THE FOLLOWING IS NOT PART OF THE SHAREHOLDER REPORT OR THE FINANCIAL STATEMENTS

SUMMARY OF SENIOR OFFICER'S EVALUATION OF INVESTMENT ADVISORY AGREEMENT[1]

The following is a summary of the evaluation of the Investment Advisory Agreement between AllianceBernstein L.P. (the "Adviser") and The AB Portfolios (the "Trust") in respect of AB Tax-Managed Balanced Wealth Strategy, AB Tax-Managed Wealth Appreciation Strategy and AB Tax-Managed Conservative Wealth Strategy (each a "Strategy" and collectively the "Strategies"),[2] prepared by Philip L. Kirstein, the Senior Officer of the Trust for the Board of Trustees, as required by the August 2004 agreement between the Adviser and the New York State Attorney General (the "NYAG"). The Senior Officer's evaluation of the Investment Advisory Agreement is not meant to diminish the responsibility or authority of the Board of Trustees of the Trust to perform its duties pursuant to Section 15 of the Investment Company Act of 1940 (the "40 Act") and applicable state law. The purpose of the summary is to provide shareholders with a synopsis of the independent evaluation of the reasonableness of the advisory fees proposed to be paid by the Strategies which was provided to the Trustees in connection with their review of the proposed approval of the continuance of the Investment Advisory Agreement.

The investment objective of the Strategies is to achieve the highest total return consistent with the Adviser's determination of reasonable risk. The Strategies seek to maximize after-tax returns by pursuing a number of strategies that take into account the

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[1] The information in the fee evaluation was completed on July 21, 2016 and discussed with the Board of Trustees on August 2-3, 2016.

[2] Future references to the Strategies do not include "AB." References in the fee summary pertaining to performance and expense ratios refer to Class A shares of the Strategies.

tax impact of buy and sell investment decisions on shareholders as well as investing their debt portion in tax-exempt securities. The Adviser utilizes separate portfolio accounts (or "portfolio sleeves") to manage the equity and fixed income (tax-exempt) securities of the Strategies, while investing in AB Multi-Manager Alternative Strategies Fund ("MMAS"), Multi-Asset Real Return Portfolio, and Volatility Management Portfolio of The Pooling Portfolios to manage the Strategies' volatility created by the equity and fixed income (tax-exempt) securities of the Strategies.[3, 4, 5] Each portfolio sleeve is managed according to the investment style/asset class of the portfolio securities held within the sleeve.

The Senior Officer's evaluation considered the following factors:

1. Advisory fees charged to institutional and other clients of the Adviser for like services;
2. Advisory fees charged by other mutual fund companies for like services;
3. Costs to the Adviser and its affiliates of supplying services pursuant to the advisory agreement, excluding any intra-corporate profit;
4. Profit margins of the Adviser and its affiliates from supplying such services;

[3] Since August 2014, the Strategies had the ability to invest a portion of their investments in Multi-Asset Real Return Portfolio of The Pooling Portfolios.
[4] To cite an example, Tax-Managed Balanced Wealth Strategy is managed using separate sleeves for Intermediate Municipal, Tax-Aware Intermediate Municipals, U.S. Growth, U.S. Value, Non-U.S. Growth and Non-U.S. Value, and investing in Volatility Management Portfolio.
[5] Effective July 11, 2016, the Strategies have become the largest investors in the Pooling Portfolios with the loss of the Adviser's CollegeBoundfund ("529") business. Accordingly, with the Pooling Portfolios' decrease in assets, the portfolio expense ratios of the Pooling Portfolios have increased, impacting the Strategies' acquired fund fees and expenses.

5. Possible economies of scale as the Strategies grow larger; and
6. Nature and quality of the Adviser's services including the performance of the Strategies.

