



ALLIANCEBERNSTEIN®

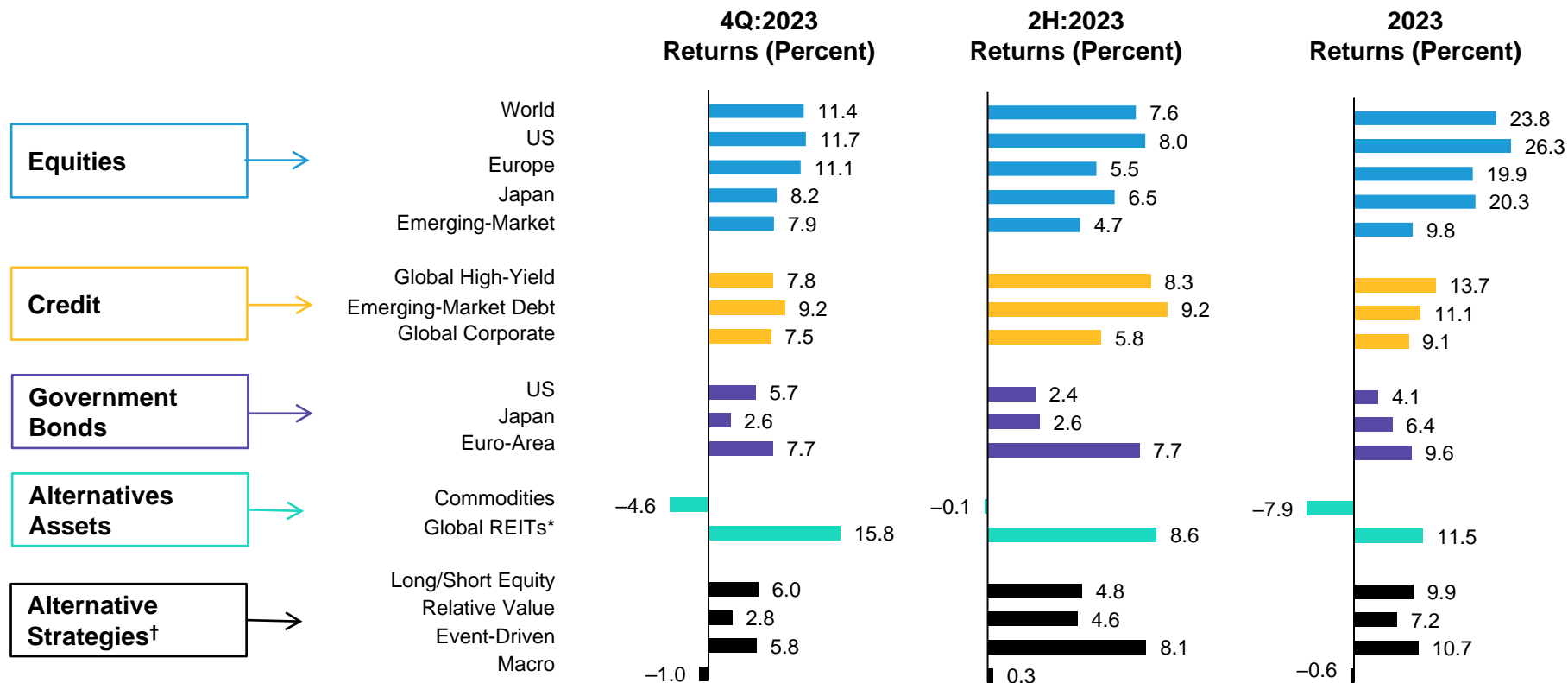
First Quarter 2024

Global Capital Markets Outlook

What to Expect When You're
Expecting Economic
Normalization

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.

Sharp Move Lower in Long-Term Rates Sparked the “Everything” Rally During the Tail End of the Year



Past performance does not guarantee future results.

Returns in US dollars. Global high yield, global corporates, and Japan and euro-area government bonds in hedged USD terms. All other non-US returns in unhedged USD terms. Emerging-market debt returns are for dollar-denominated bonds as represented by the J.P. Morgan Emerging Markets Bond Index Global Diversified. An investor cannot invest directly in an index, and its performance does not reflect the performance of any AllianceBernstein (AB) portfolio. The unmanaged index does not reflect the fees and expenses associated with the active management of a portfolio. 2H: second half

*Real estate investment trusts. †Returns reflect HFRI index returns (see Index Definitions in the Appendix).

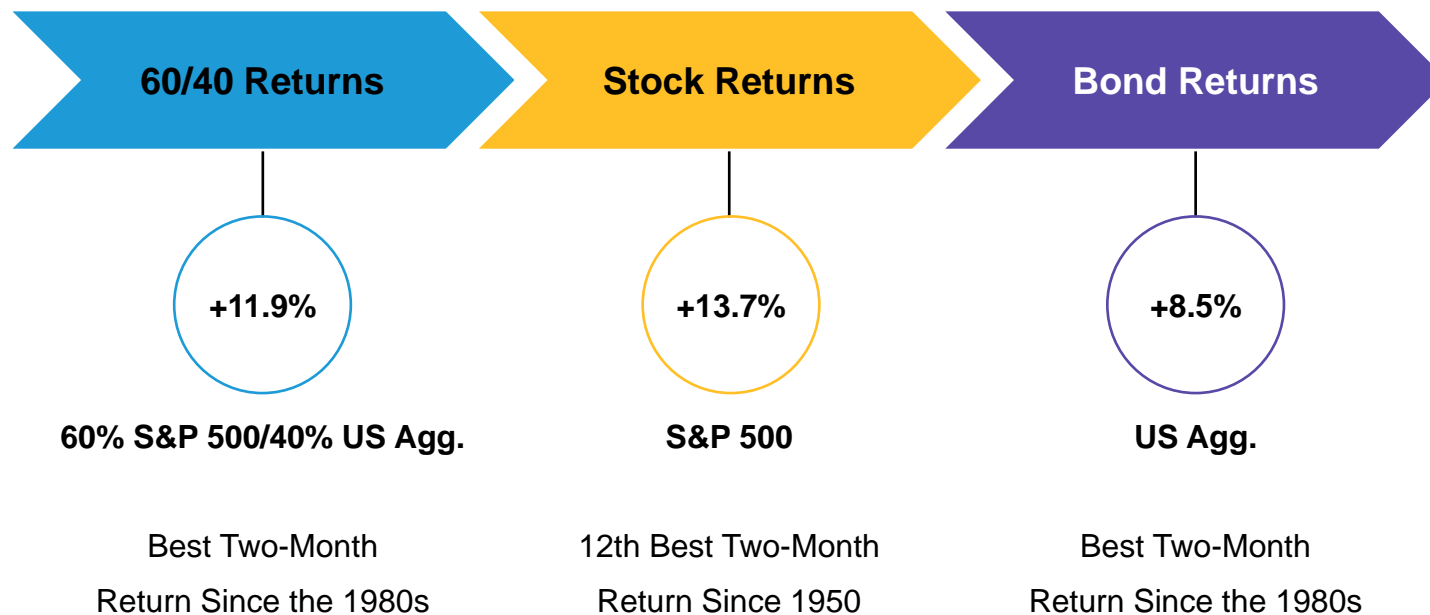
As of 31 December 2023

Source: Bloomberg Barclays, Hedge Fund Research, J.P. Morgan, Morningstar, MSCI, Standard & Poor’s (S&P) Dow Jones and AB



Contextualizing the Everything Rally

1 November 2023–31 December 2023



Past performance does not guarantee future results.

60/40: 60% S&P 500 price return, 40% US Agg.; Equities: S&P 500 price return; Bonds: US Agg.

As of 31 December 2023

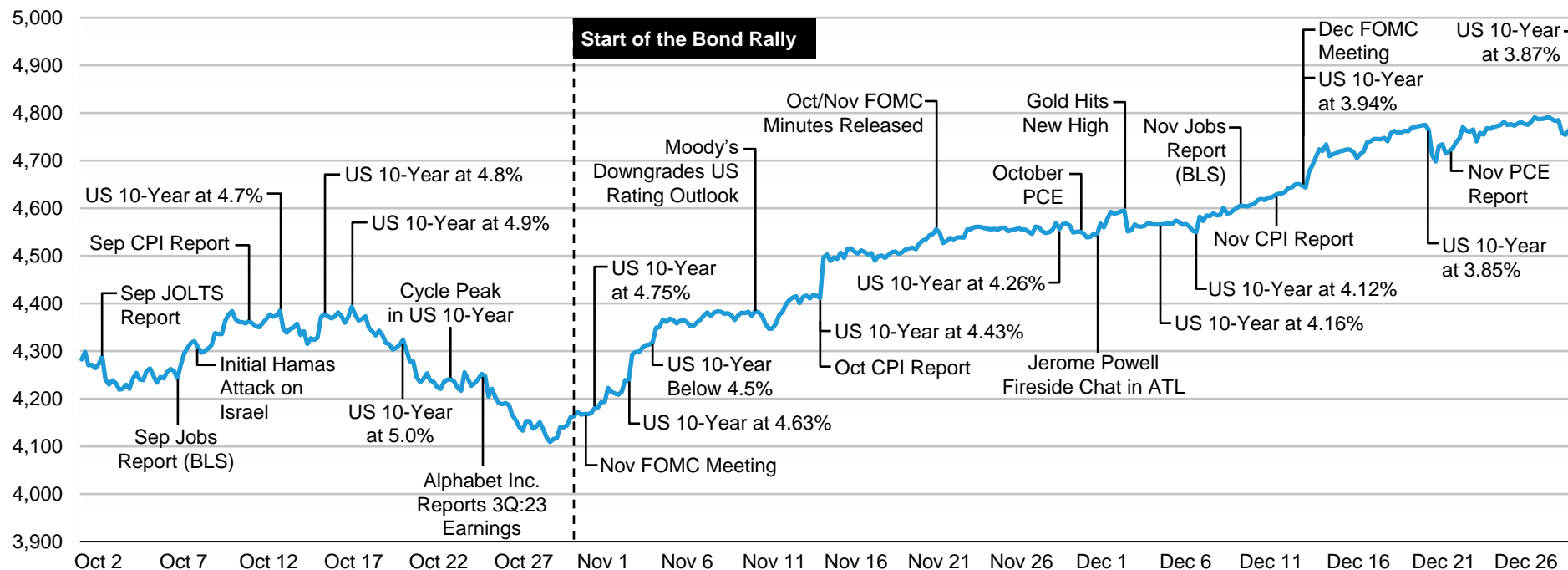
Source: Bloomberg, LPL Financial, S&P and AB



4Q 2023: A Story About Rates

Normalization is a process, not an event

S&P 500 Price Chart (US Dollars)



Past performance does not guarantee future results.

ATL: Atlanta; BLS: US Bureau of Labor Statistics; CPI: Consumer Price Index; FOMC: Federal Open Market Committee; JOLTS: Job Openings and Labor Turnover Survey; PCE: Personal Consumption Expenditures Price Index
Returns are price returns; event dates are approximate.

As of 31 December 2023

Source: Bloomberg, S&P and AB



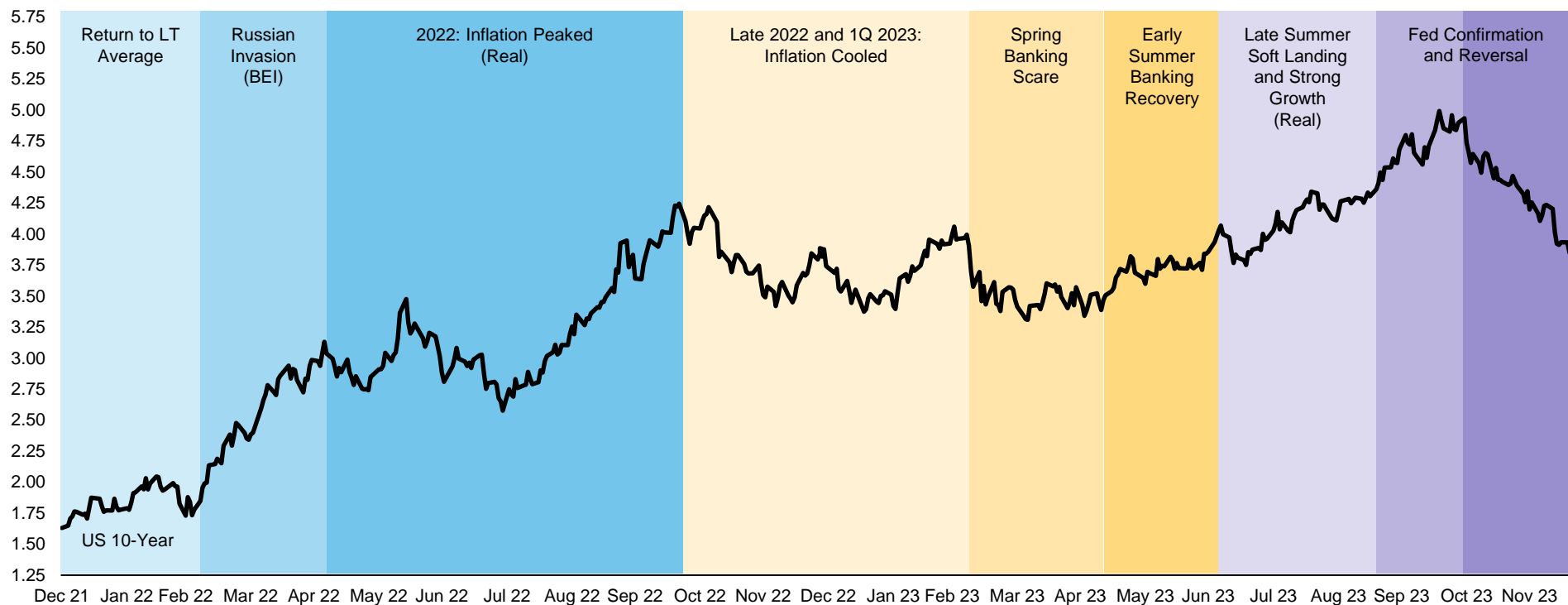
The Story Has Always Been About Rates

S&P 500 Price Return: **+0.1%** (31 December 2021–31 December 2023)

S&P 500 Price Return: **-25%**

S&P 500 Price Return: **+25%**

S&P 500 Price Return: **+8%**



Past performance does not guarantee future results.

BEI: break-even inflation; LT: long-term

As of 31 December 2023

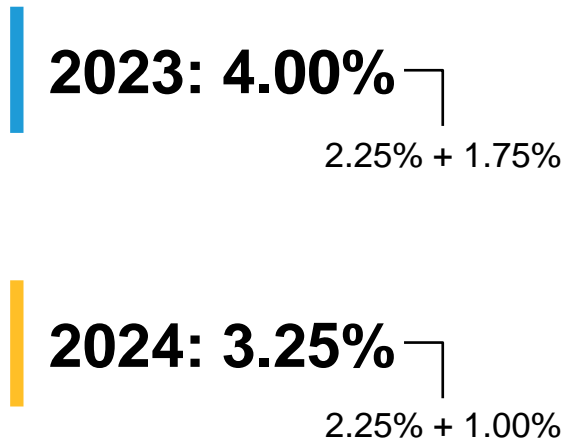
Source: Bloomberg, S&P and AB



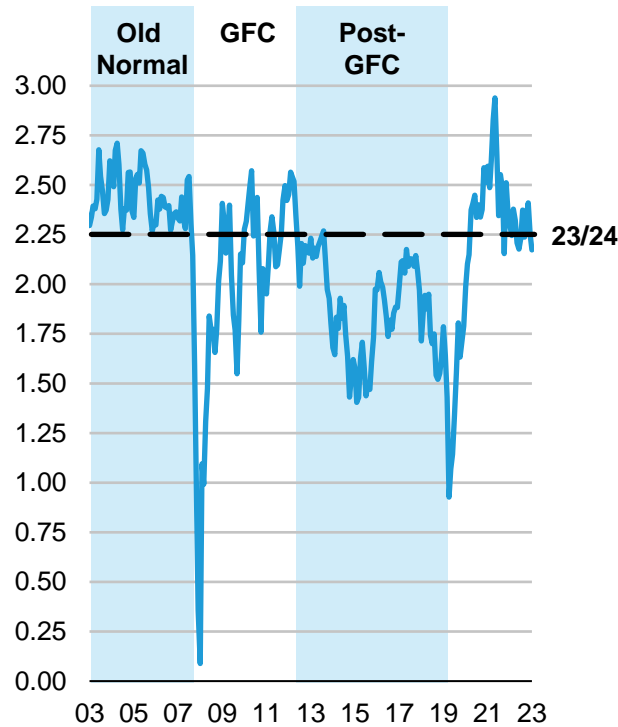
Where Does This Leave Long-Term Rates?

