



**ALLIANCEBERNSTEIN<sup>®</sup>**

Second Quarter 2021

# CAPITAL MARKETS OUTLOOK

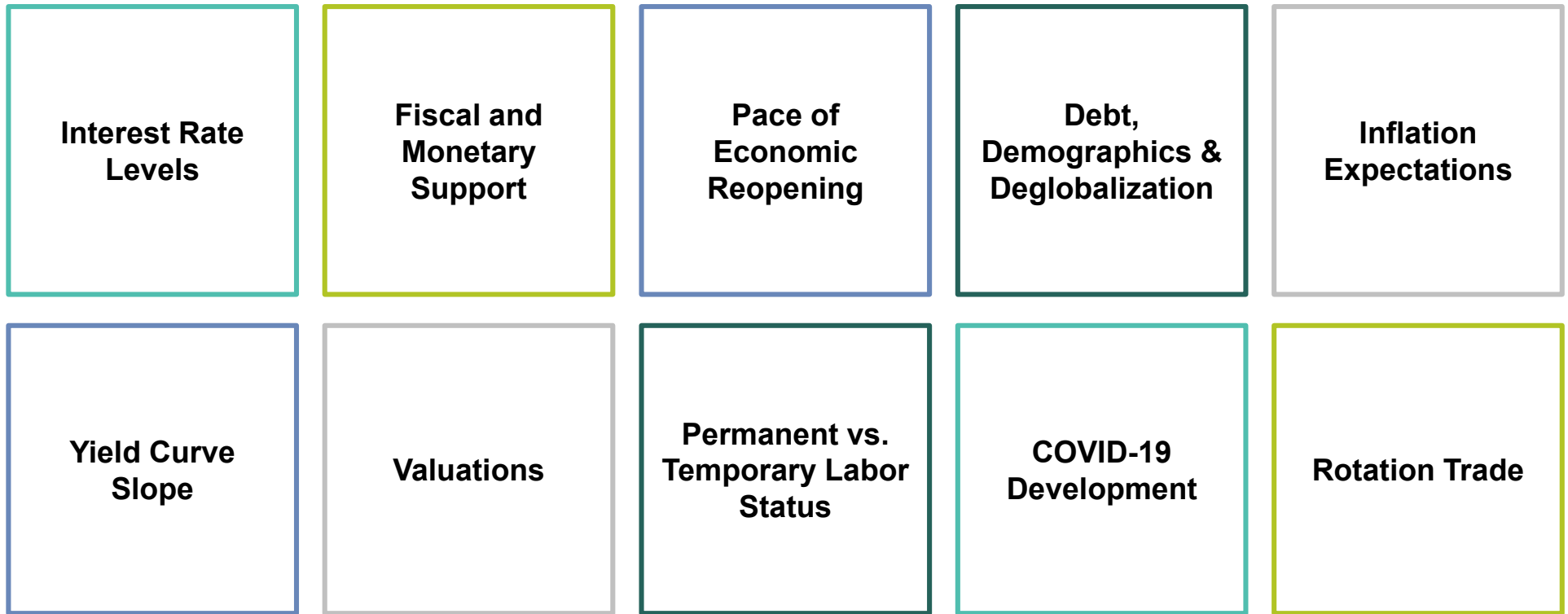
## MAKING SENSE OF TODAY'S CAPITAL MARKETS PUZZLE

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