These factors, with the exception of the first factor, are generally referred to as the "*Gartenberg* factors," which were articulated by the United States Court of Appeals for the Second Circuit in 1982. *Gartenberg v. Merrill Lynch Asset Management, Inc.*, 694 F. 2d 923 (2d Cir. 1982). On March 30, 2010, the Supreme Court held the *Gartenberg* decision was correct in its basic formulation of what Section 36(b) requires: to face liability under Section 36(b), "an investment adviser must charge a fee that is so disproportionately large that it bears no reasonable relationship to the services rendered and could not have been the product of arm's length bargaining." *Jones v. Harris Associates L.P.*, 130 S. Ct. 1418 (2010). In *Jones*, the Court stated the *Gartenberg* approach fully incorporates the correct understanding of fiduciary duty within the context of Section 36(b) and noted with approval that "*Gartenberg* insists that all relevant circumstances be taken into account" and "uses the range of fees that might result from arm's length bargaining as the benchmark for reviewing challenged fees."[6]

ADVISORY FEES, NET ASSETS, & EXPENSE RATIOS

The Adviser proposed that each Strategy pays the advisory fee set forth in the table below for receiving the services to be provided pursuant to the Investment Advisory Agreement. The fee schedule below, implemented in January 2004 in consideration of

[6] *Jones v. Harris* at 1427.

the Adviser's settlement with the NYAG in December 2003, is based on a master schedule that contemplates eight categories of funds with almost all funds in each category having the same advisory fee schedule.[7]

In connection with the Strategies' investments in MMAS, the Adviser will waive its advisory fee from each Strategy in an amount equal to the portion of the MMAS management fee that the Adviser retains – i.e., does not pay to MMAS' sub-advisers, except for Tax-Managed Conservative Wealth Strategy.[8] Specifically, MMAS' management fee is 1.90%, and out of this fee, the Adviser will generally pay the sub-advisers a fee of 1.00%. Accordingly, the MMAS management fee rate for each Strategy, except for Tax-Managed Conservative Wealth, would be reduced by approximately 0.90%. In addition, the Adviser intends to waive additional advisory fees payable by the Wealth Strategies until at least December 31, 2016 to eliminate the expense ratio impact of the non-advisory expenses of MMAS.

The shareholders of the Strategies will indirectly bear their proportionate share of the portion of the management fee that is paid to the sub-advisers as well as other MMAS expenses. To the extent that a sub-advisory fee is greater or less than the 1.00% rate agreed to by all of the proposed initial MMAS sub-advisers, the amount of the advisory fee retained by the Adviser and, therefore, the amount of the Adviser's fee waiver would change.

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[7] Most of the AB Mutual Funds, which the Adviser manages, were affected by the Adviser's settlement with the NYAG.

[8] With respect to Tax-Managed Conservative Wealth Strategy, due to the Strategy's expense cap, the Adviser is effectively reimbursing the Strategy for all of the Strategy's acquired fund fees and expenses.

With respect to Tax-Managed Conservative Wealth Strategy, pursuant to the Strategy's expense limitation undertaking, the Strategies' Class A expenses are capped at 1.15%; Class B and Class C expenses are capped at 1.90%; and Advisor Class expenses are capped at 0.90%. The Strategy's share of the advisory fee paid by MMAS is subject to the Strategy's expense cap, as are other operating expenses of MMAS and the Multi-Asset Real Return Portfolio of The Pooling Portfolios.

Category	Advisory Fees Based on a percentage of Average Daily Net Assets	Net Assets 6/30/16 ($MIL)	Strategy
Balanced	0.55% on 1st $2.5 billion 0.45% on next $2.5 billion 0.40% on the balance	$139.2	Tax-Managed Balanced Wealth Strategy
Blend	0.65% on 1st $2.5 billion 0.55% on next $2.5 billion 0.50% on the balance	$676.9	Tax-Managed Wealth Appreciation Strategy
Balanced	0.55% on 1st $2.5 billion 0.45% on next $2.5 billion 0.40% on the balance	$42.8	Tax-Managed Conservative Wealth Strategy

With respect to Tax-Managed Wealth Appreciation Strategy, the Strategy's Investment Advisory Agreement provides for the Adviser to be reimbursed for certain clerical, legal, accounting, administrative and other services provided to the Strategy. In May 2015, the Board authorized reimbursement payments under these provisions for the first time. During the Strategy's most recently completed fiscal year, the Adviser received $30,845 (0.004% of the Strategy's average daily net assets) for providing such services.

