



ALLIANCEBERNSTEIN®

Capital Markets Outlook

Dog Days of the Recovery:
Partying Without a
Punchbowl

First Quarter 2022

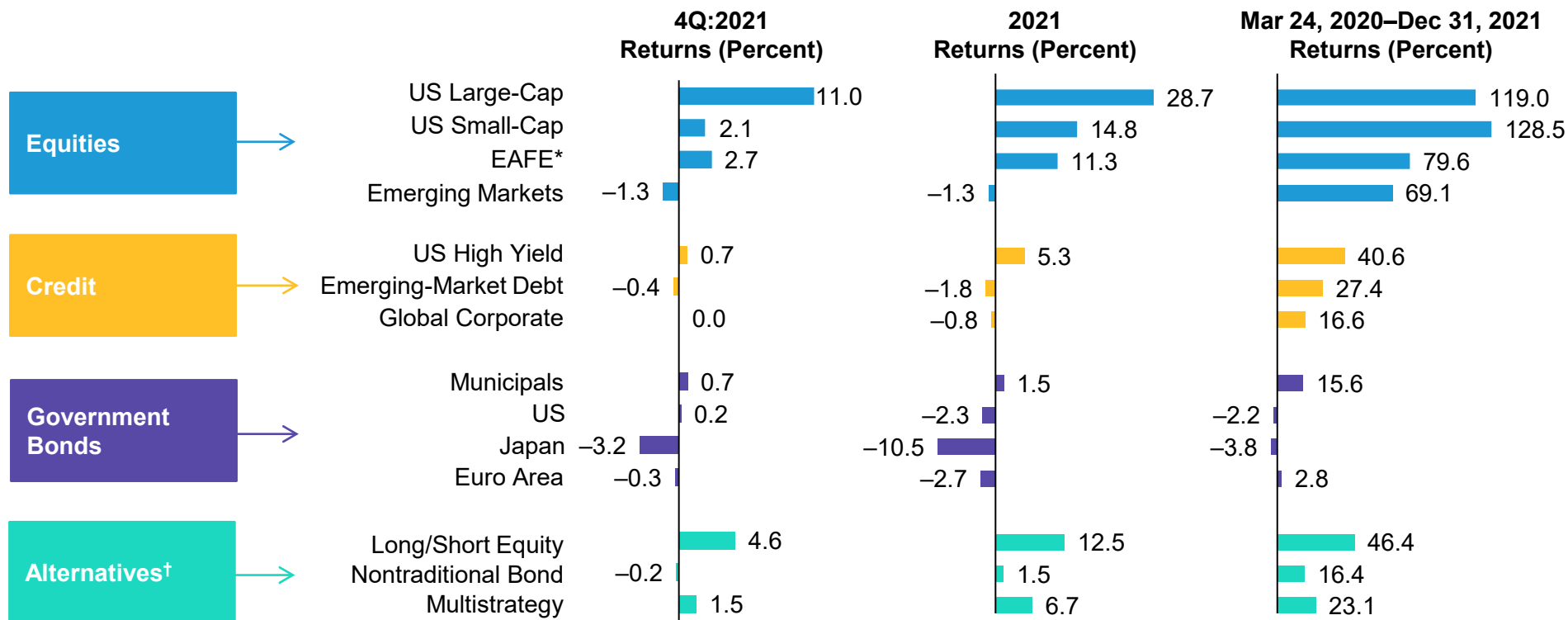
The information herein reflects prevailing market conditions and our judgments, which are subject to change, as of the date of this document. In preparing this document, we have relied upon and assumed, without independent verification, the accuracy and completeness of all information available from public sources. Opinions and estimates may be changed without notice and involve a number of assumptions that may not prove valid. There is no guarantee that any forecasts or opinions in this material will be realized. Information should not be construed as investment advice.

Investment Products Offered:

- Are Not FDIC Insured
- May Lose Value
- Are Not Bank Guaranteed

4Q:2021 Large-Cap Tech Stocks Shine in Choppy Quarter

Returns in US dollars



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 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.

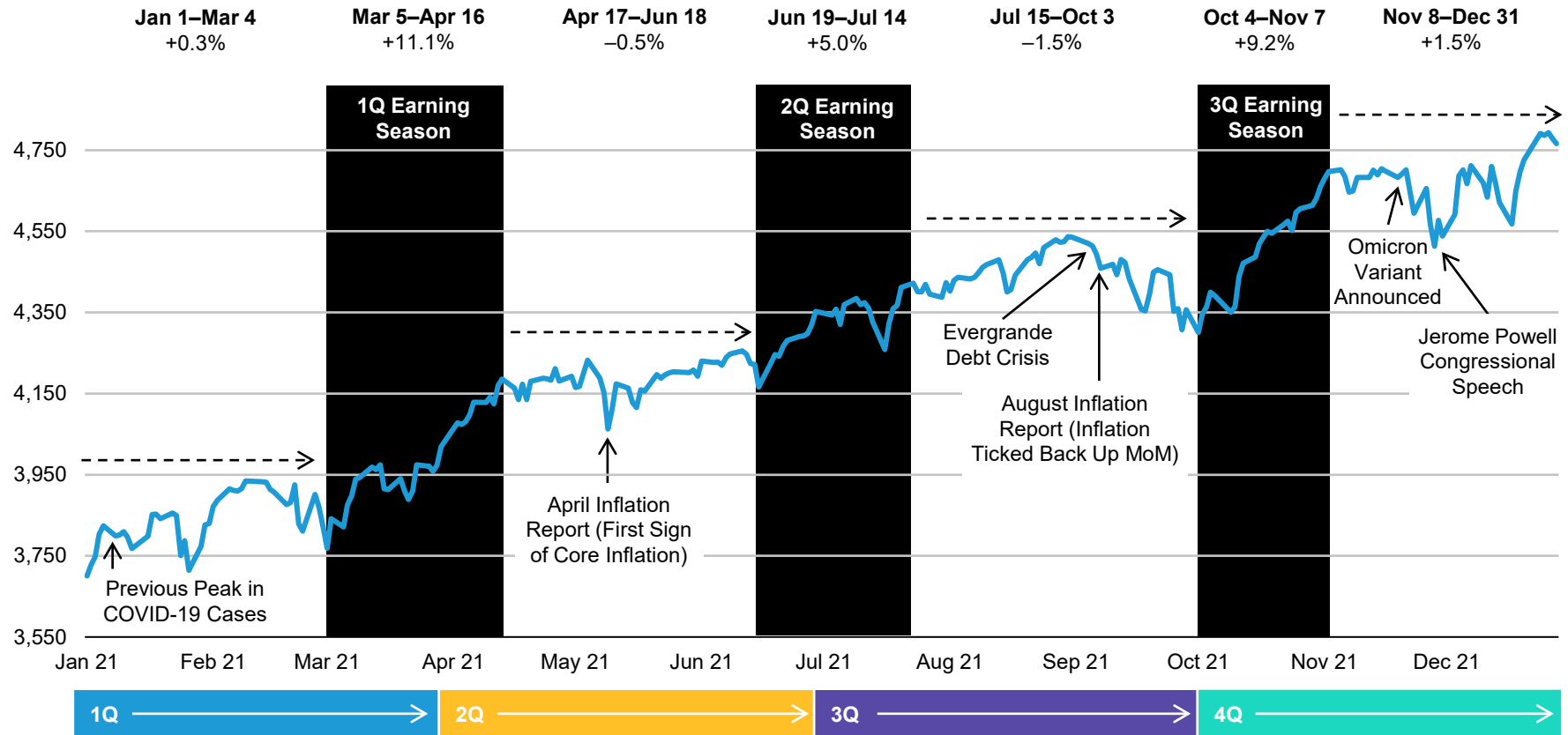
As of December 31, 2021

Source: Bloomberg, Morningstar Direct and AllianceBernstein (AB)



S&P Price Movement: Taking the Stairs Higher

Reopening and earnings strength in the face of Fed tightening concerns, inflation and COVID-19



Historical analysis and current forecasts do not guarantee future results.

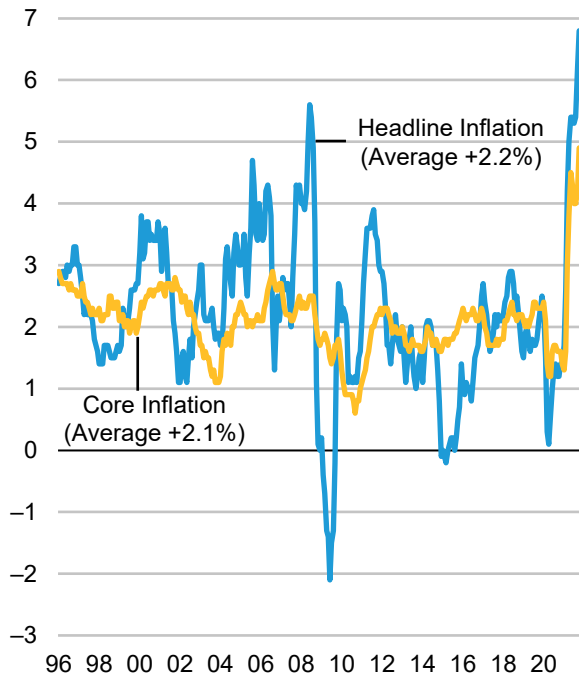
MoM: month over month
 Returns are price returns.
 Through December 31, 2021
 Source: Bloomberg and S&P



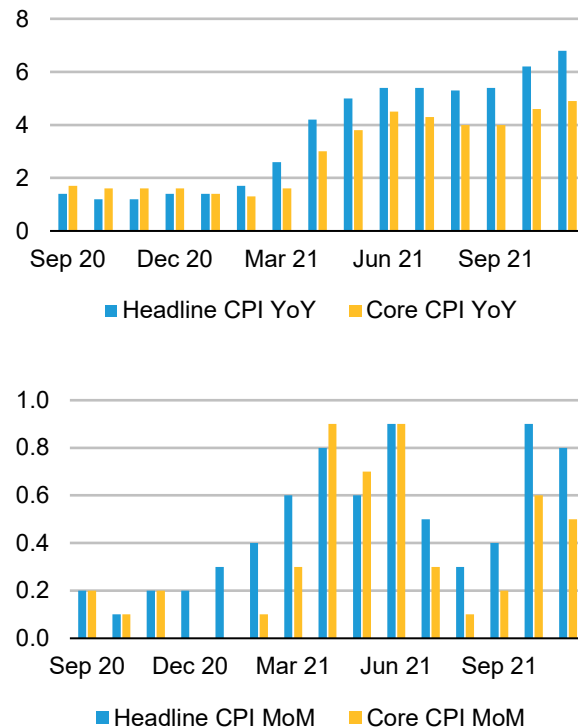
Inflation Resurfaced After Long Slumber...and Lingered

Many elevated categories have yet to decelerate in the aftermath of COVID-19

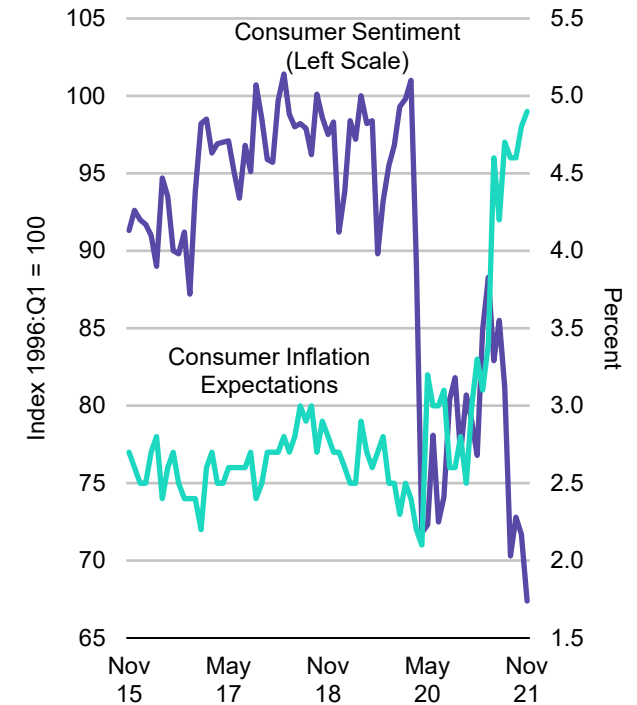
Highest Headline Inflation Print Since 1982...



...Has Maintained These Levels Longer than Anticipated



Leading to Lower Consumer Sentiment and Higher Inflation Expectations



Historical analysis and current forecasts do not guarantee future results.

YoY: year over year

Through December 31, 2021

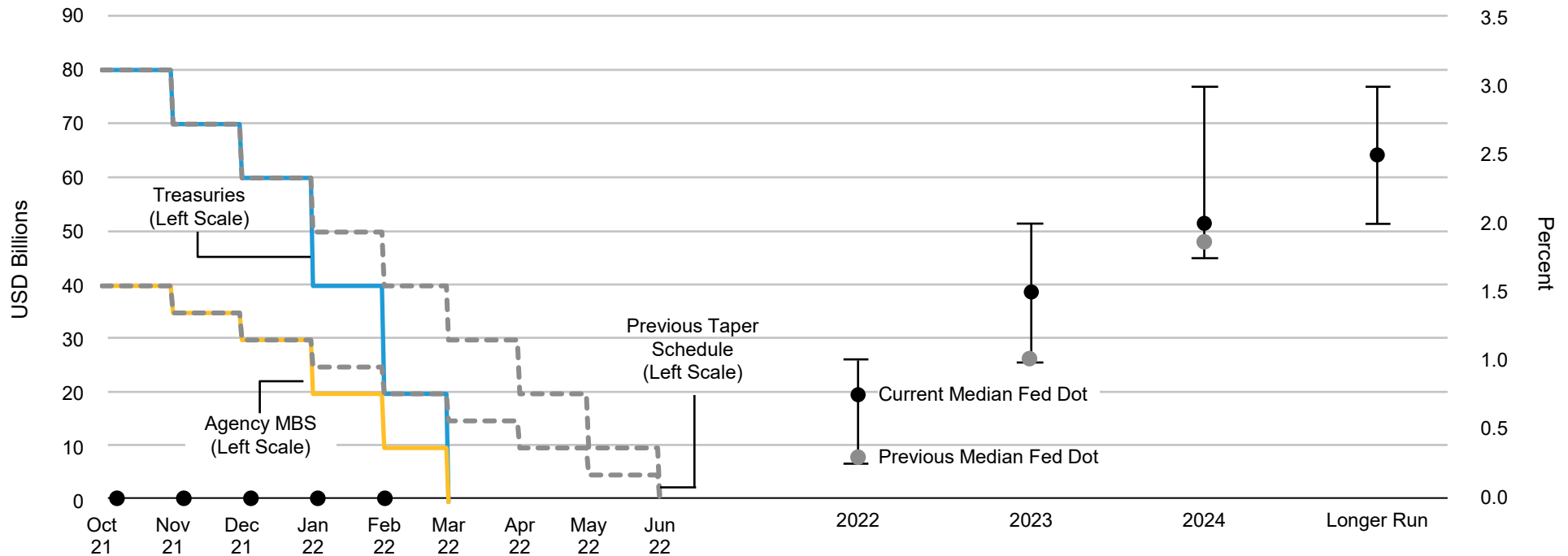
Source: Bloomberg, Federal Reserve Bank of St. Louis, Federal Reserve Economic Data (FRED), University of Michigan, US Bureau of Labor Statistics (BLS) and AB



Leading the Fed to Accelerate the Tapering Process

Faster reduction in quantitative easing affords policy flexibility

Tapering Projected to End by March 2022



Historical analysis and current forecasts do not guarantee future results.

MBS: mortgage-backed securities

As of December 31, 2021

Source: US Federal Reserve and AB



Not All Inflation Is Created Equally

Despite broadening, inflation is still dominated by COVID-19's impact on the supply chain

CPI: Weighted by Relative Importance to Household Consumption (Percent)

CPI Category	Category Weight*	Nov. 2021 YoY CPI	Pre-Pandemic YoY CPI Average†	Noteworthy Subcategory	Nov. 2021 YoY CPI
Services	58	+3.4	+2.8	Shelter	+3.8
Goods	21	+9.4	+0.01	Transportation	+19.2
Food	14	+6.1	+2.3	Meats	+16.0
Energy	7	+33.3	+4.3	Motor Fuel	+58.0

Historical analysis and current forecasts do not guarantee future results.

