

March 2021



**ALLIANCEBERNSTEIN<sup>®</sup>**

# THE AB INVESTMENT OPPORTUNITY

PRESENTATION FOR THE INVESTMENT COMMUNITY

# The AB Investment Opportunity

## Sustained Growth

- + Differentiated investment performance and distribution capabilities driving sustained best-in-class organic growth and accelerating inorganic growth opportunities

## Expanding Alternatives

- + Demonstrated expansion in higher-fee, persistent-AUM alternatives platforms

## Committed Capital (EQH)

- + Strategic partner, Equitable (EQH), seeding new strategies and supporting M&A

## Strong Incremental Margins

- + 45-50% incremental margin targets from scalable platform, headquarters relocation, and consistent cost-savings

## Tax Advantaged Structure

- + Low <10% effective tax rate, given partnership structure, an attractive attribute should tax rates rise in the future

## High Distribution Yield

- + ~8% distribution yield in a low rate environment

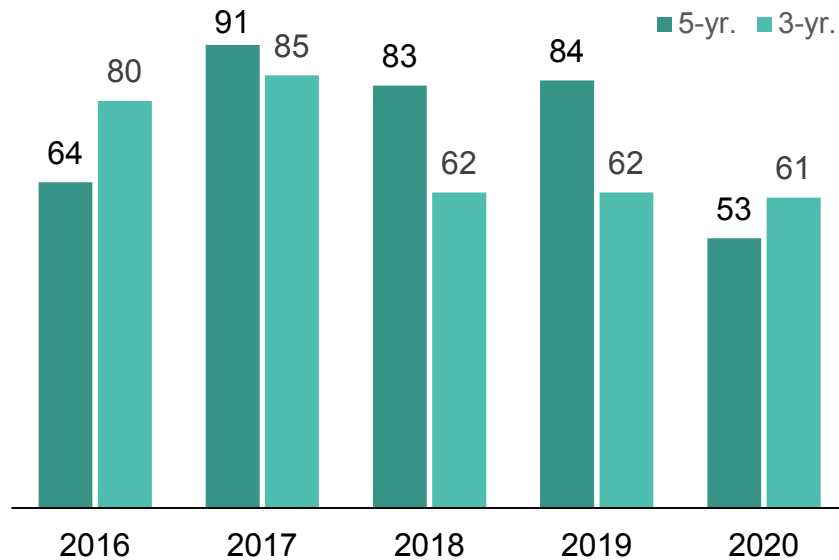
## Brand Strength

- + AB, Bernstein brands renowned among institutional investors
- + Private Wealth differentiated among peers; stable client assets, advisory fees adding significant long-term value

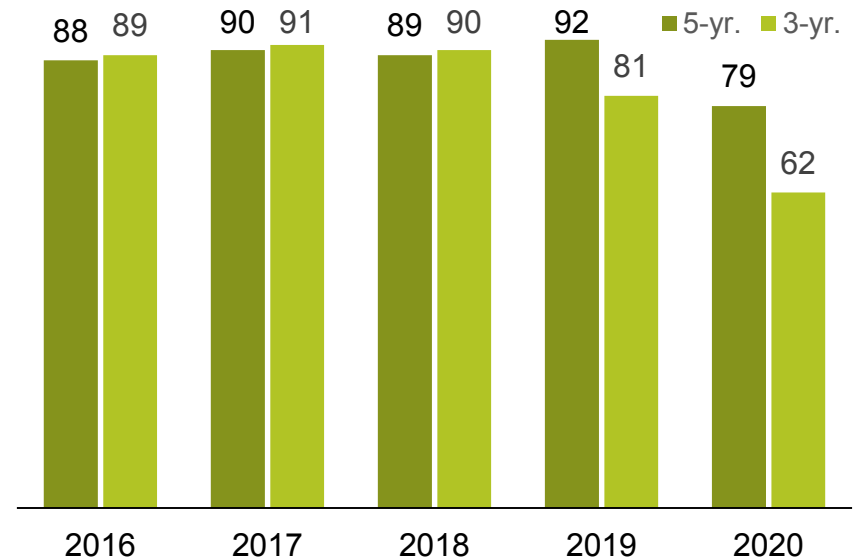
# Sustained and Differentiated Investment Performance...

## Percentage of Assets Outperforming at Quarter- End

### Equities



### Fixed Income



#### Top 5 Relative Performance Equity Strategies (3-yr.)\*

- + International Tech: +12.8%
- + US Small Cap Growth: +12.6%
- + Sustainable Global Thematic: +8.9%
- + Concentrated Global Growth: +7.0%
- + Large Cap Growth: +2.1%

#### Top 5 Relative Performance Fixed Income Strategies (3-yr.)\*

- + European Income: +2.3%
- + American Income: +1.7%
- + Intermediate Diversified Muni: +1.4%
- + Short Duration High Yield: +1.2%
- + US High Yield: +1.1%

\*As of 12/31/2020

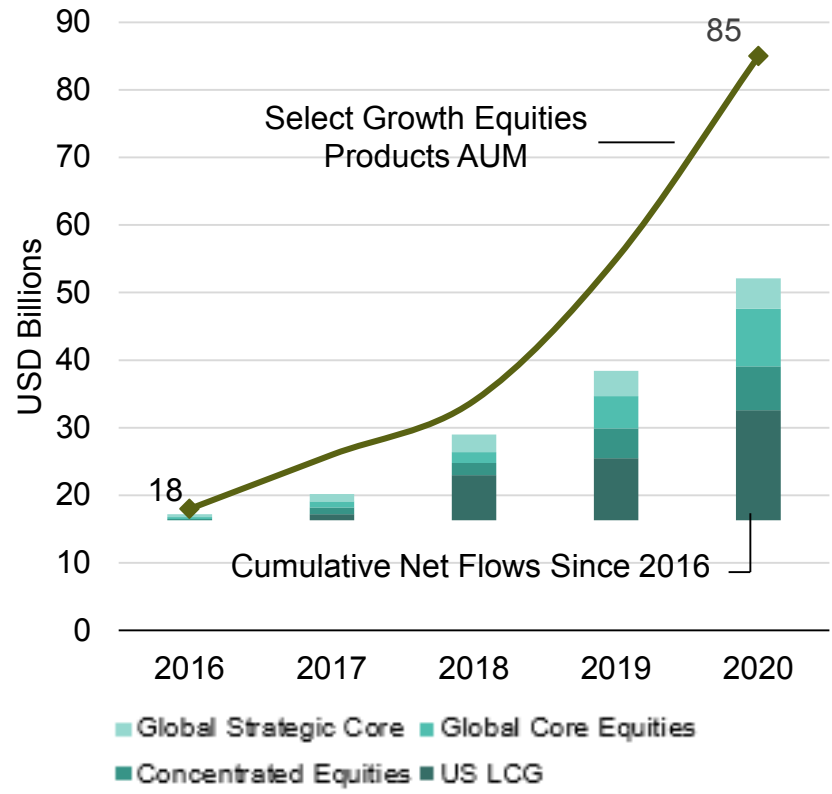
Note: Percentage of active fixed income and equity assets in institutional services that outperformed their benchmark gross of fees, and percentage of active fixed income and equity assets in retail Advisor and I share class funds ranked in the top half of their Morningstar category. Where no Advisor class exists, A share class used. Performance for private wealth services included as available .