The Adviser has agreed to reimburse Tax-Managed Conservative Wealth Strategy for that portion of the Strategy's total operating expenses to the degree necessary to limit the Strategy's expense ratios to the amounts set forth below for the Strategy's fiscal year. The terms of the expense limitation undertaking permit modification or termination by the Adviser upon at least 60 days' notice prior to the Strategy's prospectus update. The expense caps shown below include the blended expense ratios of the Pooling Portfolios and MMAS Fund (i.e., the Strategy's acquired fund fees and expenses). Also set forth below are Tax-Managed Conservative Wealth Strategy's gross expense ratios for the most recent semi-annual period:[9]

Strategy	Class	Expense Cap Pursuant to Expense Limitation Undertaking[10] Cap	Net	Gross	Acquired Fund Fees and Expenses	Total Expenses	Fiscal Year End
Tax-Managed Conservative Wealth Strategy[11, 12]	Class A	1.15%	1.04%	1.80%	0.11%	1.15%	August 31 (ratios as of February 29, 2016)
	Class B	1.90%	1.79%	2.53%	0.11%	1.90%	
	Class C	1.90%	1.79%	2.52%	0.11%	1.90%	
	Advisor	0.90%	0.79%	1.51%	0.11%	0.90%	

As previously mentioned, with respect to the Strategies, other than Tax-Managed Conservative Wealth Strategy, the Adviser is waiving 0.90% of its 1.90% advisory fees for MMAS, so that the effective management fee for each Strategy in connection with

[9] Semi-annual total expense ratios are unaudited.
[10] Acquired fund fees and expenses are included under the expense cap.
[11] Prior to December 31, 2014, the expense cap of the Strategy's Class A shares was 1.20%. The new expense cap reflects the reduction of 12b-1 fees from 0.30% to 0.25% effective December 31, 2015.
[12] Under the Strategy's expense limitation undertaking, the Strategy's share of the advisory fee paid by MMAS would be subject to the Strategy's expense cap, but not of the other operating expenses of MMAS and the Multi-Asset Real Return Portfolio of The Pooling Portfolios, resulting in a minimal increase in the expenses borne by the Strategy of approximately 0.01%.

MMAS is equal to 1.00%, the fee that the Adviser pays the sub-advisers of MMAS. In addition, the Adviser intends to waive additional advisory fees payable by the Wealth Strategies until at least December 31, 2016 to eliminate the expense ratio impact of the non-advisory expenses of MMAS. The net increase in expenses resulting from the Strategies' investment in MMAS ranges up to 0.12%, depending on the size of each Strategy's allocation to MMAS, and assuming the expense cap of MMAS is in place. MMAS' expense limitation undertaking is in effect until December 31, 2016.[13]

Set forth below are Tax-Managed Balanced Wealth and Tax-Managed Wealth Appreciation Strategy's total expense ratios for the most recent semi-annual period:[9]

		Total Expense Ratio		Acquired Fund Fees and		
Strategy	Class	Net	Gross	Expenses	Total Expenses	Fiscal Year End
Tax-Managed Balanced Wealth Strategy	Class A	1.14%	1.20%	0.17%	1.31%	August 31 (ratios as of February 29, 2016)
	Class B	1.92%	1.98%	0.17%	2.09%	
	Class C	1.89%	1.95%	0.17%	2.06%	
	Advisor	0.99%	1.05%	0.17%	1.16%	
Tax-Managed Wealth Appreciation Strategy	Class A	0.93%	1.01%	0.22%	1.15%	August 31 (ratios as of February 29, 2016)
	Class B	1.72%	1.80%	0.22%	1.94%	
	Class C	1.68%	1.76%	0.22%	1.90%	
	Advisor	0.68%	0.76%	0.22%	0.90%	

I. ADVISORY FEES CHARGED TO INSTITUTIONAL AND OTHER CLIENTS

The advisory fees charged to investment companies which the Adviser manages and sponsors are normally higher than those charged to similar sized institutional

[13] Semi-annual gross expense ratios are annualized.

