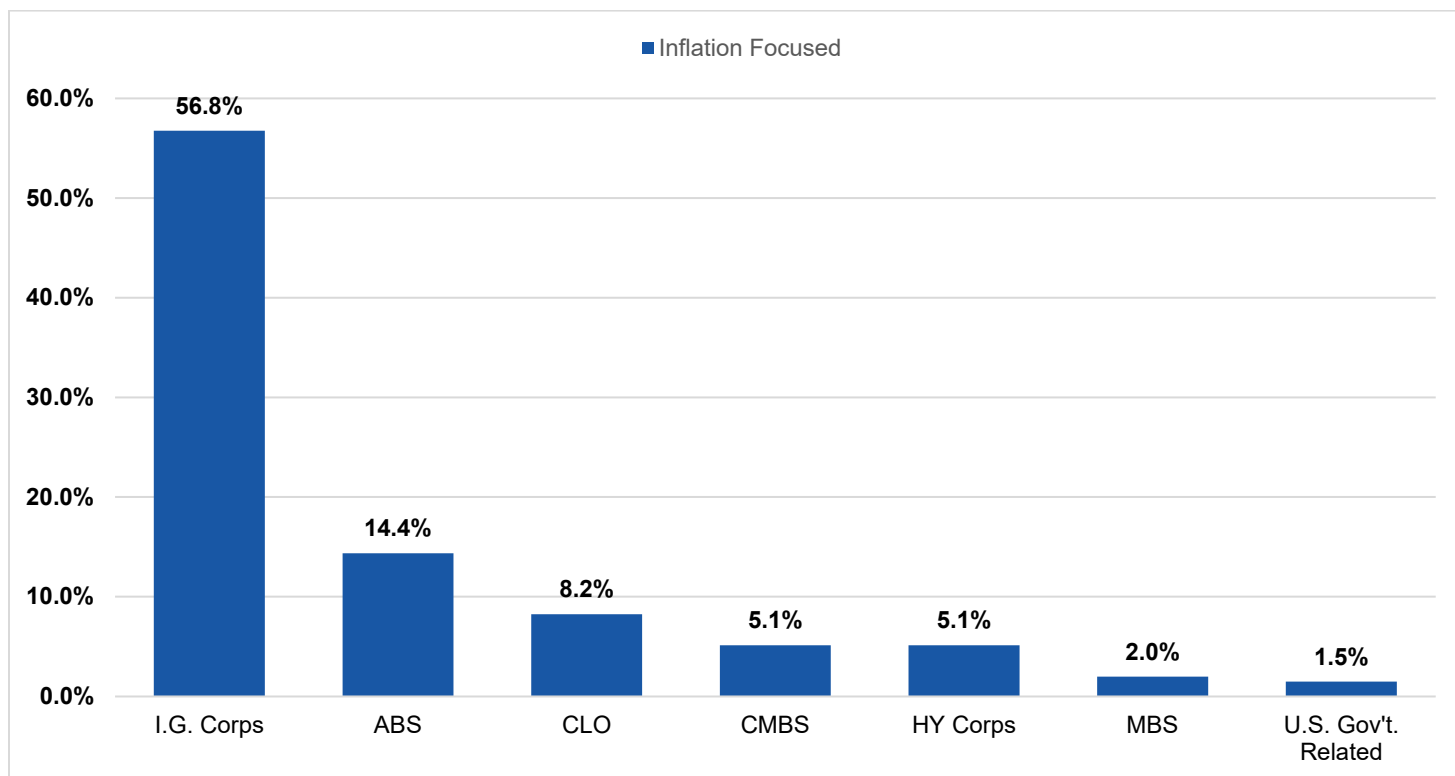
- The Fund returned 2.76%, reflecting performance at the net asset value (NAV) of Class I shares with all distributions reinvested, for the quarter ended December 31st, 2023. The Fund's benchmark, the Bloomberg U.S. TIPS 1-5 Year Index*, returned 2.89% during the same period.
- The Fund maintains an allocation to CPI Swaps designed to protect investors' purchasing power during periods of rising inflation. As inflation expectations decreased, particularly in the back half of the quarter, the Fund's inflation protection led to a negative impact on performance.
- The portfolio's allocation to commercial mortgage-backed securities (CMBS) detracted from relative performance, particularly within single-asset, single borrower (SASB) securities, as concerns about commercial real estate fundamentals



continue to weigh on the market. Although valuations are compelling, we remain cautious about certain segments of the market and continued to reduce the portfolio's overall exposure to CMBS over the period. A significant amount of pressure has been priced into the market this year and we believe our positions are in a strong position to weather future fundamental deterioration. We maintain a high bar to add new positions, with a preference for high quality, liquid names.

