

Modernize Your Equity Allocation to Capture Innovative Growth Companies

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Themes for the Next Decade: Innovation, Disruption, Durability

The Proliferation of Vulnerability

Innovation: Being on the Right Side of Disruption

Innovation: Solutions for Today's Challenges

Active Management Has Become Essential in the Age of Innovation

Today's Competitive Dynamics: Critical to identify winners and avoid those being disrupted away



Innovation

Companies pioneering and leveraging new technologies to grow market share

Vulnerability

Companies poorly positioned to withstand the threat of innovation

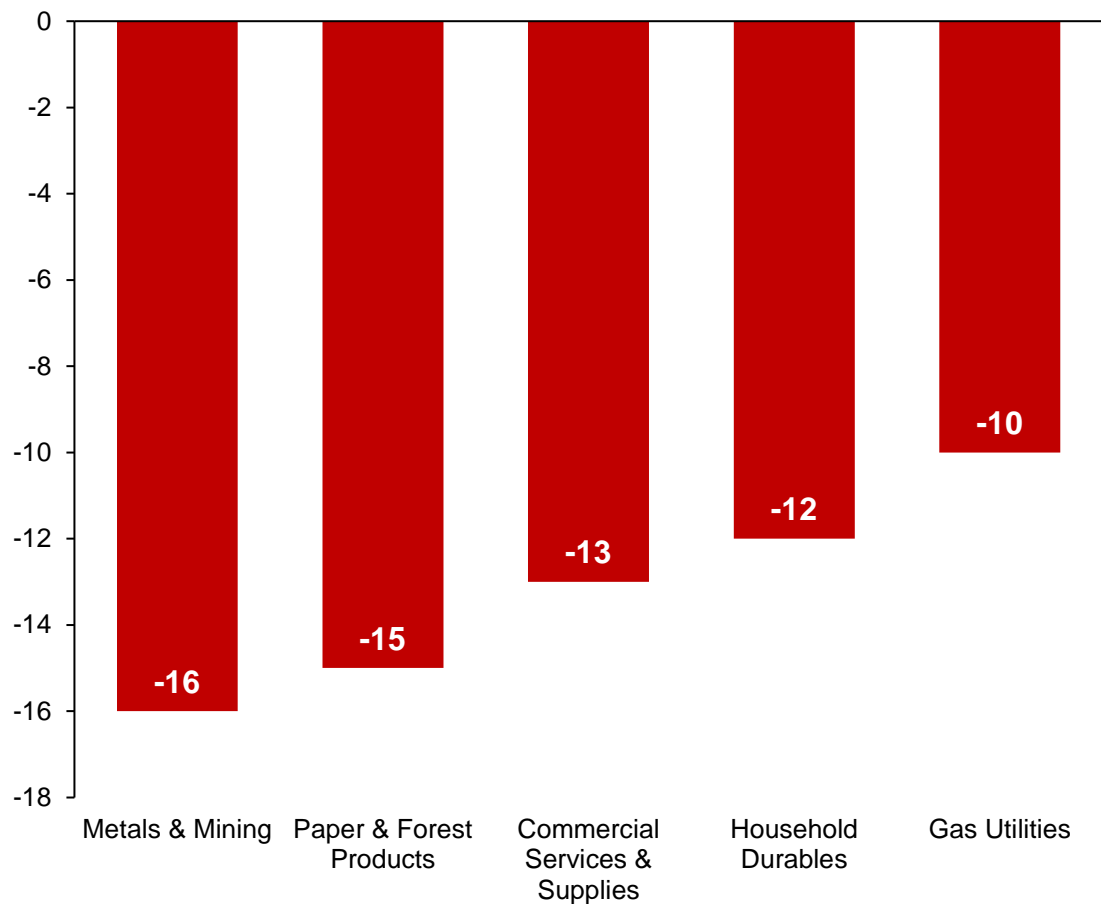
Durability

Companies well positioned to adapt and protect their cash flows and market share

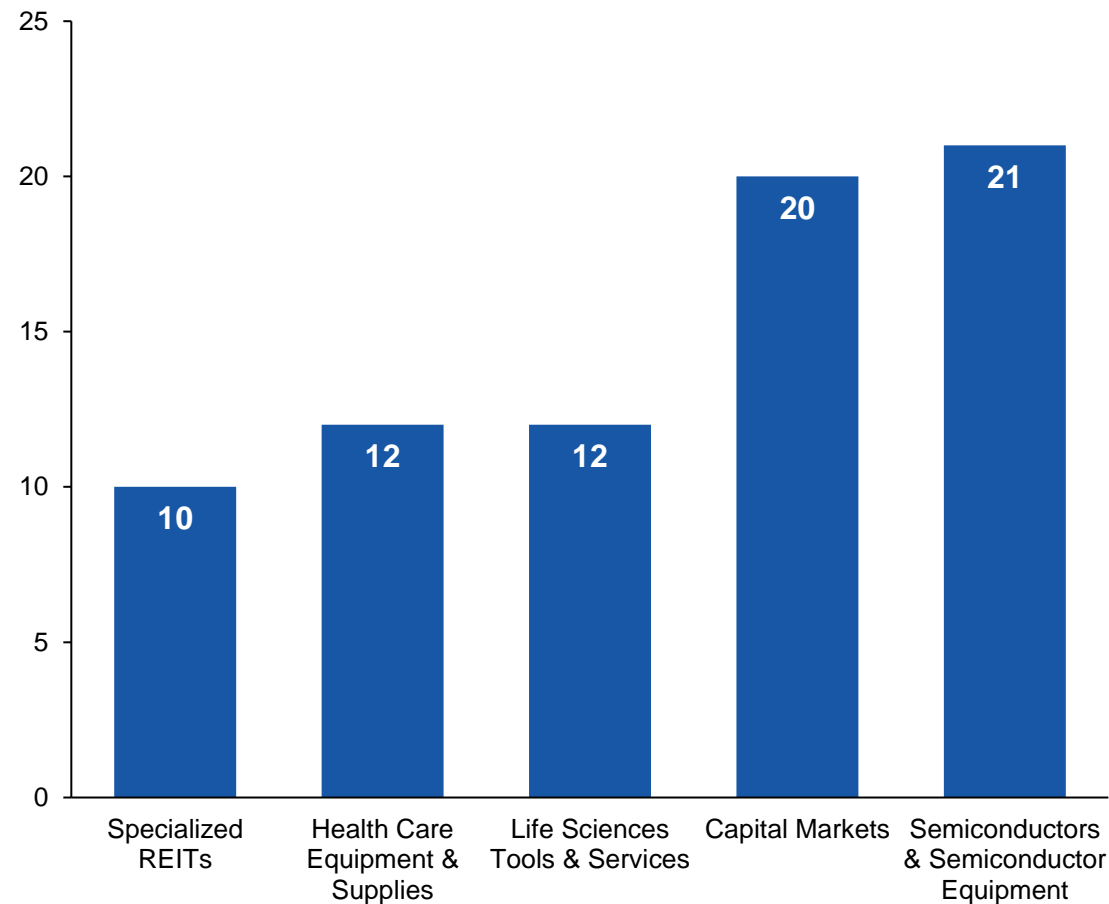
Getting on the Right Side of Disruption

The composition of the market has shifted meaningfully over the past few decades

**Net Sector Decreases on S&P 500
1990 - 2022**



**S&P 500 Net Sector Increases
1990-2022**



Companies Are Increasingly Faced With Displacement Risk

Companies and industries are being displaced by new technologies, proliferation of disruption and areas of vulnerability

