

# Lord Abbett

## *Form ADV*

### *Part 2A Brochure*



March 14, 2012

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 e-mail at [ADVINFO@lordabbett.com](mailto:ADVINFO@lordabbett.com). The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission 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 U.S. Securities and Exchange Commission (“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).



Lord, Abbett & Co. LLC  
90 Hudson Street, Jersey City, New Jersey 07302-3973  
201-827-2000 | [www.lordabbett.com](http://www.lordabbett.com)

## Material Changes

This brochure is a new document prepared according to recently amended requirements and rules of the U.S. Securities and Exchange Commission (the "SEC"). It is materially different in structure from, and contains information not provided in, our previous brochure. In the future, you can look to this section of the brochure for a summary of specific material changes that have been made since its last update.



# Table of Contents

Advisory Business .....	5
Fees and Compensation .....	6
Performance-Based Fees and Side-By-Side Management .....	6
Types of Clients .....	6
Methods of Analysis, Investment Strategies and Risk of Loss .....	6
Disciplinary Information .....	8
Other Financial Industry Activities and Affiliations .....	8
Code of Ethics, Participation or Interest in Client Transactions and Personal Trading .....	8
Brokerage Practices .....	9
Review of Accounts .....	14
Client Referrals and Other Compensation .....	14
Custody .....	14
Investment Discretion .....	15
Voting Client Securities .....	15
Financial Information .....	16



Dear Client:

Recent market volatility and an increasingly complex investing environment have made it difficult for investors to navigate investment options. We have created this document to provide you with detailed information regarding Lord, Abbett & Co. LLC. The information included summarizes key aspects of the types of strategies we offer, our approach to investment management, our trading practices, and the policies and procedures that we have implemented to manage conflicts of interest.

We appreciate the trust and confidence that our clients have placed with our firm and hope this information helps you to better understand the structure of our firm, the services we provide to our clients and our efforts to treat 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,

Daria L. Foster  
Managing Partner



## ADVISORY BUSINESS

### Firm Overview

Lord, Abbett & Co. LLC (“Lord Abbett”) is an independent money management firm founded in 1929. Lord Abbett provides discretionary and non-discretionary 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 and is not publicly traded. No individual or company owns 25% or more of Lord Abbett.

As of September 30, 2011, Lord Abbett’s assets under management were approximately \$102.4 billion, of which approximately \$99.6 billion was managed on a discretionary basis and approximately \$2.8 billion was managed on a non-discretionary basis.

### Investment Advisory Services

Lord Abbett manages equity, fixed income and balanced portfolios across a wide range of investment strategies. Portfolio management teams employ a rigorous investment approach and seek to provide a prudent balance of risk and return. The firm’s investment processes are supported by a strong internal focus on fundamental and quantitative research.

We believe Lord Abbett’s in-house research efforts provide our firm with a source of competitive advantage. 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, sovereign wealth funds, pooled investment vehicles and family trusts.
- **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.
- **Managed Account Services**—Lord Abbett provides investment advisory services, as well as non-discretionary 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,” which provides a bundle of services for a single fee. Typically, this bundle of services includes the recommendation to hire Lord Abbett as a discretionary investment adviser, 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 in 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 and fixed income securities while other Lord Abbett client accounts may also invest in private placements and derivatives. In addition, 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. 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 advisor to provide client portfolio reporting. Additional differences may 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 subject to separate commission charges that are negotiated by Lord Abbett.
- Lord Abbett normally 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.

## 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 type of investment 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.

Lord Abbett retains complete discretion over the fees charged to clients for investment advisory services, subject to applicable law. Investment advisory fees may be negotiated in light of a client's special circumstances, asset levels, service requirements or other factors, each as determined in Lord Abbett's sole discretion. Fee schedules may provide additional breakpoints on larger accounts, including investment companies or other pooled investment vehicles, and on liquidity accounts. Lord Abbett may charge different advisory fees for different accounts and may agree to aggregate the assets of related accounts to take advantage of breakpoints. Fees for Managed Account programs are paid to Lord Abbett by the program's Sponsor from the single fee a client pays to the Sponsor. 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.

From time to time, Lord Abbett may agree on a performance-based fee structure with a qualified client, which fee structure will be designed to be in compliance with the Advisers Act.

