SHINING A LIGHT ON THE……
Lord Abbett Multi-Sector Income Fund

AT A GLANCE

Investment Objective
The investment objective of the Fund is to seek high current income and the opportunity for capital appreciation to produce a high total return.

Inception Date	1st April 2019 (USD currency 5th October 2015)
Fund Factsheet Link	https://www.morningstar.co.uk/uk/funds/snapshot/snapshot.aspx?id=F00000VHMY

Management	
Manager Name	**Start Date**
Andrew H O'Brien	5th January 2015
Robert S Clark	5th January 2015
Christopher Gizzo	5th October 2015
Kewjin Yuoh	5th October 2015
Steven F Rocco	5th October 2015

FUND PERFORMANCE

Performance from 1st April 2019 to 31st January 2023:

Pricing Spread: Bid-Bid ● Data Frequency: Daily ● Currency: Pounds Sterling

- A - Bloomberg US Aggregate TR in GB [7.43%]
- B - Lord Abbett - Multi Sector Income I Hedged Acc GBP in GB [4.60%]

01/04/2019 - 31/01/2023 Data from FE fundinfo2023

Pricing Spread: Bid-Bid • Currency: Pounds Sterling

Customise Columns	2023 ⬆⬇	2022 ⬆⬇	2021 ⬆⬇	2020 ⬆⬇	2019 ⬆⬇	2018 ⬆⬇	2017 ⬆⬇	2016 ⬆⬇	2015 ⬆⬇	2014 ⬆⬇	2013 ⬆⬇
Index Bloomberg US Aggregate TR in GB	0.37	-2.05	-0.63	4.19	4.52	6.23	-5.42	22.44	6.37	12.56	-3.84
Lord Abbett Multi Sector Income I Hedged Acc GBP in GB	1.67	-12.93	2.10	8.03							

Please note that past performance is not a reliable indicator of future returns, and the value of your investments can fall as well as rise. The total return reflects performance without sales charges or the effects of taxation but is adjusted to reflect all on-going fund expenses and assumes reinvestment of dividends and capital gains. If adjusted for sales charges and the effects of taxation, the performance quoted would be reduced.
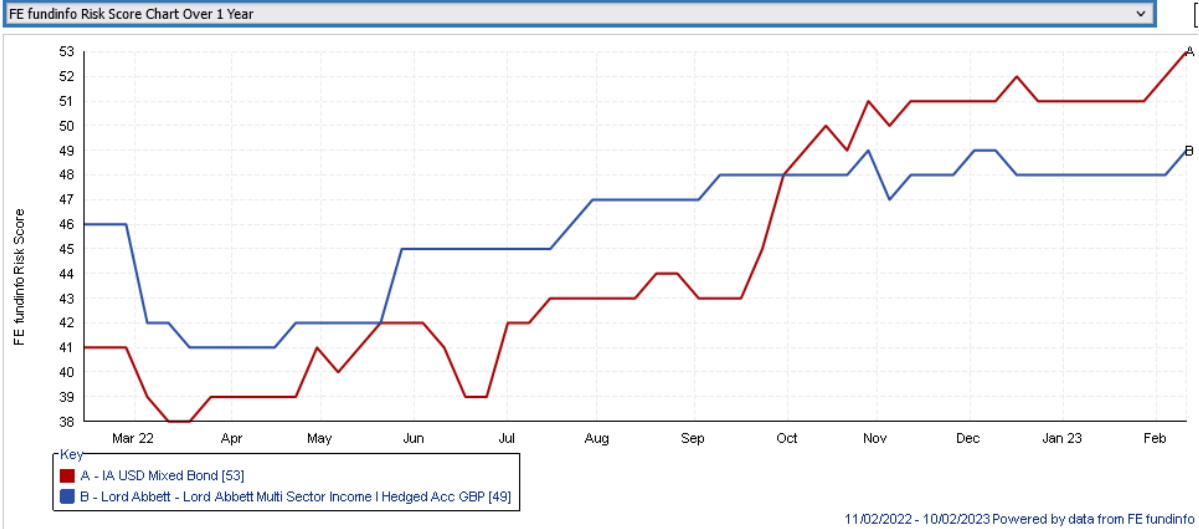
RATIO DATA (3-years)

