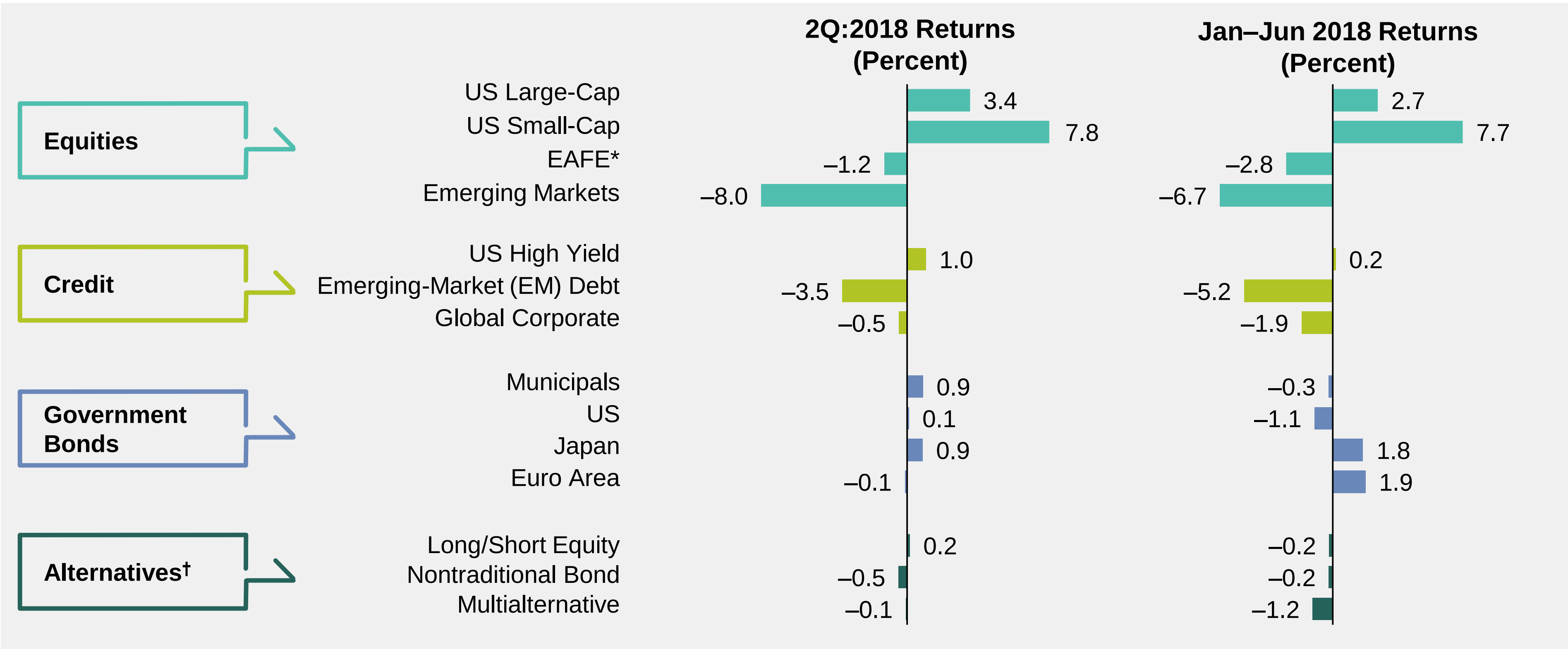
ALLIANCEBERNSTEIN®

Third Quarter 2018

CAPITAL MARKETS OUTLOOK

2Q 2018 Returns Recap: Rising Policy Risk Drives Return Dispersion

Returns in US Dollars



As of June 30, 2018

Past performance does not guarantee future results.

Global corporates, and Japan and euro-area government bonds in hedged USD terms. All other non-US returns in unhedged USD terms. An investor cannot invest directly in an index, and its performance does not reflect the performance of any AllianceBernstein (AB) portfolio. The unmanaged index does not reflect the fees and expenses associated with the active management of a portfolio.

*Europe, Australasia and the Far East

†Returns reflect Morningstar US open-end fund category averages.

Source: Bloomberg Barclays, Morningstar Direct and AB

The Key Takeaways

Macro

- **Investors are right to be worried about rates**
  - They drove the majority of the beta trade through valuations, net margins and share count
- **Fundamentally, the developed macro story is one of solid but moderating growth, rising core inflation and rate increases/balance sheet reduction in the G3**
  - By the end of 2019, developed growth will be lower (but solid), core inflation at threshold and rates higher across the curve
- **The wild card and key source of tail risk is the impact of policy/politics on the speed/level of inflation and rates**

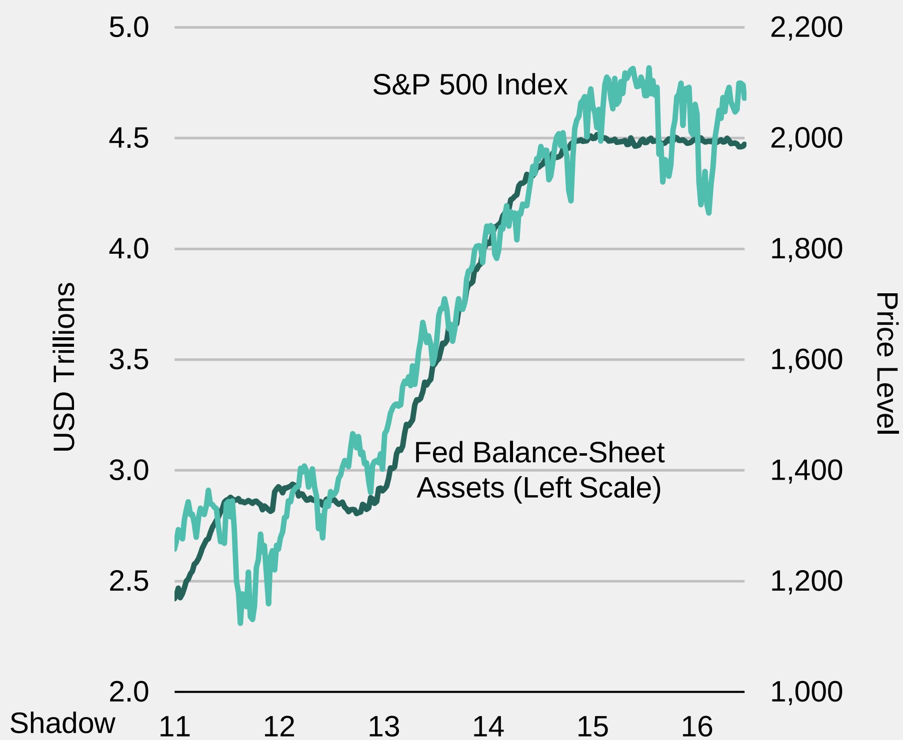
Markets

- **From beta to alpha: the great rising tide is receding...**
  - Rising volatility, moderate returns, P/E contraction and rising dispersion drive the importance of security selection
- **...so focus on the better equity "boats"**
  - For the rest of the cycle, equity returns will largely be about persistency and quality of growth, and strength of balance sheets
- **Don't fight the wrong bond battles**
  - The last thing you should worry about as rates rise is high-grade bonds. They can't kill you; the math doesn't allow it
- **Even so, core fixed-income exposure can be more efficient**
  - Globalize rates to diversify economic-cycle risk; hedge the currency risk to remove the volatility from core
- **When spreads are tight relative to rates, don't run from duration and overweight credit—balance them**
  - Credit barbells are efficient structures and effective late-cycle navigators
- **Our base expectation is for moderate market returns over the next five years, but with substantial tail risk**
  - Portfolio construction needs to account for both—critical for those near, or early into, retirement/decumulation

As of June 30, 2018
Current analysis and forecasts do not guarantee future results.
Source: AB

The Great Beta Trade Was Dominated by Rates…

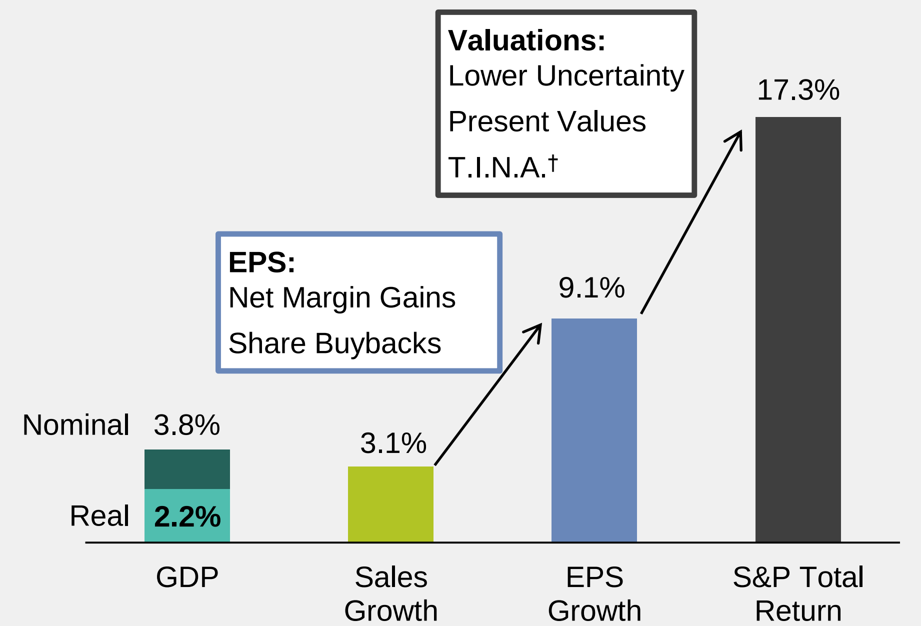
...and the Asset Purchases Used to Create Them



Shadow Fed Funds Rate*	11	12	13	14	15	16
	–1.47	–1.43	–2.13	–2.42	0.20	0.38

Historical Monetary Policy + Fiscal Expectations = Supercharged Net Margin and Valuation Gains

Average Annualized Growth Rate (March 2009–December 2017)



Left display from October 1, 2011, through June 15, 2016; right display as of December 31, 2017

Past performance and historical analysis do not guarantee future results. For illustrative purposes only

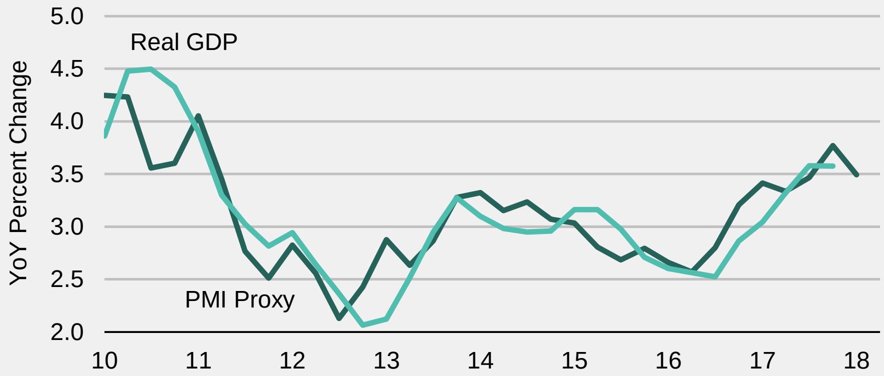
*Shadow fed funds rate as of year-end.

†T.I.N.A.: there is no alternative

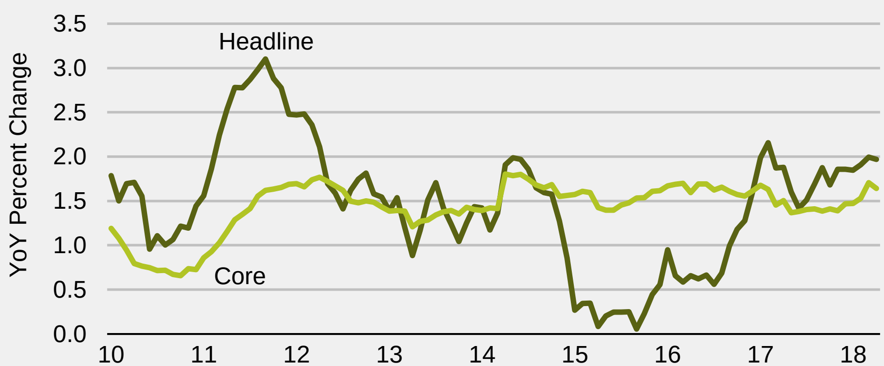
Source: Bloomberg, Federal Reserve Bank of Atlanta, Federal Reserve Bank of St. Louis, Morningstar Direct, S&P and AB

The Global Macro Pillars: Growth, Inflation and Policy

Global Growth Solid, but Has Likely Peaked



G7 CPI Inflation Advances Toward 2%*



AB Global Economic Forecast: June 2018

	Real Growth (%)		Inflation (%)		Official Rates (%)		Long Rates (%)	
	18F	19F	18F	19F	18F	19F	18F	19F
Global	3.2	3.1	2.8	2.7	2.9	3.3	3.3	3.6
Industrial Countries	2.3	2.0	1.9	2.0	1.2	1.8	2.0	2.6
Emerging Countries	4.8	4.8	4.3	3.9	6.2	6.1	5.9	5.6
US	2.5	2.0	2.3	2.3	2.4	3.4	3.3	3.8
Euro Area	2.3	2.1	1.7	1.8	0.0	0.3	0.8	1.5
UK	1.5	1.5	2.5	2.0	0.8	1.3	1.8	2.3
Japan	1.3	1.4	0.9	1.6	–0.1	0.0	0.1	0.3
China	6.5	6.3	2.3	2.3	4.4	4.4	3.5	3.3

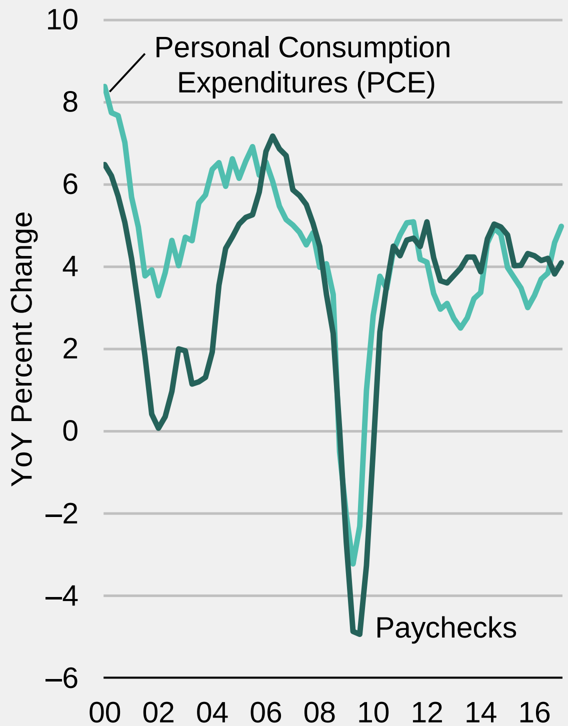
Left displays through March 31, 2018; right display as of June 30, 2018. **Historical analysis and current forecasts do not guarantee future results.** Long rates are 10-year yields unless otherwise indicated. *G7 is the US, Canada, France, Germany, Italy, Japan and UK

