



LORD ABBETT®

# FORM ADV

## *Part 2A Brochure*

### **April 16, 2018**

This brochure provides information about the qualifications and business practices of Lord, Abbett & Co. LLC. If you have questions about the contents of this brochure, please contact us at 201-827-2000 or by email at [ADVINFO@lordabbett.com](mailto:ADVINFO@lordabbett.com). The information in this brochure has not been approved or verified by the U.S. Securities and Exchange Commission ("SEC") or by any state securities authority.

Lord, Abbett & Co. LLC is registered as an investment adviser under the Investment Advisers Act of 1940, as amended (the "Advisers Act"). Lord, Abbett & Co. LLC is subject to the Advisers Act rules and regulations adopted by the SEC. Registration as an investment adviser does not imply any particular level of skill or training.

Additional information about Lord, Abbett & Co. LLC is also available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

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## MATERIAL CHANGES

This document contains two changes that we believe do not constitute material changes from the last annual update dated December 21, 2017. Under “Brokerage Practices,” we have noted one additional factor that Lord Abbett may take into account when allocating fixed income securities. Additionally, references to our prior Managing Partner, Daria L. Foster, have been updated to reflect our current Managing Partner, Douglas B. Sieg.



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LORD ABBETT®

Dear Client:

As a firm that is investment-led and investor-focused, we realize the importance of helping investors to understand and navigate their investment options. With this in mind, we have created this document to provide you with detailed information about Lord, Abbett & Co. LLC. The information included summarizes key aspects of our approach to investment management, the types of strategies we offer, our trading practices, and the policies and procedures we have implemented to manage conflicts of interest.

We appreciate the trust and confidence that our clients have placed in Lord Abbett and hope this information helps you to better understand the structure of our firm, the services we provide, and our efforts to serve each of our clients fairly and equitably.

If you have any questions or would like any additional information regarding specific references within this document, please feel free to contact your relationship manager.

Regards,

Douglas B. Sieg  
Managing Partner



## ADVISORY BUSINESS

### Firm Overview

Lord, Abbett & Co. LLC ("Lord Abbett" or "the firm") is an independent money management firm founded in 1929. Lord Abbett provides discretionary and nondiscretionary investment management services to a broad range of clients, including registered investment companies. Managing money is the singular focus of Lord Abbett. All of Lord Abbett's investment and operations personnel are located in Lord Abbett's office in Jersey City, New Jersey. Lord Abbett is owned solely by current and former senior professionals of the firm (or by their estate or members of their family) and is not publicly traded. No individual or company owns 25% or more of Lord Abbett.

As of September 30, 2017, Lord Abbett's regulatory assets under management were approximately \$167.2 billion, of which approximately \$165.5 billion were managed on a discretionary basis and approximately \$1.6 billion were managed on a nondiscretionary basis.

#### *Investment Advisory Services*

Lord Abbett manages equity, fixed-income, and multi-asset class portfolios across a wide range of investment strategies. Portfolio management teams employ a rigorous investment approach and the firm's investment processes are supported by a strong internal focus on fundamental and quantitative research.

At Lord Abbett, we take great pride in the efforts of our investment research team. We have dedicated significant resources to this effort and continually work to improve our fundamental and quantitative research.

Lord Abbett provides investment advisory services to the following types of clients:

- **Institutional Clients**—Lord Abbett provides discretionary investment advice to retirement and benefit plans, corporations, public funds, foundations, endowments, unions, insurance companies, religious and healthcare organizations, pooled investment vehicles, and family trusts. Lord Abbett also sponsors and provides discretionary investment advisory services to commingled funds offered on a private placement basis to eligible institutional investors.
- **Registered Investment Companies**—Lord Abbett provides investment advisory services to a family of SEC-registered investment companies (the "Lord Abbett Funds") and registered investment companies sponsored by unaffiliated third parties.
- **Foreign Pooled Investment Vehicles**—Lord Abbett provides investment advisory services to a family of funds that are authorized and regulated by the Central Bank of Ireland pursuant to the European Communities (Undertakings for Collective Investment in Transferable Securities) Regulations, 2011 (the "Lord Abbett UCITS Funds") and to a private investment fund registered in the Cayman Islands (the "Lord Abbett Cayman Fund").
- **Managed Account Services**—Lord Abbett provides investment advisory services, as well as nondiscretionary security recommendations in the form of model portfolios, through its participation in two types of managed account or "wrap fee"

programs. These programs are referred to as Managed Accounts and Model Portfolios.

—**Managed Accounts**—In traditional Managed Account programs, a client selects a financial institution sponsor (a "Sponsor"), which provides a bundle of services for a single fee. Typically, this bundle of services includes the research of firms such as Lord Abbett in order to be included as a discretionary investment adviser in the Sponsor's program, payment of Lord Abbett's investment advisory fee, ongoing monitoring and evaluation of Lord Abbett's performance, execution of the client's portfolio transactions, and/or custodial services for the client's assets. In some Managed Account programs, so-called "dual contract" programs, the client enters into both an investment management agreement with Lord Abbett and a program agreement with the Sponsor. In a dual contract program, the investment management fee may not be included in the Sponsor's bundled fee and, in those cases, the client pays the investment management fee directly to Lord Abbett.

—**Model Portfolios**—Pursuant to a master investment advisory services agreement, Sponsors of Model Portfolios receive Lord Abbett's model securities portfolio for a particular investment style. Based on the model, the Sponsor or its designated representative, often referred to as an "overlay manager," exercises investment discretion and executes each client's portfolio transactions predicated on the Sponsor's or overlay manager's own investment judgment. Lord Abbett does not provide Model Portfolios based on the individual needs of any program client.

#### *Differences in Investment Management Services*

Lord Abbett provides investment management services through Managed Account and Model Portfolio programs, which generally differ from the investment advisory services it furnishes to other clients. Many of the primary differences include the investment types and strategies used. Managed Accounts and Model Portfolios generally tend to limit eligible investments to publicly traded equity securities and fixed-income securities, while other Lord Abbett client accounts may also invest in private placements and derivatives, as well as other instruments that are less liquid or not as freely traded. In addition, equity Managed Accounts generally do not participate in initial or secondary offerings because of the difficulty in obtaining sufficient allocations to distribute fairly across all client accounts. Managed Accounts also at times have lower portfolio turnover than other Lord Abbett client accounts, especially in certain strategies. Finally, Managed Accounts and Model Portfolios typically have fewer holdings than other client portfolios. Lord Abbett typically relies on the program Sponsor or consultant/financial adviser to provide client portfolio reporting. Additional differences include the following:

- Equity securities transactions in Managed Accounts and Model Portfolios generally are executed through the Sponsor without a separate commission charge or at a fixed commission amount per trade negotiated by the Sponsor. Equity securities transactions for other Lord Abbett investment management clients are placed through broker-dealers selected by Lord Abbett and are



subject to separate commission charges that are negotiated by Lord Abbett.

- Lord Abbett uses Sponsor- or consultant/financial adviser gathered information to assess the suitability of its investment style to the individual needs and financial situation of a Managed Account client and will not conduct any client suitability determinations for clients in Model Portfolio programs. Lord Abbett will rely exclusively on the Sponsor's suitability determination for programs in which a bank acts as a corporate trustee of or is a fiduciary acting under an investment management agreement with its client.

Please refer to the sections entitled *Methods of Analysis, Investment Strategies, and Risk of Loss and Investment Discretion* below for discussions of how Lord Abbett tailors its advisory services to the individual needs of its clients.

## FEES AND COMPENSATION

Lord Abbett's investment advisory fees typically are based on a percentage of the value of the account. Fees are set based on the investment strategy and the type and level of services provided. Fees for institutional client accounts normally are billed and payable in arrears based on month- or quarter-end assets, subject to adjustments for interim contributions to or withdrawals from an account.

Appendix 1 to this brochure contains Lord Abbett's standard institutional separate account fee schedules and the typical range of fees payable to Lord Abbett for Managed Account programs. Lord Abbett retains discretion to negotiate, and does from time to time negotiate, the fees charged to clients for investment advisory services, subject to applicable law. When Lord Abbett negotiates investment advisory fees, it takes into consideration a client's special circumstances, asset levels, service requirements or other factors, each as determined in Lord Abbett's sole discretion. Some fee schedules provide additional breakpoints on larger accounts, including investment companies or other pooled investment vehicles. Lord Abbett charges different advisory fees for different strategies and accounts and from time to time permits clients to aggregate the assets of related accounts to take advantage of breakpoints. Fees for Managed Account programs (other than dual-contract programs) are paid to Lord Abbett by the program's Sponsor from the single fee a client pays to the Sponsor.

From time to time, Lord Abbett has agreed on a performance based fee structure with a qualified client, which fee structure will be designed to be in compliance with the Advisers Act and other applicable law.

Lord Abbett's management fees do not include fees charged by a client's custodian or the fees and other expenses deducted by or paid to third party service providers from the assets of a non-proprietary fund in which a client account may invest. In addition,

client accounts usually incur transaction costs when they buy and sell securities. For more information, please see the *Brokerage Practices* section below.

Lord Abbett provides investment advisory and administrative services to the Lord Abbett Funds. Lord Abbett receives investment advisory and administrative fees for its services typically paid monthly in arrears based on the average daily net assets of each Fund at annual rates described in each Lord Abbett Fund's Prospectus and Statement of Additional Information. Similarly, Lord Abbett receives investment advisory fees for its services to the Lord Abbett UCITS Funds and the Lord Abbett Cayman Fund, which fees accrue daily and are calculated and payable monthly in arrears at annual rates as described in each Lord Abbett UCITS Fund's Prospectus and Supplement and the Lord Abbett Cayman Fund's Information Memorandum.

## PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT

Lord Abbett charges both performance-based fees and asset-based fees. The management of accounts with performance-based fees has the potential to cause a conflict of interest by creating an incentive to favor accounts with performance-based fees in order to generate greater revenue for Lord Abbett. A similar conflict exists from managing client accounts paying a higher asset-based fee than other accounts or accounts containing assets owned by Lord Abbett, its employees, or its owners.

Lord Abbett has adopted securities allocation policies and procedures to address these potential conflicts of interest. These policies and procedures are reasonably designed to monitor and prevent Lord Abbett from inappropriately favoring one type of account over another. Lord Abbett generally will allocate trades on a pro rata basis among eligible client accounts managed with the same investment discipline, regardless of the investment advisory fees paid to Lord Abbett. Eligible accounts are those for which there are no legal or investment restrictions that are inconsistent with the proposed trade and for which there is available cash to enter into the transaction.

Certain considerations, however, will cause Lord Abbett from time to time to deviate from a pro rata allocation and vary the portfolio composition, timing, and/or relative size of purchases and sales among types of accounts. In all cases, these differences reflect the investment management teams' best efforts to manage portfolios with the same investment discipline in a common style that is designed to be equitable to all clients over time, but also takes account of appropriate considerations at the time of each trade.

Lord Abbett periodically reviews performance dispersion among all similarly managed accounts, including accounts subject to a performance fee, to identify whether a particular account appears to have been favored relative to other similar accounts. Further



details on Lord Abbett's securities allocation policies and procedures are provided in the *Brokerage Practices* section.

## TYPES OF CLIENTS

Lord Abbett provides advisory services to a variety of institutional clients, the Lord Abbett Funds and other registered investment companies sponsored by third parties, the Lord Abbett UCITS Funds, the Lord Abbett Cayman Fund, privately offered commingled funds and various Managed Accounts. For institutional clients, Lord Abbett typically requires a minimum account size that ranges between \$10–100 million based on the particular strategy being used for the account. Lord Abbett reserves the right, in its sole discretion, to waive or change investment minimums in certain circumstances.

Managed Accounts are typically smaller in size. The minimum account size for Managed Accounts is generally \$100,000, depending on the Sponsor's requirements, with the exception of accounts investing in municipal securities, for which the minimum account size is generally \$250,000. The minimum account size for a Managed Account under a dual contract program is generally \$100,000, with accounts investing in municipal securities generally subject to a \$500,000 minimum.

## METHODS OF ANALYSIS, INVESTMENT STRATEGIES, AND RISK OF LOSS

### Methods of Analysis

Lord Abbett provides investment advisory services across a broad range of strategies and asset classes. The method of analysis varies based on each strategy. Our general investment approach and a brief description of the risks associated with our investment programs is described in this section. Please see Appendix 2 to this brochure and, if applicable, the disclosures or risk factors contained in any offering materials or other disclosure statements provided to you separately for a more complete description of the risks associated with Lord Abbett's investment activities.

#### *Equities*

Lord Abbett manages a wide range of equity investment products, including growth, core, and value oriented products. Some approaches focus on specific capitalization ranges—micro cap, small cap, mid cap, and large cap. Other approaches look for investment opportunities in more than one capitalization category or across all capitalization levels. Lord Abbett manages both domestic and international equity strategies. Lord Abbett's investment approach at its core is based on a belief in active management and risk controls. This belief is grounded in a foundation of fundamental and quantitative research.

Investments in equity markets are subject to many risks, including the risk of general market fluctuations and company-specific changes in profitability. Also, small and micro cap company securities tend to be more sensitive to changing economic conditions and

tend to be more volatile and less liquid than equity securities of larger companies. In addition, investments in foreign companies may be adversely affected by political, economic, and social volatility, lack of transparency or inadequate regulatory and accounting standards, inadequate exchange control regulations, foreign taxes, higher transaction and other costs, and delays in settlement.

#### *Fixed Income*

Lord Abbett invests in fixed-income instruments across the spectrum of duration (from money market and short duration to intermediate to long bond) and credit (from investment grade to high yield) in both the taxable and tax-exempt marketplaces. Some approaches seek investment opportunities across various sectors, including government, mortgage, corporate, municipal, bank loan, and emerging markets currency and debt, while others are limited to one or more of those sectors. Lord Abbett's fixed-income investment teams generally rely on a combination of fundamental and quantitative research capabilities to aid security selection within their portfolios.

Investments in both taxable and tax-exempt fixed-income securities are subject to many risks, including interest-rate, regulatory, liquidity, mortgage prepayment, issuer or credit, and distressed debt/default risks. With respect to interest rates, investors should be aware of the potential for unanticipated rapid changes in interest rates that could adversely affect investment performance. Tax-exempt bonds may be subject to adverse effects due to governmental actions, including actions by local, state, and regional governments, as well as municipal bankruptcies or credit events. Finally, convertible securities are subject to risks affecting both equity and fixed-income securities, including market, credit, and interest-rate risk.

#### *Counterparty Risk*

By its nature, investing in securities involves exposure to the risk that the counterparty to a transaction will fail to perform its obligations under the transaction. This risk arises in the context of ordinary securities purchases and sales, where a counterparty may be unable to satisfy its obligation to deliver cash or securities necessary to settle the transaction, and is especially pronounced in derivative or other transactions that may not close or settle for an extended period of time and for which there may be no central clearinghouse or other facility that requires daily mark-to-market valuations, margin payments or other protections that are designed to reduce the financial impact of counterparty failure. In an effort to mitigate counterparty risk, Lord Abbett has adopted policies and procedures governing the evaluation and monitoring of counterparties and the manner in which it enters into transactions with such counterparties. As part of these policies, Lord Abbett reviews each counterparty through an initial approval process and then engages in ongoing monitoring to seek to identify changes in counterparty creditworthiness and to limit concentrated exposure to a single counterparty. While it is Lord Abbett's general policy to mitigate counterparty risk by trading with a range of counterparties, at times Lord Abbett will concentrate its trading in certain types of securities with a small



number of counterparties or clearing firms, including in some cases a single counterparty, where it believes the risk of doing so is reasonable in relation to the benefits of such concentration.