*As of November 2021

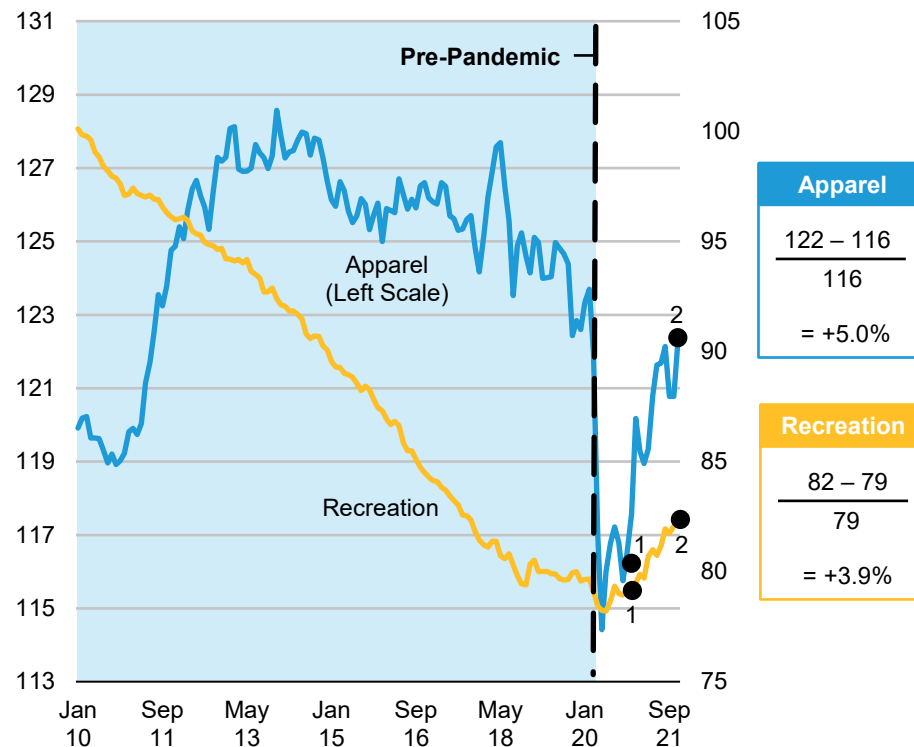
†From January 1, 2000, to February 2020

As of December 31, 2021

Source: Bloomberg, BLS and AB

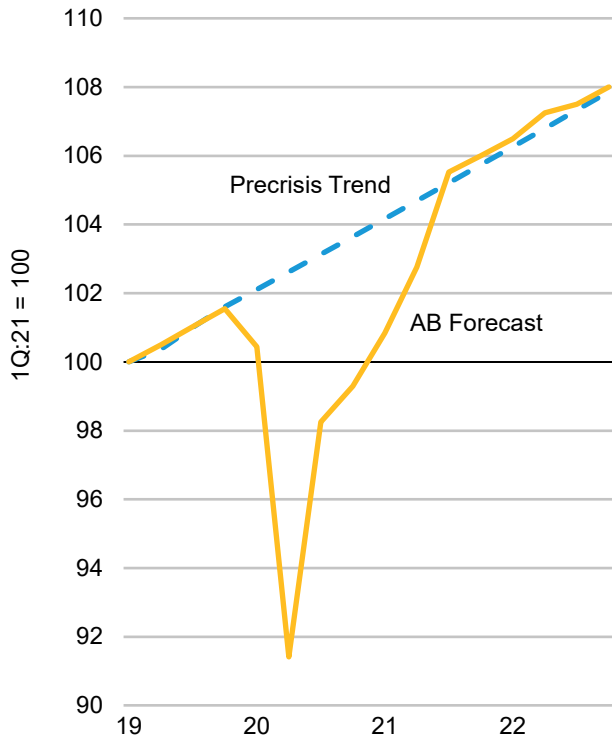


Certain Key “Goods” Remain Below or Near Pre-Pandemic Price Levels

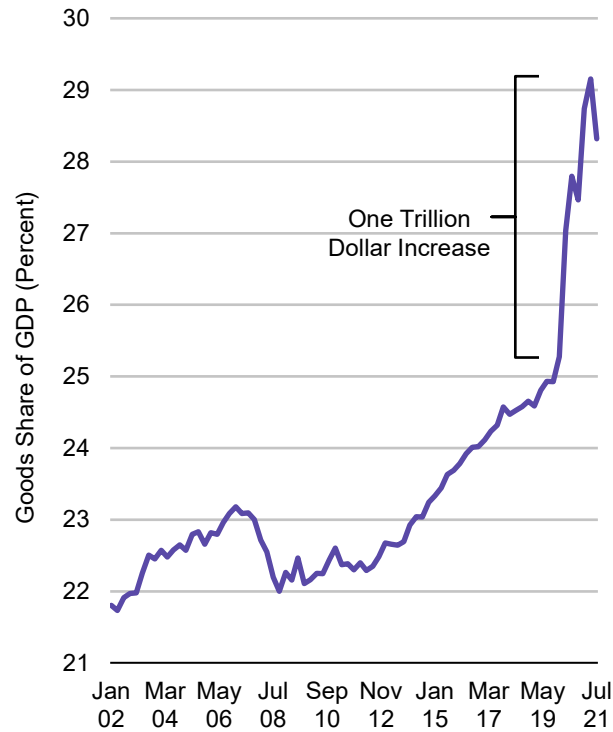


GDP Back to Normal, but the Mix Is Not

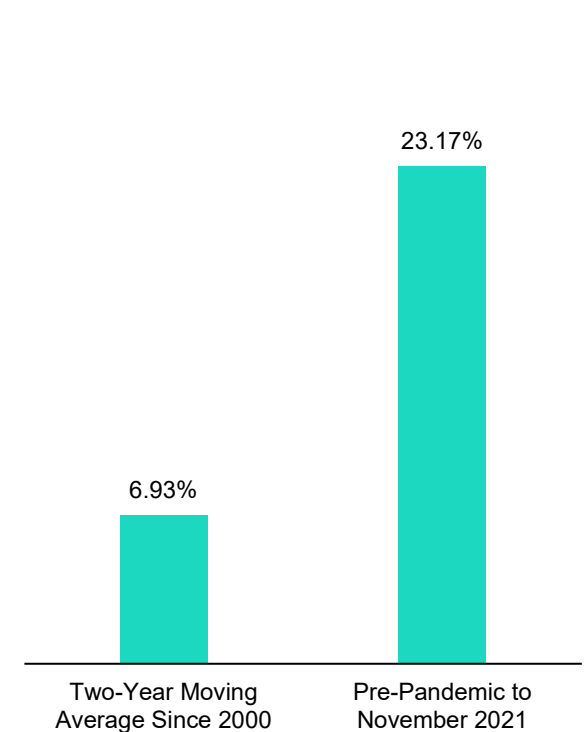
The US Economy Returned to the Precrisis GDP Growth Trend



However, Virtually Overnight, the GDP Mix Shifted to Favor More Goods



Further Seen in Record High Retail Spending Growth Rates



Historical analysis and current forecasts do not guarantee future results.

As of December 31, 2021

Source: FRED and AB



Challenged Supply Chains: Services Don't Arrive in a 40-Foot Shipping Container...

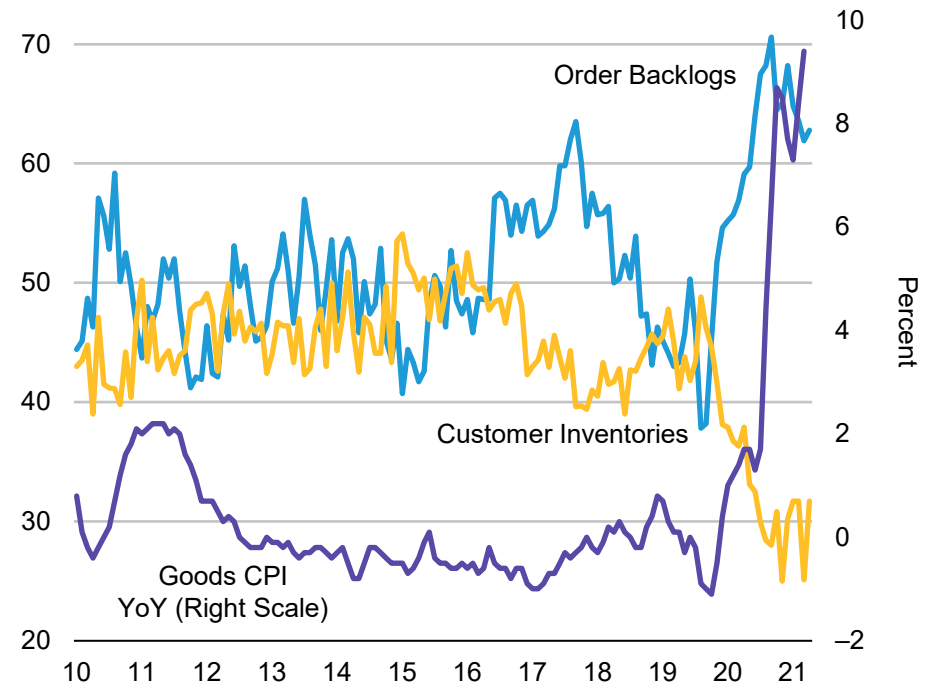
Overwhelming Demand for Goods Broke the “Just-in-Time Supply Chain”



Americans are buying 20%–25% more containers from China. If you have a system that is designed to grow between 2%–4% and you ask it to grow overnight by 25%...it's not feasible.”

Edward Renwick, VP of Los Angeles Board of Harbor Commissioners (December 2021)

Leading to Backlogs, Lower Inventory Levels and Higher Prices



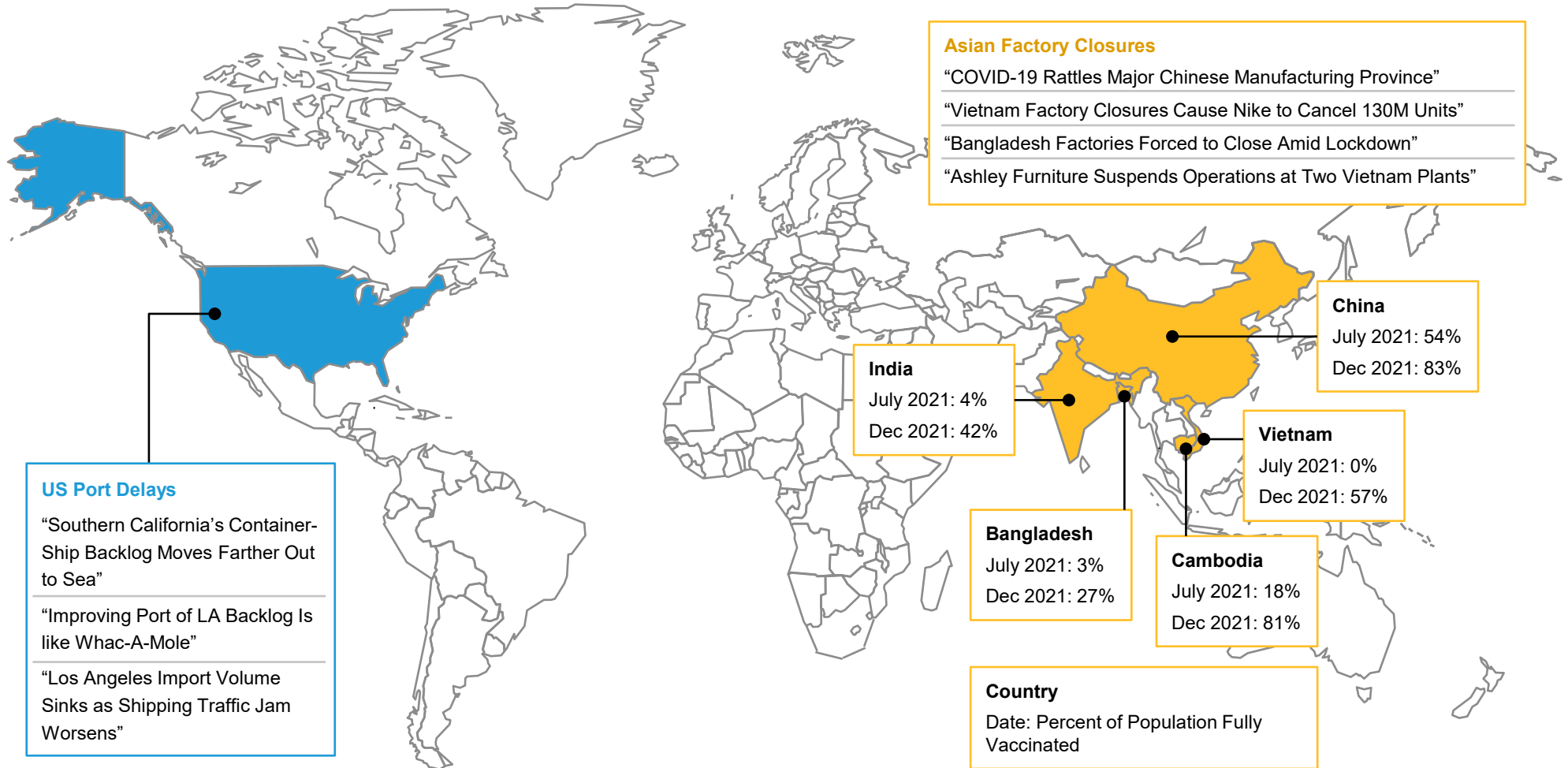
Historical analysis and current forecasts do not guarantee future results.

As of December 31, 2021

Source: Bloomberg and AB



...but Goods Do



Historical analysis and current forecasts do not guarantee future results.

As of December 31, 2021

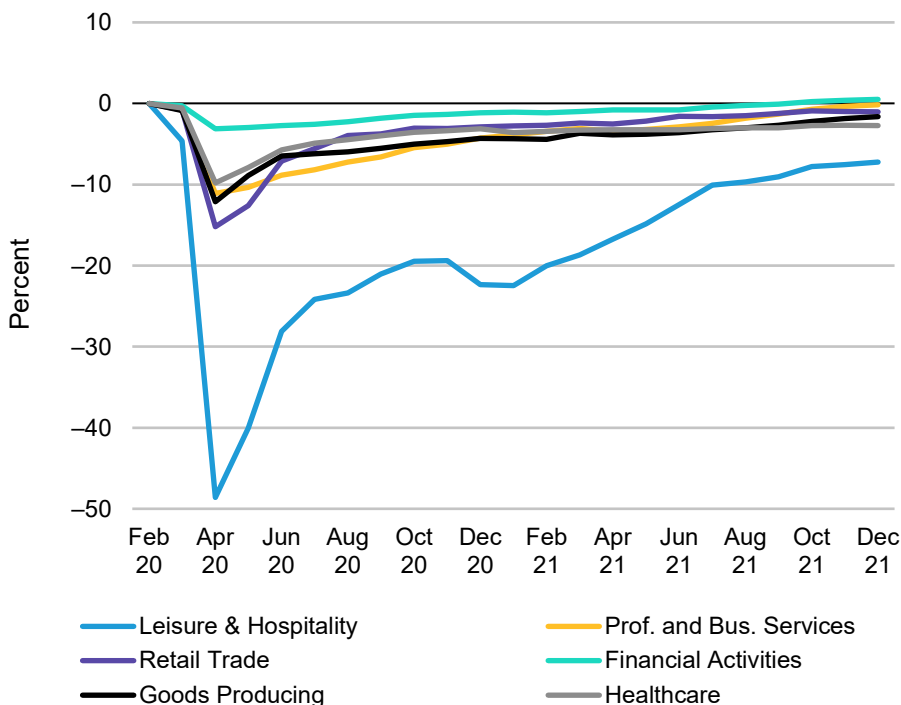
Source: Bloomberg, Our World In Data, Thomson Reuters, the *Wall Street Journal* and AB



Growing Pressures: Competitive Labor Market Incentivizing Higher Wages

Percent Change in Payrolls, by Industry

Leisure & Hospitality the major laggard



“Great Resignation” Lacking Breadth

Leisure & Hospitality, especially food services, skewing average

Industry	Quit Rate	Wage Growth*	Goods or Service Producing
Leisure & Hospitality	6.40%	13.60%	Service
Retail Trade	4.40%	9.40%	Service
Prof. & Bus. Services	3.70%	8.90%	Service
Total Private	3.40%	8.80%	N/A
Education & Health Services	2.80%	9.30%	Service
Transportation & Ware.	2.70%	8.60%	Service
Utilities	2.70%	6.40%	Service
Construction	2.70%	6.90%	Goods
Nondurable Goods	2.60%	7.20%	Goods
Other Services	2.30%	8.50%	Service
Wholesale Trade	2.30%	7.20%	Service
Durable Goods	2.10%	6.80%	Goods
Mining & Logging	2.00%	2.40%	Goods
Information	2.00%	3.70%	Service
Financial Activities	1.70%	10.60%	Service

Historical analysis and current forecasts do not guarantee future results.

*From February 2020 to December 2021

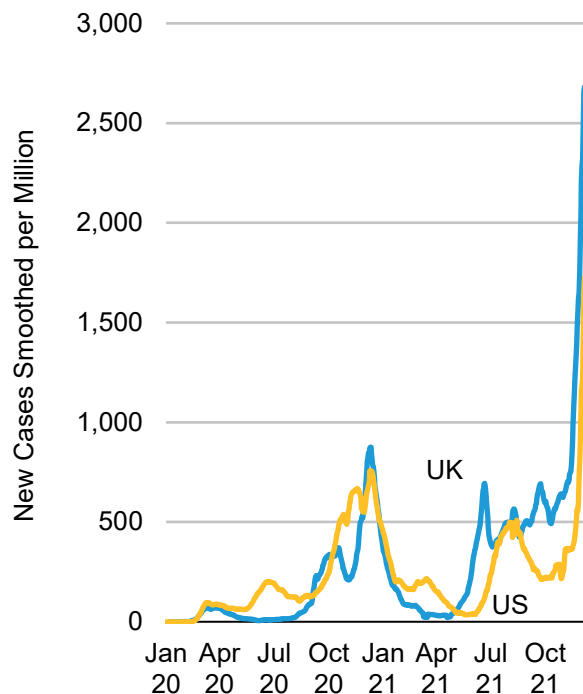
As of December 31, 2021

Source: BLS, FRED and AB

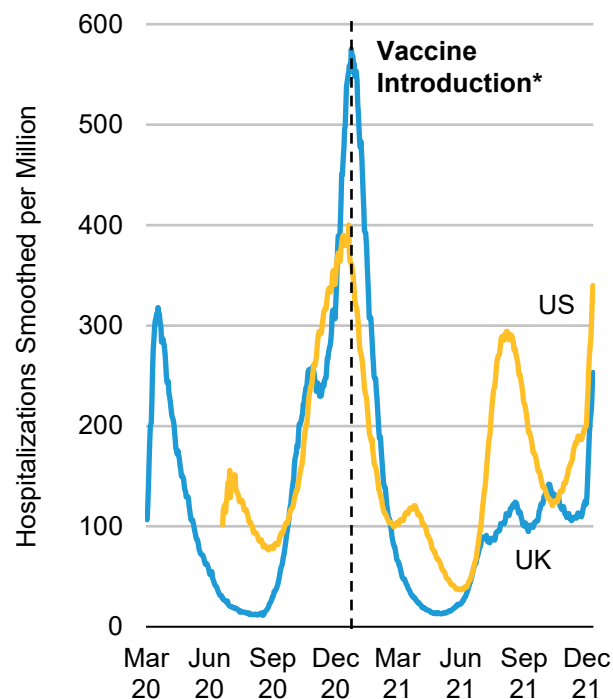


Challenged Supply-Chain Persistence Depends on the Virus

UK's COVID-19 New Case Count Has Been a Leading Indicator for the US



Vaccines Have Prevented a Meaningful Rise in Hospitalizations



However, Soft Closures Remain an Uncertainty as COVID-19 Variants Linger



London Bars and Restaurants Are Shutting Themselves Down as Omicron Rips Through UK”

Amid COVID Surge, New York City Subway Forced to Cut Back Service”

Wave of Canceled Flights from Omicron Closes Out 2021”

These Are the Shows Closing or Canceling Performances Because of Omicron”

NYC Restaurants Temporarily Close in Droves Due to COVID-19 Exposures”

Historical analysis and current forecasts do not guarantee future results.

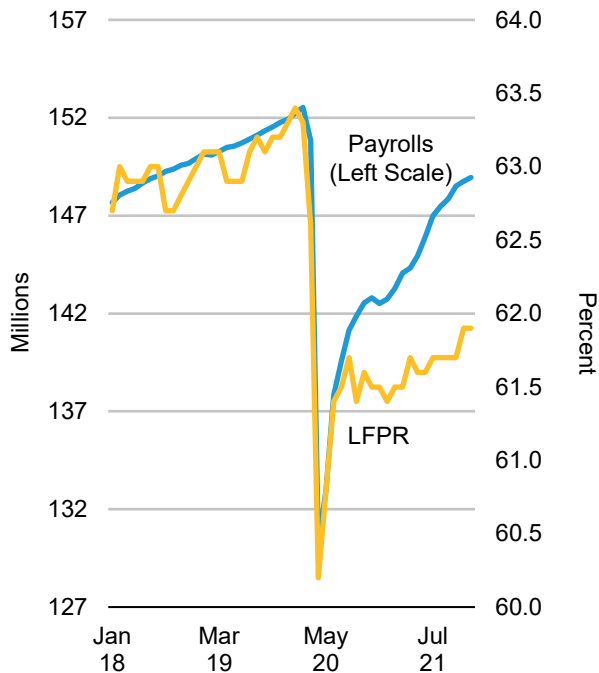
*“Vaccine introduction” defined as the date when the US reached the 1% mark on fully vaccinated individuals.