Source: Bloomberg, Haver Analytics, IHS Markit and AB

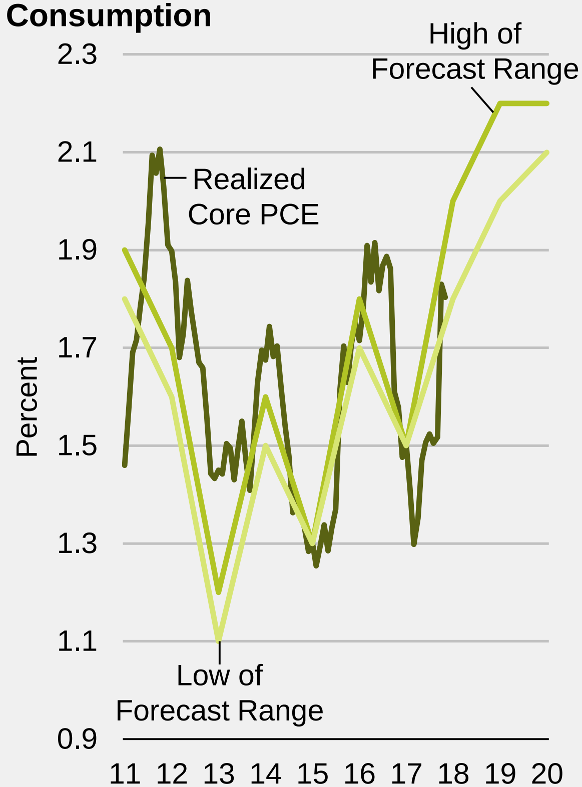
The Ongoing US Growth Story

Jobs/Wages Fuel Consumption…and (Creeping) Inflation

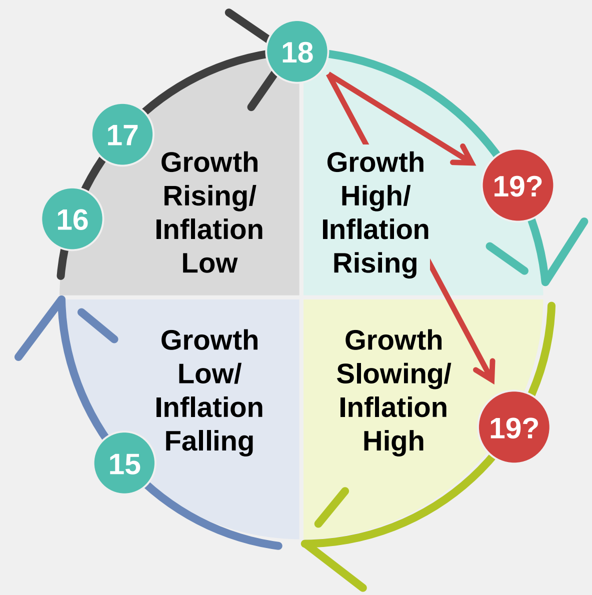
Workers Living Within Their Means
Earning vs. Spending



Inflation Expectations Reflect Consumption



Macroeconomic Cycle
Transitioning from the Sweet Spot in 2018?

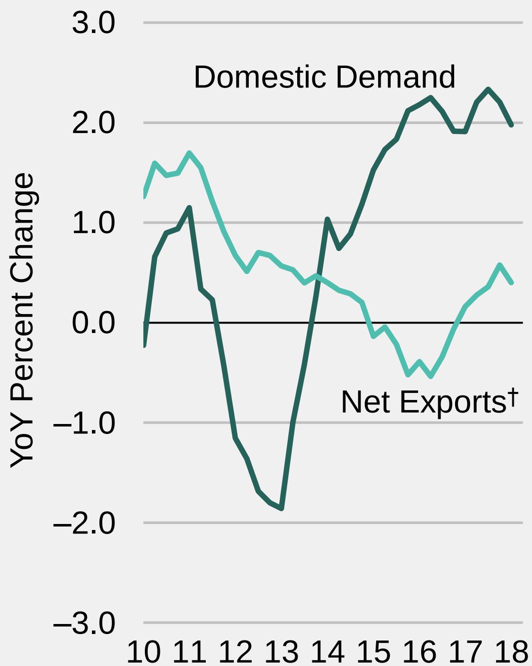


Left display through March 31, 2018; middle and right displays as of June 1, 2018
Historical analysis and current forecasts do not guarantee future results.
Source: Citigroup, Haver Analytics, IHS Markit, Thomson Reuters and AB

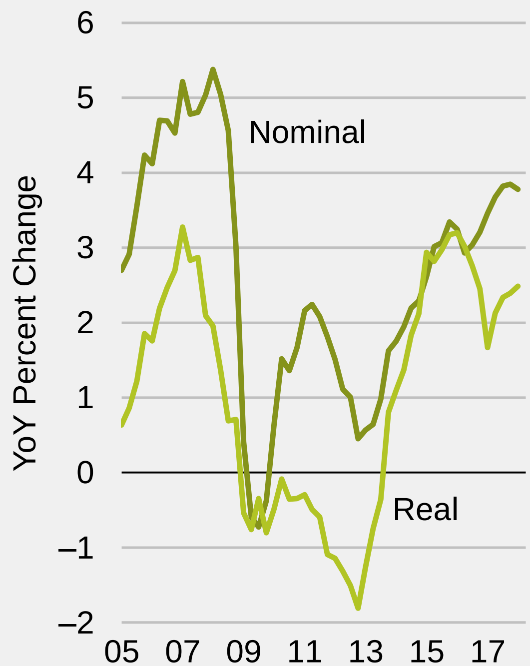
Euro-Area Growth: A Challenging, Likely Trade-Related, Start to 2018

Strong Consumer Fundamentals Support Domestic Demand

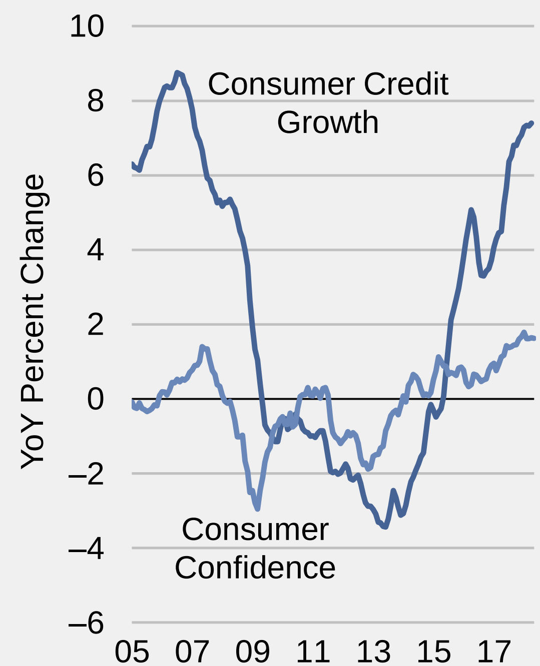
Domestic Demand Remains Solid*…



…as Wages Continue to Rise…



…Leading to Increased Consumer Confidence and Activity



Left and middle displays through January 31, 2018; right display through April 30, 2018

Historical analysis and current forecasts do not guarantee future results.

*Historical data exclude Ireland, where huge swings in gross fixed-capital formation have distorted the underlying trend in the components of overall euro-area demand.

†Contribution to growth

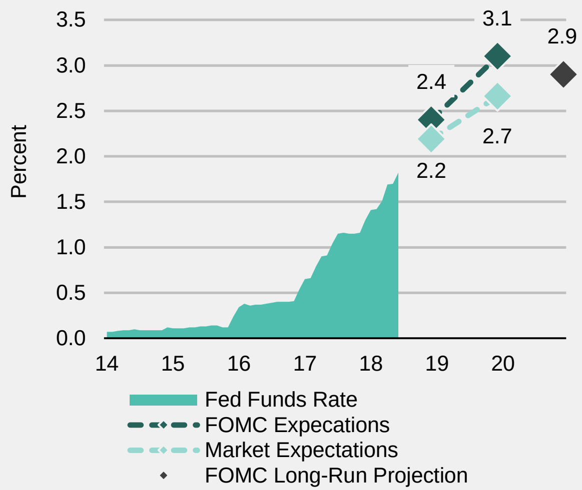
Source: Haver Analytics, IHS Markit and AB

Central Bank Watch

The Fed Is a Bit More Aggressive; the ECB Sets a Date

Fed Funds Rate Expectations

FOMC and Market Expectations*



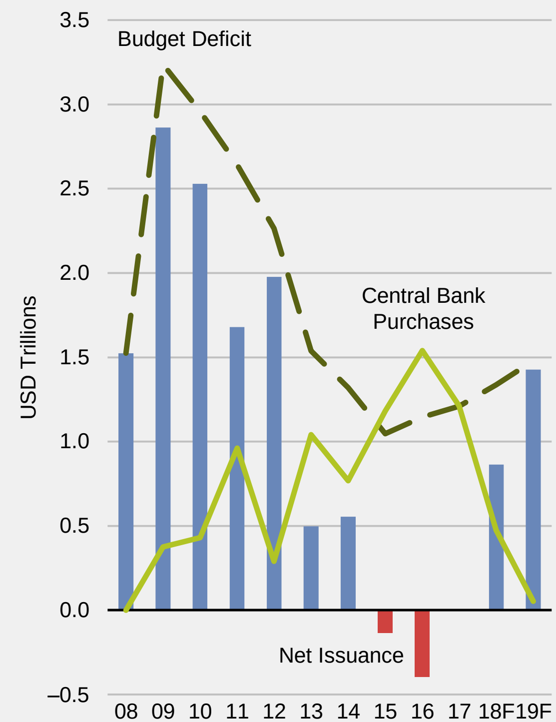
FOMC June 2018 Forecasts

	18	19	20	Long Run
Change in Real GDP	2.8	2.4	2.0	1.8
Unemployment Rate	3.6	3.5	3.5	4.5
PCE Inflation	2.1	2.1	2.1	2.0

The ECB Charts a Path

+ Asset purchases likely to end in December
+ No balance-sheet unwind for an “extended period of time after the end of our net asset purchases…” (Fed took 36 months)
+ Key policy rates expected “to remain at their present levels at least through the summer of 2019…” (Fed took 14 months)

G3 Budget Deficit and Central Bank Bond Purchases†



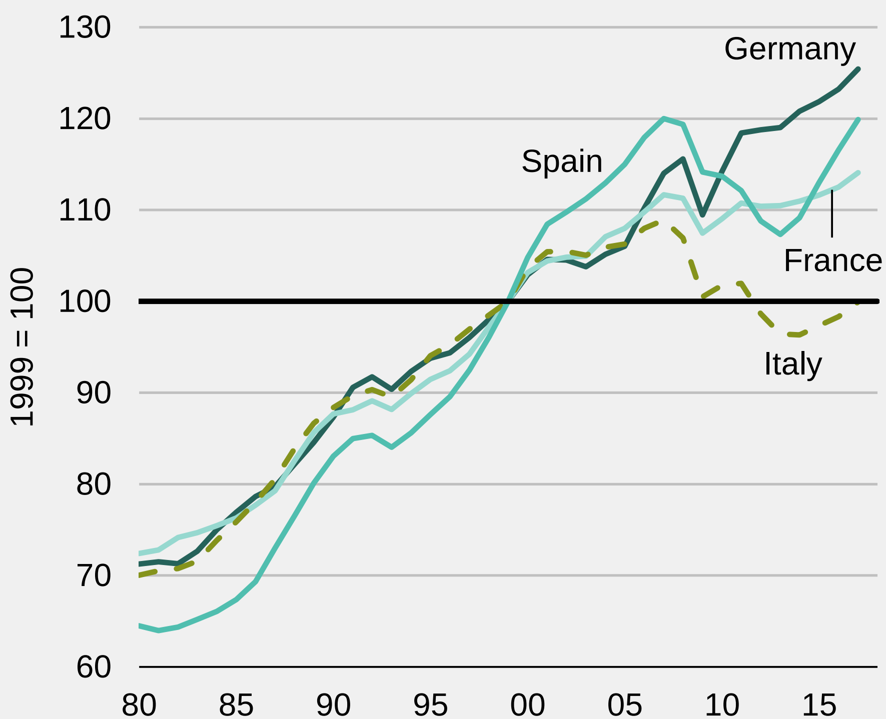
Left and middle displays as of June 30, 2018; right display as of December 31, 2017. **Historical analysis and current forecasts do not guarantee future results.** Projections of change in real GDP and both measures of inflation are percent changes from the fourth quarter of the previous year to the fourth quarter of the year indicated. Expectations for fed funds rate are for December 2018 and December 2019. The projections for the fed funds rate are the value of the midpoint of the projected appropriate target range for the fed funds rate or the projected appropriate target level for the fed funds rate at the end of the specific calendar year or over the longer run. *FOMC: Federal Open Market Committee; market expectations are the fed funds rate priced into the Fed futures market as of June 13, 2018 FOMC meeting date. †G3 is the US, the euro area and Japan. Net issuance is the budget deficit less central bank purchases.

Source: Bloomberg, Haver Analytics, US Federal Reserve and AB

Populism, European-Style: Is a Full-Blown Crisis a la 2011 Coming Back?