Alpha	Beta	Max Drawdown	Max Gain	Max Loss	Negative Periods	Positive Periods	Tracking Error
-0.85	-0.13	-18.28	7.42	-16.82	68	80	13.03

VOLATILITY / RISK SCORE

Pricing Spread: Bid-Bid • Currency: Pounds Sterling

31/01/2020 - 31/01/2023 ©FE fundinfo 2023
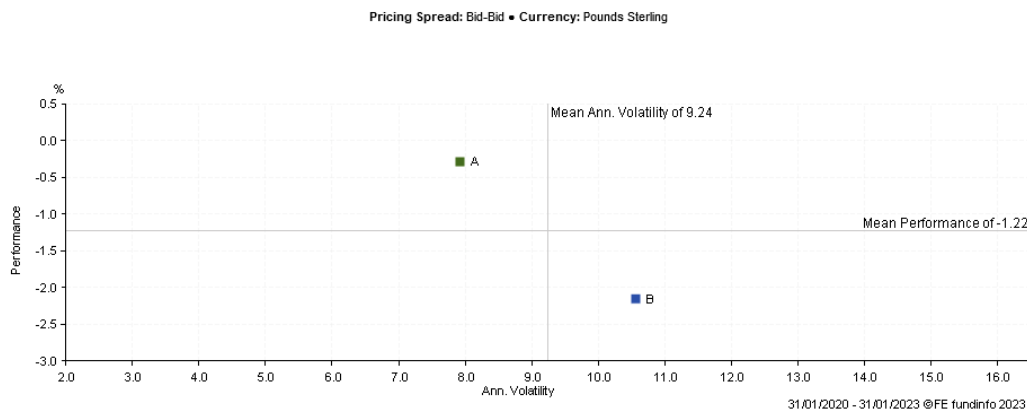
Key	Name	Performance	Annualised Volatility
A	Bloomberg US Aggregate TR in GB	-0.29	7.92
B	Lord Abbett - Multi Sector Income I Hedged Acc GBP in GB	-2.15	10.56

FE fundinfo Risk Score Chart Over 1 Year

Key
A - IA USD Mixed Bond [53]
B - Lord Abbett - Lord Abbett Multi Sector Income I Hedged Acc GBP [49]

11/02/2022 - 10/02/2023 Powered by data from FE fundinfo

FUND SIZE

Fund Size ($)