# Making Sense of Today's Capital Markets Puzzle

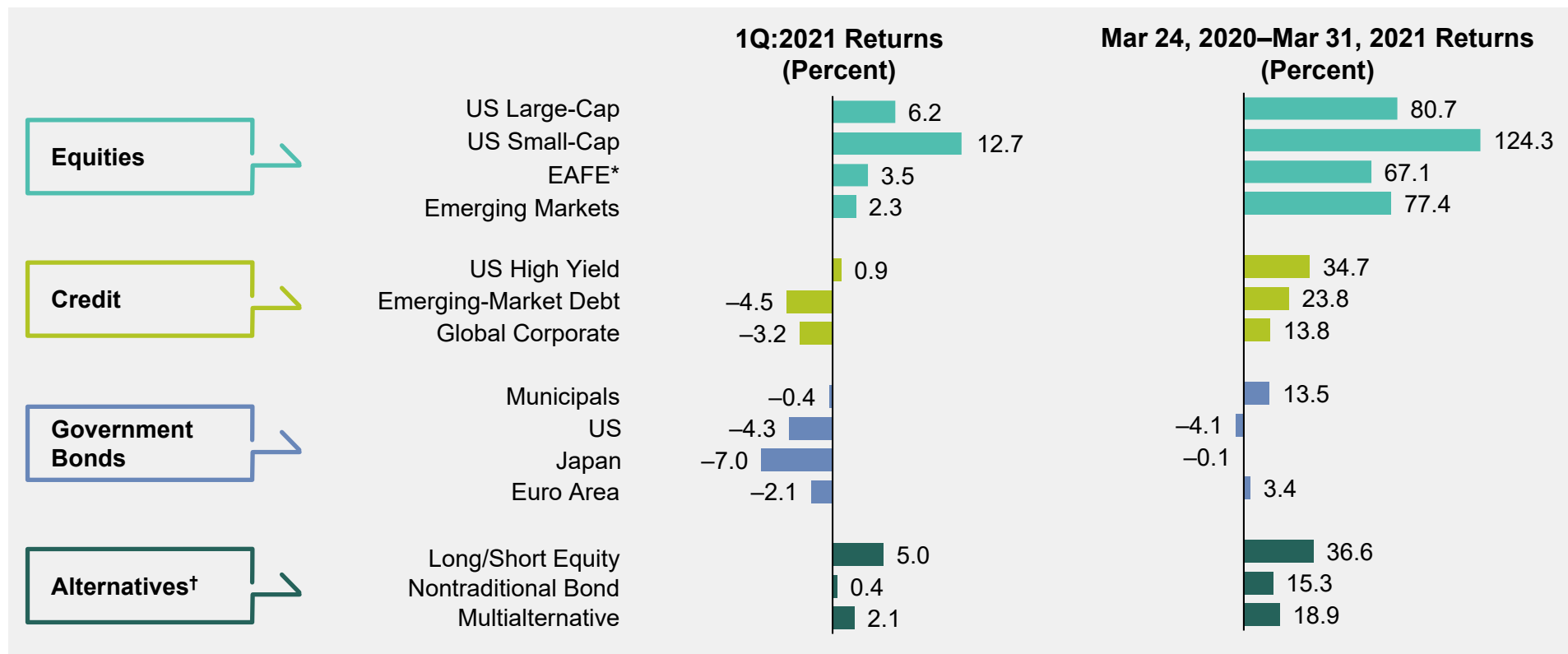


For illustrative purposes only



# 1Q 2021 Returns Recap: Value Leads Growth Amid an Uneven Quarter, Bonds Struggle Against Rising Rates

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.