Breaking down our 10-year US Treasury forecast

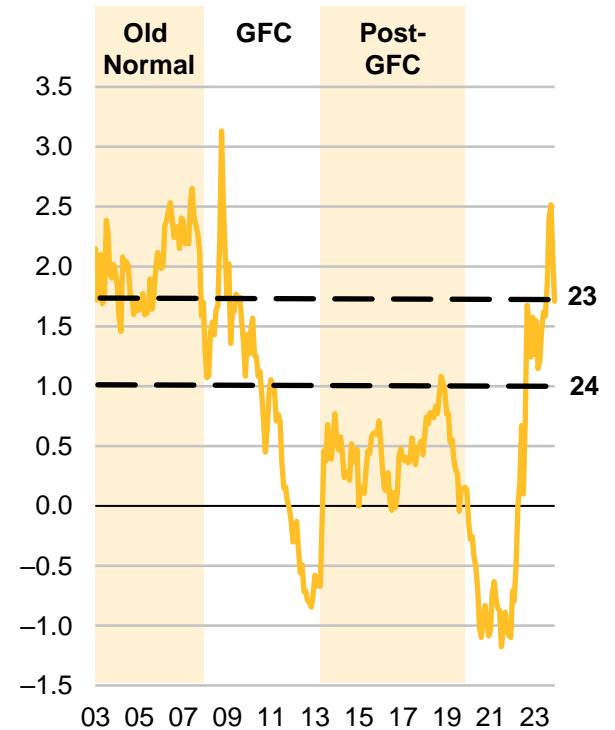
Nominal 10-Year: 10-Year BEI + 10-Year TIPS



Break-Even Inflation (10-Year BEI)



Real Rates (10-Year TIPS)



Historical analysis and current forecasts do not guarantee future results.

BEI: break-even inflation; GFC: global financial crisis; TIPS: Treasury Inflation-Protected Securities

Through of 31 December 2023

Source: Bloomberg and AB

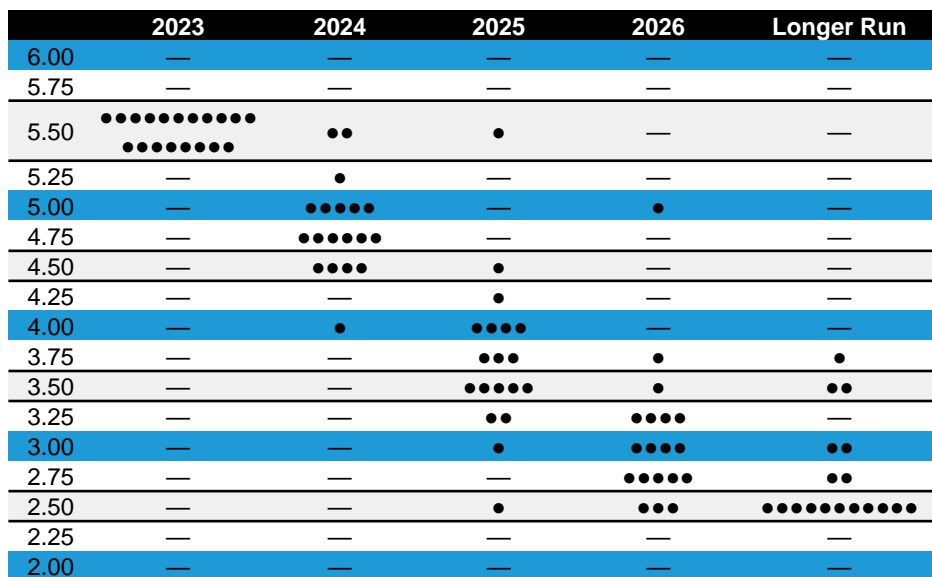


The Fed's Path Forward

Lower inflation has cleared the way for rate cuts

The Blink Heard Around the World

Dot plot (percent)



“We’re seeing strong growth that appears to be moderating; we’re seeing a labor market that is coming back into balance by so many measures; and we’re seeing inflation making real progress. **These are the things we’ve been wanting to see.**”

Jerome Powell (13 Dec 2023)

Historical analysis and current forecasts do not guarantee future results.

PCE: personal consumption expenditure; YE: year-end

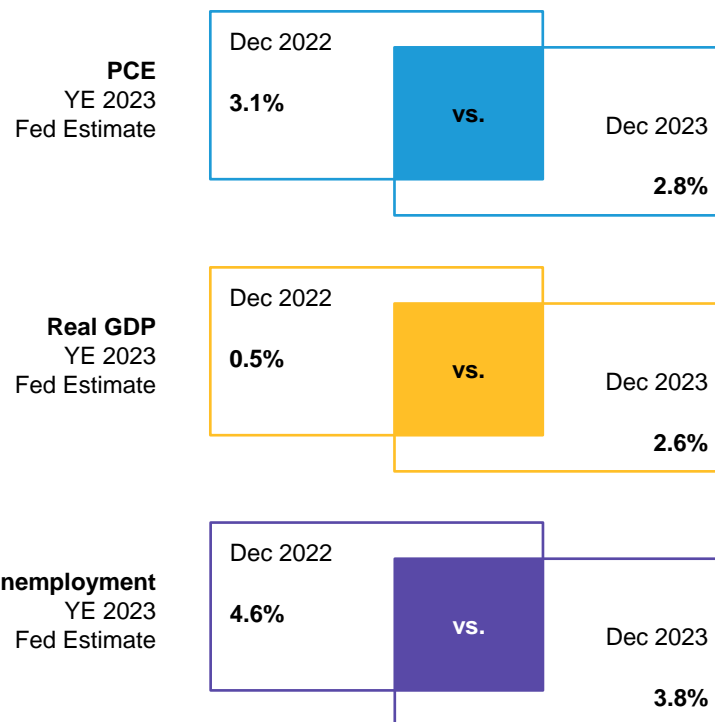
As of 31 December 2023

Source: US Federal Reserve and AB



A Result of “Immaculate Disinflation”

Attaining lower inflation without stemming growth or increasing unemployment

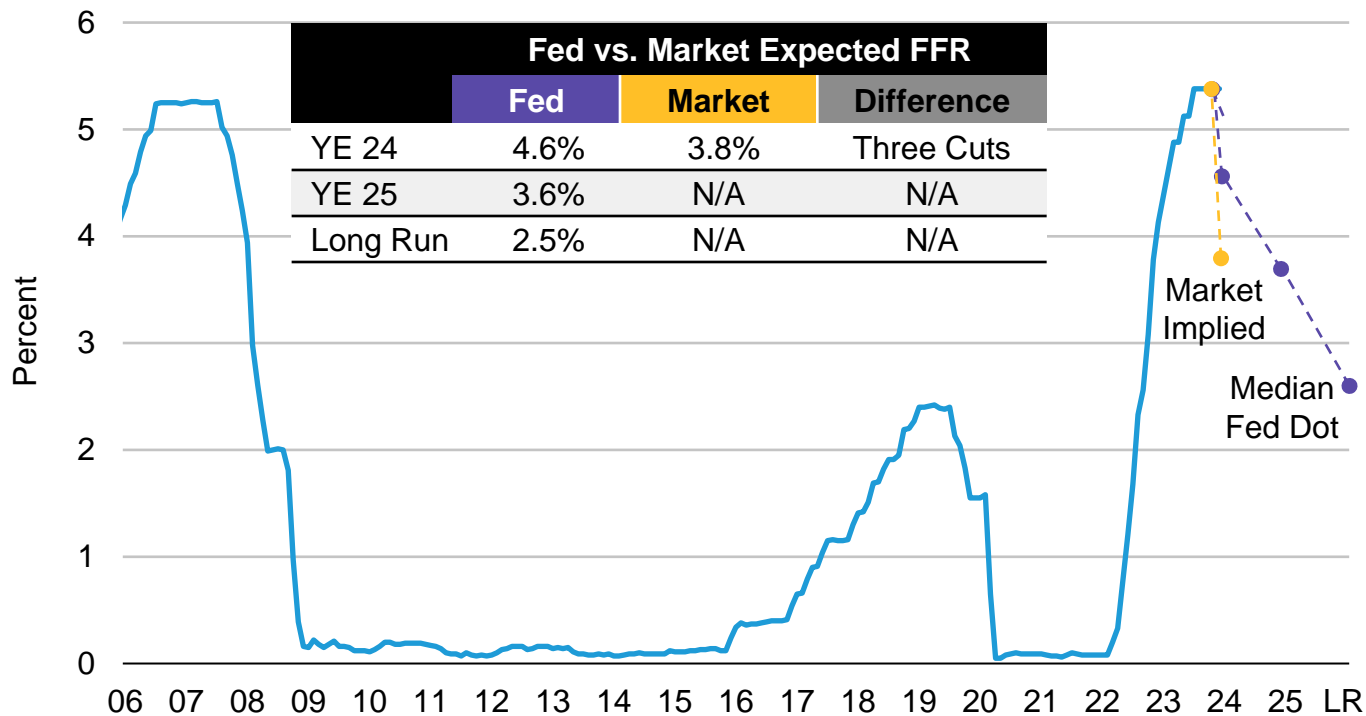


The Fed's Path Forward

We expect rate cuts to start during the middle of 2024

Market and Fed Rate Cut Expectations Are Moderately Disjointed

2024 headliner: economic normalization vs. greater slowdown



“ (In 2024) we're hoping to see a continuation of what we have seen, which is the labor market coming into better balance **without** a significant increase in unemployment, inflation coming down **without** a significant increase in unemployment, and growth moderating **without** a significant increase in unemployment.”

—Jerome Powell
13 Dec 2023

Historical analysis and current forecasts do not guarantee future results.

FFR: federal funds rate; LR: long run; YE: year-end

As of 31 December 2023

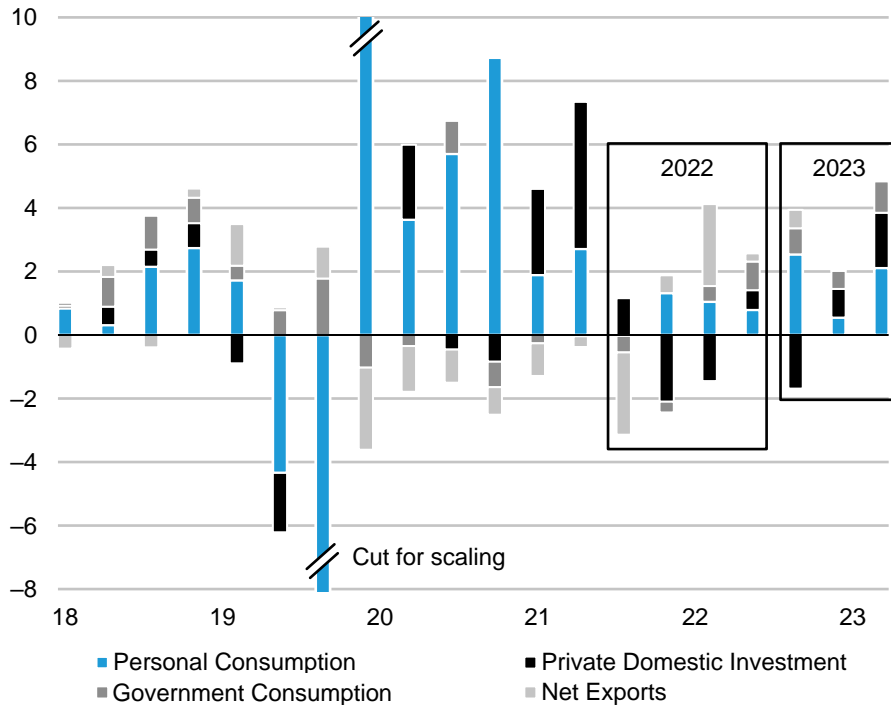
Source: Bloomberg, US Federal Reserve and AB



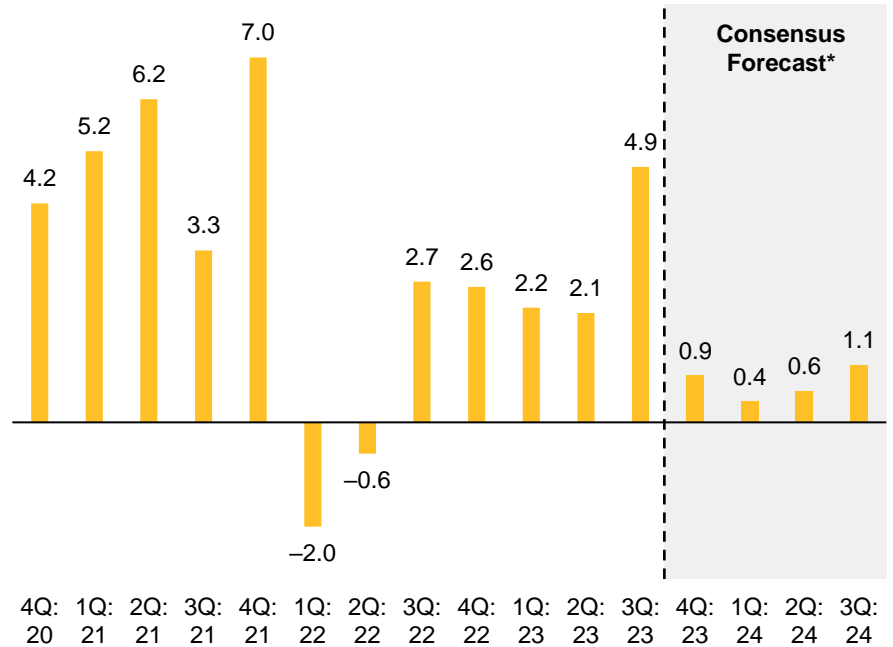
Economic Normalization, Part 1: Growth

Growth is expected to slow

Strong Growth (Real GDP) in 2023 Was Consistently Driven by a Strong Consumer (Percent)



However, Growth Is Expected to Slow in 2024 as Consumer Strength Wanes (Percent)



Historical analysis and current forecasts do not guarantee future results.

*WSJ survey of economists

Left display as of 31 December 2023; right display as of 26 October 2023

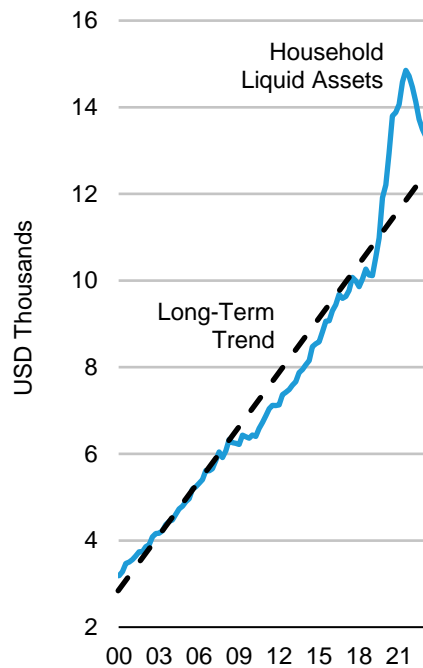
Source: Bloomberg, *The Wall Street Journal* and AB



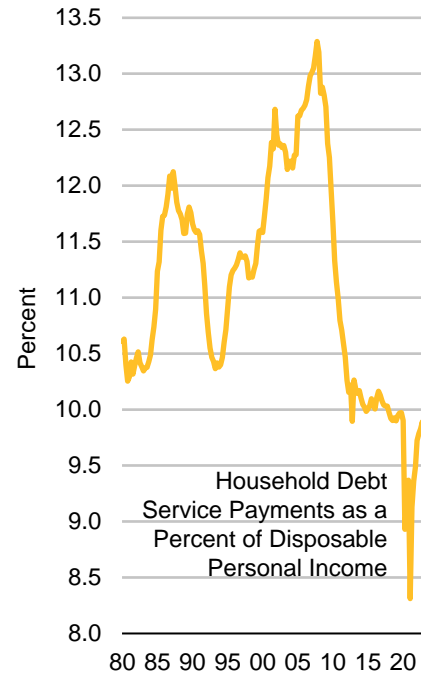
Not All Slowdowns Are Created Equal

The argument for a normalization in growth

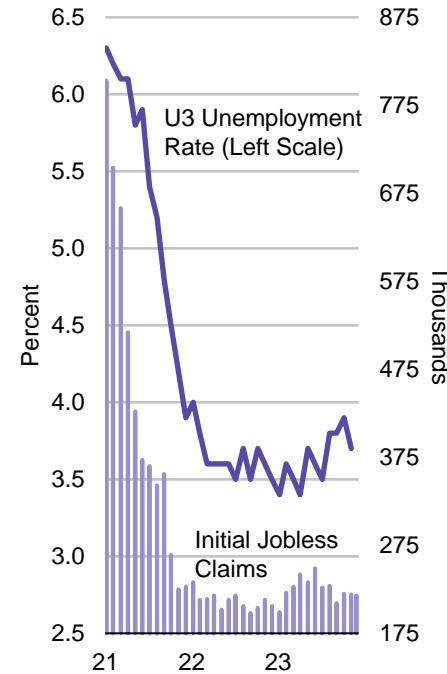
Yes, Consumer Strength Is Softening...