S&P 500 EVOLUTION OVER THE PAST THREE DECADES

ENTERED

EXITED



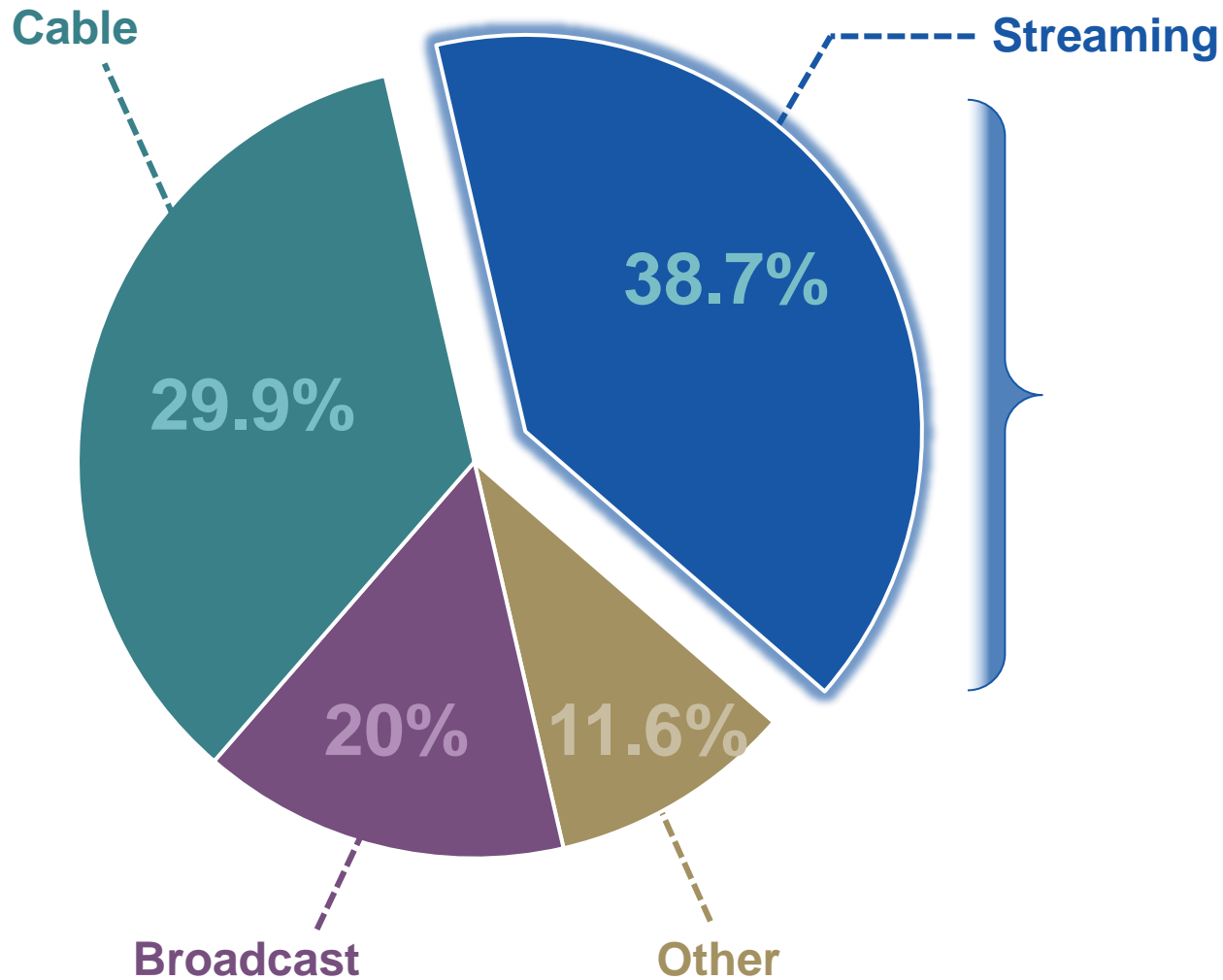
United States Steel Corporation



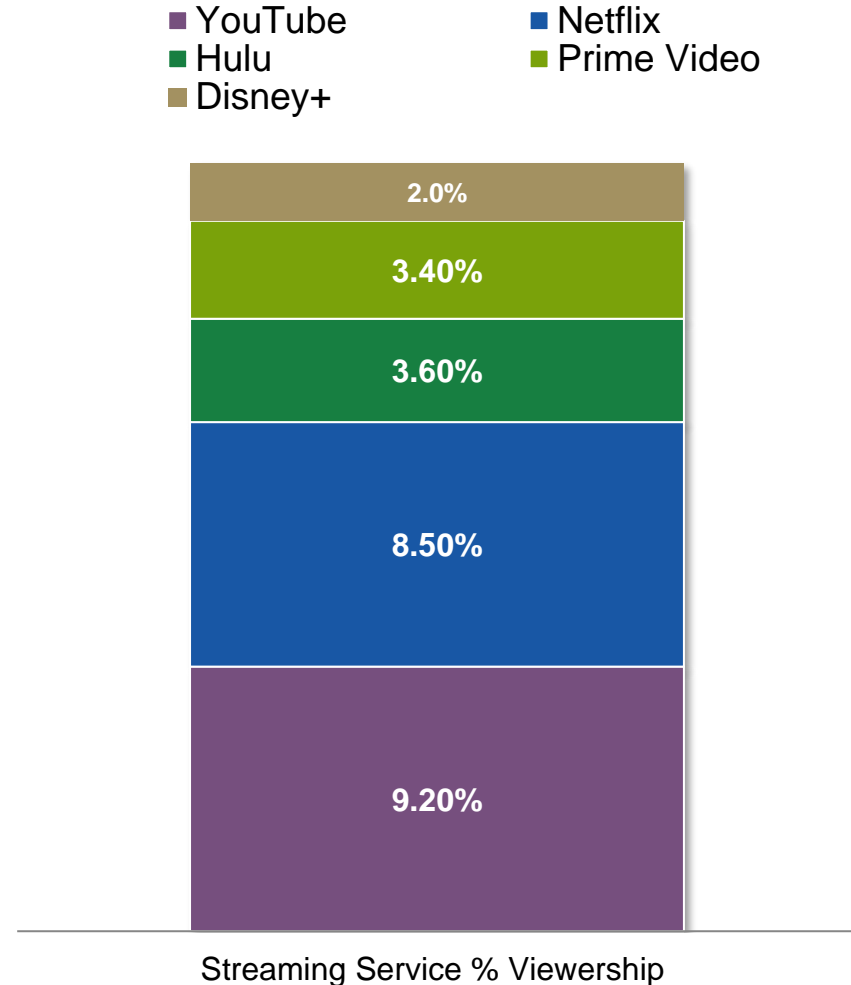
Digital Media Displacing Traditional Media

Cable has come under pressure as consumers have shifted to streaming content on-demand

STREAMING MEDIA DOMINATES VIEWERSHIP



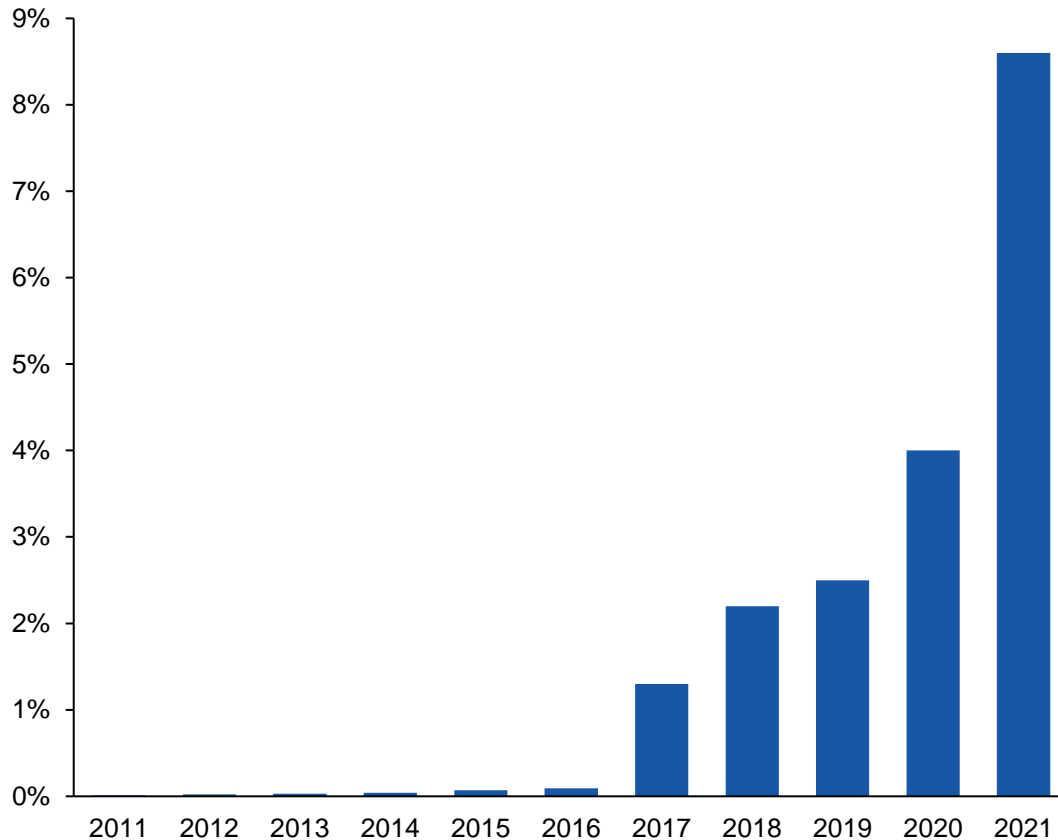
YOUTUBE, NETFLIX DOMINATE STREAMING SERVICES



Electric Vehicles Displacing Conventional Cars

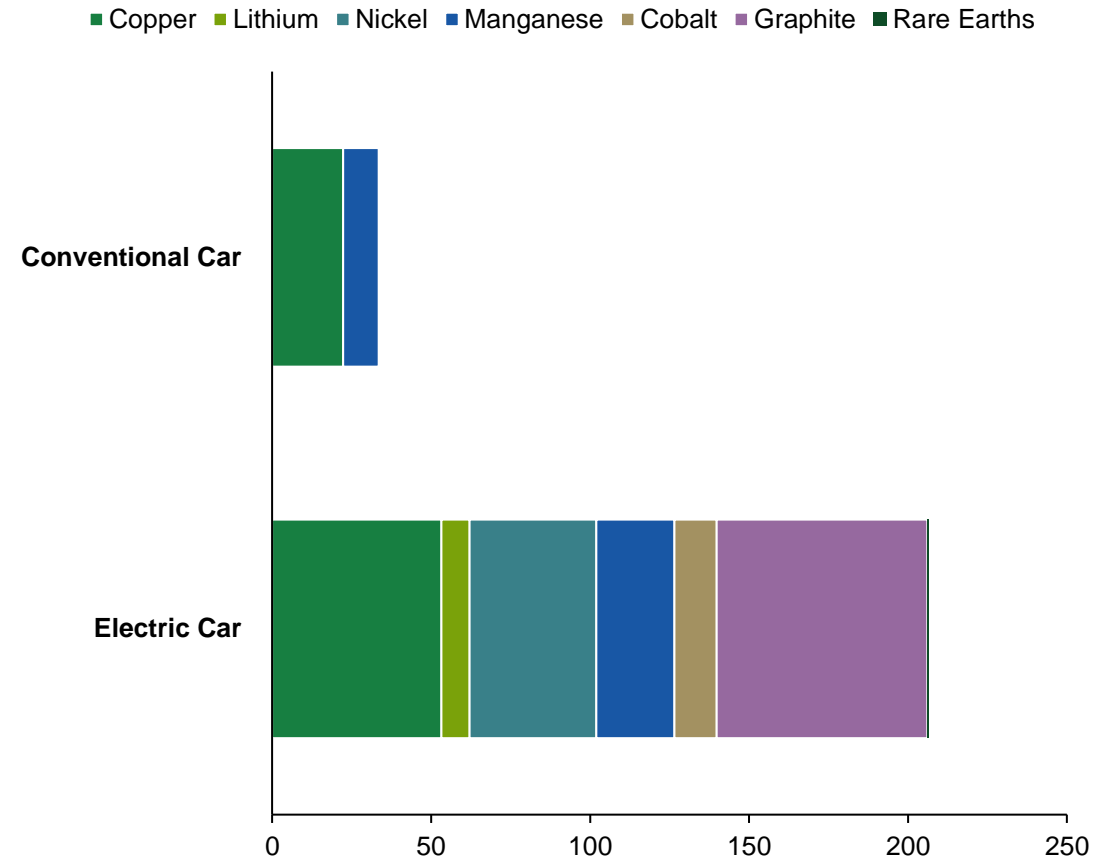
- Electric vehicle (EVs) sales have accelerated meaningfully over the last five years, continue to take market share from conventional cars
- EVs require ~6x the mineral inputs of a conventional car, as battery markets expand focus will be on supply of minerals