A - Lord Abbett Multi Sector Income I Hedged Acc GBP [1105.14]
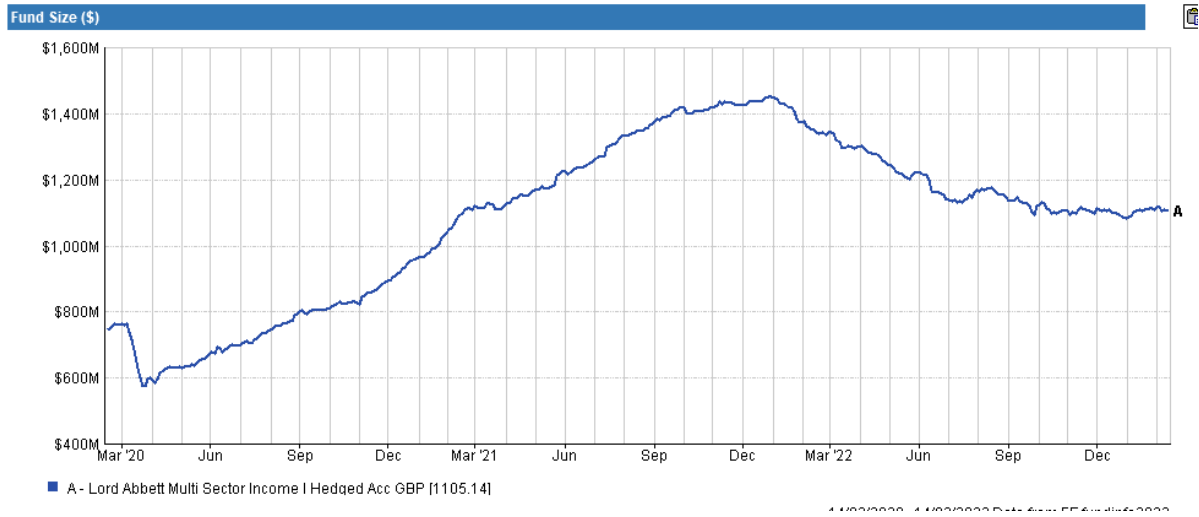
YIELD – CURRENT YIELD 5.05%
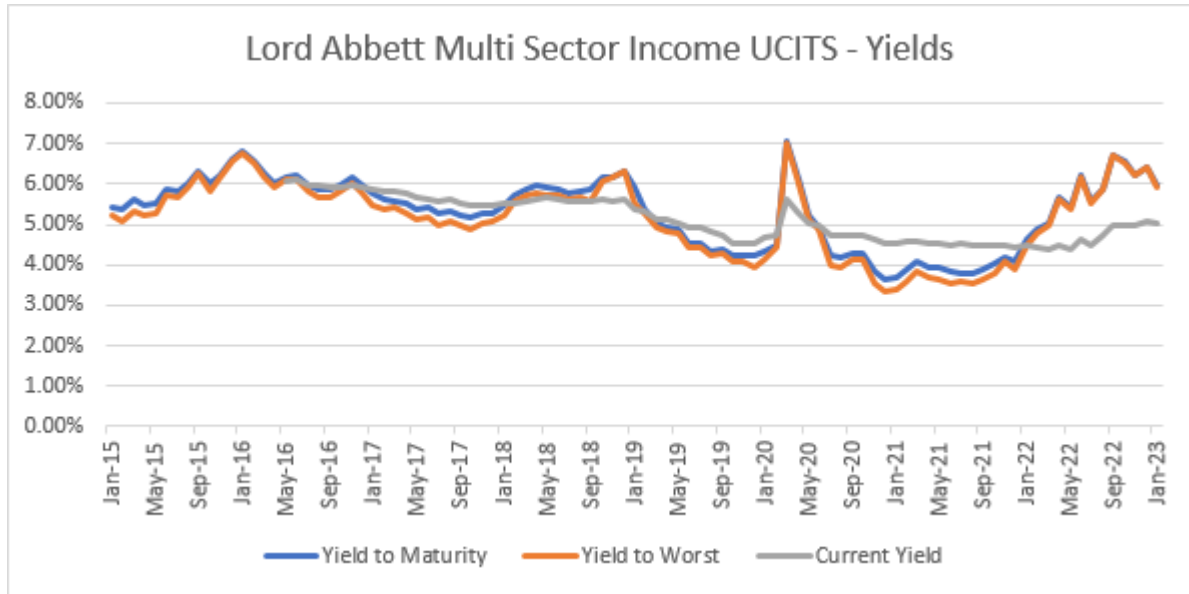
ASSET / CURRENCY / CREDIT RATING WEIGHTINGS

Asset Weightings as at December 31, 2022

Rank	Change	Name	%
1	►	GLOBAL FIXED INTEREST	97.60
2	►	CONVERTIBLES	3.90
3	►	INTERNATIONAL EQUITIES	0.10
4	►	MONEY MARKET	-1.60

▼ Faller   ▲ Riser   ► No Change   ■ New Entry
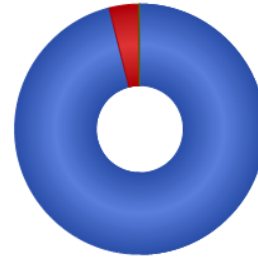
Currency Weightings as at December 30, 2022

Rank	Change	Name	%
1	►	US DOLLAR	100.17
2	►	AUSTRALIAN DOLLAR	0.00
3	►	CANADIAN DOLLAR	0.00
4	▲	HONG KONG DOLLAR	0.00
5	▲	SA RAND	0.00
6	►	BRITISH POUND	-0.02
7	▲	EURO	-0.14