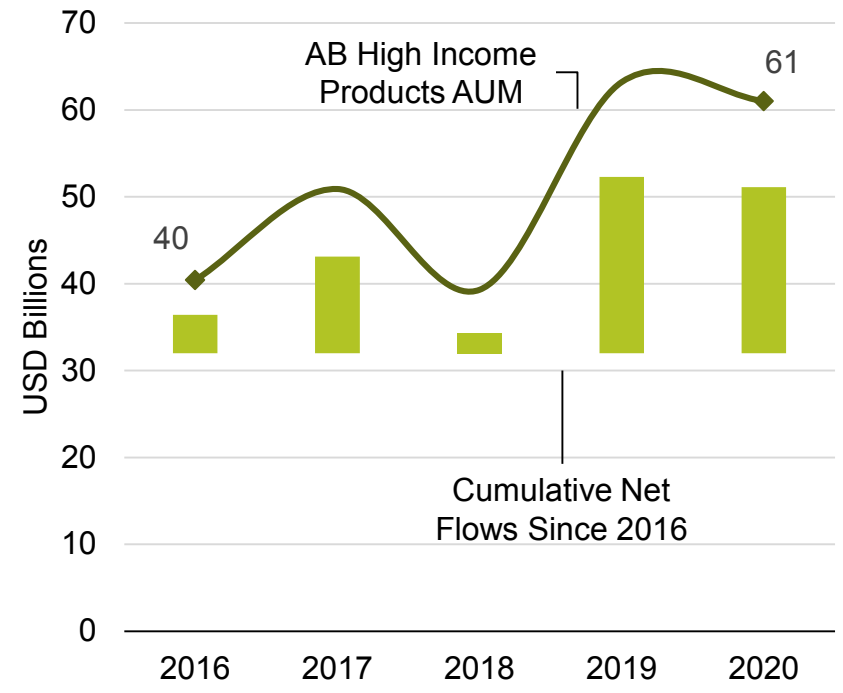
# ...Has Driven Scale and Net Flows Across Our Platform...

## AUM Growth of Key Products

Select Growth Equities Products



High Yield



# ...Resulting in Sustained, and Accelerating, Organic Growth

AUM Compound Annual Growth: 8.0% 2016 – 2020

Active Equity accelerating from 1.7% to 4.9% in recent 3-year period

## Active Net Inflows

Average Annualized Growth: 2016–2020 (Percent)

Average Annualized Growth: 2018–2020 (Percent)



Note: Total Active AUM and Active Fixed Income Average Annualized Growth excludes \$11.8B in low-fee AXA terminated mandates during 2020.

Peer Average includes: Affiliated Managers Group, Franklin Resources, Blackrock, Invesco, Janus Henderson, Legg Mason (prior to 3Q20), T. Rowe Price, Waddell and Reed



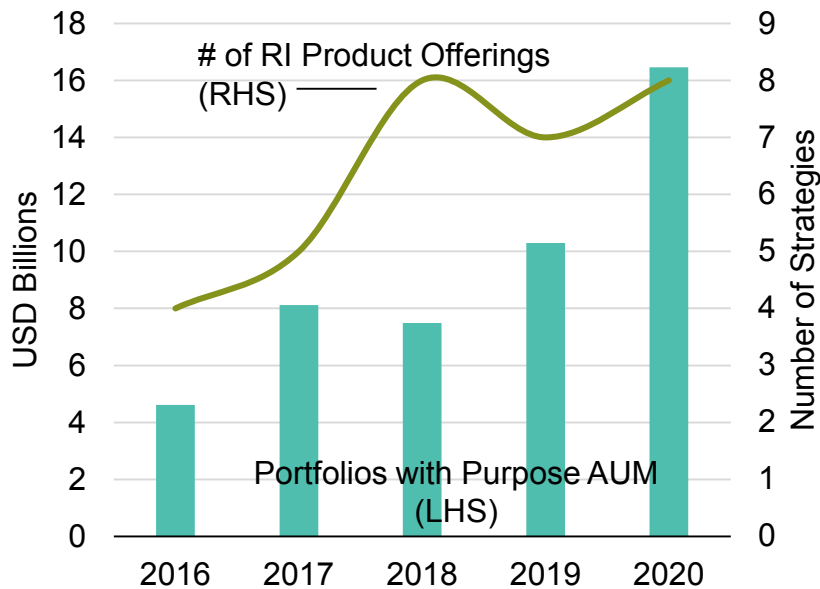
# We Have a Rapidly Growing Responsible Investing Platform

Sustained Growth

RI AUM Have Grown at a 31% CAGR Since 2016

## Responsible Investing Platform, AUM (\$B)

2016-2020



- + Received an A+ PRI Rating for our Responsible Investing Strategy and Governance for 5 years in a row†
- + Our **global analyst team** is at the heart of the ESG Integration process: fundamental investors partner closely with ESG subject-matter experts from our Responsible Investing team.
- + We have collaborated with world-class institutions, such as **Columbia University**, on critical issues like Climate Change: Over 250 analysts and portfolio manager have attended our jointly-developed Climate Change curriculum
- + **PRISM**, our **fixed-income** credit rating and scoring system, includes proprietary ESG scores that directly impact analysts' forward ratings for each issuer.
- + **ESIGHT** is our **equity research** platform that enables real-time sharing of proprietary ESG issuer assessments and engagements
- + Our robust and collaborative proxy voting process protects our clients' interests and is highly regarded within the industry\*



