ALLIANCEBERNSTEIN®

Q4 2023

AB Growth & Value Balanced Index℠

The AB Growth and Value Balanced Index℠ combines a dynamic equity strategy with duration managed fixed income to deliver diversification and consistent returns. The Index dynamically adapts exposures using a rules-based approach to help navigate changing market environments.

Update

After falling into correction territory in October, equity markets rallied sharply during November and December, as optimism rose that the US Federal Reserve would begin to cut interest rates in 2024—both earlier and more than previously anticipated. Although US mega-cap technology stocks drove returns through much of the year, the rally broadened considerably during the fourth quarter as soft-landing expectations in the US continued to be underpinned by cooling inflation and moderating economic growth.

The Fed held rates steady during the fourth quarter and shifted away from its hawkish higher-for-longer narrative—opening the door to the prospect of 0.75% in rate cuts during 2024 and raising expectations for an initial rate cut as early as March. US economic data continued to support a soft landing as the November Core Personal Consumption Expenditures Price Index increased by only 0.1% on a month-over-month basis, retail sales were stronger than expected, consumer confidence rose to its highest level since July and the jobless rate increased only modestly. Although the European Central Bank paused rate hikes in October after 10 consecutive increases and acknowledged that inflation had cooled more than expected, it indicated that before it would entertain rate cuts, it must see sustained reductions in inflation. But a weaker economic outlook and the expectation of a harder landing in the eurozone compared with the US could prompt the ECB to cut rates earlier than expected to protect the slowing eurozone economy from unnecessary damage.

Despite a disappointing start to the third-quarter earnings season marred by surging US Treasury yields and negative investor reactions to some early mixed earnings reports, slightly more than 80% of S&P 500 companies exceeded earnings-per-share expectations. In aggregate, the blended year-over-year earnings growth rate for the S&P 500 was 4.8%, considerably better than the estimated 0.3% decline. Strong results from technology stocks set to benefit from artificial intelligence developments and positive earnings beats across a range of sectors in the US bolstered sentiment.

Both growth- and value-oriented stocks rose in absolute terms during the quarter and for the full year (as measured by the MSCI ACWI Growth and Value indices). Growth stocks outperformed value stocks during both periods, led by the technology sector—especially those companies closely related to artificial intelligence. During the quarter, sector performance within the MSCI ACWI was mostly positive, with energy the only negative sector. The technology and real estate sectors led outperformance, while the consumer-staples and healthcare sectors rose in absolute terms but underperformed on a relative basis.

Index Positioning

The AB Growth & Value Balanced Index℠ entered the quarter with approximate allocations of 26.6% and 54.0% to equities and bonds, respectively. Within equities, the index had a 26.6% and 0.00% allocation to growth and value, respectively. Within fixed income, the index had a 27.0% allocation to 10-year and 27.0% to two-year US Treasuries. The index finished the quarter with weightings of 25.5% in growth and 0% in value equities. The fixed income allocation was 37.3% in 10-year and 0.00% in two-year US Treasuries.

Index Performance

	MTD	3 Month	YTD	One Year	Three Years	Five Years	10 Years	Since Inception*
AB Growth & Value Balanced Index	1.62 %	3.76%	2.77%	2.77%	–2.18%	2.30%	3.23%	3.89%

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Past performance does not guarantee future results. The AB Growth and Value Balanced Index℠ was launched on October 22, 2020. Levels for the Index before October 22, 2020, represent hypothetical data determined by retroactive application of a back-tested model, itself designed with the benefit of hindsight. The above hypothetical chart only reflects the performance of the AB Growth and Value Balanced Index℠, which seeks to provide excess returns reflecting the performance of the weighted components minus a specific benchmark. Dividends may or may not be included. The benchmark used by the Index is the Fed Funds rate. Individuals cannot invest directly in an index. The AB Growth and Value Balanced IndexSM (the "Index") embeds an annual index cost in the calculations of the change in index value. This embedded index cost will reduce any change in index value, and it funds certain operational and licensing costs for the Index. The performance for the index prior to 10/22/2020, the index's inception date, reflects an inception date of 7/1/1992 and is the date used to calculate max range annualized performance.
As of September 30, 2023
Source: AB

A WORD ABOUT RISK

Market Risk: The market values of the portfolio's holdings rise and fall from day to day, so investments may lose value. **Foreign (non-US) Risk:** Non-US securities may be more volatile because of political, regulatory, market and economic uncertainties associated with such securities. Fluctuations in currency exchange rates may negatively affect the value of the investment or reduce returns. These risks are magnified in emerging or developing markets. **Interest-Rate Risk**: As interest rates rise, bond prices fall and vice versa—long-term securities tend to rise and fall more than short-term securities. **Diversification Risk:** Portfolios that hold a smaller number of securities may be more volatile than more diversified portfolios, since gains or losses from each security will have a greater impact on the portfolio's overall value. **Credit Risk:** A bond's credit rating reflects the issuer's ability to make timely payments of interest or principal—the lower the rating, the higher the risk of default. If the issuer's financial strength deteriorates, the issuer's rating may be lowered, and the bond's value may decline. **Leverage Risk:** Trying to enhance investment returns by borrowing money or using other leverage tools can magnify both gains and losses, resulting in greater volatility. **Derivatives Risk:** Derivative instruments such as options, futures, forwards, or swaps can be riskier than traditional investments, and may be more volatile, especially in a down market. **Below-Investment-Grade Securities Risk:** Investments in fixed-income securities with lower ratings (commonly known as "junk bonds") tend to have a higher probability that an issuer will default or fail to meet its payment obligations. **Real Estate Risk:** Investments in real estate can decline due to a variety of factors affecting the real estate market, such as economic conditions, mortgage rates and availability. REITs may have additional risks due to limited diversification and the impact of tax law changes. Commodity Risk: Commodity-linked investments may experience greater volatility than investments in traditional securities. The value of commodity- linked investments may be affected by financial factors, political developments, and natural disasters. ETF Risk: Investments in an ETF bear the share of the ETF's expenses and run the risk that the ETF may not achieve its investment objective. Asset Allocation Risk: Diversification and asset allocation may not protect against market risk. All investments have inherent risks and investors may experience a loss. Sector Risk: Investing a significant portion of assets in any one sector may cause a fund to be more volatile, as securities within a specific sector can be prone to regulatory action, be more sensitive to interest-rate fluctuations, and be the target of increased competition. Alternative Investment Risk: An alternative investment is subject to a number of risks and is not suitable for all investors. Investing in alternative investments is only intended for experienced and sophisticated investors who are willing to bear the high economic risk associated with such investments.

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