AllianceBernstein®

Monthly Update **Mar** 2022

AB Dynamic Multi-Asset Income Model Portfolios

The AB Dynamic Multi-Asset Income Model Portfolios are four globally diversified portfolios to satisfy two key investor needs: income generation and investment growth. Utilizing a flexible and dynamic approach, these AB portfolios will constantly adapt to evolving market conditions.

Portfolio Update

Global equities, as measured by the MSCI World Index, rebounded in March, rising 2.74%. Year to date, the index has lost 5.15%. US equities, as measured by the S&P 500, rebounded in March, rising 3.71%. The index has lost 4.60% year to date (all returns in US-dollar terms). A midmonth rally helped global and US equities recover some of January's and February's losses, despite continuing concerns over the impact of Russia's invasion of Ukraine, persistently high inflation, and monetary policy tightening.

Equities moved lower early in the month as geopolitical tensions, uncertainty over the size of the US Federal Reserve's (the Fed) first rate hike, and turmoil in China resulting from regulatory action against internet companies, COVID-19 lockdowns, and a property market crisis weighed heavily on risk sentiment. Markets rebounded after Chinese authorities made an unusually strong and broad statement of support for China's economy and markets. Equities rallied across Europe, but not as strongly as in the US, as the proximity of the war and immediate concerns around fuel and food shortages threatened more severe economic consequences. In contrast with the US, where easing pandemic restrictions have fueled a steady rebound in business activity, eurozone business activity has slowed due to rapid increases in energy and input costs. Although Europe's services sector has recovered somewhat, consumer confidence has weakened to levels close to those at the beginning of the pandemic, and inflation in the eurozone has approached record highs. The European Central Bank now faces the challenge of balancing the need to support weakening economic growth with the need to fight inflation.

Major developed-market (DM) government bond yields rose sharply in March as inflation reached multidecade highs and many DM central banks embarked on a monetary tightening path. The war in Ukraine further aggravated inflation pressures by disrupting already stressed supply chains and cutting off some of the global supply of energy and agricultural goods. Global DM treasury returns fell 2.10%, as measured by the Bloomberg Global Treasury Index on a hedged basis. The Fed also raised short-term rates by 25 basis points (b.p.) and telegraphed that it would take an aggressive path, with additional rate hikes at each of its six remaining meetings in 2022. The US Treasury yield curve initially steepened—two-year US Treasuries rose faster than longer-term US government bonds as anticipated hikes were priced in—and then the yield curve flattened, with 10-year yields rising 51 b.p. to 2.34% while two-year yields were 90 b.p. higher, converging with the 10-year US Treasury yield.

Based on our assessment of risk conditions and return potential across asset classes, the income models increased the underweight to return-seeking assets in March. The omicron surge has delayed economies' reopening schedules, most recently in China, extending the period of supply-demand imbalance for longer-than-expected. Further, the Ukraine-Russia war and the resulting sanctions are having a meaningful impact on commodity prices. When combined with the fact that inflation is already well above central bank targets, the odds of a "policy mistake" have increased, especially since some of the inflation drivers are not tied to policy measures. The team acknowledges that these tensions could persist for some time, which will likely sustain ongoing volatility within risk assets. As a result, the income models added to the underweight allocation to equities. Within fixed income, the income models increased the overweight to investment-grade bonds, increased the underweight to high-yield bonds, and moved to an underweight to emerging-market (EM) bonds. The income models also reduced the underweight to REITs and remain neutral to cash.

Asset Allocation Views

SEC yields as of March 31, 2022:
AB Dynamic Multi-Asset Income 60/40: 3.85%
AB Dynamic Multi-Asset Income 40/60: 3.77%
AB Dynamic Multi-Asset Income 20/80: 3.70%
AB Dynamic Multi-Asset Income 0/100: 3.72%

◍ Previous Month
● Current

	Dynamic Position –				+	Key Views
Global Equity*	○	●	○	○	○	• Portfolios increased the underweight to global equities during the month, which was primarily driven by a larger underweight to DM equities
Developed-Market	○	●	○	○	○	
Emerging-Market	○	○	●	○	○	
Global Fixed Income	○	●	○	◍	○	• Portfolios now hold an underweight to EM bonds, increased the underweight to high-yield bonds, and increased the overweight to investment-grade bonds. As a result, portfolios are now underweight to global fixed income
Investment-Grade Bonds	○	○	○	●	○	
Emerging-Market Bonds	○	●	○	◍	○	
Global High-Yield Bonds†	○	●	○	○	○	
Diversifiers	○	○	●	○	○	• Portfolios reduced the modest underweight to REITs and remain neutral to cash
Real Estate	○	◍	●	○	○	
Treasuries/Cash/Other‡	○	○	●	○	○	

*AB Dynamic Multi-Asset Income 0/100 does not allocate to equities.
†Global High Yield Bonds include bank loans and securitized assets.
‡Treasuries / Cash / Other include options.

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A WORD ABOUT RISK

Alternative Investment Risk: An alternative investment is subject to several 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 an investment. **Asset Allocation Risk:** Diversification and asset allocation may not protect against market risk. All investments have inherent risks, and investors may experience a loss. **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. **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. **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, then the issuer’s rating may be lowered, and the bond’s value may decline. **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. **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. **ETF Risk:** Investments in ETFs bear the share of the ETF’s expenses and run the risk that the ETF may not achieve its investment objective. **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. **Leverage Risk:** Trying to enhance investment returns by borrowing money or using other leverage tools magnifies both gains and losses, resulting in greater volatility. **Market Risk:** The market values of the portfolio’s holdings rise and fall from day to day, so investments may lose value. **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. **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 are the target of increased competition.

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