August 2017

MARKET UPDATE

PARIS CLIMATE ACCORD WITHDRAWAL: LIMITED IMPACT FOR AB AND ITS PORTFOLIOS

US ANNOUNCES PARIS ACCORD WITHDRAWAL

In June, US President Donald Trump announced that the US would withdraw from the Paris Agreement, a nonbinding 2015 pact made with 194 other countries to combat and adapt to climate change.

This decision followed a March 2017 presidential executive order asking the US Environmental Protection Agency to review the Clean Power Plan. That plan was an Obama-era policy aimed at lowering power generators' carbon dioxide emissions.

These recent US government actions have left some investors wondering what impact the decisions will have on their investment portfolios. President Trump's decision will not alter our firm's commitment to corporate responsibility nor our initiatives to reduce our environmental impact.

LIMITED IMPACT ON INVESTMENT STRATEGY

At AB, we recognize that climate change is real. We analyze the risk it poses and the opportunities it presents for our portfolios across countries, sectors and industries. We're committed to developing solutions for clients who want more targeted solutions through thematic and/or impact strategies.

AB's Responsible Investing (RI) framework includes four facets (*Display*). Integration is applied across our fixed-income and equities strategies; the other approaches provide solutions to help clients meet their objectives.

Responsible Investing in Action

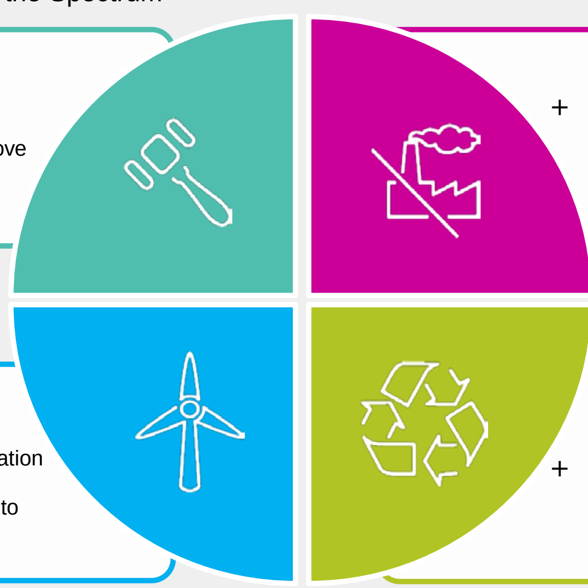
Assessing Climate Change Across the Spectrum

Integration

+ Assess the materiality of carbon intensity and issuer's plans to move to low-carbon economy; assess renewable energy opportunity

Screening

+ Prohibit the investment of client assets into high-carbon emitters



Thematic

+ Own a wind turbine power generation company that aligns with the UN Sustainable Development Goals to improve energy efficiency

Impact

+ Own debt securities that fund a project for a local transit authority to significantly reduce greenhouse gas emissions

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INTEGRATION

Our analysts determine the potential investment impact of environmental, social and governance (ESG) issues—including environmental and climate-related risks—as part of their overall research assessment.

They conduct proprietary research and use third-party data providers, company visits, and discussions with senior management, board members and other stakeholders to gain a holistic view of the risks and opportunities.

Active ownership is an important part of our approach to ESG integration. We engage with issuers on a variety of subjects, including environmental-related issues, and we have a comprehensive proxy-voting policy. We have a strong record of supporting climate-related shareholder proposals—in 2016, we supported 72% of climate change proposals and 74% of greenhouse gas (GHG) emissions–related proposals.

Our Fixed Income and Equity Research teams believe that the steps taken by large, multinational companies to invest in green technologies and/or reduce their carbon footprint are unlikely to be reversed. Companies operating in Europe, China and many other countries that are still part of the Paris pact must continue to uphold high environmental standards. Even within the US, certain municipalities will keep more stringent environmental standards than those required at the federal level, and many CEOs have stated that they plan to continue their efforts to transition to a low-carbon economy.

Economics, not policy, has been driving innovation and green-technology adoption in recent years. These trends are unlikely to diminish. While regulatory subsidies may change, the economics of investing in new carbon-intensive power plants, such as coal, is likely to remain unattractive. Renewables, meanwhile, have become much more cost-effective. For example, from 2008 to 2016, the cost of wind power fell by 45% and solar fell by 74%.

While some US-focused, smaller companies (such as oil drillers) could benefit from deregulation, they are likely to be a relatively small subset and should have only a modest impact within our overall investment universe.

SCREENING

If climate concerns are at the top of investors' minds, AB's portfolio teams can apply a filter to portfolio holdings based on environmental criteria. For example, if a client wants to avoid companies with heavy coal exposures, we can build portfolios that include a screen to systematically exclude coal- or other fossil-fuel-intensive companies.

THEMATIC AND IMPACT PORTFOLIOS

For clients who want to proactively invest in climate-related themes or make investments with a positive environmental impact, AB offers Thematic and Impact portfolios. The US withdrawal from the Paris Agreement should have limited impact on these strategies.

For example, within our Sustainable Global Thematic Equity Portfolios, one theme is energy transformation. Our Investment team believes the trends described above should continue to support investments in this sector. We believe that businesses, including US firms, are increasingly investing to make their operations more sustainable. Seven of the 10 largest US public companies have pledged to source 100% of their electricity from renewables over the next few years.

Our Municipal Impact Portfolios shouldn't see much fallout: the utilities we invest in—for example, those in California—continue to move toward renewable energy sources. According to climatemayors.org, mayors in more than 300 cities have agreed to abide by the tenets of the Paris Agreement. The green bond market—bonds targeting green uses for proceeds—continues to grow, with record issuance in 2016 and strong issuance in the first half of 2017.

AB: COMMITTED TO ENVIRONMENTAL RESPONSIBILITY

As investors, we rigorously scrutinize the ESG behavior of other companies, and we believe it's critical that we live up to the same standards.

We continuously look for ways to improve our best practices, while minimizing the firm's impact on the environment. These efforts include:

+ Conducting an extensive global GHG inventory every three years
+ Removing plastic water bottles from most of our offices, resulting in the elimination of roughly 20,000 pounds of plastic from the waste stream annually
+ Reducing our total annual power consumption for AB's major global offices by 12.3%*
+ Working closely with our office property managers to meet the highest possible locally recognized environmental standards—including giving preference to green office buildings (such as those that are Leadership in Energy and Environmental Design, or LEED, certified) when leasing new facilities
+ Engaging and maintaining an open dialogue with vendors to ensure that they make commercially reasonable efforts to be socially and environmentally responsible

At AB, we're committed to investing responsibly for our clients and to maintaining an environmentally responsible firm. The recent developments with the Paris Agreement won't impact either of these efforts.

*June 2012 to May 2015

Past performance does not guarantee future results.

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. 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. The values of mortgage-related and asset-backed securities are particularly sensitive to changes in interest rates due to prepayment risk. 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. Allocation Risk: Allocating to different types of assets may have a large impact on returns if one of these asset classes significantly underperforms the others. 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. Derivatives Risk: Investments in 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. Leverage Risk: Trying to enhance investment returns by borrowing money or using other leverage tools may magnify both gains and losses, resulting in greater volatility. 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.