



NATIONAL TAX FREE FUND

MARKET REVIEW

| Municipals Market Review | QTD | YTD |
|---|--------|-------|
| Bloomberg Municipal Bond Index | 7.89% | 6.40% |
| Bloomberg High Yield Municipal Bond Index | 9.21% | 9.21% |
| Bloomberg Municipal Bond Index (2-4) | 3.61% | 3.46% |
| Bloomberg Municipal Bond Index (8-12) | 7.47% | 5.78% |
| Bloomberg Municipal Bond Index (22+) | 11.61% | 9.35% |
| Bloomberg Municipal Bond (AAA) | 8.35% | 5.80% |
| Bloomberg Municipal Bond (AA) | 7.62% | 5.92% |
| Bloomberg Municipal Bond (A) | 7.96% | 7.34% |
| Bloomberg Municipal Bond (BAA) | 9.19% | 8.93% |

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.

- The municipal market, as represented by the Bloomberg Municipal Bond Index, returned 7.89% during the fourth quarter of 2023. Returns for October, November and December were -0.85%, 6.35% and 2.32%, respectively.
- Municipal bonds experienced pressure at the beginning of the quarter as yields rose due to uncertainty around inflation and future monetary policy. However, in early November, the municipal market rallied significantly amid less hawkish communications by the U.S. Federal Reserve (the Fed) and signs of easing inflation. November's return was one of the best monthly performances for the market since the 1980s. In December, the positive momentum continued as it appeared the Fed's reaction function decidedly shifted from price levels to full employment and economic growth.
- Given the decline in yields across the curve¹ over the quarter, long-dated municipal bonds outperformed the short end of the curve. The municipal curve steepened over the period, as short-term yields declined more than long-term yields, and closed the year with a positive slope of 90 bps from 2 to 30 years, compared to a slope of -27 bps for U.S. Treasuries. The 10- to 20-year section of the municipal curve also steepened over the quarter by 10 bps and currently has a slope of 80 bps.¹
- In terms of sectors, the more rate-sensitive Health Care and Housing sectors outperformed, while the Industrial Development (IDR) sector lagged.²
- Within investment grade municipals, BBB-rated bonds outperformed, primarily due to the lower quality segment's longer duration, while AA-rated bonds trailed. High yield municipal bonds, as represented by the Bloomberg High Yield Municipal Bond Index, outperformed investment grade bonds, and returned 9.21% in the fourth quarter even though credit spreads widened.²
- According to Lipper data³, municipal bond funds experienced modest outflows in the fourth quarter, partially due to tax-loss selling, and calendar year 2023's net flows were approximately -\$16 billion. While mutual fund flows ended the year slightly negative, outflows were much less than the levels experienced last year. For context, over \$121 billion was pulled from municipal bond funds in 2022. Separately managed accounts continued to experience strong demand throughout the quarter and exchange traded funds registered inflows.



- Total municipal issuance in the fourth quarter continued to be elevated relative to in the first half of the year and the same period in 2022. For calendar year 2023, tax-exempt supply was 4% higher than 2022 and roughly equal to the 5-year average, while taxable supply was down 36% versus 2022 and 63% lower than the 5-year average.³

PORTFOLIO REVIEW

- The Fund returned 8.13%, 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 Bloomberg Municipal Bond Index⁴, returned 7.89% during the same period.
- The primary contributor over the quarter was duration positioning. While rates moved higher to start the period, municipal yields rallied significantly in November and December amid signs of disinflation and less hawkish communications by the Federal Reserve. Therefore, the Fund's longer duration relative to the benchmark contributed to relative returns.
- Security selection detracted from relative returns, mainly within the Transportation and Health Care sectors. Within the Transportation sector, selection of various bonds with less call protection detracted with the rates rally.
- The Fund's sector allocation had a negligible impact on relative returns. While an overweight to the Health Care and Industrial Development sectors dragged on relative performance, allocations to the Special Tax, General Obligation, Tobacco, Transportation and Education sectors led to a positive impact and offset this.