accounts, including pension plans and sub-advised investment companies. The fee differential reflects, among other things, different services provided to such clients, and different liabilities assumed. Services provided by the Adviser to the Strategies that are not provided to non-investment company clients and sub-advised investment companies include providing office space and personnel to serve as Fund Officers, who among other responsibilities make the certifications required under the Sarbanes–Oxley Act of 2002, and coordinating with and monitoring the Strategies' third party service providers such as Fund counsel, auditors, custodians, transfer agents and pricing services. The accounting, administrative, legal and compliance requirements for the Strategies are more costly than those for institutional assets due to the greater complexities and time required for investment companies, although as previously noted, with respect to Tax-Managed Wealth Appreciation Strategy, the Adviser is reimbursed by the Strategy for providing some of these services. Also, retail mutual funds managed by the Adviser are widely held. Servicing retail mutual fund investors is generally more time consuming and labor intensive compared to institutional clients since the Adviser needs to communicate with a more extensive network of financial intermediaries and shareholders. The Adviser also believes that it incurs substantial entrepreneurial risk when offering a new mutual fund since establishing a new mutual fund requires a large upfront investment and it may take a long time for the fund to achieve profitability since the fund must be priced to scale from inception in order to be competitive and assets are acquired one account at a time. In addition, managing the cash flow of an investment company may be more difficult

than managing that of a stable pool of assets, such as an institutional account with little cash movement in either direction, particularly, if a fund is in net redemption and the Adviser is frequently forced to sell securities to raise cash for redemptions. However, managing a fund with positive cash flow may be easier at times than managing a stable pool of assets. Finally, in recent years, investment advisers have been sued by institutional clients and have suffered reputational damage both by the attendant publicity and outcomes other than complete victories. Accordingly, the legal and reputational risks associated with institutional accounts are greater than previously thought, although still not equal to those related to the mutual fund industry.

Notwithstanding the Adviser's view that managing an investment company is not comparable to managing other institutional accounts because the services provided are different, the Supreme Court has indicated consideration should be given to the advisory fees charged to institutional accounts with a similar investment style as the Strategies.[14] However, the Adviser represented that there are no categories in the Form ADV for institutional products that have a substantially similar investment style as any of the Strategies.

The Adviser represented that it does not sub-advise any registered investment companies with a substantially similar investment style as any of the Strategies.

II. MANAGEMENT FEES CHARGED BY OTHER MUTUAL FUND COMPANIES

[14] The Supreme Court stated that "courts may give such comparisons the weight that they merit in light of the similarities and differences between the services that the clients in question require, but the courts must be wary of inapt comparisons." Among the significant differences the Supreme Court noted that may exist between services provided to mutual funds and institutional accounts are "higher marketing costs." *Jones v. Harris* at 1428.

FOR LIKE SERVICES.

Broadridge Financial Solutions, Inc. ("Broadridge"), an analytical service that is not affiliated with the Adviser, compared the fees charged to the Strategy with fees charged to other investment companies for similar services offered by other investment advisers.[15, 16] Broadridge's analysis included the comparison of the Strategy's contractual management fee, estimated at the approximate current asset level of the Strategy, to the median of the Strategy's Broadridge Expense Group ("EG")[17] and the Strategy's contractual management fee ranking.[18]

Broadridge describes an EG as a representative sample of comparable funds. Broadridge's standard methodology for screening funds to be included in an EG entails the consideration of several fund criteria, including fund type, Lipper investment classification/objective, load type and similar 12b-1/non-12b-1 service fees, asset (size)

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[15] The Supreme Court cautioned against accepting mutual fund fee comparisons without careful scrutiny since "these comparisons are problematic because these fees, like those challenged, may not be the product of negotiations conducted at arm's length." *Jones v. Harris* at 1429.

[16] On June 5, 2015, Broadridge acquired the Fiduciary Services and Competitive Intelligence unit, *i.e.*, the group responsible for providing the Strategy's 15(c) reports, from Thomson Reuters' Lipper division. The group that maintains Lipper's expense and performance databases and investment classification/objective remains a part of Thomson Reuters' Lipper division. Accordingly, the Strategy's investment classification/objective continued to be determined by Lipper.

[17] Broadridge does not consider average account size when constructing EGs. Funds with relatively small average account sizes tend to have higher transfer agent expense ratios than comparable sized funds that have relatively large average account sizes. There are limitations to Lipper expense category data because different funds categorize expenses differently.