ELECTRIC VEHICLE SALES AS A % OF TOTAL SALES



MINERALS USED IN ELECTRIC VEHICLES VS. CONVENTIONAL CARS

kg/vehicle



Market Leading Companies Often Get Disrupted

Top 10 Companies in the S&P 500 Index Over the Years

1980

Company	Weight (%)
IBM	4.27
AT&T	3.85
Exxon	3.76
Standard Oil of Indiana	2.52
Schlumberger Ltd.	2.41
Shell Oil Co	1.94
Mobil Corp	1.85
Standard Oil of CA	1.84
Atlantic Richfield	1.62
General Electric	1.50

Oil accounted for 7 of the 10 largest companies

1990

Company	Weight (%)
IBM	2.95
Exxon	2.94
General Electric	2.32
Philip Morris	2.18
Royal Dutch	1.92
Bristol-Myers Squibb	1.61
Merck & Co., Inc.	1.59
Walmart Inc.	1.56
AT&T	1.50
Coca-Cola	1.42

1999

Company	Weight (%)
Microsoft	4.89
General Electric	4.12
Cisco Systems	2.84
Walmart	2.50
Exxon Mobil	2.26
Intel	2.23
Lucent	1.91
IBM	1.58
Citigroup Inc.	1.52
America Online	1.38

9 companies no longer in the Top 10

2010

Company	Weight (%)
Exxon Mobil	3.23
Apple	2.59
Microsoft	1.84
General Electric	1.70
Chevron	1.61
IBM	1.60
Procter & Gamble	1.58
AT&T	1.52
Johnson & Johnson	1.49
JPMorgan Chase	1.45

2020

Company	Weight (%)
Apple	6.70
Microsoft	5.31
Amazon	4.39
Alphabet	3.27
Facebook	2.07
Tesla	1.69
Berkshire Hathaway	1.43
Johnson & Johnson	1.31
JPMorgan Chase	1.22
Visa	1.17

Top 6 companies driven by innovative technologies

Active Management Has Become Essential in the Age of Innovation

Today's Competitive Dynamics: Critical to identify winners and avoid those being disrupted away



Innovation

Companies pioneering and leveraging new technologies to grow market share

Vulnerability

Companies poorly positioned to withstand the threat of innovation

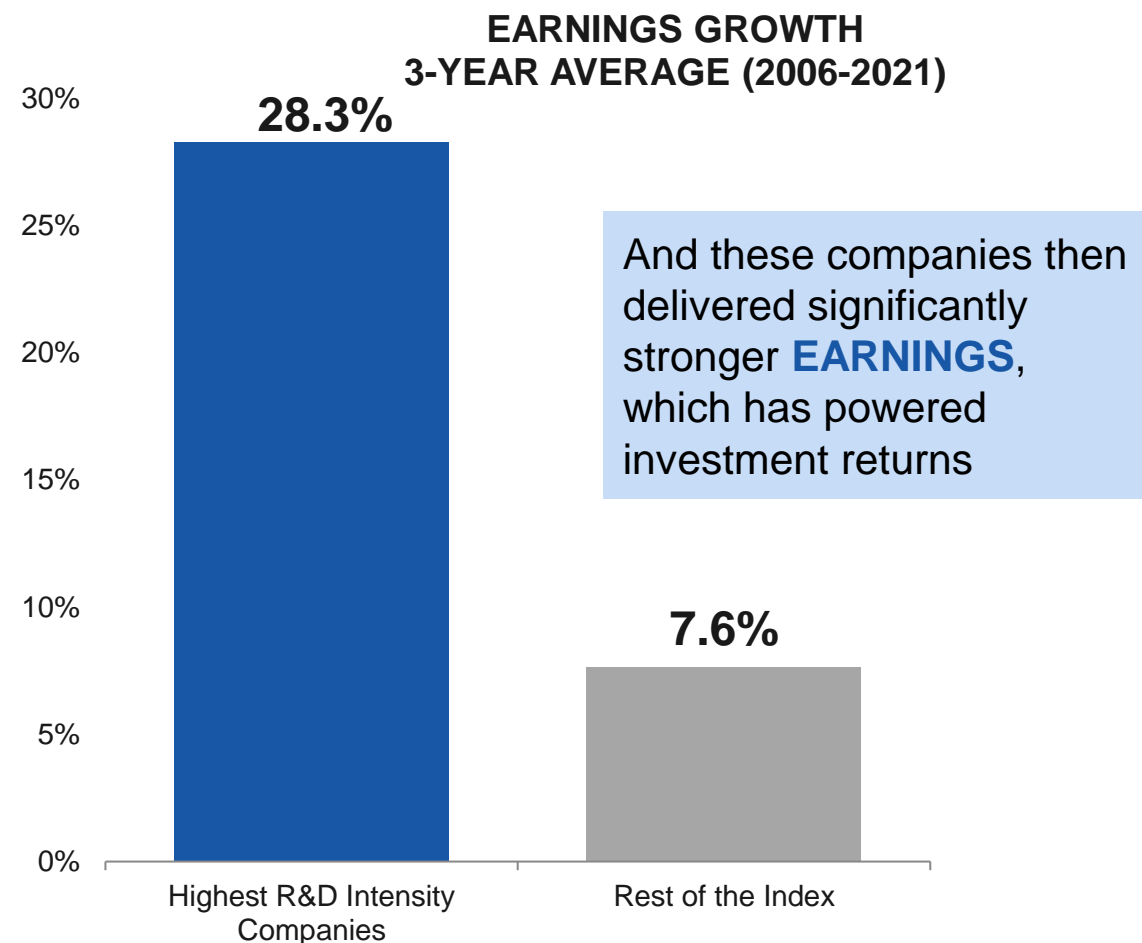
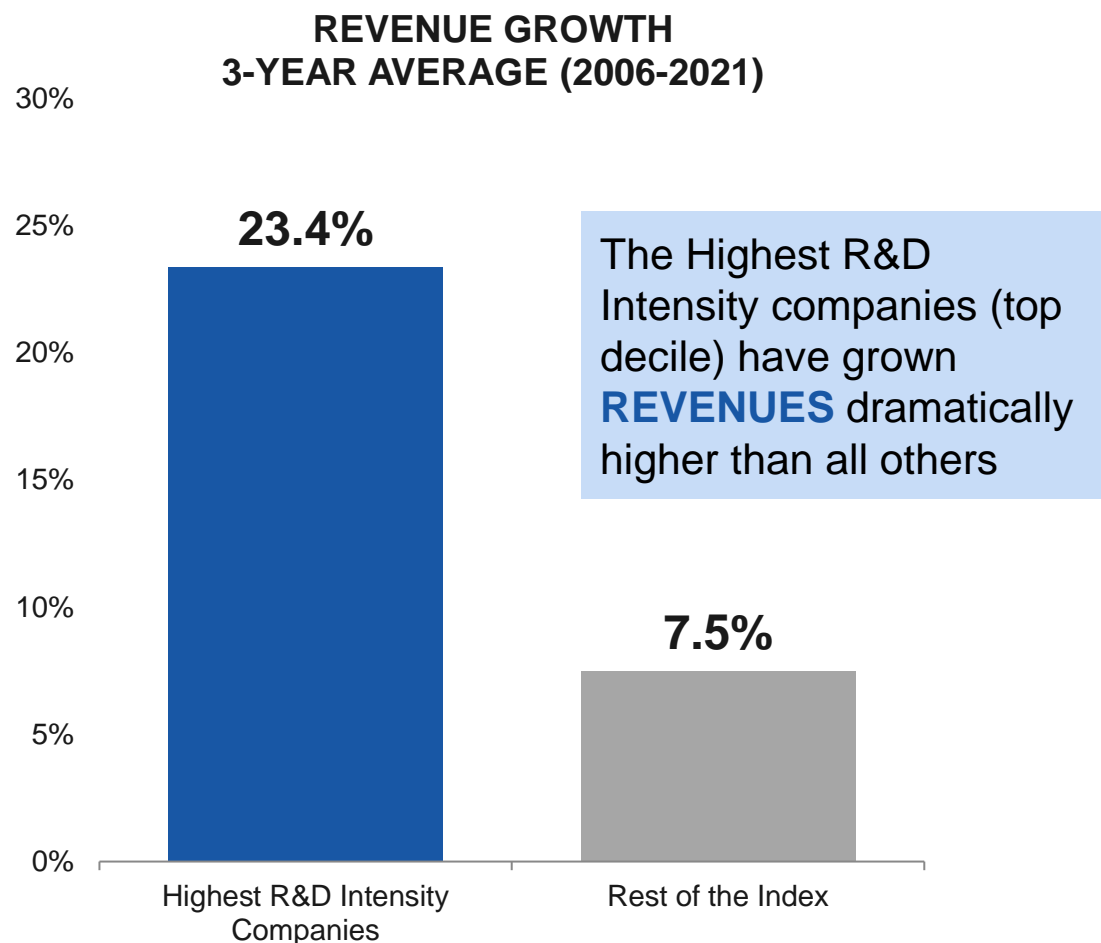
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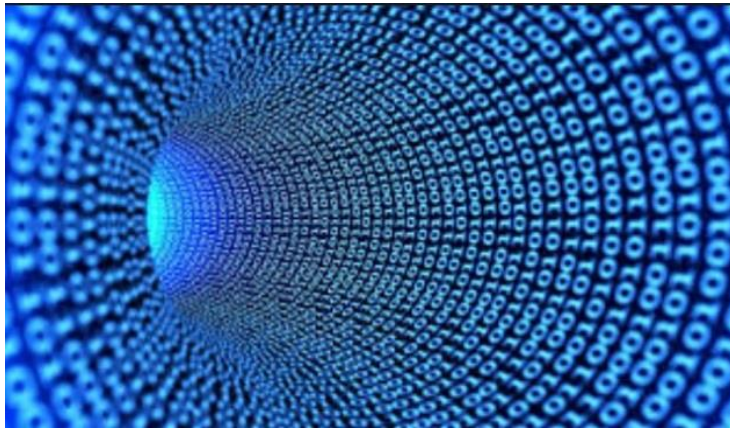
Innovation's Role in Portfolios: Being on the Right Side of Disruption