STRATEGY POSITIONING

- Given the rate volatility, we have been selling callable bonds priced close to par to improve convexity, positioning the portfolio to have higher probabilities of performing better in a wide range of interest rate scenarios. Along the same lines, we have been buying bonds with higher coupons and longer call protection to position in more favorable structures.
- We continue to focus on the most attractive segments of the yield curve from a total return and roll down perspective, while selling flatter segments of the curve or maturities that do not provide much incremental yield for added risk.
- We remain overweight the lower quality tiers of investment grade, which show attractive relative value, and maintain a modest exposure to non-investment grade bonds relative to the all-investment grade benchmark. We believe this will help drive outperformance over the long term.
- We added to prepaid gas bonds over the quarter given elevated supply. We feel that these high-quality bonds trade at attractive credit spreads compared to similarly rated debt. Additionally, gas bonds typically have a high degree of liquidity given their larger buyer base outside of tax exempt investors.
- We continue to have a positive view on the Transportation sector. Transportation systems continue to see volume recovery driven by positive economic growth and low unemployment. Toll roads and airports can charge higher rates to offset rising costs, and volumes have generally returned to or close to pre-pandemic levels. Although we are still seeing some pockets of stress in transit, federal and state governments have generally been providing additional relief to offset lower utilization, and funding from the Bipartisan Infrastructure Law could provide hundreds of billions for infrastructure investment.

OUTLOOK

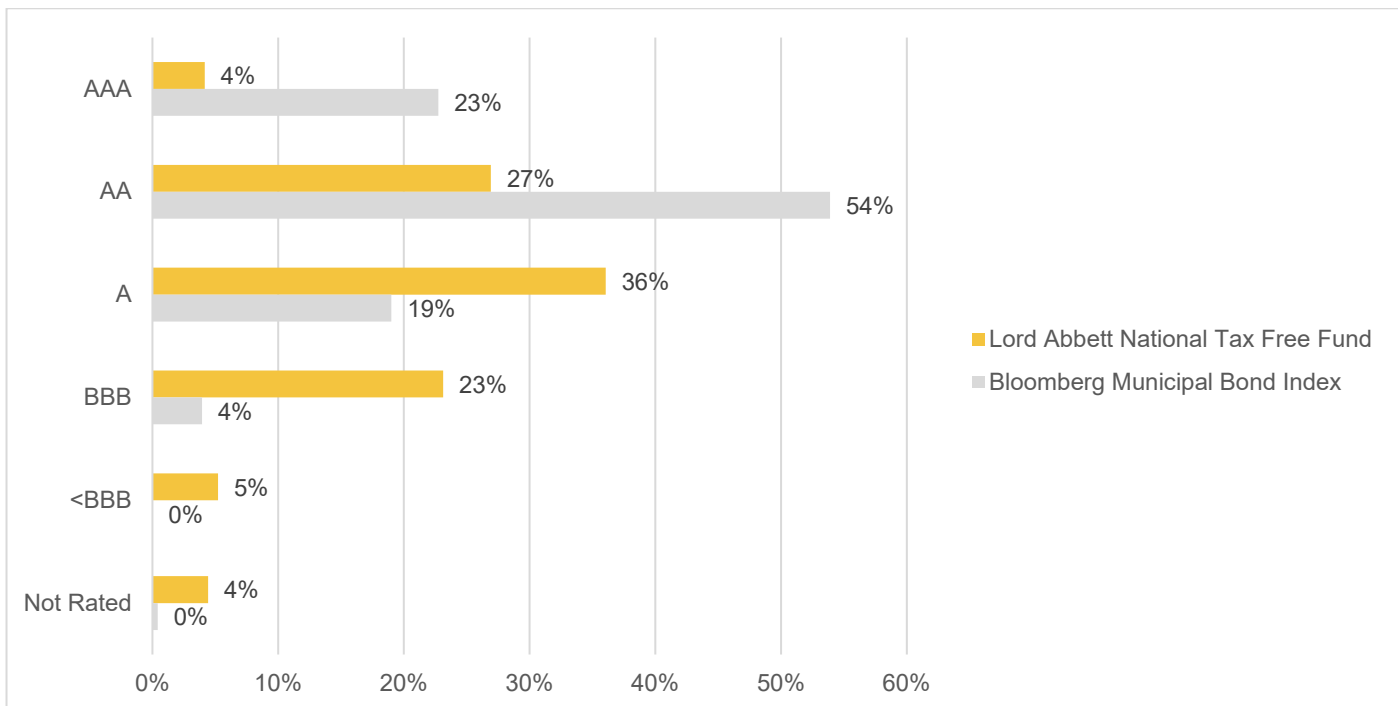
- Even after the significant rally at the end of 2023, the yield of the Bloomberg Municipal Bond Index is near levels not seen since the heights of the "taper tantrum" in 2013.
- These higher yields allow for performance potential not seen for most of the last decade, and provides cushion for total returns should rate volatility continue. Although municipal bonds generated positive performance in 2023, the market



has not fully recovered from the 2022 repricing, and we believe the current environment continues to provide attractive opportunities.