Lord Abbett's management fees do not include fees charged by a client's custodian or the fees and other expenses deducted from the assets of a 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.

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

Lord Abbett may charge both performance-based fees and asset-based fees. The management of accounts with performance-based fees may have 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 may exist from managing client accounts paying a higher asset-based fee than other accounts or accounts containing assets owned by Lord Abbett, its employees or owners.

Lord Abbett has adopted securities allocation policies and procedures to address these potential conflicts of interest. These policies

and procedures prohibit Lord Abbett from inappropriately favoring one type of account over another. Lord Abbett will allocate investment opportunities and executions on a *pro rata* basis among client accounts managed with the same investment discipline and style, regardless of the investment advisory fees paid to Lord Abbett.

Certain considerations however may cause Lord Abbett to 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 each product in a common style in a manner that is designed to be equitable to all clients over time, and take account of each product's and account's inherent differences.

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.

It is Lord Abbett's policy that personnel of Lord Abbett involved in decision-making for client accounts must act in accordance with fiduciary standards. Where such personnel do know of conflicts among client accounts or between client accounts and Lord Abbett and/or Lord Abbett personnel, it is Lord Abbett's policy to disclose the existence of such conflicts in general form through delivery of this brochure or otherwise at Lord Abbett's discretion, depending on the circumstances.

## 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 and various Managed Accounts. For institutional clients, Lord Abbett typically requires a minimum account size that ranges between \$10–\$50 million based on the particular strategy being used for the account. Lord Abbett reserves the right, in its sole discretion, to waive investment minimums in certain circumstances.

Managed Accounts are typically smaller in size. The minimum account size for Managed Accounts is generally \$50,000, 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.

## 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. In general, our approach is as follows:

## ***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 duration (from money market and short duration to intermediate to long bond) and credit (from investment grade to high yield) spectrums in both the taxable and tax-exempt market places. Lord Abbett also offers an emerging markets currency strategy. Some approaches seek investment opportunities across various sectors, including government, mortgage, corporate, municipal, and emerging market 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. Tax-exempt bonds may be subject to adverse effects due to governmental actions, including actions by local, state and regional governments. Finally, convertible securities are subject to risks affecting both equity and fixed income securities, including market, credit and interest rate risk.

## ***General Risks***

In addition to the strategy-specific risks identified above, there are more general risks associated with investing as well. 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. Lord Abbett may use 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 may not correlate with the value of the underlying security, rate or index, that portfolio volatility may increase due to the leverage associated with the use of derivatives, and that the counterparty to the derivative may be unable to satisfy its obligations.

## **Research Information**

Portfolio management teams generally use both qualitative and quantitative research in the investment process. 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 product areas.

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

Lord Abbett seeks to manage accounts with the same strategy in a uniform manner. However, Lord Abbett may agree to accommodate requests to incorporate specific client direction into Lord Abbett's investment approach. For example, Lord Abbett may 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, Lord Abbett may employ 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 the suitability of holding certain securities.

Lord Abbett may seek to accommodate requests by Managed Account clients or their investment consultants to consider tax optimization strategies. In doing so, Lord Abbett may 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 the experience of other Managed Account clients that are not seeking to optimize their tax profile.

From time to time, Lord Abbett may invest in ETFs and other investment companies 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. All fees and



expenses associated with investing in an investment company, including the imbedded investment management fee, are in addition to the advisory fees paid by the client to Lord Abbett, and may reduce the account's performance.

## Investment Strategies

The following chart lists Lord Abbett's investment strategies:

Domestic Equity	
Multi Cap Value	Large Cap Core
Large Cap Value	Small Cap Core
Mid Cap Value	Multi Cap Growth
Smid Cap Value	Large Cap Growth
Small Cap Value	Mid Cap Growth
Micro Cap Value	Small Cap Growth
	Micro Cap Growth
International	
Emerging Markets Currency	International Value
International Core EAFE Plus	International Small Cap Core
International Core ACWI ex. U.S.	
Balanced	
Domestic Equity & Taxable Fixed Income	
Domestic Equity & Tax Free Fixed Income	
Taxable Fixed Income	
Short Duration	Government
Core	Bank Loans
Core Plus	Multi-Sector
Inflation Linked	High Yield
Corporate	Convertible