## *General Risks*

In addition to the strategy-specific risks identified above, there are more general risks associated with investing. Investing in securities involves a risk of loss that all clients should be prepared to bear. If a security is denominated in a currency other than the U.S. dollar, there is a risk that the value of that security will be diminished due to fluctuations in the relative value of the foreign currency against the U.S. dollar. In some strategies Lord Abbett uses derivatives, such as swaps, forwards, futures, options on futures and other options, which are subject to additional risks, including that the value of the derivative does not correlate with the value of the underlying security, rate or index, that portfolio volatility increases due to the leverage associated with the use of derivatives, and that the counterparty to the derivative is unable to satisfy its obligations or Lord Abbett is not otherwise able to sell or close out its position.

## **Research Information**

Portfolio management teams generally use both qualitative and quantitative research in the investment process. Generally, each investment team leverages analysts who are organized along industry lines to conduct company research through on-site visits to companies, competitors, suppliers, and customers. Analysts also attend management meetings that occur at our office in New Jersey and relevant industry conferences. Sharing of information between investment teams occurs on a formal and informal basis. Daily investment meetings facilitate communication between the research analysts and among different portfolio management teams.

## **Investment Guidelines, Client Requests, and Account Management**

Lord Abbett seeks to manage accounts with the same strategy in a uniform manner. However, Lord Abbett agrees in some cases to accommodate requests to incorporate specific client direction into Lord Abbett's investment approach. For example, Lord Abbett has agreed to accept client accounts with broad-based investment restrictions, such as environmental, social, and governance investing guidelines. Lord Abbett's compliance with a client's environmental, social, or governance investing guidelines will be based on its good-faith efforts.

In this regard, in some cases, Lord Abbett employs a third-party service to provide information regarding companies that fall within such designated categories. Lord Abbett generally will utilize the information supplied by the third party's research and will rely upon the accuracy and completeness of such third-party research, unless Lord Abbett has actual knowledge of a mischaracterization of a company by the third party. Lord Abbett may, but is not required to, supplement the third party's research with information from other market data services such as Bloomberg and FactSet, as well as its own internal research, to determine whether to hold certain securities.

From time to time, Lord Abbett seeks to accommodate reasonable requests by Managed Account clients or their investment consultants to consider tax-optimization strategies. In doing so, with the exception of Lord Abbett's municipal securities strategy, Lord Abbett generally will invest in exchange traded funds, or ETFs, to maintain a particular investment exposure while it seeks to avoid a tax "wash sale" result. This could result in a taxable event for that client leading to results that may differ from those of other Managed Account clients that are not seeking to optimize their tax profile.

From time to time, Lord Abbett invests in unaffiliated ETFs, investment companies, and other commingled or pooled vehicles (e.g., CLOs, CDOs) for a variety of investment reasons, including to facilitate the handling of cash flows or trading, or to provide a more efficient means to obtain market exposure. Fees and expenses associated with investing in an investment company or other commingled or pooled vehicle, potentially including an imbedded investment management fee, are in addition to the advisory fees paid by the client to Lord Abbett, and reduce the account's performance.

## *Litigation, Class Actions and Bankruptcies*

In its capacity as an investment manager, Lord Abbett may be asked to decide whether to participate in litigation related to investments in client accounts, including filing claims in class actions or bankruptcy proceedings for assets held in a client's account. It is the client's responsibility to monitor and analyze its portfolio and consult with its own advisers and custodian about whether it may have claims that it should consider pursuing. As a general matter, Lord Abbett cannot, without client written authorization, exercise any rights a client may have in participating in, commencing or defending suits or legal proceedings, such as class actions for investments held currently or previously in a client's account, although we ordinarily do so for the funds sponsored or managed by Lord Abbett. Institutional separate account and Managed Account clients' custodians will ordinarily receive all documents relating to class action, bankruptcy, or other litigation matters because the client's securities are held in the client's name at its custodian, and such clients should direct their custodian and/or legal counsel as to the manner in which such matters should be handled. In connection with bankruptcies, reorganizations or other transactions, subject to the terms of the investment management agreement with the applicable client, Lord Abbett may enter into debtor-in-possession financing arrangements, restructuring support agreements, or other related arrangements (some of which involve releases of certain claims) on behalf of institutional separate account and Managed Account clients in order for those clients to participate in the bankruptcy, reorganization or other transaction. Any such action will bind the client with respect to the securities or other investments with respect to which the action was taken.





## Investment Strategies

The following table lists Lord Abbett's investment strategies:

Domestic Equity	
Heritage Collection	
Value Equity	Large Cap Core
Large Cap Value	Large Cap Growth
Mid Cap Value	Mid Cap Growth
Small Cap Value	Small Cap Growth
Micro Cap Value	Micro Cap Growth
Calibrated Suite	
Large Cap Value	Dividend Growth
Mid Cap Value	Equity Income
Global & International Equity	
Global Core Equity	
International Core EAFE Plus	
International Dividend	
International Small Cap Core	
Balanced	
Domestic Equity & Taxable Fixed Income	
Domestic Equity & Tax-Free Income	
Taxable Fixed Income	
Ultra Short Duration	Government
Short Duration Core	Bank Loans
Short Duration Credit	Multi-Sector
Intermediate Government/Credit	High Yield Core
Core	High Yield Opportunistic
Core Plus Full Discretion	Global High Yield
Total Return	Convertible Securities
Long Duration	Emerging Markets Currency
Inflation Focused	Emerging Markets Local Bond
Corporate Investment Grade	Emerging Markets Corporate Debt
Corporate Credit	
Tax Free Income	
Short Duration	AMT Free
Intermediate Duration	High Yield
Long Duration	Short Duration High Yield

Lord Abbett's Managed Account investment advisory services also include certain fixed-income investment strategies in which Lord Abbett will construct a laddered portfolio of municipal bonds that are designed to be held to maturity. Lord Abbett will purchase new bonds to replace maturing positions, but will generally not sell bonds prior to maturity absent a significant change in circumstances or outlook, such as with respect to an issuer or a particular sector.

## DISCIPLINARY INFORMATION

Neither Lord Abbett nor its management personnel have been the subject of legal or regulatory findings, or are the subject of any pending criminal proceedings, that are material to a client's or prospective client's evaluation of our advisory business or the integrity of the firm.

## OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS

In addition to its registration as an investment adviser under the Investment Advisers Act of 1940, Lord Abbett is registered as a commodity pool operator and commodity trading advisor under the Commodity Exchange Act.

Lord Abbett has four subsidiary companies:

- Lord Abbett Distributor LLC, a New York limited liability company, is registered as a broker-dealer under the U.S. Securities Exchange Act of 1934 and is a member of the Financial Industry Regulatory Authority, Inc. Lord Abbett Distributor is a limited purpose broker-dealer that serves solely as the principal underwriter for the Lord Abbett Funds, as distributor of the Lord Abbett UCITS Funds and the Lord Abbett Cayman Fund, and as placement agent for privately offered, commingled funds sponsored by Lord Abbett.
- Lord, Abbett Asia LLC, a Delaware limited liability company, provides client liaison services from its branch office located in Japan. Lord Abbett Asia also refers investment advisory business to Lord Abbett.
- Lord Abbett (UK) Ltd., a Private Limited Company incorporated in the United Kingdom that serves as a sales office for Lord Abbett products and services throughout Europe.
- Lord Abbett (Ireland) Limited, a Private Company Limited by Shares incorporated in Ireland, which is currently seeking registration as a management company for the purpose of managing the Lord Abbett UCITS Funds.

Lord Abbett has entered into an arrangement with Wilshire Associates Incorporated ("Wilshire") under which Wilshire and Lord Abbett have agreed to cooperate in the joint marketing and support of certain model portfolio strategies designed by Wilshire (referred to in this paragraph as the "Wilshire strategies") to invest exclusively in certain of the Lord Abbett Funds. Wilshire generally makes the Wilshire strategies available to independent investment advisers through third party investment platforms. Lord Abbett receives no direct compensation with respect to the marketing of the Wilshire strategies or Wilshire's provision of advisory services. Lord Abbett and Lord Abbett Distributor LLC receive fees in their respective roles from the Lord Abbett Funds. Lord Abbett does not recommend or select other investment advisers for its clients and is not responsible for the selection or oversight of Wilshire.



## CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS AND PERSONAL TRADING

Lord Abbett has implemented policies and procedures generally relating to portfolio management, trading practices, and employee personal trading that are designed to manage any actual or potential conflicts of interest.

### Code of Ethics

Lord Abbett has adopted a Code of Ethics (the “Code”) designed to set forth general ethical and fiduciary principles and the standard of conduct that we require of our personnel. The Code sets forth certain restrictions on activities, such as personal trading and receipt of gifts and entertainment, which give rise to conflicts of interest. All personnel are required to certify quarterly that they have complied with the terms of the Code. Compliance with the Code is a condition of employment for all personnel and a violation of the Code or any related policies may result in disciplinary action, which may include termination of employment. Below is a summary of key provisions of the Code. A copy of the Code may be obtained by calling Lord Abbett’s Chief Compliance Officer at 201-827-2000.

#### *Personal Trading*

The Code requires that all Lord Abbett personnel must receive prior approval to execute certain personal securities transactions. Personal transactions generally will not be permitted if any client account is then trading in the same securities or if trading on behalf of any client account is under consideration within a specified time frame. The Code’s restrictions on personal trading apply to accounts over which Lord Abbett personnel and/or certain immediate family members have investment discretion or accounts in which they have a beneficial interest. The Managing Partner, Chief Compliance Officer or General Counsel may grant an exception to the prior approval requirement for personal securities transactions and certain reporting requirements on a case-by-case basis, if it is determined that the proposed conduct does not involve any opportunity for abuse and does not involve a material conflict with client interests.

#### *Gifts and Entertainment*

The Code and Lord Abbett’s Gifts and Entertainment Policies and Procedures place strict limits on the receipt and provision of gifts, travel, and entertainment by Lord Abbett personnel. Occasionally, Lord Abbett personnel participate in entertainment opportunities related to legitimate business purposes, subject to the requirements and limitations set forth in the Code and the Gifts and Entertainment Policies and Procedures. Such requirements and limitations are intended to ensure that Lord Abbett employees avoid actual or potential conflicts of interest between their personal interests and those of the firm and its clients.

## Investments by Lord Abbett and Our Personnel in Products We Manage

From time to time, Lord Abbett has provided the initial investment assets for newly launched investment funds, which is commonly referred to as “seeding” such funds. In addition, Lord Abbett occasionally seeds proprietary accounts for the purpose of evaluating a new investment strategy that eventually may be available to clients as a new mutual fund or other investment vehicle or for maintaining an existing strategy. Such funds or proprietary accounts also may serve the purpose of establishing a performance record to enable Lord Abbett to offer such an account’s investment style to clients. In some instances, Lord Abbett has engaged in proprietary trading in futures or other derivatives to hedge such seed investments or other proprietary investments by Lord Abbett in investment funds. In addition, some Lord Abbett personnel are investors in the Lord Abbett Funds or may maintain separate accounts in strategies that Lord Abbett manages for its clients. Lord Abbett’s management of accounts with proprietary interests alongside nonproprietary client accounts creates a potential incentive to favor the proprietary accounts over the nonproprietary accounts in the allocation of investment opportunities, time, aggregation and timing of investments. Lord Abbett has established allocation policies and procedures that require Lord Abbett investment personnel to make purchase and sale decisions and allocate investment opportunities among client accounts consistent with its fiduciary obligations, including avoiding favoring any accounts over others over time. Please see *Brokerage Practices—Trade Aggregation* and *—Allocation of Trade Executions* below for more information on these policies and procedures.

## Political Contributions

Lord Abbett partners and employees are not permitted to make or solicit political contributions for the purpose of obtaining or retaining business with government entities. Lord Abbett partners and employees, on their own behalf and on behalf of their spouses, domestic partners and immediate family members sharing the same household, are required to obtain approval from Lord Abbett before making a personal political contribution to any federal, state, local or U.S. territorial candidate, official, party or organization. Such personal contributions may support political candidates or officials who share the firm’s views related to its business interests, but it is a violation of Lord Abbett policy for any partner or employee to require another Lord Abbett employee to contribute to, support, or oppose any political group or candidate.

## Donations to Charities

Lord Abbett periodically makes donations to charitable organizations that are clients or are supported by current or prospective clients, consultants or their respective employees at the request of such parties. In determining whether to make such donations, Lord Abbett will consider, among other factors, the importance of the relevant business relationship.



## Identification and Resolution of Errors

It is Lord Abbett's policy to exercise appropriate care in making and implementing investment decisions on behalf of client accounts. Nonetheless, Lord Abbett may commit an error in the process of providing services to its clients, for example by purchasing a security or amount of a security that is inconsistent with a client's investment restrictions or executing a security purchase when a sale was intended. In such event, it is Lord Abbett's policy to ensure that clients do not incur a loss from errors caused by Lord Abbett. Lord Abbett has adopted policies and procedures relating to trade errors in an effort to ensure appropriate escalation and resolution of trade errors whenever they occur. Under these procedures, Lord Abbett will seek where practicable to correct an error without a financial impact on any client account, for example by reallocating a trade to Lord Abbett's error account or to another client account when such a reallocation is consistent with a legitimate investment decision on behalf of each account involved. Any gains in Lord Abbett's error account may be used to offset losses in the account incurred in connection with other erroneous transactions. Where reallocation is not permissible or practicable, Lord Abbett will engage in such transaction(s) in the affected client's account as may be necessary to correct the error and will reimburse the client for any loss caused by Lord Abbett; any gain realized by a client as a result of correcting such a trade error shall remain in the client's account. While Lord Abbett is responsible for its own errors, it will not be responsible to correct the errors of third parties, such as broker-dealers, client custodians and Sponsors of Managed Account programs, unless Lord Abbett has otherwise expressly assumed this obligation. Generally, Lord Abbett will make reasonable efforts to attempt to have a third party correct any error the third party has caused, and Lord Abbett may in its sole discretion determine to provide financial or other assistance with the appropriate correction of errors committed by third parties. If Lord Abbett commits an error in an account that is part of a Managed Account program, Lord Abbett will generally be obligated to take actions in accordance with a different policy determined by the Sponsor of that program, which may include making use of an error account controlled by the Sponsor.

## Other Potential Conflicts of Interest

Lord Abbett recommends transactions to, and makes investment decisions on behalf of, clients based solely on investment considerations, including whether the investments are suitable for the client and are consistent with the client's investment objectives, policies and restrictions. Accordingly, Lord Abbett may invest a client's account in a manner that competes or conflicts with the investment of another client's account. For example, Lord Abbett may buy or sell a position in a client's account while undertaking for another client's account the same or a differing, including potentially opposite, investment strategy. Similarly, different investment teams may invest client accounts in different parts of an issuer's capital structure, which may result in Lord Abbett acting on behalf of one client in a manner inconsistent with the interest of another client in connection with corporate events such as proxy votes or distressed security workouts.

To the extent permitted by law and/or account guidelines, Lord Abbett will invest client accounts in securities issued by companies with which Lord Abbett has material business relationships, including companies that act as a Managed Account Sponsor, that distribute or place orders on behalf of clients for shares of the Lord Abbett Funds, that provide services, such as retirement and benefit plan administration, to Lord Abbett, or that are, or are related to, Lord Abbett clients. In addition, at times Lord Abbett personnel will buy or sell securities that Lord Abbett has recommended to, or purchased or sold on behalf of, clients. Lord Abbett also will buy or sell on behalf of clients or recommend to clients the purchase or sale of securities in which it or its personnel have a financial interest, including the Lord Abbett Funds. Moreover, Lord Abbett maintains brokerage or trading relationships with broker-dealers who are, or are an affiliate of, clients that have appointed Lord Abbett to serve as investment adviser or who have other business relationships with Lord Abbett or an affiliate, or the Lord Abbett Funds. These transactions are subject to the requirements and limitations set forth in Lord Abbett's Code and related policies, as well as to the requirements of the Investment Advisers Act of 1940, the Investment Company Act of 1940 and/or other applicable laws.

It is Lord Abbett's policy that our clients' interests come first. Lord Abbett's ability to place and/or recommend transactions may be restricted by applicable regulatory requirements and/or its internal policies designed to comply with such requirements.