R&D Intensity: A Key Hallmark of Innovators That Has Characterized Big Winners

In rolling 3-year periods, the highest Research & Development (R&D) intensity companies successfully converted R&D expenditure into top-line and bottom-line growth



Growth Investing in the Age of Innovation



The Technological Revolution

- Cloud Technology
- Artificial Intelligence

EXAMPLES

- Software-as-a-Service (SaaS)
- A.I. Chips & Semiconductors
- Clean Technologies
- Digital advertising
- Intelligent robotics



The Genomics Revolution

- Biotechnology
- Devices and Diagnostics

EXAMPLES

- Gene therapy and editing
- Immunotherapy
- Diabetes monitoring
- Cancer diagnostics
- Targeted oncology therapies



Empowerment of the Consumer & Brands

- e-Commerce & Life Brands
- Virtual Empowerment

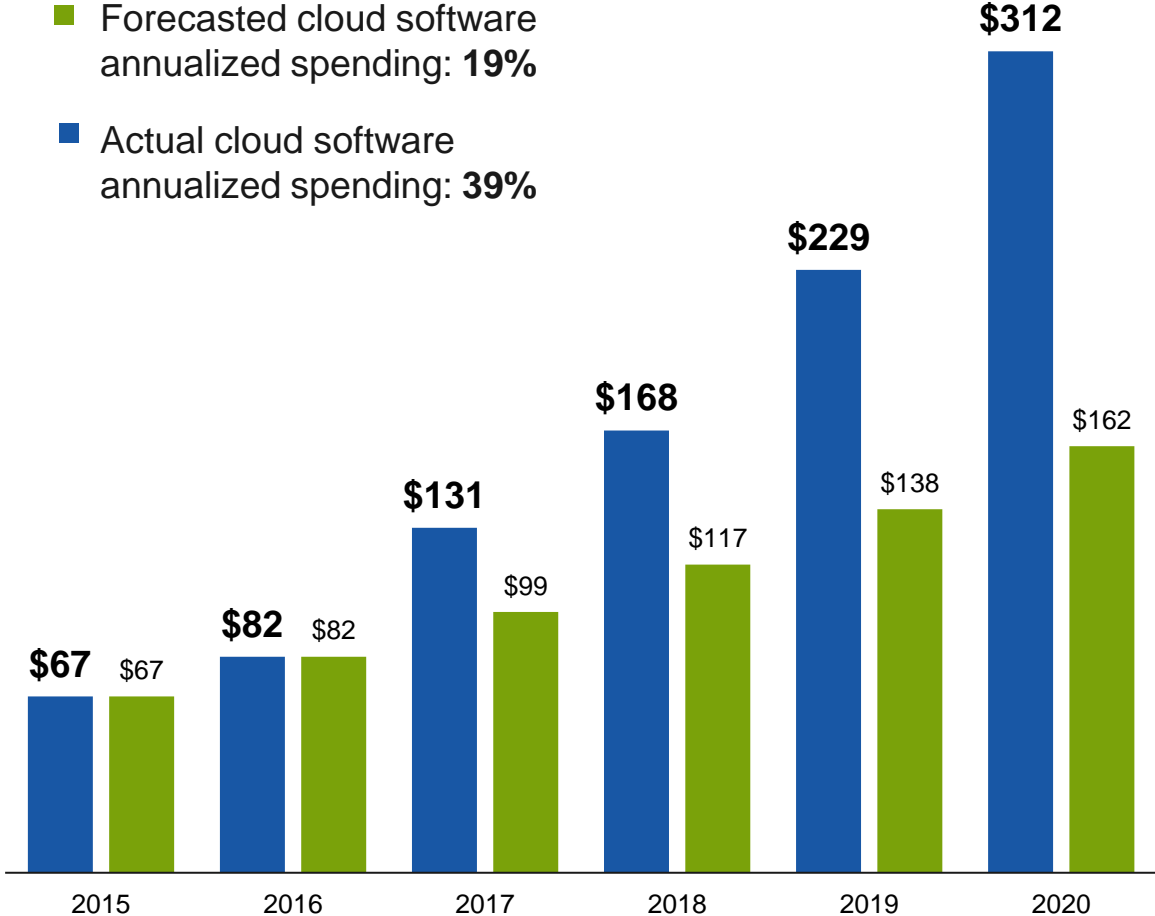
EXAMPLES

- e-Commerce leaders
- Hierarchy-of-needs enhancers
- Social networking
- Streaming content, delivery

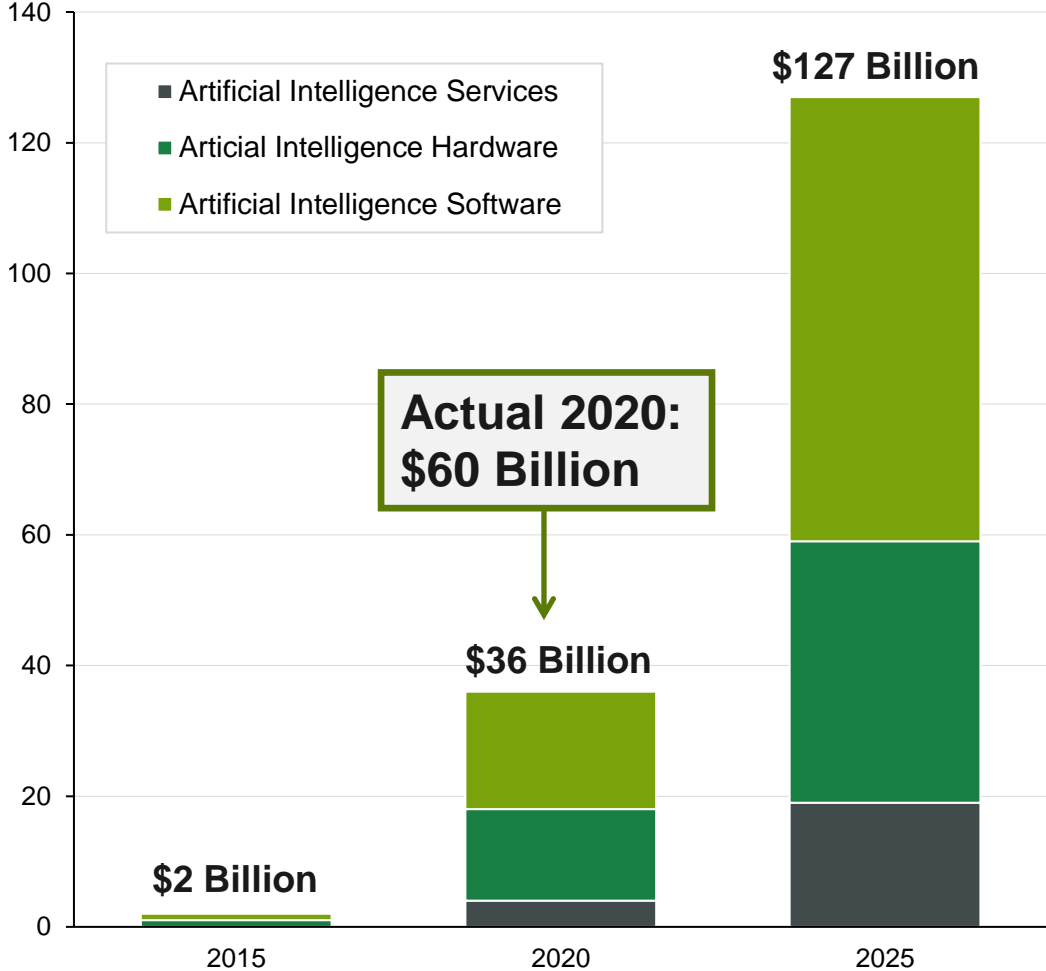
The Market Underestimates Innovation: Growth in Cloud & AI Spending/Adoption

Industry experts have grossly underestimated adoption of cloud and Artificial Intelligence technologies

WORLDWIDE SPENDING ON PUBLIC CLOUD COMPUTING, 2015-2020 (\$B)



WORLDWIDE SPENDING ON ARTIFICIAL INTELLIGENCE, 2015-2025 (\$B)



Source: Cloud software spending: IDC, 2016; data past 2016 represents projections. Worldwide Spending on Artificial Intelligence: BofA Merrill Lynch Research Estimates, 2017; data past 2017 represents projections. For illustrative purposes only.