### Goal Based

Our investment strategies can target specific goals, such as carbon neutrality



### Sustainable

Our sustainable strategies align with the UN SDGs, focusing on health, climate and empowerment themes



### Impact

Our Municipal Impact strategy invests in bond projects that benefit underserved communities

Note: Sustainable Strategies are comprised of: Sustainable Global Thematic, Sustainable International Thematic, Sustainable US Thematic, US Thematic Research, Sustainable US Thematic Credit & Sustainable Global Thematic Credit † : In 2020 AB received "A+" or 'A' scores in key modules: Equity Incorporation, Equity Active Ownership, Fixed Income SSA, Fixed Income Corporate Financial and Fixed Income Corporate Non-Financial. AB received a "B" score in Fixed Income Securitized. Collectively, these categories represent 99.7% of total AUM. \* Ranked 6<sup>th</sup> most supportive out of 50 large managers on shareholder sustainability proposals in the 2019 ESG Proxy Voting Trends, Morningstar Manager Research, February 2020



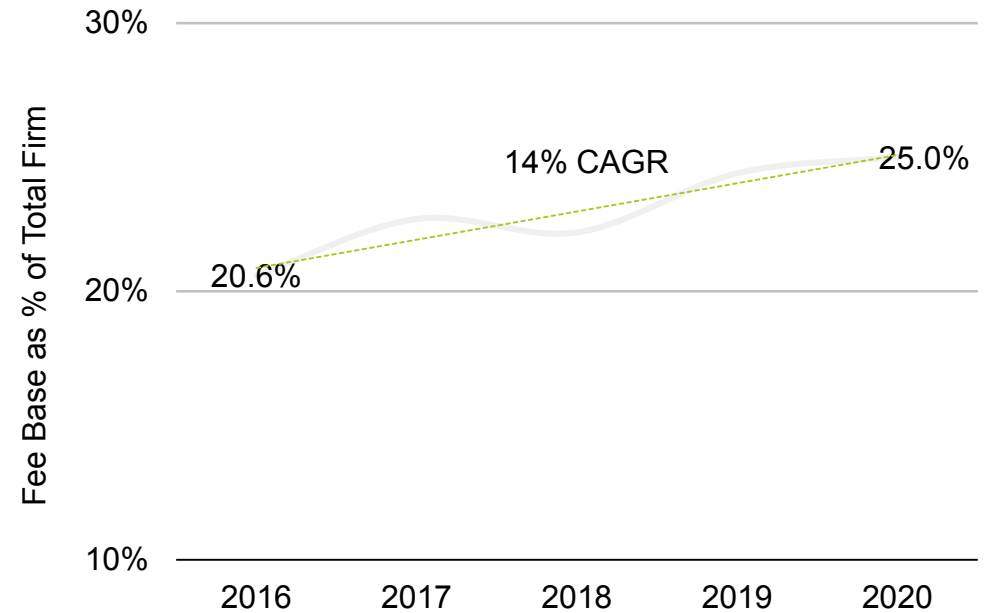
# We have Generated Strong Growth in Asia

Asia Pacific Annualized Fee Base has grown at a 14% CAGR since 2016  
Represents 25% of Firm's Revenue

Sustained Growth

- + Diversified platform with >\$100B in AUM, 10% CAGR since 2016
- + Attractive market growth rate of 9%, supported by strong wealth creation in Asia \*
- + AB has built strong retail share in Taiwan and Hong Kong; Institutional in Japan
- + Growing presence in China, Singapore, Korea, Australia
- + Established FI brand and income suite; broad presence on retail platforms and longstanding relationships with key institutional investors
- + Established equity brand in Japan, Korea; strength in US and Global equity services across style and market caps
- + Multi-asset success in select markets
- + Key Long-term Opportunities:
  - + Growth of China Market
  - + Growing appetite for Responsible Investing products

Asia Pacific Annualized Fee Base as % of Total



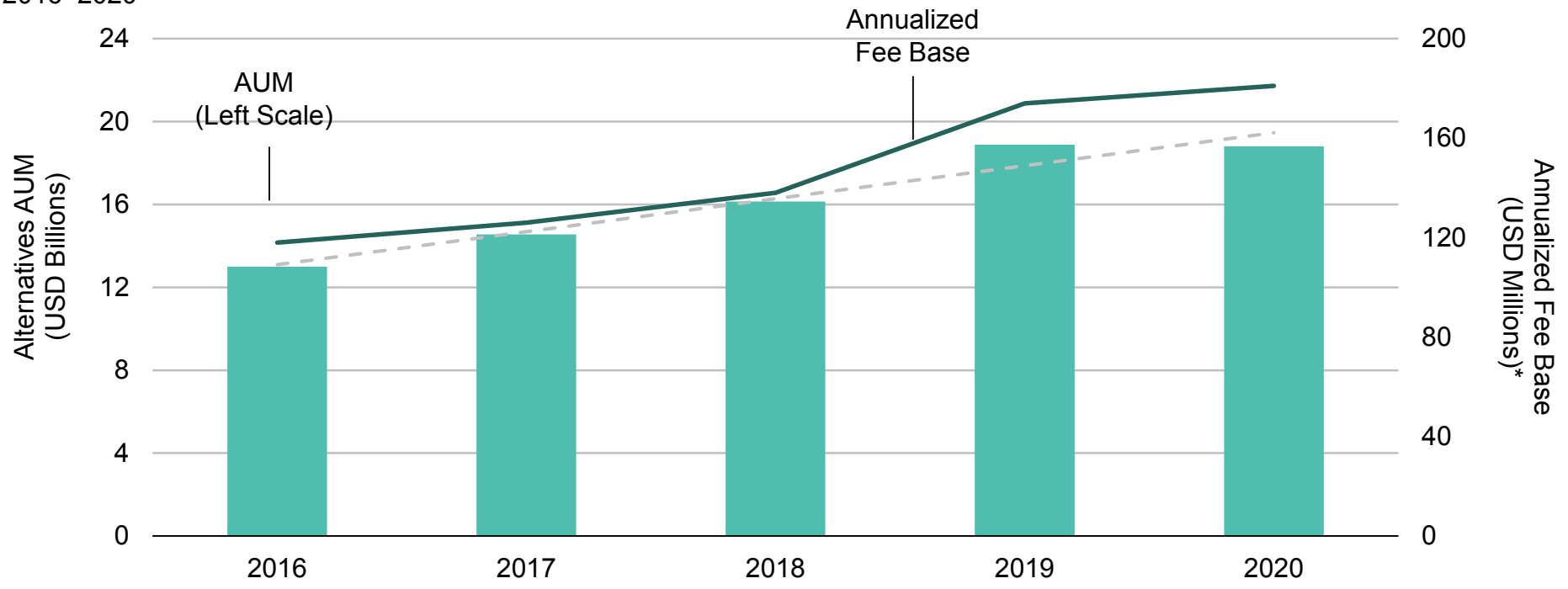
\* Asset and Wealth Management 2025, The Asian Awakening, PWC.  
As of December 31, 2020