Through January 4, 2022

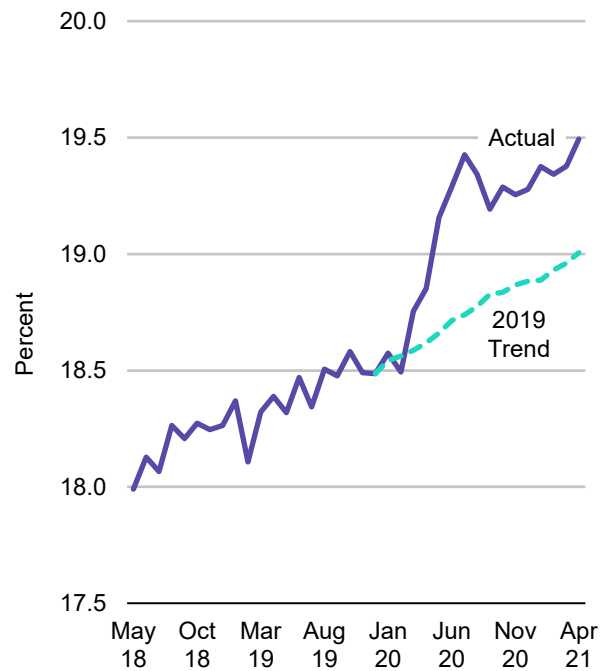
Source: ABC, CNN, Our World in Data, the *Wall Street Journal* and AB

Getting Back to “Full Employment”—the Distance Will Have Meaningful Implications for the Fed

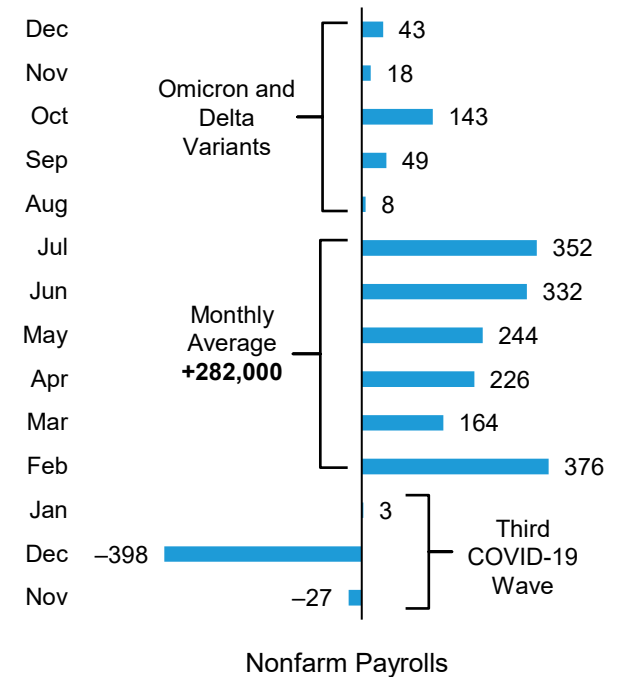
Workers Haven't Fully Returned 2.3 million fewer workers than pre-pandemic



Share of US Population Retired Pandemic catalyzes early retirement for many baby boomers



While Accommodation and Food Service Jobs Wax and Wane with COVID-19 Cases



Historical analysis and current forecasts do not guarantee future results.

LFPR: labor force participation rate

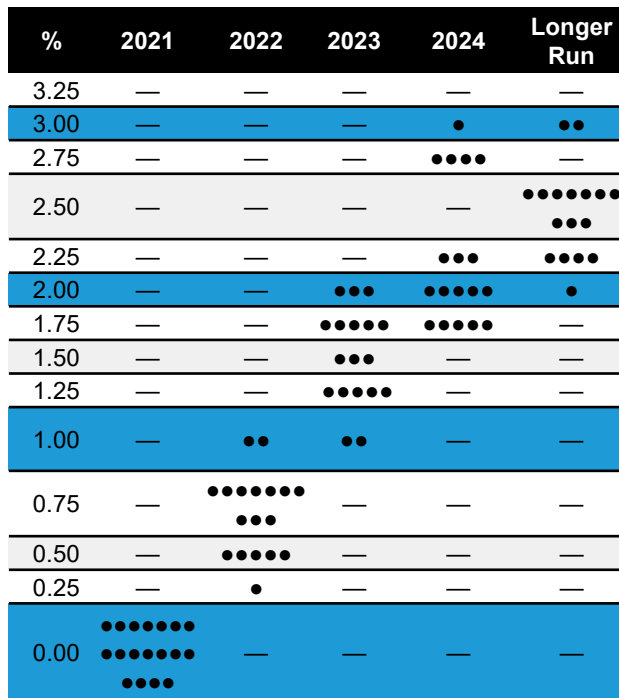
As of December 31, 2021

Source: Bloomberg, BLS, Federal Reserve Bank of Dallas, FRED and AB



The Fed Retired the Word “Transitory,” but Not the View

Fed Dot Plot: Three Projected Rate Hikes in 2022 and 2023



Base Case Is Still for Inflation to Normalize by Next Year

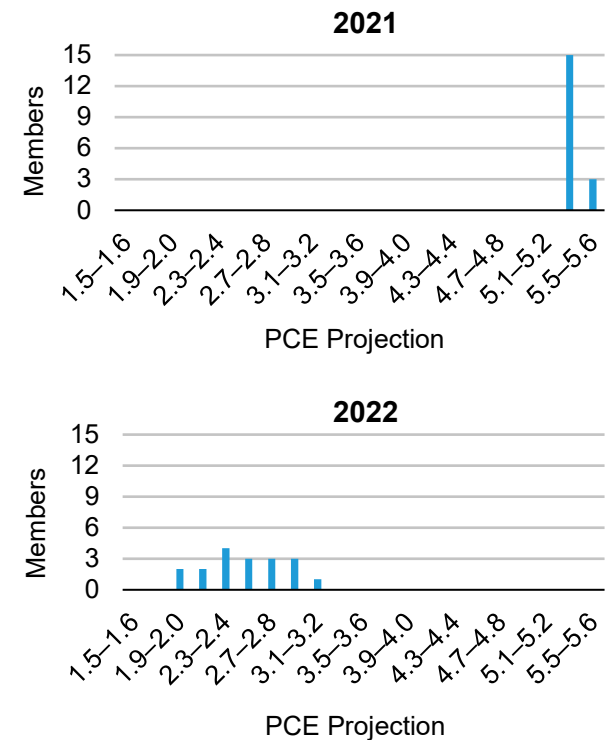


I think the word ‘transitory’ has different meanings to different people. To many, it carries a sense of ‘short lived.’ We tend to use it to mean that it won’t leave a permanent mark in the form of higher inflation. I think it’s probably a good time to retire that word and try to explain more clearly what we mean.”

My baseline expectation is still, as I mentioned, and of most forecasters, is still that inflation will move back down over the course of next year, closer to our target.”

Jerome Powell (December 1, 2021)

As Seen in the Distribution of Fed Participant Projections



Historical analysis and current forecasts do not guarantee future results.

PCE: personal consumption expenditures

As of December 31, 2021

Source: US Federal Reserve and AB



Macro Summary

Global growth to slow in 2022

AB Global Economic Forecast: January 2022

	Real Growth (Percent)		Inflation (Percent)		Official Rates (Percent)		Long Rates (Percent)	
	22F	23F	22F	23F	22F	23F	22F	23F
Global	4.1	3.0	3.2	2.5	2.03	2.00	2.66	2.70
Industrial Countries	3.7	2.1	2.5	1.8	0.37	0.61	1.16	1.21
Emerging Countries	4.7	4.5	4.3	3.6	4.57	4.11	4.99	5.00
US	3.4	1.9	2.7	1.9	0.88	1.38	2.00	2.00
Euro Area	4.3	2.2	2.4	1.7	-0.50	-0.50	0.00	0.00
UK	4.5	2.2	3.0	2.3	1.00	1.00	1.65	1.65
Japan	3.2	2.0	1.0	1.0	-0.10	-0.10	0.00	0.00
China	5.3	5.4	1.9	2.3	2.20	2.20	3.10	3.20

Past performance and current analysis do not guarantee future results.

Growth and inflation forecasts are calendar-year averages. Interest rates are year-end forecasts. Real growth aggregates represent 48 country forecasts, not all of which are shown. Long rates are 10-year yields.

As of December 31, 2021

Source: AB



Global Forecast Overview

Key Assumptions

- **COVID-19:** the omicron variant will extend the period of supply disruption, keeping prices elevated for the time being
- **Fiscal policy:** fiscal policy is unlikely to provide a pro-growth impulse in most jurisdictions as inflation concerns predominate
- **Monetary policy:** Central bankers have pivoted toward tighter policy and will move in that direction until inflation eases
- **Secular backdrop:** long-term demographic trends remain unfavorable, and populism is likely to impact policymaking

Central Narrative

- **Global growth:** robust early in the year but likely to decelerate as tighter fiscal and monetary policy bite later in the year
- **Inflation:** elevated for the first part of the year but likely to come off the boil in H2
- **Yields:** gradually moving higher, but slower growth and inflation to keep yields low by historical standards throughout the year
- **USD:** stronger against the euro and the yen, where monetary policy will be slower to react. Mixed to weaker against other currencies

Key Risks

Key Upside Risks

- If inflation falls more quickly than expected, central banks may not need to tighten very much
- A transition to a durable world in which COVID-19 is endemic but not a pandemic could reduce economic headwinds

Key Downside Risks

- Tighter monetary policy could bite harder than expected
- A more pernicious coronavirus variant could undo much of the progress made in the last year
- Political sclerosis in the US

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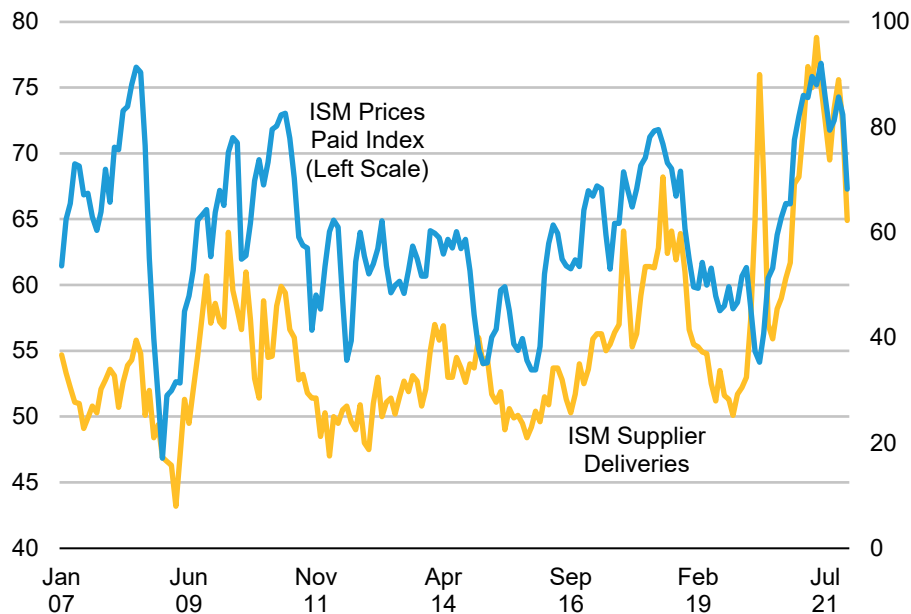
As of December 31, 2021

Source: AB

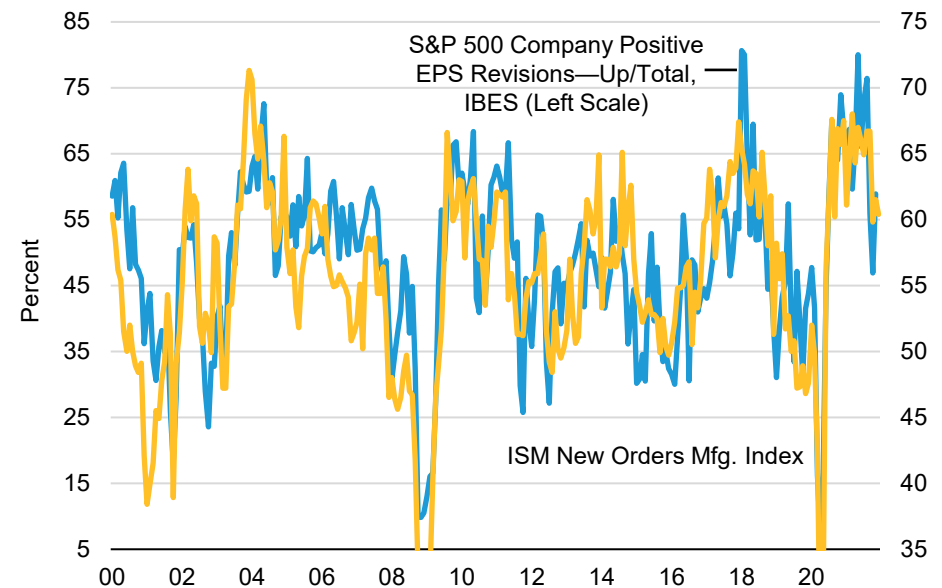


Supply Green Shoots Emerging? A Recovering Supply Chain Could Benefit Equities but Limit Upside Surprises

Faster Supplier Delivery Times (i.e., ISM Supplier Deliveries Below 50) Could Drive Lower Costs for Corporations



Declines in New Orders Tend to Dampen Positive Earnings Revisions: A Key Watchlist Item for Later This Year



Historical analysis and current forecasts do not guarantee future results.

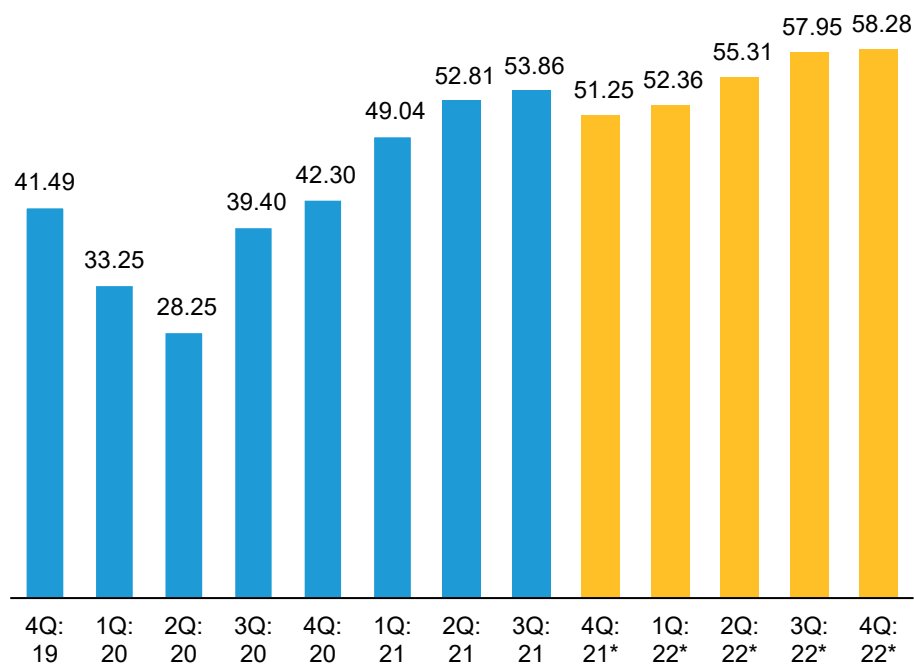
Through December 31, 2021

Source: Bloomberg, Cornerstone Macro, Institute for Supply Management (ISM) and AB



2022 Earnings Growth Expected to Moderate, However Policy Will Be a Likely Driver of Returns

Going Forward: Bottom-Up Earnings Expectations Set to Level Off Before Slow Growth



Forward-Looking Market: S&P 500 Earnings Growth and Price Returns Have Not Been Matching Up

Year	S&P 500 EPS Growth	S&P 500 Price Return	Notable Event
2015	-0.30%	1.38%	"Normal"
2016	0.50%	11.96%	Anticipation of Tax Cut
2017	11.80%	21.83%	Passage of Tax Cut
2018	22.70%	-4.38%	Continued Fed Rate Hikes
2019	0.60%	31.49%	Fed Rate Cut
2020	-14.20%	18.40%	Easy Monetary and Fiscal Policy
2021	47.60%	25.10%	Easy Monetary and Fiscal Policy
2022	8.27%*	?	Increase in Federal Funds Rate
2023	9.54%*	?	Increase in Federal Funds Rate

Historical analysis and current forecasts do not guarantee future results.

*Bloomberg consensus estimate

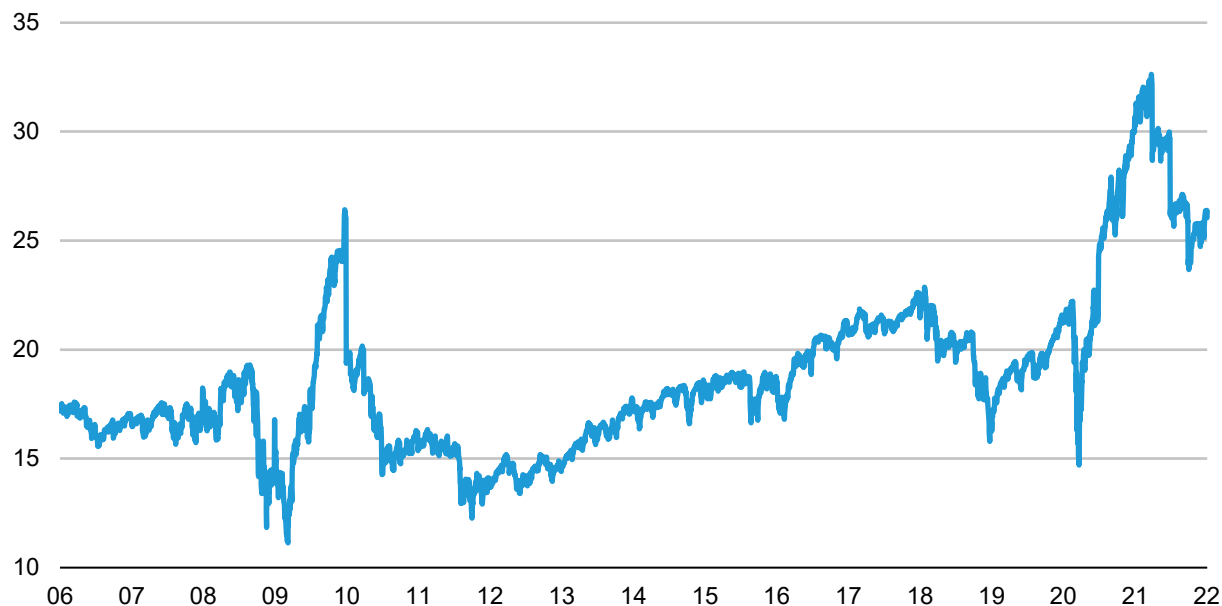
As of December 31, 2021

Source: Bloomberg and AB



Valuations: Finding a “Fair Value” in a Tightening Market

S&P 500 P/Es Since 2006 (Trailing 12 Months)



Time Period	Average P/E
Average P/E Last Five Years	23
Pre-Pandemic P/E*	21
Average P/E Last 10 Years	20
Average P/E Since 2000	20
Pre-Pandemic Five-Year Average	20
Average P/E with Rates Increasing†	19
Average P/E When FFR Is 0%	19
Average P/E Since Inception	17

Historical analysis and current forecasts do not guarantee future results.

FFR: fed funds rate

*February 21, 2020

†Last two Fed cycle hikes

As of December 31, 2021

Source: Bloomberg and AB



Scenario Chart: Choose Your Own Adventure

S&P 500 Return Scenario Chart

2022										S&P Price Level	2022 Price Return*
	17	18	19	20	21	22	23	24	25		
205	3,485	3,690	3,895	4,100	4,305	4,510	4,715	4,920	5,125	4,085	-14.3%
210	3,570	3,780	3,990	4,200	4,410	4,620	4,830	5,040	5,250	4,275	-10.3%
215	3,655	3,870	4,085	4,300	4,515	4,730	4,945	5,160	5,375	4,400	-7.7%
220	3,740	3,960	4,180	4,400	4,620	4,840	5,060	5,280	5,500	4,600	-3.5%
225	3,825	4,050	4,275	4,500	4,725	4,950	5,175	5,400	5,625	4,725	-0.9%
230	3,910	4,140	4,370	4,600	4,830	5,060	5,290	5,520	5,750	4,830	1.3%
235	3,995	4,230	4,465	4,700	4,935	5,170	5,405	5,640	5,875	4,935	3.5%
240	4,080	4,320	4,560	4,800	5,040	5,280	5,520	5,760	6,000	5,060	6.2%
245	4,165	4,410	4,655	4,900	5,145	5,390	5,635	5,880	6,125	5,280	10.8%

2023										S&P Price Level	2023 Price Return†
	17	18	19	20	21	22	23	24	25		
230	3,910	4,140	4,370	4,600	4,830	5,060	5,290	5,520	5,750	4,320	-4.8%
235	3,995	4,230	4,465	4,700	4,935	5,170	5,405	5,640	5,875	4,410	-3.8%
240	4,080	4,320	4,560	4,800	5,040	5,280	5,520	5,760	6,000	4,560	-2.2%
245	4,165	4,410	4,655	4,900	5,145	5,390	5,635	5,880	6,125	4,655	-1.2%
250	4,250	4,500	4,750	5,000	5,250	5,500	5,750	6,000	6,250	4,750	-0.2%
255	4,335	4,590	4,845	5,100	5,355	5,610	5,865	6,120	6,375	5,000	2.4%
260	4,420	4,680	4,940	5,200	5,460	5,720	5,980	6,240	6,500	5,100	3.4%
270	4,590	4,860	5,130	5,400	5,670	5,940	6,210	6,480	6,750	5,355	6.0%
275	4,675	4,950	5,225	5,500	5,775	6,050	6,325	6,600	6,875	5,460	7.0%

Historical analysis and current forecasts do not guarantee future results.