Technology Innovators – Long Term Potential, Requires Agility



Rambus



Microsoft



NVIDIA®



mongoDB®



SYNOPSYS®
Silicon to Software™



shopify



LATTICE
SEMICONDUCTOR®



theTradeDesk®



HubSpot



AMD



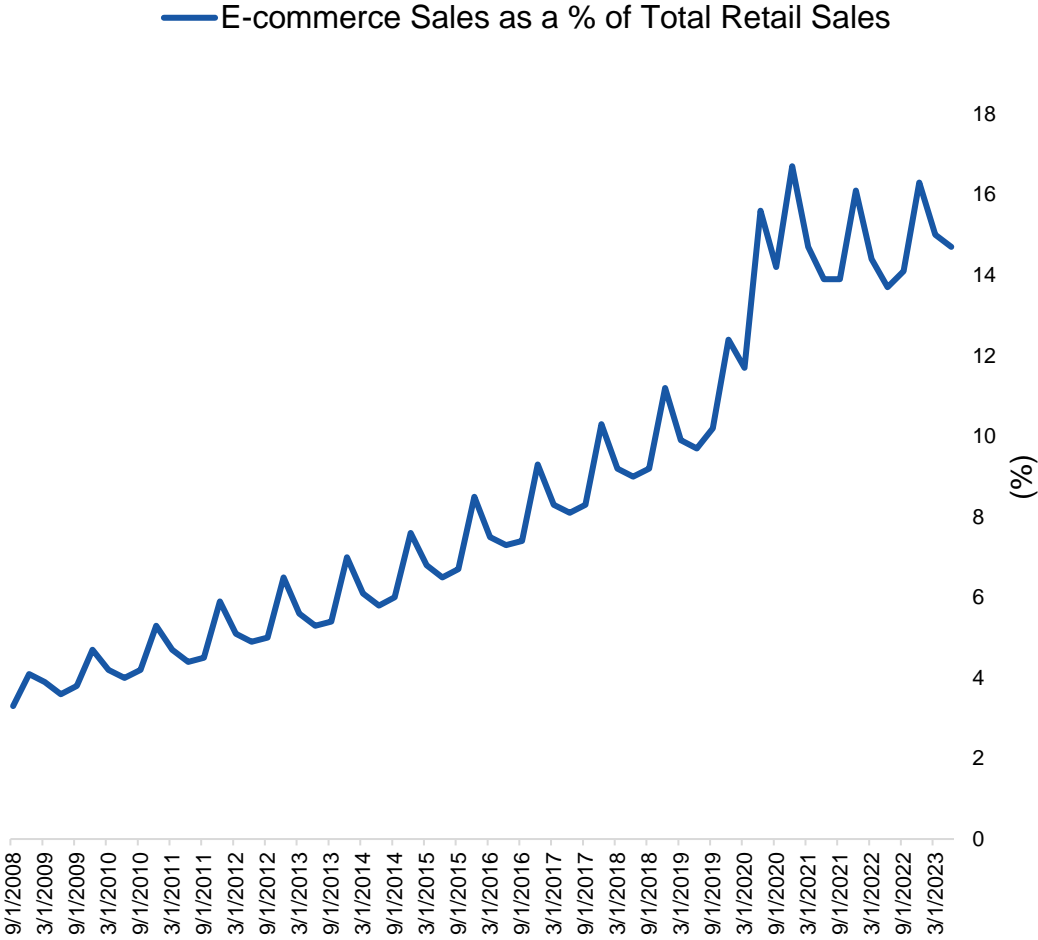
CROWDSTRIKE



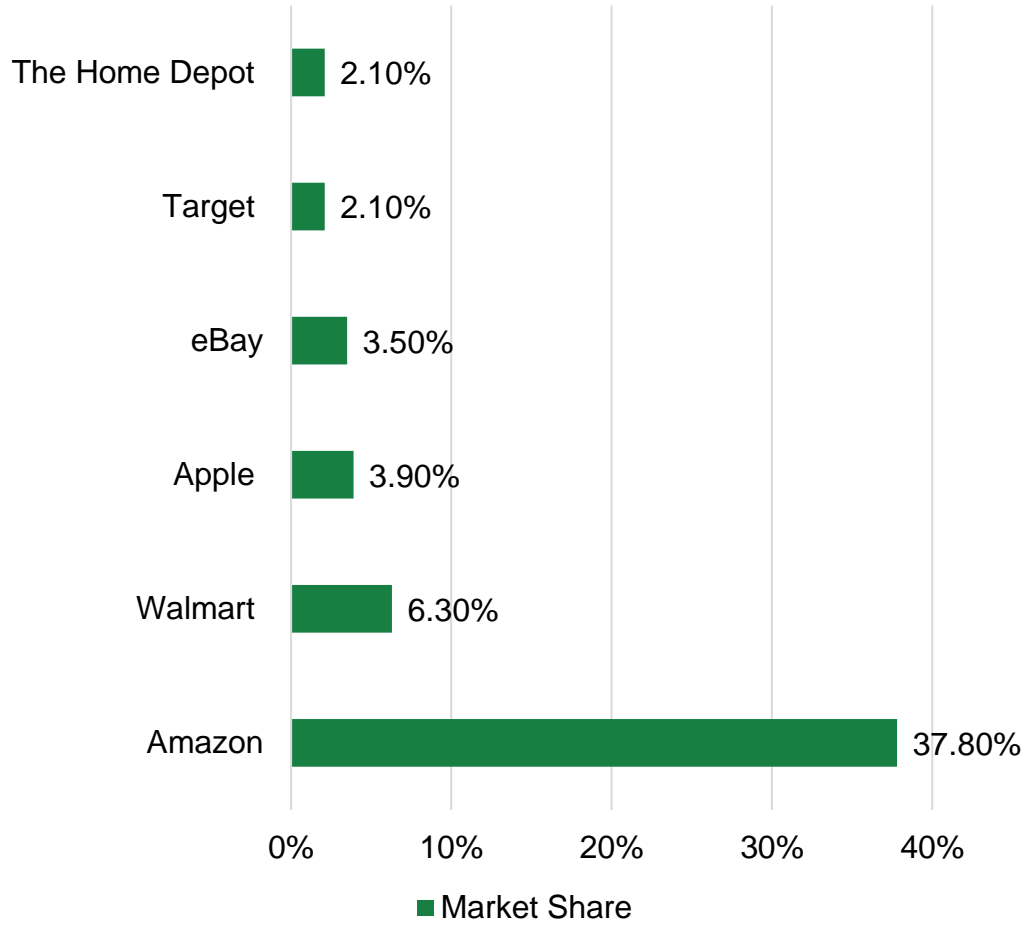
APPLIED
MATERIALS®

We Believe Ecommerce Is Still Very Young

E-COMMERCE AND RETAIL SALES GROWTH
(AS OF 06/30/2023)



MARKET SHARE OF LEADING RETAIL E-COMMERCE COMPANIES
(AS OF 06/30/2022)



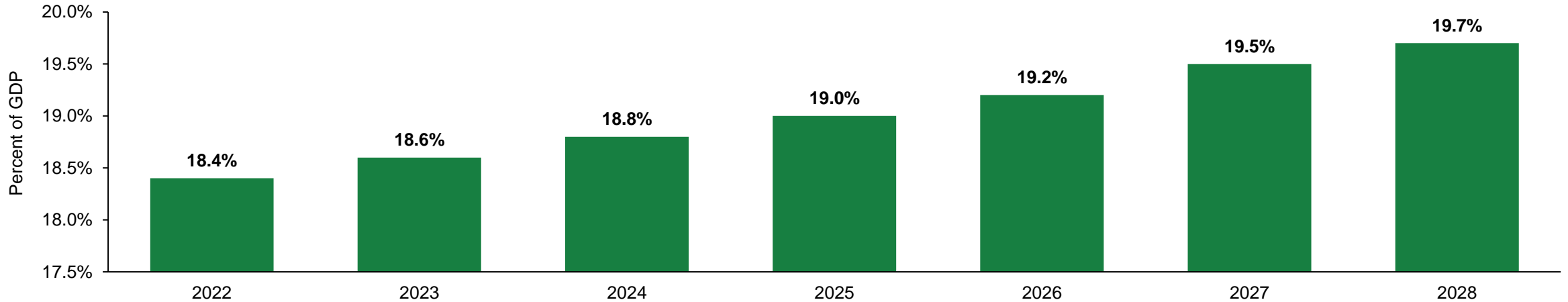
Source: Left Chart: U.S. Census Bureau, FactSet,. Right Chart: Statista. The information shown is for illustrative purposes only and does not constitute a recommendation or an offer for a particular security, nor should it be taken as a solicitation or recommendation to buy or sell securities or other investments and should not be used as the basis for any investment decision

Consumer Discretionary Innovators – Long Term Potential, Requires Agility



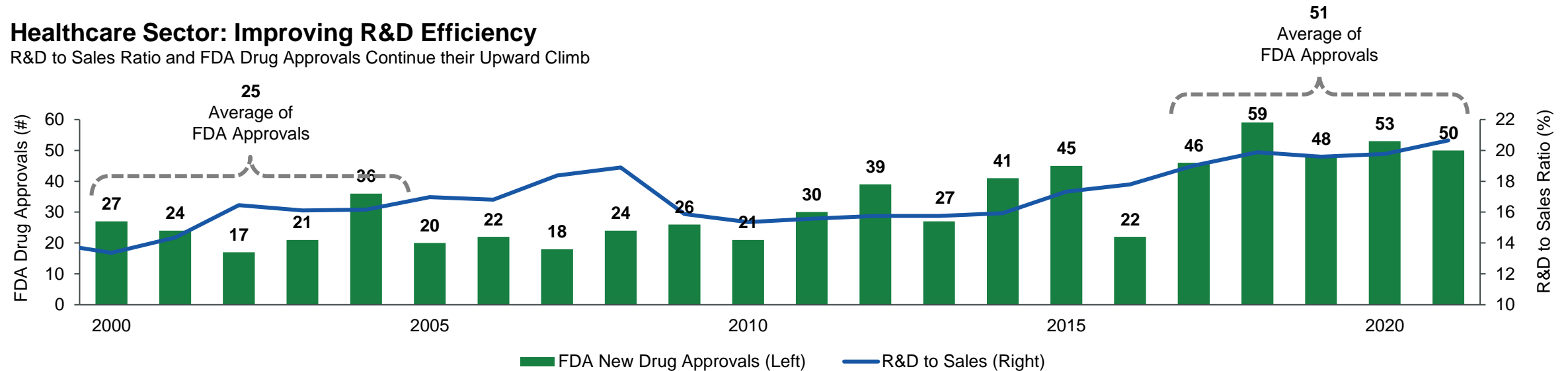
Investment Opportunity in Health Care Continues to Grow

National Health Care Expenditure as a % of GDP



Healthcare Sector: Improving R&D Efficiency

R&D to Sales Ratio and FDA Drug Approvals Continue their Upward Climb



Source Top: FactSet. **Past performance is not a reliable indicator or guarantee of future results.** For illustrative purposes only and does not represent any specific portfolio managed by Lord Abbett or any particular investment. Indexes are unmanaged, do not reflect the deduction of fees and expenses, and are not available for direct investment. Due to market volatility and evolving market dynamics, the companies identified as high R&D companies may change over time and the performance of High R&D companies may not be similar in the future. The highest R&D intensity companies defined by the top 10% of the Russell 1000 Index by R&D expense to sales. Source Bottom: U.S. Food and Drug Administration and Empirical Research Partners. Data as of 12/31/2020. R&D to Sales Ratio based on aggregate data for large cap pharmaceutical and biotechnology stocks. For illustrative purposes only.