▼ Faller   ▲ Riser   ► No Change   ■ New Entry
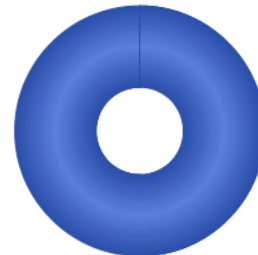
Credit Rating Weightings as at December 31, 2022

Rank	Change	Name	%
1	►	BBB	28.60
2	►	BB	23.10
3	►	A	13.60
4	▲	B	8.90
5	►	AAA	7.20
6	►	AA	6.20
7	►	NON-RATED	3.40
8	►	B+	0.70
9	▼	OTHERS	8.30

▼ Faller   ▲ Riser   ► No Change   ■ New Entry

Asset Weightings

Asset holdings as at 31/12/2022

Name	% Weighting
Global Fixed Interest	97.60
Convertibles	3.90
International Equities	0.10
Money Market	-1.60

31/01/2020 - 02/01/2023 Powered by data from FE fundinfo
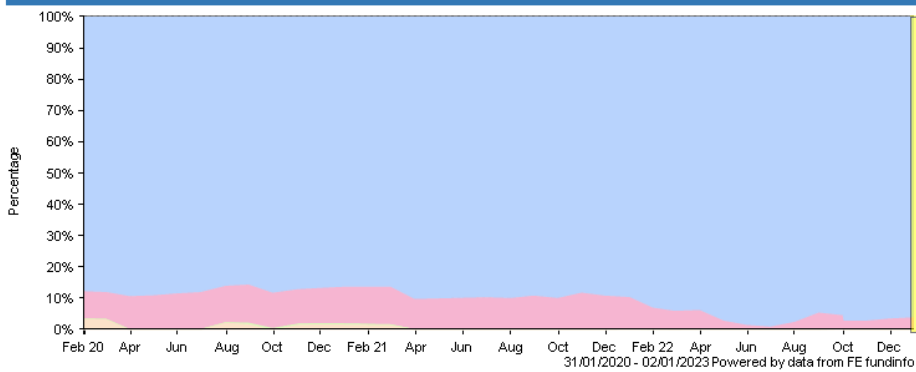
HOLDINGS

Top 10 Holdings as at December 31, 2022

Rank	Change	Name	%	Sector Ranking*
1	►	PINEWOOD FINANCE LTD 3.25% BDS 30/09/25 GBP100000	1.90	n/a
2	▲	QUILTER PLC 4.478% NTS 28/02/28 GBP200000	1.68	n/a
3	▼	MERLIN ENTERTAINMENTS PLC 5.75% BDS 15/06/26 USD200000	1.68	n/a
4	►	GRUENENTHAL GMBH 4.125% BDS 15/05/28 EUR100000	1.53	n/a
5	►	TALK TALK TELECOM GROUP PLC 3.875% BDS 20/02/25 GBP100000	1.37	n/a
6	►	VOYAGE CARE BONDCO PLC 5.875% BDS 15/02/27 GBP100000REG S	1.34	n/a
7	►	NIDDA HEALTHCARE HOLDING AG 7.5000 21/08/2026 SERIES REGS	1.33	n/a
8	►	UGI INTERNATIONAL LLC 2.5000 01/12/2029 SERIES REGS	1.23	n/a
9	►	CHEPLAPHARM ARZNEIMITTEL 3.5% NTS 11/02/27 EUR1000144A	1.12	n/a
10	►	LIMACORPORATE SPA FRN 15/08/2023 REGS	1.11	n/a
Total			14.29	

* This is the holding ranking within the fund sector composite portfolio (calculated from all available concurrent full portfolios of funds within the sector).

FIXED INCOME MEASURES

Fixed Income Measures	Investment	Category Average
Effective Duration	3.97	4.70
Modified Duration	4.39	4.27
Effective Maturity	9.46	6.40
Credit Quality	BBB+	—
Weighted Coupon	4.42	4.23
Weighted Price	89.69	92.13
Yield to Maturity	6.42	5.01

CREDIT QUALITY

Grades	Investment %	Category %
AAA	15.49	14.79
AA	6.20	6.60
A	13.56	11.09
BBB	28.66	22.98
BB	23.11	14.34
B	8.85	14.19
Below B	0.73	1.63
Not Rated	3.40	14.38

As of 31 Dec 2022 | Category: Other Bond | Credit Quality Data is based on the long position of the holdings. | Source: Manager-reported.