## 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

Lord Abbett has three affiliated entities:

- Lord Abbett Distributor LLC, a New York limited liability company and a subsidiary of Lord Abbett, is registered as a broker-dealer under the 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 as the principal underwriter for the Lord Abbett Funds and as placement agent for privately offered, commingled funds sponsored by Lord Abbett.
- Lord, Abbett Asia LLC ("Lord Abbett Asia"), a Delaware limited liability company and a subsidiary of Lord Abbett, provides client liaison services from its branch office located in Japan. Lord Abbett Asia also may refer investment advisory business to Lord Abbett.
- Lord Abbett China Asset Management Company Limited ("Lord Abbett China"), a fund management company organized as a joint venture under the laws of the People's Republic of China, is an investment management company doing business in China. Lord Abbett is a substantial minority investor in Lord Abbett China.

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 may 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 may have a beneficial interest. The 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 of gifts, travel and entertainment by Lord Abbett personnel. Occasionally, Lord Abbett personnel may 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.

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

From time to time, Lord Abbett has seeded several proprietary accounts for the purpose of evaluating a new investment strategy that eventually may be available to clients as a new mutual fund or investment vehicle. Such 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 addition, Lord Abbett personnel may be investors in the Lord Abbett Funds or maintain separate accounts in strategies that Lord Abbett manages for its clients. Lord Abbett’s management of accounts with proprietary interests along side non-proprietary client accounts may create an incentive to favor the proprietary accounts over the

non-proprietary 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 Policies—Trade Aggregation and Allocations* below for more information on these policies and procedures.

## 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. To the extent permitted by law and/or account guidelines, Lord Abbett may cause client accounts to invest 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, or that are, or are related to, Lord Abbett clients. In addition, Lord Abbett personnel may buy or sell securities that Lord Abbett has recommended to, or purchased or sold on behalf of, clients. Lord Abbett also may recommend to clients the purchase or sale of securities in which it or its personnel have a financial interest, including 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.

## 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 may 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 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 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. Lord Abbett's determination of best execution may not necessarily mean that the client is paying the lowest possible commission rate or spread, as there are several additional important factors to consider when evaluating best execution in client brokerage. 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 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. When selecting a broker-dealer, Lord Abbett considers its execution capabilities, including block positioning, financial stability, ability to maintain confidentiality, delivery capability, ability to obtain best price, and value and availability of research services or credit arrangements for the purpose of obtaining such research services. Lord Abbett may use 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 are not the lowest but whose executions and other services Lord Abbett believes may result in lower overall transaction costs or more favorable or more certain results. Lord Abbett also may pay higher commission rates to broker-dealers on particular client transactions if Lord Abbett believes that the client has obtained best execution and the commission rate 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 commissions is based on Lord Abbett's view of the broker's ability to provide professional services, competitive commission rates, research and other services which 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 may 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.

Lord Abbett may 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.

### ***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, 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. Lord Abbett may execute fixed income transactions for Managed Accounts at financial institutions other than the Sponsor. Each client should evaluate whether particular Managed Accounts or Model Portfolios 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 may 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.

### ***Trade Aggregation***

When appropriate, Lord Abbett will seek to combine or "batch" purchases or sales of a particular security when executing client transactions that are placed at or about the same time that don't have different execution conditions, such as market or limit orders. Orders placed for execution at the prevailing market price may be filled before orders subject to price limits. 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.

When transactions for all products using a particular investment strategy are communicated to the 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 non-directed, 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. In instances in which the same equity security or group of securities is used in more than one investment strategy, Lord Abbett normally will place transactions first on behalf of the investment strategy that it views as the primary strategy. For example, Lord Abbett typically will 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, allocation to the primary strategy, 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.

From time to time, a batched order may not be fully filled during a trading day and may be cancelled 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 may 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.

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 it 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 it does not batch purchases and sales among products, Lord Abbett usually uses a rotation process for placing equity transactions on behalf of the different groups of accounts or products with respect to which equity transactions are communicated to the trading desk at or about the same time.