*Based on S&P 500's year-end price of 4,766; †Annualized return

As of December 31, 2021

Source: Bloomberg and AB

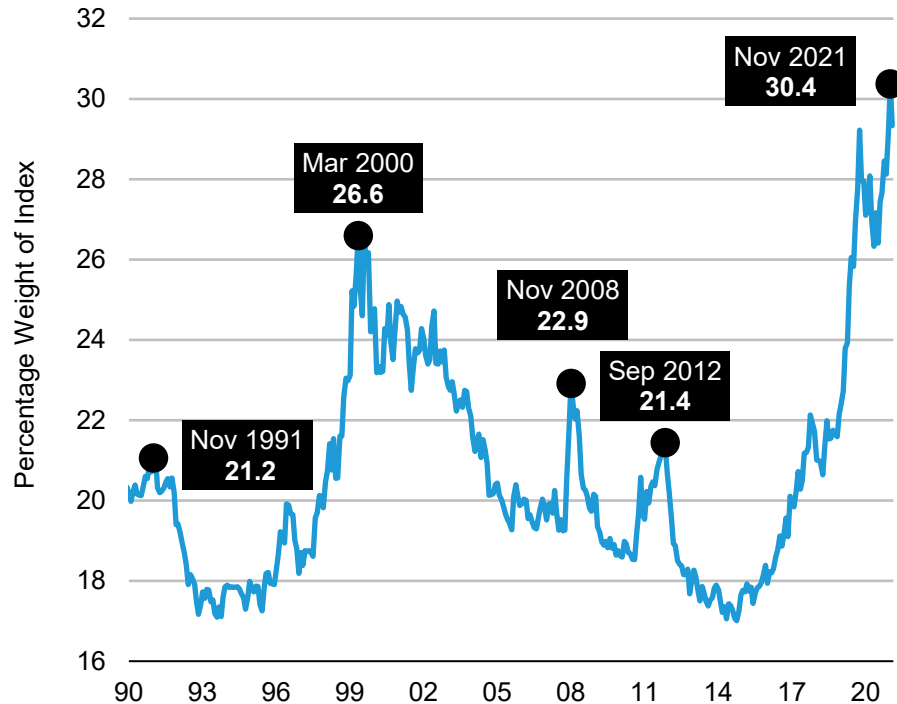


Equity

Concerns over Index Concentration Remain...

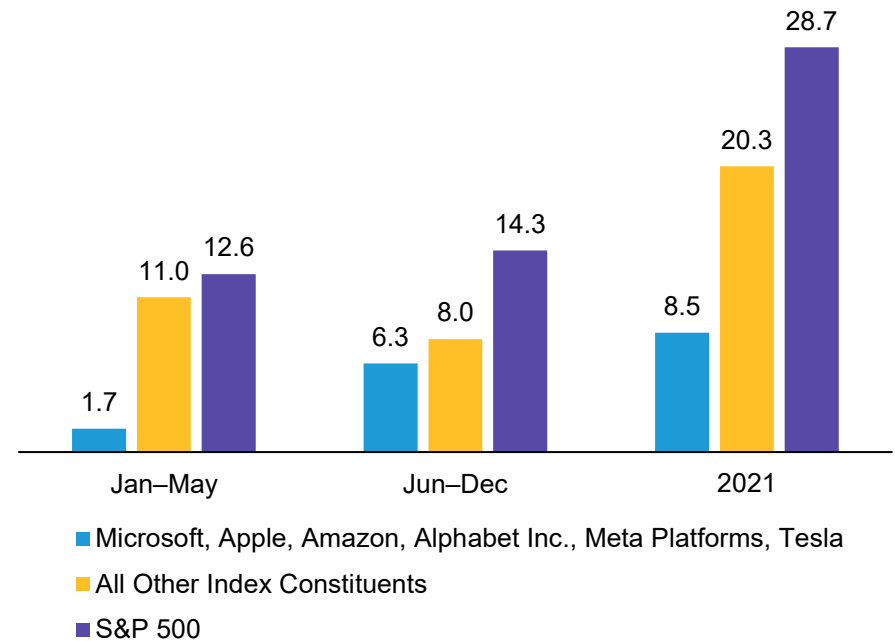
10 Largest Companies in the S&P 500

Near a record high



Composition of S&P 500 Returns

A measurable uptick from the mega-cap leaders as the year progressed



Historical analysis and current forecasts do not guarantee future results.

Peaks shown are for the last day of each month displayed. Numbers may not sum due to rounding.

Through December 31, 2021

Source: Bloomberg, Morningstar, S&P and AB

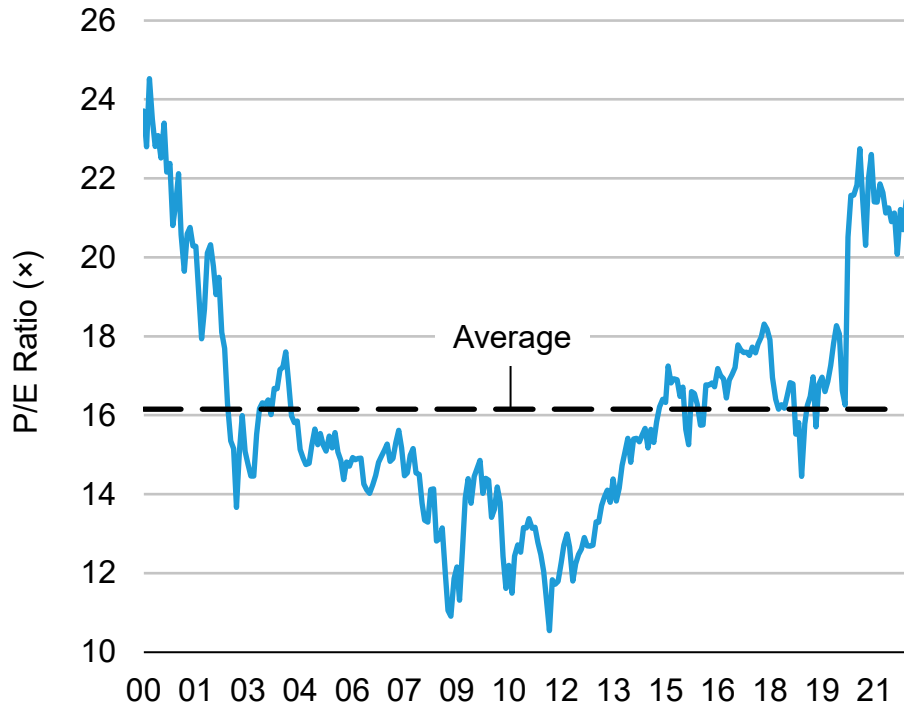


...and Valuations Remain Elevated, but Look Beyond Mega-Caps

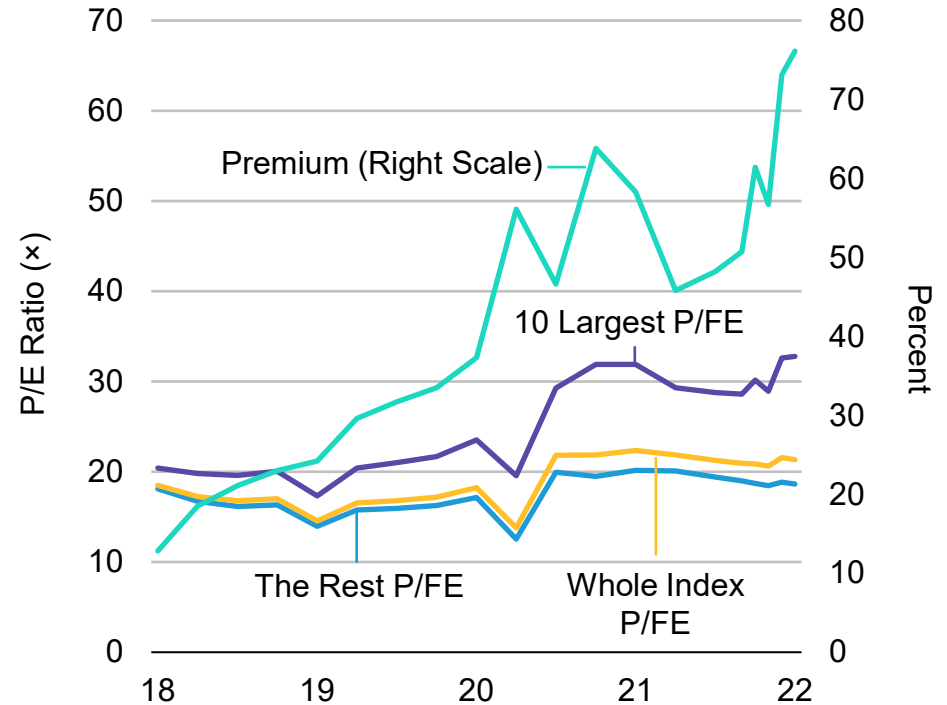
A case for being active

S&P 500 Price-to-Earnings Ratio*

Well above the long-term average



Valuation Premium of 10 Largest Stocks by Market Cap vs. Rest of S&P 500



Historical analysis and current forecasts do not guarantee future results.

*All data are for S&P 500. Earnings estimates are represented by Bloomberg consensus blended forward 12-month estimates.

Through December 31, 2021

Source: Bloomberg and AB

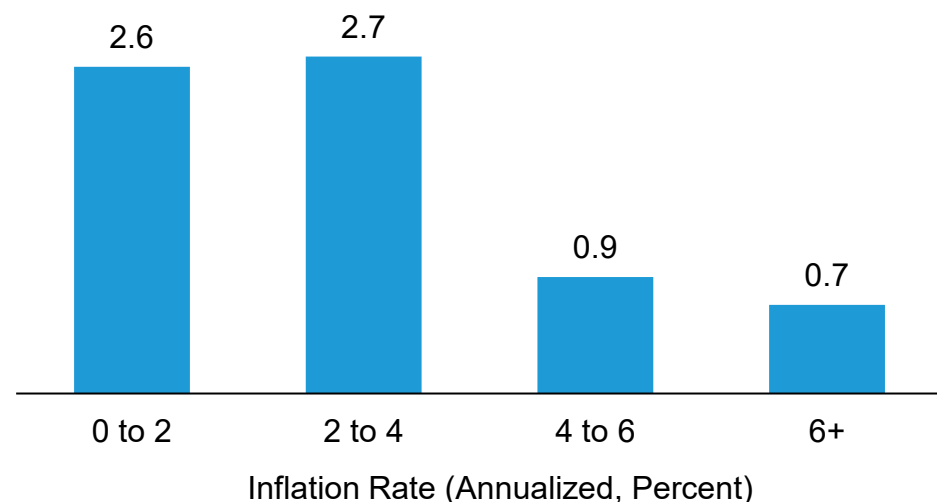


Stocks: A Resilient Asset Class Through Many Headwinds

Including periods of rising inflation, and Fed tightening

S&P 500: Average Quarterly Return in Different Inflation Environments

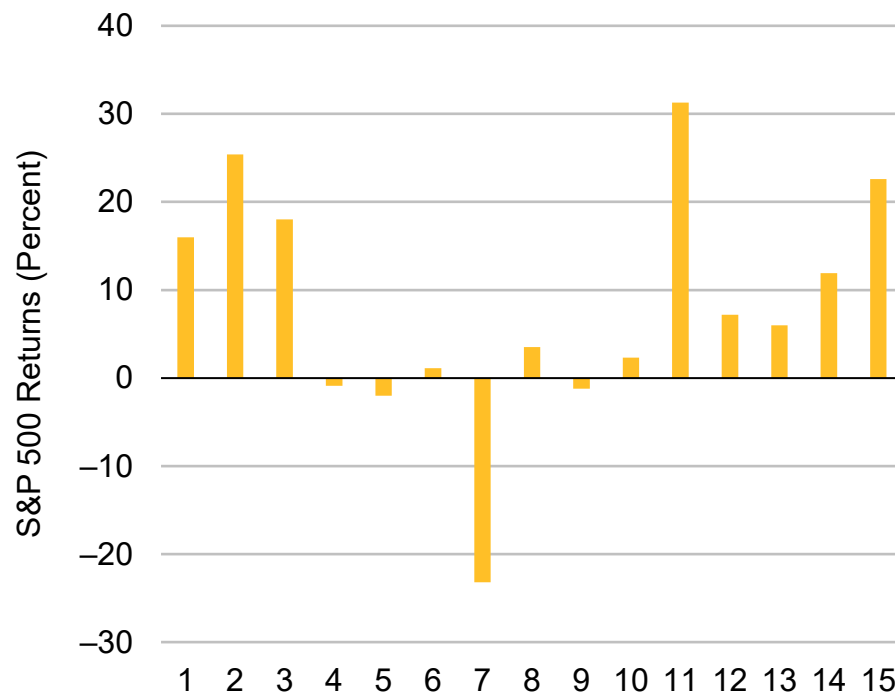
1948–2021 (percent)



Number of Quarterly Observations

86	108	44	43
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Caveat: A Tighter Fed in a Phase of Moderating Economic Growth Will Make Stock Selection Especially Critical*



Past performance and current analysis do not guarantee future results.

*1 = 11/30/1954–10/31/1957; 2 = 7/31/1958–11/30/1959; 3 = 7/31/1961–11/30/1966; 4 = 10/31/1967–8/31/1969; 5 = 2/28/1971–8/31/1971; 6 = 2/29/1972–8/31/1973; 7 = 2/28/1974–7/31/1974; 8 = 11/30/1976–4/30/1980; 9 = 3/31/1981–5/29/1981; 10 = 4/29/1983–8/31/1984; 11 = 11/28/1986–5/31/1989; 12 = 1/31/1994–2/28/1995; 13 = 5/31/1999–5/31/2000; 14 = 5/31/2004–6/30/2006; 15 = 12/31/2015–12/31/2018

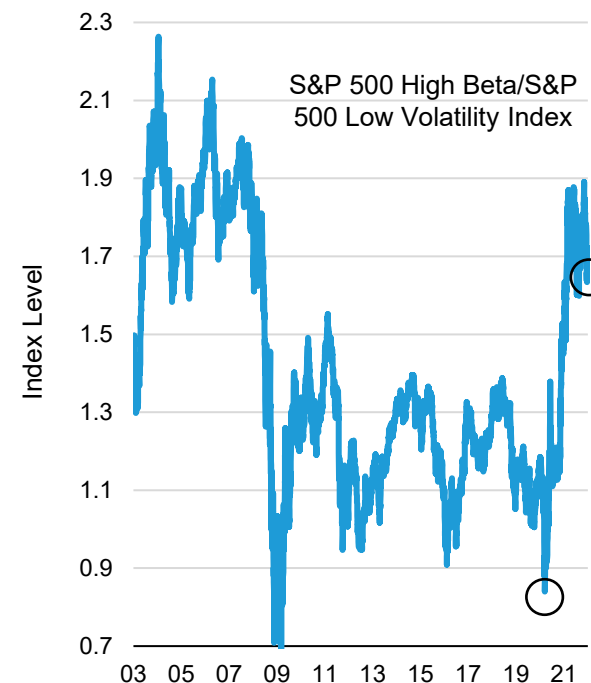
Left display as of September 30, 2021; right display as of December 31, 2021

Source: Bloomberg, Cornerstone Macro, FactSet, Morningstar, St. Louis Fed and AB

As Expansion Leads to Moderation, Seek Profitable Growth and Quality...

	Recovery	Expansion	Moderation	Contraction
Positive	Cyclical Value	Growth	Growth	Low Volatility
	Small-Cap		Quality	Dividend Yield
	Dividend Yield			
Neutral	Quality	Small-Cap	Cyclical Value	Small-Cap
		Quality	Low Volatility	Quality
			Dividend Yield	
Negative	Low Volatility	Cyclical Value	Small-Cap	Cyclical Value
	Growth	Low Volatility		Growth
		Dividend Yield		

Optimal Time for High-Beta and Low-Quality Stocks Is at Troughs...Not Now



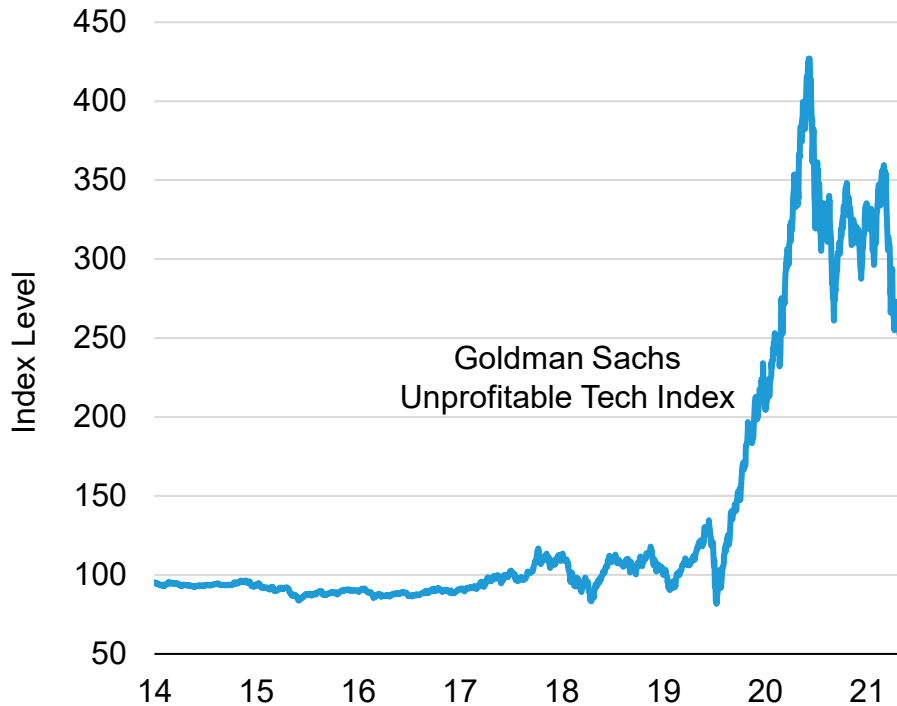
For illustrative purposes only. Past performance does not guarantee future results.

