AllianceBernstein®

Quarterly Commentary **3Q** 2024

AB American Income Portfolio

Market Overview

- In the third quarter of 2024, developed market (DM) government bond returns were solid as inflation continued to ease, economic growth expectations were lowered, and leading central banks pivoted to monetary easing. In September, the US Federal Reserve (Fed) cut the federal funds rate by 50 basis points to a range of 4.75% to 5.00%.
- US high-yield and investment-grade corporate bonds moved higher during the quarter. Meanwhile, securitized assets performed very well, as lower-quality securities continued to outpace their higher-quality counterparts.
- Emerging market (EM) hard-currency sovereign bonds and EM hard-currency corporate bonds both made gains.
- During the quarter, the US dollar declined against most currencies.

Portfolio Performance (as of 30/9/2024) #

	3 Months	Year to Date	Since Inception 01/07/1993 (Annualized)
Class A USD (NAV)	5.16%	5.31%	5.32%
Charges Applied (2.5%)	2.59%	2.66%	5.23%

- During the quarter, the Portfolio’s underweight exposure to agency mortgages hurt performance. Our allocations to EM and high-yield corporate bonds modestly added to returns.
- A lower-than-benchmark weight to duration (this measures the sensitivity of a portfolio’s price to interest-rate movements) impacted performance as US Treasury yields declined during the period, but our yield-curve positioning more than offset these losses.

Market Outlook

- Lower inflation has led many central banks to start cutting interest rates to prevent economic growth from faltering. We remain optimistic that focused monetary easing can prevent economic hard landings. Our base case scenario is for relatively rapid efforts by central banks to return rates to their long-term averages 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 be accelerated, 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, with cuts of 25 basis points at every policy meeting well into 2025. Indeed, the US central bank could move even faster and farther if the labor market weakens more than anticipated. While the hiring rate has slowed in the US, overall hiring levels are consistent with solid growth. At the same time, rising unemployment is more to do with an elevated labor supply than an increase in layoffs. If labor trends remain similar, the US economy can achieve a soft landing (a period when growth slows but does not enter a recession).

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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