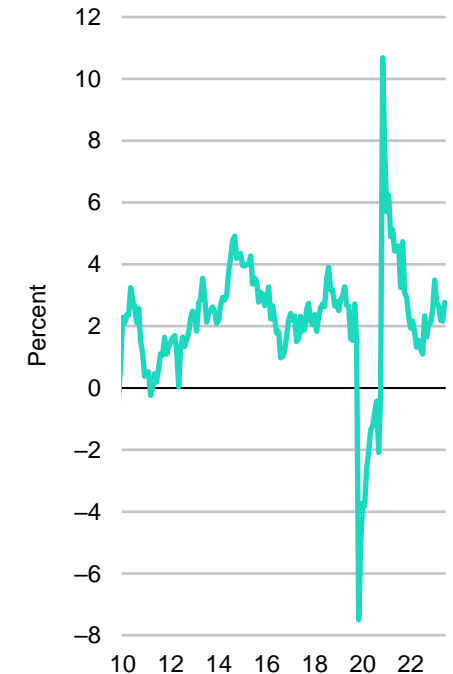
...but Debt-to-Income Levels Are Historically Healthy...



...While the Labor Market Remains Resilient...



... and the Real Household Paycheck Is Benefiting from Disinflation



Current analysis does not guarantee future results.

US unemployment includes all jobless persons who are available to take a job and have actively sought work in the past four weeks.

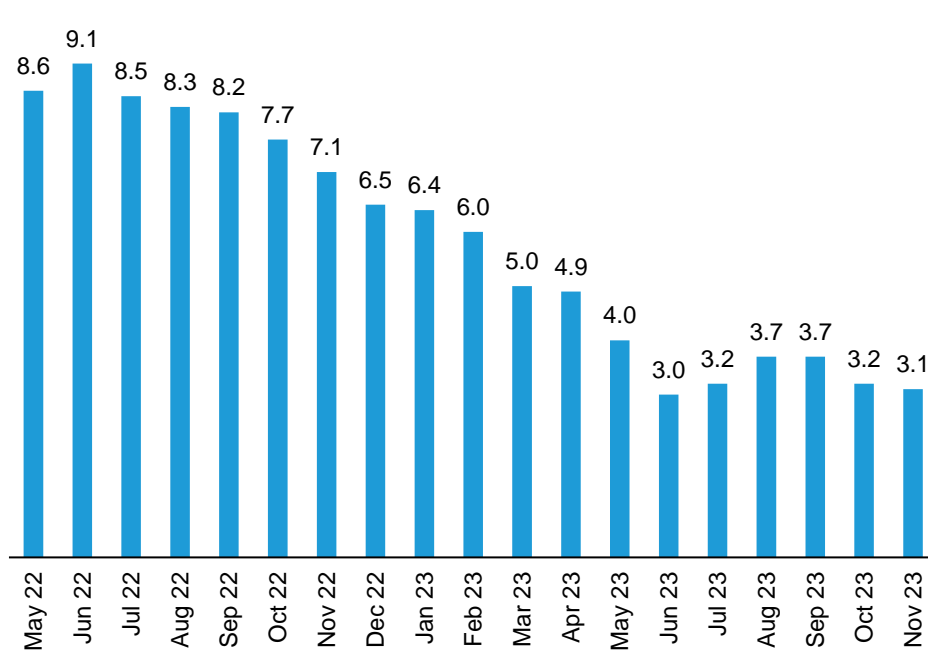
As of 31 December 2023

Source: Bloomberg, S&P/Case-Shiller Home Price Index, US Bureau of Labor Statistics, US Federal Reserve and AB

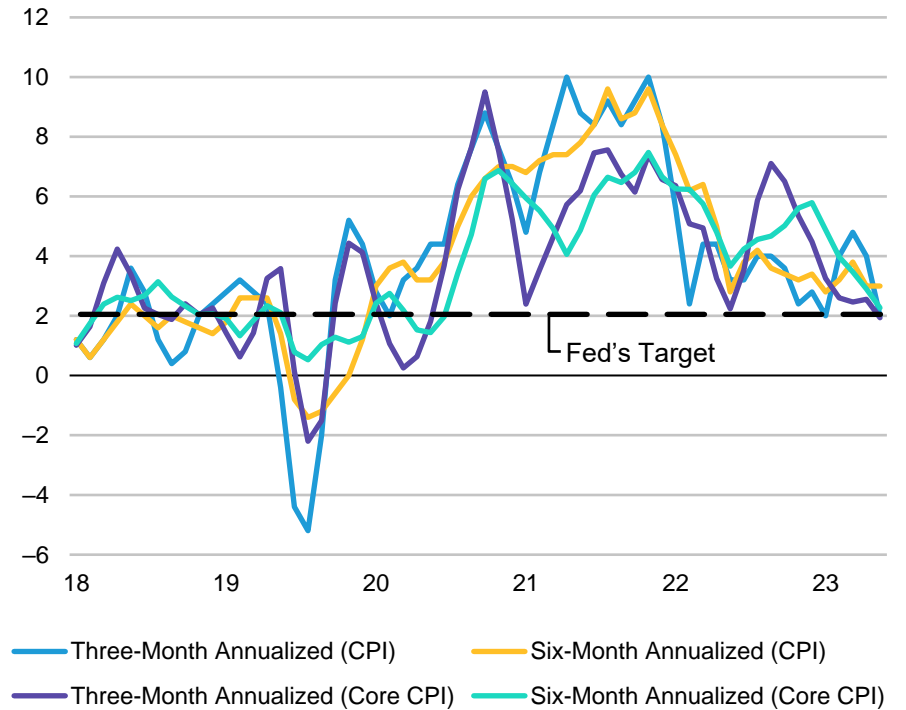
Economic Normalization, Part 2: Inflation

The argument for a normalization in inflation

After Peaking in 2022, Headline Inflation Seemed to Hit a Wall Around 3% During 2H 2023



However, Recent Trends Show that Inflation Is Actually Making Progress in Returning to the Fed's Target (Percent)



Current analysis does not guarantee future results.

2H: second half; CPI: Consumer Price Index

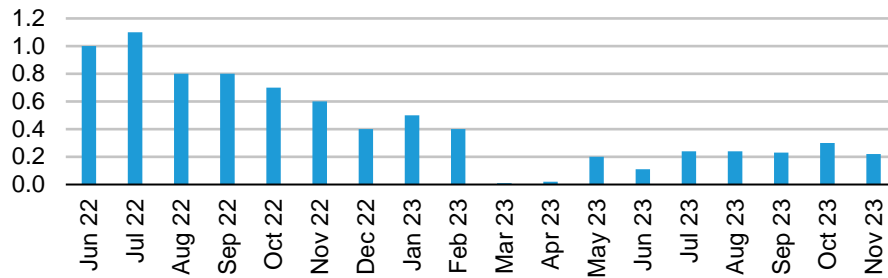
As of 31 December 2023

Source: Bloomberg, US Bureau of Labor Statistics and AB

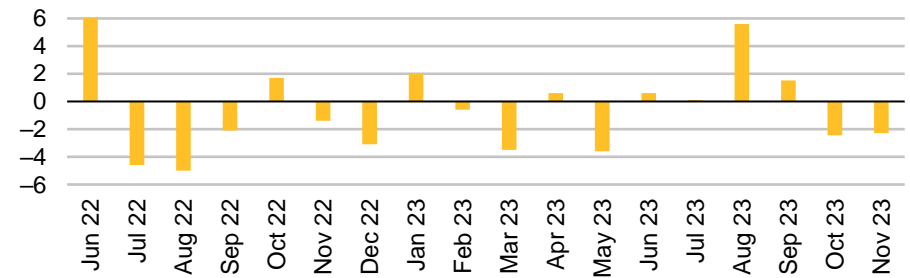


Looking Deeper: Most CPI Categories Continue to Suggest a Lasting Return to Trend

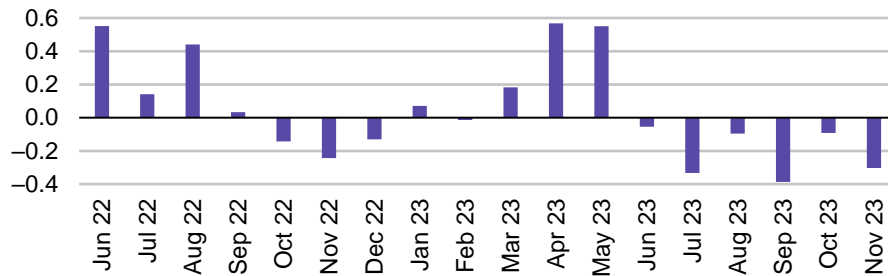
Food Prices MoM (Percent)



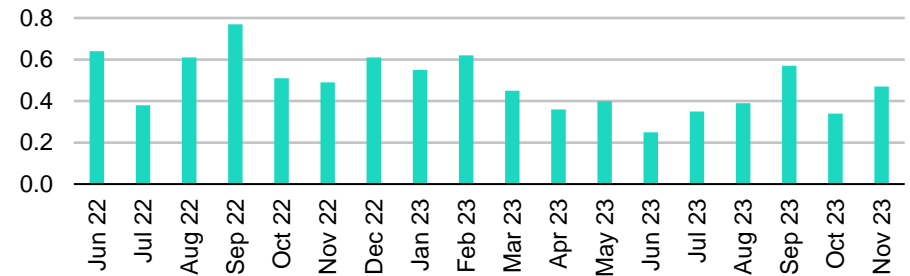
Energy Prices MoM (Percent)



Goods Prices MoM (Percent)



Service Prices MoM (Percent)



Current analysis does not guarantee future results.

CPI: Consumer Price Index; MoM: month over month

As of 31 December 2023

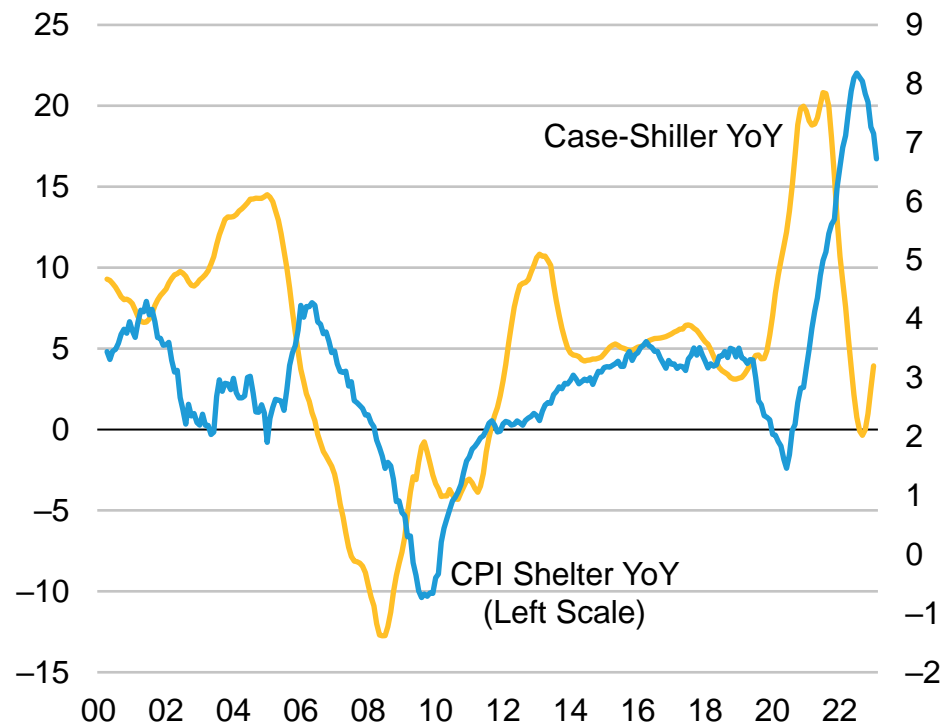
Source: US Bureau of Labor Statistics and AB



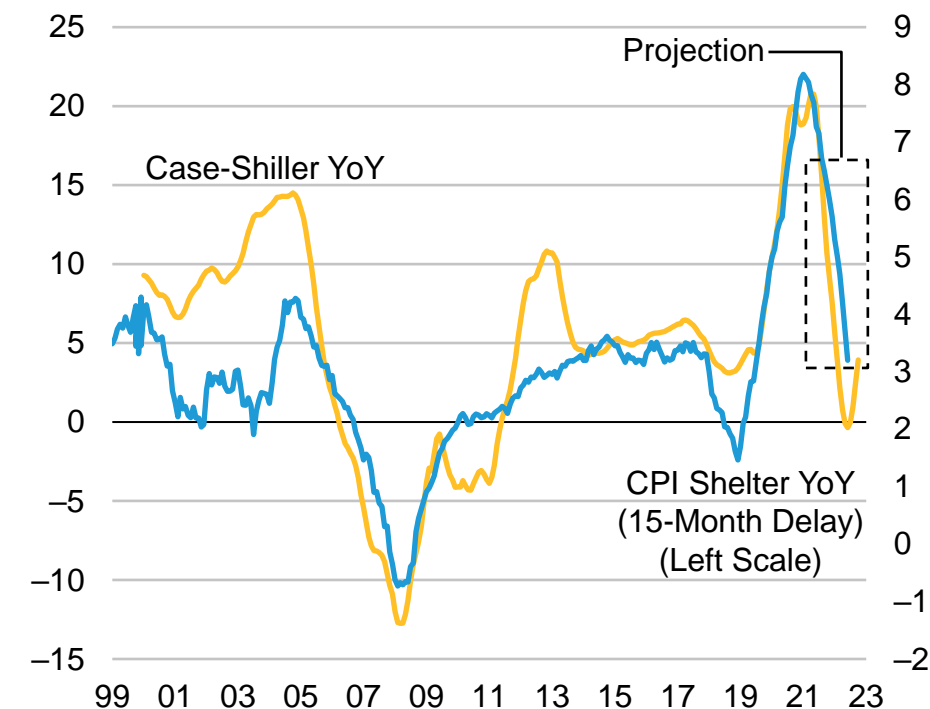
The One Outlier: Services

Quantifying the shelter lag

Base Effects Aren't the Only Distortion to CPI (Percent)



Adjusting for the Lag and Projecting Forward (Percent)



Historical analysis and current forecasts do not guarantee future results.