# And a Growing Alternatives Platform...

Representing 7% of Annual Fee Base

8% Compound Annual Growth Rate  
2016–2020



Alternatives includes: Real Estate Lending, Private Credit, Arya Partners, Select Equity Long/Short, US Real Estate, Option Advantage, Custom Alternatives, Securitized Assets, Financial Services Opportunities, Global Energy Exploration, Drawdown Managed, All Market Total Return, Asturias, and other alternative strategies. Annualized Fee Base represents the estimated 12-month management fee run-rate, excluding performance fees, based on assets at a specific point in time.





# ...Accelerated by a Strategic Partner in Equitable Holdings (EQH)

- + Founded in 1859, Equitable (Rated A+/A2 by S&P/Moody's) provides advice, protection and retirement strategies with more than 5,000 client relationships globally
- + EQH receives value through its 65% economic interest in higher-multiple AB, having owned AB for over 25 years\*
  - + EQH incented to help AB grow faster, receiving a "fee rebate" via its 65% ownership
  - + AB generates over 30% of EQH cash flows, representing unregulated earnings to EQH at a high multiple, and aligns with EQH's strategy to growing its mix of capital-light, fee-type revenues
  - + AB provides investment expertise and support to help improve EQH's yield
- + Low global interest rate environment creates the opportunity for EQH to reallocate significant general account AUM to high-quality illiquid assets to further improve risk adjusted return through seeding new alternative business at AB – a "Virtuous Circle"
- + Provides AB unique access to large addressable insurance market seeking higher yields, without sacrificing capital outlay

## EQH's Low Cost of Capital and High Cash Generation Benefits AB

- + Represents AB's largest client totaling ~19% of AUM
  - + Lead investor in seeding new liquid and illiquid alternative strategies, having committed >\$1 billion to past funds
  - + Significant client for Fixed Income
- + Provides low-cost \$900 million Line of Credit to AB

## AB a Key Contributor to EQH Portfolio

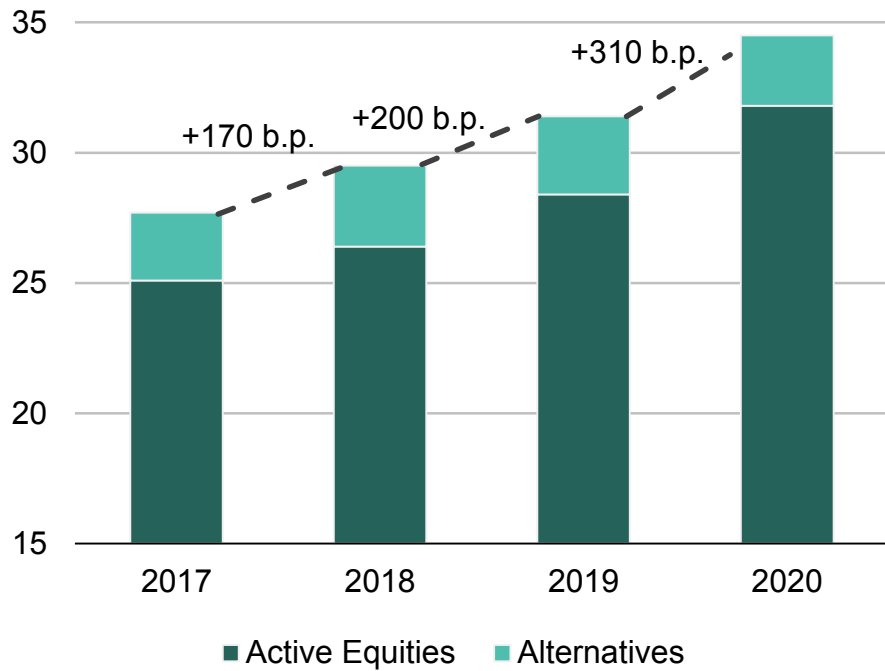
- + Hedging trading expertise; investment portfolio insights driving better risk-adjusted outcomes; delivers stable and unregulated cash distributions; diversifying, low-capital business