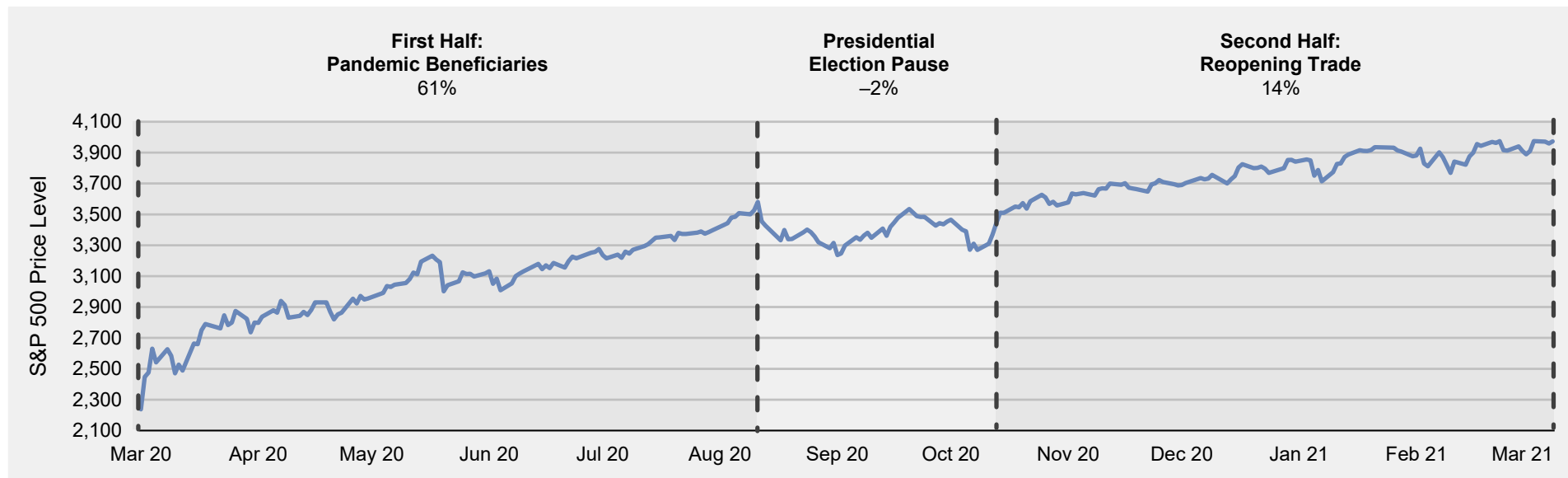
\*Europe, Australasia and the Far East. †Returns reflect Morningstar US open-end fund category averages.

As of March 31, 2021

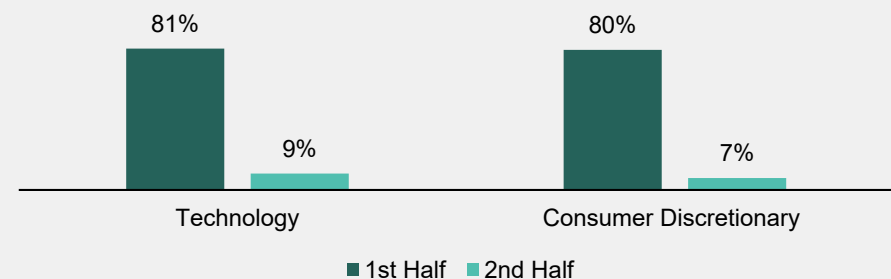
Source: Bloomberg, Morningstar Direct and AllianceBernstein (AB)



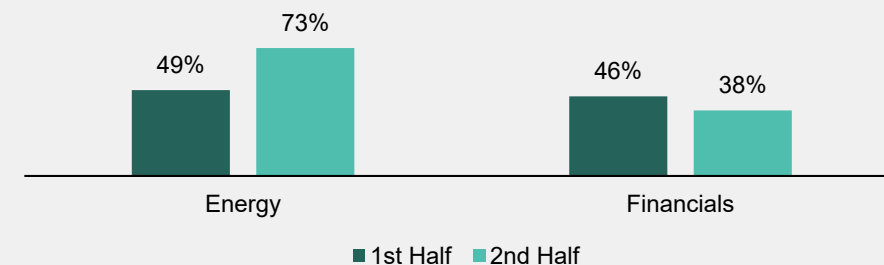
# COVID-19 Crisis: A Tale of Two Recoveries