MATURITY SCHEDULE

Maturity (Years)	Investment %	Category %
1–3	7.24	13.81
3–5	20.00	15.53
5–7	25.12	5.76
7–10	24.10	9.51
10–15	4.91	5.61
15–20	3.16	1.74
20–30	12.68	14.24
>30	1.66	6.60

Investment as of 31 Dec 2022 | Category: Other Bond as of 31 Jan 2023 | Source: Holdings-based calculations.

OTHER DATA

Benchmark	Bloomberg US Aggregate
Fees	0.58%

| Bull Points (pros)	Bear points (cons)
• 50 years of multi-sector bond investing • Large global footprint in global fixed income investing • Strong stable investment team • Strong and consistent yield history	• US focused • More skewed towards corporate bonds so feels less of a strategic bond type strategy

UPDATE….

It seems strange to think that most of our meetings are now with fixed income managers. Fixed income was always the protection part of a portfolio but low yields, and then the collapse of all asset prices including fixed income in 2022, appeared to make this an unattractive asset class. This thought is now shifting.

Care needs to be taken with fixed income to really understand what the manager is doing and whether as an investor we are getting what we expect. Lord Abbett are not a name many in the UK will know but they are a large US fixed income house. To some extent this provides some clues as to how the strategy is managed.

The strategy can invest across the whole fixed income spectrum but favours corporate bonds where it sees the greatest opportunities. The charts below show that allocation over time.
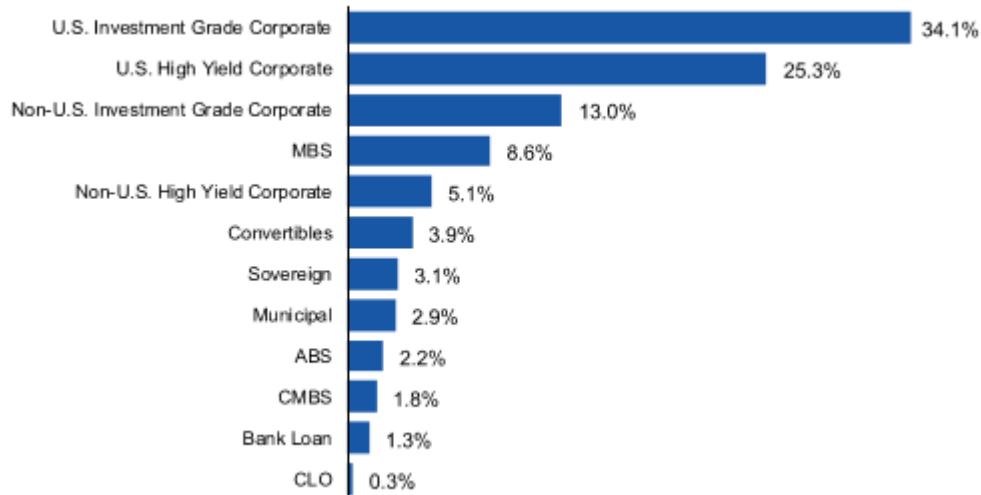
Historical Portfolio Allocations

