



# HIGH YIELD MUNICIPAL BOND FUND

## MARKET REVIEW

- The municipal market, as represented by the Bloomberg Barclays Municipal Bond Index, returned 1.58% during the third quarter of 2019.
- Lower credit quality tiers and longer dated bonds outperformed their higher quality and shorter term counterparts. Notably, the high yield segment of the municipal bond market, as represented by the Bloomberg Barclays High Yield Municipal Index, returned 2.84% during the quarter.
- Yields across the tax-free curve moved lower, with the intermediate and long portions experiencing the largest decreases in rates. On average, rates declined more than 20 basis points during the third quarter.
- As of September 25th, municipal bond funds extended their record year-to-date inflows to over \$68 billion, representing 38 consecutive weeks of inflows and strong demand for tax-exempt securities within the high yield, intermediate, and long categories.
- First quarter 2019 combined tax revenues for Property, Sales and Gross Receipts, and Income Taxes increased 9.0% to \$399 billion from \$366 billion in the same quarter of 2018, according to the United States Census Bureau.

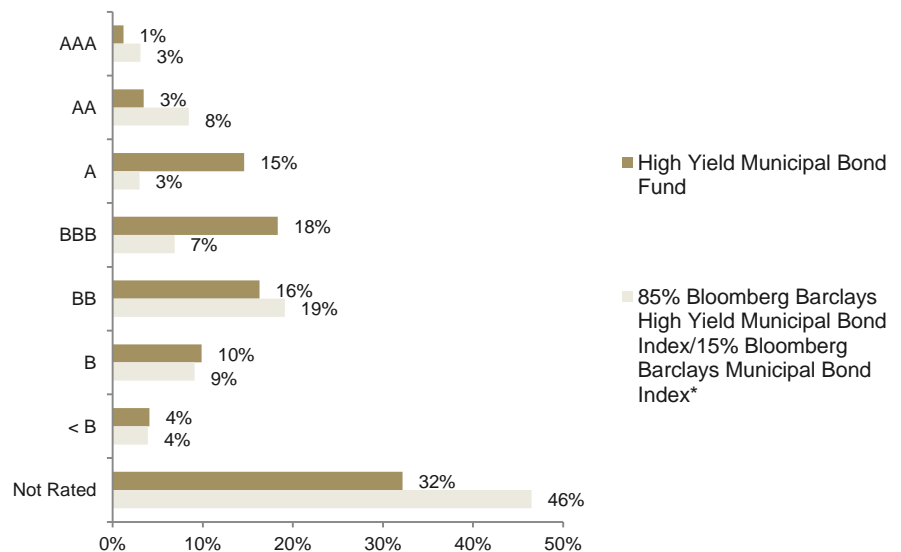
## PORTFOLIO REVIEW

- The Fund returned 2.72%, reflecting performance at the net asset value (NAV) of class A Shares with all distributions reinvested, for the quarter ended September 30, 2019. The Fund's secondary benchmark, an 85%/15% blend of the Bloomberg Barclays High Yield Municipal Bond Index and the Bloomberg Barclays Municipal Bond Index, returned 2.65% during the same period.
- As yields across the tax-free curve moved lower, the Fund's yield curve positioning led to a positive impact on relative performance.
- An underweight allocation to bonds in the highest credit quality tiers contributed to relative performance as lower quality bonds outperformed during the quarter.
- An underweight to the special tax sector, specifically Puerto Rico's COFINA bonds which make up a large portion of the index, led to a negative impact on relative performance.
- An overweight in the hospital sector detracted from relative performance as our high quality holdings were unable to benefit from the rally in credit-sensitive bonds.

## STRATEGY POSITIONING & OUTLOOK

- Although primarily invested in non-investment-grade bonds, the portfolio has an overweight in 'A' and 'BBB' rated bonds, relative to its secondary benchmark, an 85%/15% blend of the Bloomberg Barclays U.S. High Yield Municipal Bond Index and the Bloomberg Barclays Municipal Bond Index. These securities offer attractive risk-adjusted income and greater liquidity relative to below investment-grade bonds.
- The portfolio's largest allocations are to the industrial development and health care sectors, both portfolio overweights.
- With many taxpayers facing higher bills due to the cap on the deduction for state and local taxes, demand has been very strong for the tax-exempt interest of municipal bonds. Combined with investors willing to take on risk in the falling-to-stable interest rate environment, we believe this sentiment, if continued, will impact the municipal market positively in the coming months.
- Credit quality fundamentals have been strong through the first three quarters of 2019, with rating agencies announcing more upgrades than downgrades. Additionally, most states generated budget surpluses due to higher-than-expected tax receipts. If this market dynamic remains in place the \$3.8 trillion tax-free market stands to benefit.

## CREDIT QUALITY BREAKDOWN



\*Source: Bloomberg, As of 09/30/2019

## PERFORMANCE AS OF 09/30/2019

	3Q19	YTD	1 Year	3 Years	5 Years	10 Years
Class A Share at Net Asset Value (without sales charge)	2.72%	10.39%	9.94%	5.34%	5.91%	5.89%
Maximum Offering Price (with 2.25% sales charge)	0.45	7.91	7.50	4.54	5.42	5.66
85% Bloomberg Barclays High Yield Muni/15% Muni Bond Index <sup>1</sup>	2.65	9.24	9.78	5.47	5.64	6.63
Lipper Category Avg. High Yield Municipal Debt Funds <sup>2</sup>	2.08	8.22	8.43	4.01	4.94	5.55

Expense Ratios: 0.82%

**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.**

<sup>1</sup>Source: Bloomberg Barclays. <sup>2</sup>Source: Lipper Analytical Services.

**A Note about Risk:** The Fund invests substantially in high-yield securities which carry increased risks of price volatility, illiquidity, and the possibility of default in the timely payment of interest and principal. High yield municipal bonds are subject to greater risk of loss of income and principal than higher-rated securities, and are likely to be more sensitive to adverse economic changes or individual municipal developments than those of higher-rated securities. In addition, because the Fund is non-diversified, it will be more exposed to risks from a single adverse economic, political, or regulatory event than a diversified fund. 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 may include, for example, economic or political developments, erosion of the tax base, and the possibility of credit problems. These factors can affect Fund performance.

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

**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.

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 01/31/2020. 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. In addition, the net 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.

**The Bloomberg Barclays High Yield Municipal Bond Index** covers the universe of fixed rate, non-investment grade debt. **The Bloomberg Barclays 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.

**Lipper High Yield Municipal Debt 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 views and information discussed in this commentary are as of September 30, 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.*

The information provided is not directed at any investor or category of investors and is provided solely as general information about Lord Abbett's products and services and to otherwise provide general investment education. None of the information provided should be regarded as a suggestion to engage in or refrain from any investment-related course of action as neither Lord Abbett nor its affiliates are undertaking to provide impartial investment advice, act as an impartial adviser, or give advice in a fiduciary capacity. If you are an individual retirement investor, contact your financial advisor or other fiduciary about whether any given investment idea, strategy, product or service may be appropriate for your circumstances.

**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.**

**NOT FDIC INSURED-NO BANK GUARANTEE-MAY LOSE VALUE**