This Time the ECB Has the Necessary Tools in Place to Intervene…Although Italy Is Not Greece

Real GDP per Capita*



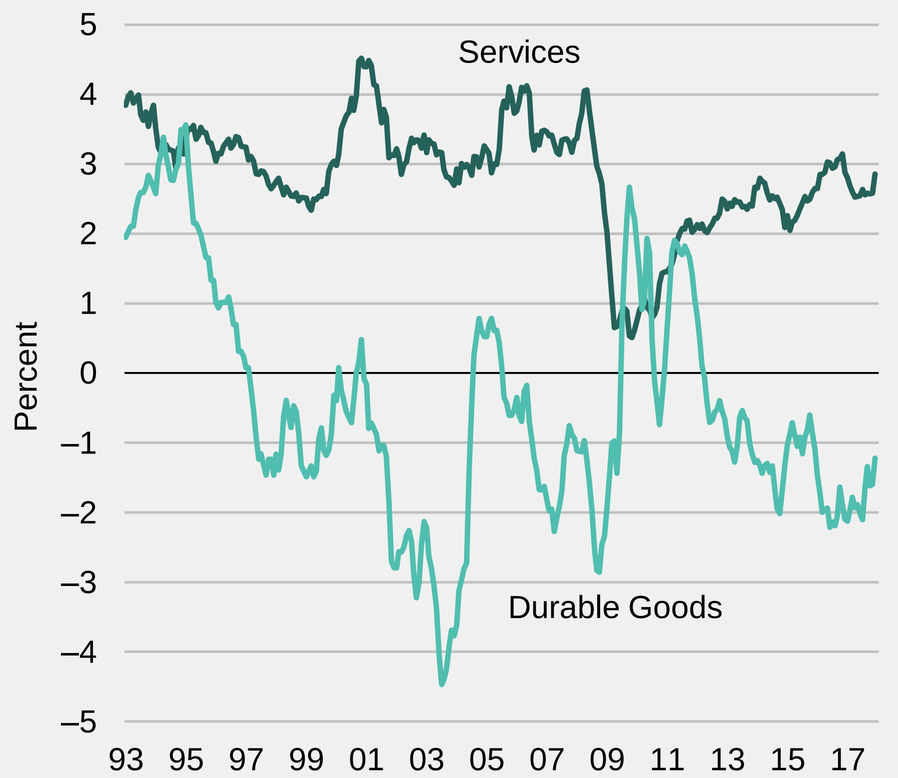
	2011	2018
Outright Monetary Transactions	✗	✓
Long-Term Refinancing Operations	✗	✓
Quantitative Easing	✗	✓
Vulnerable Country (GDP)	Greece ($0.2 Trillion)	Italy ($1.9 Trillion)
Exposure of European Banks to Italy	Higher	Lower

Left display through December 31, 2017; right display as of June 30, 2018
Historical analysis and current forecasts do not guarantee future results.
*GDP is in US dollars. Germany is adjusted for the impact of reunification.
Source: Haver Analytics, World Bank and AB

Beyond Fundamentals: Structural and Policy-Based Inflation Tail Risk

Inflation Backdrop	Rearview Mirror Past 5–10 Years	Strategic Horizon Next 2–5 Years	Secular Horizon 5+ Years
Demographics	↓	↑	↑
Globalization/ Populism	↓	↑	↑↑
Debt Overhang	↓	↔	↑
Technology	↓	↓↓	↓↓
Monetary Regime	↔	↑	↑↑
Net Impact	↓↓	↑	↑↑

Goods and Services Inflation



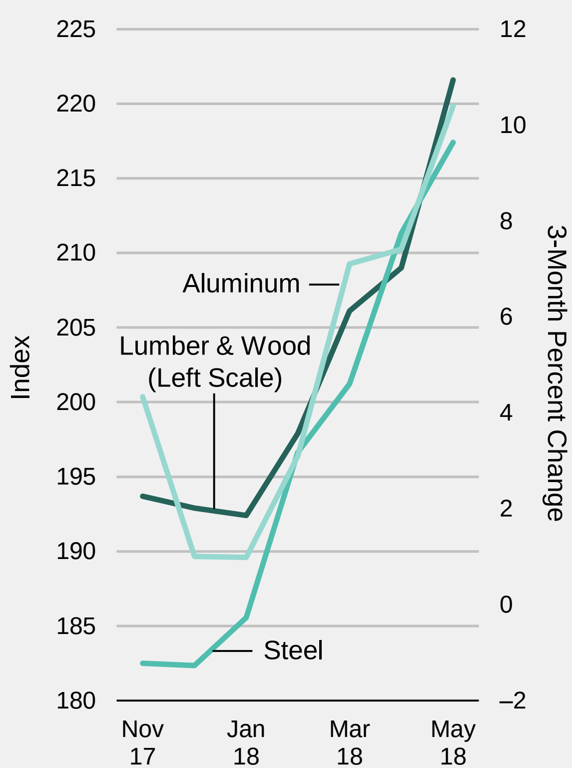
As of June 30, 2018

Historical analysis and current forecasts do not guarantee future results.

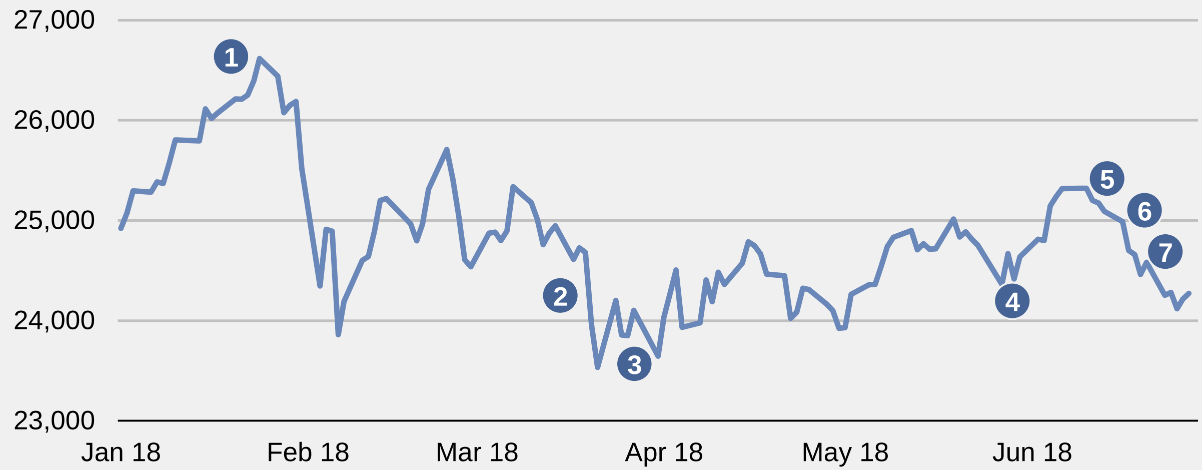
Source: Haver Analytics, IHS Markit, Thomson Reuters Datastream and AB

Wood & Metal Canaries: Inflationary Tariffs Ultimately a Tax

Price Impact of Tariffs*



Dow Jones Biggest Price Moves Were Trade (and Rates/Inflation) Driven



Tariff Dates and Summaries

1. **Jan 22:** US slaps tariffs on imported solar panels and washing machines
2. **Mar 23:** US implements tariffs on steel (25%) and aluminum (10%)
3. **Apr 2:** China implements tariffs on 128 US products
4. **May 31:** Canada announces retaliatory tariffs on US goods worth C$16.6 billion
5. **Jun 15–16:** US targets $34 billion of Chinese goods. China announces tariffs on $50 billion of US goods
6. **Jun 18:** Trump threatens to impose tariffs on $200 billion of additional Chinese goods
7. **Jun 22:** Trump threatens to impose 20% tariff on all vehicles imported from the EU

Left display through May 30, 2018; right display through June 30, 2018

Historical analysis and current forecasts do not guarantee future results.

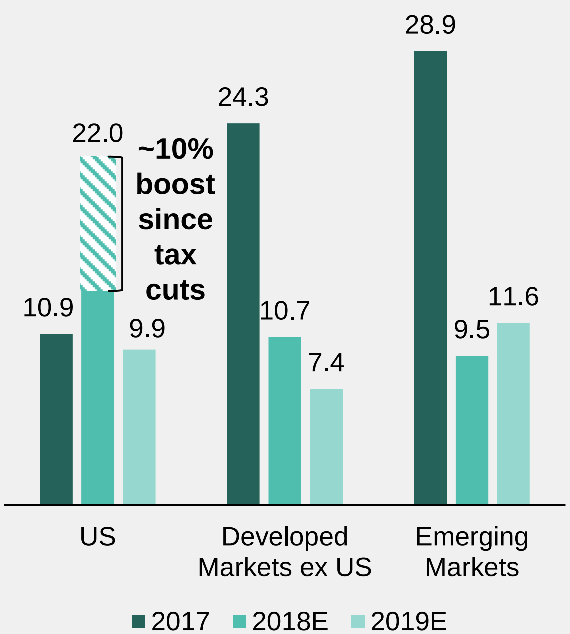
*Import Price Index for lumber & wood in the rough; Producer Pride Index three-month percent change: aluminum sheet & strip, steel mill products

Source: Bloomberg, Federal Reserve Bank of St. Louis, US Global Investors and AB

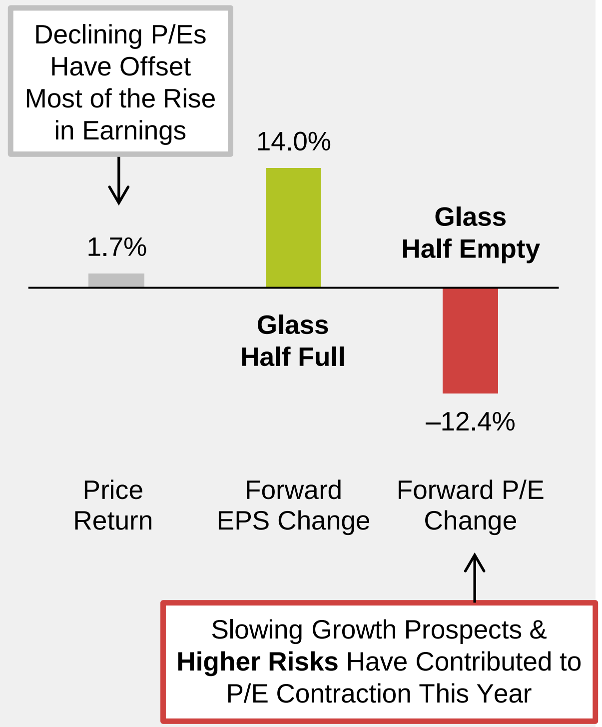
The Mystery of Strong Earnings and Modest Market Returns, Part I:

Valuations Compress on Rising Uncertainty and Rates

Corporate-Profit Growth Is Robust but Projected to Slow
Recent Earnings Growth (Percent)



Modest YTD Returns
Lower P/Es Have Offset Higher EPS



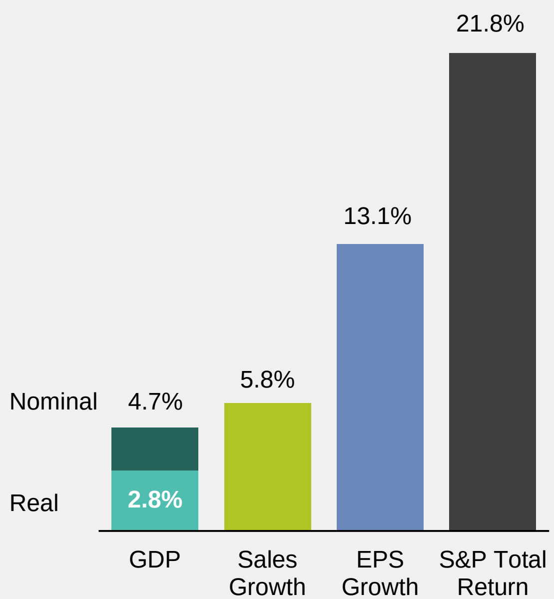
Volatility Rising and Rates Rising
VIX vs. 10-Year Yields

As of June 30, 2018
Historical analysis and current forecasts do not guarantee future results.
Source: Bloomberg, Chicago Board Options Exchange, Cornerstone Macro, FactSet, Federal Reserve Bank of St. Louis and AB

The Mystery of Strong Earnings and Modest Market Returns, Part II:

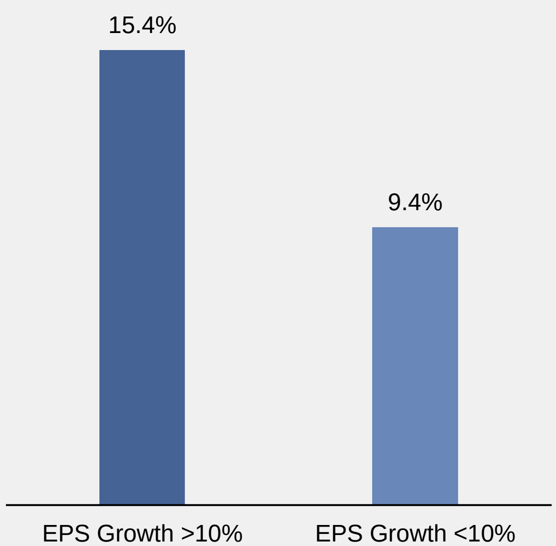
We Were Already Paid for It. But That Doesn't Mean the Future Is Bleak

Average Annualized Growth Rate
January 1, 2017–December 31, 2017



S&P 500 YoY Growth Rates
Percent

Stock Returns Have Been Resilient in Lower-Earnings Environments
S&P 500 Average Total Return (1990–2017)



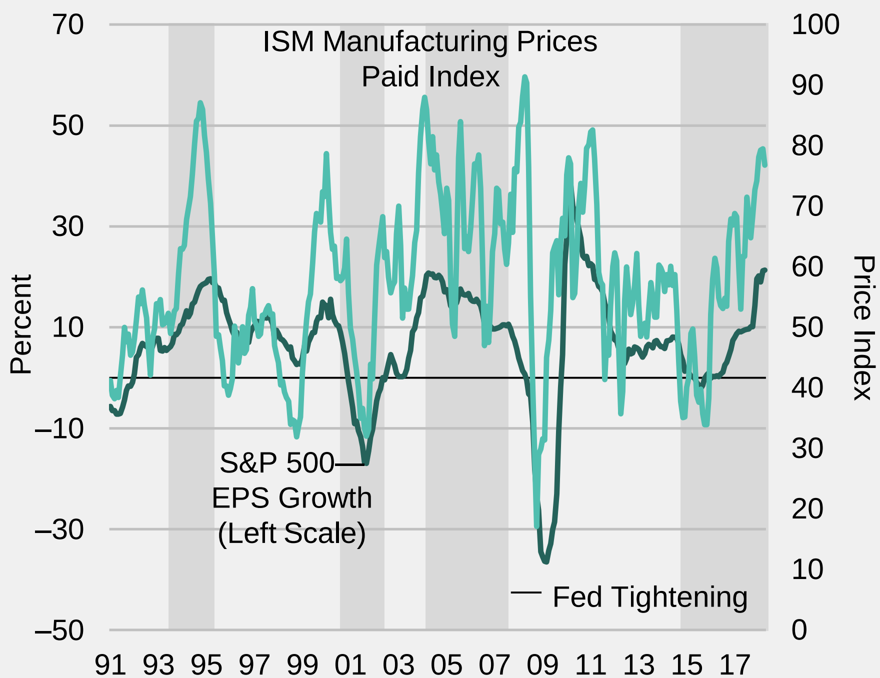
Left and right displays as of December 31, 2017; middle display as of June 1, 2018

Historical analysis does not guarantee future results.