Small-cap: market capitalization; cyclical value: book to price, forward earnings to price; quality: return on equity; growth/momentum: 12-month price momentum, year-over-year earnings growth; low volatility: low historical beta; defensive value: earnings to price, dividend yield. Cycles based on PMI. From January 1, 1991, through May 31, 2021. Right display through December 31, 2021

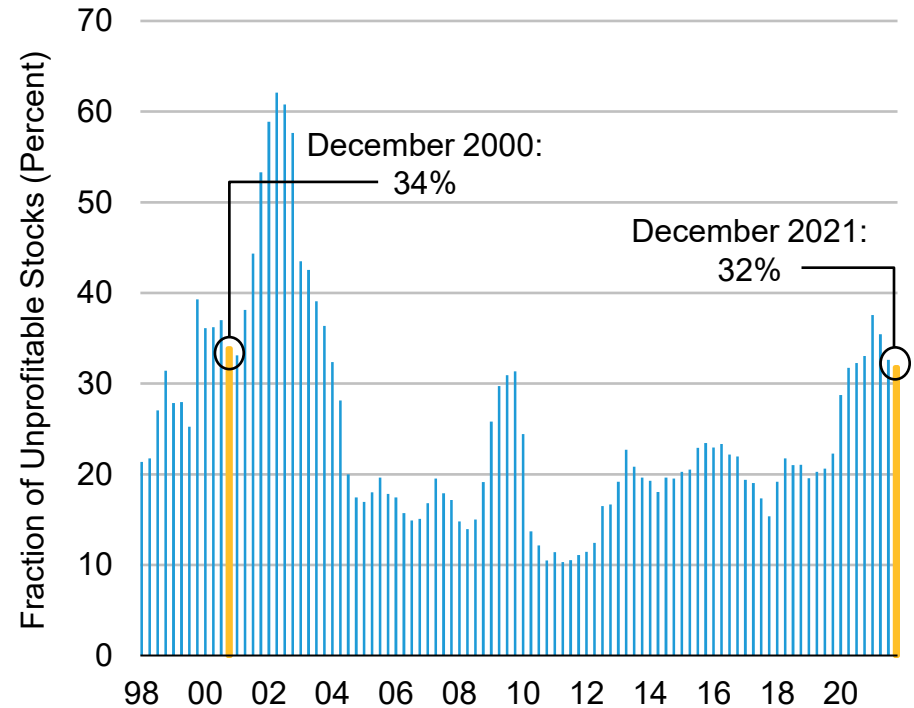
Source: Bloomberg, Center for Research in Security Prices (CRSP), Cornerstone Data, IHS Markit, Morningstar, MSCI, S&P Compustat, Thomson Reuters I/B/E/S and AB

...Case in Point: Many Unprofitable Technology Stocks Struggling of Late

Prospect of Fed Tightening Has Been a Headwind for This Equity Cohort



The Percent of Unprofitable Technology Stocks Remains High*



*The right display represents the number of unprofitable technology stocks as a percent of the total number of technology stocks in a top 1,500 largest US stock universe As of December 31, 2021

Source: CRSP, FactSet, Goldman Sachs, MSCI, Bernstein Research and AB

In a Heightened Risk Environment, Stay Focused on Quality

Avoid low-quality value and high-valuation growth stocks in this environment

Quality Stocks Provide Benefits in Good Times and Bad*

Crisis	Crisis Period	MSCI World Returns	MSCI World Quality Returns	MSCI World Quality Relative Returns	Down-Market Capture
Tech Sector Crash	2000–2002	–43.1	–36.1	7.1	85
Global Financial Crisis	2007–2009	–52.3	–43.1	9.5	80
Coronavirus Pandemic	2020	–20.6	–15.8	4.8	76

	Period	MSCI World	MSCI World Quality	Up-Market Capture	Down-Market Capture
Index Returns	1986–2021	8.7	11.5	95	77

A Quality Checklist for the Current Environment

Attributes	Quality Value	Profitable Growth
High/Stable Profits		✓
Strong Free Cash Flow	✓	
Positive Earnings Revisions	✓	✓
Pricing Power	✓	✓
Profitable Reinvestment	✓	✓
Innovation/Unique Offerings		✓
Sustainable Themes		✓
High-Valuation Growth		✗
Higher-Cost Operators	✗	✗
High Levels of Debt	✗	✗

Historical analysis and current forecasts do not guarantee future results.

*Based on downturns of more than 10% in the MSCI World. Tech sector crash from March 1, 2000, through September 30, 2002. Global financial crisis from October 1, 2007, through February 28, 2009. Coronavirus pandemic from February 1, 2020, through March 31, 2020. Index returns from MSCI World Index inception on April 1, 1986, through December 31, 2021. Up- and down-market capture are for the MSCI World Quality, with the MSCI World as the calculation benchmark.

As of December 31, 2021

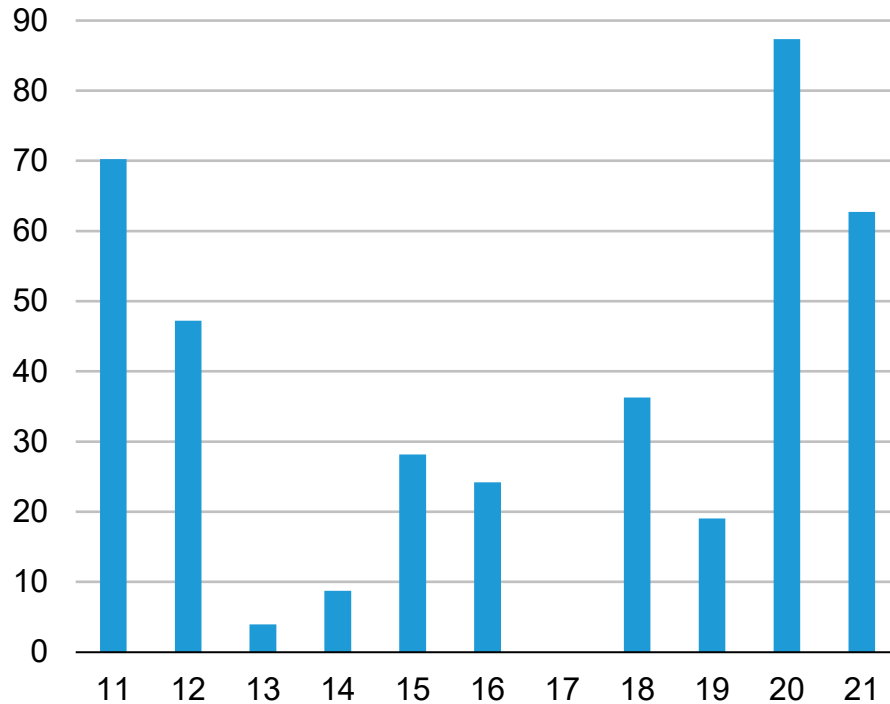
Source: Bloomberg, FTSE Russell, Morningstar and AB



A Portfolio Volatility Rx: Consider a Defensive Equity Component

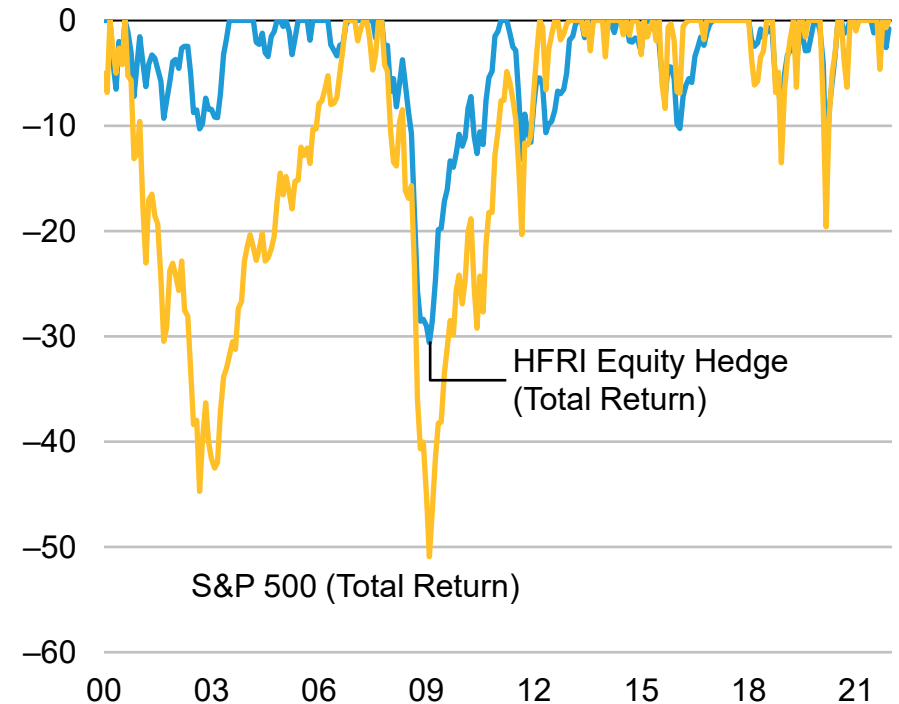
A Higher Volatility Environment Is Likely to Persist

Percent of days with volatility above the 10-year average



Drawdowns Have Been Lower with Equity-Hedged Strategies

Since inception (percent)



Through December 31, 2021

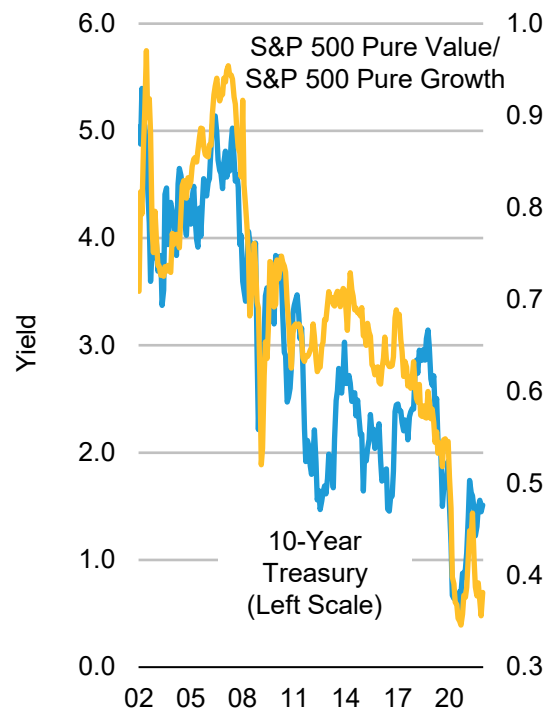
Source: Bloomberg, Chicago Board Options Exchange, Hedge Fund Research, S&P and AB



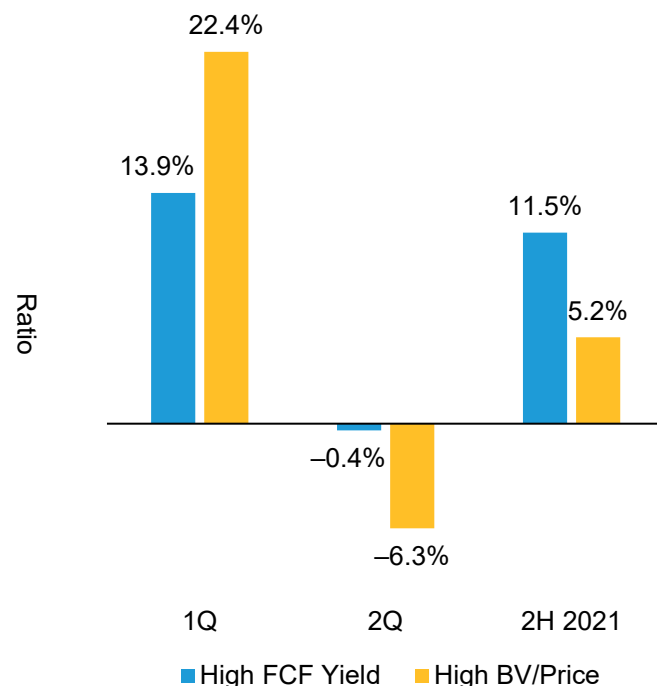
Value Stocks: Higher Interest Rates May Provide a Lift, but Be Selective

Higher-quality value has gained traction as the cycle progresses and remains inexpensive

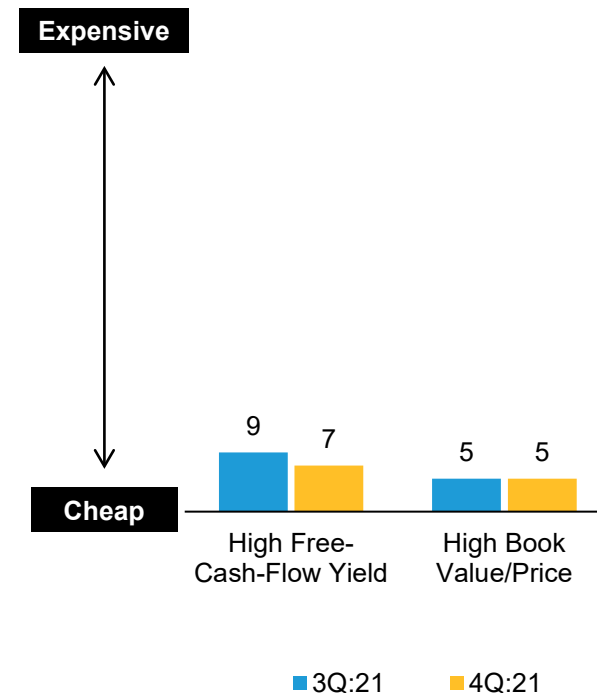
Higher Yields: A Tailwind for Lower-Duration Value Stocks



Higher-Quality Value Has Taken the Lead Since the Second Quarter



Deep Value Does Not Always Equal Good Value; Favor High Free Cash Flow



Past performance and historical analysis do not guarantee future results.

High free-cash-flow yield: last 12 months cash flow from operations less than three-year average CAPEX to market cap; high book value/price: stockholder's equity minus preferred stock divided by market cap

Left and middle displays as of December 31, 2021; right display as of November 30, 2021

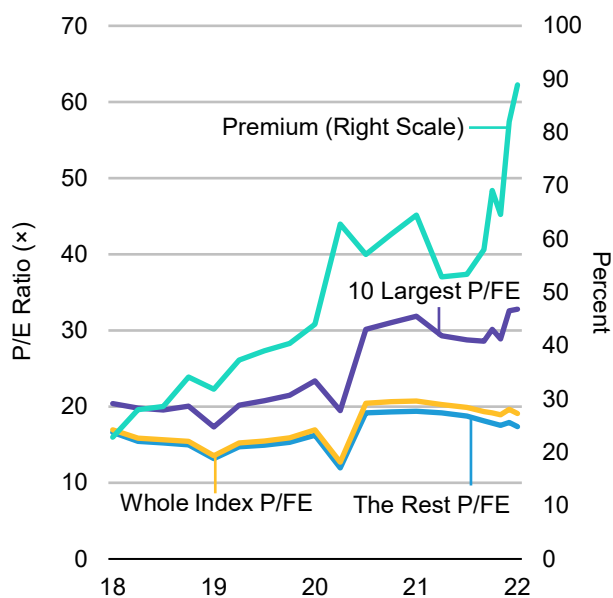
Source: Bloomberg, FactSet, FTSE Russell, MSCI, S&P and AB



Beyond the US: Focus on Persistent Growth and Enduring Themes

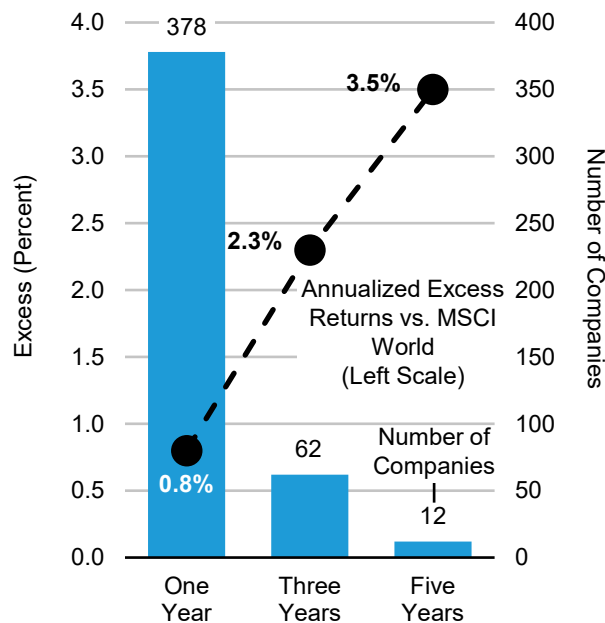
Valuation dispersion enables opportunities to generate favorable returns

Valuation Premium of 10 Largest Stocks by Market Cap vs. Rest of World Index



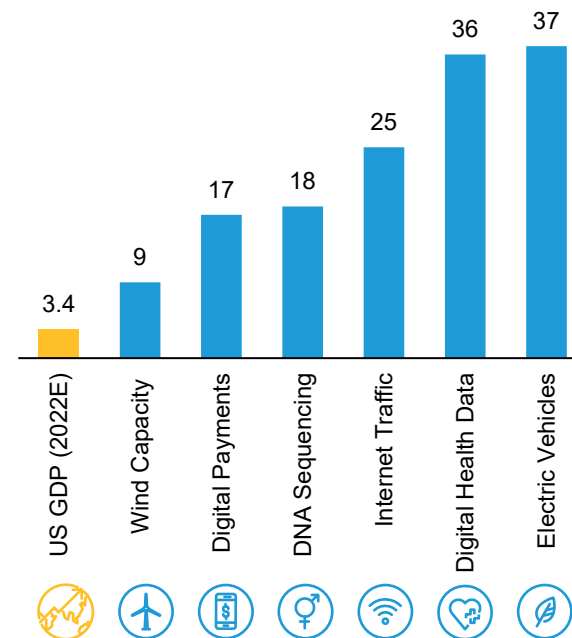
Companies Persisting with ≥ 10% YoY Earnings Growth

Top 1,000 global companies (1989–2021)



Secular Trends Offer Outsized Growth Potential

Compounded annual growth rates (percent)



Past performance does not guarantee future results.

Left display based on the MSCI World Index. Middle display represents historical data for informational purposes only. Universe consists of the top 1,000 companies by market cap each year from 1989 through 2021 with annual rebalancing. US GDP estimate from AB economists as of September 30, 2021. Wind capacity 2019–2025; global digital payments 2020–2024; global DNA sequencing 2020–2023; global internet traffic 2015–2020; digital health data 2018–2025; and electric vehicle units 2020–2025. As of December 31, 2021.