Lord Abbett contracts with third-party vendors to establish enhanced connectivity with broker-dealers through which the firm trades on behalf of client accounts. Lord Abbett receives payments from, or credits against amounts otherwise owed to, some of such vendors. These payments or credits are based on amounts paid by the broker-dealers to such vendors. In no case are the payments or credits to Lord Abbett dependent on the trading by Lord Abbett of any particular client's assets. Lord Abbett's selection of broker-dealers to execute client trades is based on considerations relating to best execution and is not impacted by these arrangements.

*Material Non-Public Information/Insider Trading:* From time to time, Lord Abbett personnel may come into possession of material, non-public information ("MNPI") which, if disclosed, might affect an investor's decision to buy, sell or hold a security. Such MNPI may be received intentionally in order to consider a confidential investment opportunity or unintentionally as a result of inadvertent disclosure by a third party. It may also be received as a result of outside business activities engaged in by a Lord Abbett employee. Under applicable law, Lord Abbett personnel may be prohibited from improperly disclosing or using such information for their personal benefit or for the benefit of any other person, regardless of whether that person is a client. Accordingly, should Lord Abbett personnel come into possession of MNPI with respect to an issuer, Lord Abbett may be prohibited from communicating such information to, or using such information for the benefit of, clients, which could limit the ability of clients to buy, sell or hold certain investments. Lord Abbett shall have no obligation or responsibility to disclose such information to, or use such information for the benefit of, any person (including clients). Lord Abbett has implemented proce-



dures that prohibit the misuse of such information (e.g., illegal securities trading based on the information). Similarly, no employee who is aware of MNPI which relates to any other company or entity in circumstances in which such person is deemed to be an insider or is otherwise subject to restrictions under federal securities laws may buy or sell securities of that company or otherwise take advantage of, or pass on to others, such MNPI.

## BROKERAGE PRACTICES

Below we describe our core business practices relating to trading and brokerage. In addition, we provide information regarding certain conflicts of interest that arise in connection with the execution of trades for client accounts and describe the policies and procedures that we have designed and implemented to help us manage these conflicts of interest.

### Broker Selection and Best Execution

Generally, the discretionary investment authority granted to Lord Abbett by each client includes discretion over client brokerage. This means that Lord Abbett has discretion to select broker-dealers and negotiate the transaction costs, including commissions or bid-ask spreads, in the execution of client portfolio transactions. Clients in Managed Account, commission recapture, or directed brokerage programs, however, limit Lord Abbett's discretion with respect to the selection of broker-dealers. (Please see the discussion below regarding Lord Abbett's client brokerage policies in these circumstances.)

When exercising discretion over client brokerage, it is Lord Abbett's policy to seek "best execution," or the most favorable results under the circumstances, when placing orders for securities transactions for client accounts. We define best execution as a process, not a result: it is the process of executing transactions at prices and, if applicable, transaction costs that provide the most favorable total cost or proceeds reasonably obtainable under the circumstances (taking into account all relevant factors). Trading practices, regulatory requirements, liquidity, public availability of transaction information and transaction cost structures vary considerably from one market to another. Best execution incorporates many such factors, as well as the portfolio manager's investment intentions, and involves an evaluation of the trading process and execution results over extended periods. Lord Abbett's determination of best execution does not necessarily mean that the client is paying the lowest possible commission rate or bid-ask spread, as there are several additional important factors to consider when evaluating best execution in client brokerage. Among the factors Lord Abbett considers when selecting a broker-dealer are the broker-dealer's execution capabilities (including block positioning), financial stability, ability to maintain confidentiality, delivery capability, ability to obtain best price, operational and reputational risks, and the value and availability of research services or credit arrangements for the purpose of obtaining such research services. Thus, Lord Abbett will not select broker-dealers solely on the basis of "posted" or "standard" commission schedules, nor will it always seek advance competitive bidding for the most favorable commission rate or

bid-ask spread applicable to a particular transaction. Lord Abbett has adopted policies and procedures designed to ensure that the choice of brokerage firm to execute transactions is based on considerations relevant to seeking best execution and not other factors, such as a broker's ability to refer clients to Lord Abbett or distribute Lord Abbett Funds. Lord Abbett often uses alternative execution venues in lieu of placing transactions with a traditional brokerage firm, or computer-driven order routing techniques (such as "algorithmic trading") to facilitate best execution and to reduce other transaction costs.

In seeking to obtain best execution, Lord Abbett recognizes that some broker-dealers are better at executing some types of orders than others and it may be in the clients' best interests to use a broker-dealer whose commission rates or bid-ask spreads are not the lowest but whose executions and other services Lord Abbett believes will result in lower overall transaction costs or more favorable or more certain results. From time to time, Lord Abbett will agree to have client accounts pay higher commission rates or other costs to broker-dealers on particular client transactions if Lord Abbett believes that the client has obtained best execution and the amount paid by the client is reasonable in relation to the overall value of the execution and any other services provided by the broker-dealer. The reasonableness of transaction costs is based on Lord Abbett's view of the broker's ability to provide professional services, competitive commission rates, research, and other services that will help Lord Abbett in providing investment advisory services to its clients, viewed in terms of either the particular transaction or Lord Abbett's overall responsibility to its clients. In particular, Lord Abbett at times will agree to have client accounts pay higher commission rates to those broker-dealers whose execution abilities, brokerage or research services, or other legitimate and appropriate services are deemed helpful by Lord Abbett's investment teams in the overall management of client accounts.

Subject to applicable law, Lord Abbett will occasionally effect "cross" transactions between client accounts, including registered investment companies. In these cases, one client account will purchase securities held by another client account. Lord Abbett effects these transactions only (1) when it deems the transaction to be in the best interests of both client accounts and (2) at a price that Lord Abbett has determined by reference to independent market indicators, which Lord Abbett believes to constitute "best execution" for both accounts. Neither Lord Abbett nor any related party receives any compensation in connection with "cross" transactions. Lord Abbett is not obligated to seek to effect "cross" transactions and may be prohibited by legal or regulatory considerations from doing so with respect to certain types of client accounts.

### *Managed Accounts*

Lord Abbett generally places all transactions in equities for Managed Accounts through the Sponsor or a broker-dealer firm designated by the Sponsor. For these types of equity transactions, Lord Abbett does not negotiate brokerage commissions since execution costs are included in the overall fees charged by the Sponsor or are set as a fixed commission amount per trade by the Sponsor. Lord Abbett's practice avoids the incremental brokerage





costs that would be incurred if Lord Abbett used for such transactions broker-dealers other than the Sponsor. Since execution costs are included in the client's single fee agreed with the Sponsor and are not individually negotiated or are the result of a Sponsor's direction, Lord Abbett typically does not monitor or evaluate the commission rates clients pay or the nature and quality of the services (i.e., best execution) they receive from Sponsors and their designated service providers, including broker-dealer firms. Occasionally, when deemed beneficial for clients, Lord Abbett will place equity transactions with broker-dealers other than the relevant Sponsor. As a result, the associated client accounts will pay brokerage commission costs that are in addition to the charges for execution otherwise included in the Sponsor's overall fee.

For certain Managed Accounts fixed-income strategies, Lord Abbett will consistently execute fixed-income transactions at financial institutions other than the Sponsor. Such transactions ordinarily occur at net prices, meaning that the broker-dealer's charge for the trade is built into the security's purchase or sale price and is ultimately borne by the client in addition to any charges for execution otherwise included in the Sponsor's overall fee. Each client should evaluate whether particular Managed Accounts are suitable for his or her needs, including the fees charged and services provided.

### *Transactions Involving Non-U.S. Securities and Depositary Receipts*

Some client accounts may not be able to hold non-U.S. securities in direct or "ordinary" form because of custodial limitations or other restrictions. In these cases, Lord Abbett generally will buy depositary receipts ("DRs") or arrange for the purchase of ordinary shares in non-U.S. markets that settle and convert into DRs. For certain Managed Accounts, when Lord Abbett arranges for the conversion of the non-U.S. ordinary shares into DRs or for the withdrawal and subsequent sale of the underlying non-U.S. shares from the DR custodian, Lord Abbett may use a "step-out" bank or broker-dealer unaffiliated with the Sponsor to effect the DR conversion or withdrawal transaction. Fees and costs associated with each of the DR conversion and withdrawal transactions typically are included in the net price of the transaction and borne by the client. As a result, such fees and costs are in addition to any charges for investment commissions and/or execution otherwise included in the Sponsor's overall fee.

### *Foreign Currency Transactions*

Lord Abbett engages in foreign currency transactions in some accounts or strategies. Where available and practicable, Lord Abbett believes it is in a client's best interest to deal directly with a broker-dealer; however, third party broker-dealer transactions are not available for certain emerging market or certain restricted foreign securities and may be impracticable for some payments such as dividends. In these instances, Lord Abbett will trade foreign currency through a client's custodian on a transaction-by-transaction basis and/or via standing instructions. Lord Abbett will not be responsible for overseeing charges of or execution quality provided by a client's custodian; clients should contact their custodians

directly for this information.

## Trade Aggregation

### *Equity Transactions*

When appropriate and feasible, Lord Abbett will seek to combine or "batch" multiple orders (purchase or sale) of the same security that are placed at or about the same time with the trading desk. Further, when a second order with respect to a security reaches the trading desk while another order in that security has not been completed, Lord Abbett will seek to batch the remainder of the earlier order with the second order. Portfolio managers have the ability to place orders with the equity trading desk indicating the immediacy with which the trade should be executed. Orders in the same security with differing levels of immediacy will generally not be aggregated. Moreover, orders placed for execution with price limits may not be aggregated with orders placed to be executed at the prevailing market price. In addition, not all similarly situated accounts will necessarily participate in the same batched order due to issues such as cash flow considerations, investment restrictions, tax concerns, and brokerage restrictions.

At times, Lord Abbett is not able to batch purchases and sales for all accounts or products it is managing, such as when an individually managed account client directs Lord Abbett to use a particular broker for a trade (sometimes referred to herein as "directed accounts") or when a client restricts Lord Abbett from selecting certain brokers to execute trades for such account (sometimes referred to herein as "restricted accounts").

When transactions for all products using a particular investment strategy are communicated to the equity trading desk at or about the same time, Lord Abbett generally will place trades first for transactions on behalf of the Lord Abbett Funds and nondirected, unrestricted individually managed institutional accounts, second for restricted accounts, third for Managed Accounts by Sponsor or consultant/financial adviser (as described below), and finally for directed accounts. Communication of changes to portfolio holdings information for Model Portfolios is handled separately near the end of the trading day or at the beginning of the next trading day, and generally after the completion of transactions for Managed Accounts. In instances in which the same equity security or group of securities is used in one or more equity-only strategies and in one or more strategies that invest in both fixed-income and equity securities, Lord Abbett will normally place transactions first on behalf of the equity-only investment strategies. For example, Lord Abbett will typically place transactions for large capitalization equity accounts before those for balanced strategy accounts that invest in large-capitalization equity securities. However, in particular situations, Lord Abbett may determine in its sole discretion to place transactions for one group of accounts before or after the remaining accounts based on a variety of factors, including size of overall trade, the broker-dealer's commitment of capital, liquidity, or other conditions of the market, or confidentiality. Lord Abbett's overall policy is to treat similarly situated groups of accounts equitably over time.



Frequently, a batched order will not be fully filled during a trading day and will be canceled or subsequently filled or combined with orders for other accounts and then filled. Each account that participates in a particular batched order will do so at the average price for all transactions related to that batched order.

Lord Abbett generally allocates securities purchased or sold in a batched transaction among participating client accounts on a pro rata basis. In certain strategies, however, a pro rata allocation of the securities or proceeds will not be possible or desirable, as described below. Lord Abbett will decide how to allocate the securities or proceeds according to each account's particular circumstances and needs, and in a manner Lord Abbett believes is fair and equitable to clients over time in light of a variety of factors.

*Managed Accounts:* Lord Abbett generally will not batch equity transactions for Managed Accounts with transactions for the Lord Abbett Funds, Lord Abbett UCITS Funds, or Lord Abbett Cayman Fund and unrestricted (as to transaction execution) individually managed institutional accounts, and these clients will not derive the same advantage from batching orders as a single transaction for the purchase and sale of a particular security. Accounts subject to batching may receive more favorable results than accounts for which execution costs are covered as part of such service. Lord Abbett generally will batch equity transactions for Managed Accounts for execution through the same Sponsor or directed broker-dealer. Lord Abbett consistently places transactions in certain fixed-income securities with or through firms other than the Managed Account Sponsor or directed broker-dealer. Such transactions occur at net prices that include the broker-dealer's charge for the trade and are ultimately borne by the client.

Where Lord Abbett manages the same product for multiple Sponsors or consultants/financial advisers, Lord Abbett will rotate the order in which it places equity transactions among the relevant accounts. Lord Abbett normally uses a rotation methodology designed to avoid systematically favoring one Sponsor or group over another and to treat similarly situated groups of accounts equitably over time by assigning each Sponsor or group a place in the rotation for a particular trading day, and then moving the first Sponsor or group to the end of the rotation order the following trading day. Each succeeding Sponsor or group will move up a place in the rotation order each subsequent trading day. Lord Abbett deviates occasionally from this rotation methodology to take advantage of special opportunities in the market. For example, transactions in certain limited-supply securities typically will not be subject to this rotation methodology because not all Sponsors or directed broker-dealers will have access to, or an adequate supply of, such limited-supply securities. Lord Abbett will also place a Sponsor's or directed broker-dealer's transactions after those of other Sponsors/directed broker-dealers to avoid delays Lord Abbett deems too long in execution of transactions for such accounts. These accounts would be consistently placed at the end of the rotation schedule among Sponsors, which may disadvantage such accounts, depending on market conditions.

*Model Portfolios:* Lord Abbett typically releases its Model Portfolio holdings information to a Sponsor daily. When the related Lord

Abbett investment team makes core changes to the Model Portfolio, Lord Abbett generally will communicate its changes to the Sponsor at or near the end of the trading day and generally after the completion of the rotation methodology described above. For Sponsors unable to accept Model Portfolio changes at that time, Lord Abbett will communicate its Model Portfolio changes the following trading-day morning. The Sponsor or an overlay manager is responsible for adjusting existing Model Portfolio accounts to conform to the core changes. Model Portfolio clients may experience account performance that is different from the results obtained when Lord Abbett exercises investment discretion due to the timing and implementation of orders by a Sponsor or overlay manager.

### *Fixed-Income Transactions*

As is the case with equity transactions, transactions in fixed-income securities will ordinarily be batched and allocated pro rata among participating client accounts for transactions that are communicated to the trading desk at or about the same time. Unlike equity transactions, however, Lord Abbett generally will not batch fixed-income orders that are placed at separate times, even if the earlier order has not been completed when a second order reaches the trading desk, unless Lord Abbett believes that batching such orders will not impact trading of the earlier-placed order.

Some client accounts will be excluded from a batched transaction for a variety of reasons, including issuer requirements regarding minimum trade or lot size or client limitations on the use of certain broker-dealers. When an account is excluded from a batched trade, Lord Abbett will seek to purchase securities in that account in a manner that is fair and equitable to all client accounts over time, which may include purchasing a security for an excluded account first based on factors such as the availability of a desirable purchase opportunity that would not be suitable for the non-excluded client accounts. In addition, unlike the case of equity securities, when an account is excluded from or unable otherwise to participate in a transaction Lord Abbett's investment team often can purchase another fixed-income security with substantially similar investment characteristics.