Source Bloomberg, Federal Reserve Bank of St. Louis, Morningstar Direct, S&P, Thomson Reuters I/B/E/S and AB

Rising Earnings and Inflation, Plus Fed Tightening, Equals Lower P/Es

Strong Earnings Growth Historically Linked to Rising Inflationary Pressures



Rising Inflationary Pressures Have Led to Fed Tightening and P/E Contraction

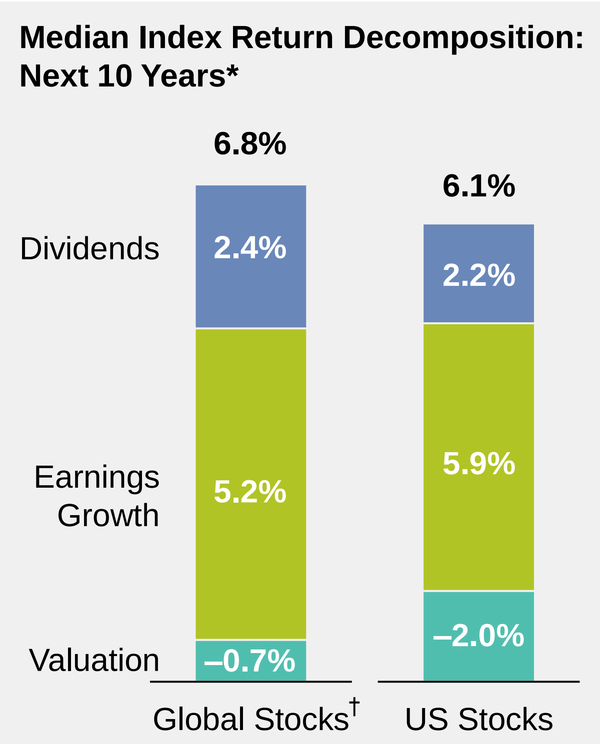
Period	1/31/94–2/28/95	5/31/99–5/31/00	5/31/00–7/31/06	12/16/15–06/30/18
Begin	14.9×	23.5×	16.5×	17.6×
End	12.6×	22.2×	14.0×	17.1×
Change	**–2.3**	**–1.3**	**–2.5**	**–0.5**

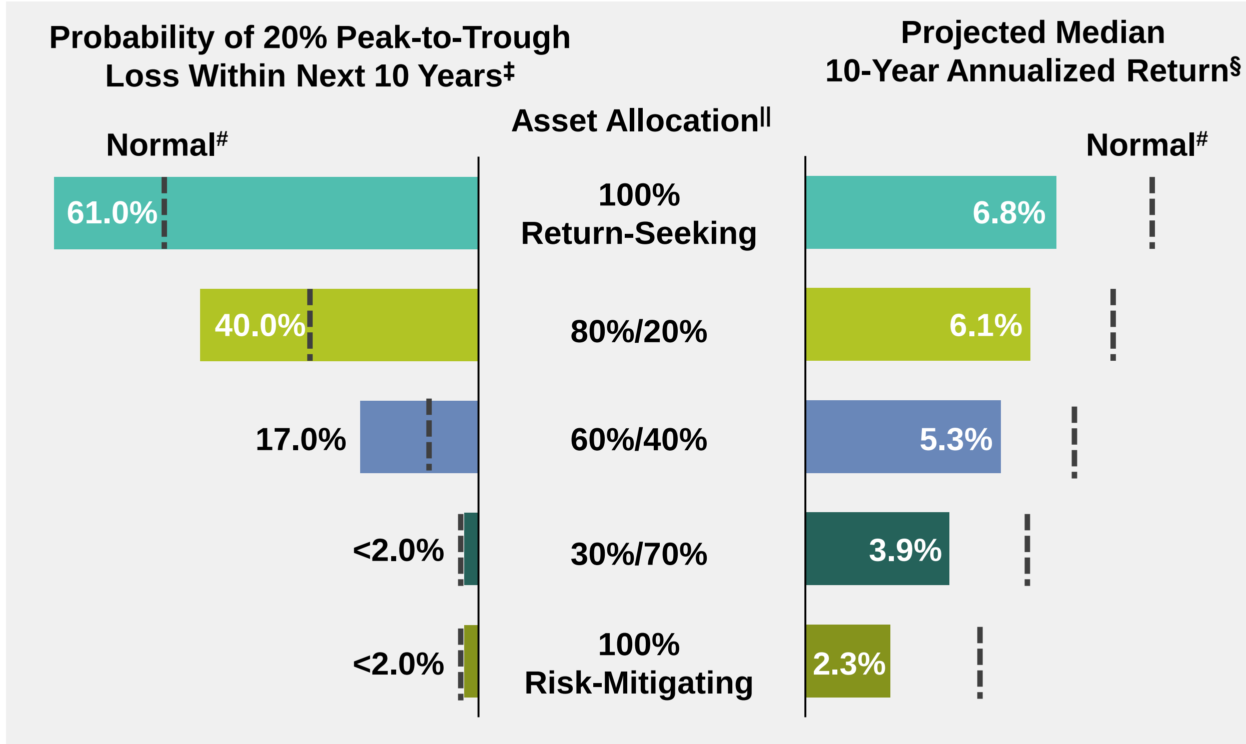
Average change in P/E over the past four Fed tightening cycles: **1.7 P/E Points**

P/Es have actually declined in **8 of the past 8** Fed tightening cycles

As of June 30, 2018
Historical analysis does not guarantee future results.
Source Bloomberg, Cornerstone Macro, Federal Reserve Bank of St. Louis, Institute for Supply Management, Morningstar Direct, S&P, Thomson Reuters I/B/E/S and AB

The Risk/Return Trade-Off Is More Important than Ever





As of December 31, 2017. **Past performance is not necessarily indicative of future results. There is no guarantee that any estimates or forecasts will be realized.**
Based on AB's estimates of the range of returns for the applicable capital markets.
The forecasted figures in the left display utilize book-value growth and price-to-book valuations as representations of earnings growth and valuation. Data do not represent past performance and are not a promise of actual future results or a range of future results. Based on proprietary AB forecasting system. *Represents projected median compound annual growth rates over the next 10 years. †Global stocks are modeled as 18% US diversified, 18% US value, 18% US growth, 6% US small-/mid-cap, 30% developed international, and 10% emerging markets. ‡Probability of a 20% peak-to-trough decline in pretax, pre-cash-flow cumulative returns within the next 10 years. Because the AB system uses annual capital-market returns, the probability of peak-to-trough losses measured on a more frequent basis (such as daily or monthly) may be understated. The probabilities depicted above include an upward adjustment intended to account for the incidence of peak-to-trough losses that do not last an exact number of years. §Represents projected median compound annual growth rates over the next 10 years. || 100% return-seeking allocation is all stocks; 80%/20% allocation is 80% stocks/20% bonds; 60%/40% allocation is 60% stocks/40% bonds; 30%/70% allocation is 30% stocks/70% bonds; and 100% risk-mitigating allocation is all bonds. #Normal conditions reflect AB's estimates of equilibrium capital-market conditions, which are typically close to a very long-term historical average.
Source: AB

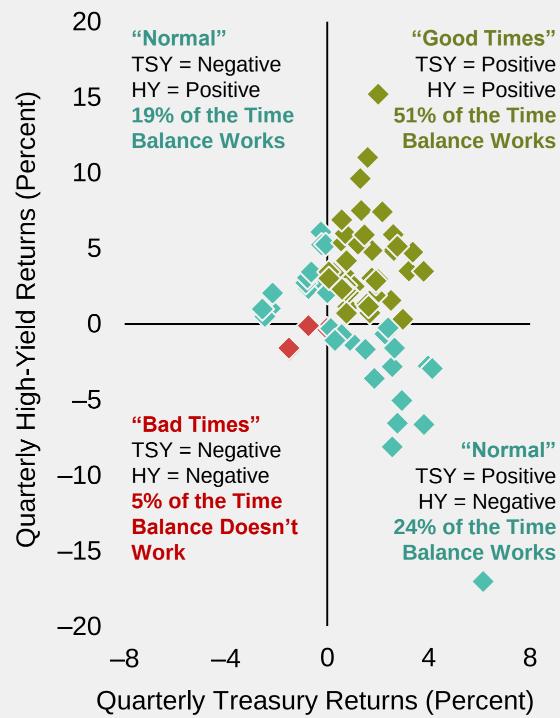
Cloudy Outlook Warrants Balance Between Rates and Credit Risks

Near-Term Volatility Is Likely in Rates and Credit Markets

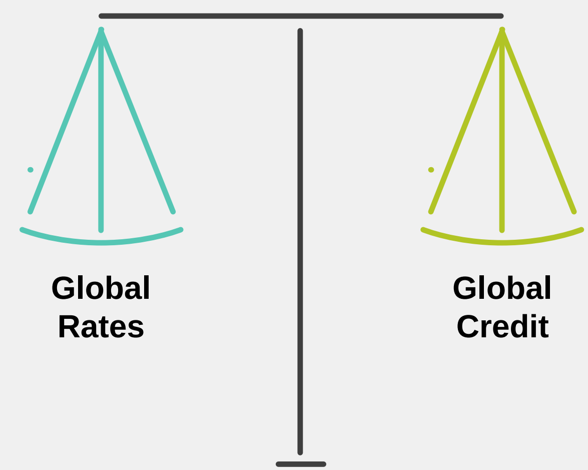
Sources of Volatility:

+ Monetary policy normalization and tighter liquidity in DM (rates)
+ Possible inflation pressures (rates and credit)
+ Corporate credit continues to move later in the credit cycle (credit)
+ Increased geopolitical risk, e.g., Italy and EM (select rates, credit)
+ Headlines around trade war (credit)

Government and Credit Bonds Rarely Underperform at the Same Time



Today's Environment Calls for a Balanced Approach



As of June 30, 2018

Historical analysis does not guarantee future results.

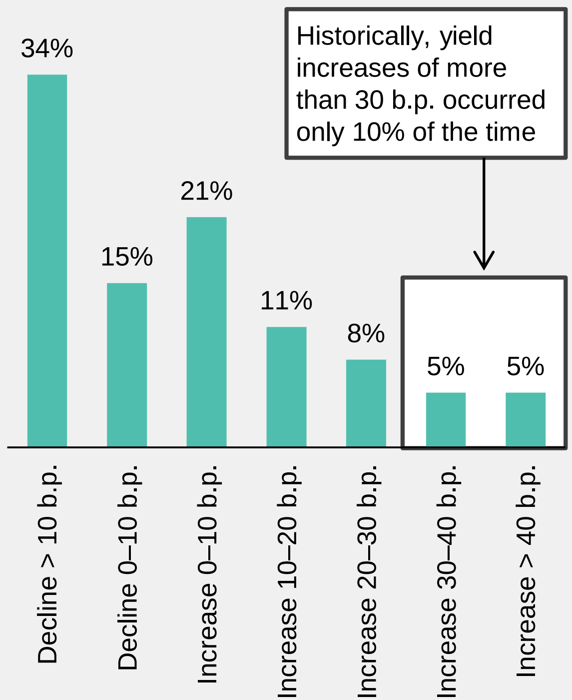
Treasury (TSY) is represented by Bloomberg Barclays Global Treasury and high yield (HY) by Bloomberg Barclays Global High-Yield hedged to USD.

Source: Bloomberg Barclays and AB

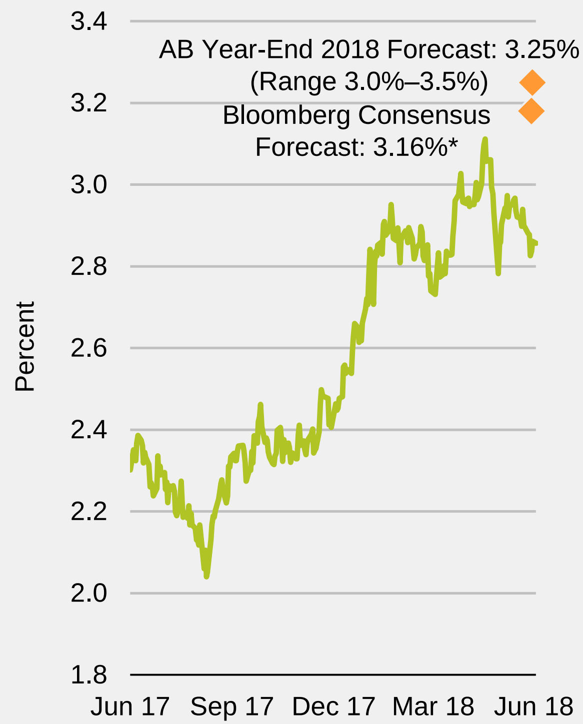
Putting Rising Rates in the Right Context

Big Spikes in Rates Are Sparse

Frequency of Changes in the 10-Year US Treasury Yield



Rates Have Already Risen Meaningfully



Rising Rates Don’t Have to Derail Bonds†

Expected Total Returns (Percent)

US Aggregate		Change in US High-Yield Spreads (b.p.)			
		–50	**0**	**50**	**100**
Change in US Treasury Yields (b.p.)	**100**	–1.0	–1.4	–1.7	–2.1
	50	1.3	1.0	0.6	0.3
	0	3.7	3.4	3.0	2.7

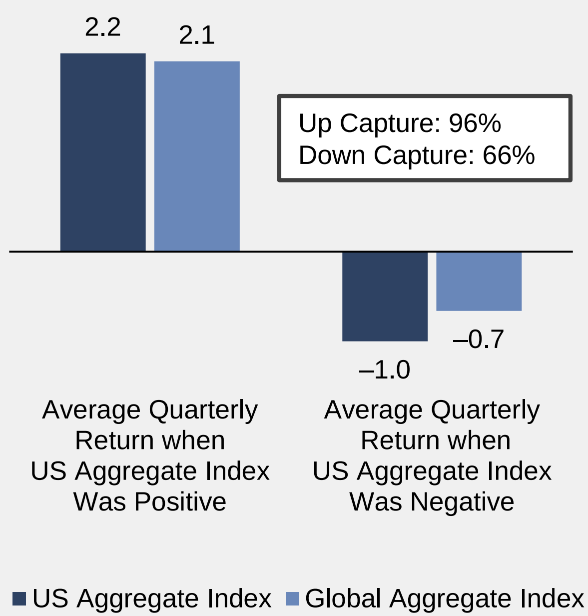
US High Yield		Change in US High-Yield Spreads (b.p.)			
		–50	**0**	**50**	**100**
Change in US Treasury Yields (b.p.)	**100**	5.7	4.1	2.5	0.9
	50	6.9	5.3	3.8	2.1
	0	8.2	6.6	5.0	3.4

As of June 30, 2018. **Past performance does not guarantee future results.** *Bloomberg consensus forecast is for year-end 2018. It is an average of 60 forecasts from sell-side analysts and academics. †The scenario analysis assesses the potential impact of instantaneous changes in US high-yield spreads and a parallel shift in the US Treasury yield curve on the Bloomberg Barclays US Aggregate and US High-Yield indices. Expected returns incorporate the impact of roll and carry over the subsequent 12 months. An investor cannot invest directly in an index, and its performance does not reflect the performance of any AB portfolio. The unmanaged index does not reflect fees and expenses associated with the active management of a portfolio.