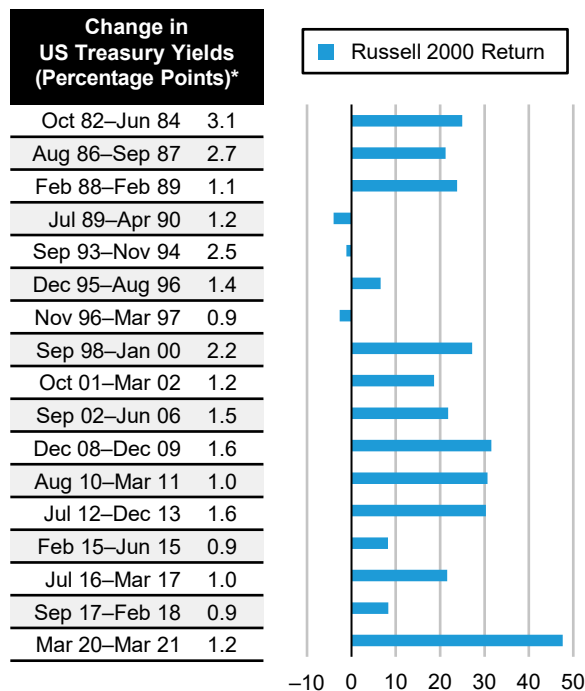
Source: BCC Research, Cisco Systems, CRSP, FactSet, Global Wind Energy Council, IDC, Morgan Stanley, MSCI, S&P Compustat, Statista and AB



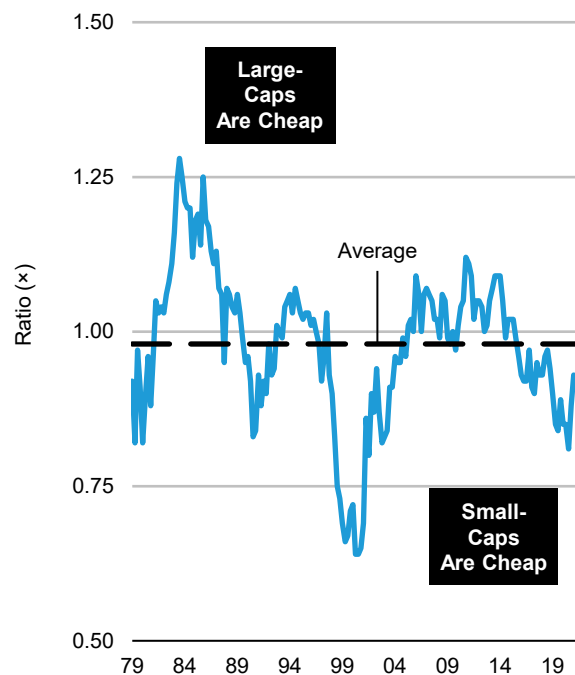
Further Small-Cap Upside Expected, but Be Discerningly Active

Currently favoring more economically sensitive versus defensive sectors

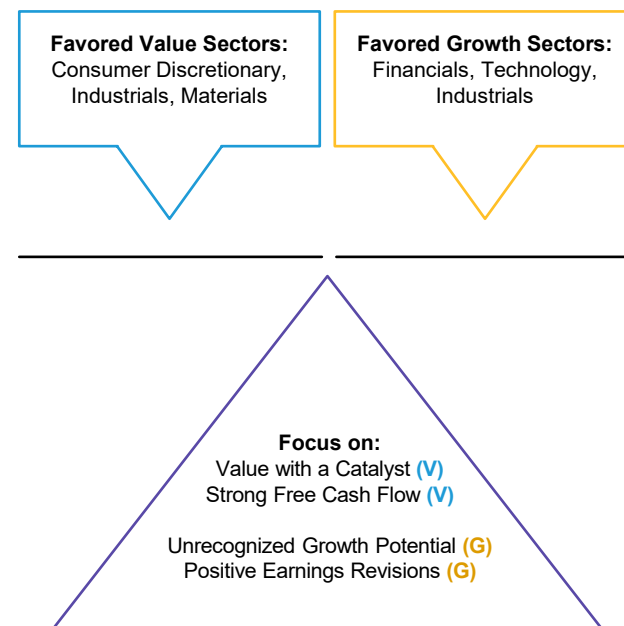
Historically, Small-Caps Have Generated Positive Returns in Rising Rate Environments...



...and Remain Attractive Relative to Large-Cap Stocks
Russell 2000 vs. Russell 1000



Maintain an Even Measure Between Small/SMID Value and Growth Styles



Historical analysis and current forecasts do not guarantee future results.

*Total percentage-point change in nominal 10-year US Treasury bond yield

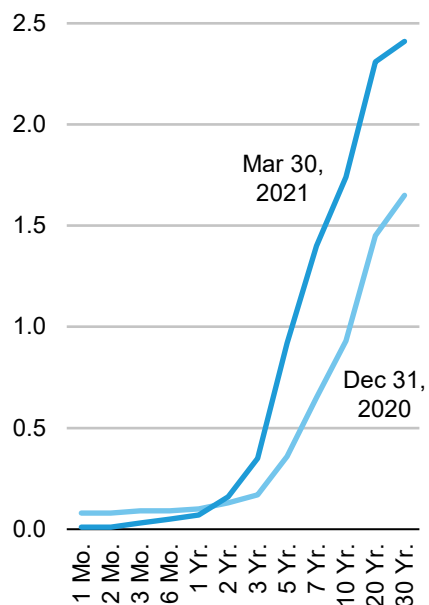
Left and right displays as of December 31, 2021; middle display through November 30, 2021

Source: FactSet, FTSE Russell and AB

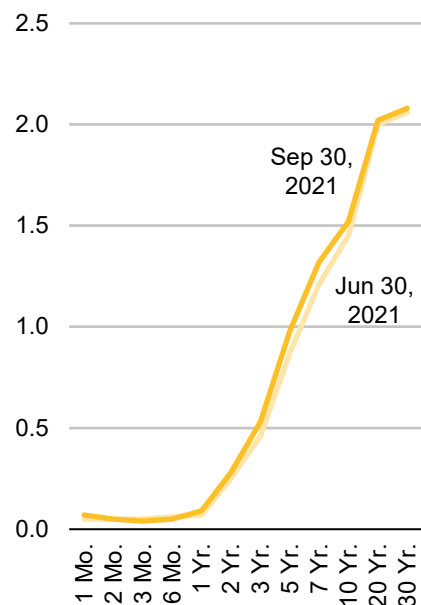
Taxable Fixed

After Months of Inaction, US Rates Start to Rise

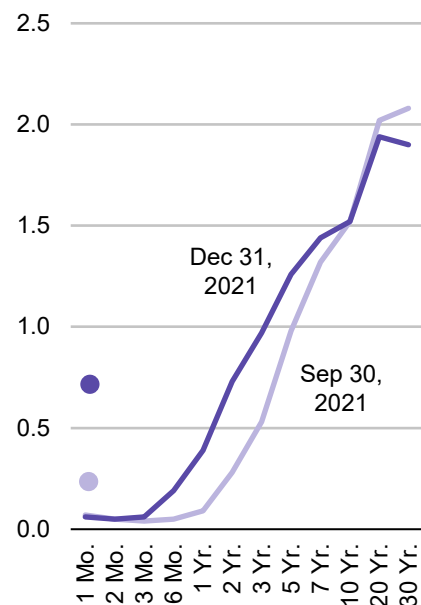
Beginning (4Q:20 to 1Q:21)
Steepening



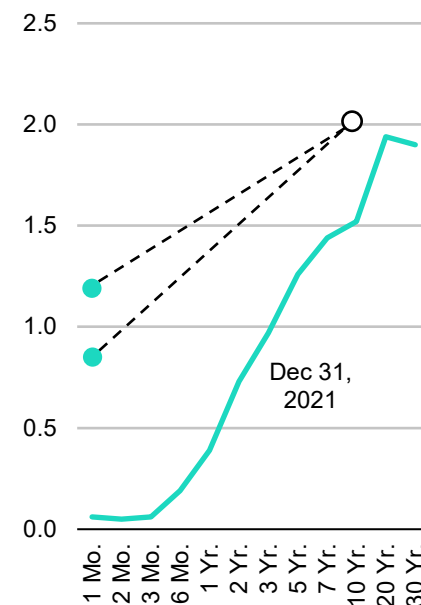
Middle (2Q:21 to 3Q:21)
Limited movement



End (3Q:21 to 4Q:21)
Flattening



Year-End and Looking Ahead



● FFR Market Forecast*

● FFR AB Forecast†

○ 10-Yr. AB Forecast‡

Historical analysis and current forecasts do not guarantee future results.

*Based on CME FedWatch Tool; †Year-end 2022 forecast; ‡Year-end 2023 forecast

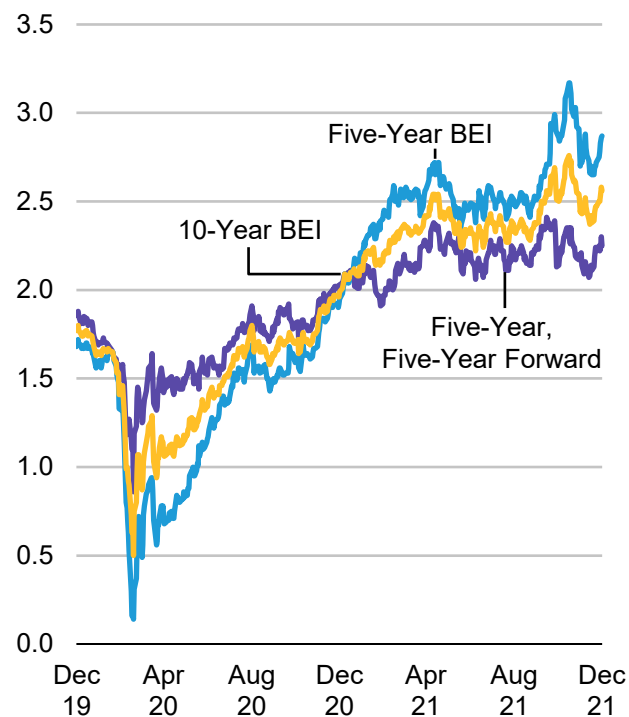
As of December 31, 2021

Source: Bloomberg, US Department of the Treasury and AB

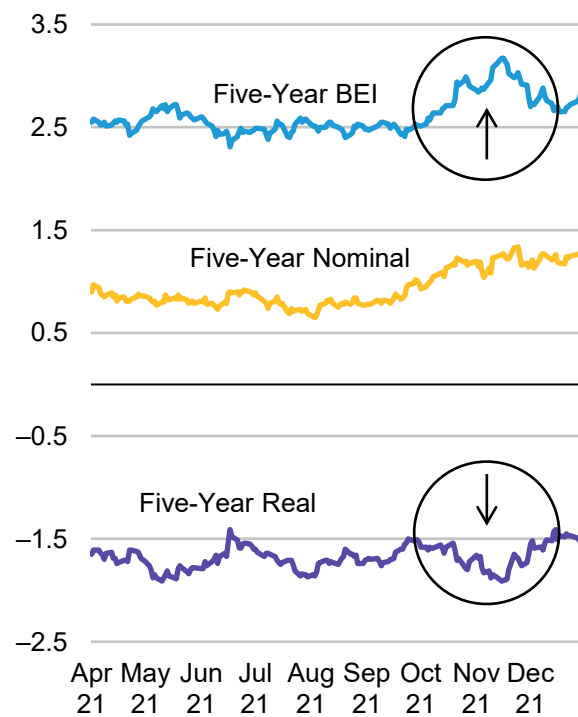


Volatility of Inflation Expectations Driven by “Surprise, Surprise” Lingering Inflation, the Fed and COVID-19

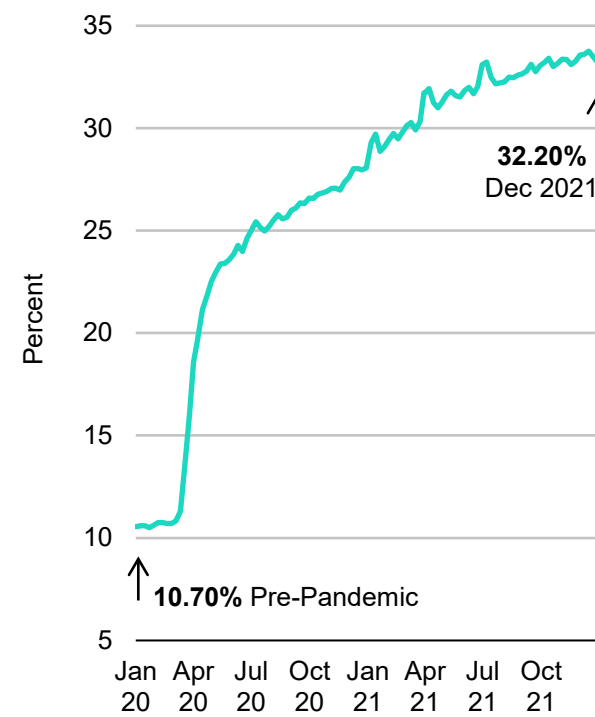
BEIs React to Fed Policy and Omicron Pressures



With BEIs and Real Yields Moving in Opposition



BEIs Remain Heavily Influenced by Fed Ownership



Historical analysis and current forecasts do not guarantee future results.

BEI: break-even inflation

As of December 31, 2021

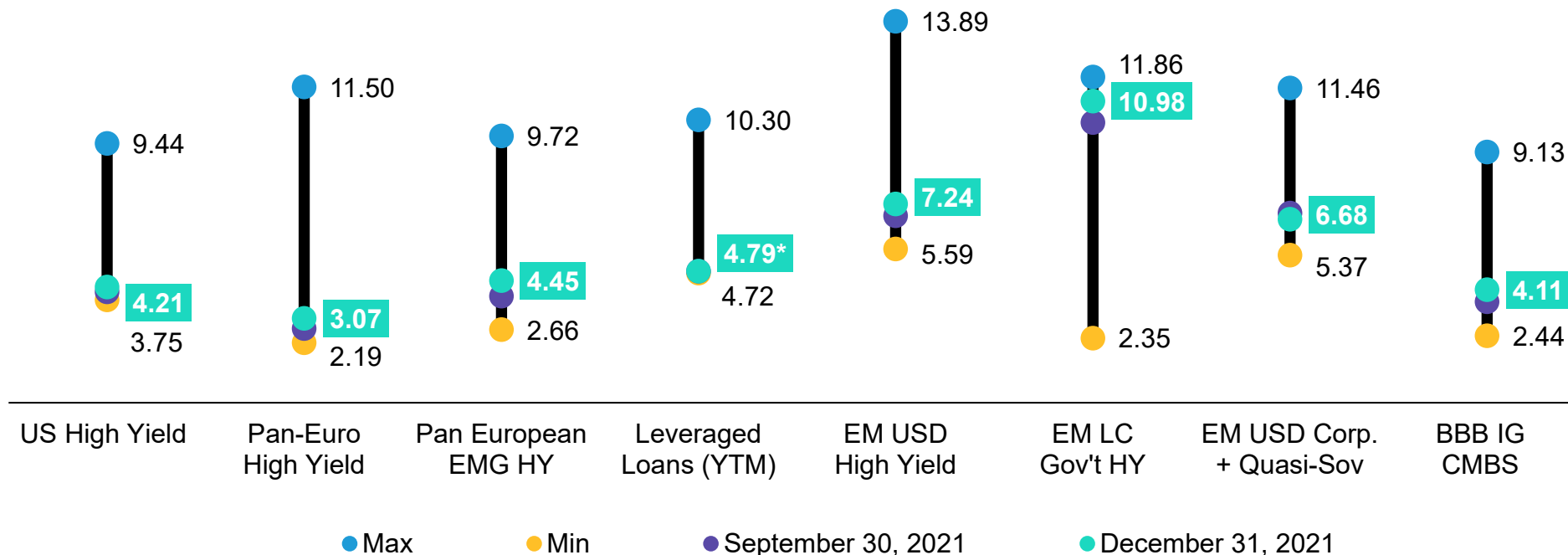
Source: Bloomberg, US Department of the Treasury and AB



Yield and Spreads Are Tight in Developed Markets Corporate Credit, but Relative Opportunities Exist

10-Year Yield-to-Worst Range

October 2011–December 2021



Past performance does not guarantee future results.

CMBS: commercial mortgage-backed securities; EM: emerging markets; EMG: emerging; HY: high yield; IG: investment-grade; LC: local currency; USD: US dollar; YTM: yield to maturity

Historical information provided for illustrative purposes only. US High Yield is represented by Bloomberg US High Yield Corporate Index; Pan-Euro High Yield by Bloomberg Pan-European High Yield; Pan-European EMG HY by Bloomberg Pan European EMG High Yield; EM LC Gov't HY by Bloomberg EM Local Currency Government High Yield; EM USD Corp + Quasi-Sov by Bloomberg EM USD Corp + Quasi Sovereign High Yield; EM USD High Yield by Bloomberg EM USD Sovereign High Yield; Leveraged Loans (YTM) by Credit Suisse Leveraged Loan Index; BBB IG CMBS by Bloomberg CMBS IG BBB Index. *As of September 30, 2021

As of December 31, 2021. Source: Bloomberg, Morningstar and AB

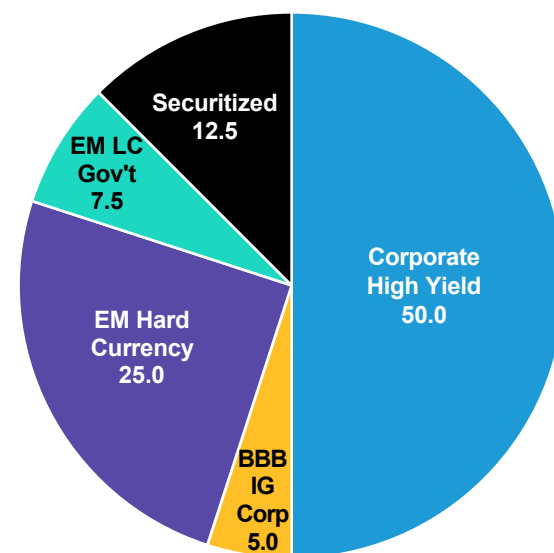
By the Numbers

A blended credit portfolio offers a better income-to-risk profile today

Hypothetical Portfolio Characteristics

	Corporate Credit		Emerging Markets			Securitized Credit		Hypothetical Portfolio	US High Yield Index
	Global High Yield	IG BBB Corp	EM HC Sov	EM HC Corp	EM LC Gov't	CRTs*	IG BBB CMBS	Global High Yield Strategy	US High Yield Index
Percent Market Weight	50.0%	5.0%	15.0%	10.0%	7.5%	5.0%	7.5%	100%	100%
YTW (Percent)	4.9	2.6	7.2	6.9	11.0	5.2	4.1	5.5	4.2
OAS (b.p.)	381	113	596	554	118	505	290	402	283
Credit Quality	B+	BBB	B	BB/B	B	B	BBB	Ba/B	Ba/B
Duration (Years)	4.3	8.6	5.6	4.4	4.0	0.1	4.6	4.6	3.8

Sector Allocation: Market Weight Percent



Past performance does not guarantee future results.

