AB American Income Portfolio

Market Overview

- Government bonds were volatile in the second quarter, as investors recalibrated their expectations on how much major central banks would cut interest rates in the latter half of the year. The US Federal Reserve kept interest rates on hold in June and released its economic forecast, known as the "dot plot," which showed it only expects to lower rates once this year.
- In the US, investment-grade corporates edged lower, while US high-yield corporates rose. Securitized assets performed very well overall, as assets lower down the capital structure continued to outperform higher-quality securities.
- Both EM hard-currency sovereign bonds and EM hard-currency corporate bonds also ended higher.
- During the quarter, the US dollar was mixed against developed-market currencies and gained on almost all emerging market currencies.

Portfolio Performance (as of 30/6/2024) #

	3 Months	Year to Date	Since Inception 01/07/1993 (Annualized)
Class A USD (NAV)	0.46%	0.14%	5.19%
Charges Applied (2.5%)	-2.11%	-2.38%	5.11%

- During the quarter, the Portfolio’s allocation to high-yield corporates contributed positively to performance, as did security selection within investment-grade corporates and an allocation to emerging-market (EM) corporates.
- Our yield-curve positioning and lower-than-benchmark weight to duration (this measures the sensitivity of a portfolio’s price to interest-rate movements) further aided performance, as US Treasury yields rose over the reporting period.

Market Outlook

- While the global economy continues to slow, it's unlikely to trigger recessions in developed economies (DM) this year. Strong labor markets are currently pushing up service sector inflation and wages, but this is expected to ease as growth slows. This will allow most DM central banks to trim interest rates, though varying economic growth rates and inflation would likely lead to an increasing divergence in monetary policy.
- Hopes of monetary easing have buoyed financial assets so far this year, especially high-yield corporate bonds. But government bond markets have been volatile amid uncertainty over when central banks, particularly the Fed, will start trimming rates. We think the Fed may cut in the fourth quarter, followed by gradual easing thereafter. This hinges on further disinflation, and recent data showing easing price pressures supports our outlook.
- Although economic developments are unfolding as we expected, politics are getting shakier. Populist movements are gaining ground worldwide, focusing on short-term growth over long-term fiscal prudence. This could lead to policies that hurt economic growth in the long run. Since these movements also tend to favor protectionism, interest rates might not fall as much as expected, making things trickier for central banks.

Past performance is not indicative of future results. Performance calculations are based on a single pricing basis, include the change in Net Asset Value and reinvestment of any distributions paid on Portfolio shares for the period shown, net of assumed front-end load (FEL) 2.5% for Class A shares. For Class A shares, maximum front-end load (FEL): Up to 5%. Accordingly, these figures do not represent actual returns to an investor.

Investment risks to consider. These and other risks are described in the Portfolio's prospectus.

Investment in the Portfolio entails certain risks. Investment returns and principal value of the Portfolio will fluctuate so that an investor's shares, when redeemed, may be worth more or less than their original cost. Some of the principal risks of investing in the Portfolio include:

Country Risks in the US: Investments in issuers located in the US may have more market, political and economic risks because of particular factors affecting that country. **Credit risk:** The Portfolio will invest in fixed-income securities (including bonds) issued by companies and other entities and the Portfolio will be subject to the risk that a particular issuer may not fulfil its payment or other obligations in respect of such fixed-income securities. Generally, debt instruments with a lower credit rating or that are unrated are more susceptible to the credit risk of the issuers. In the event of a default or credit rating downgrading of the issuers of the fixed income securities, the Portfolio's value may be adversely affected and investors may suffer a substantial loss as a result. **Derivatives Risk:** The Portfolio is entitled to use derivative instruments for hedging and/or EPM purposes which may involve additional risks different from, and, in certain cases, greater than, the risks presented by more traditional investments. **Fixed-income securities Risk:** As interest rates rise, bond prices fall and vice versa – long-term securities tend to rise and fall more than short-term securities. The Portfolio will invest in fixed-income securities where their value will change in response to fluctuations in interest rates and currency exchange rates, as well as changes in credit quality of the issuer. **Liquidity Risk:** The risk that arises when adverse market conditions affect the ability to sell assets when necessary. Reduced liquidity may have a negative impact on the price of the assets.

Important Information

The Portfolio is part of AB FCP I (referred to as "AB"). AB is a mutual investment fund (fonds commun de placement) organized under the laws of the Grand Duchy of Luxembourg.

Investment involves risk. Past performance is no guarantee of future results.

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