[18] The contractual management fee is calculated by Broadridge using the Strategy's contractual management fee rate at the hypothetical asset level. The hypothetical asset level is based on the combined net assets of all classes of the Strategy, rounded up to the next $25 million. Broadridge's total expense ratio information is based on the most recent annual report except as otherwise noted. A ranking of "1" would mean that Strategy had the lowest effective fee rate in the Broadridge peer group.

comparability, expense components and attributes. An EG will typically consist of seven to twenty funds.[19]

Strategy	Contractual Management Fee (%)[20]	Broadridge EG Median (%)	Broadridge EG Rank
Tax-Managed Balanced Wealth Strategy	0.550	0.650	2/10
Tax-Managed Wealth Appreciation Strategy	0.650	0.800	2/11
Tax-Managed Conservative Wealth Strategy	0.550	0.570	4/11

Broadridge also analyzed the Strategies' most recently completed fiscal year total expense ratios in comparison to the Strategies' EG and Broadridge Expense Universe ("EU"). The EU is a broader group compared to the EG, consisting of all funds that have the same investment classification/objective and load type as the subject Strategy.[21] Set forth below is Broadridge's comparison of the Strategies' total expense ratios and the

[19] With respect to the Strategies, which Lipper classifies as fund-of-funds, historically, Broadridge has compared the Funds to non-fund-of-funds (FOF) due to the Wealth Strategies' very low, if not zero, underlying portfolios expenses. Broadridge expense comparison methodology precludes comparing expenses of FOF to non-FOF. This filter has a narrowing effect on the number of peers in the Funds' EGs

[20] The contractual management fee does not reflect any expense reimbursements made by the Strategy to the Adviser for certain clerical, legal, accounting, administrative, and other services. In addition, the contractual management fee does not reflect any advisory fee waivers or expense reimbursements made by the Adviser that would effectively reduce the actual effective management fee.

[21] Except for asset (size) comparability, Broadridge uses the same criteria for selecting an EG when selecting an EU. Unlike the EG, the EU allows for the same adviser to be represented by more than just one fund.

medians of the Strategies' EG and EU. The Strategies' total expense ratio rankings are also shown. [22]

Strategy	Total Expense Ratio (%)[23]	Broadridge EG Median (%)	Broadridge Group Rank	Broadridge EU Median (%)	Broadridge EU Rank
Tax-Managed Balanced Wealth Strategy	1.297	1.213	8/10	1.119	29/38
Tax-Managed Wealth Appreciation Strategy	1.166	1.313	2/11	1.405	4/27
Tax-Managed Conservative Wealth Strategy	1.235	1.080	9/11	1.081	24/29
pro-forma	*1.150*	*1.080*	*9/11*	*1.081*	*23/29*

Based on the information provided, pro-forma where available, the Strategies have lower contractual management fees than their respective EG medians. Except for Tax-Managed Wealth Appreciation Strategy, the Strategies have a higher total expense ratio than each of their respective EG medians.

A significant portion of the Strategies' total expenses are the Strategies' acquired fund fees and expenses. Set forth below is a comparison of the Strategies' total expense ratios, including and excluding acquired fund fees and expenses.

[22] Pro-forma total expense ratio reflects changes to the Strategy's 12b-1 fee reduction from 0.30% to 0.25% and expense caps from 1.20% to 1.15% effective December 31, 2015.
[23] The Class A shares total expense ratio shown for each Strategy is for the most recently completed fiscal year.

	Total Exp. Ratio (Ex. Acquired Fund Fees and Exp.)(%)	Acquired Fund Fees and Exp. (%)	Total Exp. Ratio (Inc. Acquired Fund Fees and Exp.)(%)
Tax-Managed Balanced Wealth Strategy[24]	**1.127**	**0.170**	**1.297**
EG Median	1.154	0.090	1.213
EG Rank	3/10	4/5	8/10
Tax-Managed Wealth Appreciation Strategy	**0.926**	**0.240**	**1.166**
EG Median	1.313	N/A	1.313
EG Rank	1/11	N/A	2/11
Tax-Managed Conservative Wealth Strategy *(pro-forma)*[24]	**1.040**	**0.110**	**1.150**
EG Median	1.023	0.070	1.080
EG Rank	8/11	5/8	9/11

III. COSTS TO THE ADVISER AND ITS AFFILIATES OF SUPPLYING SERVICES PURSUANT TO THE MANAGEMENT FEE ARRANGEMENT, EXCLUDING ANY INTRA-CORPORATE PROFIT.

