



SHORT DURATION INCOME FUND

MARKET REVIEW

Fixed Income Market Review		
Yields and Spreads	12/31/2024	03/31/2025
2 Year U.S. Treasury Yield	4.24%	3.89%
10 Year U.S. Treasury Yield	4.57%	4.21%
2-10 U.S. Treasury Yield Spread	33	32
Bloomberg U.S. Corporate Investment Grade Bond Index Spread (OAS)	80	94
ICE BofA U.S. High Yield Constrained Index Spread (OAS)	292	355
Returns	QTD (As of 03/31/25)	YTD (As of 03/31/25)
Bloomberg Aggregate Index Return	2.78%	2.78%
Bloomberg U.S. Corporate Investment Grade Bond Index Return	2.31%	2.31%
Bloomberg U.S. CMBS Index Return	2.30%	2.30%
Bloomberg U.S. ABS Index Return	1.53%	1.53%
Bloomberg U.S. MBS Index Return	3.06%	3.06%
ICE BofA U.S. High Yield Constrained Index Return	0.94%	0.94%
Morningstar LSTA US Leveraged Loan Index	0.48%	0.48%
ICE BofA U.S. Convertible Index Return	-2.14%	-2.14%

Source: FactSet as of 03/31/2025. **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.

- U.S. fixed income markets were mixed in the first quarter. The period began on strong footing as U.S. macroeconomic data indicated robust consumer and labor markets, and 2025 Gross Domestic Product growth forecasted at 2.1%. Credit markets performed well at the beginning of the year, with spreads grinding to their tightest levels since 2007. However, the quarter ended on a weaker note, and spreads ended the quarter wider. Growth fears, tariff uncertainty, and concerns over the new administration's policy agenda were major drivers of this weakness, in addition to softer macroeconomic data, disinflation worries, and cracks in the AI growth narrative. This led to a meaningful decline in Treasury yields across the curve, leading to a boost in U.S. Treasuries and longer-duration assets over the second half of the quarter.
- While there were reports of declines in consumer sentiment and confidence, hard data like nonfarm payrolls, core Consumer Price Index (CPI), and retail sales held up relatively well throughout the quarter. Additionally, other positive signs emerged, such as resilient consumer spending and better-than-expected February economic data. The labor market remained strong, and the March Federal Open Market Committee (FOMC) meeting offered dovish takeaways, helping to mitigate some of the negative sentiment.¹
- Over the quarter, short-term investment grade corporate² credit spreads widened by 5 basis points (bps), short-term commercial mortgage-backed securities (CMBS)³ spreads widened by 3 bps, and short-term asset-backed securities (ABS)⁴ spreads tightened by 4 bps. The 2-Year U.S. Treasury yield decreased from 4.24% to 3.89% and the 10-Year U.S. Treasury yield moved lower from 4.57% to 4.21%¹.

PORTFOLIO REVIEW

- The Fund returned 1.55%, reflecting performance at the net asset value (NAV) of Class I shares with all distributions reinvested, for the quarter ended March 31st, 2025. The Fund's benchmark, the ICE BofA 1-3 Year U.S. Corporate Index⁵ returned 1.65% during the same period.



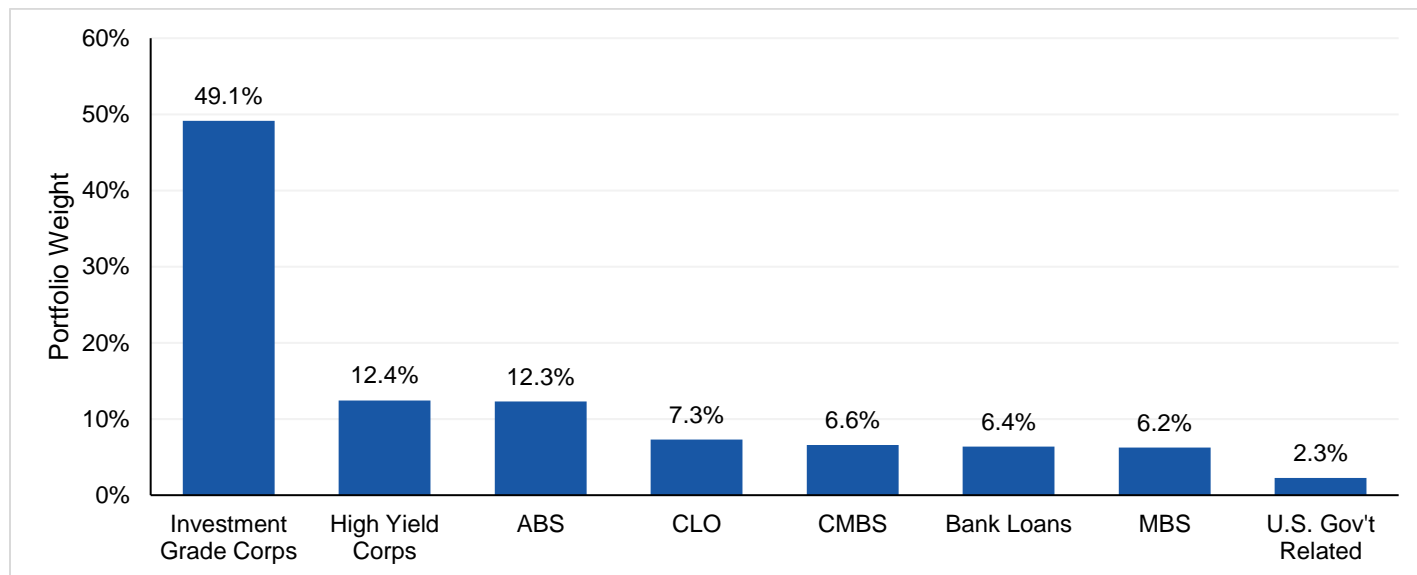
- The portfolio's allocation to commercial mortgage-backed securities (CMBS) was detracted from relative performance as concerns about fundamentals continued to weigh on segments of the asset class. We have meaningfully reduced the portfolio's exposure to CMBS over recent years and remain cautious about parts of the sector. We maintain a high bar to add new positions, with a preference for high quality, liquid names.
- An allocation to collateralized loan obligations (CLO) also detracted from relative performance, as CLO spreads moved wider over the period. The portfolio's CLO book is primarily AAA-rated deals with short average lives and low spread duration.
- The portfolio's allocation to asset backed securities (ABS) also modestly detracted from relative performance. ABS was the portfolio's largest decrease over the quarter, particularly during the volatility in the back half of the period, as we used the sector as a funding source to reallocate to wider spreads in corporate credit.
- The portfolio's allocation to short-term high yield corporate bonds contributed to relative performance. Despite the significant widening of high yield corporate spreads in March, our holdings in higher quality segments of the market generally outperformed. Amid the spread back up, we increased the portfolio's exposure to the sector, targeting higher-rated securities with short average lives, while maintaining a disciplined and selective approach to individual purchases. Over the period, we focused on increasing the portfolio's carry in the sector without proportionately extending spread duration.
- The portfolio's rates positioning also contributed to relative performance. In particular, the portfolio's modestly longer duration in the back half of the quarter led to a positive impact as short term rates moved lower.
- Security selection within investment grade corporate bonds led to a negligible impact on relative returns. While selection within the Consumer sector detracted from performance, this was generally offset by selection within the Energy sector. In corporate credit, we are conservatively positioned, favoring money center banks, energy companies with strong balance sheets and more defensive segments such as Utilities and Healthcare. Over the quarter, we increased the portfolio's allocation to investment grade corporate bonds.