### *Derivatives Transactions*

Whenever practicable, Lord Abbett will seek to batch transactions in derivatives such as futures, swaps, and currency forwards among eligible client accounts. Because many derivatives require negotiation and execution of trading agreements between each client and each counterparty, some counterparties may be available to some client accounts and not others. When the counterparty that Lord Abbett believes can provide best execution for a particular transaction is unavailable to a portion of client accounts participating in that transaction, Lord Abbett will ordinarily trade first with that counterparty on behalf of the accounts to which that counterparty is available, and then trade the excluded client accounts with such other counterparty as Lord Abbett believes is most desirable among the counterparties available to those accounts. However, Lord Abbett at times will deviate from this approach and choose only among counterparties available to all relevant client accounts



if Lord Abbett believes the benefits of batching the transaction exceed the benefit of choosing the most desirable counterparty among those available to each client. Such decisions will be made subject to Lord Abbett's continuing obligation to treat all client accounts in a manner it believes is fair and equitable over time.

### *Mixed Asset Class Transaction Modeling*

When modeling orders for client accounts that include accounts that may invest across multiple asset classes, investment allocation varies. With respect to "mixed asset class accounts" managed by two or more portfolio manager teams (e.g., balanced strategy), the portfolio manager for a particular asset class will generally determine an account's positioning for pro rata allocation purposes based on the portfolio's target allocation to that asset class rather than the size of the account as a whole. However, for mixed asset class accounts managed by a single portfolio manager team (e.g., high yield), such accounts will be positioned for pro rata allocation purposes based on the total size of the account regardless of the target allocation to the relevant asset class. Thus, mixed asset class accounts managed by a single portfolio manager team may receive greater allocations than would otherwise be the case if the relevant asset class were managed on a stand-alone basis, which could negatively impact the allocations to and performance of other client accounts participating in these trades.

### **Allocation of Trade Executions**

Once a batched order is filled, Lord Abbett generally allocates the securities or cash on a pro rata basis among the participating client accounts. In the event that there is limited availability or limited liquidity for investments, however, a pro rata allocation may not be possible or desirable. For example, limited availability will exist at times, without limitation, in certain security types or categories such as fixed-income securities (including bank loans and high-yield securities), emerging markets, regulated industries, small and micro cap securities, and initial public offerings or new issues.

In these cases, Lord Abbett's investment management teams will make allocations that reflect a number of other factors based on Lord Abbett's good-faith assessment of the investment opportunity relative to the objectives, limitations, and requirements of each client account. These factors, which Lord Abbett applies in a manner that it believes is fair and equitable to clients over time, include, without limitation, some or all of the following: (1) client-specific considerations, including investment objectives, guidelines and restrictions, risk profile, and anticipated liquidity needs; (2) type of account; (3) number of securities relative to size and expected future size of an account; (4) availability of other appropriate investment opportunities; (5) other holdings and/or prior allocation affecting an account; (6) rebalancing needs, such as over- or under-weighting in a particular investment, industry, sector, credit rating, maturity, and coupon or interest rate, of an account; (7) minimum denomination, increments, and round lot considerations; (8) issuer-imposed limitations; (9) tax considerations;

(10) purchases for accounts with a disproportionate cash position or newly established accounts for which Lord Abbett is seeking to fully invest as promptly as possible; and (11) with respect to bank loans, dealer assignment fees. Accordingly, Lord Abbett will increase or decrease the amount of securities allocated to one or more accounts if necessary, under certain circumstances. Lord Abbett's allocation decisions among client accounts will potentially be more or less advantageous to any one account or group of accounts. As a result of these allocation issues, the amount, timing, structuring, or terms of an investment by a client account at times will differ from, and performance potentially will be lower than, investments and performance of other client accounts. Client accounts that either receive a less than pro rata or no allocation of an investment opportunity that performs well may experience lower performance overall.

### **Client Commission Arrangements and Soft Dollars**

It is Lord Abbett's policy to seek to obtain best execution on all client transactions over which Lord Abbett exercises discretion. It is generally the case that more than one broker-dealer can provide best execution, and in the case of equity transactions, if consistent with applicable law and regulation, Lord Abbett often selects broker-dealers that furnish Lord Abbett with proprietary and third-party brokerage and research services in connection with commissions paid on transactions it places for client accounts. The brokerage and research services Lord Abbett receives are within the eligibility requirements of Section 28(e) of the Securities Exchange Act of 1934 and, in particular, provide Lord Abbett with lawful and appropriate assistance in the provision of investment advice to client accounts. Such services include (1) furnishing advice as to the value of securities, the advisability of investing in, purchasing, or selling securities, and the availability of securities or purchasers or sellers of securities; (2) furnishing analyses and reports concerning issuers, industries, securities, economic factors and trends, portfolio strategy, and the performance of accounts; and (3) effecting securities transactions and performing functions incidental to securities transactions (such as clearance, settlement, and custody). Such services come in the form of research reports via electronic delivery or print, online data services, oral discussions with researchers and other experts, and meetings with company representatives and third party analysts. Lord Abbett has entered into Client Commission Arrangements with a number of broker-dealers that it selects to execute client transactions from time to time. These Client Commission Arrangements provide for the broker-dealers to pay a portion of the commissions paid by eligible client accounts for securities transactions to providers of certain research services designated by Lord Abbett, including research service providers that are affiliates of such broker-dealers or of Lord Abbett advisory clients. Lord Abbett initiates a significant percentage, and potentially up to all, of its clients' equity security transactions with broker-dealers pursuant to Client Commission Arrangements.



In addition to Client Commission Arrangements, certain full service broker-dealers (that is, broker-dealers that provide brokerage and execution services) also furnish proprietary research services on a “bundled” basis to Lord Abbett. Proprietary research may include research from an affiliate of the broker-dealer and services that provide access to unaffiliated industry experts. Bundled brokerage is a brokerage arrangement whereby the underlying commission is informally comprised of both trade execution and other services, most often investment research meant to assist with Lord Abbett’s internal research process. These services are generally not offered on a stand-alone basis by broker-dealers.

The services that Lord Abbett receives from Client Commission Arrangements and “bundled” proprietary research include the use of expert referral networks. Expert referral networks provide access to industry consultants, vendors, and suppliers. Such services are commonly relied on by investment managers to supplement their investment process and gain unbiased industry insights. Lord Abbett uses a limited number of expert networks and monitors its use to ensure compliance with the law, as well as internal guidelines.

Lord Abbett believes that access to independent investment research is beneficial to its investment decision-making processes and, therefore, to its clients. Receipt of independent investment research allows Lord Abbett to supplement its own internal research and analysis and makes available the views of, and information from, individuals and the research staffs of other firms.

The receipt of research services from broker-dealers therefore does not tend to reduce the need for Lord Abbett to maintain its own research personnel. Further, Lord Abbett values the receipt of independent, supplemental viewpoints and analyses. Any investment advisory or other fees paid by clients to Lord Abbett are not reduced as a result of Lord Abbett’s receipt of research services from broker-dealers. Also, the expenses of Lord Abbett would be increased substantially if it attempted to generate such additional information through its own staff or if it paid for these products or services itself. To the extent that research services of value are provided by or through such broker-dealers, Lord Abbett will not have to pay for such services itself. In addition, Lord Abbett from time to time selects broker-dealers that provide research services in order to ensure the continued receipt of such research services which Lord Abbett believes are useful in its investment decision-making process. Lord Abbett has an incentive to place trades through broker-dealers that provide Client Commission Arrangements or other research services. In addition, Lord Abbett has an incentive to place trades with broker-dealers with which it has negotiated more favorable Client Commission Arrangements, rather than executing through a broker-dealer with an arrangement that is less favorable to Lord Abbett. To the extent that Lord Abbett uses brokerage commissions paid in connection with client portfolio transactions to obtain research services, the brokerage commissions paid by such clients might exceed those that would otherwise be paid for execution only. These circumstances give rise to actual and potential conflicts of interest. In order to manage such conflicts

of interest, Lord Abbett has adopted internal procedures designed to ensure that (1) the value, type, and quality of any products or services it receives from broker-dealers are permissible under applicable law and (2) investment transactions are placed based solely on best execution considerations.

Lord Abbett believes that any brokerage and research services received from a broker-dealer are, in the aggregate, of assistance to Lord Abbett in fulfilling its overall responsibilities to its clients. Accordingly, research services received for a particular client’s brokerage commissions may be useful to Lord Abbett in the management of that client’s account, but may also be useful in Lord Abbett’s management of other clients’ accounts, including accounts that do not generate eligible Section 28(e) brokerage commissions or generate less than a proportionate share of such eligible commissions to pay for research services; similarly, the research received for the commissions of other client accounts may be useful in Lord Abbett’s management of that client account. Thus, Lord Abbett uses brokerage and research services received from broker-dealers in servicing any or all of its accounts, and not all of such services will necessarily be used by Lord Abbett in connection with its management of every client account. Such products and services may disproportionately benefit certain clients relative to others based on the amount of brokerage commissions paid by the client account. For example, Lord Abbett uses research services obtained through soft-dollar arrangements, including Client Commission Arrangements, in its management of certain directed accounts, Managed Accounts, and accounts of clients who have restricted Lord Abbett’s use of soft dollars regardless of the fact that brokerage commissions paid by such accounts are not used to obtain research services.

All accounts included in a batched transaction executed through a broker-dealer pursuant to a Client Commission Arrangement pay the same commission rate, regardless of whether one or more accounts within the batched order has prohibited Lord Abbett from receiving any credit toward such services from its commissions. Some broker-dealers who have negotiated an arrangement with Lord Abbett for the provision of brokerage and research services offer a lower commission rate for client accounts not participating in such arrangement. It is Lord Abbett’s policy, however, to seek to include nonparticipating accounts in a batched trade, as Lord Abbett believes these nonparticipating accounts would receive overall better execution notwithstanding the fact that the nonparticipating account may be able to pay a lower commission rate if it were not included in the batched trade.

In some cases, Lord Abbett receives from a broker-dealer a product or service that has both a “research” and a “non-research” use. When this occurs, Lord Abbett makes a good faith allocation between the research and non-research uses of the product or service. The percentage of the product or service Lord Abbett uses for research purposes generally will be paid for with client commissions, while Lord Abbett will use its own funds to pay for the percentage of the product or service that it uses for non-research purposes. In making this good faith allocation, Lord Abbett faces a potential conflict of interest, but Lord Abbett





believes that its allocation procedures are reasonably designed to ensure that it appropriately allocates the anticipated use of such products or services to their research and non-research uses.

Lord Abbett periodically assesses the contributions of the brokerage and research services provided by broker-dealers and creates a ranking of broker-dealers reflecting these assessments, as determined by Lord Abbett's investment staff. Lord Abbett's investment personnel evaluate the research services they receive from broker-dealers and make judgments as to the value and quality of such services. These assessments are intended to affect the extent to which Lord Abbett trades with a broker-dealer, although the actual amount of transactions placed with a particular broker-dealer may not directly reflect its ranking in the voting process. Lord Abbett monitors the allocation of equity trading among broker-dealers through periodic reviews. Lord Abbett's arrangements for proprietary and third-party research services do not involve any commitment by Lord Abbett regarding the allocation of brokerage business to or among any particular broker-dealer. Rather, Lord Abbett executes portfolio transactions only when they are dictated by investment decisions to purchase or sell portfolio securities. Some electronic trading systems offering uniform pricing for trades effected over the system allow Lord Abbett to specify a broker-dealer of its choice as a counterparty. Consistent with its obligation to seek best execution, Lord Abbett sets internal targets for certain counterparties over such systems in order to receive research or to help satisfy client requests that Lord Abbett engage in trading with certain types of broker-dealers such as those that are owned by women or minorities.

From time to time, Lord Abbett prepares a relative categorization and ranking of research providers that it considers to provide valuable research services as determined through evaluations and other feedback provided by Lord Abbett's investment staff. Lord Abbett uses the ranking as a guide for evaluating and determining payments to research providers for research services, including proprietary research services provided to Lord Abbett by executing broker-dealers. Lord Abbett at times uses commissions generated pursuant to a Client Commission Arrangement to pay a research provider, including an executing broker-dealer who provides proprietary research services to Lord Abbett. Alternatively, Lord Abbett makes cash payments from its own resources to pay research providers for research services. Lord Abbett uses commissions generated pursuant to Client Commission Arrangements to pay for a significant portion of the research services that it receives.

Client Commission Arrangements generally do not apply to fixed-income security transactions. The fixed-income securities market is an over-the-counter (OTC) market where commissions typically are not paid and soft dollars are not accumulated on portfolio trades. The expenses that clients pay buying and selling fixed-income securities are a component of the net price paid in the trade. Even though Lord Abbett does not obtain soft dollar research for fixed-income trades, Lord Abbett's fixed-income investment personnel are permitted to make use of soft dollar research obtained by Lord Abbett's equity investment personnel. In addition, many Lord Abbett investment personnel receive investment

research from various broker-dealers, including, in addition to broker-dealers that execute equity trades, broker-dealers through which fixed-income trades are executed in accordance with Lord Abbett's best execution obligations. The receipt of such research, however, is not contingent on specific trades. Furthermore, some fixed-income strategies employed by Lord Abbett also invest in equity securities. In those cases, in addition to making use of soft dollar research services obtained by Lord Abbett's equity investment personnel, the fixed-income investment team also will be permitted to obtain research services directly using soft dollars. Thus, the investment personnel managing fixed-income accounts will benefit from, or be "cross-subsidized" by, research services received without additional cost by Lord Abbett through soft dollars, even though some fixed-income accounts do not generate eligible Section 28(e) brokerage commissions or generate less than a proportionate share of such eligible commissions to pay for such research services.

## Directed Brokerage and Other Client Restrictions on Brokerage

Clients may direct Lord Abbett to place some or all of the transactions for their accounts with one or more broker-dealers they specify. Such clients do so for several reasons, including offsetting consulting and other fees or participating in a bundled services program, including but not limited to Managed Accounts under a dual contract program. A client that designates use of a particular broker-dealer should understand, however, that such an instruction might prevent Lord Abbett from freely negotiating commission rates or selecting brokers based on the most favorable price and execution for the transaction. Clients also may prohibit Lord Abbett from placing transactions for their accounts with certain broker-dealers. A client that prohibits Lord Abbett from selecting certain broker-dealers for the placement of transactions for its account should understand that such a prohibition prevents Lord Abbett from selecting a restricted broker-dealer even though such broker-dealer may offer a more favorable price and execution for the transaction. In addition, the client may lose the possible advantage that non-designating and unrestricted clients derive from batching orders into single larger transactions, utilizing alternative trading venues, or alternative trading techniques for the purchase or sale of a particular security. Finally, Lord Abbett normally will place transactions for directed accounts, restricted accounts, and Managed Accounts after those placed for non-directed accounts.

In order to comply with a client direction, Lord Abbett usually will seek to engage in "step-out" or "broker-of-credit" transactions. Such situations involve placing a transaction with a broker-dealer with the instruction that the broker-dealer execute the transaction and "step-out," or credit all or a portion of the commission to another broker-dealer that the client has designated. Lord Abbett believes that such arrangements afford the opportunity both to seek best execution with respect to the transaction and to comply with the client's direction. Overall, any instruction that Lord Abbett



use a certain broker-dealer or restrict trading with a particular broker-dealer may cause a client to pay higher commissions, receive less favorable net prices or investment results, or incur additional custodial or other external administrative charges than would be the case if Lord Abbett were authorized to choose the broker-dealers through which to execute transactions for the client's account.

## REVIEW OF ACCOUNTS

### Institutional Accounts

Each client account is managed by a Lord Abbett investment team, which is assigned primary responsibility for the day-to-day management and ongoing monitoring of the client account. The investment team's continuous review of a client account includes the review of the appropriateness of portfolio holdings and transactions in light of the client account's investment objective, guidelines, and restrictions and changes in market conditions. The number of accounts managed by each investment team varies depending on the nature and size of the accounts under management and may change over time.

In all cases, accounts are also subject to review by operations and compliance personnel, who monitor account trading on a daily basis with the aid of Lord Abbett's portfolio accounting system and separate equity and fixed-income trading systems that incorporate pretrade or post-trade compliance testing against many account restrictions.