\* Includes prior AXA ownership

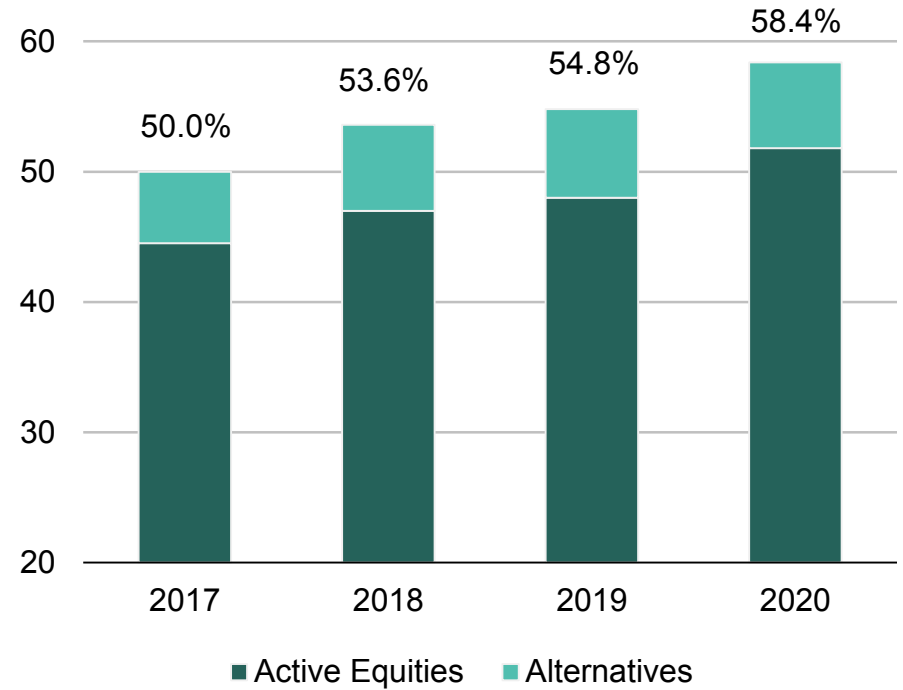


# A Continued Mix Shift to Higher Fee Active Equities and Alternatives...

**Percent of Assets under Management: Active Equities and Alternatives**

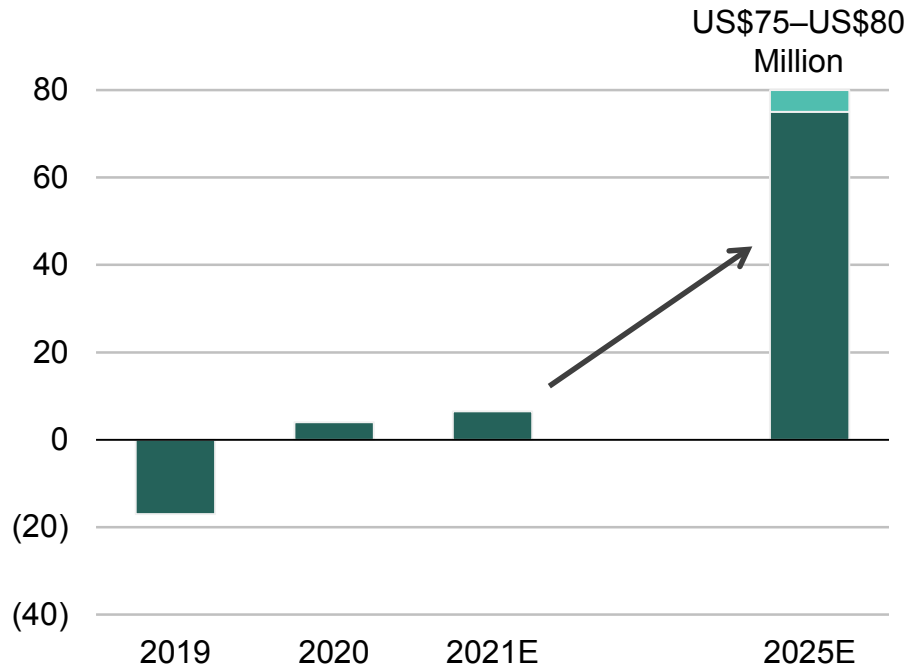


**Percent of Annualized Fee Base: Active Equities and Alternatives**



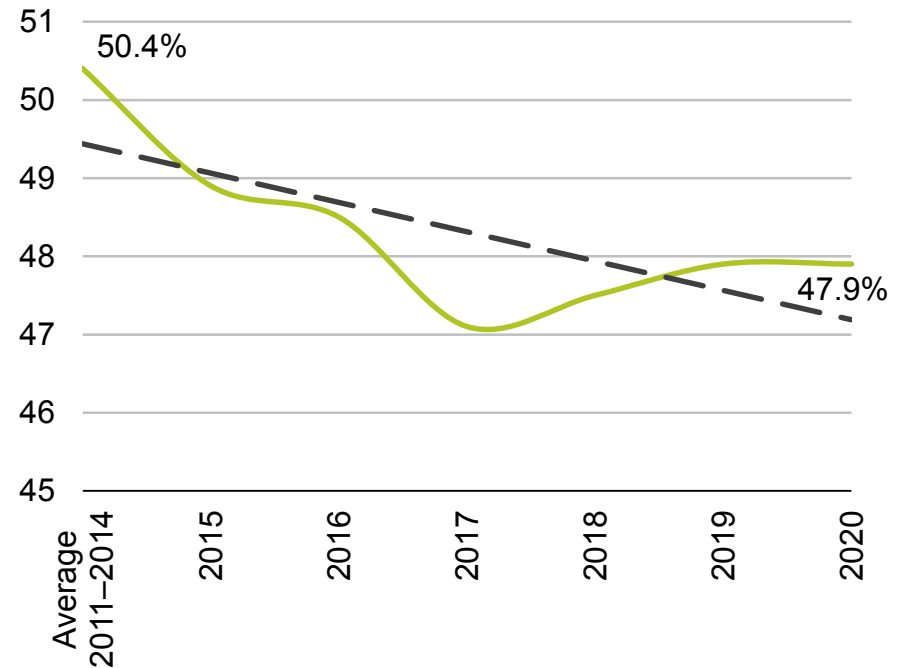
# ...Combined with Focused Execution on Cost Reduction...

**Nashville Relocation Annual Cost Savings**  
USD Millions



- + Accretive in 2020 and beyond
- + Over 800 positions relocated out of targeted 1,250
- + Current targeted headquarters move in, end of 1H 2021

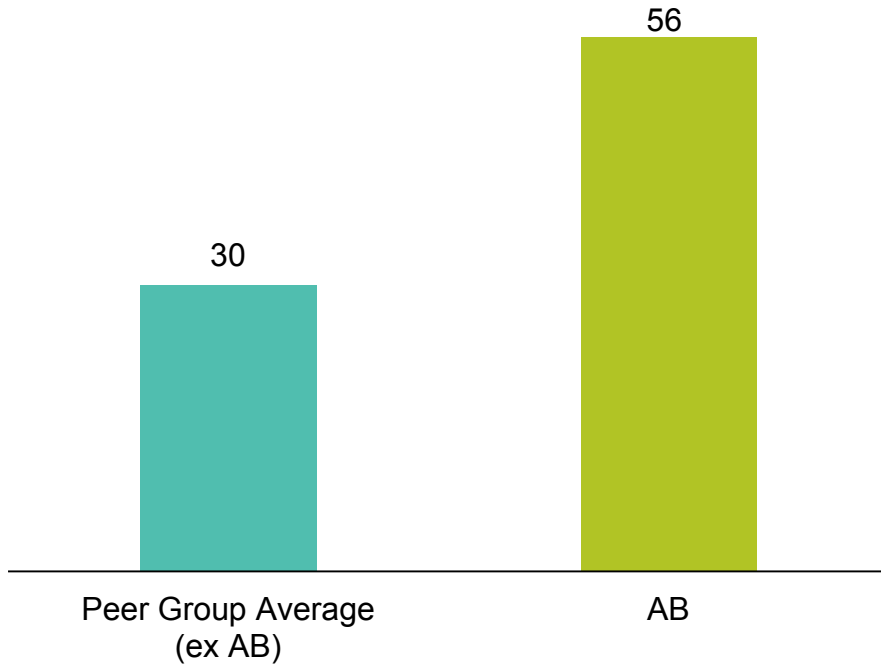
**Adjusted Comp Expense as Percent of Revenues**



