# AB Low Volatility Equity Portfolio

**Market Overview**

- August 2024 saw global equities rally and close higher for a fourth consecutive month after the US Federal Reserve (Fed) signaled an initial interest-rate cut in September, and data suggested an economic soft landing (a period when growth slows down, but the economy does not enter recession). The MSCI World Index rose by 2.6% in August, bringing year-to-date gains to 16.7% (all returns in US-dollar terms).
- Recessionary concerns eased as the second-quarter US gross domestic growth (GDP) growth figure was revised higher. Meanwhile, consumer spending was better than expected and jobless claims fell. In the eurozone, inflation declined to its lowest level in three years, supporting the likelihood that the European Central Bank would cut rates for a second time at its September policy meeting.
- The prospect of imminent rate cuts, reassuring economic data and a stronger-than-anticipated second-quarter earnings season encouraged investors to return to the market. Equities rose broadly, continuing a shift away from large technology stocks that started several months ago. This rotation was supported by solid company fundamentals: with over 98% of the firms listed in the S&P 500 index having reported their second-quarter results, FactSet data shows that about 79% announced positive earnings surprises.

**Portfolio Performance (as of 31/8/2024) #**

| | 1 Month | Year to Date | Since Inception 11/12/2012 (Annualized) |
|---|---|---|---|
| Class A USD (NAV) | 2.08% | 15.07% | 10.14% |
| Charges Applied (4%) | -2.00% | 10.48% | 9.75% |

- During the month, **McKesson**, a leading US healthcare company, detracted after reporting that it had missed its sales targets for the second quarter. Management explained that this shortfall was driven by factors such as easing demand for COVID-19 test kits and fewer product launches. Japan-based multinational banking and financial services companies **Sumitomo Mitsui Financial Group** and **Mitsubishi UFJ Financial Group** also proved disappointing amid a broad decline in Japan's equity market.
- More positively, the Portfolio's below-benchmark weighting in **Amazon** contributed to performance. The company's share price fell sharply after its management reported lower-than-expected revenue. US insurance company **Progressive** added value when its July earnings exceeded the market's estimates. This was driven by lower underlying losses and unexpectedly robust growth in customer policies. Lastly, **Genpact**, a technology-related professional services company, rose when it revealed positive full-year performance guidance and better-than-expected results.

**Market Outlook**

- Looking ahead, equity returns are expected to broaden beyond the concentrated gains seen among US technology giants. We anticipate that a broader range of companies will likely drive equity returns as earnings growth forecasts improve across the market. Besides AI, growth opportunities exist in other sectors such as healthcare, cloud computing, fintech, and European industrials.
- We think earnings will face continued headwinds due to limited pricing power, sticky inflation, and slowing GDP growth, while geopolitical risks from ongoing conflicts and political changes could fuel volatility.
- Falling inflation has paved the way for most major central banks to lower interest rates, and we believe that the easing cycle, coupled with an absence of significant economic or financial imbalances, will be sufficient to avoid a major 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) 4% 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: **Currency Risk:** To the extent that the Portfolio holds assets that are denominated in currencies other than its Base Currency, any changes in currency exchange rates could reduce investment gains or income, or increase investment losses, in some cases significantly. Hedging may reduce but not eliminate currency risk. **Concentration/Focus Risk:** To the extent that the Portfolio invests a large portion of its assets in a limited number of industries, sectors or issuers, or within a limited geographical area, it can be riskier and subject to greater volatility than a Portfolio that invests more broadly. **Derivatives Risk:** The portfolio may invest in financial derivative instruments for investment purposes in addition to hedging and/or efficient portfolio management purposes and hence this may lead to a higher volatility to the net asset value of the Portfolio. **Equity Securities Risk:** Equities can lose value rapidly, in response to such factors as activities of individual companies, general market or economic conditions, or changes in currency exchange rates. Equities typically involve higher (often significantly higher) market risks than bonds, money market instruments, or other debt securities. **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.

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**Important Information**

The Portfolio is part of AB SICAV I (referred to as "AB"). AB is an open-ended investment company with variable capital (société d'investissement à capital variable) under the laws of the Grand Duchy of Luxembourg.

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

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