### ***Managed Accounts***

Lord Abbett generally will not batch equity transactions for Managed Accounts with transactions for the Lord Abbett Funds 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 frequently places transactions in fixed income securities with or through firms other than the Managed Account Sponsor or directed broker-dealer. Such transactions occur at net prices, which are built into the security's purchase or sale price 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. Lord Abbett may deviate occasionally from this rotation methodology to take advantage of special opportunities in the market. 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 may 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, Lord Abbett generally will communicate its model portfolio holdings information to the Sponsor during that Sponsor's turn in the trading rotation, or otherwise after Lord Abbett's completion of the trading rotation. The Sponsor or an overlay manager is responsible for adjusting existing Model Portfolio accounts to conform to the core changes during the Sponsor's turn in the trading rotation. Lord Abbett may allot a period of time for a Model Portfolio's Sponsor to arrange executions for accounts managed pursuant to Lord Abbett's model portfolio before moving to the next Sponsor's turn in the trading rotation. Model Portfolio clients may also 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.

### ***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 may exist, without limitation, in asset classes such as senior loans, high yield securities, fixed income securities, emerging markets, regulated industries and initial public offerings or new issues. In these cases, Lord Abbett's investment management teams may 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, may include, without limitation, (i) client investment objectives, guidelines and restrictions, (ii) different levels of investment for different strategies, (iii) suitability requirements and the nature of the investment opportunity, (iv) cash and liquidity considerations, (v) relative sizes and expected future sizes of the applicable accounts, (vi) availability of other appropriate investment opportunities, (vii) other holdings in the account and (viii) minimum denomination, increments and round lot considerations. Non-proportional allocations may occur frequently in the fixed income portfolio management area, in many instances because multiple appropriate or substantially similar investments are available in fixed income strategies, as well as due to other reasons.

Accordingly, Lord Abbett may increase or decrease the amount of securities allocated to one or more accounts if necessary, under certain circumstances, including (i) to avoid holding odd-lots or small numbers of shares in a client account; (ii) to facilitate the rebalancing of a client account; or (iii) to maintain certain investment guidelines or fixed income portfolio characteristics. Lord Abbett also may deviate from a *pro rata* allocation approach when making initial investments for newly established accounts for the purpose of seeking to fully invest such accounts as promptly as possible.

Lord Abbett's allocation decisions among client accounts may 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 may differ from, and performance may 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.

Further, when modeling orders for client accounts that include accounts that may invest across multiple asset classes, investment allocation may be done *pro rata* based on the total size of each participating account regardless of the portion of that account that may be allocated to investment in the relevant asset class under the client's investment objectives or guidelines. This methodology may result in larger allocations made to an account that permits investment across multiple asset classes as compared to the *pro rata* allocation that such account may otherwise receive based on the portion of the account allocated to that asset class.

## 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. However, under circumstances consistent with applicable law and regulation, Lord Abbett may select 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. 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 affiliates of such broker-dealers who may provide Lord Abbett with research services. Lord Abbett may initiate a significant percentage, including up to all, of a client's equity transactions with broker-dealers pursuant to Client Commission Arrangements.

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 may select 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 may have an incentive to execute trades through certain of such broker-dealers with which it has negotiated more favorable Client Commission Arrangements. 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 might 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 Abnett believes that any brokerage and research services received from a broker-dealer are, in the aggregate, of assistance to Lord Abnett in fulfilling its overall responsibilities to its clients. Accordingly, research services received for a particular client's brokerage commissions may be useful to Lord Abnett in the management of that client's account, but also may be useful in Lord Abnett's management of other clients' accounts; similarly, the research received for the commissions of other client accounts may be useful in Lord Abnett's management of that client account. Thus, Lord Abnett may use 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 Abnett 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 Abnett may use research services obtained through soft dollar arrangements, including Client Commission Arrangements, in its management of certain directed accounts and Program accounts and accounts of clients who may have restricted Lord Abnett'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 Abnett from receiving any credit toward such services from its commissions. Some broker-dealers who have negotiated an arrangement with Lord Abnett for the provision of brokerage and research services may offer a lower commission rate for client accounts not participating in such arrangement. It is Lord Abnett's policy, however, to seek to include non-participating accounts in a batched trade, as Lord Abnett believes these non-participating accounts would receive overall better execution notwithstanding the fact that the non-participating account may be able to pay a lower commission rate if it were not included in the batched trade.