The Adviser utilizes two profitability reporting systems, which operate independently but are aligned with each other, to estimate the Adviser's profitability in connection with investment advisory services provided to the Strategies. The Senior Officer has retained a consultant to provide independent advice regarding the alignment of the two profitability systems as well as the methodologies and allocations utilized by both profitability systems. See Section IV for additional discussion.

[24] As previously mentioned, the impact of the investment in MMAS to the acquired fund fees and expenses of the Strategies ranges up to 0.12%, depending on each Strategy's allocation to MMAS.

IV. PROFIT MARGINS OF THE ADVISER AND ITS AFFILIATES FOR SUPPLYING SUCH SERVICES.

The Strategies' profitability information, prepared by the Adviser for the Board of Trustees, was reviewed by the Senior Officer and the consultant. Except for Tax-Managed Wealth Appreciation Strategy, the Adviser's profitability from providing investment advisory services to the Strategies decreased during calendar year 2015, relative to 2014.

In addition to the Adviser's direct profits from managing the Strategies, certain of the Adviser's affiliates have business relationships with the Strategies and may earn a profit from providing other services to the Strategies. The courts have referred to this type of business opportunity as "fall-out benefits" to the Adviser and indicated that such benefits should be factored into the evaluation of the total relationship between the Strategies and the Adviser. Neither case law nor common business practice precludes the Adviser's affiliates from earning a reasonable profit on this type of relationship provided the affiliates' charges and services are competitive and the relationship otherwise complies with the 40 Act restrictions. These affiliates provide transfer agent, distribution and brokerage related services to the Strategies and receive transfer agent fees, Rule 12b-1 payments, front-end sales loads, contingent deferred sales charges ("CDSC") and brokerage commissions. In addition, the Adviser benefits from soft dollar arrangements which offset expenses the Adviser would otherwise incur.

AB Investments, Inc. ("ABI"), an affiliate of the Adviser, is the Trust's principal underwriter. ABI and the Adviser have disclosed in the Strategies' prospectus that they

may make revenue sharing payments from their own resources, in addition to resources derived from sales loads and Rule 12b-1 fees, to firms that sell shares of the Trust. In 2015, ABI paid approximately 0.05% of the average monthly assets of the AB Mutual Funds or approximately $20 million for distribution services and educational support (revenue sharing payments).

ABI retained the following front-end load sales charges from sales of the Strategies' Class A shares during the Strategies' most recently completed fiscal year:

Strategy	Amount Received
Tax-Managed Balanced Wealth Strategy	$2,040
Tax-Managed Wealth Appreciation Strategy	$2,236
Tax-Managed Conservative Wealth Strategy	$421

ABI received the amounts set forth below in Rule 12b-1 fees and CDSC for the Strategies during the Strategies' most recently completed fiscal year:

Strategy	12b-1 Fees Received	CDSC Received
Tax-Managed Balanced Wealth Strategy	$546,890	$2,654
Tax-Managed Wealth Appreciation Strategy	$281,131	$1,186
Tax-Managed Conservative Wealth Strategy	$243,918	$1,067

Fees and reimbursements for out of pocket expenses charged by AB Investor Services, Inc. ("ABIS"), the affiliated transfer agent for the Strategies, are based on the level of the network account and the class of shares held by the account. ABIS also

receives a fee per shareholder sub-account for each account maintained by an intermediary on an omnibus basis. ABIS received the following net fees from the Strategies in the most recently completed fiscal year:

Strategy	ABIS Fee
Tax-Managed Balanced Wealth Strategy	$67,749
Tax-Managed Wealth Appreciation Strategy	$109,567
Tax-Managed Conservative Wealth Strategy	$24,209

Neither did the Strategies effect brokerage transactions through nor did they pay commissions to the Adviser's U.S. and U.K. affiliates, Sanford C. Bernstein & Co., LLC ("SCB & Co.") and Sanford C. Bernstein Limited ("SCB Ltd."), collectively "SCB," during the Strategies' most recently completed fiscal year. The Adviser represented that SCB's profitability from any future business conducted with the Strategies would be comparable to the profitability of SCB's dealings with other similar third party clients. In the ordinary course of business, SCB receives and pays liquidity rebates from electronic communications networks ("ECNs") derived from trading for its clients. These credits and charges are not being passed onto any SCB client. The Adviser also receives certain soft dollar benefits from brokers that execute agency trades for the Strategies and other clients. These soft dollar benefits reduce the Adviser's cost of doing business and increase its profitability.