- As rate volatility declines, we expect a continued recovery in demand. We believe supply to pick up somewhat in 2024, though it likely will remain below average given the higher level of rates and significant reserves of municipal issuers.
- We believe the fundamental backdrop of the municipal market will remain resilient. Although year-over-year growth of tax receipts slowed for parts of the country in 2023, tax collections are coming off historic high levels in 2022. Municipal credit-rating upgrades significantly outpaced downgrades overall in 2023, and while we expect the positive momentum to continue into the New Year, we believe this trajectory will slow somewhat. Finally, we expect that municipal defaults will remain very low and isolated to specific sectors of the high yield segment.
- We are paying close attention to broader secular trends that began during pandemic, such as the deterioration of fundamentals in sectors of commercial real estate and the resulting effects on tax collections by local governments; hybrid working arrangements and their impact on mass transit passenger volumes; and the broader demographic shifts impacting higher education, among other areas. So far, these risks appear contained and idiosyncratic, leaving broad fundamental strength as the primary driver of performance in 2024.

Credit Quality Distribution



Source: Lord Abbett and Bloomberg, as of 12/31/2023

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

| | 4Q23 | 1 Year | 3 Years | 5 Years | 10 Years |
|---|-------|--------|---------|---------|----------|
| Class I Share at Net Asset Value | 8.13% | 7.79% | -1.20% | 2.10% | 3.51% |
| Bloomberg Municipal Bond Index⁴ | 7.89 | 6.40 | -0.40 | 2.25 | 3.03 |
| Morningstar Muni National Long Funds Average⁵ | 8.58 | 6.97 | -1.06 | 1.96 | 3.03 |

Expense Ratio: 0.50%¹ MMD AAA GO Yields² Barclays as of 12/31/2023³ JPM Markets as of 12/31/2023

⁴ Bloomberg. **The Bloomberg Municipal Bond Index** is a rules-based, market-value-weighted index engineered for the long-term tax-exempt bond market. An index is unmanaged, does not reflect the deduction of fees or expenses, and is not available for direct investment.

⁵ Morningstar. **Morningstar Muni National Long 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.

The Bloomberg High Yield Municipal Bond Index covers the universe of fixed rate, non-investment grade debt. The Bloomberg Municipal Bond Index is a rules-based, market-value-weighted index engineered for the long-term tax-exempt bond market. An index is unmanaged, does not reflect the deduction of fees or expenses, and is not available for direct investment.

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: 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. A portion of the income derived from the Fund's portfolio may be subject to the alternative minimum tax. Any capital gains realized may be subject to taxation. Federal, state, and local taxes may apply. There is a risk that a bond issued as tax-exempt may be reclassified by the IRS as taxable, creating taxable rather than tax-exempt income. In addition, the Fund is subject to other types of risks, such as call, credit, liquidity, interest rate, and general market risks. The Fund may invest in bonds of issuers in Puerto Rico and other U.S. territories, commonwealths, and possessions, and may be affected by local, state, and regional factors. These factors may include, for example, economic or political developments, erosion of the tax base, and the possibility of credit problems. Shareholders should consult with their tax advisors for more specific information on taxation.

The Fund's portfolio is actively managed and is subject to change.

Investors should carefully consider the investments 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 LLC at (888) 522-2388 or visit us at lordabbett.com. Read the prospectus carefully before you invest.

Credit Quality Breakdown: Ratings provided by Standard & Poor's, Moody's, and Fitch. Where the rating agencies rate a security differently, Lord Abbett uses the higher credit rating. For a security with both a short-term and a long-term rating, Lord Abbett has categorized the security in the chart above using its short-term rating only. 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. A portion of the portfolio's securities are not rated. A-1/MIG1, A-2/MIG2 and A-3/MIG3 designations denote securities with less than a three-year maturity as well as superior (A-1/MIG1), strong (A-2/MIG2) and favorable (A-3/MIG3) credit quality. The credit quality breakdown is not an S&P credit rating or an opinion of S&P as to the creditworthiness of such portfolio. Credit quality allocation reflects market value weightings. Ratings apply to the credit worthiness of the issuers of the underlying securities and not the fund or its shares. Ratings may be subject to change.

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.

Expense ratio information: The expense ratio takes into account deductions for certain interest and related expenses from certain of the Fund's investments. Under accounting rules, the Fund recognized additional income in an amount that directly offsets these interest and related expenses. Therefore, the Fund's total returns and net asset value were not affected by such interest and related expenses.

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