CPI: Consumer Price Index; YoY: year over year

As of 31 December 2023

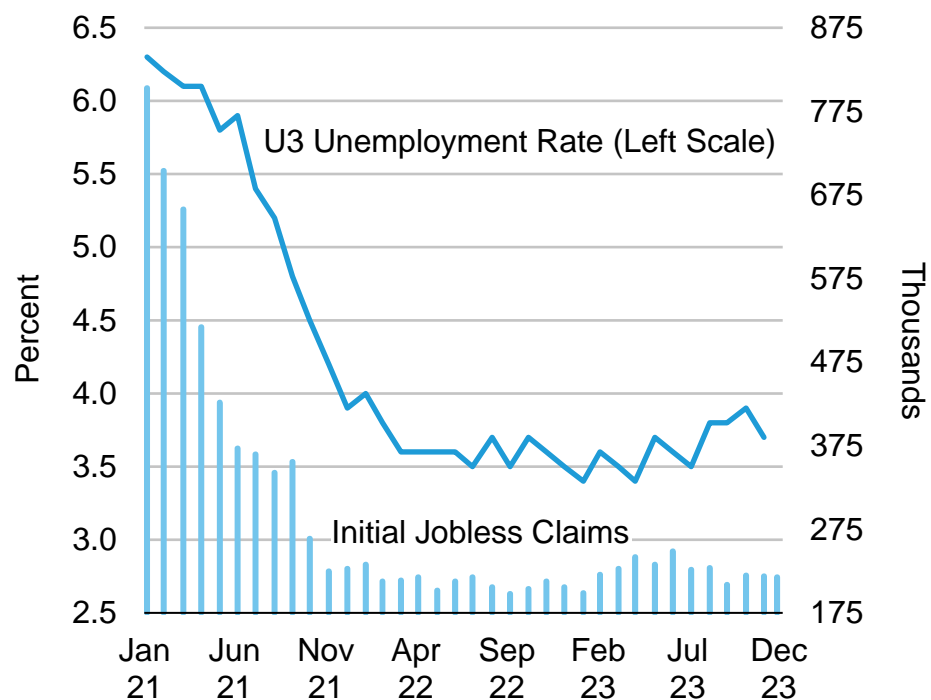
Source: Bloomberg, S&P/Case-Shiller, US Bureau of Labor Statistics and AB



The One Outlier: Services

“Sticky” wages

Both a Low Unemployment Rate and Initial Jobless Claims Suggest the Labor Market Is Still Reasonably Tight...



...While Wage Growth Continues to Slow, but Remains Elevated

US average hourly earnings (all employees; total private YoY)



Current analysis does not guarantee future results.

YoY: year over year

US unemployment includes all jobless persons who are available to take a job and have actively sought work in the past four weeks.

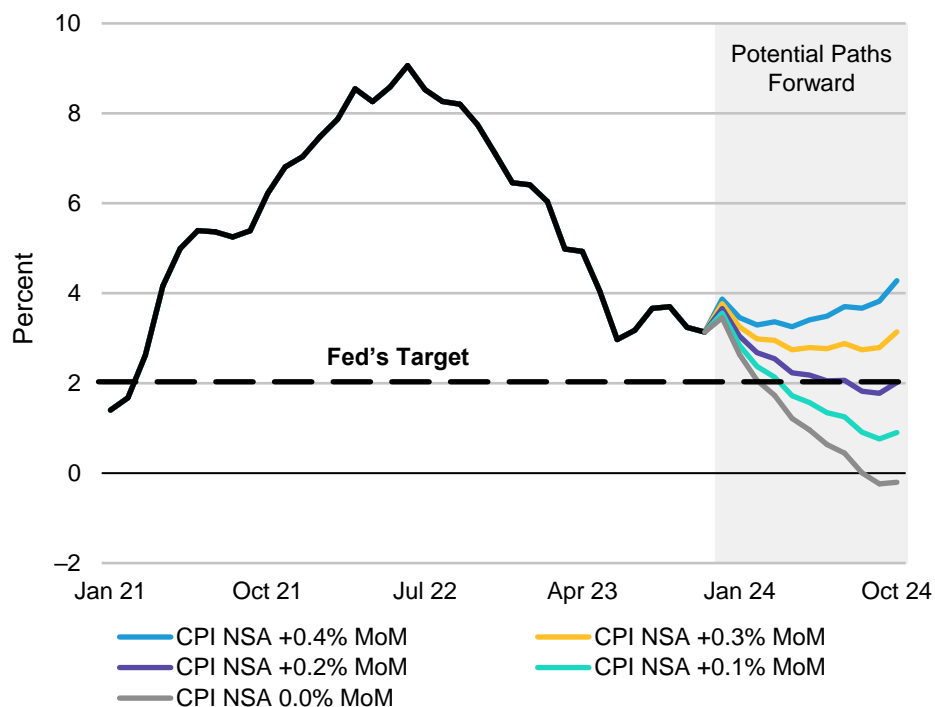
As of 31 December 2023

Source: Bloomberg and AB

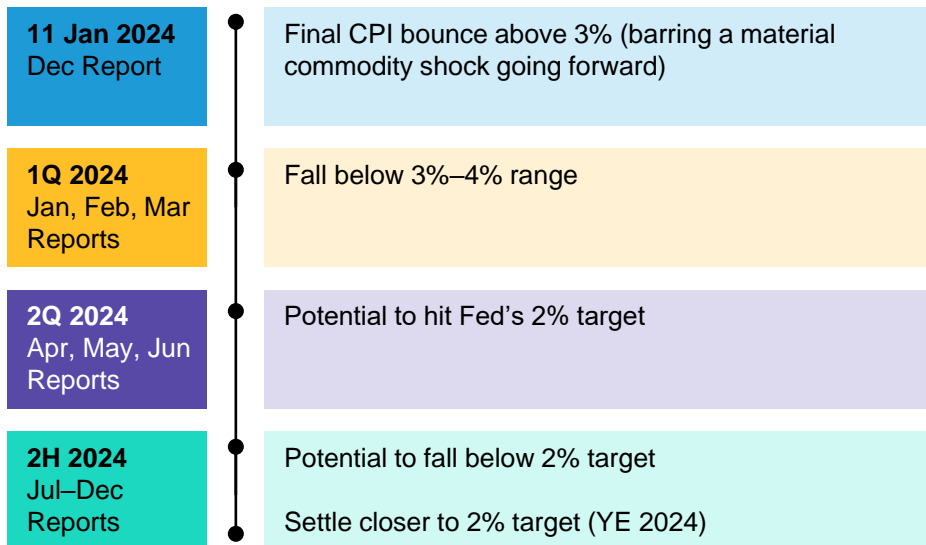


Choose Your Own Adventure: Headline CPI Edition

Most Paths Forward Suggest Lower Inflation in 2024



Mile Markers to Keep an Eye on Throughout the Year



Historical analysis and current forecasts do not guarantee future results.

2H: second half; CPI: Consumer Price Index; MoM: month over month; NSA: not seasonally adjusted; YE: year-end

As of 31 December 2023

Source: Bloomberg, US Bureau of Labor Statistics and AB

Macro Summary

AB Global Economic Forecast

	Real Growth (Percent)		Inflation (Percent)		Official Rates (Percent)		Long Rates (Percent)	
	23F	24F	23F	24F	23F	24F	23F	24F
Global ex Russia	2.4	2.1	5.2	4.1	5.23	4.65	3.68	3.21
Industrial Countries	1.4	1.0	4.4	2.4	4.40	3.42	2.98	2.50
Emerging Countries	3.9	3.6	6.4	6.6	6.95	6.77	4.49	4.06
US	2.7	0.8	3.8	2.5	5.38	4.13	3.88	3.25
Euro Area	0.0	0.3	5.5	2.3	4.00	3.00	2.02	1.50
UK	0.1	0.2	7.5	2.5	5.25	4.25	3.53	3.00
Japan	1.5	1.0	2.5	2.0	0.00	0.10	0.61	0.75
China	4.8	4.5	1.5	1.5	1.75	1.50	2.56	2.00

Past performance and current analysis do not guarantee future results.

Inflation is a core Consumer Price Index estimate. 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.

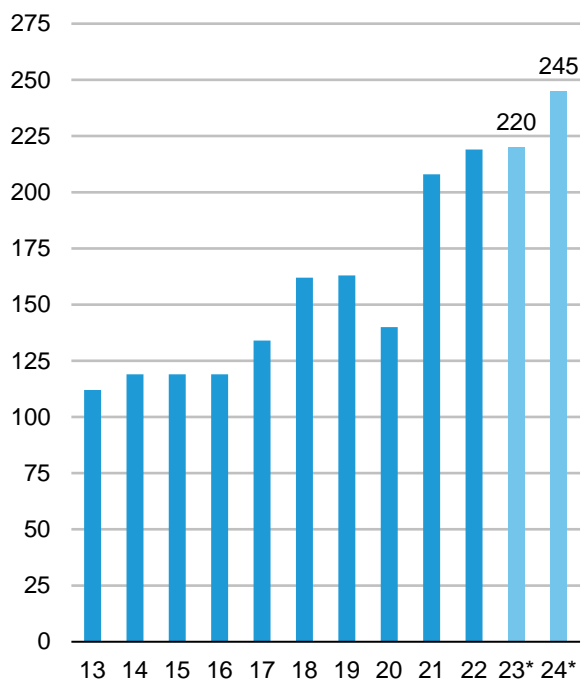
As of 31 December 2023

Source: AB



Earnings: Potential Avenues for a Positive Earnings Surprise Remain Limited

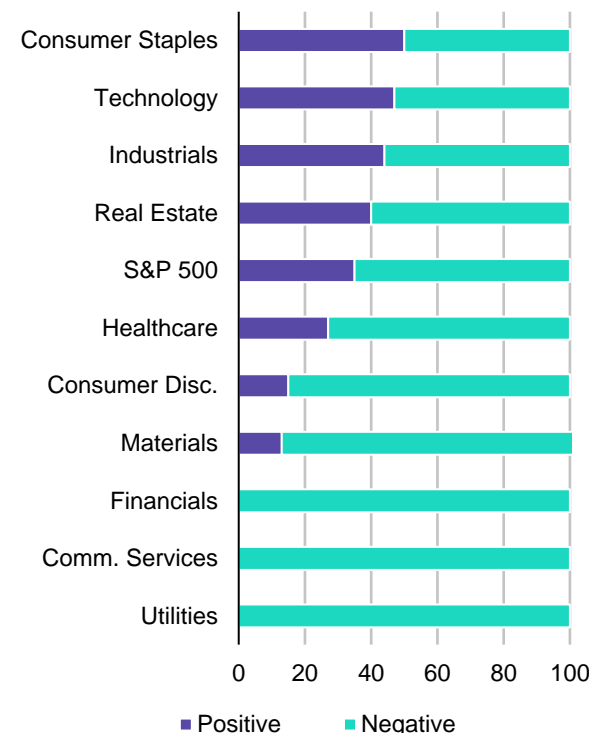
Earnings Are Expected to Jump 11% in 2024 After Seeing Virtually Zero Growth in 2023



However, Achieving Further Upside to 2024's Forecast Will Be Challenging as Topline Growth Remains Soft...



...as Does Guidance
S&P 500 companies with 4Q:23 positive and negative guidance (percent)



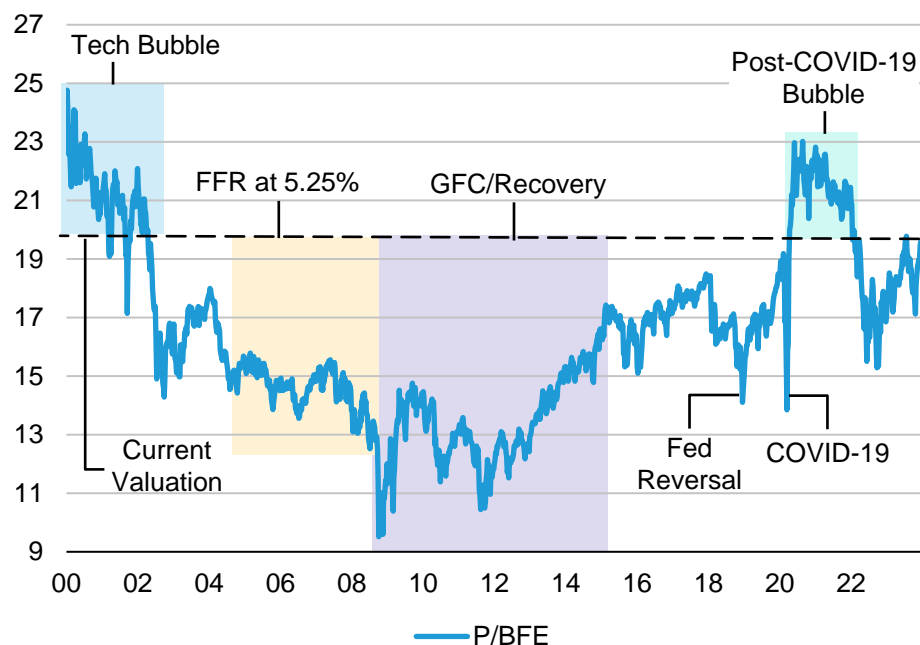
Historical analysis and current forecasts do not guarantee future results.

*Estimates
As of 31 December 2023
Source: FactSet and AB



Valuations: After Fed Blink, Valuations Returned to Levels Only Breached During Market Bubbles

S&P 500 Multiples



Time Period	P/E	P/BFE	P/FE ₂
31 December 2023	21.9	19.6	17.7
30 September 2023	19.5	17.9	15.8
31 December 2022	17.2	16.8	15.6
Pre-Pandemic*	20.3	18.9	17.5
10-Year Average	19.3	17.8	15.4
Pre-Pandemic Five-Year Average	19.8	16.9	14.4
January 2014–November 2016	18.5	16.2	13.7
Average Multiple When Rates Are Increasing†	19.2	16.1	14.3
Average Since 2000	18.5	16.0	14.3

Current analysis does not guarantee future results.

FFR: federal funds rate; GFC: global financial crisis

Price/earnings (P/E) is for the trailing 12 months; price/blended forward earnings (P/BFE) is for the next 12 months (calendar year 2024); P/FE₂ is for calendar year 2025.

*21 February 2020

†Last two Fed cycle hikes, excluding the most recent

As of 31 December 2023

Source: Bloomberg, S&P and AB

S&P 500 Scenario Chart: Choose Your Own Adventure

Return Scenario Chart

2024												
	14	15	16	17	18	19	20	21	22		S&P Price Level	2024 Price Return*
215	3,010	3,225	3,440	3,655	3,870	4,085	4,300	4,515	4,730		3,995	-16.2%
220	3,080	3,300	3,520	3,740	3,960	4,180	4,400	4,620	4,840		4,230	-11.3
225	3,150	3,375	3,600	3,825	4,050	4,275	4,500	4,725	4,950		4,320	-9.4
230	3,220	3,450	3,680	3,910	4,140	4,370	4,600	4,830	5,060		4,410	-7.5
235	3,290	3,525	3,760	3,995	4,230	4,465	4,700	4,935	5,170		4,560	-4.4
240	3,360	3,600	3,840	4,080	4,320	4,560	4,800	5,040	5,280		4,655	-2.4
245	3,430	3,675	3,920	4,165	4,410	4,655	4,770	5,145	5,390		4,770	0.0
250	3,500	3,750	4,000	4,250	4,500	4,750	5,000	5,250	5,500		4,935	3.5
255	3,570	3,825	4,080	4,335	4,590	4,845	5,100	5,355	5,610		5,145	7.9

2025												
	12	13	14	15	16	17	18	19	20		S&P Price Level	2024–25 Price Return†
240	2,880	3,120	3,360	3,600	3,840	4,080	4,320	4,560	4,800		3,900	-9.6%
245	2,940	3,185	3,430	3,675	3,920	4,165	4,410	4,655	4,900		4,240	-5.7
250	3,000	3,250	3,500	3,750	4,000	4,250	4,500	4,750	5,000		4,320	-4.8
255	3,060	3,315	3,570	3,825	4,080	4,335	4,590	4,845	5,100		4,420	-3.7
260	3,120	3,380	3,640	3,900	4,160	4,420	4,680	4,940	5,200		4,590	-1.9
265	3,180	3,445	3,710	3,975	4,240	4,505	4,770	5,035	5,300		4,680	-0.9
270	3,240	3,510	3,780	4,050	4,320	4,590	4,770	5,130	5,400		4,770	0.0
275	3,300	3,575	3,850	4,125	4,400	4,675	4,950	5,225	5,500		5,035	2.7
280	3,360	3,640	3,920	4,200	4,480	4,760	5,040	5,320	5,600		5,225	4.7

■ 31 December 2023

Historical analysis and current forecasts do not guarantee future results.