- Over the quarter, the 2-year U.S. Treasury yield moved lower from 5.04% to 4.25%, particularly in the November and December. Therefore, the portfolio's longer duration relative to the benchmark contributed to relative performance over the period.
- The Fund's allocation to investment grade corporate bonds led to a positive impact on relative performance as corporate credit spreads tightened. In particular, an allocation to the Financial sector contributed to relative returns. We remain conservatively positioned in Financials, overweight large U.S. money center banks and European national champion banks, which we feel are particularly attractive in the current environment. The bank debt the portfolio holds is focused on institutions that have strong deposit franchises with robust credit cultures and strong management teams. We increased the portfolio's exposure to investment grade corporate bonds over the period, primarily within the Financial sector.
- The portfolio's multi sector approach provided diversification benefits and contributed to relative returns, particularly within collateralized loan obligations (CLO) and asset-backed securities (ABS). Our CLO allocation is very short in maturity, highly rated, and exhibits low spread volatility. In regard to ABS, we continue to favor high-quality securities within the auto loan and consumer loan sectors, focusing on newly originated loans with superior underwriting. We modestly increased allocations to both sectors over the quarter.
- The short-term, high yield allocation also contributed to relative performance over the quarter given significant spread compression in below-investment grade credit. Although our allocation to high yield corporate bonds is near historic lows given the reduced availability of yield-to-call names, we continue to seek opportunities in higher quality parts of the market, such as Energy, and idiosyncratic situations associated with mergers or credit events.

Sector Allocation as of 12/31/2023



**Source. Sector allocations exclude cash therefore Fund percentage allocations may not equal 100%. As of 12/31/2023

**Performance as of 12/31/2023**

	4Q23	1 Year	3 Years	5 Years	10 Years
Net Asset Value (without sales charge)	2.76%	4.21%	3.17%	4.14%	1.87%
Bloomberg U.S. TIPS 1-5 Year Index*	2.89%	4.44%	1.92%	3.29%	1.94%
Morningstar Inflation-Protected Bond⁵	4.25%	2.82%	-0.76%	2.93%	1.98%

Expense Ratios: 0.47%.

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 Bloomberg Barclays U.S. 1-5 Year TIPS Index is an unmanaged index comprised of U.S. Treasury Inflation Protected Securities with at least \$1 billion in outstanding face value and a remaining term to final maturity of at least 1 year and less than 5 years

¹Factset as of 12/31/2023

²As represented by the ICE BofA US Corporate (1-3 Y) Index as 12/31/2023

³As represented by the Bloomberg US ABS Composite (1-3 Y) Index as 12/31/2023

⁴As represented by the Bloomberg US CMBS Investment Grade (1-3.5 Y) Index as of 12/31/2023

⁵Morningstar Inflation Protected Bonds Funds - Inflation-protected bond portfolios invest primarily in debt securities that adjust their principal values in line with the rate of inflation. These bonds can be issued by any organization, but the U.S. Treasury is currently the largest issuer for these types of securities

A Note about Risk: The Fund is subject to the general risks associated with investing in fixed income securities, including market, credit, liquidity, and interest rate risk. The value of an investment in the Fund will change as interest rates fluctuate in response to market movements. When interest rates rise, the prices of debt securities are likely to decline, and when interest rates fall, the prices of debt securities tend to rise. The Fund may invest in high yield, lower-rated debt securities, sometimes called junk bonds and may involve greater risks than higher rated debt securities. 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.

The credit quality of the securities in a portfolio are assigned by a nationally recognized statistical rating organization (NRSRO), such as Standard & Poor's, Moody's, or Fitch, as an indication of an issuer's creditworthiness. 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.

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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An **asset-backed security (ABS)** is a type of financial investment that is collateralized by an underlying pool of assets—usually ones that generate a cash flow from debt, such as loans, leases, credit card balances, or receivables.

Mortgage-backed securities (MBS) are variations of asset-backed securities that are formed by pooling together mortgages exclusively.

Commercial mortgage-backed securities (CMBS) are fixed-income investment products that are backed by mortgages on commercial properties rather than residential real estate.

A **collateralized loan obligation (CLO)** is a single security backed by a pool of debt. Collateralized loan obligations (CLO) are often backed by corporate loans with low credit ratings or loans taken out by private equity firms to conduct leveraged buyouts.

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