Health Care Innovators – Long Term Potential, Requires Agility



Investment Process:

A Differentiated Approach to Growth and Innovation

POTENTIAL

Companies with high **potential**:
Identifying innovative businesses that
will take market share aggressively

**Innovators and
Superior Businesses**

REALIZATION

Proof that there is
emerging **realization** of
potential i.e., quantifiable
operating momentum

**Operating
Momentum**

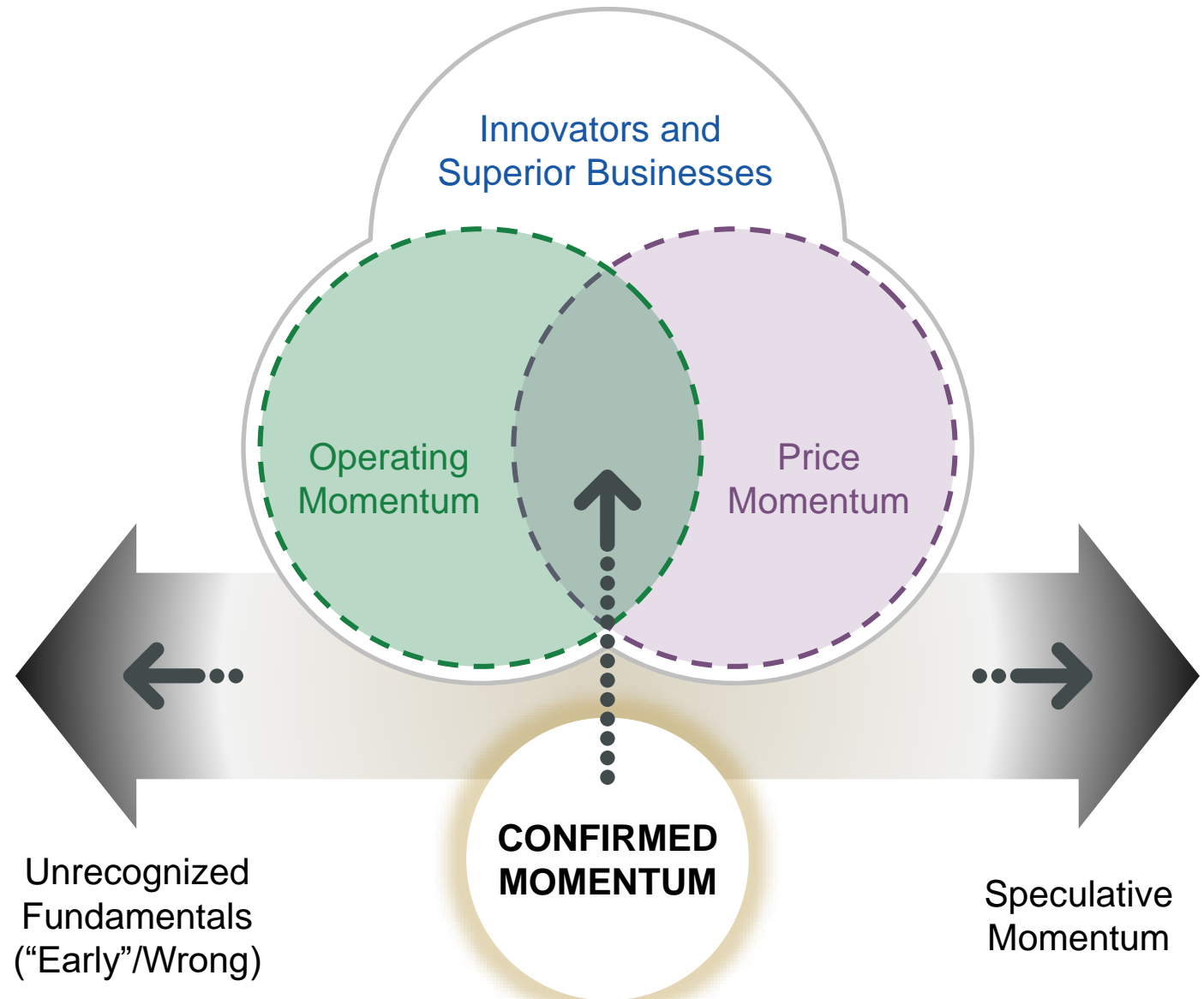
RECOGNITION

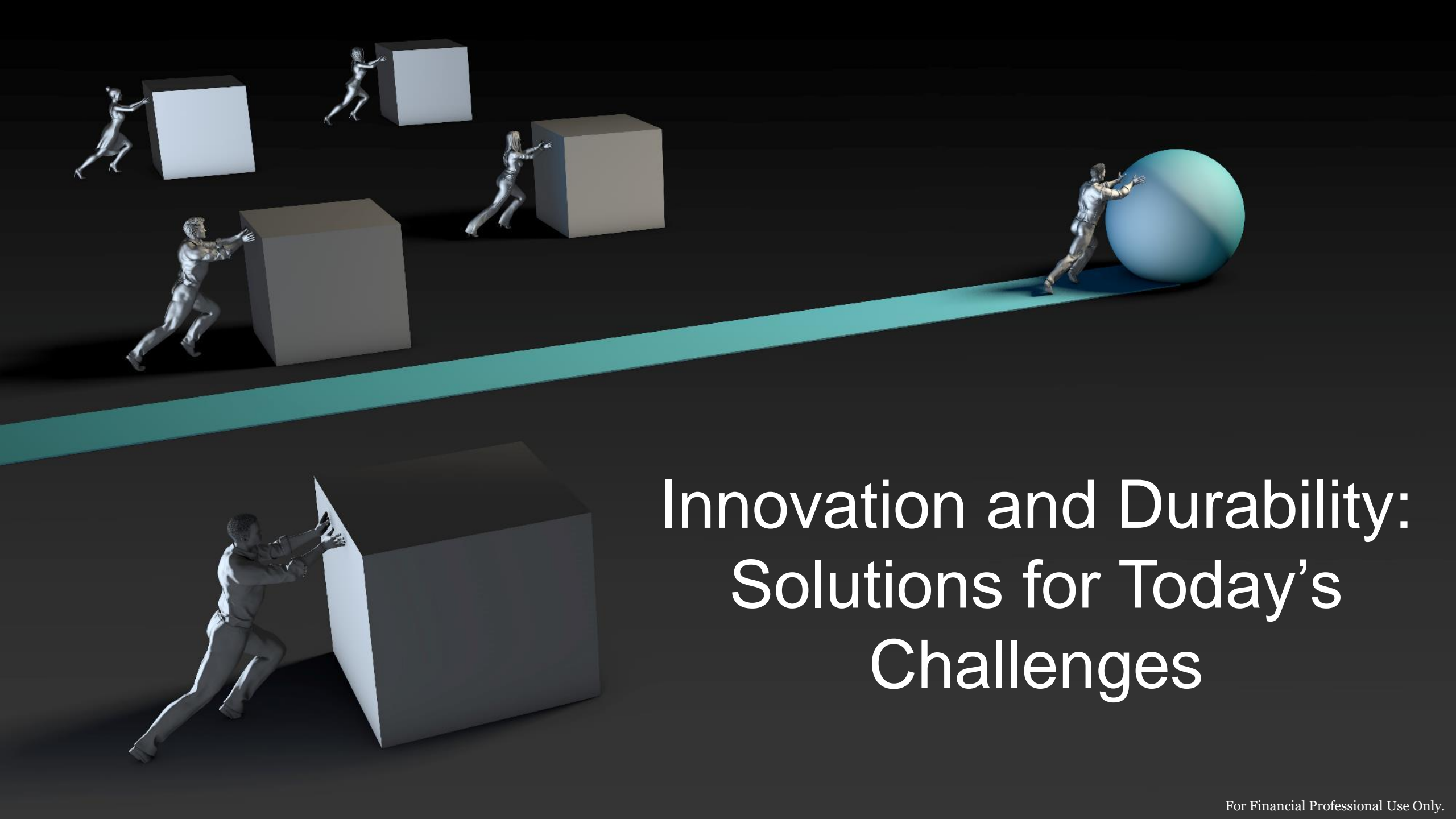
Recognition of a
company's execution
through stock price
momentum

**Price
Momentum**

Seeking Confirmed Momentum

- **Operating Momentum alone**
without price strength indicates improvement not recognized by the markets
- **Price Momentum alone**
without underlying fundamental justification is unsustainable
- **“Confirmed Momentum”**
refers to stock price strength and persistence that is warranted and supported by operating momentum at the business level