*Based on S&P 500's 4Q:23 closing price of 4,770; horizontal axis contains forward P/E multiples; vertical axis contains forward earnings; numbers may not sum due to rounding.

†Annualized return from 31 December 2023, to the end of 2025. An investor cannot invest directly in an index.

As of 31 December 2023

Source: Bloomberg, S&P and AB

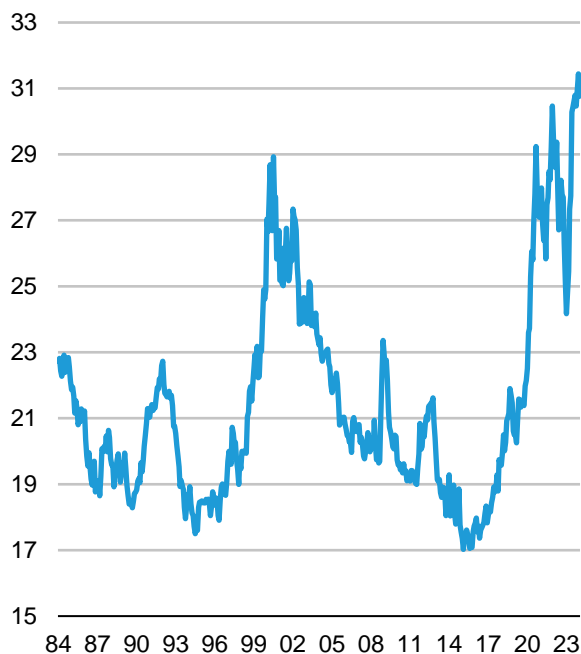


Market Returns Last Year Were Strong, with Exceptional Textures

As the economy normalizes, we also expect a degree of mean reversion in index concentration

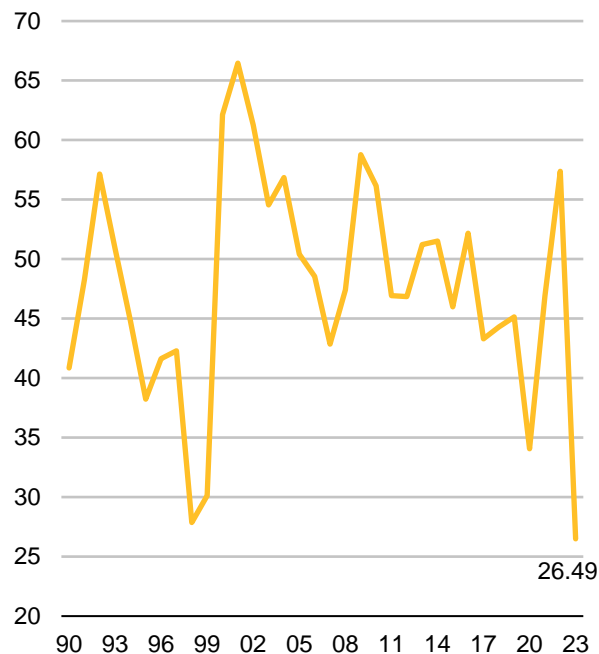
No Secret the S&P 500 Is More Concentrated, but This Is an Outlier

Top 10 percent: US (percent)



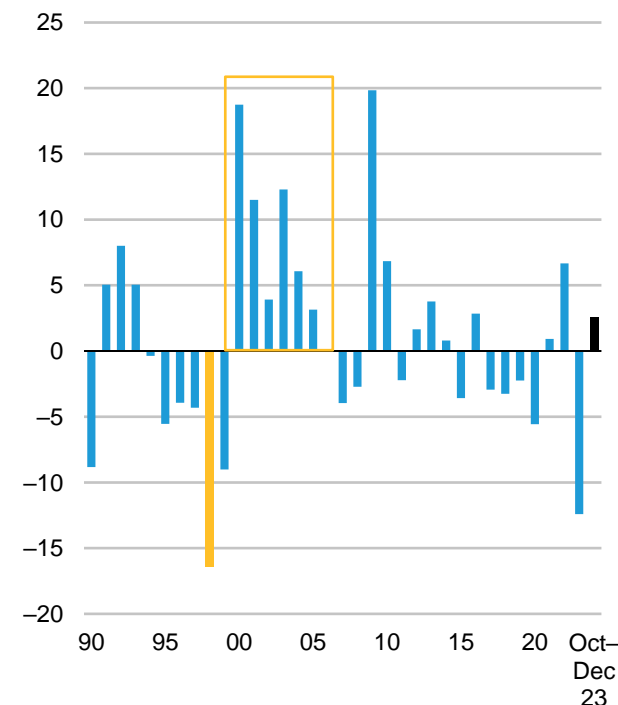
Percentage of S&P 500 Companies Outperforming Index

2023 was a modern-day low (percent)



Calendar-Year Relative Performance

S&P 500 equal weight vs. S&P 500



Past performance does not guarantee future results. Analysis provided for illustrative purposes only and is subject to revision.

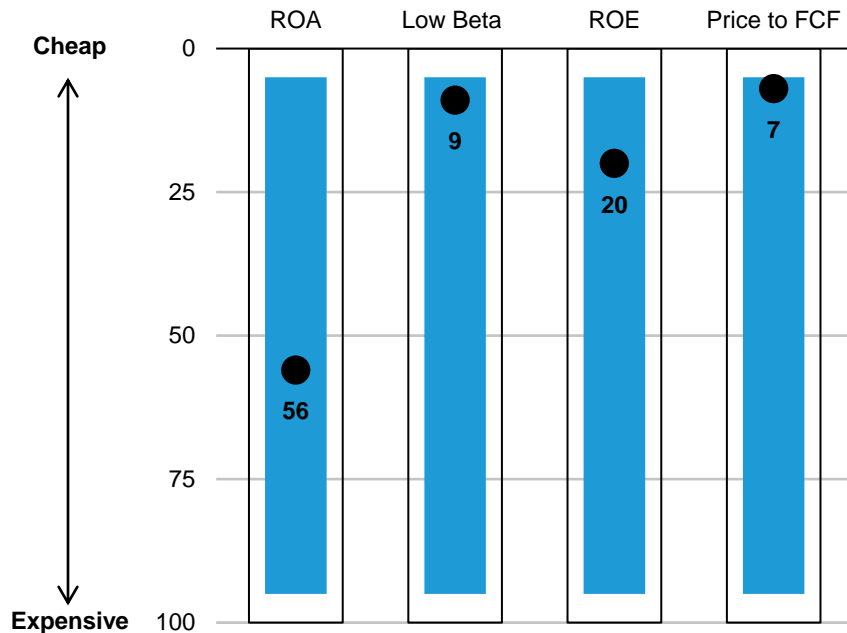
As of 31 December 2023. An investor cannot invest directly in an index.

Source: FactSet, S&P and AB

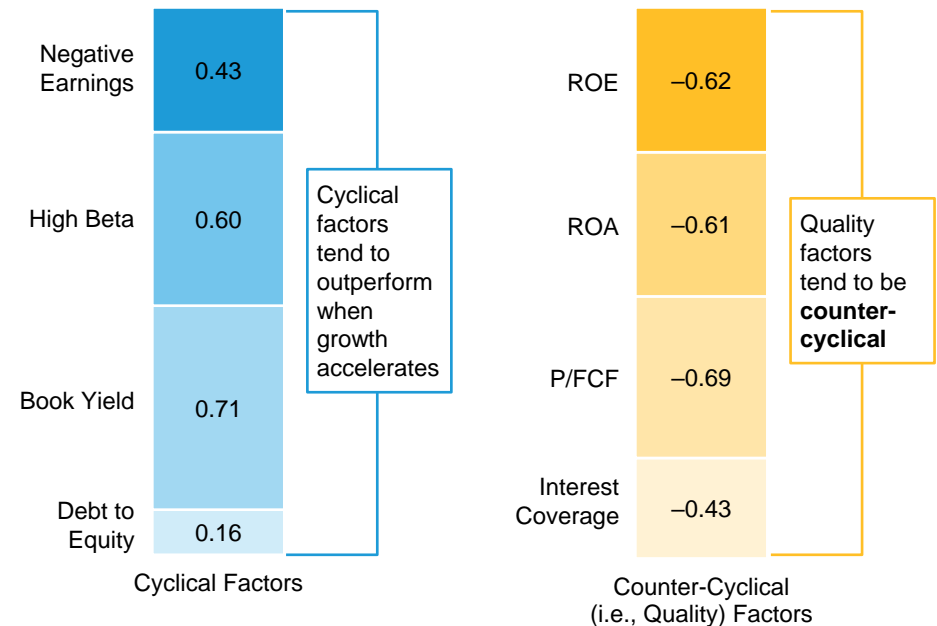


We Advise Staying in a Better Neighborhood in the Current Environment

Quality Remains Attractive to Fairly Valued*...



...and Stick with It as Things Moderate Five-year factor correlations to retail sales



Past performance does not guarantee future results.

*Percentile rankings are based on monthly valuations (i.e., relative P/E of 1Q for each factor vs. Russell 1000) from 1990 to present. Return on assets (ROA): LTM earnings divided by average total assets. Low beta: exponentially weighted beta with a one-year half-life over the last five years. Return on equity (ROE): net income divided by average shareholder's equity. Price to free cash flow (P/FCF): LTM cash flow from operations less three-year average CAPEX to market cap. An investor cannot invest directly in an index.

As of 31 December 2023

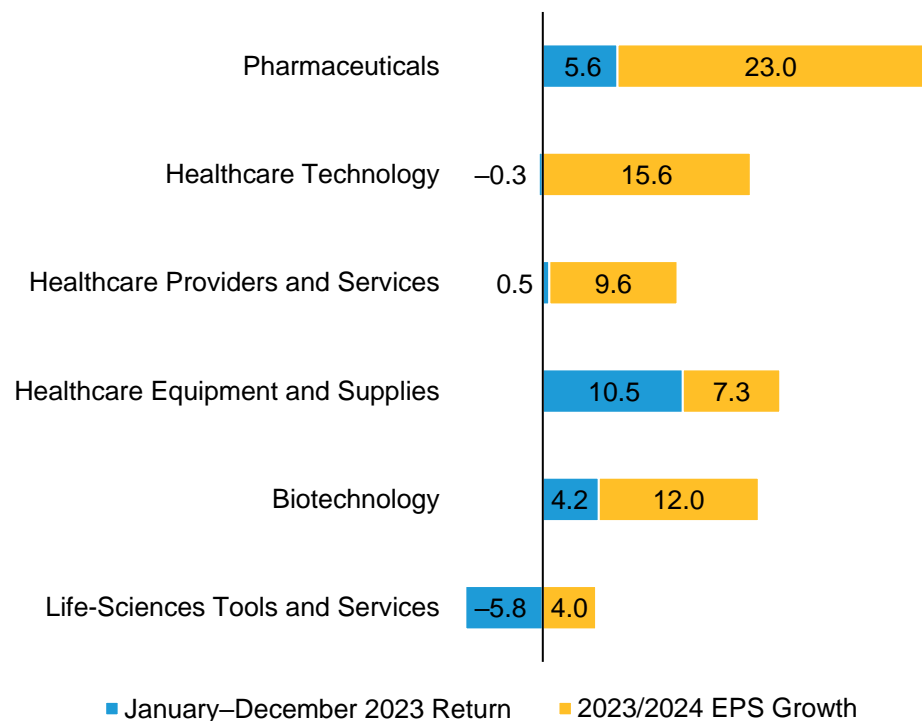
Source: Piper Sandler and AB

Quality Growth: Healthcare Offers Durable Earnings Potential

Range of valuations provides fertile ground for stock selection

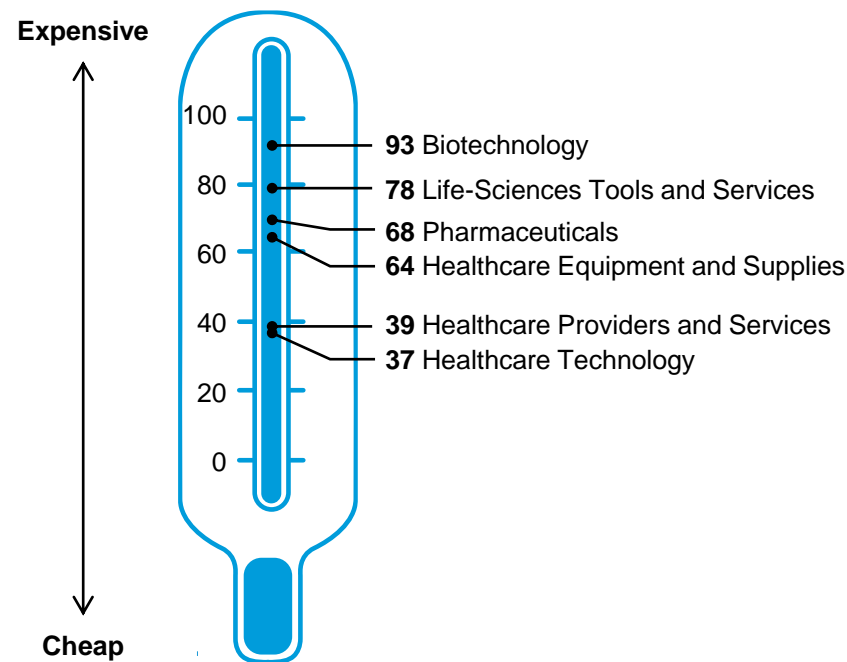
Global Healthcare Stocks

Returns vs. earnings forecast (percent)*



Price/Earnings Valuations

Percentile rankings (2013–2023)†



Current analysis does not guarantee future results.

Charts show six industry groups within the MSCI World Health Care Index. *Earnings growth forecasts are based on consensus estimates. †Percentile ranking of monthly observations of the P/E ratio, based on earnings for the next 12 months, for each industry group. An investor cannot invest directly in an index.

