ALLIANCEBERNSTEIN®

September 2020

MONTHLY UPDATE

# AB MULTI-ASSET GROWTH MODEL PORTFOLIOS

The AB Multi-Asset Growth Model Portfolios are two 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 fell in the first three weeks of September, but recovered somewhat in the last week of the month, and were down 3.45% for the month as a whole, as measured by the MSCI World Index. Year to date, the index has lost 1.70%, all in US-dollar terms. US equity markets, as measured by the S&P 500, also lost ground in September, falling 3.80% amid a rapid decline from all-time highs, before rallying as the month ended; year to date, the index is up 5.57% (all in US-dollar terms).

The US Federal Reserve reasserted its commitment to maintaining current low interest rates until the labor market recovers and inflation targets are reached, but it cautioned that additional fiscal relief was needed to work alongside monetary policy. Pessimism over the struggling US economy's ability to sustain a recovery absent a Congressional relief package weighed heavily on investor sentiment, especially ahead of the US presidential election and the politically divisive battle to fill the Supreme Court vacancy following the death of Justice Ruth Bader Ginsburg. Jobless claims stalled at historically high levels, and signs that consumer spending had weakened following the expiration of extra unemployment benefits compounded the probability of a slowing economic recovery. The housing market continued to outperform, however, as new and existing home sales surged on the strength of all-time low mortgage rates and pent-up demand.

Based on our assessment of risk conditions and return potential across asset classes, the growth model portfolios maintained an overweight to equities in September. The team continues to see an elevated return potential for return-seeking assets driven by policy support, medical advancements to combat COVID-19, and the low inflation and interest rate environment. These factors are also expected to reduce selloff risk and prevent markets from re-testing March levels. Within fixed income, portfolios maintained an overweight to duration, which continues to provide diversification and hedging benefits against a potential downturn. Within equities, portfolios hold a tilt to emerging-markets and US relative to other developed markets due to attractive valuations and improving sentiment.

The team is closely monitoring the heightened near-term uncertainty from rising COVID-19 infection rates resulting in a slowdown in the global economic recovery, as well as growing concerns around the upcoming US election cycle. Volatility is expected to continue moving higher as we approach the US elections. Despite these near-term risks, the longer-term outlook for return-seeking assets remains attractive. The easing of lockdowns and accommodative policies have already sparked strong rebounds in manufacturing and services PMIs, with corporate earnings expectations and economic forecasts starting to be revised upward. Elsewhere, lean inventories and pent-up capital expenditure could further boost economic activity as business sentiment improves. In addition to ongoing medical advancements to combat COVID-19, these factors are conducive to return-seeking assets, which may push higher once the election volatility subsides.

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# GROWTH ASSET ALLOCATION VIEWS

**SEC yields as of September 30, 2020:**
**AB Dynamic Multi-Asset Growth 80/20: 1.72%**
**AB Dynamic Multi-Asset Growth 60/40: 1.74%**

End of August

Current

| | Dynamic Position – | | | | + | Key Views |
|---|---|---|---|---|---|---|
| **Global Equity** | ○ | ○ | ○ | ● | ○ | + Portfolios maintain an overweight to global equities. |
| US Large-Cap | ○ | ○ | ○ | ● | ○ | |
| US SMID-Cap | ○ | ○ | ● | ○ | ○ | |
| Developed International | ○ | ○ | ● | ○ | ○ | |
| Emerging Market | ○ | ○ | ○ | ● | ○ | |
| **Global Fixed Income** | ○ | ● | ○ | ○ | ○ | + Portfolios maintain an underweight to global bonds and an overweight to high yield. |
| US Treasuries | ○ | ○ | ○ | ● | ○ | |
| US Core Bonds | ○ | ● | ○ | ○ | ○ | |
| International Bonds | ● | ○ | ○ | ○ | ○ | |
| Global High Yield Bonds | ○ | ○ | ○ | ● | ○ | |
| **Diversifiers** | ○ | ○ | ● | ○ | ○ | + Portfolios maintain an underweight to cash. |
| Global Real Estate | ○ | ○ | ● | ○ | ○ | |
| Commodities / Cash | ○ | ● | ○ | ○ | ○ | |

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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