On a quarterly basis, each investment team meets with the Investment Review Committee, which includes Lord Abbett's Managing Partner, Chief Investment Officer and Chief Risk Officer. These quarterly meetings ordinarily include review of portfolio holdings, characteristics, strategies, and performance attribution analysis, as well as the team's personnel and other resources.

### Managed Accounts

Managed Account investment and operations teams ensure that each such account is subject to reviews similar to those described above. The number of such accounts assigned to each investment or operations team varies depending on the nature and size of the accounts under management, and typically is greater than the number of institutional accounts assigned for review.

### Nature and Frequency of Reports

*Institutional Accounts:* The nature and frequency of reports to institutional account clients vary based on client needs and preferences. Typically, clients receive monthly or quarterly reports that may include portfolio transactions, holdings, characteristics, strategies, performance attribution analysis, and account performance versus portfolio benchmarks. Meetings with institutional clients are held as agreed upon with clients and generally occur annually.

*Managed Accounts and Model Portfolio Accounts:* Managed Account and Model Portfolio Sponsors typically receive market commentaries prepared by Lord Abbett and generally send such commentaries on

to Managed Account or Model Portfolio clients. Sponsors also typically issue performance reports to clients on a quarterly basis. Upon request, Lord Abbett will provide supplemental reporting to these types of clients. In addition, Lord Abbett personnel who are knowledgeable about a Managed Account client's account will be reasonably available to the client for consultation.

## CLIENT REFERRALS AND OTHER COMPENSATION

Lord Abbett makes payments out of its past profits and other available sources to certain financial intermediaries for marketing/distribution support, investor/shareholder servicing, entertainment, training and education activities, and/or the purchase of products or services from such intermediaries. Lord Abbett and/or Lord Abbett Distributor LLC also make payments for these purposes to financial intermediaries in connection with the Lord Abbett Funds, Lord Abbett UCITS Funds, and Lord Abbett Cayman Fund. The products or services purchased include analytical software and data. In addition, Lord Abbett sometimes pays for meals, entertainment and educational meetings with institutional client consultants that may recommend our services to their clients.

With the exception of purchases of products or services from the financial intermediaries, the amounts of Lord Abbett's payments are determined by Lord Abbett or Lord Abbett Distributor LLC, as the case may be, and in some cases are substantial. The intermediaries receiving such payments include consulting firms and broker-dealers that may recommend that their clients consider or select Lord Abbett to provide them with investment advisory services, as well as to intermediaries that act as dealers for the Lord Abbett Funds, Lord Abbett UCITS Funds, and Lord Abbett Cayman Fund or as agents for their clients with respect to purchases of shares of the funds. In some circumstances, such payments may create an incentive for an intermediary or its employees or associated persons to recommend Lord Abbett's advisory services or funds or to sell shares of a fund to a client. Lord Abbett compensates its affiliates and non-affiliates for solicitation and/or other client-related services provided to Lord Abbett clients and prospective clients. Under the arrangements, generally, Lord Abbett pays a portion of its advisory fee to the solicitor or service provider. Where applicable, any such arrangements comply with Rule 206(4)-3 under the Investment Advisers Act of 1940.

## CUSTODY

Lord Abbett does not maintain physical possession of the funds or securities held in clients' accounts. Typically, clients deposit assets with a qualified custodian selected by the client. Generally, under the terms of an investment management agreement between Lord Abbett and each client, Lord Abbett will periodically invoice the client and the client will direct its custodian to pay Lord Abbett. The assets of Managed Account clients are typically deposited with the Sponsor or a qualified custodian selected by the Sponsor or client. Lord Abbett is



not involved in the selection or ongoing monitoring of client custodians for institutional and Managed Account clients.

## INVESTMENT DISCRETION

Generally, clients retain Lord Abbett on a discretionary basis to provide continuous investment advice pursuant to an investment management agreement that describes the investment services to be provided. Consistent with the client's investment objectives, Lord Abbett typically will have full investment decision-making authority over the type of investments and brokerage for the client's account. From time to time, a client may impose restrictions on certain investments from their account or direct that Lord Abbett use certain broker-dealers to execute transactions for the client's account.

For Managed Accounts investing in equity securities, Lord Abbett's brokerage discretion is generally limited by the applicable Sponsor or client. When investing in fixed-income securities for Managed Accounts, Lord Abbett brokerage selection may be limited by the applicable Sponsor or client, but for certain fixed-income strategies Lord Abbett consistently has the investment decision-making authority to place fixed-income transactions with or through firms other than the Sponsor or directed broker-dealer since such transactions ordinarily occur at net prices. Lord Abbett has neither investment nor brokerage discretion for those clients to whom it provides nondiscretionary investment advice or clients of certain Model Portfolios.

Lord Abbett generally makes investment decisions for each client account for which it has investment and brokerage discretion independently. As a result, due to different investment objectives, policies, or restrictions, if any, Lord Abbett may purchase a particular security for one or more accounts when one or more other accounts are selling the same security. Lord Abbett may also purchase or sell the same securities for a number of client accounts at or about the same time. Lord Abbett's ability to place and/or recommend transactions may be restricted by applicable regulatory requirements and/or Lord Abbett's internal policies designed to comply with such requirements. For example, Lord Abbett's ownership position on behalf of its client accounts may be restricted by regulation or by a company's corporate charter.

In most cases, a separate investment management team is responsible for portfolio management for all products using a particular investment discipline or style, including institutional accounts, Managed Accounts, mutual funds, and other commingled investment vehicles. Individual members of each such separate investment management team may have primary or exclusive responsibility for managing specific accounts or products invested according to that team's particular investment discipline or style.

As a general matter, each Lord Abbett investment team manages each strategy using a common style in substantially the same manner across all accounts investing in each such strategy. An investment management team (and, in certain circumstances, individual members of that team) may implement its investment decisions in somewhat different ways for each product, however, to the extent that the team members responsible for a particular strategy determine that such differences are appropriate. The differences are typically attributable to the unique considerations relating to each type of

product. For example, investment decisions for Managed Accounts may take into account tax considerations that would not be relevant for tax-exempt institutional accounts. As another example, account size, cash flow considerations, and/or redemption requests/withdrawals may cause Lord Abbett to invest differently for Managed Accounts as compared with other types of accounts. These kinds of considerations may cause one product to have a higher cash position than another product at a given time, to reflect implementation of Lord Abbett's investment strategies in different increments or on a different basis with respect to timing of purchases and sales of securities, or to maintain fewer holdings in the interest of avoiding nonstandard principal amounts of fixed-income securities.

In the event that an institutional or Managed Account client terminates Lord Abbett from managing its account, the client or Sponsor will notify Lord Abbett of the termination of Lord Abbett's investment discretion from the account and typically will instruct Lord Abbett as to the client's desire to maintain the securities held in the portfolio or to transition all or a part of the client's portfolio to cash. Unless more time is necessary to complete trading instructed by the client, any orders issued by Lord Abbett before the receipt of a termination notice will generally be executed on the day of receipt and discretion will be maintained until the end of such business day, after which Lord Abbett will not be responsible for any trading or investment decisions.

## VOTING CLIENT SECURITIES

Lord Abbett has adopted proxy voting policies and procedures that govern the voting of client securities. Lord Abbett votes proxies in the manner it believes is in the best interests of its clients, including the Lord Abbett Funds and their shareholders. Under the policies and procedures, Lord Abbett has formed a Proxy Policy Committee to carry out and oversee the proxy voting process. The Proxy Policy Committee comprises Lord Abbett's Chief Investment Officer and members of its Investment, Operations, and Legal and Compliance Departments. Proxy voting decisions are made by the Investment Department in accordance with Lord Abbett's proxy voting policies and procedures and are implemented by employees in the Operations Department. Lord Abbett has retained a third-party service to analyze proxy issues and recommend how to vote on those issues, and to provide assistance in the administration of the proxy process, including maintaining complete proxy voting records.

## Conflicts of Interest

Lord Abbett has adopted policies and procedures designed to ensure that conflicts of interests are identified and resolved in its clients' best interests rather than its own. Generally, when Lord Abbett identifies a potential conflict of interest, Lord Abbett adheres to its voting guidelines on the issue or, if the guidelines do not address the particular issue, Lord Abbett would follow the recommendation of the third-party service.

On occasion, a proxy vote will relate to securities of a company with which Lord Abbett has a significant business relationship, such as a company that is an institutional client of Lord Abbett or a company known by Lord Abbett to have a substantial investment in



a Lord Abbett Fund. In such circumstances, Lord Abbett will request voting instructions from a committee consisting of members of the Board of Directors/Trustees of the Lord Abbett Funds who are not “interested persons” as defined in the Investment Company Act of 1940. In the absence of explicit instructions from an institutional account client to resolve proxy voting conflicts in a different manner, Lord Abbett will vote all shares on behalf of all clients that hold such a security in accordance with the voting instructions received from the committee of the Lord Abbett Funds’ Board.

To serve the best interests of a client that holds a given voting security, Lord Abbett generally will vote proxies without regard to other clients’ investments in different classes or types of securities or instruments of the same issuer that are not entitled to vote. Accordingly, when the voting security in one account is from an issuer whose other, non-voting securities or instruments are held in a second account in a different strategy, Lord Abbett will vote without input from members of the Investment Department that act on behalf of the second account. Lord Abbett employees may seek guidance from Lord Abbett’s Investment Conflicts Committee with respect to any potential conflict of interest arising out of the holdings of multiple clients.

## Summary of Proxy Voting Guidelines

Summarized below are the guidelines that Lord Abbett normally follows in voting proxies. Lord Abbett evaluates each proxy proposal based on the particular facts it believes are relevant to its overall goal of maximizing shareholder value. Lord Abbett reserves the flexibility to vote in a manner contrary to its general views on particular issues if it believes doing so is in the best interests of its clients. For institutional accounts managed on behalf of multi-employer pension or benefit plans, commonly referred to as Taft-Hartley plans, Lord Abbett will vote proxies in accordance with the Proxy Voting Guidelines issued by the AFL-CIO rather than the guidelines summarized below unless instructed otherwise by the client.

- **Directors.** Lord Abbett believes that a company’s independent directors generally are in the best position to identify qualified director nominees and determine a board’s leadership structure. Lord Abbett therefore normally votes in accordance with management’s recommendations on proposals concerning directors, including proposals that call for separation of the chairman and CEO functions. Lord Abbett may oppose management on a case-by-case basis if it believes that a company’s governance structure does not promote independent oversight, among other reasons. Lord Abbett generally votes against proposals to classify a board, that is, to stagger the election of the board’s members.
- **Compensation and Benefits.** Lord Abbett believes that management generally is in the best position to assess compensation and benefits. Accordingly, Lord Abbett generally votes with management on compensation and benefit matters, including incentive compensation plans, say-on-pay, clawbacks, anti-gross-up policies, and severance pay. Lord Abbett may oppose management on a case-by-case basis if it deems a company’s

compensation to be excessive or inconsistent with its peer companies’ compensation, it believes a company’s compensation measures do not foster a long-term focus among its executive officers and other employees, or it believes a company has not met performance expectations, among other reasons.

- **Anti-Takeover Issues and Shareholder Rights.** Lord Abbett considers proposals concerning anti-takeover issues and shareholder rights on a case-by-case basis based on the particular factors it considers relevant. Some examples of proposals that Lord Abbett tends to support include: (1) proposals to eliminate shareholder rights plans or “poison pills” and proposals to require that companies submit poison pills for shareholder ratification; (2) anti-greenmail provisions and fair price provisions, unless they are bundled with other measures that serve to entrench management or discourage attractive takeover offers; (3) proposals to remove supermajority vote requirements; (4) cumulative voting; and (5) confidential voting.
- **Social, Political, and Environmental Issues.** Lord Abbett evaluates proposals relating to social, political, or environmental issues based on their effect on shareholder value rather than on their ideological merits. Lord Abbett generally follows management’s recommendation on such proposals, but pays particular attention to highly controversial issues, as well as instances where management has failed repeatedly to take corrective actions with respect to an issue.

## Client Voting Instructions

A client may instruct Lord Abbett how to vote a particular proxy or how to vote all proxies for securities held in its Lord Abbett account.

## Obtaining Further Information

If a Lord Abbett institutional client would like a copy of Lord Abbett’s complete proxy voting policies and procedures or information as to how Lord Abbett voted the securities in the client’s account, the client should call their Lord Abbett client service representative or 201-827-2927. If a client of Lord Abbett’s Managed Accounts would like the complete policies and procedures or voting information, that client should contact the Sponsor or the related consultant/financial adviser and request that the Sponsor or consultant/financial adviser call Lord Abbett’s Service Center at 888-522-2388.

## FINANCIAL INFORMATION

Lord Abbett is not required to provide a balance sheet for its most recent fiscal year, as it does not require or solicit prepayment of more than \$1,200 in fees per client, six months or more in advance.

Lord Abbett is not aware of any financial condition that is reasonably likely to impair its ability to meet its contractual commitments to clients.



## APPENDIX 1

The following table provides the standard fee schedule for each of Lord Abbett's available institutional strategies:

Strategy	Standard Fee Schedule
Bank Loans	.50% on the first \$50 million in assets under management .46% on the next \$100 million in assets under management .40% on the next \$100 million in assets under management .38% on the next \$250 million in assets under management .35% on assets in excess of \$500 million
Calibrated Dividend Growth	.60% on the first \$25 million in assets under management .45% on the next \$75 million in assets under management .42% on the next \$150 million in assets under management .39% on the next \$250 million in assets under management Negotiable on assets in excess of \$500 million
Calibrated Equity Income	.55% on the first \$25 million in assets under management .46% on the next \$75 million in assets under management .33% on the next \$400 million in assets under management Negotiable on assets in excess of \$500 million
Calibrated Large Cap Value	.55% on the first \$25 million in assets under management .46% on the next \$75 million in assets under management .33% on the next \$400 million in assets under management Negotiable on assets in excess of \$500 million
Calibrated Mid Cap Value	.74% on the first \$25 million in assets under management .53% on the next \$75 million in assets under management .50% on the next \$150 million in assets under management .47% on the next \$250 million in assets under management Negotiable on all assets in excess of \$500 million
Convertible Securities	.51% on the first \$50 million in assets under management .47% on the next \$100 million in assets under management .38% on all assets in excess of \$150 million
Core Fixed Income	.28% on the first \$50 million in assets under management .20% on the next \$100 million in assets under management .16% on the next \$350 million in assets under management .14% on all assets in excess of \$500 million
Core Plus Fixed Income	.30% on the first \$50 million in assets under management .23% on the next \$100 million in assets under management .20% on the next \$100 million in assets under management .19% on all assets in excess of \$250 million
Corporate Credit	.30% on the first \$50 million in assets under management .23% on the next \$100 million in assets under management .20% on the next \$100 million in assets under management .19% on all assets in excess of \$250 million
Emerging Markets Corporate Debt	.50% on the first \$100 million in assets under management .45% on the next \$150 million in assets under management .43% on the next \$250 million in assets under management .39% on all assets in excess of \$500 million
Emerging Markets Currency	.50% on the first \$100 million in assets under management .45% all assets in excess of \$100 million
Emerging Markets Local Bond	.50% on the first \$100 million in assets under management .45% on the next \$150 million in assets under management .43% on the next \$250 million in assets under management .39% on all assets in excess of \$500 million