## Pandemic Beneficiaries



## Reopening Trade



### Past performance does not guarantee future results.

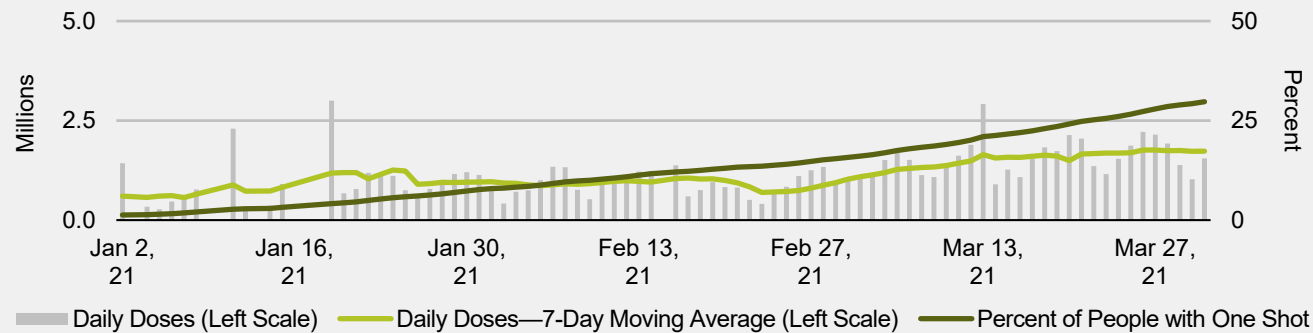
First half returns from March 24, 2020, to September 2, 2020; pause returns from September 3, 2020, to November 8, 2020; second half returns from November 9, 2020, to March 31, 2021. Source: Bloomberg Barclays



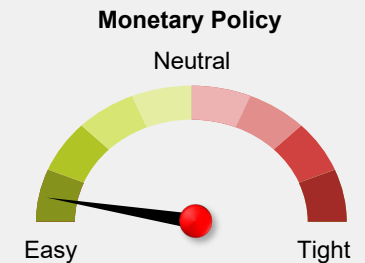
# Strong Enough and Long Enough: Fiscal Package Plus Vaccination Rates Solidify Bridge to the Other Side

Hospitalization and Death Rates Retreat as Successful Vaccine Rollout Continues

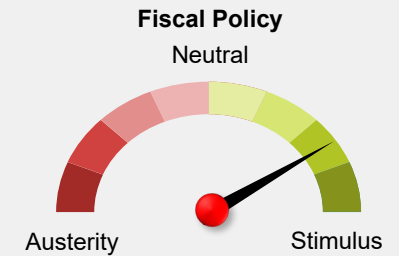
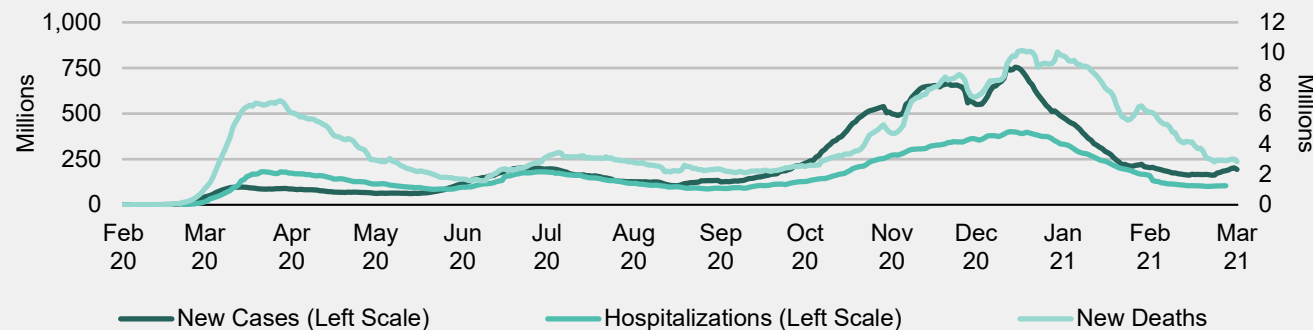
### Nearly One-Third of American Adults Have Received at Least One Dose