CRTs: credit-risk transfers; YTW: yield-to-worst

Simulated or hypothetical performance results have certain inherent limitations. Unlike the results shown in an actual performance record, these results do not represent actual trading. Results include estimates of trading costs and market impact; however, because these trades have not actually been executed, results may have under- or overcompensated for these costs. Simulated or hypothetical trading programs in general are also subject to the fact that they are designed with the benefit of hindsight. No representation is being made that any account will or is likely to achieve returns or a volatility profile similar to those being shown. IG BBB Corp: Bloomberg BBB Investment-Grade Corporates; EM HC Sov: EM USD Aggregate (rated high yield); EM HC Corp: EM USD Corp + Quasi-Sov (rated high yield); EM LC Gov't: EM Local Currency Government (rated high yield). Securitized includes Agency CRTs; IG BBB CMBS: CMBS IG BBB Index. Bloomberg indices were used for the hypothetical portfolio characteristics. *As of September 31, 2021

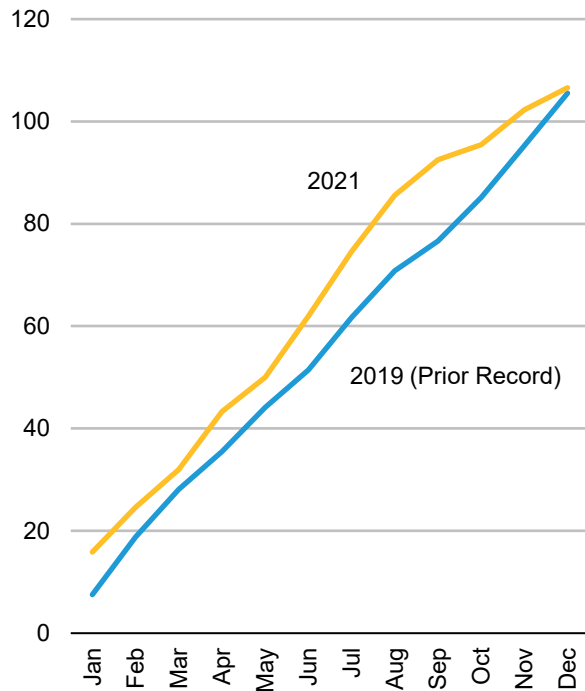
As of December 31, 2021. Source: Bloomberg and AB

Municipals

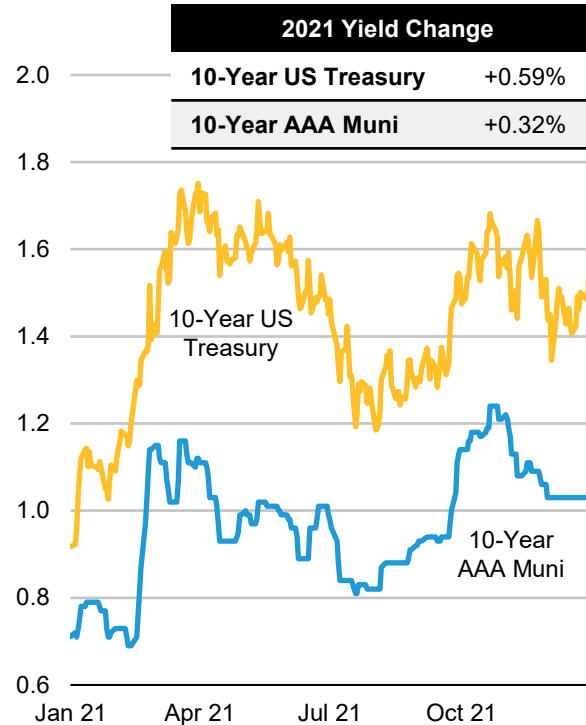
Record Municipal Flows Drove Strong Absolute and Relative Performance

Municipal yields rose but only half as much as US Treasuries

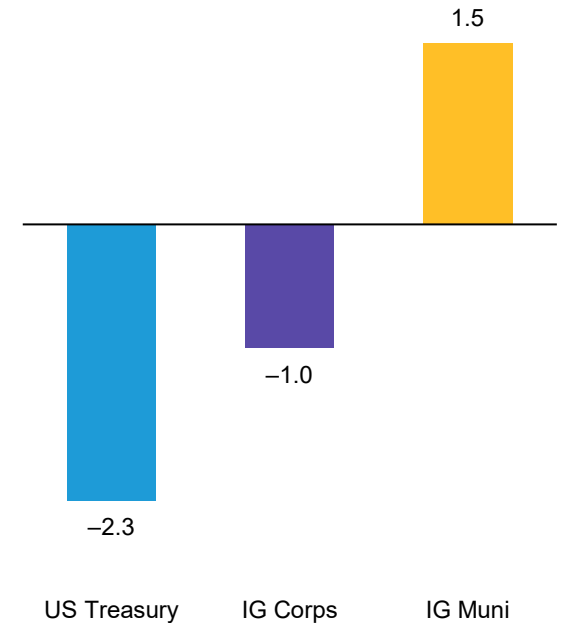
Cumulative Muni Mutual Fund + ETF Inflows
USD billions



Municipal and US Treasuries YTW
Percent



Municipals Were a Bright Spot
Returns by Fixed Income asset class (percent)



Current analysis does not guarantee future results.

ETF: exchange-traded fund

As of December 31, 2021

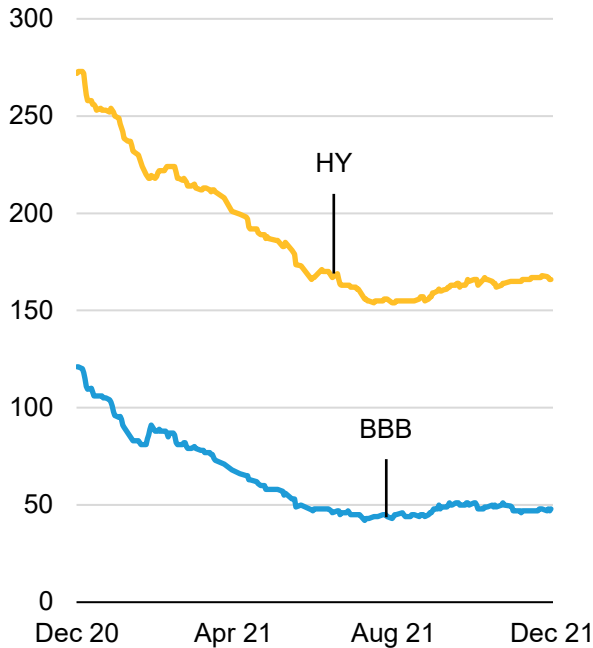
Source: Bloomberg, J.P. Morgan, Municipal Market Data and AB



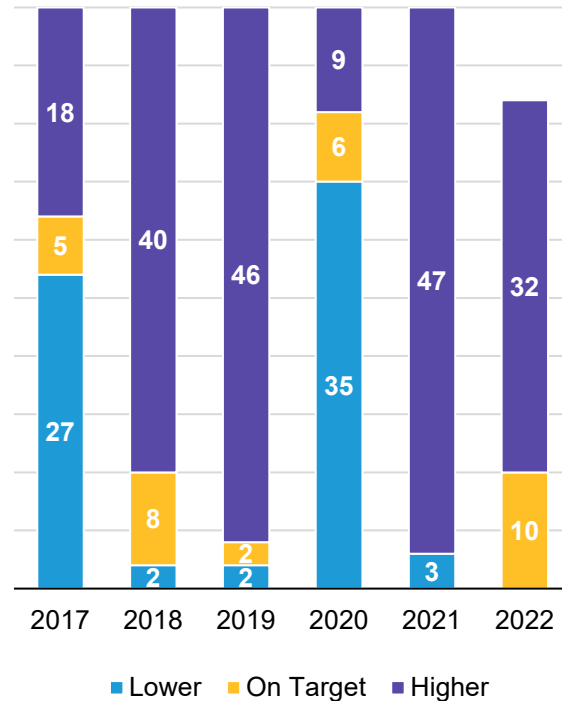
Demand for Yield and Strong Fundamentals Fueled Spread Tightening

Municipal credit dominated performance within the asset class

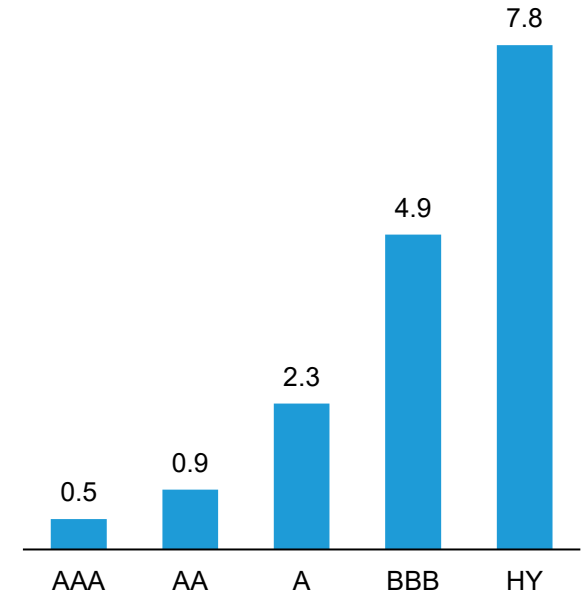
BBB and HY Muni Credit Spreads
Basis points



General Fund Revenue Collections Compared to Original Budget Projections



2021 Returns by Credit Quality
Percent



Current analysis does not guarantee future results.

As of December 31, 2021

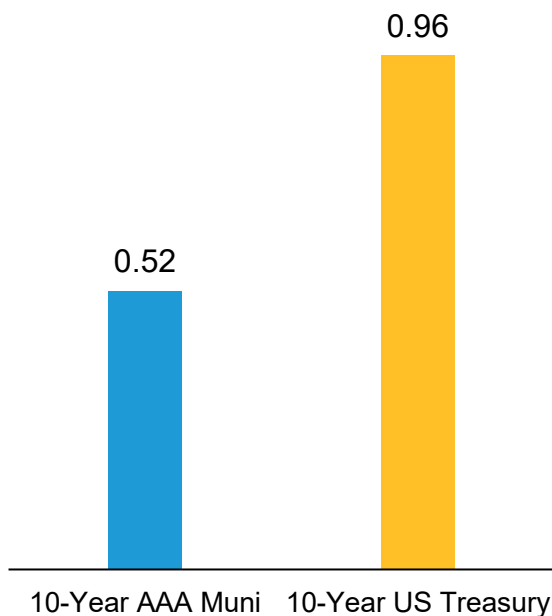
Source: Bloomberg, National Association of State Budget Officers and AB



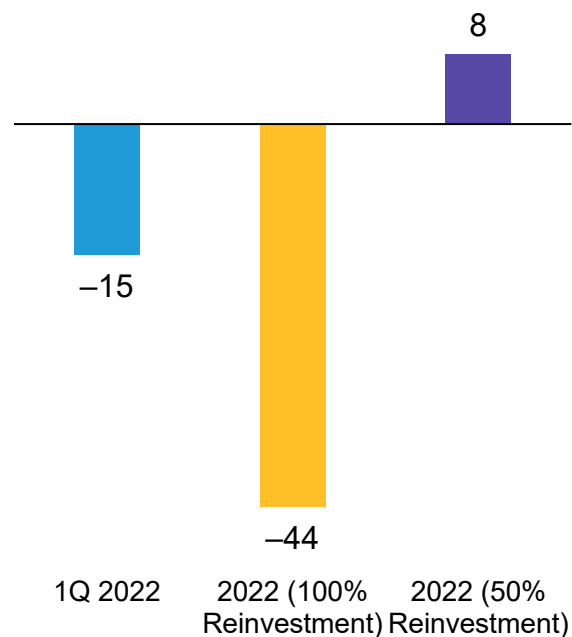
Municipals Tend to Have Less Interest-Rate Beta

Technical and fundamental environment should help offset interest-rate headwinds

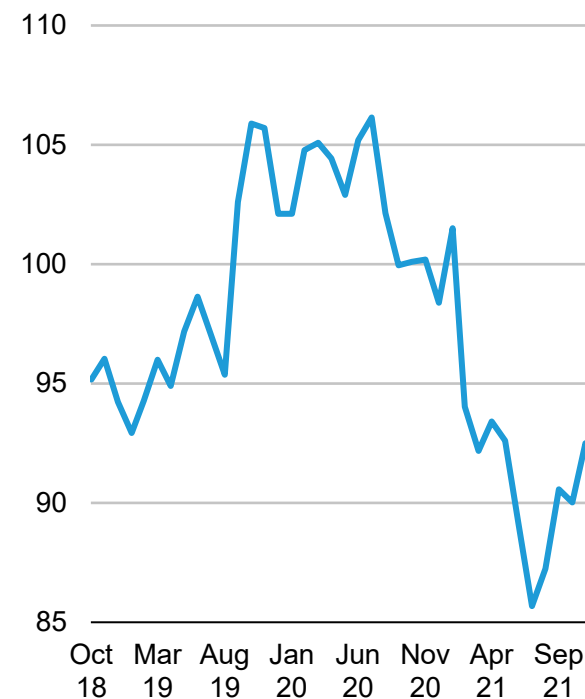
Average Yield Rise*
Percent



2022 Net Supply Forecast
Billions



Target Duration Ratio vs. Benchmark
Percent



Current analysis does not guarantee future results. There is no guarantee that any estimates or forecasts will be realized.

*Based on 12-month rolling periods when 10-Year US Treasury Yield rose at least 0.50%

As of December 31, 2021

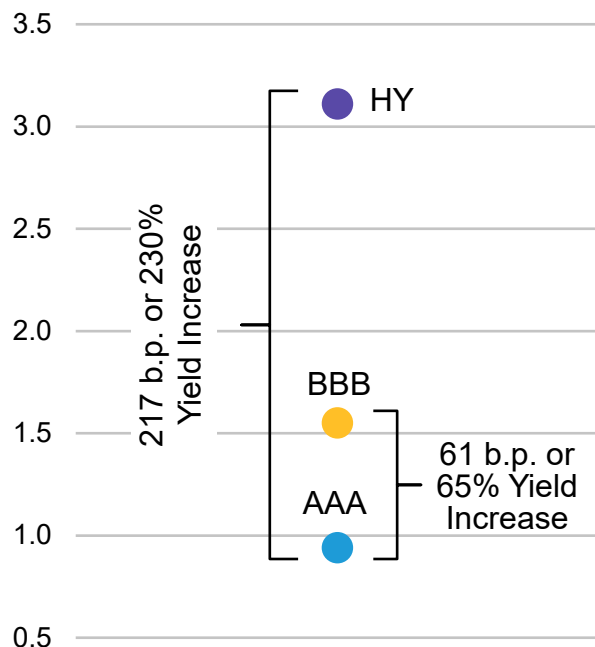
Source: J.P. Morgan and AB



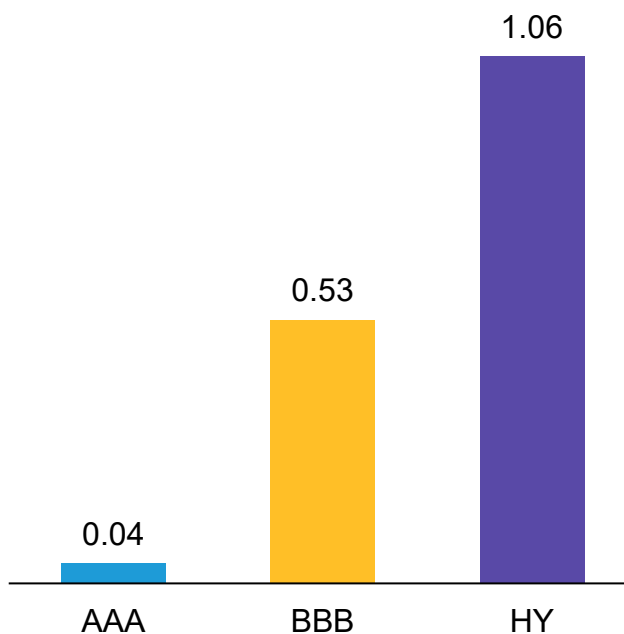
Municipal Credit Provides Additional Carry as Rates Rise

With tight spreads, remain overweight credit but be selective

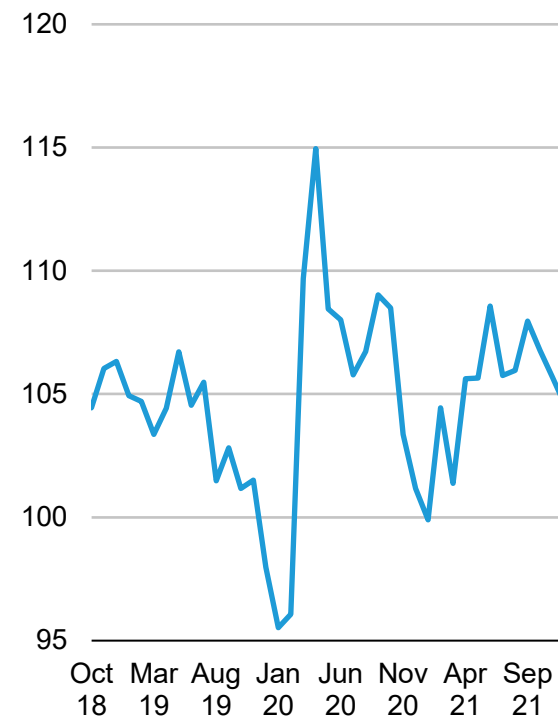
Relative Muni Credit Carry Is Attractive
Index YTW (percent)



Average Return When 10-Year US Treasury Yields Rise During a Quarter*
Percent



Target Credit Beta Versus Benchmark
Percent



Current analysis does not guarantee future results. There is no guarantee that any estimates or forecasts will be realized.

*Based on quarterly intervals from December 31, 1993

As of December 31, 2021

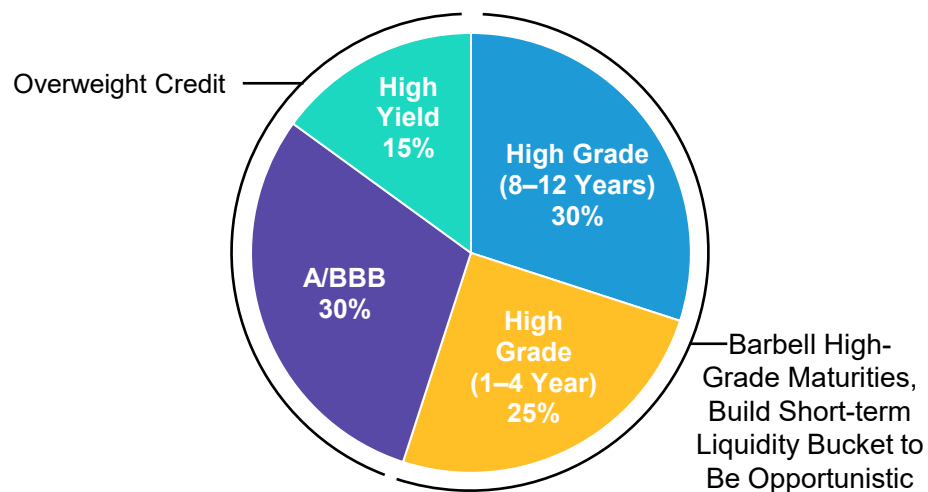
Source: FRED, J.P. Morgan and AB



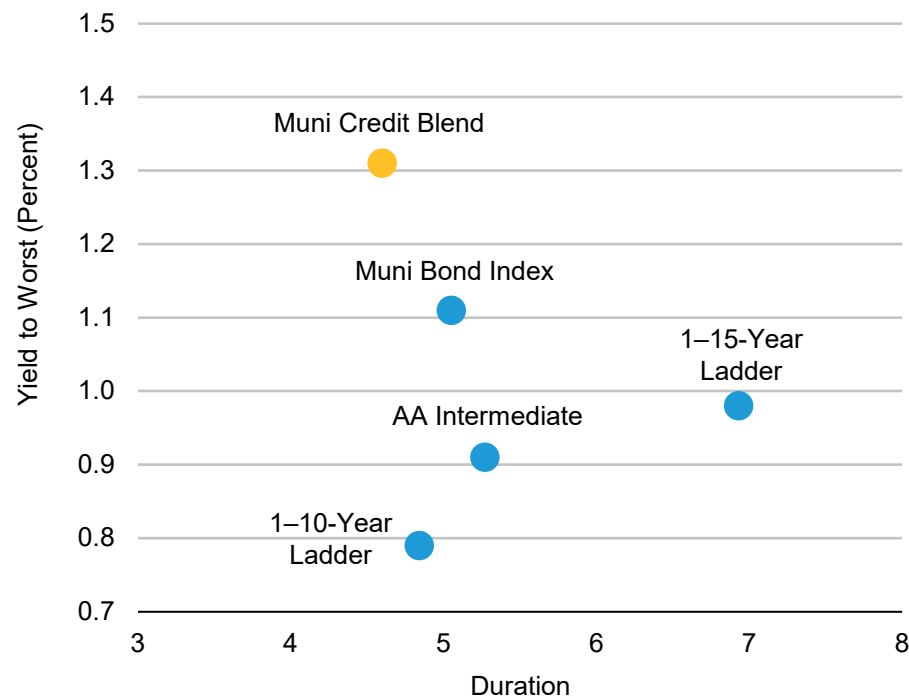
Active Management and Portfolio Structure Is Critical

Underweight duration, overweight municipal credit, increase liquidity bucket

Portfolio Construction for Today's Environment



Be Active, Bond Ladders Fall Short



Current analysis does not guarantee future results. There is no guarantee any investment objective will be achieved.

Muni Credit Blend is blend of Bloomberg Muni Credit indices. Construct is 55% High Grade, 15% A, 15% BBB and 15% High Yield.