As of 31 December 2023

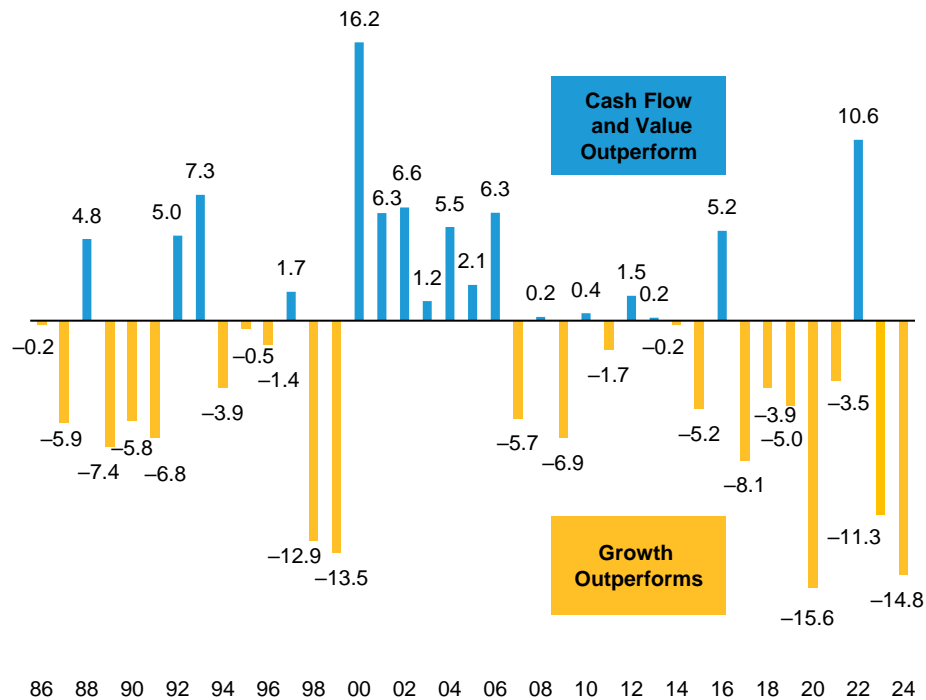
Source: FactSet, MSCI and AB

Value Equities: Extreme Underperformance Offers Attractive Entry Point

Especially among companies generating high levels of free cash flow and solid earnings potential

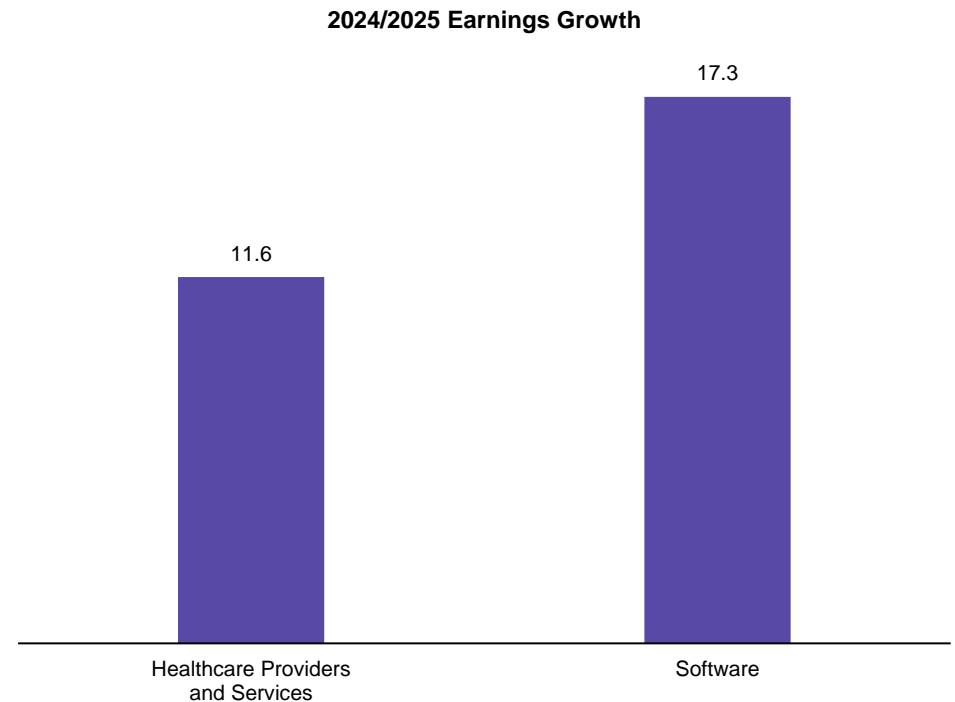
Russell 1000 Value vs. S&P 500

Returns difference (percent)*



Favored Industries: Finding Growth Within Value

A focus on sustainable earnings growth (percent)



Current analysis does not guarantee future results.

*Figures are before dividends, pre-1996

Left display as of 31 December 2023; right display as of 15 December 2023. An investor cannot invest directly in an index.

Source: Bloomberg, FTSE Russell, S&P, Strategas Research Partners

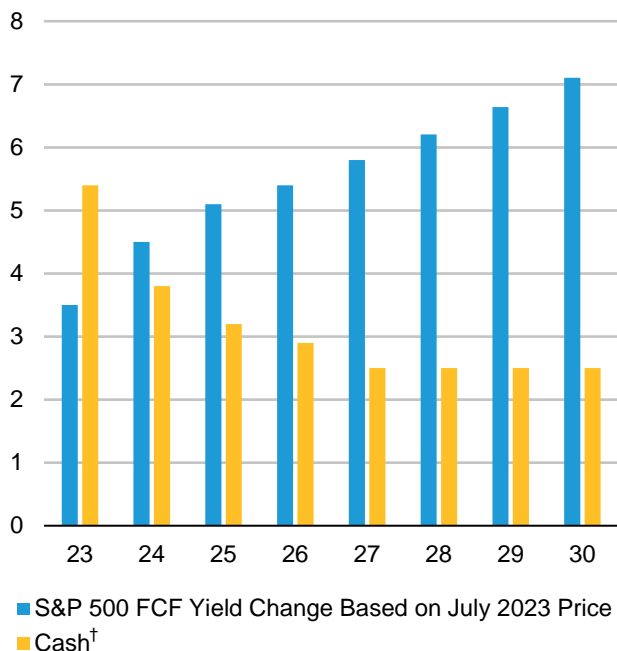


Dividend Equities: May Prove Timely When the Fed Lowers Rates

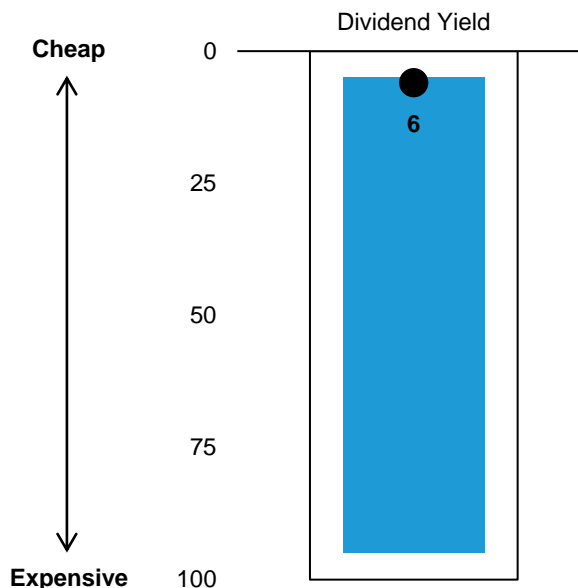
Rising income growth potential, the price is right and selectivity is key

S&P 500 FCF Yield

A growing stream over time vs. the prospect of lower fed funds and cash rates* (percent)

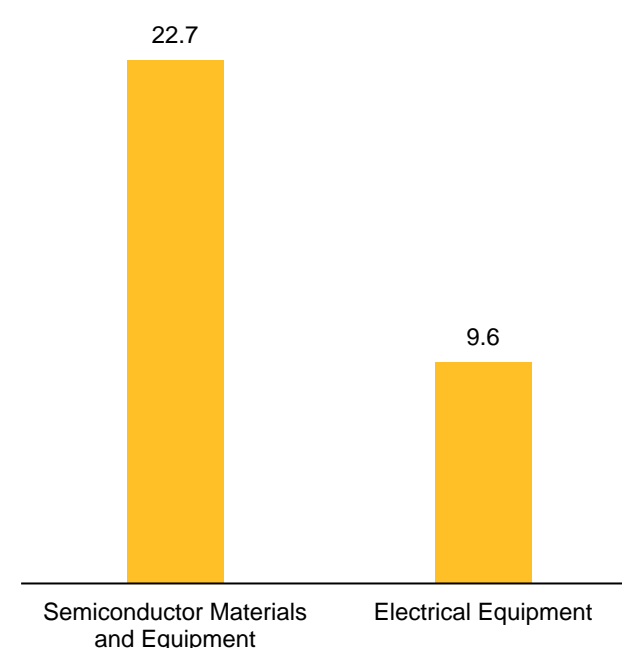


Valuations Remain Cheap Relative to History (Percentile)



Favored Industries

A focus on sustainable earnings growth (2024/2025 earnings growth)



Current analysis does not guarantee future results.

*Assuming investing on 31 July 2023; using consensus free-cash-flow (FCF) forecast for 2023 and 2024, while assuming free cash flow grows at 7% annually afterward. Data extends out to 2030, as the average maturity year of the Bloomberg US Aggregate is eight years.

†Using federal funds rate as proxy; 2023 and 2024 federal funds rate forecasts are based on future implied rate, while 2025 and onward are based on Fed dot plot (2025, 2026 and long-run) forecasts. An investor cannot invest directly in an index.

Left display as of 31 December 2023; middle display as of 30 November 2023; right display as of 15 December 2023

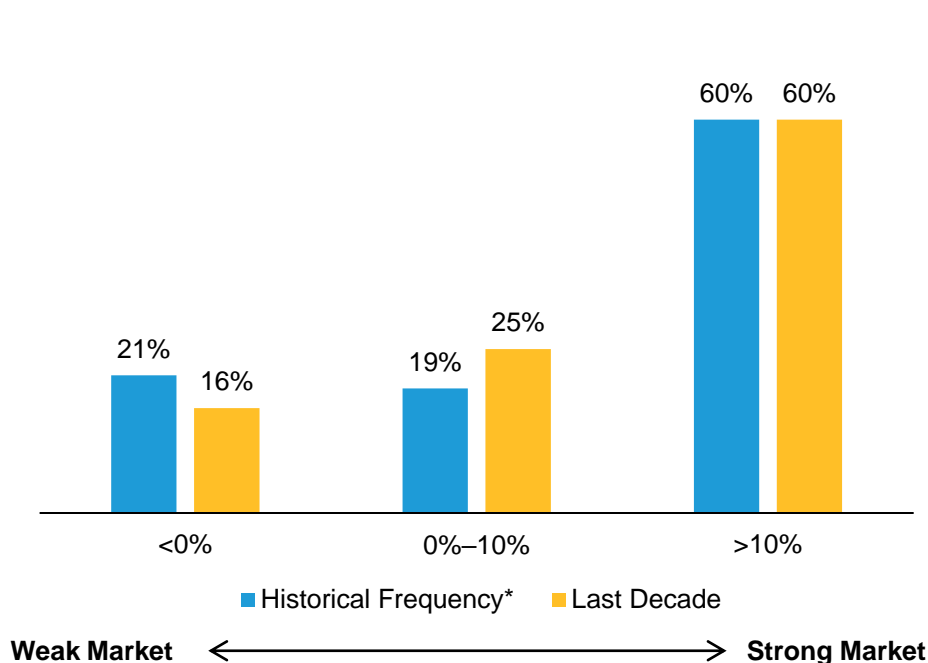
Source: Bloomberg, Strategas Research Partners, US Federal Reserve and AB

Low Volatility: After a Relatively Benign Decade, Expect Choppy Markets

Higher-for-longer rates and the lower likelihood of Fed rate-cut rescues should heighten risk aversion

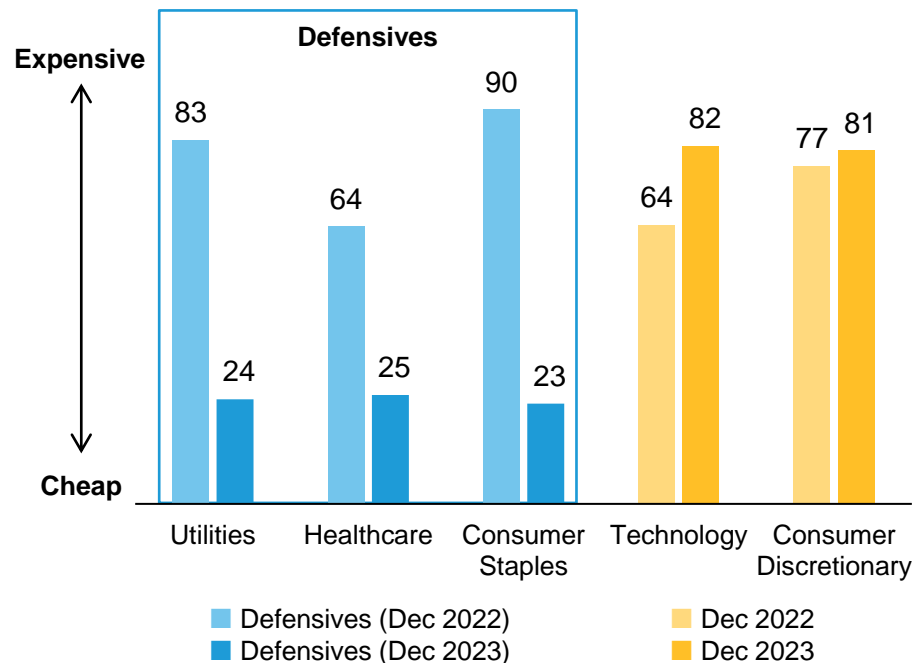
The Last Decade Has Had Fewer Downside Events

US stocks (S&P 500): frequency of rolling 12-month returns



In a Volatile World, the Pattern of Returns Matters More†

Relative valuation percentiles of defensive sectors are attractive



Past performance does not guarantee future results.

Return buckets are based on returns for the S&P 500. Forward 12-month returns are calculated monthly with the average taken across all months in the period.

*1 January 1970 to 30 September 2013

†Valuation percentiles for sectors are cap-weighted average price-to-next 12 months earnings forecast relative to benchmark and relative to their own history. The investable benchmark is Russell 1000. An investor cannot invest directly in an index.

As of 31 December 2023

Source: FTSE Russell, I/B/E/S, MSCI, Refinitiv and AB

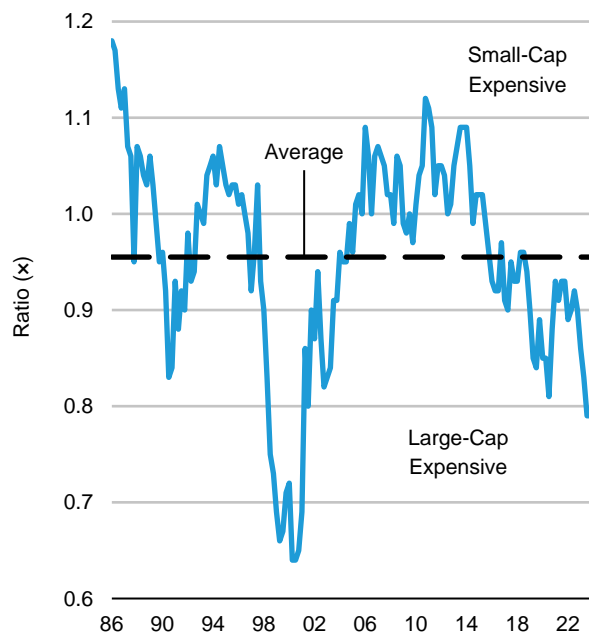


The Opportunity to Rebalance into Small Caps Remains

Their second half 2023 rally notwithstanding, striving for precise timing is not advised

Russell 2000 vs. Russell 1000

Price/forward earnings



Growth and Value Present Uniquely Compelling Stocks in Favored Sectors

Favored Value (V) Sectors:
Consumer Discretionary,
Industrials, Technology

Favored Growth (G) Sectors:
Consumer Discretionary,
Technology, Financials

Focus on:
Value with a Catalyst (V)
Strong Free Cash Flow (V)

Unrecognized Growth Potential (G)
Positive Earnings Revisions (G)

Average Annual Total Return During Small-Cap Bull Markets (Percent)



Past performance does not guarantee future results.

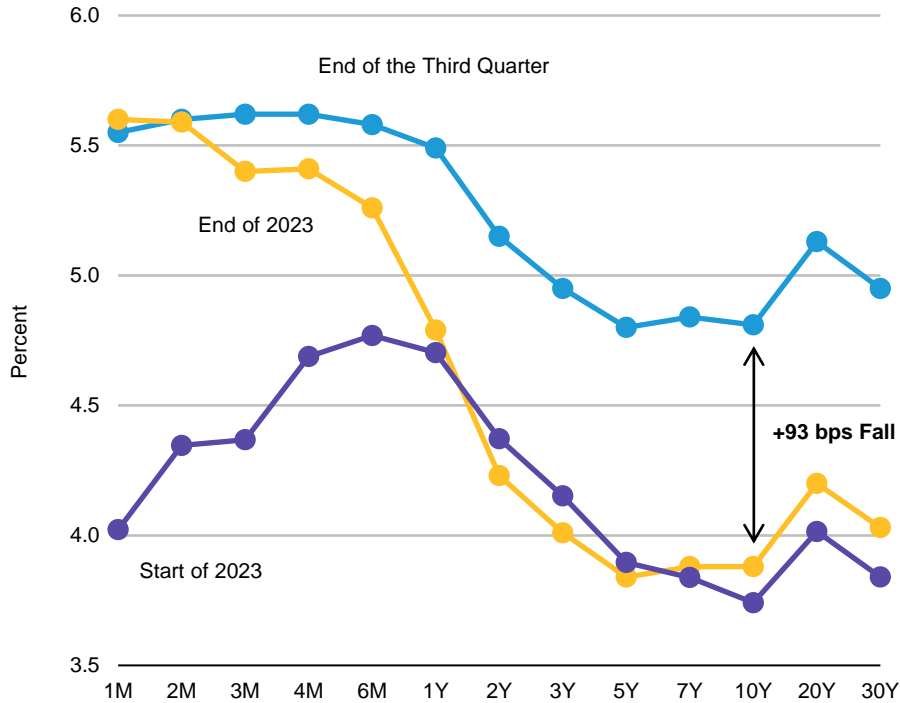
Source of historical returns: CRSP® (Center for Research in Security Prices), Booth School of Business, University of Chicago; used with permission. All rights reserved. www.crsp.uchicago.edu. The performance has been calculated by BofA Merrill Lynch Small Cap Research. All rights reserved. Small Cap is defined as deciles 6–8.