(01/09/2015 – 31/12/2022)
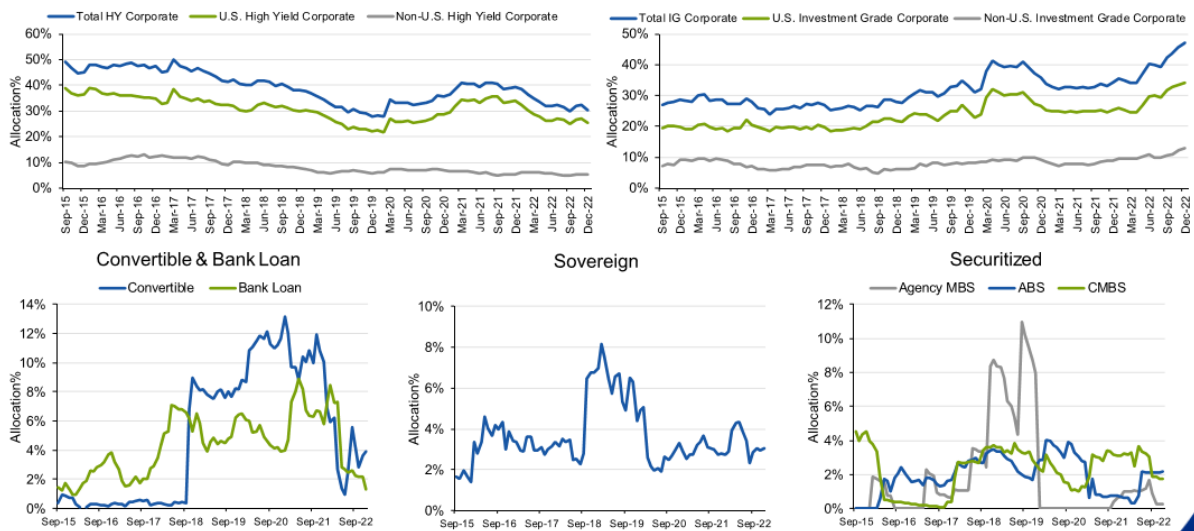
This therefore feels more like a corporate bond fund with the ability to plug in other asset classes.

The second observation is that this is highly tilted towards the US:

So, this is more of a US corporate bond strategy. It is not a bad thing but investors need to be aware what they are investing in.

The yield on the strategy is currently just over 5%, but the yield to maturity is a useful measure of potential future returns.

Key Portfolio Characteristics as of 30/12/22	
Yield to Maturity	6.42%
Effective Duration	3.97 years
Average Quality	BBB+
Strategy AUM	$22.3 billion
UCITS AUM	$1.1 billion
I-share TER	0.58%
UCITS Inception	5 Jan 2015

We talked about the risk with the higher weighting to high yield and they explained that BB is mainly debt which is on the cusp of BB and BBB. The percentage of assets in B or less is very low especially compared to the benchmark, and therefore they feel they are maximising returns without the risk.

The investment process is best described below. The focus is on risk / reward and this drives the allocation for the fund:

Investment Process

Reference Allocation	**How much risk?**	**Where to take risk?**	**Which securities?**
KEY PEOPLE			
• Portfolio Management • Quantitative Research • Risk Management	• Lead Portfolio Managers	• Portfolio Managers • Sector Leaders	• Portfolio Managers • Credit Analysts • Sector Specialists
PRIMARY INPUTS			
• Risk / return analysis of asset class combinations • Stress test and scenario analysis	• Economic and Market Environment • Insights from Firm-wide Experts	• Fundamental Research View • Assessment of Relative Value	• In-house Credit Research • Credit Valuation Models

The table below shows how they allocate across the fixed income spectrum. They do review this but it is mainly towards corporates as we indicated at the start.

Sector Allocations: Multi-Sector Income UCITS

Data as of 30/11/2022	Reference Allocation (%)	Current Allocation (%)	Historical Range (%)
High Yield Corporate	45.0	31.8	27.8 – 53.6
IG Corporate	25.0	43.7	20.9 – 41.2
Sovereign	10.0	3.0	0.3 – 8.2
MBS	10.0	8.2	0.0 – 11.0
Convertibles	5.0	2.8	0.1 – 13.2
U.S. Government Related	5.0	4.1	0.0 – 10.9
Bank Loans	0.0	2.2	0.0 – 8.9
Municipals	0.0	2.7	0.0 – 3.9
CMBS	0.0	1.9	0.1 – 4.5
ABS / CLO	0.0	2.5	0.0 – 4.1

Able to capitalize on relative value opportunities outside the reference allocation

Fundamentally, their argument is that this is about finding the very best opportunities with the greatest levels of liquidity. This sits well within corporates and the US. They have a small amount of exposure to emerging markets and this may increase.