### Full “Speedometers” Ahead



### While New Cases, Hospitalization and Death Rates Continue to Lower



**Historical analysis and current forecasts do not guarantee future results.**

As of March 31, 2021

Source: Our World in Data and AB



# Macro Summary

## Global Growth to Recover in 2021; US Numbers Push Higher on Back of Stimulus Bill

### AB Global Economic Forecast: April 2021

	Real Growth (Percent)		Inflation (Percent)		Official Rates (Percent)		Long Rates (Percent)	
	21F	22F	21F	22F	21F	22F	21F	22F
Global	5.9	4.2	2.3	2.5	1.59	1.63	2.28	2.49
Industrial Countries	5.0	4.2	1.7	1.7	-0.14	-0.13	0.92	1.26
Emerging Countries	7.4	4.1	3.2	3.6	4.23	4.31	4.39	4.40
<b>US</b>	<b>6.5</b>	<b>4.6</b>	<b>2.1</b>	<b>2.2</b>	<b>0.00</b>	<b>0.00</b>	<b>1.75</b>	<b>2.25</b>
Euro Area	3.8	4.5	1.6	1.4	-0.37	-0.37	0.02	0.26
UK	5.5	6.0	1.7	1.9	0.10	0.10	1.00	1.25
Japan	2.8	1.7	0.2	0.8	-0.10	-0.10	0.00	0.00
China	9.5	4.2	1.4	2.8	4.35	4.35	3.25	3.25

#### 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 March 31, 2021

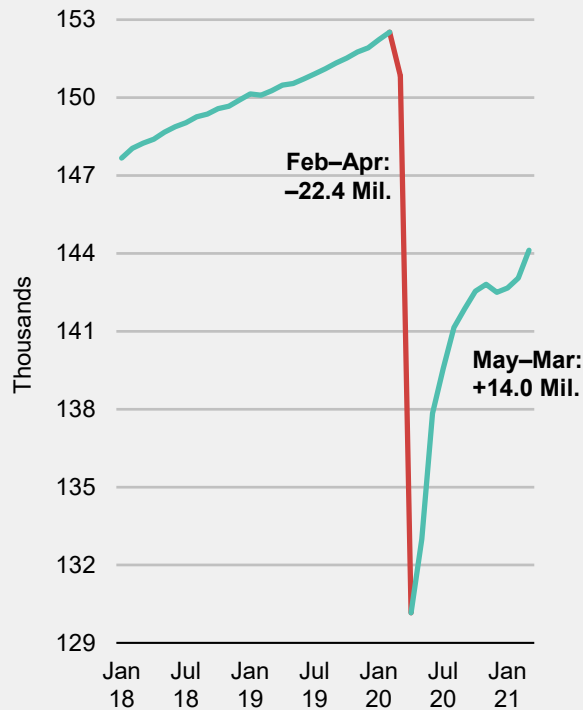
Source: AB



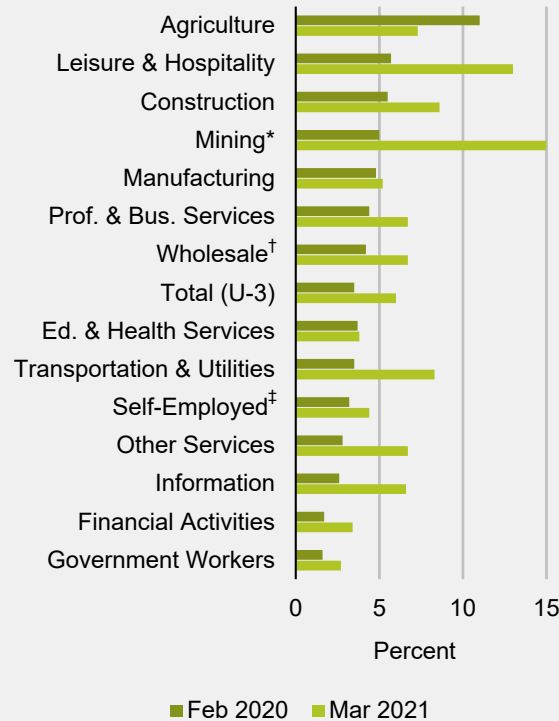
# Not Out of the Woods Yet: Possible Employment Scarring