## APPENDIX 1 (CONT.)

Strategy	Standard Fee Schedule
Global High Yield	.50% on the first \$50 million in assets under management .40% on the next \$100 million in assets under management .38% on the next \$100 million in assets under management .35% on all assets in excess of \$250 million
Growth Equity	.60% on the first \$25 million in assets under management .47% on the next \$75 million in assets under management .38% on the next \$400 million in assets under management Negotiable on all assets in excess of \$500 million
High Yield Fixed Income	.50% on the first \$50 million in assets under management .40% on the next \$100 million in assets under management .38% on the next \$100 million in assets under management .35% on all assets in excess of \$250 million
Inflation Focused	.25% on the first \$100 million in assets under management .22% on the first \$400 million in assets under management .18% on all assets in excess of \$500 million
International Equity ACWI ex-U.S.	.75% on the first \$25 million in assets under management .60% on the next \$25 million in assets under management .40% on the next \$200 million in assets under management .35% on the next \$250 million in assets under management Negotiable on all assets in excess of \$500 million
International Core Equity EAFE Plus	.65% on the first \$25 million in assets under management .52% on the next \$75 million in assets under management .42% on the next \$150 million in assets under management .37% on the next \$250 million in assets under management Negotiable on all assets in excess of \$500 million
International Dividend	.71% on the first \$25 million in assets under management .51% on the next \$75 million in assets under management .41% on the next \$150 million in assets under management .37% on the next \$250 million in assets under management Negotiable on all assets in excess of \$500 million
International Small Cap	.85% on the first \$25 million in assets under management .78% on the next \$75 million in assets under management .70% on the next \$400 million in assets under management Negotiable on all assets in excess of \$500 million
Large Cap Core	.54% on the first \$25 million in assets under management .42% on the next \$75 million in assets under management .35% on the next \$150 million in assets under management .31% on the next \$250 million in assets under management Negotiable on all assets in excess of \$500 million
Large Cap Value	.75% on the first \$10 million in assets under management .50% on the next \$40 million in assets under management .35% on the next \$50 million in assets under management .25% on the next \$100 million in assets under management .20% on all assets in excess of \$200 million
Long Duration Fixed Income	.27% on the first \$50 million in assets under management .21% on the next \$100 million in assets under management .16% on the next \$350 million in assets under management .14% on all assets in excess of \$500 million
Micro Cap Growth	1.25% on the first \$25 million in assets under management 1.00% on all assets in excess of \$25 million
Micro Cap Value	1.25% on the first \$25 million in assets under management 1.00% on all assets in excess of \$25 million



## APPENDIX 1 (CONT.)

Strategy	Standard Fee Schedule
Mid Cap Growth	.73% on the first \$25 million in assets under management .58% on the next \$75 million in assets under management .52% on the next \$150 million in assets under management .50% on the next \$250 million in assets under management Negotiable on all assets in excess of \$500 million
Mid Cap Value	.74% on the first \$25 million in assets under management .53% on the next \$75 million in assets under management .50% on the next \$150 million in assets under management .47% on the next \$250 million in assets under management Negotiable on all assets in excess of \$500 million
Multi-Sector (Bond-Debenture)	.40% on the first \$50 million in assets under management .31% on the next \$100 million in assets under management .29% on the next \$100 million in assets under management .26% on the next \$250 million in assets under management .25% on all assets in excess of \$500 million
Municipals	.21% on the first \$50 million in assets under management .19% on the next \$100 million in assets under management .14% on the next \$100 million in assets under management .13% on all assets in excess of \$250 million
Short Duration Core	.20% on the first \$50 million in assets under management .15% on the next \$100 million in assets under management .13% on the next \$350 million in assets under management .11% on all assets in excess of \$500 million
Short Duration Credit	.20% on the first \$50 million in assets under management .17% on the next \$100 million in assets under management .15% on the next \$100 million assets under management .13% on all assets in excess of \$250 million
Small Cap Growth	1.00% on the first \$10 million in assets under management .75% on the next \$40 million in assets under management .625% on the next \$50 million in assets under management .50% on all assets in excess of \$100 million
Small Cap Value	1.00% on the first \$10 million in assets under management .75% on the next \$40 million in assets under management .65% on the next \$50 million in assets under management .60% on the next \$100 million in assets under management .55% on all assets in excess of \$200 million
Smid Cap Value	.85% on the first \$25 million in assets under management .68% on the next \$75 million in assets under management .60% on the next \$150 in assets under management .57% on the next \$250 million in assets under management Negotiable on all assets in excess of \$500 million
Ultra Short Bond	.14% on the first \$100 million in assets under management .10% on the next \$400 million in assets under management .08% on all assets in excess of \$500 million
Value Equity	.70% on the first \$25 million in assets under management .50% on the next \$75 million in assets under management .48% on the next \$400 million in assets under management Negotiable on all assets in excess of \$500 million

The above fee schedules may not apply with respect to client accounts with nonstandard investment guidelines, service requirements, or other terms.



## APPENDIX 1 (CONT.)

The following table provides the typical range of fees payable to Lord Abbett for Managed Account programs:

Strategy	Standard Fee Range
Managed Accounts—Equities	0.34–0.60%
Managed Accounts—Fixed Income	0.14–0.50%
Managed Accounts—Laddered Tax-Exempt Fixed Income	0.14–0.15%
Model Portfolios—Equities	0.28–0.35%
Model Portfolios—Fixed Income	0.22%





## APPENDIX 2

Below is a summary of the material risks associated with the significant strategies and significant methods of analysis used by Lord Abbett. Investing in securities involves risk of loss that clients should be prepared to bear. However, clients should be aware that not all of the risks listed below will pertain to every client account as certain risks may only apply to certain investment strategies. Furthermore, the risks listed below are not intended to be a complete description or enumeration of the risks associated with the strategies and methods of analysis used by Lord Abbett. Lord Abbett clients and investors in funds or investment vehicles managed by Lord Abbett should refer to any disclosures or risk factors contained in the offering materials or other disclosure statements provided to such clients or investors in addition to the factors set forth in this Appendix 2.

### **Portfolio Management Risk**

The strategies used and investments selected by Lord Abbett may fail to produce the intended result and a client account may not achieve its objective. The securities selected for a client account may not perform as well as other securities that were not selected for the account. As a result, the account may suffer losses or underperform other accounts with the same investment objective or strategies, and may generate losses even in a rising market.

### **Investment Strategy Risk**

Some of Lord Abbett's investment strategies involve the integration of fundamental research and quantitative analysis. Lord Abbett expects that investment selection is likely to be a primary driver of a client account's performance relative to its benchmark. There is no guarantee that Lord Abbett's use of quantitative analytic tools will be successful. Factors that affect a security's value can change over time and these changes may not be reflected in Lord Abbett's quantitative models. Investments selected using these models may perform differently than expected as a result of the factors used in the models, the weight placed on each factor, changes from the factors' historical trends, and technical issues in the construction and implementation of the models. As a result of the risks associated with Lord Abbett's investment strategies, a client account may underperform its benchmark or other accounts with the same investment objective, even in a rising market.

### **Market Risk**

The market values of securities will fluctuate, sometimes sharply and unpredictably, based on overall economic conditions, governmental actions or intervention, political developments, and other factors. Changes in the financial condition of a single issuer can impact a market as a whole. In addition, data imprecision, technology malfunctions, operational errors, and similar factors may adversely affect a single issuer, a group of issuers, an industry, or the market as a whole. Prices of equity securities tend to rise and fall more dramatically than those of debt securities. A slower-growth or recessionary economic environment could have an adverse effect on the prices of the various securities held by a

client's account. Economies and financial markets throughout the world are becoming increasingly interconnected, which raises the likelihood that events or conditions in one country or region will adversely affect markets or issuers in other countries or regions.

### **Equity Securities Risk**

Investments in equity securities represent ownership in a company that fluctuates in value with changes in the company's financial condition. Stock markets may experience significant volatility at times and may fall sharply in response to adverse events. Certain segments of the stock market may react differently than other segments and U.S. markets may react differently than foreign markets. Individual stock prices also may experience dramatic movements in price. Price movements may result from factors affecting individual companies, sectors, or industries selected for a client's portfolio or the securities market as a whole, including periods of slower growth or recessionary economic conditions, future expectations of poor economic conditions, changes in political or social conditions, and lack of investor confidence. In addition, individual stocks may be adversely affected by factors such as reduced sales, increased costs, or a negative outlook for the future performance of the company. As compared with preferred stock and debt, common stock generally involves greater risk and has lower priority when liquidation, bankruptcy, and dividend payments are made. Because convertible securities have certain features that are common to fixed-income securities and may be exchanged for common stock, they are subject to the risks affecting both equity and fixed-income securities, including market, credit and interest rate risk.

### **Industry and Sector Risk**

The percentage of an account's assets invested in specific industries or sectors will increase from time to time based on the portfolio management team's perception of investment opportunities. An account may be overweight in certain industries and sectors at various times relative to its benchmark index. If Lord Abbett invests a significant portion of an account's assets in a particular industry or sector, the account is subject to the risk that companies in the same industry or sector are likely to react similarly to legislative or regulatory changes, adverse market conditions, increased competition, or other factors generally affecting that market segment. In such cases, the account would be exposed to an increased risk that the value of its overall portfolio will decrease because of events that disproportionately affect certain industries and/or sectors. The industries and sectors in which an account may be overweighted will vary. Furthermore, investments in particular industries or sectors may be more volatile than the broader market as a whole, and the account's investments in these industries and sectors may be disproportionately susceptible to losses even if not overweighted.

### **Large Company Risk**

Larger, more established companies may be unable to respond quickly to certain market developments. In addition, larger companies may have slower rates of growth as compared to less well-established, smaller companies, especially during market cycles



## APPENDIX 2 (CONT.)

corresponding to periods of economic expansion. Large companies also may fall out of favor relative to smaller companies in certain market cycles, causing an account to incur losses or underperform.

### **Micro-Cap, Small, and Mid-Sized Company Risk**

Investments in micro-cap, small, and mid-sized companies may involve greater risks than investments in larger, more established companies. Micro-cap, small, and mid-sized companies generally have narrower product lines, more limited financial resources, less experienced and relatively small management groups, and unproven track records, which may cause them to be more sensitive to changing economic, market, and industry conditions.

In addition, micro-cap, small, and mid-sized companies typically are subject to greater changes in earnings and business prospects than larger companies. Consequently, the prices of micro-cap, small, and mid-sized company stocks tend to rise and fall in value more frequently and to a greater degree than the prices of larger company stocks, especially over the short term, which may affect Lord Abbett's ability to purchase or sell these securities. Although investing in micro-cap, small, and mid-sized companies offers potential for above-average returns, these companies may not succeed and the value of their stock could decline significantly. Micro-cap, small, and mid-sized companies also may fall out of favor relative to larger companies in certain market cycles, causing a client account to incur losses or underperform. The shares of mid-sized and smaller companies tend to trade less frequently than those of larger, more established companies, which can adversely affect the pricing of these securities and the ability to sell these securities in the future. The aforementioned risks may be greater with respect to micro-cap companies as compared to small companies and, in turn, greater with respect to small companies than mid-sized companies.

### **Dividend Risk**

Some Lord Abbett strategies emphasize the purchase of securities of companies that pay dividends. Depending on market conditions, securities of dividend paying companies that meet Lord Abbett's investment criteria may not be widely available, limiting a client account's ability to produce current income and increasing the volatility of the account's returns. At times, the performance of dividend paying companies may lag the performance of other companies or the broader market as a whole. The dividend payments of an account's portfolio companies may vary over time, and there is no guarantee that a company will pay a dividend at all. A sharp rise in interest rates or an economic downturn could cause a company to reduce or eliminate its dividend. The reduction or elimination of dividends in the stock market as a whole may limit an account's ability to produce current income. If dividend paying companies are highly concentrated in only a few market sectors, then a client's portfolio may become less diversified, and the account's return may become more volatile.

### **Growth Investing Risk**

Some Lord Abbett strategies emphasize the purchase of growth stocks. Growth stocks may trade at higher multiples of current earnings as compared to other stocks, which may lead to inflated prices. Growth stocks often are more sensitive to market fluctuations than other securities because their market prices are highly sensitive to future earnings expectations. At times when it appears that these expectations may not be met, growth stocks' prices typically fall. Growth stocks are subject to potentially greater declines in value if, among other things, the stock is subject to significant investor speculation but fails to increase as anticipated. Growth investing has been in and out of favor during past market cycles. During periods when growth investing is out of favor or when markets are unstable, selling growth stocks at a desired price may be more difficult. Growth stocks may be more volatile than other slower-growing securities.

### **Value Investing Risk**

Some Lord Abbett strategies emphasize the purchase of value stocks. The prices of value stocks may lag the stock market for long periods of time if the market fails to recognize the company's intrinsic worth. Value investing also is subject to the risk that a company judged to be undervalued may actually be appropriately priced or even overpriced.

### **Blend Style Risk**

Some Lord Abbett strategies involve the purchase of a blend of growth and value stocks. Growth stocks tend to be more volatile than slower-growing value stocks. Growth stocks typically trade at higher multiples of current earnings than other stocks. Growth stocks often are more sensitive to market fluctuations than other securities because their market prices are highly sensitive to future earnings expectations. At times when it appears that these expectations may not be met, growth stocks' prices typically fall. The prices of value stocks may lag the stock market for long periods of time if the market fails to recognize the company's intrinsic worth. Value investing also is subject to the risk that a company judged to be undervalued may actually be appropriately priced or even overpriced. A portfolio that combines growth and value styles may diversify these risks and lower its volatility, but there is no assurance this strategy will achieve that result. Different investment styles tend to shift in and out of favor depending upon market and economic conditions as well as investor sentiment.

### **Fixed-Income Securities Risk**

Fixed-income accounts are subject to the general risks and considerations associated with investing in debt securities, including the risk that issuers will fail to make timely payments of principal or interest or default altogether. Typically, shorter-term bonds are less volatile than longer-term bonds; however, longer-term bonds typically offer higher yields and more stable interest



## APPENDIX 2 (CONT.)

income than shorter-term bond investments. Lower-rated securities in which Lord Abbett may invest may be more volatile and may decline more in price in response to negative issuer developments or general economic news than higher rated securities. In addition, as interest rates rise, a fixed-income investment typically will lose value.

### High-Yield Securities Risk

High-yield securities typically pay a higher yield than investment grade securities, but they have a higher risk of default than investment grade securities, and their prices are much more volatile. The market for high-yield securities may be less liquid due to such factors as specific industry developments, interest rate sensitivity, negative perceptions of the junk bond markets generally, and less secondary market liquidity, and may be subject to greater credit risk than investment grade securities. Below investment grade securities may be highly speculative and have poor prospects for reaching investment grade standing. Issuers of below investment grade securities generally are not as strong financially as those issuers with higher credit ratings, and are more likely to encounter financial difficulties, especially during periods of rising interest rates or other unfavorable economic or market conditions. Below investment grade securities are subject to the increased risk of an issuer's inability to meet principal and interest obligations and a greater risk of default. Some issuers of below investment grade bonds may be more likely to default as to principal or interest payments after a client account purchases their securities. A default, or concerns in the market about an increase in risk of default or the deterioration in the creditworthiness of an issuer, may result in losses to the client account. Client accounts may incur higher expenses to protect their interests in such securities and may lose their entire investment in defaulted bonds. The secondary market for high-yield securities is concentrated in relatively few market makers and is dominated by institutional investors, including mutual funds, insurance companies, and other financial institutions. As a result, the secondary market for such securities is not as liquid as, and is more volatile than, the secondary market for higher rated securities. In addition, market trading volume for lower rated securities is generally lower and the secondary market for such securities could shrink or disappear suddenly and without warning as a result of adverse market or economic conditions, independent of any specific adverse changes in the condition of a particular issuer. Because of the lack of sufficient market liquidity, a client account may incur losses because it may be required to effect sales at a disadvantageous time and then only at a substantial drop in price. These factors may have an adverse effect on the market price and the account's ability to dispose of particular portfolio investments. A less liquid secondary market also may make it more difficult to obtain precise valuations of the below investment grade securities in a client's portfolio.