V. POSSIBLE ECONOMIES OF SCALE

The Adviser has indicated that economies of scale are being shared with shareholders through pricing to scale, breakpoints, fee reductions/waivers and enhancement to services.

In May 2012, an independent consultant, retained by the Senior Officer, provided the Board of Trustees information on the Adviser's firm-wide average costs from 2005 through 2011 and the potential economies of scale. The independent consultant noted that from 2005 through 2007 the Adviser experienced significant growth in assets under management ("AUM"). During this period, operating expenses increased, in part to keep up with growth, and in part reflecting market returns. However, from 2008 through the first quarter of 2009, AUM rapidly and significantly decreased due to declines in market value and client withdrawals. When AUM rapidly decreased, some operating expenses categories, including base compensation and office space, adjusted more slowly during this period, resulting in an increase in average costs. Since 2009, AUM has experienced less significant changes. The independent consultant noted that changes in operating expenses reflect changes in business composition and business practices in response to changes in financial markets. Finally, the independent consultant concluded that the increase in average cost and the decline in net operating margin across the Adviser since late 2008 are inconsistent with the view that there are currently reductions in average costs due to economies of scale that can be shared with the AB Mutual Funds managed by the Adviser through lower fees.

Previously, in February 2008, the independent consultant provided the Board of Trustees an update of the Deli[25] study on advisory fees and various fund characteristics.[26] The independent consultant first reiterated the results of his previous two dimensional comparison analysis (fund size and family size) with the Board of Trustees.[27] The independent consultant then discussed the results of the regression model that was utilized to study the effects of various factors on advisory fees. The regression model output indicated that the bulk of the variation in fees predicted were explained by various factors, but substantially by fund AUM, family AUM, index fund indicator and investment style. The independent consultant also compared the advisory fees of the AB Mutual Funds to similar funds managed by 19 other large asset managers, regardless of the fund size and each Adviser's proportion of mutual fund assets to non-mutual fund assets.

[25] The Deli study, originally published in 2002 based on 1997 data and updated for the February 2008 Presentation, may be of diminished value due to the age of the data used in the presentation and the changes experienced in the industry over the last four years. Source: Deli, Daniel N. "Mutual Fund Advisory Contracts: An Empirical Investigation." *Journal of Finance*, 57(1): 109-133 (2002).

[26] As mentioned previously, the Supreme Court cautioned against accepting mutual fund fee comparisons without careful scrutiny since the fees may not be the product of negotiations conducted at arm's length. See *Jones V. Harris* at 1429.

[27] The two dimensional analysis showed patterns of lower advisory fees for funds with larger asset sizes and funds from larger family sizes compared to funds with smaller asset sizes and funds from smaller family sizes, which according to the independent consultant is indicative of a sharing of economies of scale and scope. However, in less liquid and active markets, such is not the case, as the empirical analysis showed potential for diseconomies of scale in those markets. The empirical analysis also showed diminishing economies of scale and scope as funds surpassed a certain high level of assets.

VI. NATURE AND QUALITY OF THE ADVISER'S SERVICES, INCLUDING THE PERFORMANCE OF THE FUND

With assets under management of approximately $490 billion as of June 30, 2016, the Adviser has the investment experience to manage and provide non-investment services (described in Section I) to the Strategies.

The information prepared by Broadridge shows the 1, 3, 5 and 10 year performance returns and rankings[28] of the Strategies relative to their Broadridge Performance Groups ("PGs") and Broadridge Performance Universes ("PUs")[29] for the periods ended May 31, 2016.[30]

Strategy	Portfolio Return (%)	PG Median (%)	PU Median (%)	PG Rank	PU Rank
Tax-Managed Balanced Wealth Strategy[31]					
1 year	-1.11	-2.08	-2.16	4/10	31/100
3 year	3.42	5.08	4.63	9/10	73/97
5 year	3.63	6.12	5.01	10/10	77/88
10 year	3.29	5.25	5.00	9/9	62/66