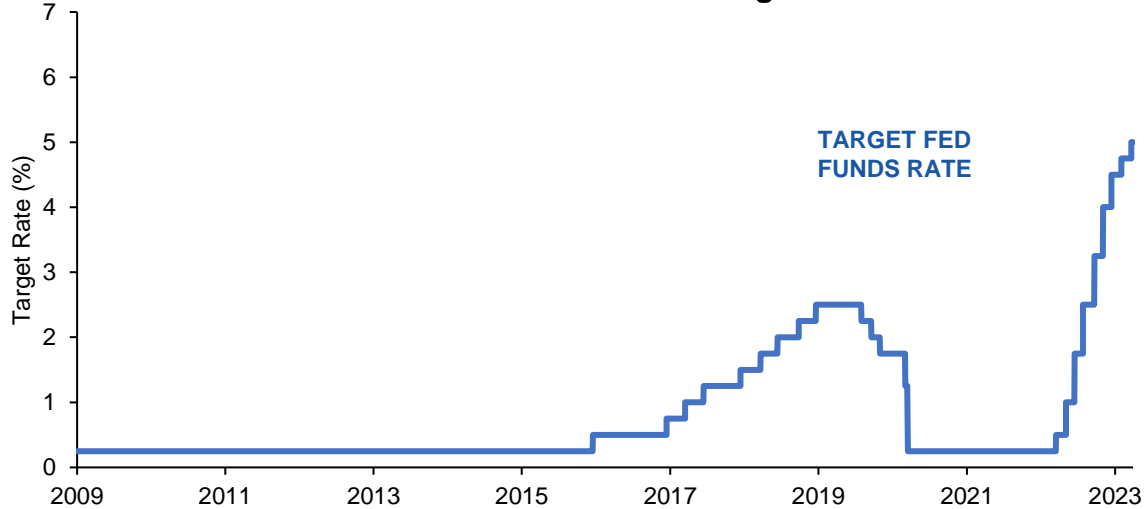




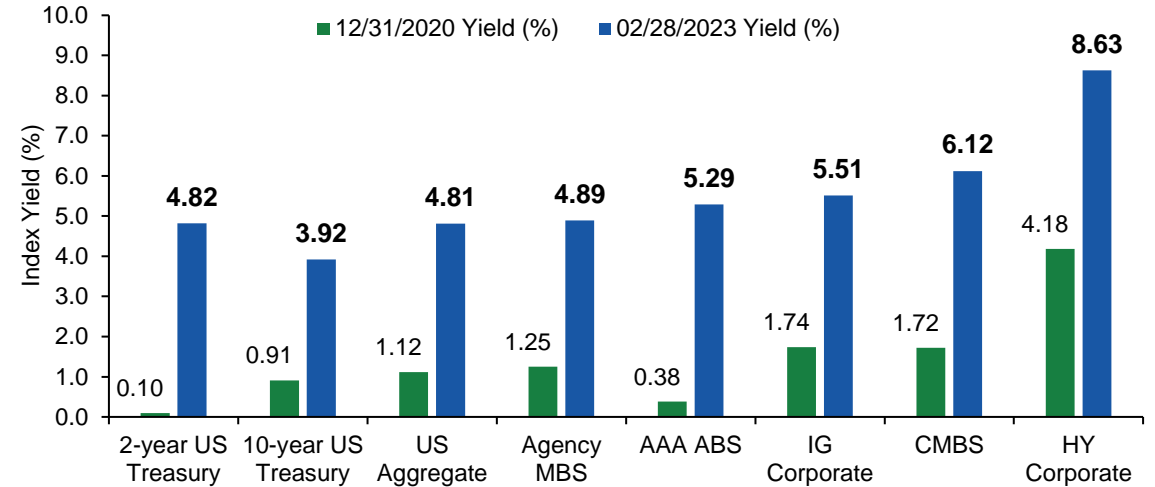
Innovation and Durability: Solutions for Today's Challenges

The World Has Changed; Investors May Need to Adapt

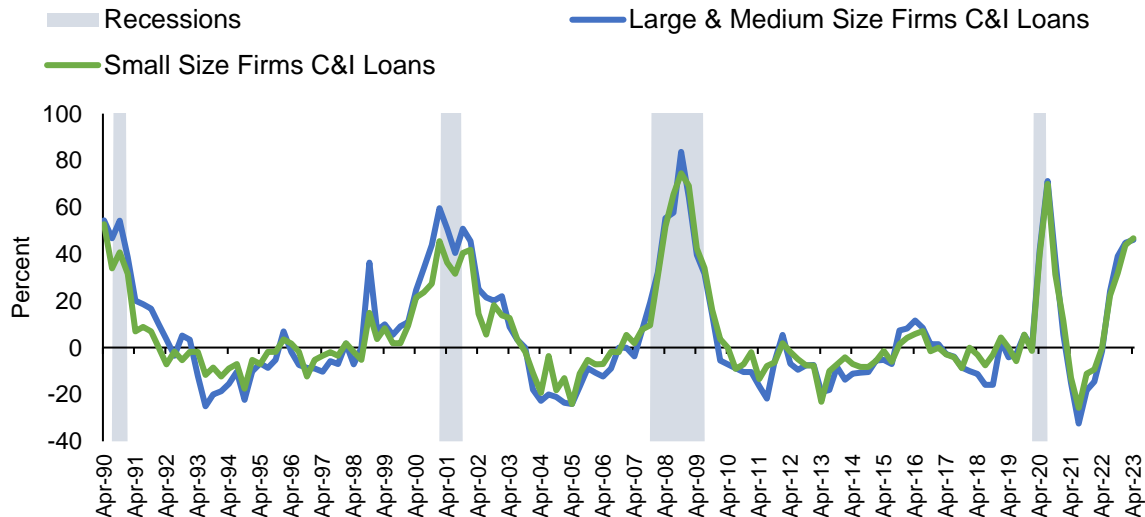
ZIRP is over and the Fed is determined to bring inflation down



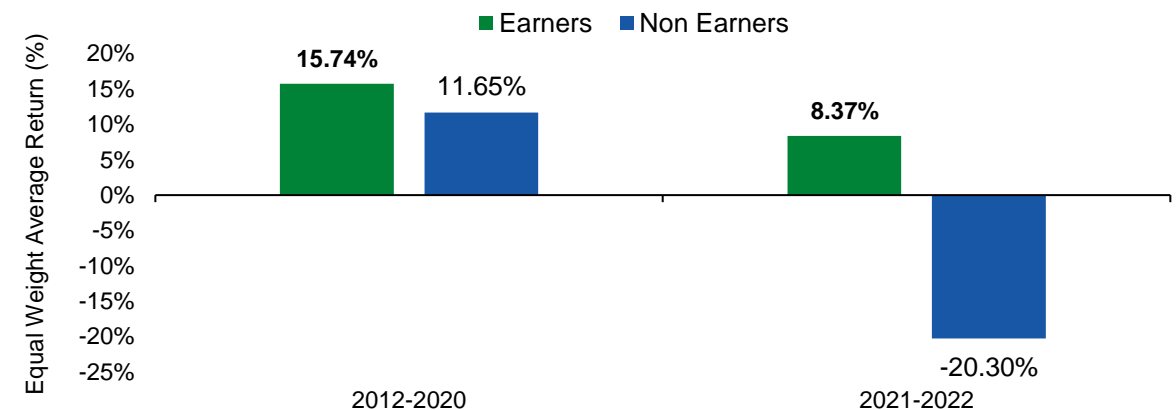
As a result, there is income finally back in fixed income



Tightening Lending Standards, Selectivity Will Become More Important



Quality Has Led Amidst Rising Cost of Capital



Source: Figure 1 and 2 - Bloomberg, CPI data as of 03/31/2023 and Target Fed Funds Rate as of 02/28/2023. Figure 3 - Bloomberg. Figure 4 - FactSet, Russell 3000 Index. Earners represent all companies who reported positive earnings, and their forward 12-month performance. Non-Earners represent all companies who reported negative earnings and their forward 12-month performance. For illustrative purposes only and does not represent any specific portfolio managed by Lord Abbett or any particular investment.