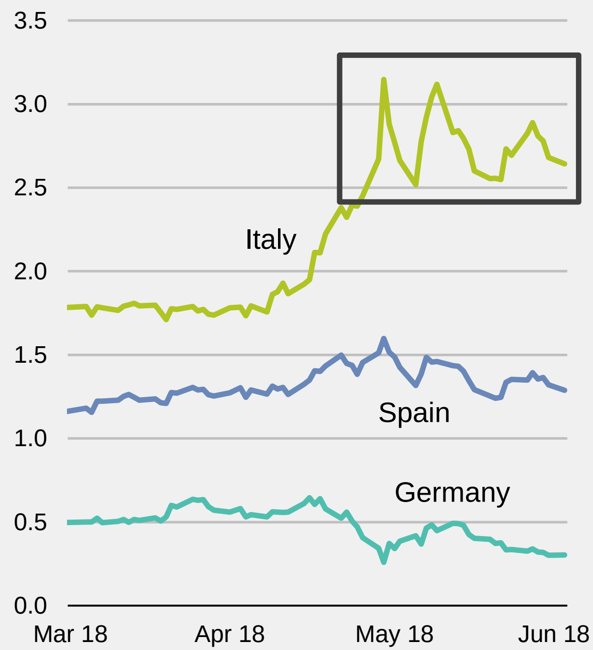
Source: Bloomberg Barclays and AB

Take a World View on Interest-Rate Exposure

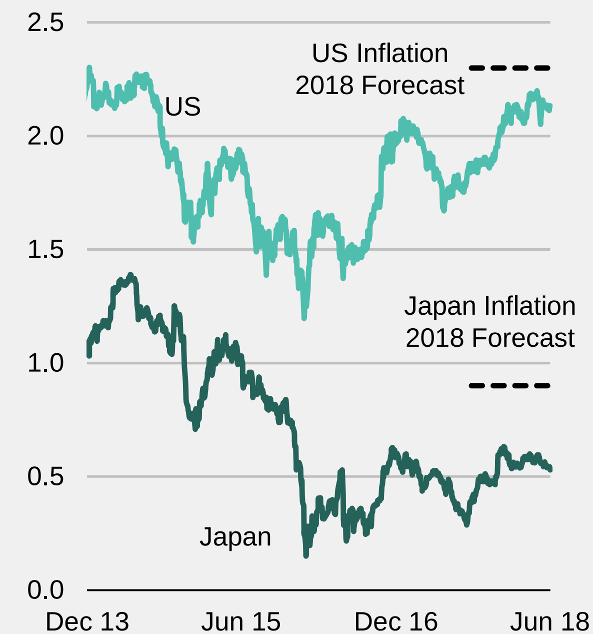
Global Outperforms when US Falls
Up vs. Down Capture
March 1990–June 2018 (Percent)*



Actively Managing Your Exposure to Avoid Troubled Areas Is Key
10-Year Bond Yields (Percent)



Select Opportunities Exist in Global Inflation-Linked Bonds
B/E Inflation for 10-Year Rates (Percent)†



As of June 30, 2018

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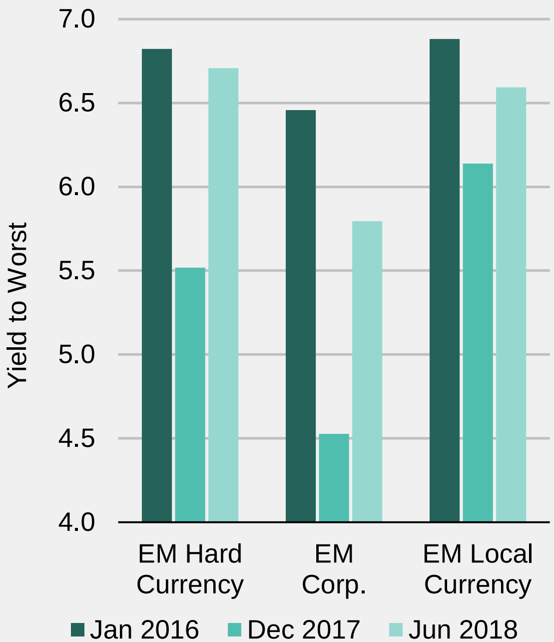
*Bar height may differ due to rounding. Global bonds hedged is represented by Bloomberg Barclays Global Aggregate hedged to USD and US bonds by Bloomberg Barclays US Aggregate. An investor cannot invest directly in an index, and its performance does not reflect the performance of any AB portfolio. The unmanaged index does not reflect fees and expenses associated with the active management of a portfolio.

†B/E: break-even.

Source: Bloomberg Barclays and AB

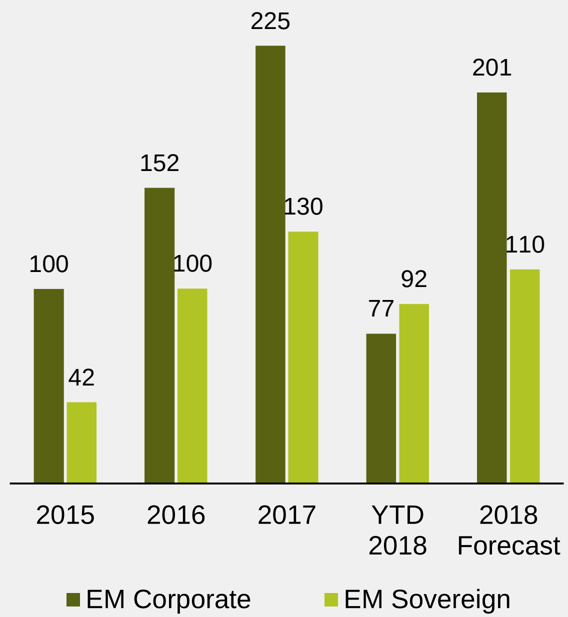
Some EM Opportunities Still Exist, but Selectivity Is Increasingly Important

Given Recent Volatility, Valuations Have Improved Somewhat



Technicals Remain Constructive with Much of Issuance Front-Loaded

EM Net Issuance (USD Billions)



However, Near-Term EM Outlook Warrants Caution

- Rising rates in developed markets
- Recent US-dollar strengthening
- Increased idiosyncratic and political risk in select countries
- Trump's trade war

Some Countries in Recent Headlines:

Argentina


Mexico


Turkey


Brazil


China

As of June 30, 2018

Historical analysis does not guarantee future results.

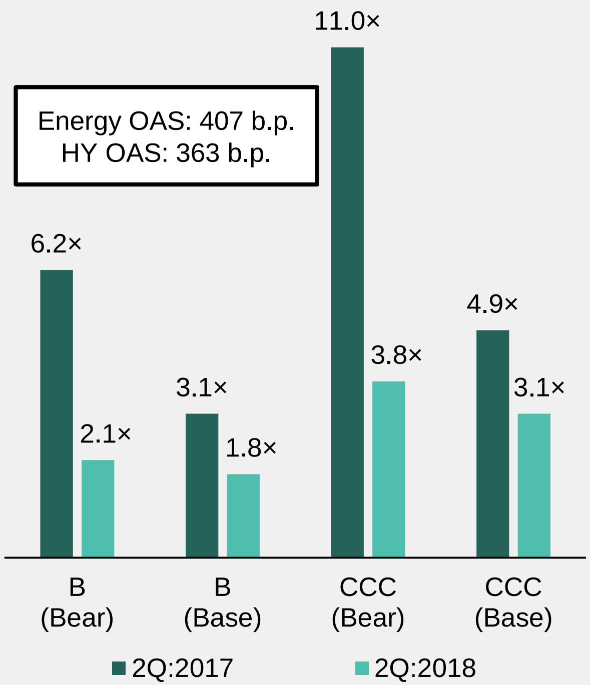
Emerging Market (EM) hard currency is represented by J.P. Morgan EMBI Global; EM corporate by J.P. Morgan CEMBI Broad Diversified; and EM local currency by J.P. Morgan GBI–EM Global Diversified. Yields are sourced from the index's subcomponents. An investor cannot invest directly in an index, and its performance does not reflect the performance of any AB portfolio. The unmanaged index does not reflect fees and expenses associated with the active management of a portfolio.

Source: Bloomberg, J.P. Morgan and AB

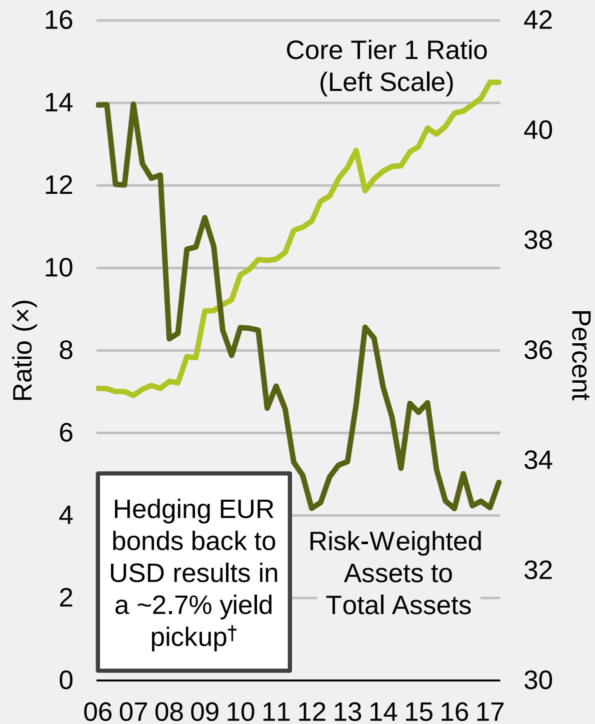
Selectivity Within Corporate Credit Remains Critical

Outlook Remains Constructive for Higher-Beta Energy Names

AB Net Leverage Forecast for 2018*

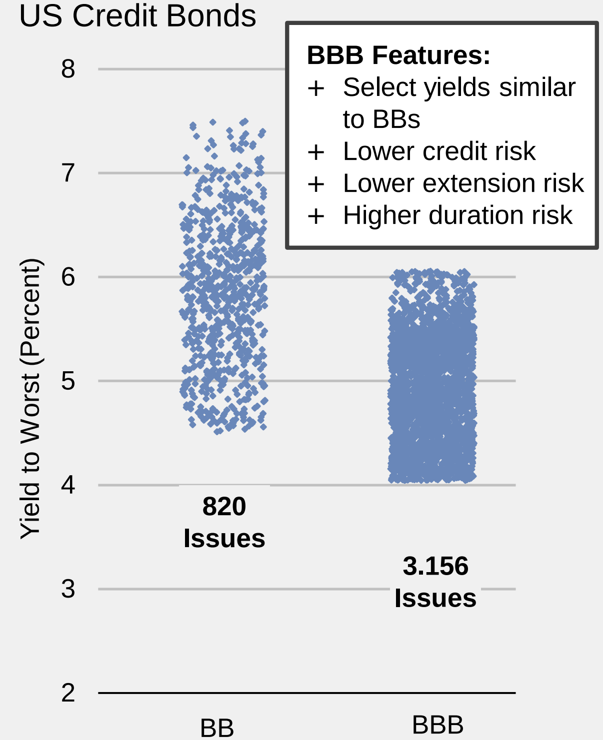


European Financials Benefit from Improving Fundamentals Backdrop



BBBs Offer Relative Value and Diversification vs. BBs

US Credit Bonds



Left and right displays as of June 30, 2018; middle display through December 31, 2017 (except for yield pickup, which is as of June 30, 2018)

Historical analysis does not guarantee future results.

Core Tier 1 ratios provided by Morgan Stanley European credit strategy research on western European banks.

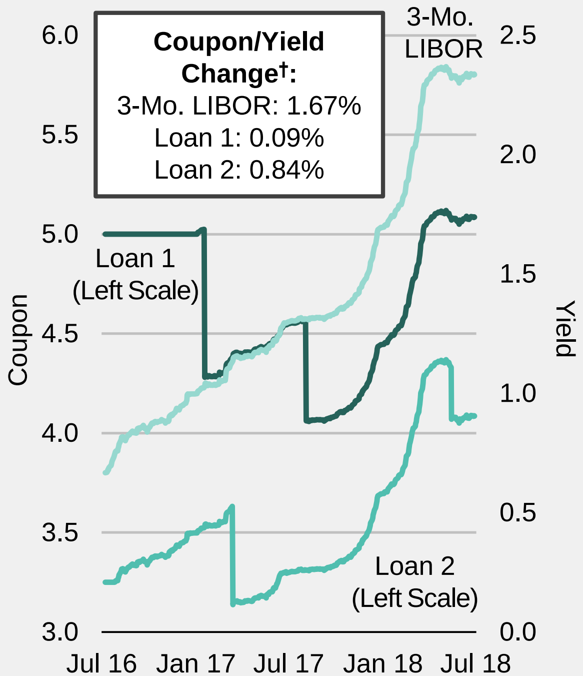
*AB bear- and base-case December 31, 2018 forecasts for energy issuers' net leverage ratios.

†Annualized hedging benefit uses one-month currency forwards.