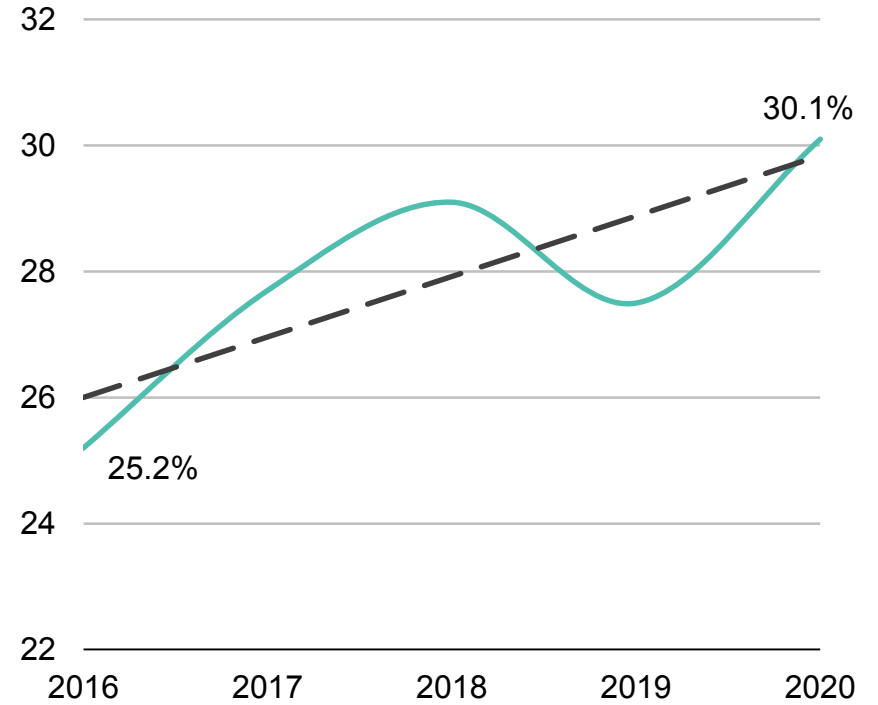
- + Reduced adjusted compensation ratio by more than 200bps historically
- + Committed to increasing ratio of variable to fixed compensation

# ...Supports Strong Incremental Margins

**Average Incremental Margin \***  
Five Years: 2016–2020 (Percent)



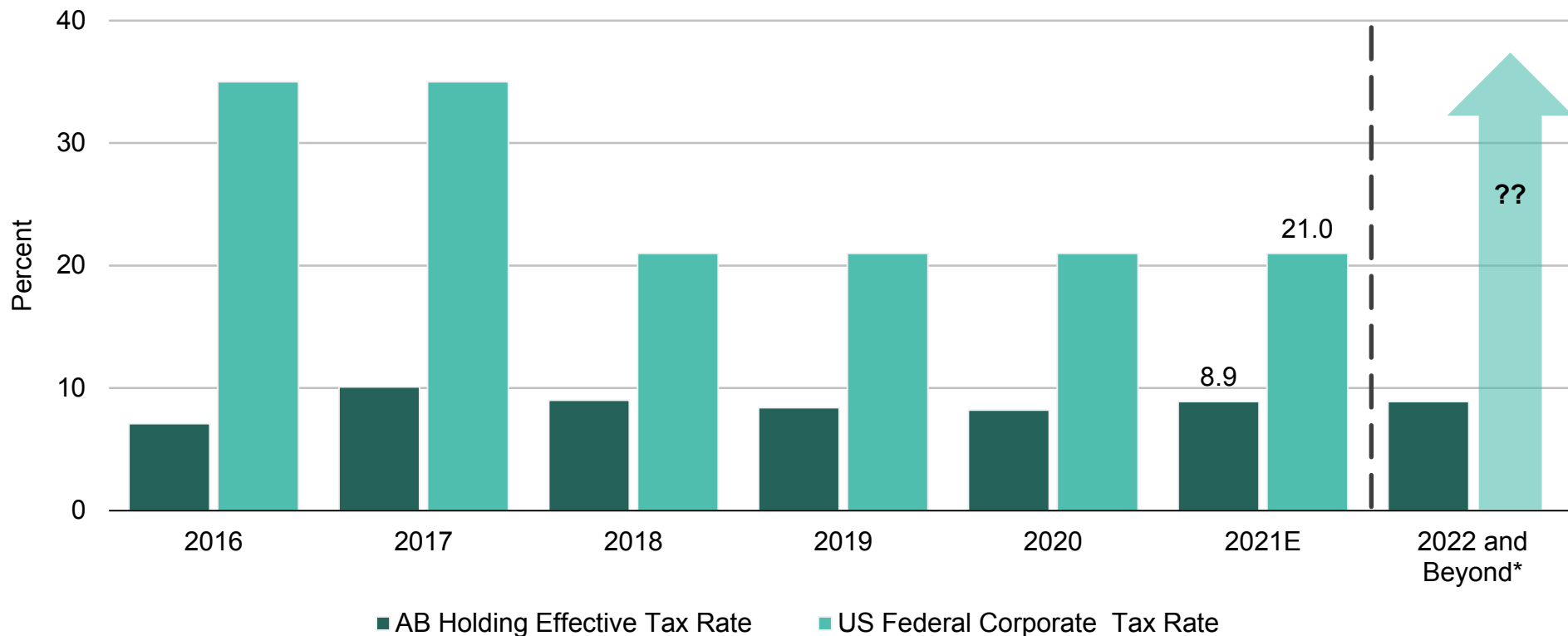
**AB Adjusted Operating Margin (Percent)**