OUTLOOK

- Given the ongoing uncertainty and volatility in the markets, we believe a degree of caution is appropriate in this environment. We ended the quarter with conservative positioning and ample liquidity, positioning ourselves to take advantage of future opportunities. We are doing so in a methodical, balanced manner and believe the short maturity, low spread duration, and high-quality nature of the Fund helps mitigate potential impacts from further widening relative to longer-duration credit strategies.
- Within corporate credit, we are conservatively positioned, favoring money center banks, energy companies with strong balance sheets, and more defensive segments such as Utilities and Health Care. We also prefer high quality securitized products, including AAA-rated ABS and CLOs with short average lives and lower price volatility. We value the diversification of our multisector approach, which provides flexibility for multiple avenues of liquidity, and a wide range of opportunities for tactical management in the current environment.
- We believe high quality bonds generally offer a ballast vs. other asset classes when the economy weakens, and recession probabilities increase. Below the surface there are opportunities to add attractive credits that are relatively well insulated from any tariff-related headwinds.
- In general, markets like these offer great opportunities for active managers. There are multiple levers that can be employed to generate excess returns (including duration, yield curve positioning, optimal sector/industry/rating/security positioning, etc.) in this environment. The self-inflicted nature of all this makes it very different than prior episodes, so we believe patience and balance is key.



Sector Allocation as of 03/31/2025



*Source: Lord Abbett. Sector allocations exclude cash therefore Fund percentage allocations may not equal 100%. As of 03/31/2025

Performance as of 03/31/2024

	1Q25	1 Year	3 Years	5 Years	10 Years
Net Asset Value (I Share)	1.55%	6.12%	3.40%	3.50%	2.51%
ICE BofA 1-3 Year U.S. Corporate Index ⁵	1.65%	6.28%	3.94%	2.87%	2.41%
Morningstar Short-Term Bond Funds Average ⁶	1.67%	5.91%	3.41%	2.70%	2.07%

Gross Expense Ratio: 0.39%

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.

¹Factset as of 03/31/2024

²As represented by the ICE BofA US Corporate (1-3 Y) Index as of 03/31/2025

³As represented by the Bloomberg US CMBS Investment Grade (1-3.5 Y) Index as of 03/31/2025

⁴As represented by the Bloomberg US ABS Composite (1-3 Y) Index as of 03/31/2025

⁵The ICE BofA 1-3 year U.S. Corporate Index is an unmanaged index comprised of U.S. dollar denominated investment grade corporate debt securities publicly issued in the U.S. domestic market with between one and three year remaining to final maturity. Indexes are unmanaged, do not reflect the deduction of fees or expenses, and an investor cannot invest directly in an index.

⁶Short-term bond portfolios within the Morningstar Short-Term Bond Category invest primarily in corporate and other investment-grade U.S. fixed-income issues and typically have durations of 1.0 to 3.5 years. These portfolios are attractive to fairly conservative investors, because they are less sensitive to interest rates than portfolios with longer durations. Morningstar calculates monthly breakpoints using the effective duration of the Morningstar Core Bond Index in determining duration assignment. Short-term is defined as 25% to 75% of the three-year average effective duration of the MCBF.

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.

The Morningstar LSTA US Leveraged Loan Index is a market-value weighted index designed to measure the performance of the US leveraged loan market.

Bloomberg Index Information:

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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.

The views and information discussed in this commentary are as of March 31st, 2025, 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. Information discussed should not be considered a recommendation to purchase or sell securities.

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