In some cases, Lord Abnett may receive a product or service from a broker-dealer that has both an "equity research" and a "non-equity research" use. When this occurs, Lord Abnett makes a good faith allocation between the equity research and non-equity research uses of the product or service. The percentage of the product or service Lord Abnett uses for equity research purposes may be paid for with client commissions, while Lord Abnett will use its own funds to pay for the percentage of the product or service that it uses for non-equity research purposes. In making this good faith allocation, Lord Abnett faces a potential conflict of interest, but Lord Abnett believes that its allocation procedures are reasonably designed to ensure that it appropriately allocates the anticipated use of such products or services to their equity research and non-equity research uses.

Lord Abnett periodically assesses the contributions of the equity brokerage and research services provided by broker-dealers and creates a ranking of broker-dealers reflecting these assessments, as

determined by Lord Abnett's investment staff. Equity portfolio managers and research analysts each evaluate the research services they receive from broker-dealers and make judgments as to the value and quality of such services. These assessments may affect the extent to which Lord Abnett 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 Abnett monitors the allocation of equity trading among broker-dealers through periodic reviews. Lord Abnett's arrangements for proprietary and third party research services do not involve any commitment by Lord Abnett regarding the allocation of brokerage business to or among any particular broker-dealer. Rather, Lord Abnett executes portfolio transactions only when they are dictated by investment decisions to purchase or sell portfolio securities.

From time to time, Lord Abnett 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 Abnett's investment staff. Lord Abnett uses the ranking as a guide for evaluating and determining payments to research providers for research services, including proprietary research services provided to Lord Abnett by executing broker-dealers. Lord Abnett may use 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 Abnett. Alternatively, Lord Abnett may make cash payments from its own resources to pay research providers for research services. From time to time, Lord Abnett may use commissions generated pursuant to a Client Commission Arrangement to pay for a significant portion of the research services that it receives.

### **Directed Brokerage and Other Client Restrictions on Brokerage**

Clients may direct Lord Abnett to place some or all of the transactions for their accounts with one or more broker-dealers they specify. Clients may 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 Abnett from freely negotiating commission rates or selecting brokers based on the most favorable price and execution for the transaction. Clients also may prohibit Lord Abnett from placing transactions for their accounts with certain broker-dealers. A client that prohibits Lord Abnett from selecting certain broker-dealers for the placement of transactions for its account should understand that such a prohibition may prevent Lord Abnett 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 may 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. These factors may cause a client to pay higher commissions or receive less favorable net prices or investment results 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.

In order to comply with a client direction, Lord Abbett may engage in so-called "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.

## 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 assigned to each investment team varies depending on the nature and size of the accounts under management and may change over time.

In all cases, accounts also are 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 pre-trade 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 Senior Partner, Managing Partner, and Chief Investment 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, reports to clients are made monthly or quarterly and 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 may send them on to clients. Sponsors also typically issue performance reports to clients on a quarterly basis. Lord Abbett may provide supplemental reporting to these types of clients.

## CLIENT REFERRALS AND OTHER COMPENSATION

Lord Abbett may make 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 Distributor LLC also may make payments for these purposes to financial intermediaries in connection with the Lord Abbett Funds. The products or services may include analytical software or data.

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 may be substantial. The intermediaries receiving such payments may 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 or as agents for their clients with respect to purchases of shares of the Funds. In some circumstances, such payments may be deemed to 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 may enter into arrangements with Lord Abbett Asia, Lord Abbett China and/or unrelated parties to compensate such persons for solicitation and other client-related services for Lord Abbett clients and prospective clients. Under the arrangements, generally, Lord Abbett pays a portion of its advisory fee to the solicitor. 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 a client account. 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.

## 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. Lord Abbett has neither investment nor brokerage discretion for those clients to whom it provides non-discretionary 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 also may 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 and mutual funds. 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 typically are 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 non-standard principal amounts of fixed income securities.