They feel that the fixed income market has moved to a more normalised place, where it can deliver a return of around 2/3rds of the equity market with 50% volatility.

In summary, performance was poor last year vs the sector but overall the track record had been relatively strong. For an investor seeking a US corporate bond strategy with some exposure to other fixed income assets, this may be a strategy to consider.

Perhaps where we struggle is that this falls into the strategic bond sector. We know the team are active in their credit decisions but ultimately this is US focused and nearly 80% is corporate. It doesn't provide that diversification across asset classes. Therefore, if corporate bonds go out of favour this will underperform because they can't make the big shifts to protect assets.

The table below shows the point of diversification. Ultimately it is about expectations. If an investor is happy with the approach and understands it then the data would indicate this as a good strategy. However, for those wanting more active management across sectors this is unlikely to be the right fund.

A Multi-Sector Approach: Diversification and Flexibility

Returns across sectors can vary significantly depending on the macro environment

U.S. FIXED-INCOME SECTOR RETURNS
(AS OF 31/12/2021)

2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Range of returns by year (Highest – Lowest)											
11.40	18.74	13.82	33.53	7.56	5.98	16.09	12.15	4.28	18.62	43.44	8.66
16.77 Convertibles	13.56 TIPS	15.81 High Yield	24.92 Convertibles	9.44 Convertibles	1.51 MBS	17.13 High Yield	13.70 Convertibles	1.77 ABS	23.15 Convertibles	46.22 Convertibles	6.34 Convertibles
15.12 High Yield	9.81 Treasury	14.96 Convertibles	7.44 High Yield	7.46 Corporates	1.25 ABS	10.43 Convertibles	7.50 High Yield	1.14 Lev. Loans	14.54 Corporates	10.99 TIPS	5.96 TIPS
9.98 Lev. Loans	8.15 Corporates	9.82 Corporates	6.15 Lev. Loans	6.08 MBS	0.84 Treasury	9.88 Lev. Loans	6.42 Corporates	0.99 MBS	14.32 High Yield	9.89 Corporates	5.40 Lev. Loans
9.00 Corporates	7.84 Aggregate	9.43 Lev. Loans	-0.27 ABS	5.97 Aggregate	0.55 Aggregate	6.11 Corporates	4.25 Lev. Loans	0.86 Treasury	8.72 Aggregate	8.00 Treasury	5.28 High Yield
6.54 Aggregate	6.23 MBS	6.98 TIPS	-1.41 MBS	5.05 Treasury	-0.38 Lev. Loans	4.68 TIPS	3.54 Aggregate	0.15 Convertibles	8.43 TIPS	7.51 Aggregate	-0.34 ABS
6.31 TIPS	5.14 ABS	4.21 Aggregate	-1.53 Corporates	3.64 TIPS	-0.68 Corporates	2.65 Aggregate	3.01 TIPS	0.01 Aggregate	8.17 Lev. Loans	7.11 High Yield	-1.04 Corporates
5.87 Treasury	4.98 High Yield	3.66 ABS	-2.02 Aggregate	2.45 High Yield	-1.44 TIPS	2.03 ABS	2.47 MBS	-1.26 TIPS	6.86 Treasury	4.52 ABS	-1.04 MBS
5.85 ABS	1.82 Lev. Loans	2.59 MBS	-2.75 Treasury	2.06 Lev. Loans	-2.99 Convertibles	1.67 MBS	2.31 Treasury	-2.08 High Yield	6.35 MBS	3.87 MBS	-1.54 Aggregate
5.37 MBS	-5.18 Convertibles	1.99 Treasury	-8.61 TIPS	1.88 ABS	-4.47 High Yield	1.04 Treasury	1.55 ABS	-2.51 Corporates	4.53 ABS	2.78 Lev. Loans	-2.32 Treasury

The source of information in this note has been provided by Lord Abbett and is correct as of January 2023. These are notes from meeting the fund manager or representative and should not be seen as a recommendation to purchase any fund mentioned. Any reference to shares is not a recommendation to buy or sell. Should you wish to make a decision based on these notes we cannot take responsibility for this, and you should carry out your own research before making a decision. We would also recommend that you receive advice before following up on any decision.