AB American Income Portfolio

Market Overview

- Following a robust five-month rally, developed-market (DM) government bond returns fell as investors digested strong US employment and retail sales reports and eyed major economies' deficits and borrowing needs. The absence of a US Federal Reserve (Fed) policy meeting in October and uncertainty surrounding the US presidential election added to bond-market volatility.
- US high-yield and investment-grade corporate bonds declined during the month. Meanwhile, securitized assets delivered mixed returns, with higher-quality securities underperforming their lower-rated counterparts.
- Emerging market (EM) hard-currency sovereign bonds and EM hard-currency corporate bonds also lost ground in October.
- The US dollar gained against all DM and EM currencies during the month.

Portfolio Performance (as of 31/10/2024) #

	1 Month	Year to Date	Since Inception 01/07/1993 (Annualized)
Class A USD (NAV)	-2.22%	2.97%	5.23%
Charges Applied (2.5%)	-4.66%	0.38%	5.15%

- In October, the Portfolio's allocation to high-yield corporate bonds strongly contributed to performance. A lower-than-benchmark position in agency mortgages also proved beneficial, as did an allocation to EM corporate and government bonds that did not feature in the benchmark index. Our choice of investment-grade corporate bond holdings contributed more modestly.
- A lower-than-benchmark weight to duration (this measures the sensitivity of a portfolio's price to interest-rate movements) also added value; however, our yield-curve positioning offset some of those gains.

Market Outlook

- We remain optimistic that focused monetary easing can prevent economic recessions. Our base case scenario is for most central banks to steadily return interest rates to their long-term averages or neutral over the next few quarters.
- Now that interest rate cuts have started, investors will focus on how fast and far borrowing costs will fall. If the global economy weakens by more than expected, rate cuts will likely accelerate, given fiscal stimulus measures would have less of an impact due to the large size of most DM economies' budget deficits.
- We expect the Fed to ease steadily unless economic growth does not slow as forecast—a so-called "no landing." While the hiring rate has eased materially in the US, overall hiring is consistent with solid growth. If labor trends remain intact, we believe the US economy can slow down without entering a period of stagnation.

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.