\* Represents average incremental margin from 2016-2020; incremental margin is calculated over rolling 3 year periods to reduce market-related volatility.  
Peer Average includes: Affiliated Managers Group, Franklin Resources, Blackrock, Invesco, Janus Henderson, Legg Mason (through 2019), T. Rowe Price, Waddell and Reed



# Partnership Structure Hedges US Against Risk of a Higher Tax World

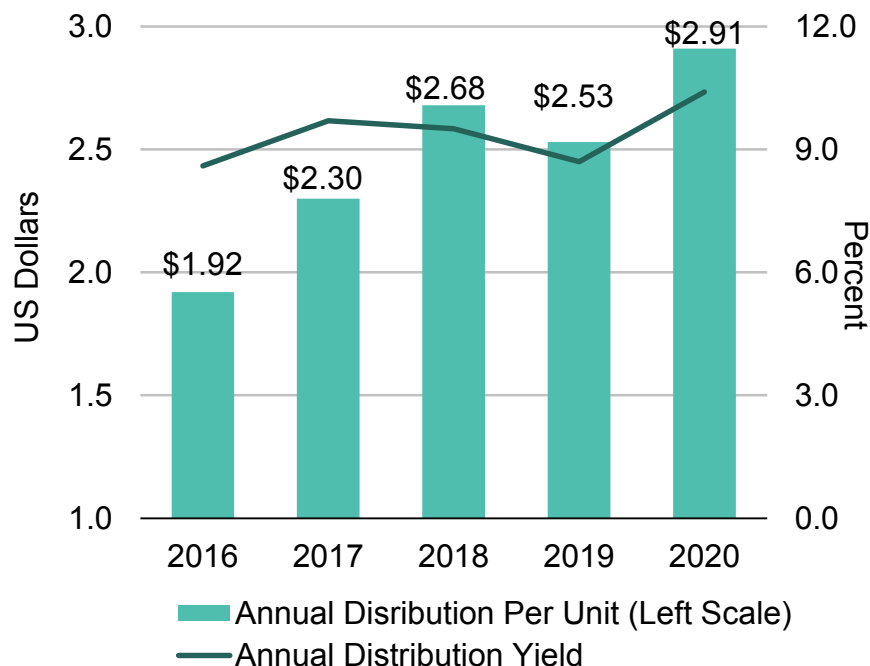


Note: AB Holding is a grandfathered publicly-traded partnership “PTP” for federal tax purposes and, accordingly, is not subject to federal or state corporate income taxes. However, AB Holdings is subject to a 3.5% federal tax and a 1.0% California state tax on partnership gross income from active conduct of a trade or business, derived from its interest in AB  
 \*2022 AB ETR assumes no change from 2021 AB ETR

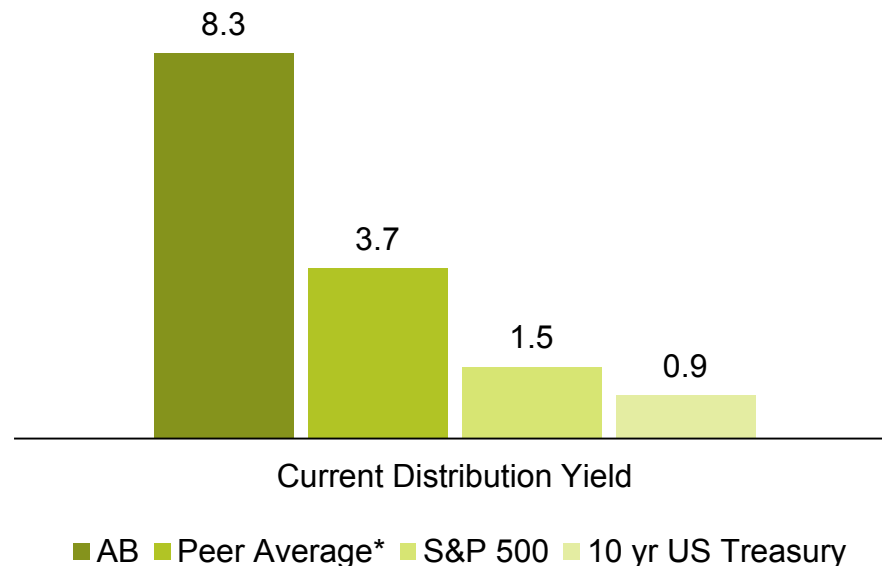
# High Distribution Yield in a Low-Rate Environment

AB Pays out 100% of Adjusted Earnings

Distribution and Yield 2016–2020



Yield vs. Peer Group December 31, 2020  
Percent



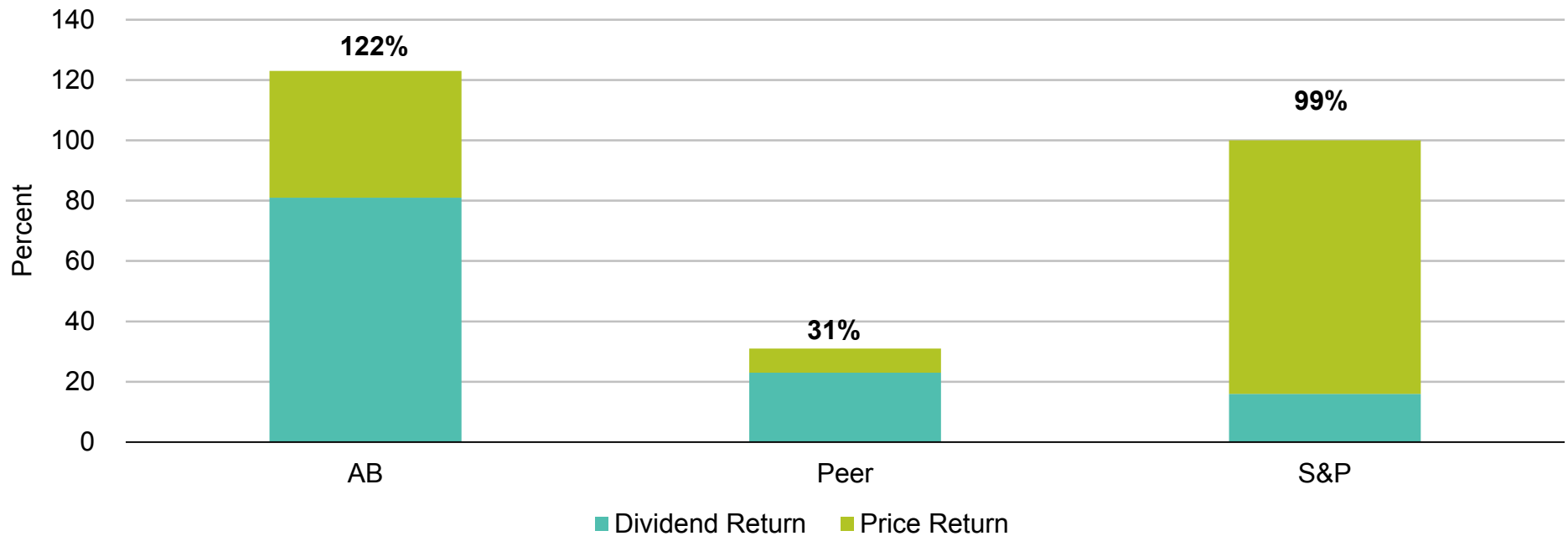
\*Peer Average includes: Affiliated Managers Group, Franklin Resources, Blackrock, Invesco, Janus Henderson, T. Rowe Price & Waddell and Reed.  
Source: Bloomberg