In the event that a Managed Account client terminates Lord Abbett from managing its account, the Sponsor or client will terminate Lord Abbett's investment discretion from the account and typically will then 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. Any orders issued by Lord Abbett prior to the receipt of a termination notice generally will 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

### Introduction

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 consists of Lord Abbett's Chief Investment Officer, Director of Domestic Equity Portfolio Management, Director of International Equity, Director of Research, Chief Administrative Officer for the Investment Department, and General Counsel. 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.



## 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.

- **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 201-827-2917. 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 Portfolio Specialist Group at 877-762-3375.

## 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 chart provides the standard fee schedule for each of Lord Abbett's institutional strategies:

Strategy	Standard Fee Schedule
Large Cap Value Equity Convertible Securities	.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 assets in excess of \$200 million
Large Cap Growth Equity Large Cap Core Equity	.60% on the first \$20 million in assets under management .50% on the next \$30 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% above the \$200 million
Mid Cap Value Equity	.75% on the first \$20 million in assets under management .50% on the next \$30 million in assets under management .35% on the next \$50 million in assets under management .25% on assets in excess of \$100 million
Mid Cap Growth Equity	.75% on the first \$25 million in assets under management .65% on the next \$25 million in assets under management .50% on assets in excess of \$50 million
Small Cap Growth Equity	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 assets in excess of \$100 million
Small Cap Value Equity	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 \$25 million in assets under management .50% on the next \$25 million in assets under management .40% on assets in excess of \$100 million
Small Cap Value Equity Small Cap Core Equity	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 assets in excess of \$200 million
Micro Cap Value Equity Micro Cap Growth Equity	1.25% on the first \$25 million in assets under management 1.00% on assets in excess of \$25 million
Multi Cap Value Equity	.80% on the first \$10 million in assets under management .60% on the next \$20 million in assets under management .50% on the next \$20 million in assets under management .40% on the next \$50 million in assets under management .30% on the next \$100 million in assets under management .25% on assets in excess of \$200 million
Multi Cap Growth Equity	.70% on the first \$25 million in assets under management .60% on the next \$25 million in assets under management .50% on the next \$50 million in assets under management .45% on the next \$100 million in assets under management .40% on assets in excess of \$200 million
International Core Equity International Value Equity	.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 assets in excess of \$250 million Negotiable on assets in excess of \$500 million

## APPENDIX 1, CONTINUED

Strategy	Standard Fee Schedule
International Small Cap Core Equity	.95% on the first \$25 million in assets under management .80% on the next \$25 million in assets under management .75% on the next \$50 million in assets under management .70% on assets in excess of \$100 million
Core Fixed Income Core Plus Fixed Income Corporate Bond Fixed Income Short Duration Fixed Income	.40% on the first \$10 million in assets under management .30% on the next \$15 million in assets under management .25% on the next \$25 million in assets under management .20% on the next \$50 million in assets under management .175% on the next \$150 million in assets under management .15% on the next \$250 million in assets under management .125% on assets in excess of \$500 million
High Yield Fixed Income	.55% on the first \$30 million in assets under management .40% on assets in excess of \$30 million
Municipal Fixed Income	.30% on the first \$10 million in assets under management .25% on the next \$15 million in assets under management .20% on the next \$75 million in assets under management .15% on assets in excess of \$100 million
Institutional Balanced	.75% on the first \$10 million in assets under management .50% on the next \$15 million in assets under management .35% on the next \$25 million in assets under management .30% on the next \$50 million in assets under management .25% on the next \$100 million in assets under management .20% on assets in excess of \$200 million
Bond Debenture Fixed Income	.70% on the first \$10 million in assets under management .50% on the next \$40 million in assets under management .40% on the next \$50 million in assets under management .30% on assets in excess of \$100 million
Senior Loans	.50% on the next \$50 million in assets under management .45% on the next \$50 million in assets under management .40% on assets in excess of \$100 million
Emerging Market Currency	.60% on the first \$50 million in assets under management .40% on the next \$50 million in assets under management .35% on assets in excess of \$100 million



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

Strategy	Standard Fee Range
Managed Accounts—Equities	0.25%–0.50%
Managed Accounts—Fixed Income	0.22%–0.35%
Model Portfolios—Equities	0.28%–0.40%
Model Portfolios—Fixed Income	0.22%