We Believe Innovation Offers Solutions for Today's Volatility

Different investment objectives require different portfolio exposures



SOLVING FOR INFLATION

Companies embracing artificial intelligence, automation



DRIVING ECONOMIC GROWTH

Scarcity of growth historically a tailwind for innovation



SOLVING FOR ESG

The transition to a low carbon economy will lead to unprecedented innovation



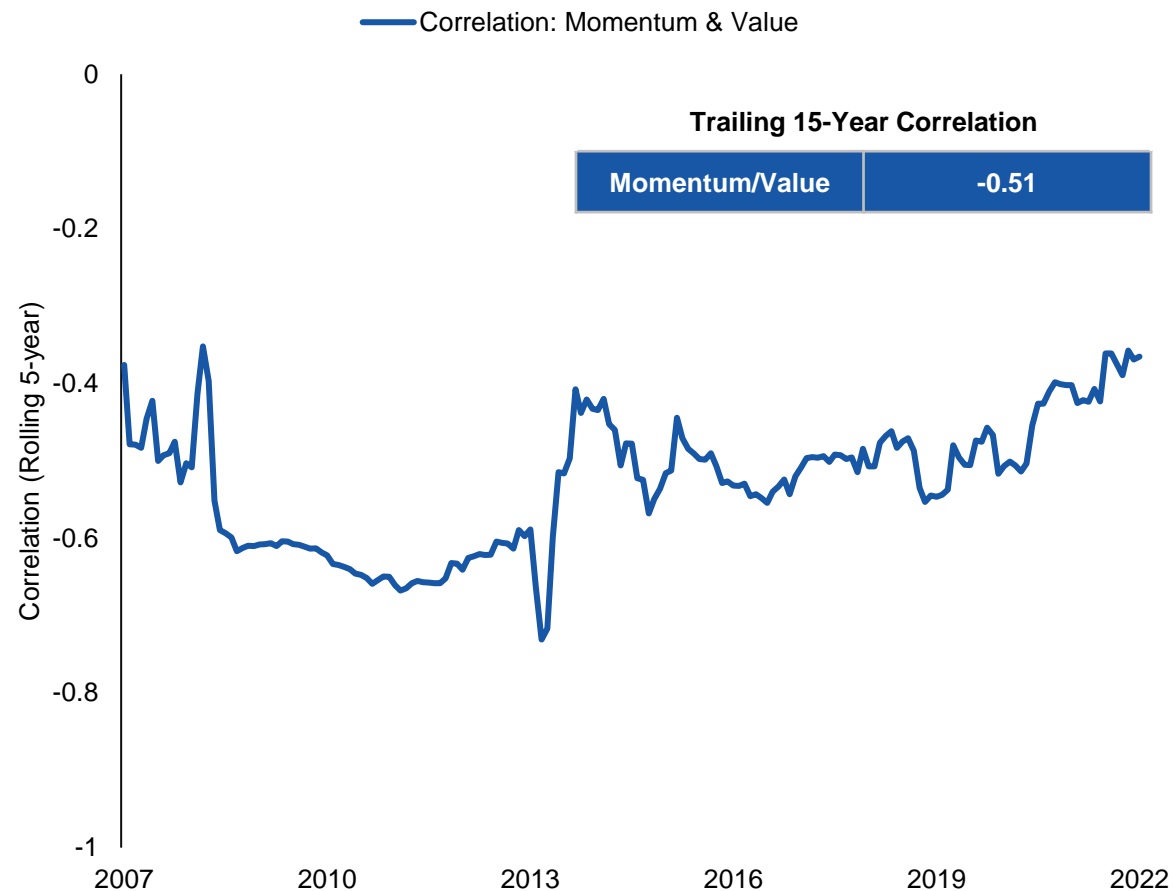
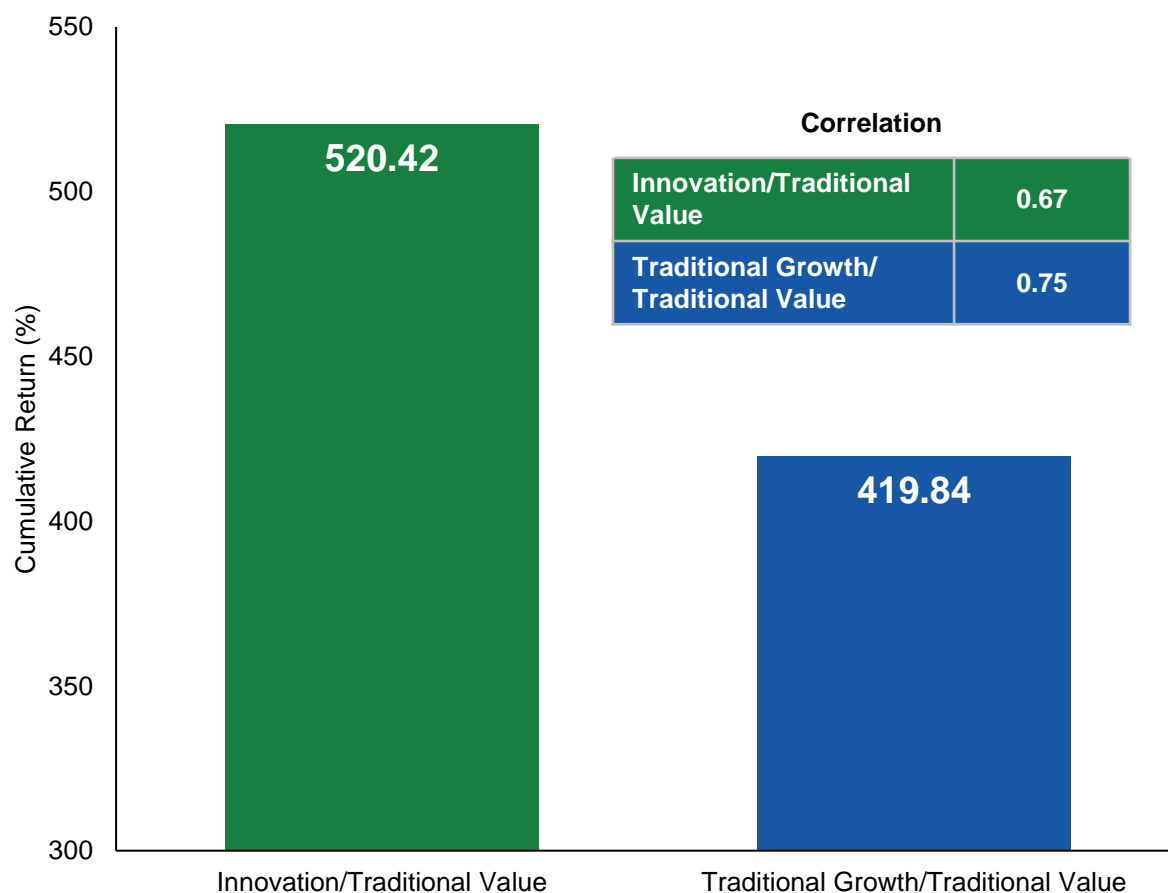
EXPOSURE TO MEDICAL INNOVATORS

- Gene therapy and editing
- Immunotherapy
- Diabetes monitoring
- Cancer diagnostics
- Targeted oncology therapies

Innovation – Historically, a Better Diversifier to Value

Innovation has been a better complement to value than traditional growth*

Momentum and value have been negatively correlated**

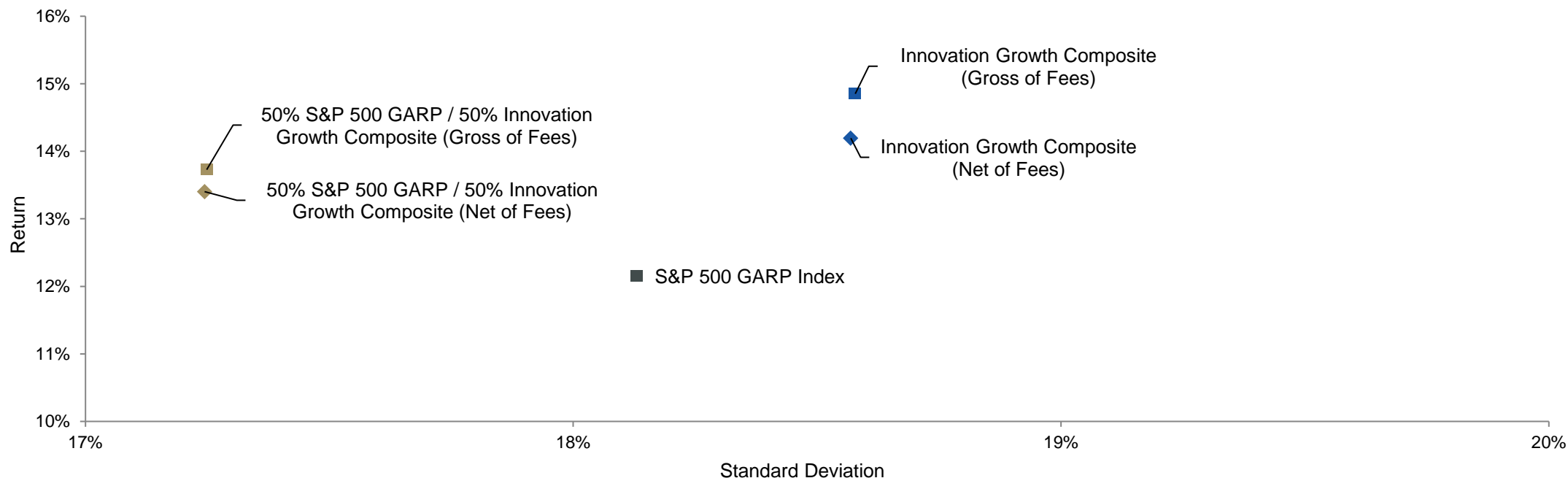


*Source: FactSet and Lord Abbett. Innovation is defined as the the top 10% of the Russell 1000 Index by R&D expenditure to sales, Value is defined as the bottom 10% of the Russell 1000 Index by Price to Book, and Growth is defined as the Russell 1000 Growth Index. The return profile shown for the hypothetical index blends represent the hypothetical characteristics of simulated blended benchmarks composed of an equal weight of each index included in each blend and were rebalanced annually. The returns of the hypothetical index blends are hypothetical and do not represent the performance of actual accounts. **Source: Axioma, correlation based on monthly returns of medium-term momentum and value factors, as defined by Axioma. **Past performance is not a reliable indicator or guarantee of future results.** For illustrative purposes only and does not represent any specific portfolio managed by Lord Abbett or any particular investment. Indexes are unmanaged, do not reflect the deduction of fees and expenses, and are not available for direct investment. Most recent data available.

Innovation as a Complement to GARP Allocation

We believe complementing a GARP allocation with Innovation improves absolute and risk adjusted returns

RISK/REWARD: TRAILING 10 YEARS (2013 – 2023)



Blended Portfolio	Return	Cumulative Return	Standard Deviation	Sharpe Ratio
50% S&P 500 GARP / 50% Innovation Growth Composite (Gross of Fees)	13.73%	256.71%	17.25%	0.78
50% S&P 500 GARP / 50% Innovation Growth Composite (Net of Fees)	13.40%	246.58%	17.24%	0.76
S&P 500 GARP Index	12.15%	224.27%	18.13%	0.67
Innovation Growth Composite (Gross of Fees)	14.85%	277.44%	18.58%	0.79
Innovation Growth Composite (Net of Fees)	14.19%	256.32%	18.57%	0.76

Source: Morningstar. Data as of 06/30/2023. **Past performance is not a reliable indicator or guarantee of future results.** Hypothetical blends are rebalanced on a monthly basis. Indexes are unmanaged, do not reflect the deduction of fees or expenses, and are not available for direct investment. For illustrative purposes only and does not represent any specific portfolio managed by Lord Abbett or any particular investment.

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Index Information: Indexes are unmanaged, do not reflect the deduction of fees or expenses, and an investor cannot invest directly in an index.

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