## Permanent vs. Temporary Job Loss Remains Top of Mind

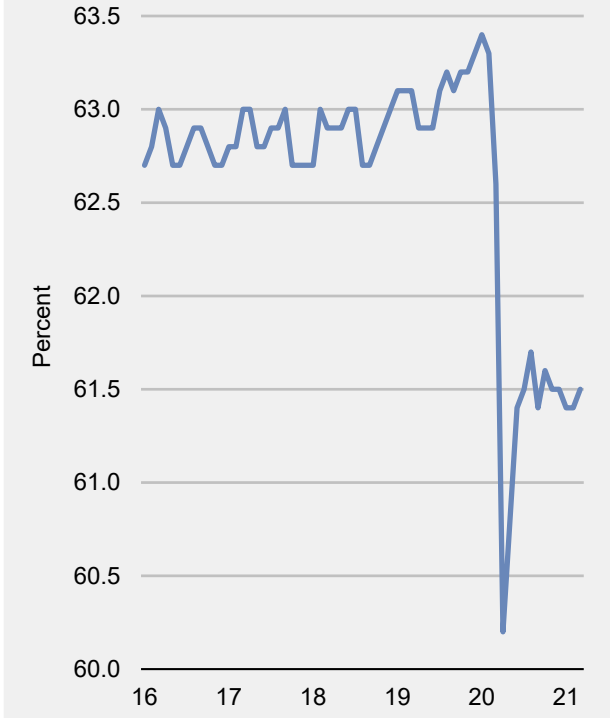
**Total Nonfarm Payroll Down About 8 Million Jobs Since February 2020**



**With Hardest-Hit Industries Remaining Dependent on the Market Reopening**



**While Labor Force Participation Rate Continues to Lag Behind**



**Historical analysis and current forecasts do not guarantee future results.**

\*Mining, quarrying and oil and gas extraction. †Wholesale and retail trade. ‡Self-employed, unincorporated and unpaid family workers  
As of March 31, 2021

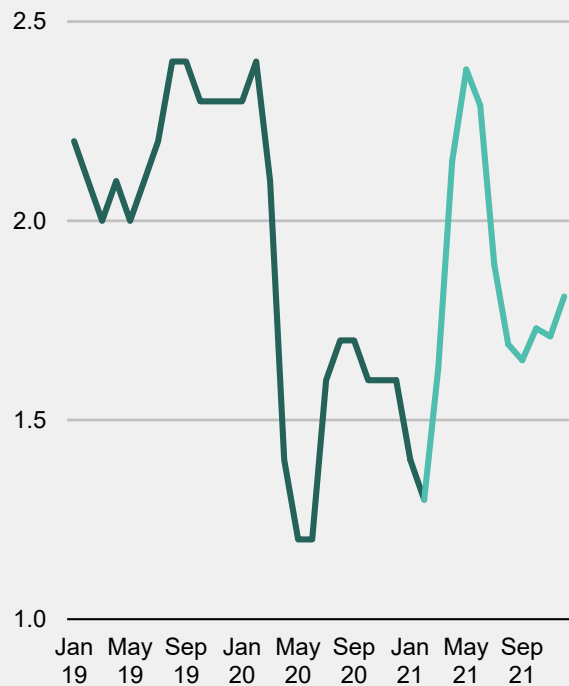
Source: US Bureau of Labor Statistics and Federal Reserve Economic Data (FRED)