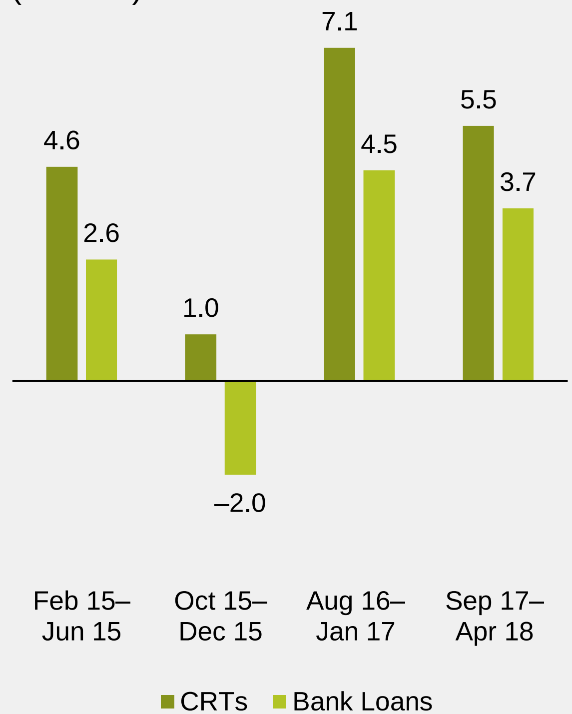
Source: Bloomberg Barclays, Morgan Stanley and AB

Mortgages Offer Floating Rate Exposure and Relative Value Opportunities

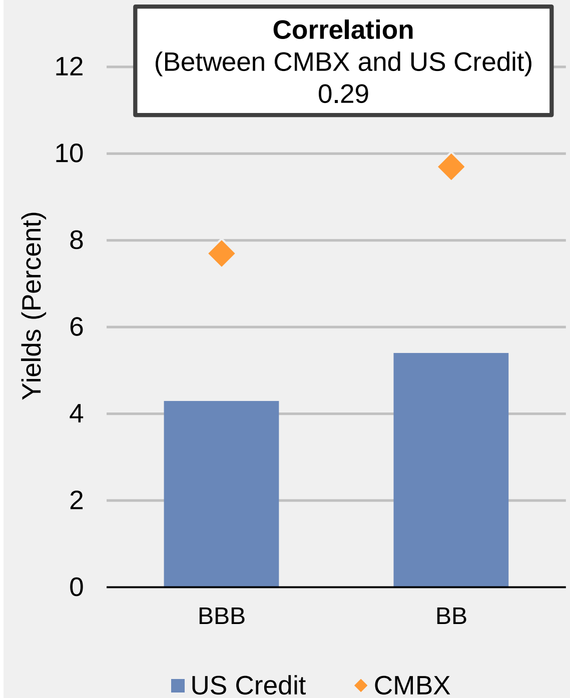
Bank Loans Can Be Refinanced at Lower Rates Even as LIBOR Rises*
Examples of Large Loan Issuers' Yields (Percent)



CRTs Beat Loans in Rising Rates‡
Returns in Rising-Rate Periods (Percent)§



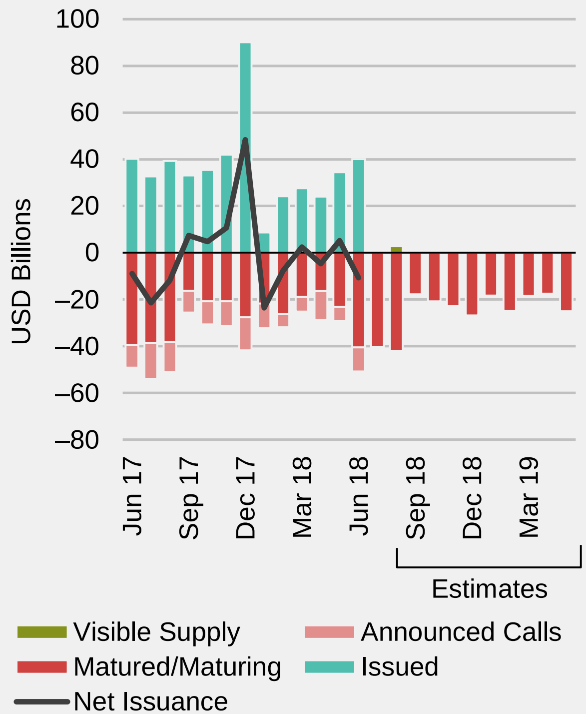
CMBS Offer Relative Value and Diversification Benefits||



As of June 30, 2018. **Historical analysis does not guarantee future results.** *Bank loans are represented by the Credit Suisse Leveraged Loan Index. Loan 1 is represented by Asurion and Loan 2 by American Airlines. †Change is calculated since July 2016. ‡Rising-rate periods defined as time periods when the 10-Year US Treasury rate increased by 20 b.p. or more. §CRT returns are represented by Mark Fontanilla & Co., LLC's CRTx Index (Lower Mezzanine). ||CMBX yields are loss-adjusted. Correlation is the average correlation for BBB-rated CMBX and US corporates and BB-rated CMBX and US corporates. BB corporates are represented by Bloomberg Barclays US Corporate High-Yield BB and BBB Corporates by Bloomberg Barclays US Aggregate Corporate BBB.
Source: Bloomberg, Bloomberg Barclays, Credit Suisse, Fannie Mae, Freddie Mac, IHS Markit, Mark Fontanilla, Trepp and AB

Municipals Benefit from Strong Technicals and Fundamentals Along with Attractive Relative Valuations

Negative Net Supply Has Followed a Spike in Issuance



Market Dynamics Indicate Strength for Municipals

Supply-Demand Dynamics

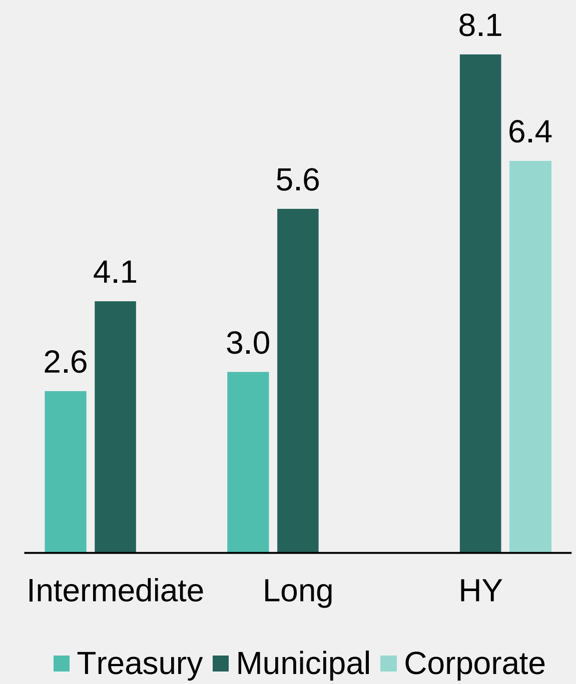
+ Positive net fund flows and lack of supply continue to support prices
+ Negative supply has followed a flood of issuance in 4Q:17
  + Supply is 20% below last year's pace

Credit Fundamentals

+ Tax collections increased 5.8% in 1Q:18 from 1Q:17
+ The Philadelphia Fed's US Index increased 0.8% over the past three months, supporting the stronger US growth narrative*

Municipals Are Attractive Relative to Taxable Peers

Tax-Equivalent Yields (Percent)†



As of June 30, 2018

Past performance does not guarantee future results.

Treasuries are represented by Bloomberg Barclays US Treasury Intermediate and Bloomberg Barclays US Treasury Long; corporates by Bloomberg Barclays US Corporate High-Yield; municipals by Bloomberg Barclays Municipal Intermediate (5–10-year), Bloomberg Barclays Municipal Long Bond (22+ year), and Bloomberg Barclays Municipal High Yield.

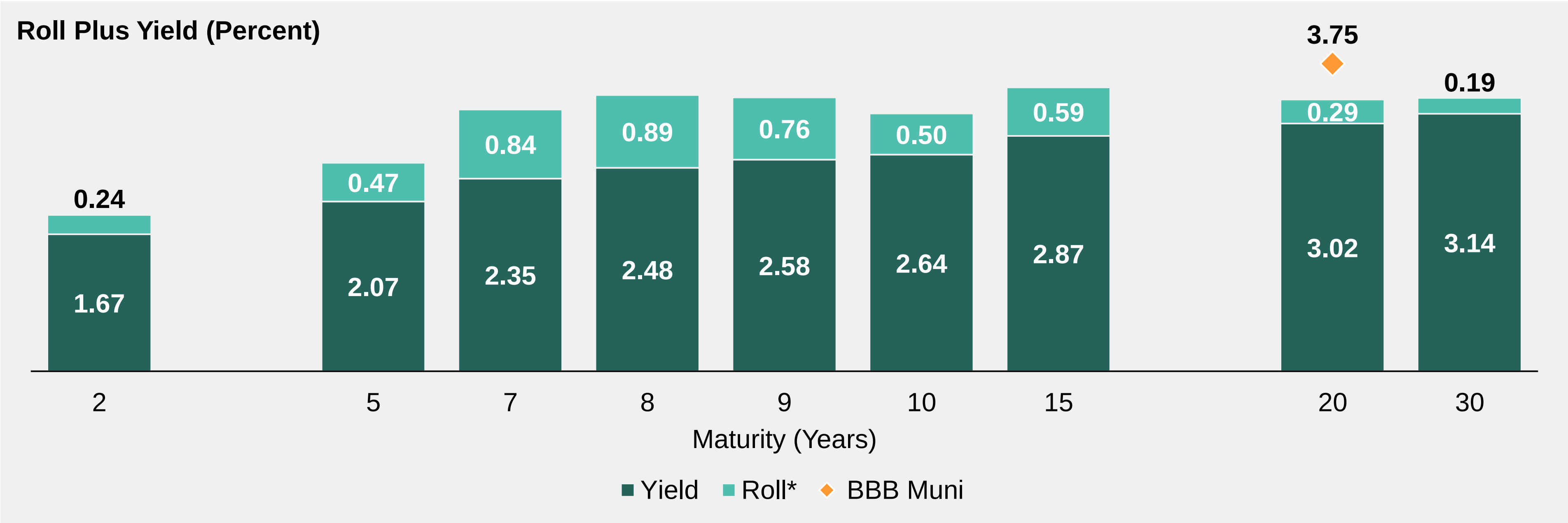
*The Federal Reserve Bank of Philadelphia's US Index summarizes current economic conditions using state-level indicators across the 50 states.

†Tax rate assumed: 40.8%.

Source: Bloomberg Barclays, Federal Reserve Bank of Philadelphia, Municipal Market Data and AB

Municipals: Balance Intermediate Quality with Longer-Maturity Credit

- **Shorter Bonds:** Consider short-maturity municipals vs. comparable-maturity taxable bonds given the increase in short-term yields
- **Intermediate Bonds:** Focus on roll and carry, but manage yield-curve structure due to flattening
- **Longer Bonds:** Dip down in credit for an extra yield pickup—avoid longer-maturity high grades, which may be volatile due to stronger economic growth or potentially higher inflation



As of June 30, 2018

Historical analysis does not guarantee future results.

Nominal yields. A credit rating is a measure of the quality and safety of a bond or portfolio, based on the issuer's financial condition. AAA is highest (best) and D is lowest (worst). Ratings are subject to change. Bloomberg Barclays long indices are used for each respective rating category.

*Roll is the natural price gain that a bond experiences as it ages, assuming interest rates are unchanged. Yield advantage shown is for 10-year municipal securities. Short taxable bonds are represented by Bloomberg Barclays US Aggregate 1–3 Year ex Government.

Source: Bloomberg Barclays, Investment Company Institute, J.P. Morgan, Municipal Market Data, US Federal Reserve and AB

Rising Rates Often Do Not Derail Equities, but Sectors Can Matter

Equities Have Fared Well in Rate-Hike Cycles

Change in 10-Year Treasury Yields (%)	Rising-Rate Cycles	Annualized S&P 500 Returns in Rising-Rate Periods (Percent)*
2.4	Jan 71–Sep 75	2.1
7.8	Dec 76–Oct 81	8.7
3.1	Oct 82–Jun 84	11.9
2.7	Aug 86–Sep 87	2.3
1.1	Feb 88–Feb 89	15.7
1.2	Jul 89–Apr 90	8.3
2.5	Sep 93–Nov 94	1.1
1.4	Dec 95–Aug 96	12.9
0.9	Nov 96–Mar 97	21.0
2.2	Sep 98–Jan 00	32.1
1.2	Oct 01–Mar 02	23.2
1.5	Sep 02–Jun 06	10.9
1.6	Dec 08–Dec 09	25.4
1.0	Aug 10–Mar 11	34.8
1.6	Jul 12–Dec 13	25.3
0.7	Jan 15–Jun 15	2.5
1.4	Jul 16–Jun 18	16.1

Average 15% Annualized Returns During Rising-Rate Periods

Sector Relative Performance During Past Three Rising-Rate Tantrums (Percent)†

Sector	Taper Tantrum	Tightening Tantrum	Tax-Cut Tantrum
Financials	6.2	23.5	–0.8
Cons. Disc.	5.5	–2.1	10.8
Technology	3.7	11.6	10.6
Industrials	9.3	2.2	–6.0
Telecom	**–19.7**	**–18.4**	**–11.4**
Consumer Staples	**–10.1**	**–12.4**	**–16.4**
Real Estate	**–24.7**	**–20.2**	**–9.3**
Utilities	**–20.6**	**–15.6**	**–13.7**
10-Year UST Note Yield Change	+138 b.p.	+125 b.p.	+82 b.p.

As of June 30, 2018

Past performance and historical analysis do not guarantee future results.

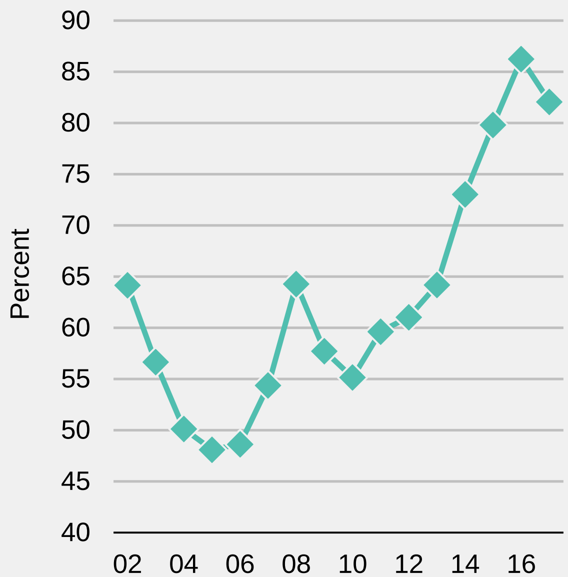
*Based on peak-to-trough rate cycles for the corresponding periods of S&P 500. Rising-rate environments are defined as periods during which the 10-year US Treasury yield rose by more than 70 basis points.

†Taper tantrum is from May 1, 2013, to December 31, 2013; tightening tantrum is from July 5, 2016, to March 13, 2017; tax-cut tantrum is from September 7, 2017, to June 30, 2018.

Source: Bloomberg, Bloomberg Barclays, Ned Davis Research, S&P and AB

Financial Strength: Vital, Attractively Valued and Resilient as Rates Rise

Median Debt/Equity Has Climbed
S&P 500 Companies



Relative P/B of Low- vs. High-Levered Stocks: Financial Strength on Sale

Performance of Low-Leverage to High-Leverage Companies
10-Year Bond Movements: 1990–2017

	Average	Fall	Un-changed	Rise
Global	0.25	–0.09	0.08	0.88
Europe	0.13	0.08	0.03	0.29
US	0.16	–0.43	–0.10	1.19

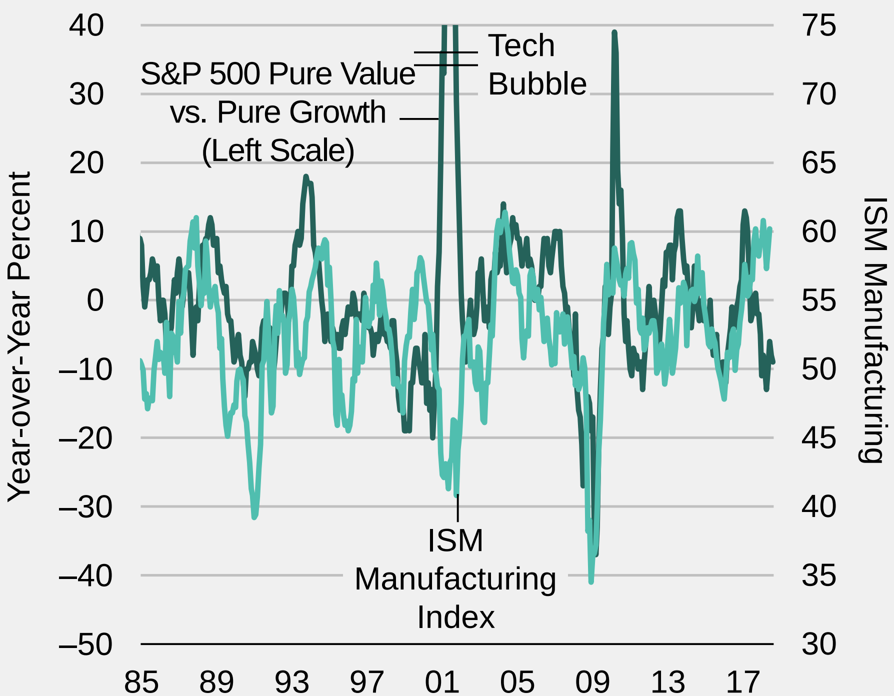
Left display as of December 31, 2017; middle display as of June 30, 2018; right display as of December 31, 2017. Average monthly returns of the net debt to equity factor (low leverage to high leverage) index between 1990 and 2017 when bond yields fall or rise by greater than 10 basis points or are unchanged. The US GDP cycle is based on that defined by the National Bureau of Economic Research. The table shows average quarterly returns of the low leverage to high leverage index in five cycles (early, mid, late expansion and early, late recession). The GDP cycle back test is carried out between 1990 and 2012.