Left display as of 30 November 2023; right display as of 31 December 2022. An investor cannot invest directly in an index.

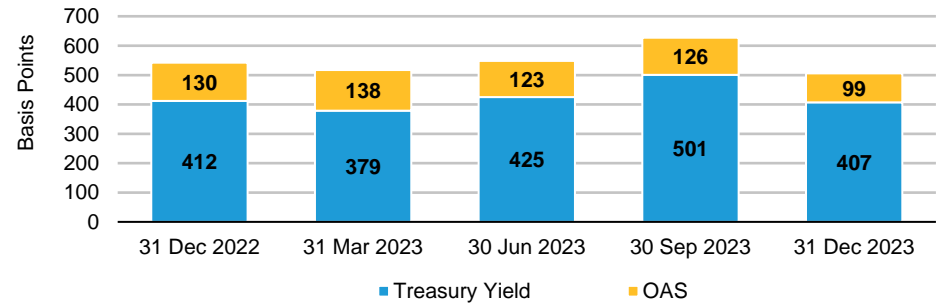
Source: Factset, BofA Merrill Lynch Small Cap Research, FTSE Russell, and AB

Did You Blink? Long-Term Rates Fell Just as Quickly as They Rose

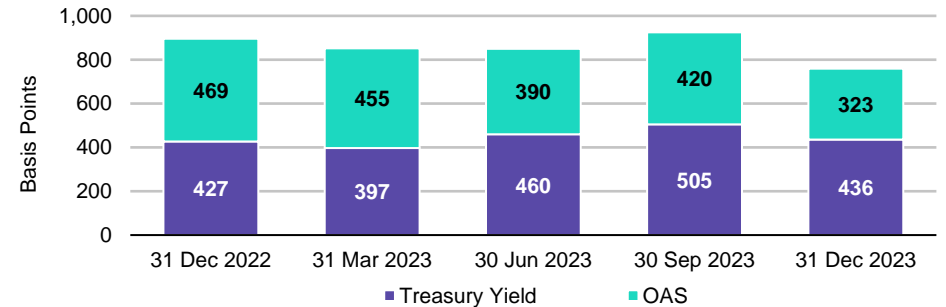
After Jumping 100 Basis Points in the Third Quarter, Long-Term Rates Fell Nearly 100 Basis Points in the Fourth Quarter



Investment-Grade YTW Lower on the Back of Falling Rates and Narrowing Spreads



Similar Story in HY, Rates Fell Meaningfully and Spreads Narrowed



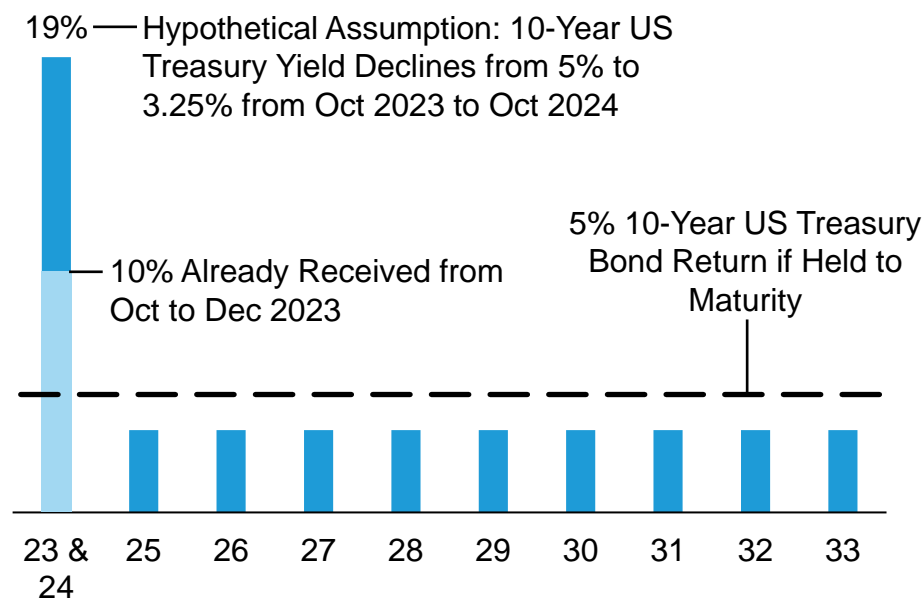
Historical analysis does not guarantee future results.
 HY: high yield; OAS: option-adjusted spread; YTW: yield to worst
 As of 31 December 2023
 Source: Bloomberg and AB



Quantifying the Return Path Forward, Post-Historic Bond Rally

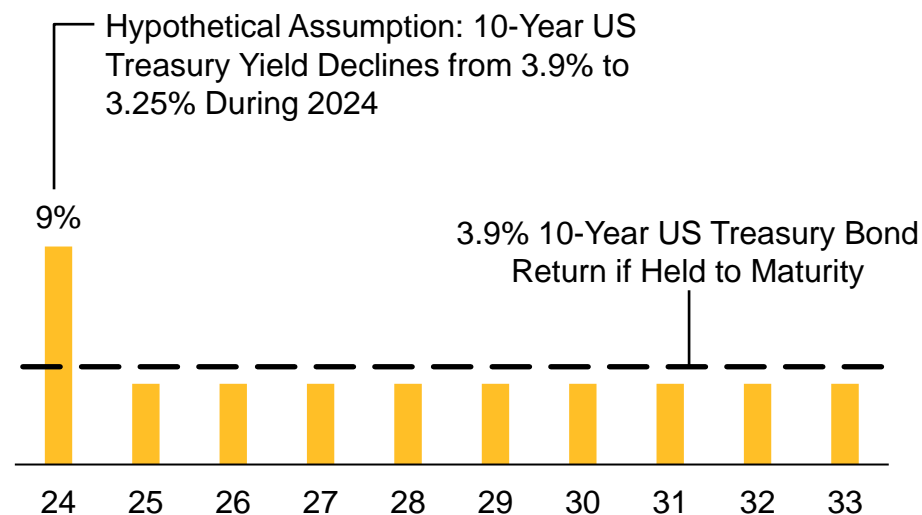
You Were Here

Investing in October 2023



You Are Here

Investing at the start of 2024



Past performance and current analysis do not guarantee future results.

Simulated or hypothetical performance results have certain inherent limitations. 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. Returns are simplified and thus are for illustrative purposes only; they assume an eight-year duration. Convexity, roll, term premium and coupon reinvestment are excluded from this approximation.

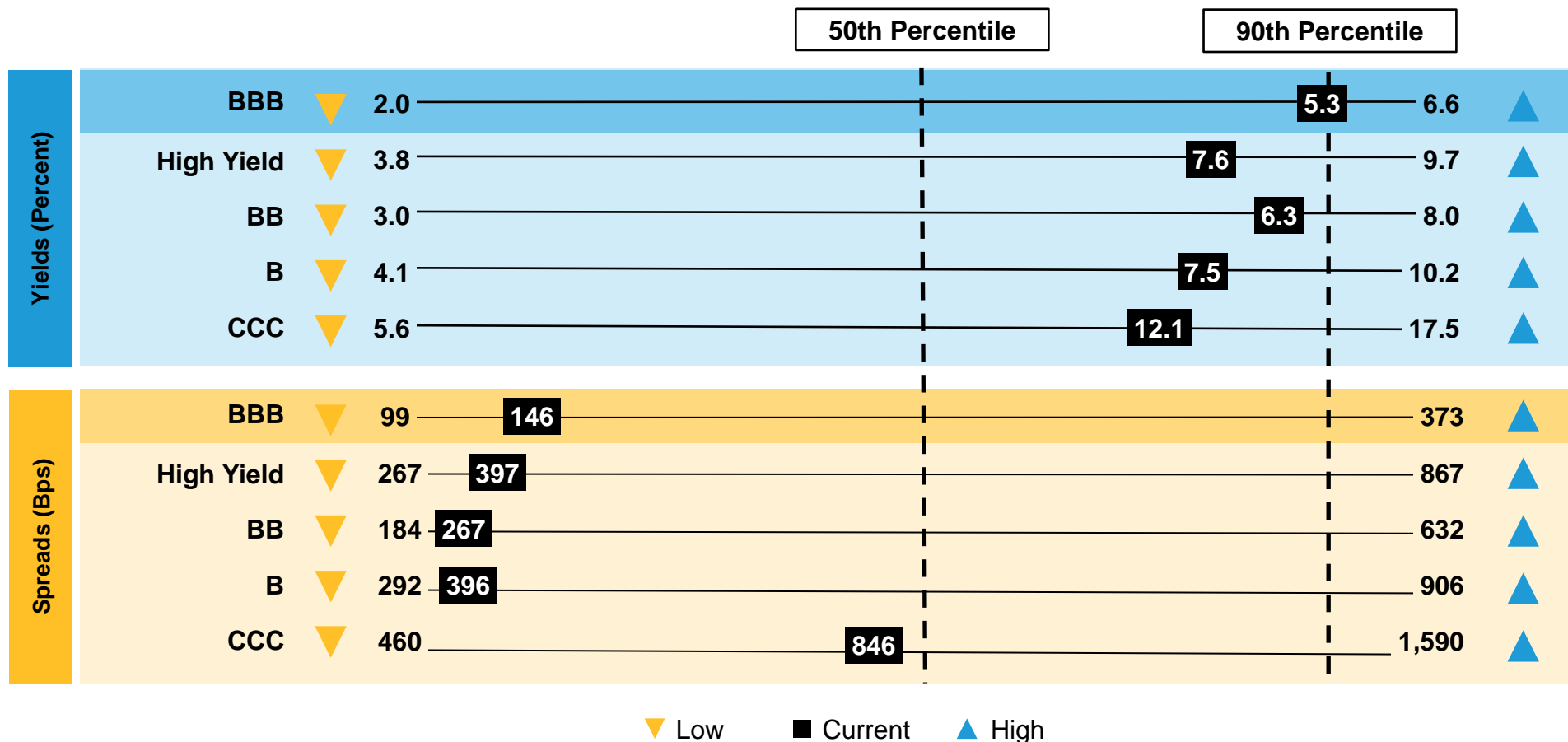
As of 31 December 2023

Source: AB



Yields Are Still Relatively High, but Spreads Are on the Lower End

Yield on the High Yield Index is in the 80th percentile over the last 10 years



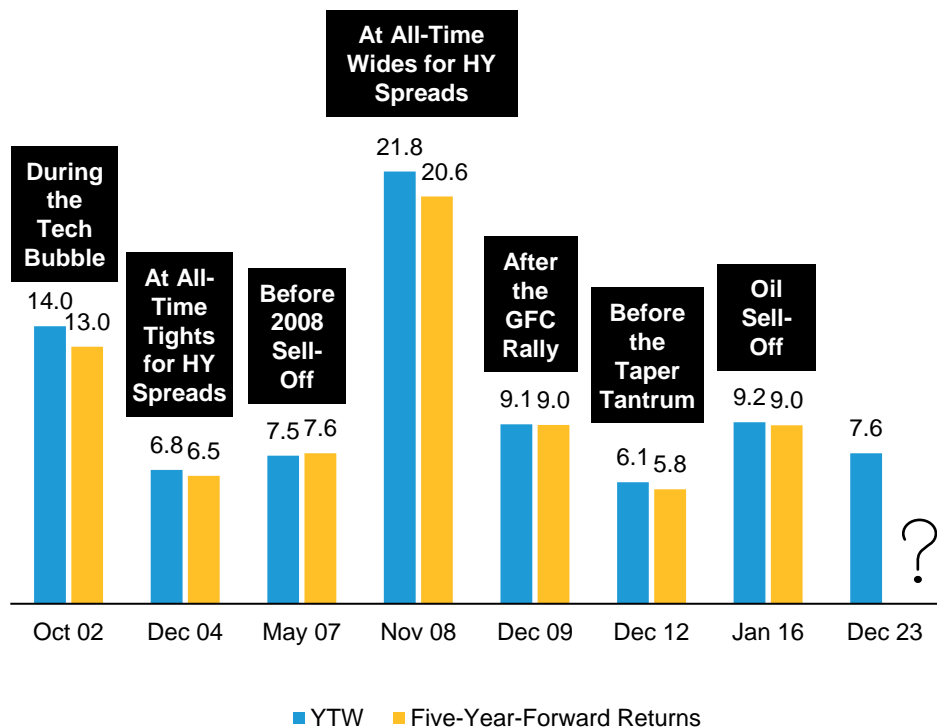
Past performance does not guarantee future results.

Spread: option-adjusted spread. High yield is represented by the Bloomberg US Corporate High Yield; quality index spreads are measured by the credit quality sub-indices of Bloomberg US Corporate High Yield; BBB is represented by quality sub-index of Bloomberg US Corporate. Data from September 2013 to September 2023. An investor cannot invest directly in an index.

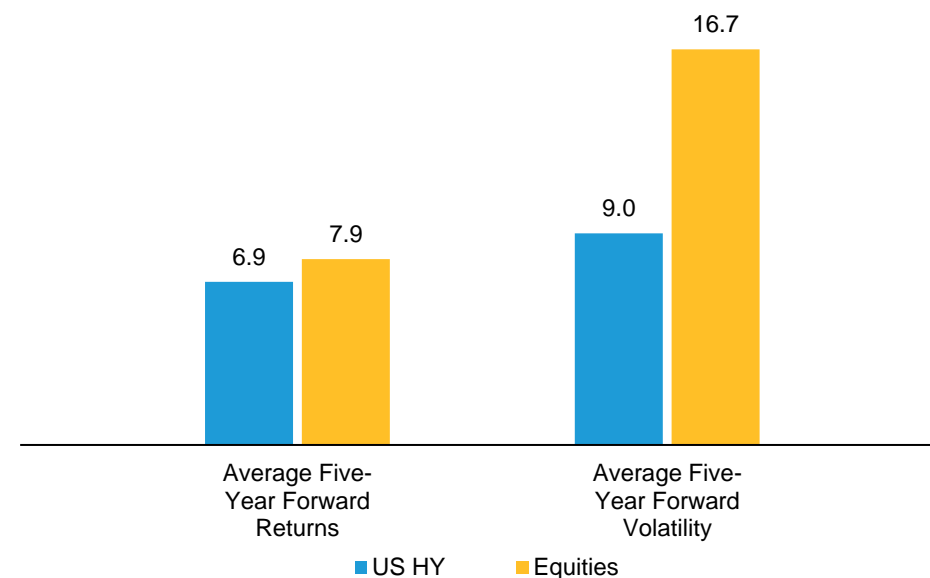
As of 31 December 2023. Source: Bloomberg, J.P. Morgan and AB

Good News: Elevated Yields Alone Suggest Attractive Five-Year-Forward Returns

If You Invested... (Percent)



Average Five-Year Forward Returns and Volatility for High Yield and Equities Post-Fed Hiking Cycles Jan 1990–Dec 2023 (Percent)



Past performance and historical analysis do not guarantee future results.

HY: high-yield; GFC: global financial crisis; YTW: yield to worst

YTW and returns are represented Bloomberg US Corporate High Yield Index.

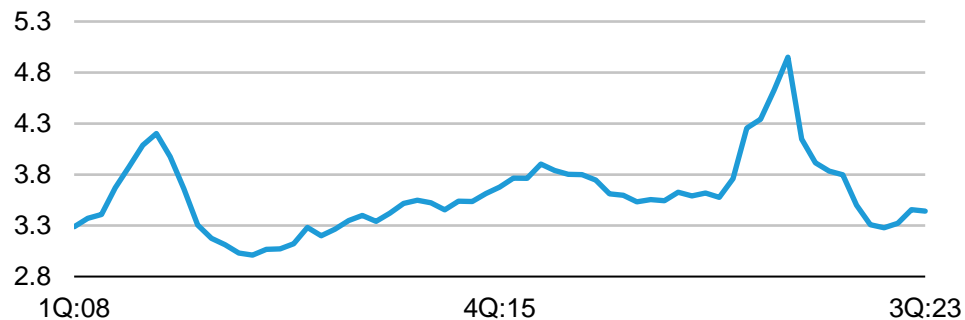
US HY is represented by the Bloomberg US Corporate High Yield. Equities are represented by S&P 500. Hiking cycle is measured by the Federal Reserve upper-bound rate policy.