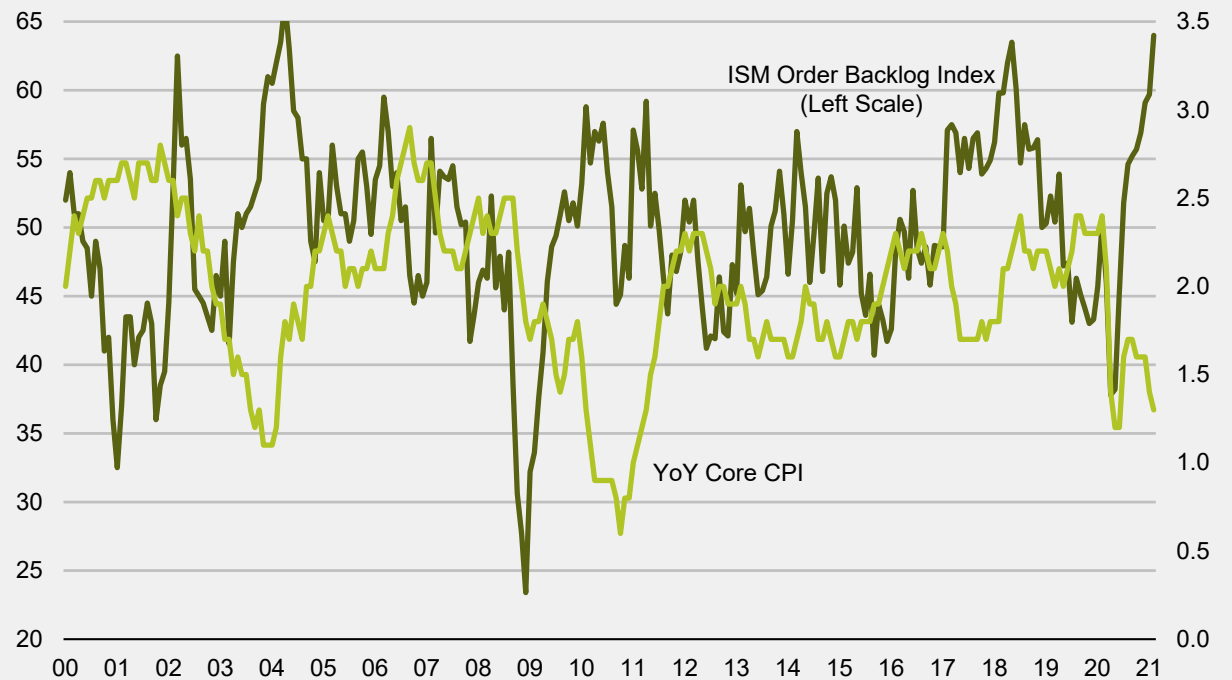
# Inflation Forecasts Remain Rangebound

Sustained Levels of High Inflation Aren't Likely

**Base Effects Will Cause Transitory Spike Even if Underlying Inflation Remains Steady...**



**...While Supply Constraints Are Expected to Be Resolved as We Continue to Reopen**



**Historical analysis and current forecasts do not guarantee future results.**

As of February 28, 2021