Historical analysis does not guarantee future results.

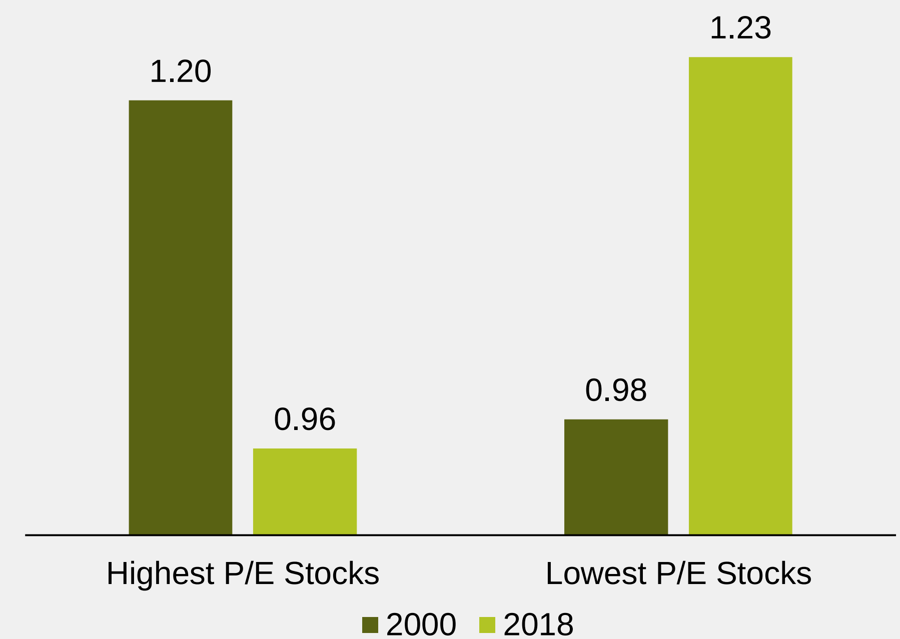
Source: Bernstein Research, FactSet, MSCI, National Bureau of Economic Research, Thomson Reuters I/B/E/S, Thomson Reuters DataStream and AB

Growth Style Remains Relevant, and Not as Risky as You Might Think

When PMIs Peak, the Stability of Growth Becomes More Important



Role Reversal: Betas Then and Now



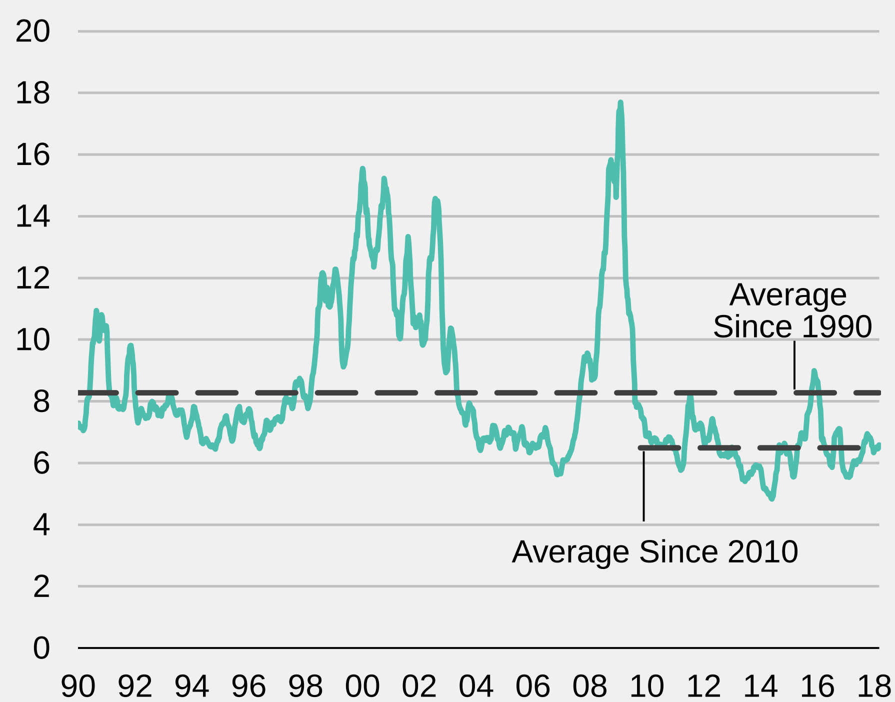
Left display through June 30, 2018; right display as of June 5, 2018

Historical analysis does not guarantee future results.

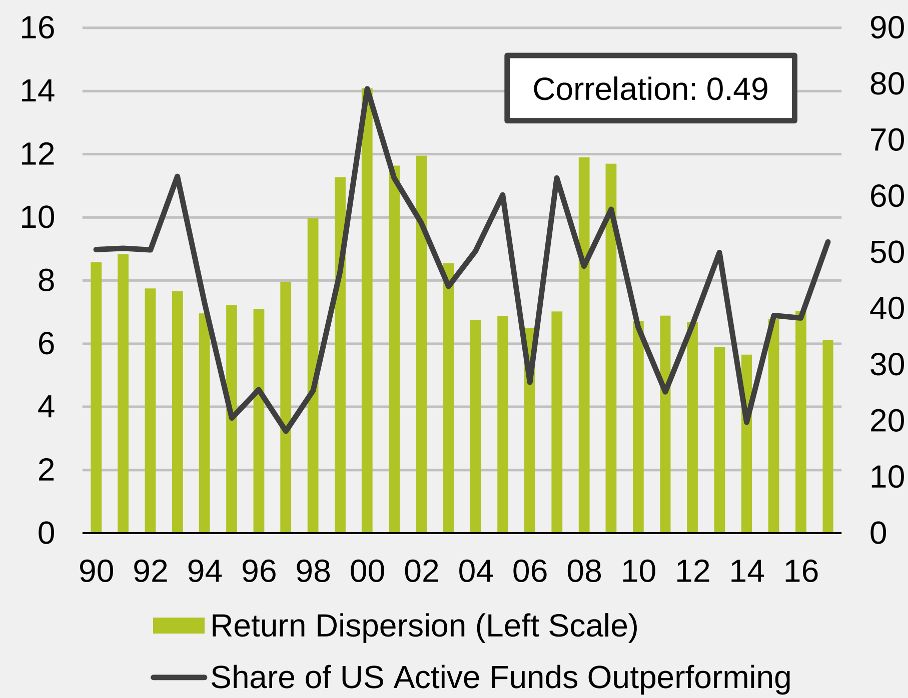
Source: Cornerstone Macro and AB

Dispersions Are Rising, Which Bodes Well for Active Managers

Dispersions Are Rising, Especially Above Post-2010 Average
US Market Return Dispersion (Percent)*



That Could Support Active Management Outperformance
Percent of Active US Large-Cap Funds Outperforming Benchmarks vs. US Market Dispersion (1990–2017)



Left display as of June 30, 2018; right display through December 31, 2017

Past performance, historical analysis and current forecasts do not guarantee future results. Not all sectors perform the same.

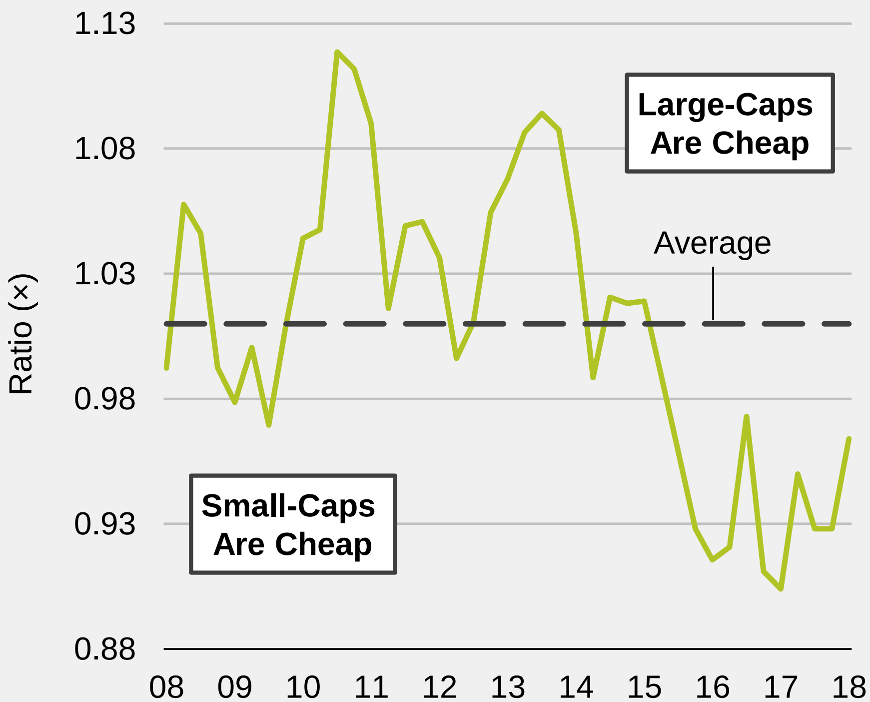
An investor cannot invest directly in an index, and its performance does not reflect the performance of any AB portfolio. The unmanaged index does not reflect the fees and expenses associated with the active management of a portfolio.

*Three-month trailing average historical monthly return dispersion; S&P 500 Stock Universe (1990–2017)

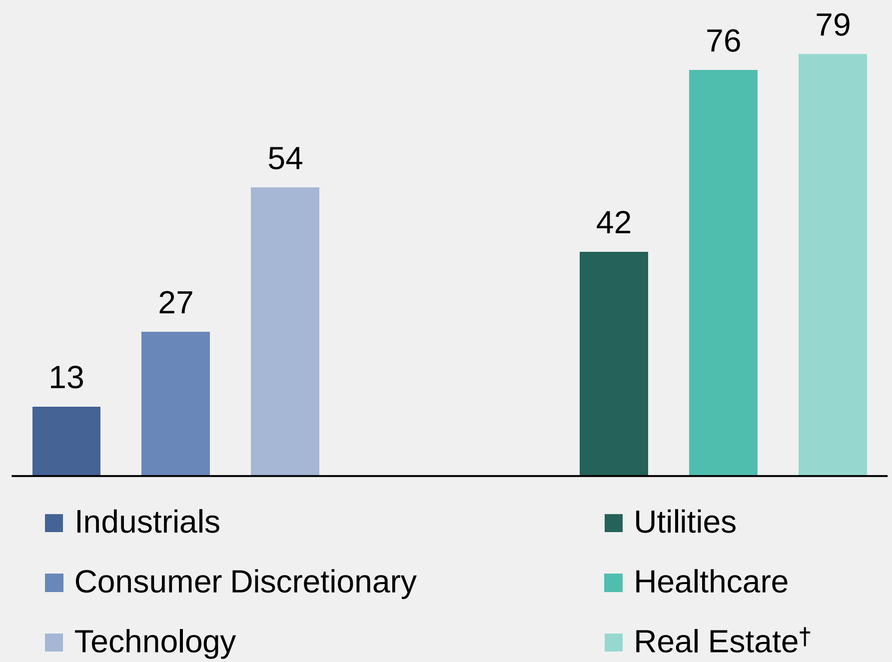
Source: Bernstein Research, S&P and AB

Small-Caps: Opportunities Remain and Be Active

Smaller-Cap Stocks Are Less Expensive than Larger Caps
Relative Valuations (Russell 2000 vs. Russell 1000)*



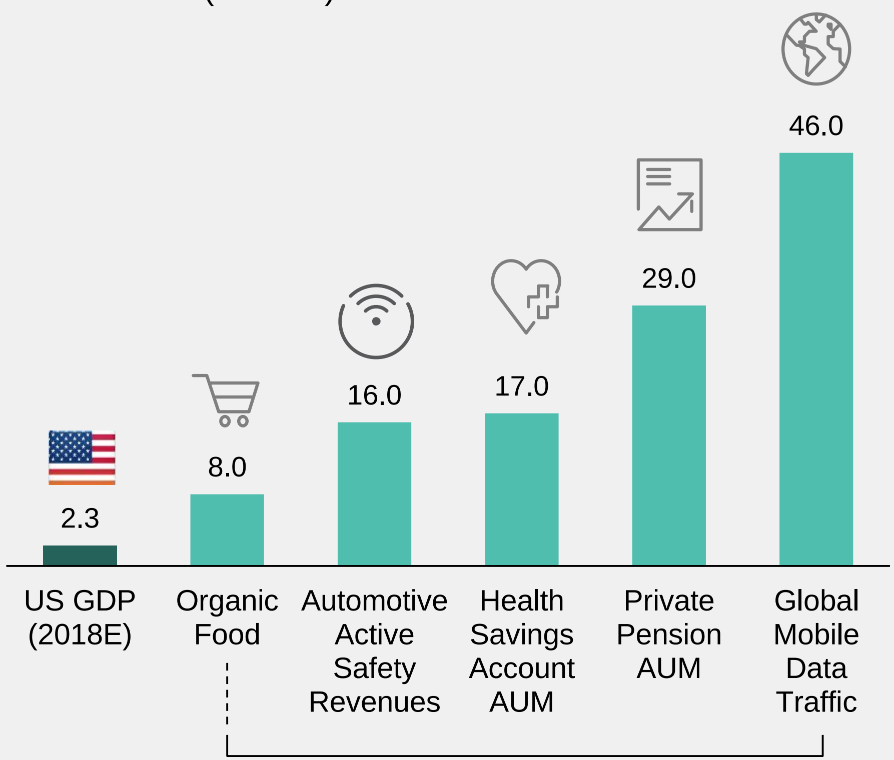
Historical Percentiles
P/FE Multiple Relative to Russell 2000