### Credit Risk

Bonds are subject to the risk that the issuer or guarantor of a security may not make interest and principal payments as they become due or may default altogether. Litigation, legislation or other political events, business or economic conditions, or the bankruptcy of the issuer could have a significant effect on an issuer's ability to make payments of principal and/or interest. In addition, if the market perceives deterioration in the creditworthiness of an issuer, the value and liquidity of bonds issued by that issuer may decline. Credit risk varies based on the economic and fiscal conditions of each issuer. To the extent an account holds below investment grade securities, these risks may be heightened. Corporate fixed-income securities generally are subject to greater credit risk than U.S. Government securities. Although certain U.S. Government securities are guaranteed as to payments of interest and principal, their market prices are not guaranteed and will fluctuate in response to market movements. The credit quality of an account's portfolio securities or instruments may meet Lord Abbett's or the client's credit quality requirements at the time of purchase but then deteriorate thereafter, and such deterioration can occur rapidly. In certain instances, the downgrading or default of a single holding or guarantor of an account's holding may impair the account's liquidity and have the potential to have significant negative impact on account performance. Insurance or other credit enhancements supporting an investment may be provided by either U.S. or foreign entities. These securities have the credit risk of the entity providing the credit support in addition to the credit risk of the underlying investment that is being enhanced. Credit support provided by foreign entities may be less certain because of the possibility of adverse foreign economic, political or legal developments that may affect the ability of the entity to meet its obligations. A change in the credit rating or the market's perception of the creditworthiness of any of the bond insurers that insure securities in a client's portfolio may affect the value of the securities they insure and account performance. A downgrading of an insurer's credit rating or a default by the insurer could reduce the credit rating of an insured bond and, therefore, its value. An account also may be adversely affected by the inability of an insurer to meet its insurance obligations.

### Call Risk

A substantial portion of bonds are "callable," meaning they give the issuer the right to call or redeem the bonds before maturity. Issuers may call outstanding bonds when there is a decline in interest rates, when credit spreads change, or when the issuer's credit quality improves. As interest rates decline, these bond issuers may pay off their loans early by buying back the bonds, thus depriving a client account of above market interest rates. Moreover, an account may not recoup the full amount of its initial investment and may have to reinvest the prepayment proceeds in lower yielding securities, securities with greater credit risks, or other less attractive securities.



## APPENDIX 2 (CONT.)

### **Extension Risk**

Rising interest rates may cause an issuer to pay off or retire a debt security later than expected, extending the duration of a bond. This typically will reduce the bond's value, and cause Lord Abbett to be unable to reinvest a client's assets in higher yielding securities without incurring a loss by selling the current holding.

### **Interest Rate Risk**

As interest rates rise, prices of bonds (including tax-exempt securities) generally fall. Additionally, rising interest rates or lack of market participants may lead to decreased liquidity in the fixed-income markets. Interest rate changes typically have a greater effect on the price of fixed-income securities with longer durations. Interest rate changes can be sudden and unpredictable, and an account may lose money as a result of movements in interest rates. A wide variety of market factors can cause interest rates to rise, including central bank monetary policy, rising inflation, and changes in general economic conditions. Accounts will be exposed to heightened interest rate risk as interest rates rise from historically low levels.

### **Short Duration Risk**

Lord Abbett employs a short duration emphasis in some of its fixed-income account portfolios. Although any rise in interest rates is likely to cause the prices of debt obligations to fall, the comparatively short duration of such an account's portfolio holdings is intended to help keep such an account's value within a relatively narrow range. Such an account generally will earn less income and, during periods of declining interest rates, will provide lower total returns than accounts with longer durations.

### **Distressed Debt Risk**

A client account may hold securities of issuers that are, or are about to be, involved in reorganizations, financial restructurings, or bankruptcy (also known as "distressed debt"). Distressed securities are speculative and involve substantial risks in addition to the risks of investing in junk bonds. To the extent that an account holds distressed debt, that account will be subject to the risk that it may lose a portion or all of its investment in the distressed debt and may incur higher expenses trying to protect its interests in distressed debt. The prices of distressed bonds are likely to be more sensitive to adverse economic changes or individual issuer developments than the prices of higher rated securities. During an economic downturn or substantial period of rising interest rates, distressed security issuers may experience financial stress that would adversely affect their ability to service their principal and interest payment obligations, to meet their projected business goals, or to obtain additional financing. In addition, Lord Abbett may invest client accounts in additional securities of a defaulted issuer for investment purposes or related strategic reasons such as to retain a controlling stake in any bankruptcy proceeding or workout. An account may receive taxable bonds in connection with the terms of a municipal securities restructuring deal, which could result in taxable income to the client. In any reorganization or liquidation proceeding, a client

may lose its entire investment or may be required to accept cash or securities with a value less than its original investment. Moreover, it is unlikely that a liquid market will exist for Lord Abbett to sell a client's holdings in distressed debt securities.

### **Defaulted Bonds Risk**

Defaulted bonds are subject to greater risk of loss of income and principal than higher rated securities and are considered speculative. In the event of a default, a client may incur additional expenses to seek recovery. The repayment of defaulted bonds is subject to significant uncertainties, and in some cases, there may be no recovery of principal or interest owed on the bonds. Defaulted bonds might be repaid only after lengthy workout or bankruptcy proceedings, during which the issuer might not make any interest or other payments. Workout or bankruptcy proceedings typically result in only partial recovery of cash payments or an exchange of the defaulted bond for other securities of the issuer or its affiliates, which may in turn be illiquid or speculative.

### **Senior Loan Risk**

Investments in floating or adjustable rate senior loans are subject to increased credit and liquidity risks. Senior loan prices also may be adversely affected by supply-demand imbalances caused by conditions in the senior loan market or related markets. A client account may invest primarily in senior loans that are rated below investment grade or, if unrated, deemed by Lord Abbett to be the equivalent of below investment grade securities. Below investment grade senior loans, like high-yield debt securities, or junk bonds, usually are more credit sensitive than interest rate sensitive, although the value of these instruments may be affected by broader interest rate swings in the overall fixed-income market. Senior loans may be subject to structural subordination and, although the loans may be senior to equity and other debt securities in the borrower's capital structure, the loans may be subordinated to other obligations of the borrower or its subsidiaries. Compared to securities and to certain other types of financial assets, purchases and sales of loans take longer to settle. This extended settlement process can (i) increase the counterparty credit risk borne by the account; (ii) leave the account unable to timely exercise voting and other rights as a holder of loans it has agreed to purchase; (iii) delay the account from realizing the proceeds of a sale of a loan; (iv) inhibit the account's ability to re-sell a loan that it has agreed to purchase if conditions change (leaving the account more exposed to price fluctuations); (v) prevent the account from timely collecting principal and interest payments; and (vi) expose the account to adverse tax or regulatory consequences. In certain circumstances, loans may not be considered securities, and in the event of fraud or misrepresentation by a borrower or an arranger, the account will not have the protection of the anti-fraud provisions of the federal securities laws, as would be the case for bonds or stocks. Instead, in such cases, an account owner may rely on the contractual provisions in the loan agreement itself, and common-law fraud protections under applicable state law.



## APPENDIX 2 (CONT.)

### Municipal Bond Risk

Municipal bonds are subject to the same risks affecting fixed-income securities in general. In addition, the prices of municipal bonds may be adversely affected by legislative or political changes, tax rulings, judicial action, changes in market and economic conditions, and the fiscal condition of the municipal issuer. Accounts investing municipal bonds may be more sensitive to these events and conditions if they invest a substantial portion of their assets in the bonds of similar projects (such as those relating to education, health care, housing, transportation, and utilities) or in particular types of municipal securities (such as general obligation bonds, private activity bonds, and special tax bonds). The market for municipal bonds generally is less liquid than other securities markets, which may make it more difficult for an account to sell its bonds.

Specific risks are associated with different types of municipal securities. For example, with respect to general obligation bonds, the full faith, credit, and taxing power of the municipality that issues a general obligation bond supports payment of interest and repayment of principal. Timely payments depend on the issuer's credit quality, ability to raise tax revenues, and ability to maintain an adequate tax base. Certain of the municipalities in which an account may invest may experience significant financial difficulties, which may lead to bankruptcy or default. With respect to revenue bonds, payments of interest and principal are made only from the revenues generated by a particular facility or class of facilities, the proceeds of a special tax, or other revenue source, and depend on the money earned by that source. Nongovernmental users of facilities financed by tax-exempt revenue bonds (e.g., companies in the electric utility and health care industries) may have difficulty making payments on their obligations in the event of an economic downturn. This would negatively affect the valuation of bonds issued by such facilities. In addition, each industry is subject to its own risks: the electric utility industry is subject to rate regulation vagaries, while the health care industry faces two main challenges – affordability and access.

Private activity bonds are issued by municipalities and other public authorities to finance development of industrial facilities for use by a private enterprise. The private enterprise pays the principal and interest on the bond, and the issuer does not pledge its full faith, credit, and taxing power for repayment. If the private enterprise defaults on its payments, a client account may not receive any income or get its money back from the investment. In a municipal lease obligation, the issuer agrees to make payments when due on the lease obligation. The issuer generally will appropriate municipal funds for that purpose, but is not obligated to do so. Although the issuer does not pledge its unlimited taxing power for payment of the lease obligation, the lease obligation is secured by the leased property. However, if the issuer does not fulfill its payment obligation, it may be difficult to sell the property and the proceeds of a sale may not cover the client's loss. Variable rate demand obligations are floating rate securities that combine an interest in a

long-term municipal bond with a right to demand payment before maturity from a bank or other financial institution. If the bank or financial institution is unable to pay, the client account may lose money. Special tax bonds are usually backed and payable through a single tax, or series of special taxes such as incremental property taxes. The failure of the tax levy to generate adequate revenue to pay the debt service on the bonds may cause the value of the bonds to decline.

### Below Investment Grade Municipal Bond Risk

Below investment grade municipal bonds typically pay a higher yield than investment grade municipal bonds, but they have a higher risk of default than investment grade municipal bonds, and their prices are much more volatile. The market for high-yield municipal bonds may be less liquid due to such factors as specific municipal developments, interest rate sensitivity, negative perceptions of the junk bond markets generally, and less secondary market liquidity, and may be subject to greater credit risk than investment-grade municipal bonds. Below investment grade municipal bonds may be highly speculative and have poor prospects for reaching investment grade standing. Issuers of below investment grade municipal bonds generally are not as strong financially as those issuers with higher credit ratings, and are more likely to encounter financial difficulties, especially during periods of rising interest rates or other unfavorable economic or market conditions. Below investment grade municipal bonds are subject to the increased risk of an issuer's inability to meet principal and interest obligations and a greater risk of default. Some issuers of below investment grade bonds may be more likely to default as to principal or interest payments after a client account purchases their securities. A default, or concerns in the market about an increase in risk of default or the deterioration in the creditworthiness of an issuer, may result in losses to a client account. A client account may incur higher expenses to protect its interests in such securities and may lose its entire investment in defaulted bonds. The secondary market for below investment grade municipal bonds is concentrated in relatively few market participants and is dominated by institutional investors, including mutual funds, insurance companies, and other financial institutions. As a result, the secondary market for such securities is not as liquid as, and is more volatile than, the secondary market for higher rated securities. In addition, market trading volume for lower rated securities is generally lower and the secondary market for such securities could shrink or disappear suddenly and without warning as a result of adverse market or economic conditions, independent of any specific adverse changes in the condition of a particular issuer. Because of the lack of sufficient market liquidity, a client account may incur losses because it may be required to effect sales at a disadvantageous time and then only at a substantial drop in price. These factors may have an adverse effect on the market price and Lord Abbett's ability to dispose of particular portfolio investments. A less liquid secondary market also may make it more difficult to obtain precise valuations of the below investment grade municipal bonds in a portfolio.





## APPENDIX 2 (CONT.)

### **Governmental Risk With Respect to Municipal Bonds**

Government actions, including U.S. federal government actions and actions by local, state and regional governments, could have an adverse effect on municipal bond prices. In addition, an account's performance may be affected by local, state, and regional factors depending on the states in which the account's investments are issued. These factors may, for example, include economic or political developments, erosion of the tax base, budget deficits and the possibility of credit problems.

### **Foreign and Emerging Market Company Risk**

Investments in foreign (including emerging market) companies and in U.S. companies with economic ties to foreign markets generally involve special risks that can increase the likelihood that a portfolio will lose money. For example, as compared with companies organized and operated in the U.S., these companies may be more vulnerable to economic, political, and social instability and subject to less government supervision, lack of transparency, inadequate regulatory and accounting standards, and foreign taxes. In addition, the securities of foreign companies also may be subject to inadequate exchange control regulations (including limitations on currency movements and exchanges), the imposition of economic sanctions or other government restrictions, higher transaction and other costs, and delays in settlement to the extent they are traded on non-U.S. exchanges or markets. Investments in foreign companies also may be adversely affected by governmental actions such as the nationalization of companies or industries, expropriation of assets, or confiscatory taxation. Foreign company securities also include depositary receipts. Depositary receipts may be less liquid than the underlying shares in their primary trading market. Foreign company securities also may be subject to thin trading volumes and reduced liquidity, which may lead to greater price fluctuation. A change in the value of a foreign currency relative to the U.S. dollar will change the value of securities held by an account that are denominated in that foreign currency, including the value of any income distributions payable to the account as a holder of such securities. Currency exchange rates may fluctuate significantly over short periods of time for a number of reasons, including changes in interest rates and the overall economic health of the issuer. Devaluation of a currency by a country's government or banking authority also will have an adverse impact on the U.S. dollar value of any investments denominated in that currency. These and other factors can materially adversely affect the prices of securities an account holds, impair the account's ability to buy or sell securities at their desired price or time, or otherwise adversely affect the account's operations. An account may invest in securities of issuers whose economic fortunes are linked to non-U.S. markets, but which principally are traded on a U.S. securities market or exchange and denominated in U.S. dollars. To the extent Lord Abbett invests in this manner, the percentage of the account's assets that is exposed to the risks associated with foreign companies may exceed the percentage of the account's assets that is

invested in foreign securities that are principally traded outside of the U.S. An account's investments in emerging market companies generally are subject to heightened risks compared to its investments in developed market companies. The securities markets of emerging countries tend to be less liquid, especially subject to greater price volatility, have a smaller market capitalization, have less government regulation and may not be subject to as extensive and frequent accounting, financial and other reporting requirements as securities issued in more developed countries. Further, investing in the securities of issuers located in certain emerging countries may present a greater risk of loss resulting from problems in security registration and custody or substantial economic or political disruptions. Companies with economic ties to emerging markets may be susceptible to the same risks as companies organized in emerging markets.

### **Foreign Currency Risk**

In some strategies, Lord Abbett may invest a portion of a client's assets in securities that are denominated or receive revenues in foreign (including emerging market) currencies. Such securities are subject to the risk that the relevant currencies will decline in value relative to the U.S. dollar, or, in the case of hedged positions, that the U.S. dollar will decline in value relative to the currency being hedged. Currency rates in foreign countries may fluctuate significantly over short periods of time for a variety of reasons. A decline in the value of foreign currencies relative to the U.S. dollar will reduce the value of securities held by the account that are denominated in those currencies, including the value of any income distributions payable to the account as a holder of those securities. Lord Abbett may enter into certain hedging transactions in an attempt to reduce an account's foreign currency exposure. The use of currency-related transactions involves the risk that Lord Abbett will not accurately predict currency movements and the account's return could be reduced as a result, in addition to the account incurring transaction costs. Also, it may be difficult or impractical to hedge currency risk in many emerging market countries. The risks associated with exposure to emerging market currencies may be heightened in comparison to those associated with exposure to developed market currencies.

### **Sovereign Debt Risk**

Sovereign debt securities are subject to the risk that the relevant sovereign government or governmental entity may delay or refuse to pay interest or repay principal on its debt, due, for example, to cash flow problems, insufficient foreign currency reserves, political considerations, the size of its debt relative to the economy, or the failure to put in place economic reforms required by the International Monetary Fund or other multilateral agencies. If a sovereign government or governmental entity defaults, it may ask for maturity extensions, interest rate reductions, or additional loans, and there is a greater risk of loss due to the unlikelihood of a formal means for a debtholder to enforce its rights.