As of December 31, 2021

Source: Bloomberg and AB



Appendix

The Rotation and Improved Breadth of the Market

Recovery from the pandemic and rising rates as key drivers

When interest rates rise, cash flows are discounted at higher rates...

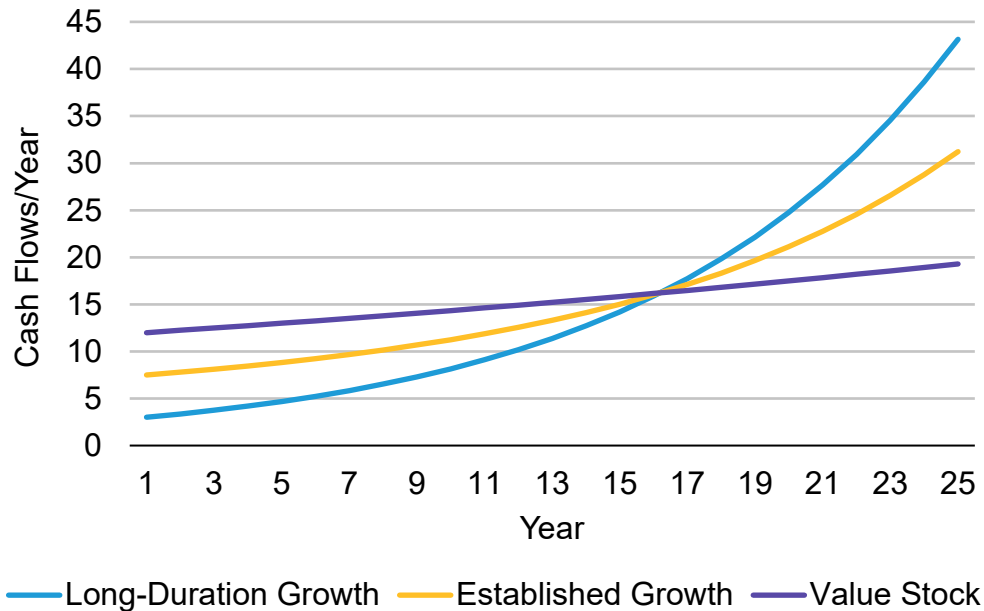


Growth Multiples

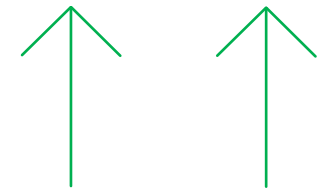
...and many longer-duration growth stock P/Es decline, as future cash flows become less valuable today

Growth Stocks Are Longer-Duration Assets than Value Stocks

The further in the future a company's cash flows are weighted, the more sensitive they are to rising interest rates



When economic growth increases and broadens...



Value Earnings

Value Multiples

...many economically sensitive value stocks benefit from higher earnings and rising P/Es

Past performance and current analysis do not guarantee future results.

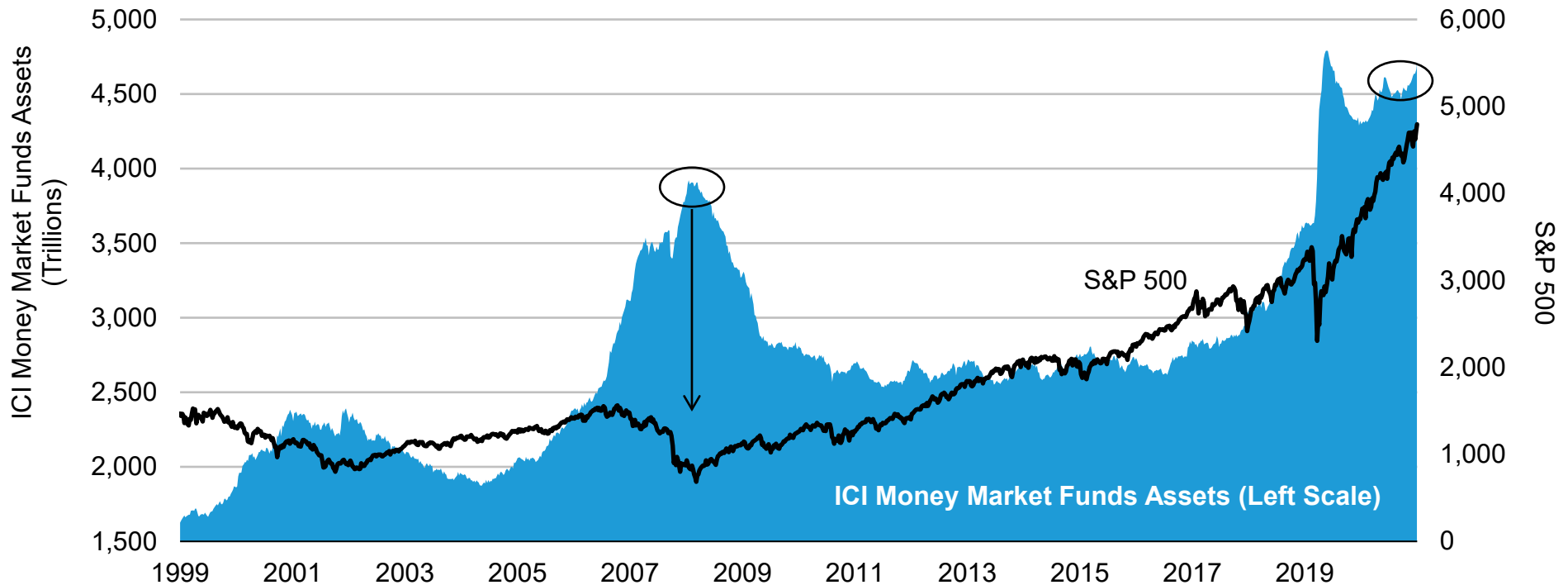
As of September 30, 2021

Source: AB



Cash in Money Market Funds Remains at High Levels

Added buying power during improved terms of trade



Historical analysis and current forecasts do not guarantee future results.

ICI Money Market Funds Assets: total assets in money market funds for the week. Figure is a total of taxable and tax-exempt funds that report to the Investment Company Institute. As of December 31, 2021

Source: Bloomberg, ICI, S&P and AB

Across the Board Strength for the Year

Fourth quarter returns: growth and quality shine, while small caps eke out a gain

		4Q Returns (Percent)	YTD Returns (Percent)	Historical P/FE	Pre-Pandemic P/FE	3Q:21 P/FE	4Q:21 P/FE
Index	Russell 1000 Growth	11.6	27.6	17	24	28	30
	S&P 500	11.0	28.7	15	19	20	21
	Russell 1000 Value	7.8	25.1	14	16	16	17
	MSCI EAFE	2.7	11.9	13	15	15	15
	Russell 2000	2.1	14.8	21	25	27	25
Factor*	Quality	11.1	27.6	17	20	23	25
	Growth	10.0	26.2	18	26	30	34
	Value	9.9	27.2	13	15	15	16
	Momentum	3.8	12.9	20	26	19	24
	Small Cap	3.6	19.6	20	22	21	20
Sector	Real Estate	17.5	46.1	39	46	44	51
	Technology	16.7	34.5	16	23	25	28
	Materials	15.2	27.3	15	19	16	17
	Consumer Staples	13.3	18.6	17	21	20	22
	Utilities	12.9	17.7	15	21	19	21
	Consumer Discretionary	12.8	24.4	17	22	28	30
	Healthcare	11.2	26.1	15	16	17	18
	Industrials	8.6	21.1	15	18	20	21
	Energy	7.9	54.4	16	17	13	11
	Financials	4.5	34.9	13	13	14	15
Communication Services	-0.01	21.6	14	18	19	20	

Current analysis does not guarantee future results.

Historical P/FE is the average from January 7, 2005, to February 21, 2020; pre-pandemic P/FE is from February 21, 2020

P/FE is the blended forward 12-months price/earnings ratio calculated by dividing the price of the security by Bloomberg Estimates (BEst) EPS

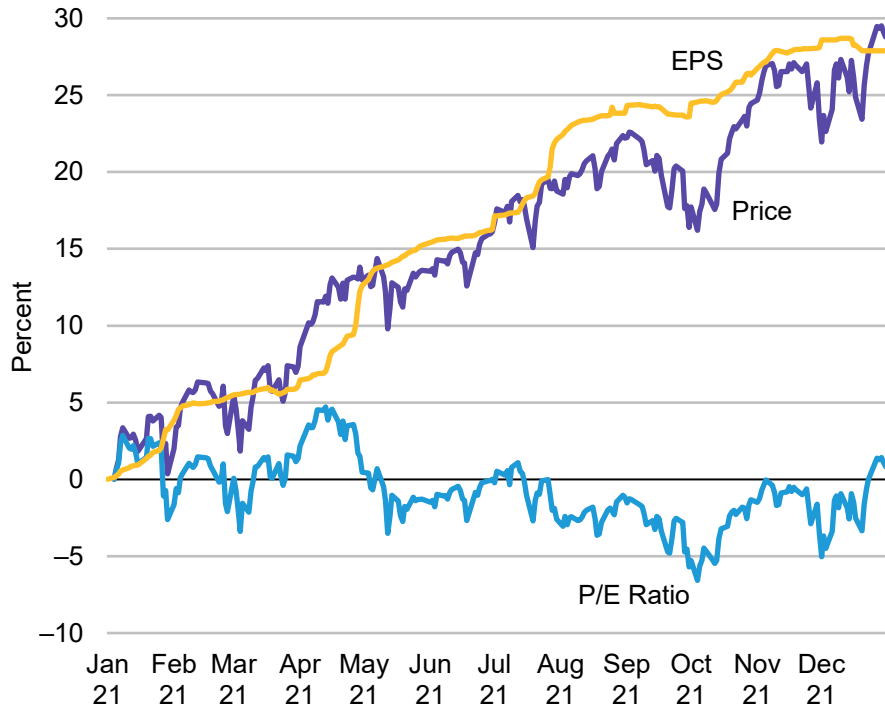
*MSCI USA Factor indices; all returns are total return

As of December 31, 2021. Source: Bloomberg, FTSE Russell, MSCI and S&P

Earnings Drove 2021 Returns, and Likely to Continue in 2022

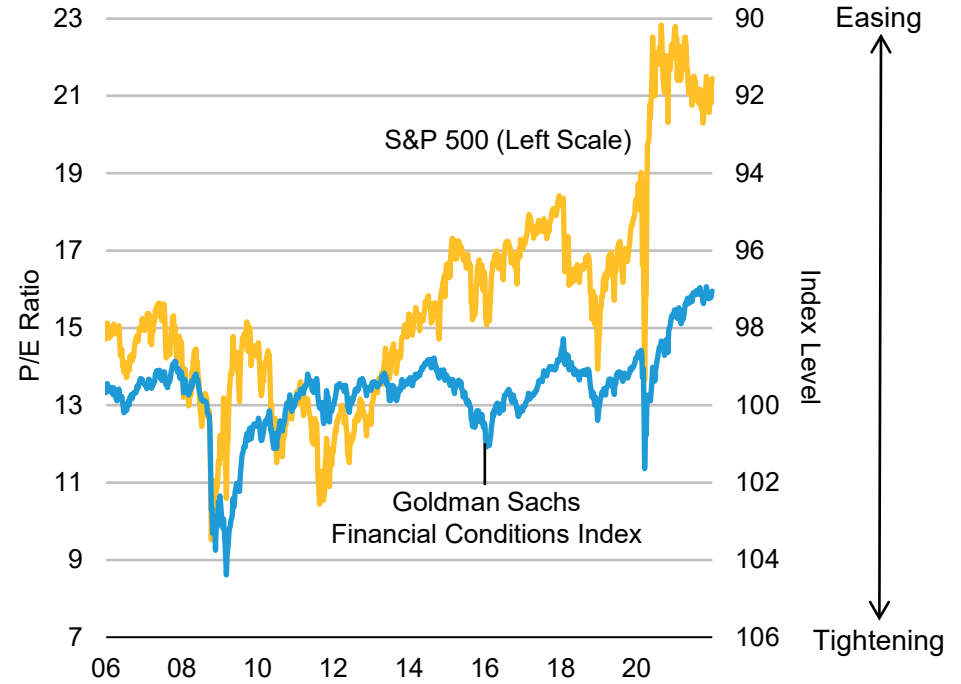
Healthy Foundation

Equity returns were influenced by EPS in 2021



Multiple Contractions Possible as Financial Conditions Tighten

P/E's constrained: financial conditions are near record highs



Historical analysis and current forecasts do not guarantee future results.

P/E ratio on right display is represented by the Bloomberg consensus blended forward 12-month P/E Ratio

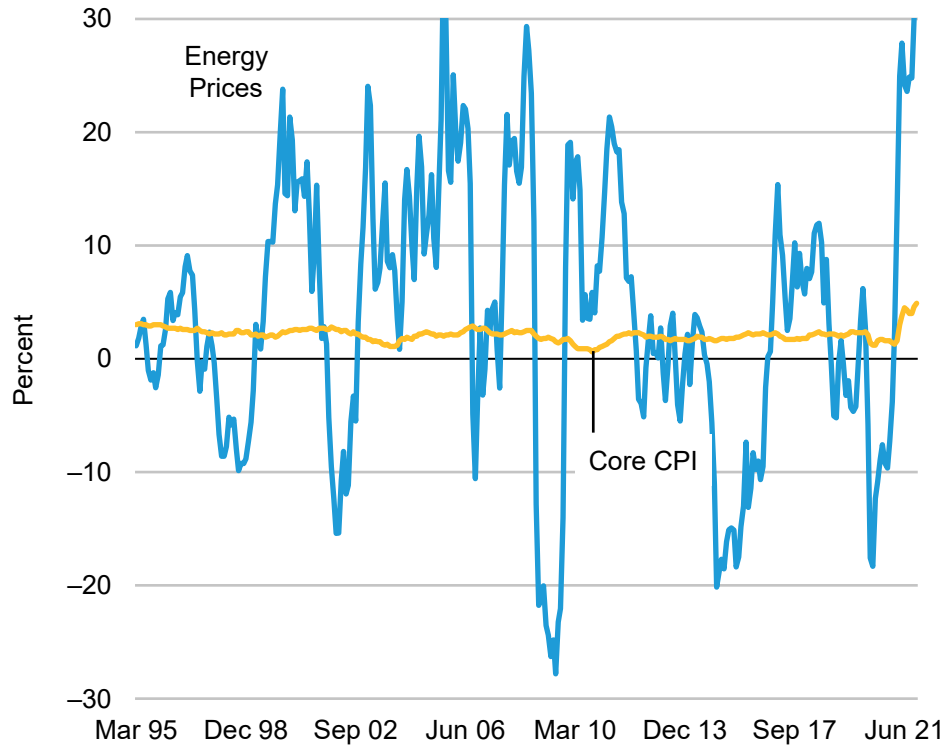
As of December 31, 2021

Source: Bloomberg, FactSet, Goldman Sachs and AB

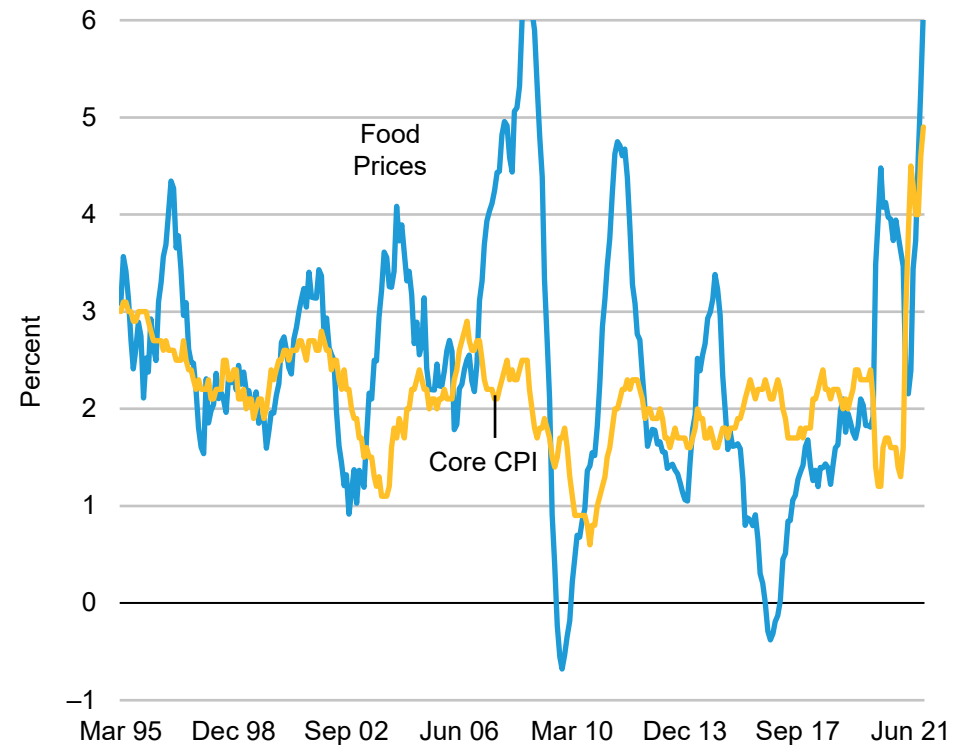


Core CPI Removes the Effects of Categories Heavily Influenced by Volatile Commodities

Policy Decisions Are Largely Not Made with Energy Prices...



...or Food Prices in Mind Due to Inherent Volatility



Historical analysis and current forecasts do not guarantee future results.

Through December 31, 2021

Source: Bloomberg, BLS and AB



Disclosures and Important Information

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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 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 Treasury Index:** Tracks fixed-rate local currency government debt of investment-grade countries. The index represents the treasury sector of the Global Aggregate Bond Index.
- **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 Bond 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 Bond 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 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.)
- **Credit Suisse Leveraged Loan Index:** Tracks the investable market of the US dollar-denominated leveraged loan market. It consists of issues rated 5B or lower, meaning that the highest-rated issues included in this index are Moody's/S&P ratings of Baa1/BB+ or Ba1/BBB+. All loans are funded term loans with a tenor of at least one year and are made by issuers domiciled in developed countries.

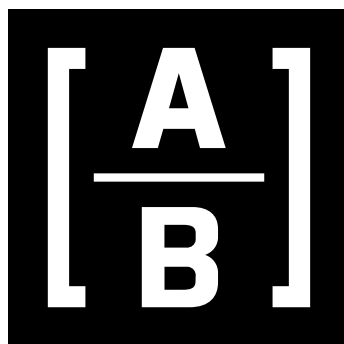
Index Definitions (cont.)

- **HFRI Equity Hedge Index:** Investment managers who maintain positions both long and short in primarily equity and equity derivative securities. A wide variety of investment processes can be employed to arrive at an investment decision, including both quantitative and fundamental techniques; strategies can be broadly diversified or narrowly focused on specific sectors and can range broadly in terms of levels of net exposure, leverage employed, holding period, concentrations of market capitalizations and valuation ranges of typical portfolios. Equity Hedge managers would typically maintain at least 50% exposure to, and may in some cases be entirely invested in, equities, both long and short.
- **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.)
- **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 Europe ex UK Index:** Captures large- and mid-cap representation across 14 developed markets countries in Europe. With 345 constituents, the index covers approximately 85% of the free float–adjusted market capitalization across European developed markets, excluding the UK.
- **MSCI Japan Index:** Designed to measure the performance of the large- and mid-cap segments of the Japanese market. With 321 constituents, the index covers approximately 85% of the free float–adjusted market capitalization in Japan.
- **MSCI United Kingdom Index:** Designed to measure the performance of the large- and mid-cap segments of the UK market. With 97 constituents, the index covers approximately 85% of the free float–adjusted market capitalization in the UK.
- **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.)

Index Definitions (cont.)

- **S&P 500:** 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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