End of the hiking cycle is measured by the last increase before a period of no hikes that is followed a rate cut. An investor cannot invest directly in an index.

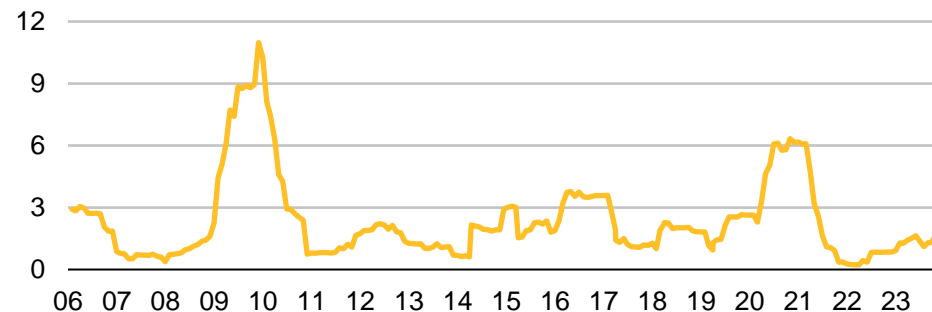
As of 31 December 2023. Source: Bloomberg, Federal Reserve, J.P. Morgan, S&P and AB

US High-Yield Fundamentals Inflecting, but from a Strong Starting Point

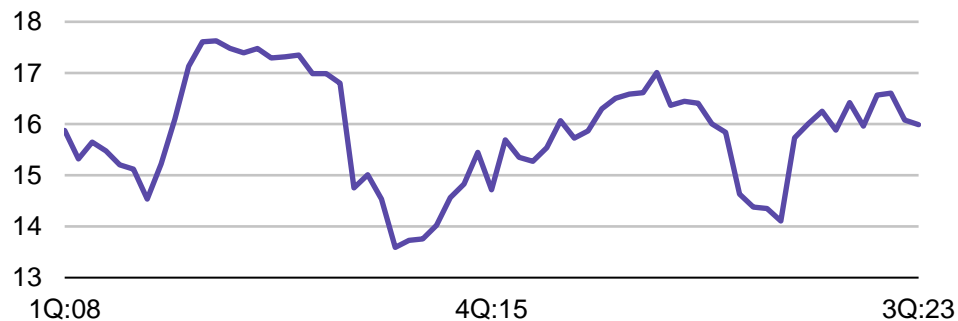
Net Leverage (Debt/EBITDA)



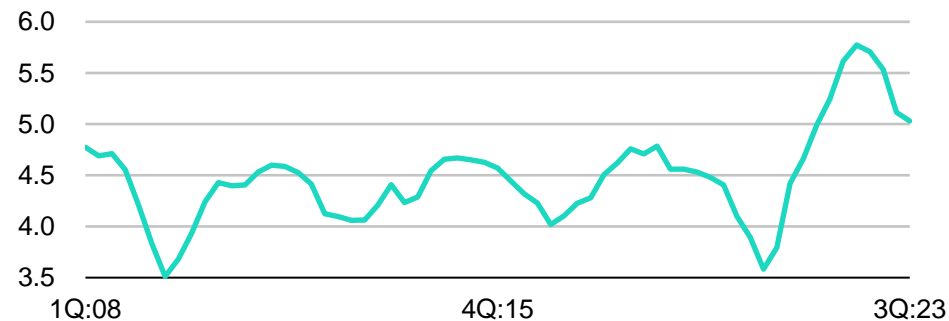
Default Rates (Percent)



EBITDA Margin (Percent)



Interest Coverage (EBITDA/Interest)



Historical and current analyses do not guarantee future results.

EBITDA: earnings before interest, taxes, depreciation and amortization

Metrics data are calculated using weighted average.

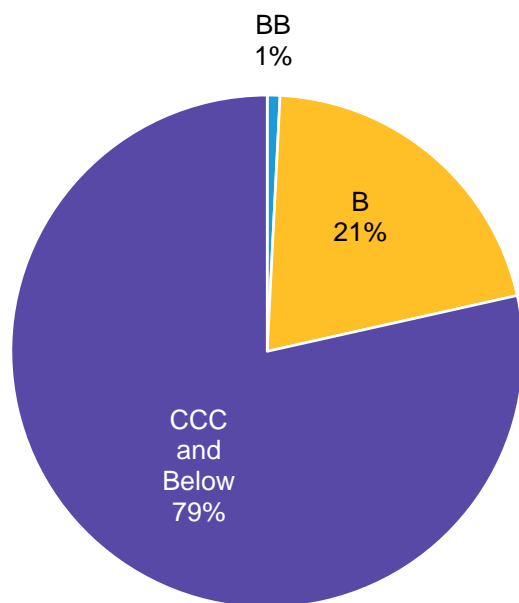
Fundamentals as of 30 September 2023; defaults as of 31 December 2023

Source: J.P. Morgan and AB



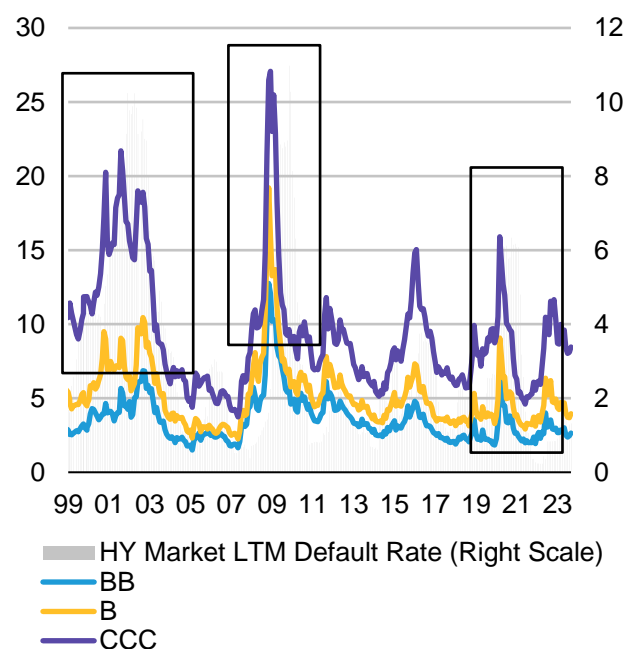
Composition Matters: Most Defaults and Spread Widening Occur in CCCs

Defaults Tend to Be Concentrated in CCCs (Percent)

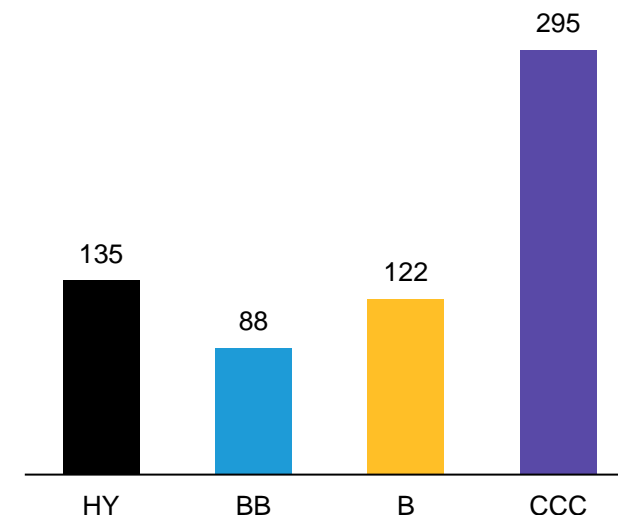


CCCs Have Historically Underperformed in Spread-Widening Environments

OAS (percent)



Median 12-Month Spread Change When Defaults Reach 3%–6% (Basis points)



Past performance does not guarantee future results.

HY: high-yield; LTM: last 12 months; OAS: option-adjusted spread. Numbers may not sum due to rounding. Market is represented by the Bloomberg US Corporate High Yield. Quality index spreads are measured by the credit quality sub-indices of Bloomberg US Corporate High Yield. Median spread change is calculated as the median spread change in the 12 months leading up to default rates as they moved to peak default for the cycle. Left chart represents data from January 1998 to December 2023. An investor cannot invest directly in an index.

As of 31 December 2023. Source: Bloomberg, J.P. Morgan and AB



Even if Spreads Widen, High Yield Should Deliver Solid Returns

Downside Scenario

Hard landing

Assumptions:

- Spreads widen 300 bps
- Treasury yields decline 150 bps
- Default rate: 6.5%
- Recovery rate: 20%

Price Change	-4.82%
Yield	7.59%
Default Loss	-5.20%
Total Return	-2.43%
Yield in 12 Months	9.09%
Three- to Five-Year Expected Return	7.59%

Base Case Scenario

Softish landing

Assumptions:

- Spreads widen 100 bps
- Treasury yields decline 100 bps
- Default rate: 4.5%
- Recovery rate: 30%

Price Change	0.00%
Yield	7.59%
Default Loss	-3.15%
Total Return	4.44%
Yield in 12 Months	7.59%
Three- to Five-Year Expected Return	7.59%

Upside Case Scenario

Strong growth

Assumptions:

- Spreads tighten 25 bps
- Treasury yields stay the same
- Default rate: 3.5%
- Recovery rate: 30%

Price Change	1.61%
Yield	7.59%
Default Loss	-2.45%
Total Return	6.75%
Yield in 12 Months	7.09%
Three- to Five-Year Expected Return	7.59%

Current and historical analyses do not guarantee future results.

High yield is represented by Bloomberg US Corporate High Yield. The shock analysis assumes the potential impact of an instantaneous change in Treasury yields and high-yield spreads and the benefit of yield over the next 12 months. The analysis ignores correlations between Treasuries and other sectors. The actual moves in spreads and Treasury yields may differ meaningfully from the sample moves shown in the displays. Simulated or hypothetical performance results have certain inherent limitations. 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. An investor cannot invest directly in an index.

As of 31 December 2023

Source: Bloomberg and AB

A Word About Risk

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Important Risk Information Related to Investing in Equity and Short Strategies

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

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

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

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

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

Bond Ratings Definition

A measure of the quality and safety of a bond or portfolio, is 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 Emerging Markets Hard Currency (USD) Aggregate Index:** A hard currency emerging markets debt benchmark that includes USD-denominated debt from sovereign, quasi-sovereign, and corporate EM issuers
- **Bloomberg Emerging Markets Local Currency Government Index:** Tracks the fixed-rate local currency sovereign debt of emerging market countries
- **Bloomberg Emerging Markets USD Aggregate Index:** A hard currency Emerging Markets debt benchmark that includes fixed and floating-rate US dollar-denominated debt issued from sovereign, quasi-sovereign, and corporate EM issuers
- **Bloomberg 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 2)
- **Bloomberg 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. (Represents high yield on slide 2)
- **Bloomberg Global Investment Grade Corporate Bond Index:** a rules-based market-value-weighted index engineered to measure the investment-grade, fixed rate, global corporate bond market
- **Bloomberg 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 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 2)
- **Bloomberg 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 2)
- **Bloomberg Leveraged Loan Index:** A market value-weighted index designed to measure the performance of the U.S. leveraged loan market based upon market weightings, spreads and interest payments
- **Bloomberg MBS Index:** tracks fixed-rate agency mortgage backed pass-through securities guaranteed by Ginnie Mae (GNMA), Fannie Mae (FNMA), and Freddie Mac (FHLMC)
- **Bloomberg Pan-European High Yield Index:** Measures the market of non-investment grade, fixed-rate corporate bonds denominated in the following currencies: euro, pounds sterling, Danish krone, Norwegian krone, Swedish krona, and Swiss franc

Index Definitions (cont.)

- **Bloomberg 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 US CMBS Investment Grade Index:** Measures the market of US Agency and US Non-Agency conduit and fusion CMBS deals with a minimum current deal size of \$300mn
- **Bloomberg US Corporate High-Yield Bond Index:** Represents the corporate component of the Bloomberg US High-Yield Index and measures the USD-denominated, high yield, fixed-rate corporate bond market
- **Bloomberg 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 2)
- **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. EH managers would typically maintain at least 50% exposure to, and may in some cases be entirely invested in, equities, both long and short
- **HFRI Event Driven Index:** Investment managers who maintain positions in companies currently or prospectively involved in corporate transactions of a wide variety including but not limited to mergers, restructurings, financial distress, tender offers, shareholder buybacks, debt exchanges, security issuance or other capital structure adjustments. Security types can range from most senior in the capital structure to most junior or subordinated, and frequently involve additional derivative securities. Event Driven exposure includes a combination of sensitivities to equity markets, credit markets and idiosyncratic, company-specific developments. Investment theses are typically predicated on fundamental characteristics (as opposed to quantitative), with the realization of the thesis predicated on a specific development exogenous to the existing capital structure
- **HFRI Fund Weighted Composite Index:** A global, equal-weighted index of more than 2,000 single-manager funds that report to HFR Database. Constituent funds report monthly performance net of all fees in US dollars and have a minimum of \$50 million under management or 12-month track record of active performance
- **HFRI Macro:** Investment Managers which trade a broad range of strategies in which the investment process is predicated on movements in underlying economic variables and the impact these have on equity, fixed income, hard currency and commodity markets. Managers employ a variety of techniques, both discretionary and systematic analysis, combinations of top down and bottom up theses, quantitative and fundamental approaches and long and short term holding periods. Although some strategies employ RV techniques, Macro strategies are distinct from RV strategies in that the primary investment thesis is predicated on predicted or future movements in the underlying instruments, rather than realization of a valuation discrepancy between securities. In a similar way, while both Macro and equity hedge managers may hold equity securities, the overriding investment thesis is predicated on the impact movements in underlying macroeconomic variables may have on security prices, as opposed to EH, in which the fundamental characteristics on the company are the most significant are integral to investment thesis

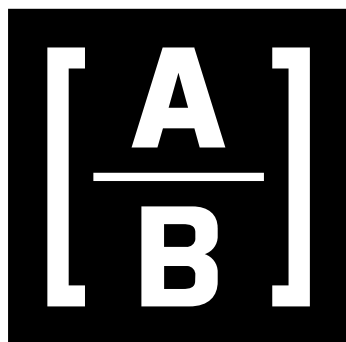
Index Definitions (cont.)

- **HFRI Relative Value:** Investment Managers who maintain positions in which the investment thesis is predicated on realization of a valuation discrepancy in the relationship between multiple securities. Managers employ a variety of fundamental and quantitative techniques to establish investment theses, and security types range broadly across equity, fixed income, derivative or other security types. Fixed income strategies are typically quantitatively driven to measure the existing relationship between instruments and, in some cases, identify attractive positions in which the risk adjusted spread between these instruments represents an attractive opportunity for the investment manager. RV position may be involved in corporate transactions also, but as opposed to ED exposures, the investment thesis is predicated on realization of a pricing discrepancy between related securities, as opposed to the outcome of the corporate transaction
- **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 2)
- **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
- **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 2)
- **MSCI USA Index:** Measures the performance of the large and mid-cap segments of the US market. With 624 constituents, the index covers approximately 85% of the free float-adjusted market capitalization in the US
- **MSCI USA Minimum Volatility Index:** aims to reflect the performance characteristics of a minimum variance strategy applied to the US large and mid-cap equity universe
- **MSCI World Index:** A market capitalization-weighted index that measures the performance of stock markets in 24 countries. (Represents world on slide 2)
- **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
- **S&P 500 Index:** Includes a representative sample of 500 leading companies in leading industries of the US economy. (Represents US on slide 2)

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Notes on Simulation Results

Hypothetical or simulated performance results have certain inherent limitations. Unlike an actual performance record, simulated results do not represent actual trading. Also, since the trades have not actually been executed, the results may not reflect the impact that certain material economic and market factors might have had on an investment advisor's actual decision-making if they were reflected of a managed account. Simulated 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 profits or losses similar to those shown.



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