## APPENDIX 2 (CONT.)

### **Convertible Securities Risk**

Convertible securities are subject to the risks affecting both equity and fixed-income securities, including market, credit, liquidity, and interest rate risk. Convertible securities generally offer lower interest or dividend yields than non-convertible securities of similar quality and less potential for gains or capital appreciation in a rising stock market than equity securities. They tend to be more volatile than other fixed-income securities, and the markets for convertible securities may be less liquid than markets for common stocks or bonds. A significant portion of convertible securities have below investment grade credit ratings and are subject to increased credit and liquidity risks. Synthetic convertible securities and convertible structured notes may present a greater degree of market risk, and may be more volatile, less liquid and more difficult to price accurately than less complex securities. These factors may cause a client's account to perform poorly compared to other accounts, including accounts that invest exclusively in fixed-income securities. In addition, a convertible security may be subject to redemption at the option of the issuer at a price established in the convertible security's governing instrument. If a convertible security held by a client account is called for redemption, the account will be required to convert the security into the underlying common stock, sell it to a third party, or permit the issuer to redeem the security. Any of these actions could have an adverse effect on the client's ability to achieve its investment objective, which, in turn, could result in losses to the account.

### **Real Estate Risk**

An investment in a real estate investment trust (REIT) generally is subject to the risks that impact the value of the underlying properties of the REIT. These risks include loss to casualty or condemnation, and changes in supply and demand, interest rates, zoning laws, regulatory limitations on rents, property taxes and operating expenses. Other factors that may adversely affect REITs include poor performance by management of the REIT, extended vacancies, failure to collect rents, the ability of the company to finance property purchases and renovations, changes to the tax laws, failure by the REIT to qualify for tax-free distribution of income, and changes in local, regional, or general economic conditions. REITs also are subject to default or prepayments by borrowers and self-liquidation, and are heavily dependent on cash flow. Some REITs lack diversification because they invest in a limited number of properties, a narrow geographic area, or a single type of property. Mortgage REITs may be impacted by the quality of the credit extended. REITs may be more volatile and/or more illiquid than other types of equity securities.

### **Government Securities Risk**

Lord Abbett invests some client accounts in securities issued or guaranteed by the U.S. government or its agencies and instrumentalities (such as Ginnie Mae, Fannie Mae or Freddie Mac securities). Securities issued or guaranteed by Ginnie Mae, Fannie Mae or Freddie Mac are not issued directly by the U.S. government. Ginnie Mae is a wholly-owned U.S. corporation that is authorized to

guarantee, with the full faith and credit of the U.S. government, the timely payment of principal and interest of its securities. By contrast, securities issued or guaranteed by U.S. government-related organizations such as Fannie Mae and Freddie Mac are not backed by the full faith and credit of the U.S. government. No assurance can be given that the U.S. government would provide financial support to its agencies and instrumentalities if not required to do so by law.

### **Mortgage-Related and Other Asset-Backed Securities Risk**

The mortgage-related securities, including commercial mortgage-backed securities and other privately issued mortgage-related securities, and other asset-backed securities in which Lord Abbett may invest may be particularly sensitive to changes in economic conditions, including delinquencies and/or defaults, and changes in prevailing interest rates. Like other debt securities, when interest rates rise, the value of mortgage- and other asset-backed securities generally will decline; however, when interest rates are declining, the value of mortgage-related securities with prepayment features may not increase as much as other fixed-income securities. Alternatively, rising interest rates may cause prepayments to occur at a slower-than-expected rate, extending the duration of a security and typically reducing its value. Early repayment of principal on some mortgage-related securities may deprive an account of income payments above current market rates. The payment rate thus will affect the price and volatility of a mortgage-related security. The value of some mortgage-related and other asset-backed securities may fluctuate in response to the market's perception of the creditworthiness of the issuers. Additionally, although mortgages and mortgage-related securities generally are supported by some form of government or private guarantee and/or insurance, there is no assurance that private guarantors or insurers will meet their obligations.

### **Commercial Mortgage-Backed Securities (CMBS) Risk**

CMBS include securities that reflect an interest in, and are secured by, mortgage loans on commercial real property (such as office properties, retail properties, hospitality properties, industrial properties, healthcare related properties or other types of income producing real property). Many of the risks of investing in CMBS reflect the risks of investing in the real estate securing the underlying mortgage loans, which include the risks associated with the effects of local and other economic conditions on real estate markets, the ability of tenants to make loan payments, increases in interest rates, real estate tax rates and other operating expenses, changes in governmental rules, regulations and fiscal policies, and the ability of a property to attract and retain tenants. CMBS depend on cash flows generated by underlying commercial real estate loans, receivables, and other assets, and can be significantly affected by changes in market and economic conditions, the availability of information regarding the underlying assets and their structures, and the creditworthiness of the borrowers or tenants. CMBS may be less liquid and exhibit greater price volatility than



## APPENDIX 2 (CONT.)

other types of mortgage- or asset-backed securities. CMBS issued by private issuers may offer higher yields than CMBS issued by government issuers, but also may be subject to greater volatility than CMBS issued by government issuers. In addition, the CMBS market in recent years has experienced substantially lower valuations and greatly reduced liquidity, and current economic and market conditions suggest that this trend for CMBS may continue. CMBS held by an account may be subordinated to one or more other classes of securities of the same series for purposes of, among other things, establishing payment priorities and offsetting losses and other shortfalls with respect to the related underlying mortgage loans. There can be no assurance that the subordination will be sufficient on any date to offset all losses or expenses incurred by the underlying trust.

### **Inflation-Linked Investments Risk**

As inflation increases, the value of an account's assets can decline. Although an account may invest in inflation-linked investments such as inflation-linked derivatives or inflation-indexed fixed-income securities, the value of its securities may be vulnerable to changes in expectations of inflation or interest rates. Although inflation-linked investments are expected to be protected from long-term inflationary trends, short-term increases in inflation may lead to a decline in value. If interest rates rise because of reasons other than inflation (for example, because of changes in currency exchange rates), investors in these securities may not be protected to the extent that the increase is not reflected in the security's inflation measure. There is no guarantee that an account emphasizing inflation-linked investments will generate returns that exceed the rate of inflation in the U.S. economy over time. There is no guarantee that Lord Abbett's use of inflation-linked investments will be successful. Furthermore, during periods of deflation or periods when the actual rate of inflation is lower than anticipated, an account emphasizing inflation-linked investments is likely to underperform accounts that hold fixed-income securities similar to those held by the account but do not hold inflation-linked investments.

### **Zero Coupon, Deferred Interest, Pay-In-Kind, and Capital Appreciation Bonds Risks**

Because these securities bear no interest and compound semiannually at the rate fixed at the time of issuance, their value generally is more volatile than the value of other fixed-income securities. Since the bondholders do not receive interest payments, when interest rates rise, these securities fall more dramatically in value than bonds paying interest on a current basis. When interest rates fall, these securities rise more rapidly in value because the bonds reflect a fixed rate of return. If the issuer defaults, a client account may not receive any return on its investment. An investment in zero coupon and delayed interest securities may cause a client to recognize income before it receives any cash payments on its investment.

### **Derivatives Risk**

Investment exposure to derivatives may increase an account's volatility and/or reduce its returns. Derivatives are subject to certain risks, including the risk that the value of the derivative may not correlate with the value of the underlying security, rate, or index in the manner anticipated by Lord Abbett. In addition, many types of derivatives involve heightened counterparty, liquidity, leverage, and other risks. Counterparty risk is the risk that the other party in a transaction may fail to fulfill its contractual obligations, leaving the client account to bear the resulting losses. Central clearing of derivatives is intended to decrease counterparty risk but does not make these transactions risk-free. If there is no liquid secondary trading market for derivatives, an account may be unable to sell or otherwise close a derivatives position, exposing it to losses and making it more difficult to value accurately any derivatives in its portfolio.

Because derivatives involve a small initial investment relative to the risk assumed (known as leverage), derivatives can magnify losses and increase volatility. Short selling derivatives an account does not own involves heightened leverage. This means that the account's losses will be magnified if the account short sells index futures and the reference index later increases in value. For some clients, Lord Abbett will be required to identify and earmark permissible liquid assets to cover the account's obligations under derivative transactions. Lord Abbett may have to liquidate positions in such an account before it is desirable to do so in order to fulfill its requirements to provide asset coverage for derivative transactions. The use of derivatives may cause an account to realize more short-term capital gain and ordinary income than if the account did not use derivatives.

There is no assurance that Lord Abbett will be able to employ its derivatives strategies successfully. The impact of derivatives on the performance of an account will depend on the ability to correctly forecast market movements, company and industry valuation levels and trends, changes in foreign exchange rates, and other factors. If such factors are incorrectly forecasted, the performance of the account could suffer.

When a derivative is used as a hedge against a position that an account holds, any loss generated by the derivative generally should be substantially offset by gains on the hedged investment, and vice versa. Although hedging can reduce or eliminate losses, it also can reduce or eliminate gains. Hedges sometimes are subject to imperfect matching between the derivative and the underlying security, and there can be no assurance that Lord Abbett's hedging transactions will be effective.

Regulation of the derivatives markets has increased over the last few years, and additional future regulation of the derivatives markets may make derivatives more costly, may limit the availability of derivatives, or may otherwise adversely affect the value or performance of derivatives. Any such adverse future developments could impair the effectiveness of an account's derivative transactions and cause the account to lose value.





## APPENDIX 2 (CONT.)

### **Repurchase Agreement Risk**

If the other party to a repurchase agreement defaults on its obligation under the agreement, an account engaging in repurchases may suffer delays and incur costs or lose money in exercising its rights under the agreement. If the seller fails to repurchase the security and the market value of the security declines, the account will lose money.

### **Leverage Risk**

Certain types of transactions (including, among others, swaps and other derivatives, reverse repurchase agreements, and the use of when-issued, delayed delivery or forward commitment transactions) may give rise to leverage risk. Leverage may increase volatility in an account by magnifying the effect of changes in the value of the account's holdings. The use of leverage may cause an account to lose more money in adverse environments than would have been the case in the absence of leverage. An account may be required to segregate permissible liquid assets to cover its obligations under these transactions and may have to liquidate positions before it is desirable to do so to fulfill its segregation requirements. By setting aside assets equal to only its net obligations under cash-settled swaps and futures, an account may employ leverage to a greater extent than if the account were required to segregate assets equal to the full notional value of such transactions. There is no assurance that Lord Abbett will be able to employ leverage successfully.

### **Liquidity Risk**

Accounts may lose money when Lord Abbett is obligated to sell securities at inopportune times to fulfill a client request to withdraw cash from the account. The risk of loss may increase depending on the size and frequency of withdrawal requests, whether the requests occur in times of overall market turmoil or declining prices, and whether the securities Lord Abbett intends to sell have decreased in value or are illiquid. Lord Abbett may be unable to sell illiquid securities at the desired time or price. Illiquidity can be caused by a variety of factors, including economic conditions, events relating to the issuer, a drop in overall market trading volume, an inability to find a ready buyer, or legal restrictions on a security's resale. Certain securities that are liquid when purchased may later become illiquid, particularly in times of overall economic distress. Liquidity risk may be magnified in a rising interest rate environment or other circumstances where there is an increased supply in the market due to broader selling activity.

To the extent that the traditional dealer counterparties that engage in fixed-income trading do not maintain inventories of corporate bonds (which provide an important indication of their ability to "make markets") that keep pace with the growth of the bond markets over time, relatively low levels of dealer inventories could lead to decreased liquidity and increased volatility in the fixed-income markets. Additionally, market participants other than a client account may attempt to sell fixed-income holdings at the same time as the client account,

which could cause downward pricing pressure and contribute to illiquidity.

### **Nondiversification Risk**

Some Lord Abbett investment strategies may be considered nondiversified. A nondiversified account may invest a greater portion of its assets in, and own a greater amount of the voting securities of, a single issuer than a diversified account. As a result, a nondiversified account will be more exposed to risks from a single adverse economic, political, or regulatory event, as compared with a diversified account.

### **State and Territory Risks**

From time to time, an account may be more exposed to risks affecting a particular state, territory (such as Puerto Rico), or region. As a result, adverse economic, political, and regulatory conditions affecting a single state, territory, or region (and their political subdivisions, agencies, instrumentalities, and public authorities) can disproportionately affect an account's performance.

### **Geographic Concentration Risk**

To the extent an account focuses its investments in a single country or only a few countries in a particular geographic region, economic, political, regulatory or other conditions affecting such region may have a greater impact on account performance relative to a more geographically diversified account.

### **Taxability Risk**

There is a risk that a bond purchased by an account that was issued as tax-exempt may be reclassified by the IRS as taxable (for example, if the bond was issued in a transaction deemed by the IRS to be abusive), creating taxable rather than tax-exempt income. Furthermore, future legislative, administrative, or court actions could adversely impact the qualification of income from tax-exempt securities as tax-free. Such reclassifications or actions could (i) subject a client to increased tax liability, possibly retroactively, and/or (ii) cause the value of a security, and therefore the value of the account, to decline. From time to time, proposals have been introduced before Congress for the purpose of restricting or eliminating the federal income tax exemption for interest on certain types of municipal bonds. Additionally, certain other proposals have been introduced that would have the effect of taxing a portion of exempt interest and/or reducing the tax benefits of receiving exempt interest. These legal uncertainties could affect the municipal bond market generally, certain specific segments of the market, or the relative credit quality of particular securities.

### **High Portfolio Turnover Risk**

High portfolio turnover may result in increased brokerage fees, taxes or other transaction costs. These costs can reduce an account's investment performance.



## APPENDIX 2 (CONT.)

### Underlying Fund Risk

Some Lord Abbett strategies involve the investment of account assets in other funds managed by Lord Abbett. As a result, the investment performance of the relevant account is directly related to the investment performance of the underlying funds in which it invests. The account is exposed to the same risks as the underlying funds in direct proportion to the allocation of its assets among the underlying funds. Such an account typically will invest in a diversified portfolio of underlying funds; however, to the extent that the account invests a significant portion of its assets in a single underlying fund or strategy it may be more susceptible to risks associated with that fund and its investments. It is possible that the holdings of underlying funds may contain securities of the same issuers, thereby increasing the account's exposure to such issuers. It also is possible that one underlying fund may be selling a particular security when another is buying it, producing little or no change in exposure but generating transaction costs and/or resulting in realization of gains with no economic benefit. Where Lord Abbett is the investment adviser for both an account and the underlying funds in which the account invests, it may be deemed to have a conflict of interest in determining the allocation of the account's assets among the various underlying funds. In addition, the account's owner(s) will indirectly bear a proportionate share of the underlying funds' fees and expenses, as well as their proportionate share of the account's fees and expenses.

### Cybersecurity Risk

As the use of technology has become more prevalent in the course of business, Lord Abbett has become more susceptible to operational and information security risks. Cyber incidents can result from deliberate attacks or unintentional events and include, but are not limited to, gaining unauthorized access to electronic systems for purposes of misappropriating assets, personally identifiable information ("PII") or proprietary information (e.g., trading models and algorithms), corrupting data, or causing operational disruption, for example, by compromising trading systems or accounting platforms. Other ways in which the business operations of Lord Abbett, other service providers, or issuers of securities in which Lord Abbett invests a client's assets may be impacted include interference with a client's ability to value its portfolio, the unauthorized release of PII or confidential information, and violations of applicable privacy, recordkeeping and other laws. A client and/or its account could be negatively impacted as a result.

While Lord Abbett has established internal risk management security protocols designed to identify, protect against, detect, respond to and recover from cybersecurity incidents, there are inherent limitations in such protocols including the possibility that certain threats and vulnerabilities have not been identified or made public due to the evolving nature of cybersecurity threats. Furthermore, Lord Abbett cannot control the cybersecurity systems of third party service providers or issuers. There currently is no insurance policy available to cover all of the potential risks associated with cyber incidents. Unless specifically agreed by Lord Abbett separately or required by law, Lord Abbett is not a guarantor against, or obligor for, any damages resulting from a cybersecurity-related incident.