# Total Shareholder Return

- + AB TSR has significantly outperformed peer average
- + Distributions represent two-thirds of TSR since 2016

Total Shareholder Return CAGR (2016–2020)



Assumes distributions are reinvested

Peer Average includes: Affiliated Managers Group, Franklin Resources, Blackrock, Invesco, Janus Henderson, Legg Mason (prior to 2020), T. Rowe Price, Waddell and Reed.

Source: Bloomberg



# Our Brand Is a Competitive Advantage

## Bernstein Research

Quality Standard of the Industry

**87% of Senior Analysts ranked by Institutional Investor\***

**AB Awarded #1 US Equity Research Team Overall on Greenwich Quality Index\*\***

- #1 Most Intense Sales Coverage**
- #1 Overall Satisfaction with Client Service**
- #1 Electronic Trading Quality and Service**

## AllianceBernstein

**AB Awarded Greenwich Associates' Quality Leader**

American Income—Best Fund over 3, 5, 10 years (Lipper); Best in Class (Benchmark Fund)

AB Global Core Equity—3 and 5 Year Trophy (Lipper)

AB Small Cap Growth – 10 Year Certificate (Lipper)

**AB Awarded Greenwich Associates' Quality Leader in Asian Region for Three Consecutive Years**

- #1 Brand Awareness in Taiwan†**
- #1 Brand Awareness in Hong Kong†**

**“An expert in fixed income funds”, “Reliable” and “Excellent performance”** are brand images highly associated with ABHK, while ABTW rank 1st place on images of **“Fixed income funds”, “Well-known and respected firms”, “Trustworthy” and “Retirement expert”** compared to key competitors. † †

\*Average over last five years for analysts who have published >2 years

\*\*Normalized composite of all research qualitative evaluations in survey. Score increased 15 points y/y and was 84 points above the mean

†Source: The Nelson Company Brand Tracking Study

† † Source: Greenwich Associates, GID-Asian-19





# Differentiated Private Wealth Management

## We Aim to Provide the Best Service to Our Loyal and High Value, High Net Worth Customers...

- + Average client relationship tenure of 12 years
- + Low team turnover
- + Mix shift to ultra high-net worth customers
- + Integrated architecture driven by wealth advice minimizes unintended bets, prevents double layer of fees and optimizes tax loss harvesting

## ...Who Are a Significant Contributor to AB's Business Model...

- + \$105 billion AUM represents 15% of AB's AUM and 32% of Annual Adjusted Base Fees
- + 45% of clients are invested in AB's alternative offerings
  - + \$12.1 billion in Alts/Focused Equities committed and deployed capital
  - + Helps seed new investment strategies (Alternatives, liquid Alts)
- + \$4.5 billion in AUM invested in ESG strategies

## ...and a High Multiple, Recurring Fee Business

- + Stable client assets, advisory fees valued at mid-teens earnings multiple in public markets

Additional AUA (Assets under Administration) of \$1 billion reflect cash for which AB derives a distribution fee.

# Key Accomplishments Over the Last Three Years...

## Distribution build-out is paying off

- + Significant investment in U.S. and European retail and initial investment in China

## Organic growth through consistent, strong investment performance

- + Strong Equity and Fixed Income performance has driven net inflows well in excess of the peer group

## Alternatives growth

- + Led by Arya, US RE Debt and Private Credit; high-fee and committed Alts AUM has grown at an 8% CAGR
- + EQH committed to seed additional strategies to build out offering

## ESG growth accelerated through innovative partnership

- + \$16B in portfolios with purpose supported by proprietary digital platforms across equity and fixed income
- + Unique partnership with Columbia University on Climate Change; dedicated leadership team appointed

## Culture and Citizenship

- + Clear commitment to racial equality; strong diversity and inclusion emphasis

## Nashville HQ relocation decision, with execution on track

- + Accretive in 2020, with cost savings building annually to \$75-\$80M in 2025; >800 of targeted 1,250 roles currently filled

## Total Shareholder Return (TSR) supported by strong distribution

- + AB units have significantly outperformed the market and peer group, with 100% of earnings paid out annually

## ...Inform Our Strategy Over the Next Five Years

### Growth:

#### Leadership in active traditional management

- + Continued discipline of idiosyncratic alpha in equities, and systematic returns in Fixed Income
- + Differentiation and growth of ESG strategies
- + Targeted growth of select gaps in product offering

#### Known leader in Private Alternatives globally

- + Continued buildout of differentiated liquid and illiquid alts offerings, leveraging EQH ownership

#### Distribution growth

- + Leverage US retail investment to further grow market share; focus on RIAs
- + Build foundation in China; further develop other key Asian markets

#### Grow Private Client through focus on ultra-high net worth segment

- + Full service wealth management firm, substantially growing ultra-high net worth

### Margin expansion:

#### State of the art HQ in Nashville

- + Complete HQ relocation, and realize cost savings at upper end of \$75-\$80M annually in 2025

#### Optimize portfolio and cost structure to drive higher margins

- + Operating discipline ever-present through culture of cost control
- + Improve fixed/variable cost structure, with focus on pay for performance