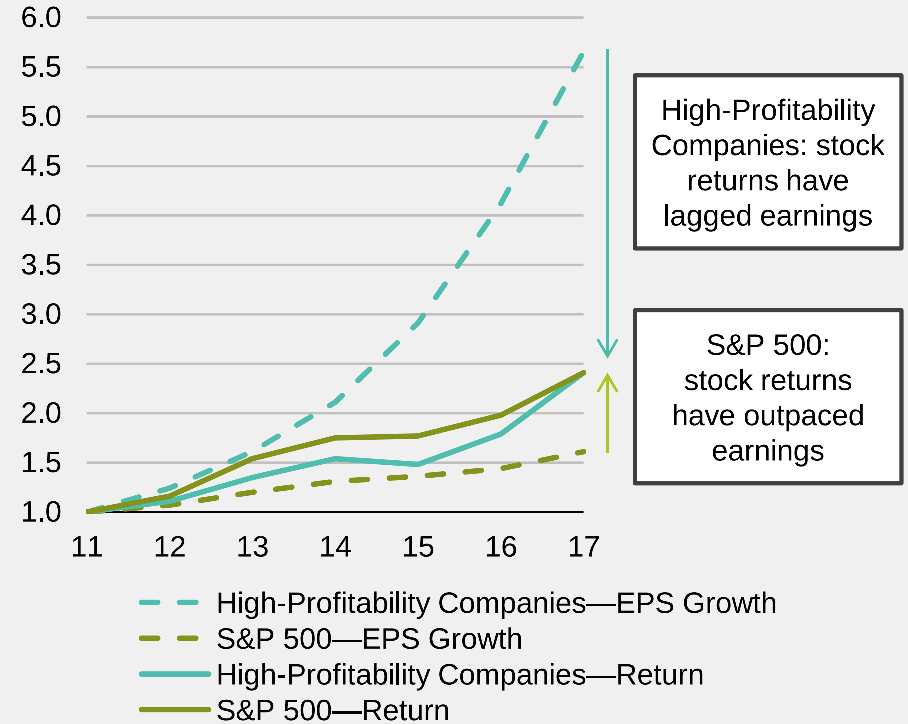
As of June 30, 2018
Historical analysis does not guarantee future results.
*Valuation composite is one-third price/forward earnings, one-third price/book and one-third price/sales.
†Real estate sector adjusted for mortgage REITs post–GICS sector reconstitution to make it comparable with historical data.
Source: Bloomberg, FactSet, Russell Investments and AB

Key Opportunities for Growth: Secular Themes and High Profitability

Growth Isn't Always About the Economy...
Growth Rates (Percent)



...yet the Returns of Highly Profitable US Stocks Have Lagged Earnings
Earnings per Share (EPS) Growth and Total Return Differential



As of December 31, 2017

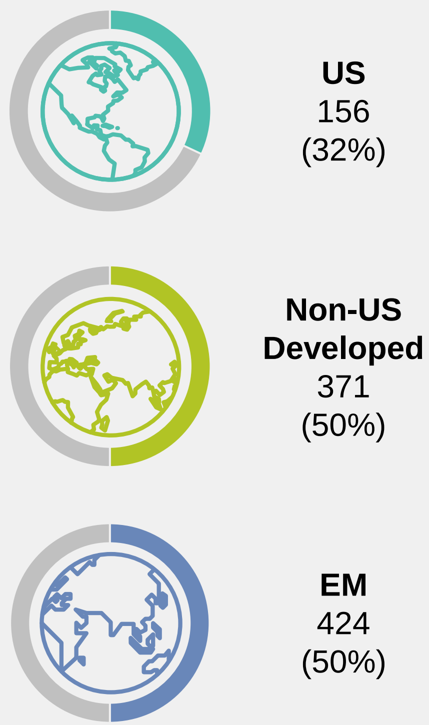
Historical analysis does not guarantee future results. Numbers may not sum due to rounding. US GDP estimate from AB economists. Organic food estimate from AB analysts, through 2023. Automotive active safety revenues estimate from Roland Berger, through 2025. Health savings account AUM from Devenir and AB, through 2022. Private pension AUM estimate from Citigroup, OECD and AB, through 2025. Mobile data traffic estimates from Cisco Systems, through 2021.

Calendar-year-end earnings per share growth and calendar-year total return indexed to 1.

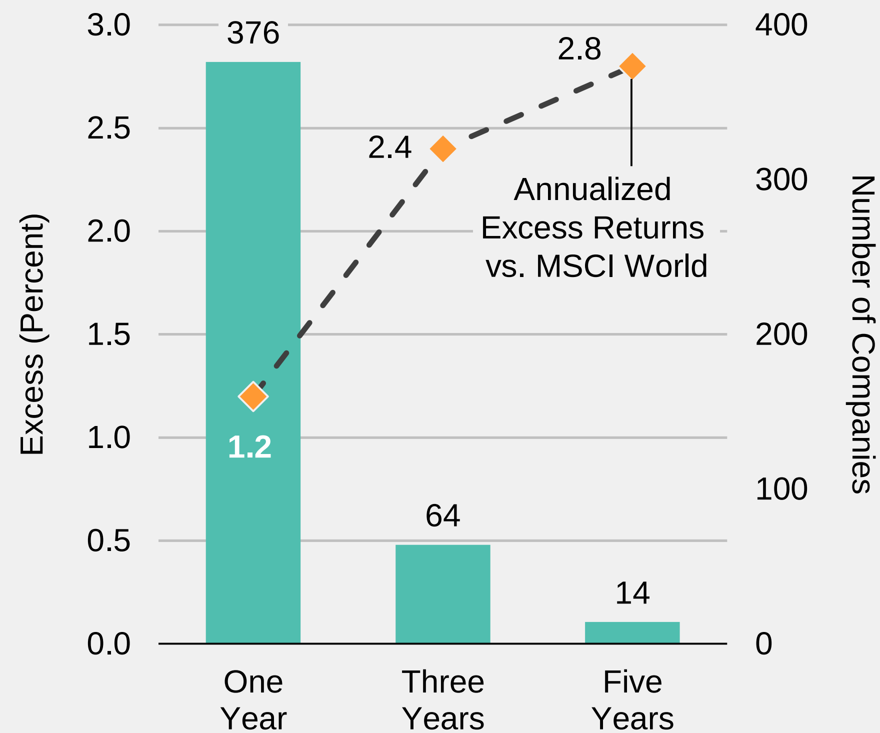
Source: Cisco Systems, Citigroup, Devenir, OECD, Roland Berger, S&P and AB

Global Equities: A Broader Opportunity Set; Sustained Earnings Key

Number of Stocks with Earnings Yield Higher than 7%, and Percentage of Index



Key to Successful Growth Investing: Beating the Fade
Companies Persisting with ≥10% Year-over-Year Earnings Growth Rates: Top 1,000 Global Companies (1979–2017)*



Left display as of March 31, 2018; right display as of December 31, 2017. **Past performance and historical analysis do not guarantee future results.** Historical data for information only. Earnings yield calculated using reciprocal of P/FE (2018). US represented by S&P 500, non-US developed by MSCI EAFE and EM by MSCI Emerging Markets. Individual stocks for which price/forward earnings (2018E) data were not available are excluded from these figures. *Universe consists of the top 1000 companies by market cap each year through 2016 with annual rebalancing. Source: Center for Research in Security Prices, FactSet, MSCI, S&P Compustat and AB

A Word About Risk

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Important Risk Information Related to Investing in Equity and Short Strategies

All investments involve risk. Equity securities may rise and decline in value due to both real and perceived market and economic factors as well as general industry conditions.

A short strategy may not always be able to close out a short position on favorable terms. Short sales involve the risk of loss by subsequently buying a security at a higher price than the price at which it sold the security short. The amount of such loss is theoretically unlimited (since it is limited only by the increase in value of the security sold short). In contrast, the risk of loss from a long position is limited to the investment in the long position, since its value cannot fall below zero. Short selling is a form of leverage. To mitigate leverage risk, a strategy will always hold liquid assets (including its long positions) at least equal to its short position exposure, marked to market daily.

Important Risk Information Related to Investing in Emerging Markets and Foreign Currencies

Investing in emerging-market debt poses risks, including those generally associated with fixed-income investments. Fixed-income securities may lose value due to market fluctuations or changes in interest rates. Longer-maturity bonds are more vulnerable to rising interest rates. A bond issuer's credit rating may be lowered due to deteriorating financial condition; this may result in losses and potentially default, or failure to meet payment obligations. The default probability is higher in bonds with lower, noninvestment-grade ratings (commonly known as "junk bonds").

There are other potential risks when investing in emerging-market debt. Non-US securities may be more volatile because of the associated political, regulatory, market and economic uncertainties; these risks can be magnified in emerging-market securities. Emerging-market bonds may also be exposed to fluctuating currency values. If a bond's currency weakens against the US dollar, this can negatively affect its value when translated back into US-dollar terms.

Bond Ratings Definition

A measure of the quality and safety of a bond or portfolio, based on the issuer's financial condition, and not based on the financial condition of the fund itself. AAA is highest (best) and D is lowest (worst). Ratings are subject to change. Investment-grade securities are those rated BBB and above. If applicable, the Pre-Refunded category includes bonds which are secured by US government securities and therefore are deemed high-quality investment grade by the advisor.

Index Definitions

Following are definitions of the indices referred to in this presentation. It is important to recognize that all indices are unmanaged and do not reflect fees and expenses associated with the active management of a mutual fund portfolio. Investors cannot invest directly in an index, and its performance does not reflect the performance of any AB mutual fund.

+ **Bloomberg Barclays Global Aggregate Bond Index:** Measure of global investment-grade debt from 24 local-currency markets; includes treasury, government-related, corporate and securitized fixed-rate bonds from both developed- and emerging-market issuers.
+ **Bloomberg Barclays Global Aggregate Corporate Bond Index:** Tracks the performance of investment-grade corporate bonds publicly issued in the global market and found in the Global Aggregate. (Represents global corporate on slide 1.)
+ **Bloomberg Barclays Global High-Yield Bond Index:** Provides a broad-based measure of the global high-yield fixed-income markets. It represents the union of the US High-Yield, Pan-European High Yield, US Emerging Markets High-Yield, CMBS High Yield and Pan-European Emerging Markets High-Yield indices.
+ **Bloomberg Barclays Global High-Yield Corporate Index:** A multi-currency measure of the global high-yield corporate debt market. The index represents the union of the US High-Yield, the Pan-European High-Yield, and the corporate sector of the Emerging Markets (EM) Hard-Currency High-Yield Indices. The high-yield and emerging-market sub-components are mutually exclusive. The Global High-Yield Corporate Index is a component of the Global High-Yield Index and subsequently a component of the Multiverse Index, along with the Global Aggregate, Euro Treasury High-Yield and EM Local Currency Government Indices.
+ **Bloomberg Barclays Global Treasury: Euro Bond Index:** Includes fixed-rate, local-currency sovereign debt that makes up the Euro Area Treasury sector of the Global Aggregate Index. (Represents euro-area government bonds on slide 1.)
+ **Bloomberg Barclays Global Treasury: Japan Bond Index:** Includes fixed-rate, local-currency sovereign debt that makes up the Japanese Treasury sector of the Global Aggregate Index. (Represents Japan government bonds on slide 1.)
+ **Bloomberg Barclays Municipal Bond Index:** A rules-based, market value–weighted index engineered for the long-term tax-exempt bond market. (Represents municipals on slide 1.)
+ **Bloomberg Barclays US Aggregate Bond Index:** A broad-based benchmark that measures the investment-grade, US dollar–denominated, fixed-rate, taxable bond market, including US Treasuries, government-related and corporate securities, mortgage-backed securities (MBS [agency fixed-rate and hybrid ARM pass-throughs]), asset-backed securities (ABS), and commercial mortgage-backed securities (CMBS).
+ **Bloomberg Barclays US Corporate High-Yield Bond Index:** Represents the corporate component of the Bloomberg Barclays US High-Yield Index. (Represents US high yield on slide 1.)
+ **Bloomberg Barclays US Corporate Bond Index:** Measures the investment-grade, fixed-rate, taxable corporate bond market and includes USD-denominated securities publicly issued by US and non-US industrial, utility and financial issuers.

Index Definitions (continued)

- **Bloomberg Barclays US Treasury Index:** Includes fixed-rate, local-currency sovereign debt that makes up the US Treasury sector of the Global Aggregate Index. (Represents US government bonds on slide 1.)
- **Bloomberg Barclays US Treasury Inflation-Linked Bond Index:** Measures the performance of the US Treasury Inflation-Protected Securities market.
- **J.P. Morgan Corporate Emerging Markets Bond Index:** A global, corporate emerging-market benchmark that tracks USD-denominated corporate bonds issued by emerging-market entities.
- **J.P. Morgan Emerging Market Bond Index Global:** A benchmark index for measuring the total return performance of government bonds issued by emerging-market countries that are considered sovereign (issued in something other than local currency) and that meet specific liquidity and structural requirements. In order to qualify for index membership, the debt must be more than one year to maturity, have more than $500 million outstanding, and meet stringent trading guidelines to ensure that pricing inefficiencies don't affect the index. (Represents emerging-market debt on slide 1.)
- **J.P. Morgan Government Bond-Emerging Markets Global Diversified Index:** A comprehensive global emerging-market index of local government bond debt. To qualify, a country's gross national income (GNI) per capita must be below the GNI per capita level that is adjusted yearly by the growth rate of the world GNI per capita, provided by the World Bank, for three consecutive years.
- **MSCI EAFE Index:** A free float–adjusted, market capitalization–weighted index designed to measure developed-market equity performance, excluding the US and Canada. It consists of 22 developed-market country indices. (Represents EAFE on slide 1.)
- **MSCI Emerging Markets Index:** A free float–adjusted, market capitalization–weighted index designed to measure equity market performance in the global emerging markets. It consists of 21 emerging-market country indices. (Represents emerging markets on slide 1.)
- **MSCI World Index:** A market capitalization–weighted index that measures the performance of stock markets in 24 countries.
- **Russell 1000 Index**: A stock market index that represents the highest-ranking 1,000 stocks in the Russell 3000 Index, representing about 90% of the total market capitalization of that index.
- **Russell 2000 Index:** Measures the performance of the small-cap segment of the US equity universe. It is a subset of the Russell 3000 Index, representing approximately 8% of the total market capitalization of that index. It includes approximately 2,000 of the smallest securities based on a combination of their market cap and current index membership. (Represents US small-cap on slide 1.)
- **S&P 500 Index:** Includes a representative sample of 500 leading companies in leading industries of the US economy. (Represents US large-cap on slide 1.)

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