[28] The performance returns and rankings of the Strategies are for the Strategies' Class A shares. The performance returns of the Strategies were provided by Broadridge.
[29] The Strategies' PGs are identical to their EGs. A Strategy's PU may not necessarily be identical to its respective EU. Strategies with negative management fees are excluded from EGs/EUs but not necessarily from PGs/PUs. In addition, PGs/PUs only include funds of the same Lipper investment classification/objective as the Strategies, in contrast to certain of the Strategies' EGs/EUs, which may include strategies of similar but not the same investment classification/objective.
[30] The current Lipper investment classification/objective dictates the PG and PU throughout the life of each Strategy even if a Strategy had a different investment classification/objective at an earlier point in time.
[31] Lipper does not have a separate classification for tax-managed funds. Accordingly, unlike the Strategy, many of the Strategy's Lipper peers are not tax-managed.

Strategy	Portfolio Return (%)	PG Median (%)	PU Median (%)	PG Rank	PU Rank
Tax-Managed Wealth Appreciation Strategy					
1 year	-5.37	-5.37	-5.54	6/11	18/38
3 year	6.27	6.29	6.25	7/11	17/36
5 year	5.54	5.76	5.72	8/11	20/33
10 year	2.88	5.06	4.83	7/7	14/16
Tax-Managed Conservative Wealth Strategy					
1 year	-0.74	-0.67	-0.81	8/11	36/72
3 year	2.10	3.91	3.25	9/10	60/71
5 year	2.39	5.02	4.17	7/8	58/64
10 year	2.59	4.95	4.70	7/7	45/49

Set forth below are the 1, 3, 5, 10 year and since inception performance returns of the Strategies (in bold) versus their benchmarks for the periods ending May 31, 2016.[32]

	Periods Ending May 31, 2016 Annualized Net Performance (%)				
	1 Year (%)	3 Year (%)	5 Year (%)	10 Year (%)	Since Inception (%)
Tax-Managed Balanced Wealth Strategy	**-1.11**	**3.42**	**3.63**	**3.29**	**5.63**
50% S&P 500 / 50% Barclays 5 Yr GO Municipal Bond Index	2.89	6.74	7.27	6.05	7.21
Barclays 5Yr GO Municipal Bond Index	3.52	2.24	2.63	4.06	4.72
S&P 500 Index	1.72	11.06	11.67	7.41	9.09

Inception Date: May 4, 1992

[32] The performance returns are for the Class A shares of the Strategies. Strategy and benchmark performance return information was provided by the Adviser.

	Periods Ending May 31, 2016 Annualized Net Performance (%)				
	1 Year (%)	3 Year (%)	5 Year (%)	10 Year (%)	Since Inception (%)
Tax-Managed Wealth Appreciation Strategy	**-5.37**	**6.27**	**5.54**	**2.88**	**4.93**
60% S&P 500 / 40% MSCI ACWI Ex USA Net Index	-3.69	6.65	6.99	5.32	7.64
S&P 500 Index	1.72	11.06	11.67	7.41	7.98
MSCI AC World Ex US Net Index	-11.39	0.19	0.12	2.01	6.55
Inception Date: September 2, 2003					
Tax-Managed Conservative Wealth Strategy	**-0.74**	**2.10**	**2.39**	**2.59**	**4.60**
70% Barclays 5 Yr GO Muni / 30% S&P 500 Index	3.21	4.96	5.44	5.32	6.28
Barclays 5Yr GO Municipal Bond Index	3.52	2.24	2.63	4.06	4.72
S&P 500 Index	1.72	11.06	11.67	7.41	9.09
Inception Date: May 4, 1992					

CONCLUSION:

Based on the factors discussed above the Senior Officer's conclusion is that the proposed advisory fee for each Strategy is reasonable and within the range of what would have been negotiated at arm's-length in light of all the surrounding circumstances. The Senior Officer recommended that the Trustees further discuss the Adviser's plans for the Pooling Portfolios in light of the termination of the CollegeBoundfund (529) Program and its impact on the total expense ratios of the Pooling Portfolios in which the Strategies invest a significant portion of their assets. The Senior Officer also recommended that the Trustees continue to monitor the impact of MMAS on the total expense ratios and

performance of the Strategies. This conclusion in respect of each Strategy is based on an evaluation of all of these factors and no single factor was dispositive.

Dated: August 24, 2016