INFLATION FOCUSED FUND

MARKET REVIEW

- Risk assets generally rallied during the quarter, but experienced a setback in May, as heightened U.S.-China trade tensions and global growth concerns roiled markets. Dovish U.S. Federal Reserve (“Fed”) posture and optimism towards reaching a trade deal during the G20 Summit talks contributed to a rally in June. The U.S. equity market, as defined by the S&P 500 Index, experienced the strongest June performance since 1955, returning over 7%.1
- Rates fell sharply across the yield curve, with the front-end of the curve experiencing a larger drop than the long-end of the curve. The 2-year Treasury and 10-year Treasury yields finished the quarter at 1.75% and 2.00%, respectively.2
- Fixed income markets were positive across the board. The general U.S. bond market, as measured by the Bloomberg Barclays U.S. Aggregate Bond Index, was positive for the quarter (+3.08%).3 A sharp decline in rates led to positive returns for Treasuries, while the decline in rates along with tightening credit spreads led to positive returns within the investment grade credit space. High yield corporate bonds experienced positive returns, although spreads widened slightly during the period due to weakness in the CCC segment.4

PORTFOLIO REVIEW

- The Fund returned 0.41%, reflecting performance at the net asset value (NAV) of Class A shares with all distributions reinvested, for the quarter ended June 30, 2019. The Fund’s benchmark, the Bloomberg Barclays U.S. 1-5 Year TIPS Index,5 returned 1.81% during the period.
- The Fund’s exposure to Consumer Price Index ("CPI") swaps detracted from performance as inflation expectations significantly fell during the quarter, primarily due to the decline in oil prices, which was driven by fears of a slowing global economy, high U.S. inventory levels, and the U.S.-China trade conflict.
- In the underlying bond portfolio, security selection within investment grade corporate bonds was the primary contributor to relative performance during the quarter. In particular, selection to “BBB” rated corporate bonds and bonds within the financials sector that are undergoing corporate changes have aided performance. We remain attracted to securities within the financials sector due to their strict regulations, strong balance sheets, more conservative management teams, and improved quality relative to the pre-crisis period.
- The Fund’s allocation to commercial mortgage-backed securities ("CMBS") also contributed to performance. High quality CMBS produced positive returns during the quarter, as CMBS delinquency rates remained benign and refinancing activity is expected to be muted during the next several months.
- The Fund’s allocation to high yield corporate bonds was the primary detractor from relative performance during the period. Specifically, allocation to high yield corporate bonds within the energy sector detracted from performance, as these securities were negatively affected by the decline in crude and natural gas prices in the beginning of the quarter.

STRATEGY POSITIONING & OUTLOOK

- This strategy combines a short-term bond portfolio with an overlay of CPI swaps in order to hedge against inflation over a full market cycle.
- Following the volatility and spread widening that occurred in May, we increased the underlying bond portfolio’s allocation to investment grade corporate bonds, focusing on the "BBB" credit tier. Given our views on an accommodative Fed policy, we believe further spread tightening will occur. We continue to favor securities within the financials and utilities sectors. We have also increased the Fund’s allocation to the consumer staples sector, as we believe this sector will be protected in the event of a recessionary environment. Although we believe event risks associated with merger and acquisition activity exist within the sector, we are focusing on issuers that are unlikely to undergo additional leveraging events.
- Following the significant tightening in CMBS spreads, we reduced the Fund’s allocation to the asset class. While we maintain a positive outlook in the commercial real-estate sector and find attractive relative value, particularly within single-asset, single-borrower deals, we reduced the Fund’s positioning to take advantage of opportunities within other asset classes, as we do not foresee CMBS spreads accelerating at the same rate.
- We are closely monitoring the risks to the Fund, including U.S.-China trade tensions, the weakening of consumer confidence, and the downturn of soft economic indicators. However, we believe that the Fed’s accommodative actions will support modest spread tightening.

![5-Year Breakeven Inflation Rate (%)](image-url)

Source: Federal Reserve Bank of St. Louis as of 6/30/2019.
### Performance As of 6/30/2019

<table>
<thead>
<tr>
<th></th>
<th>2Q19</th>
<th>YTD</th>
<th>1 Year</th>
<th>3 Years</th>
<th>5 Years</th>
<th>Since Inception(^2)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net Asset Value (without sales charge)</td>
<td>0.41%</td>
<td>3.02%</td>
<td>0.34%</td>
<td>3.18%</td>
<td>-0.39%</td>
<td>0.54%</td>
</tr>
<tr>
<td>Maximum Offering Price (with 2.25% sales charge)</td>
<td>-1.81</td>
<td>0.71</td>
<td>-1.90</td>
<td>2.40</td>
<td>-0.84</td>
<td>0.25</td>
</tr>
<tr>
<td>Bloomberg Barclays U.S. 1-5 Year TIPS Index(^5)</td>
<td>1.81</td>
<td>3.60</td>
<td>3.41</td>
<td>1.60</td>
<td>0.91</td>
<td>0.98</td>
</tr>
<tr>
<td>Lipper Inflation Protected Bond Funds Average(^6)</td>
<td>2.35</td>
<td>5.51</td>
<td>3.87</td>
<td>1.94</td>
<td>1.09</td>
<td>1.74</td>
</tr>
</tbody>
</table>

**Expense Ratio:** 0.66%

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.


**A Note about Risk:** Although the Fund invests in inflation-linked investments, there is no guarantee that the Fund will generate returns that exceed the rate of inflation in the U.S. over time. During periods of deflation or when inflation is lower than anticipated, the Fund is likely to underperform funds that hold fixed income securities similar to those held by the Fund but do not hold inflation-linked investments. The Fund may invest substantially in inflation-linked derivatives and other types of derivatives and is exposed to the risk that the value of a derivative instrument does not move in correlation to the value of an underlying security, market index or interest rate, or moves in an opposite direction than anticipated by the Fund. Investing in derivatives also involves greater liquidity, leverage, and counterparty risk. Because derivatives may involve a small amount of cash relative to the total amount of the transaction, the magnitude of losses from derivatives may be greater than the amount originally invested by the Fund. In addition, the Fund must also be able to correctly forecast market movements and other factors to be successful with its derivatives investments. The Fund is subject to the general risks associated with investing in fixed income securities, including market, credit, liquidity, and interest rate risk. These factors can affect the Fund’s 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.

Performance with sales charges reflects the reinvestment of all distributions and includes initial maximum sales charge. 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 **Bloomberg Barclays U.S. 1-5 Year TIPS Index** (also known as Bloomberg Barclays 1-5 Year U.S. Inflation-Linked Treasury 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. Indexes are unmanaged, do not reflect the deduction of fees or expenses, and an investor cannot invest directly in an index.

The **Lipper Inflation Protected Bonds Funds** category invests primarily in inflation-indexed fixed income securities. Inflation-linked bonds are fixed income securities that are structured to provide protection against inflation.

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