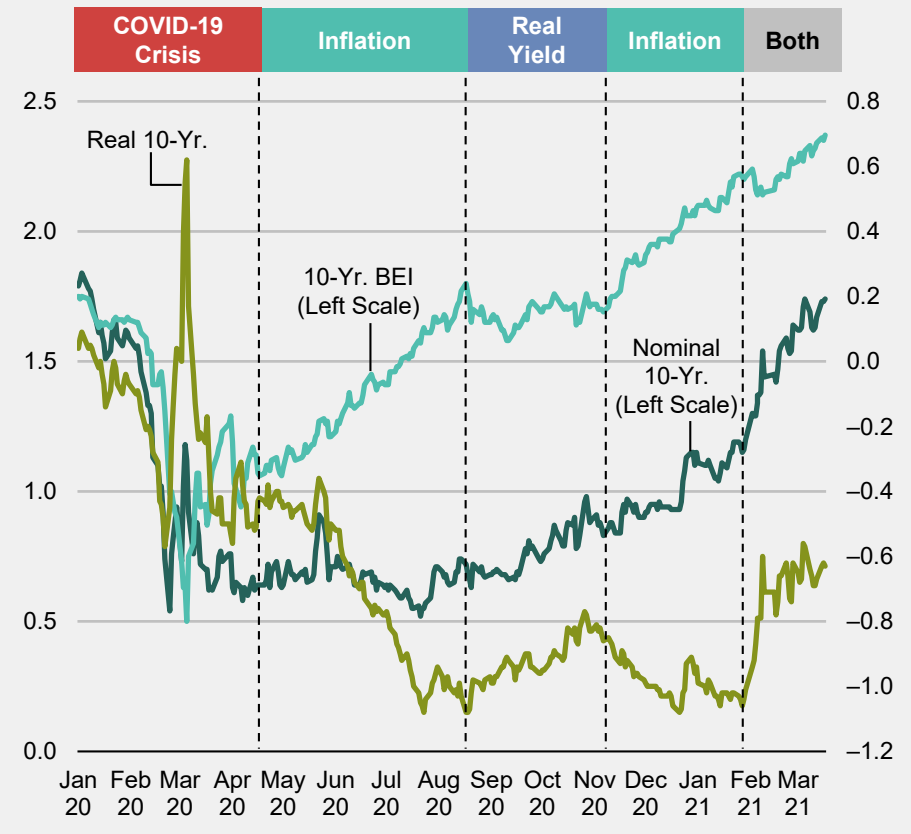
Source: Bloomberg and AB



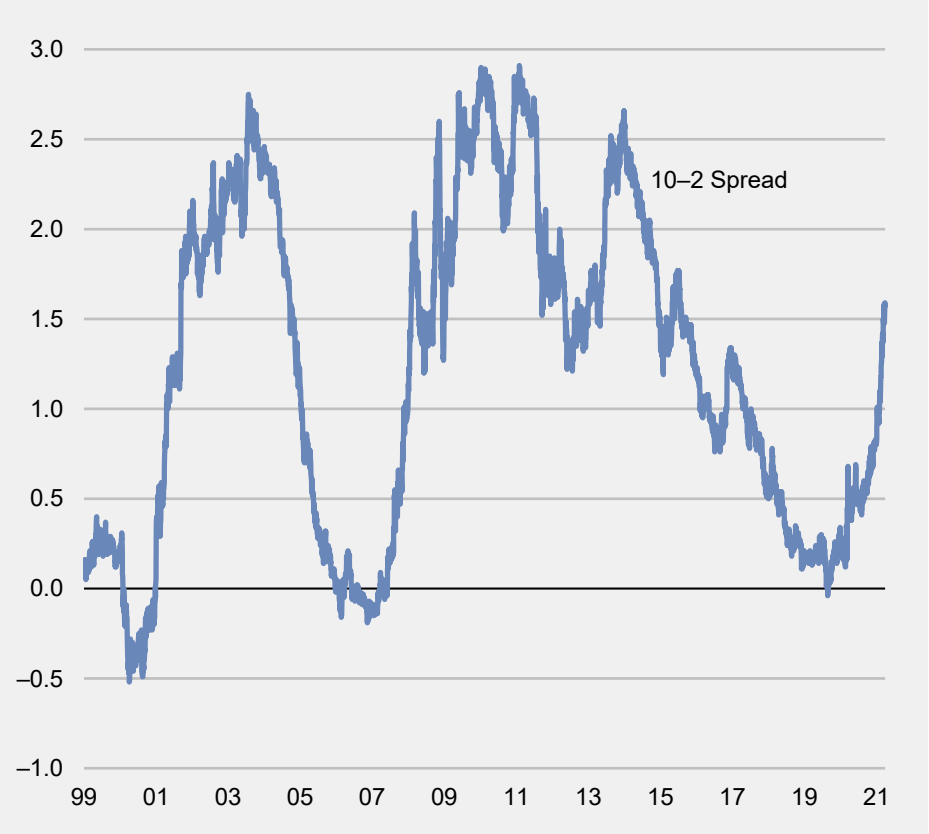
# Anatomy of the Steepening Yield Curve

Long Yields, Mix of Inflation Expectations and Real Yields Drive Curve Steepening

US 10-Yr. Already Pricing in Strong Inflation Expectations



10-2 Steepening Driven by Long End



Historical analysis and current forecasts do not guarantee future results.

As of March 31, 2021

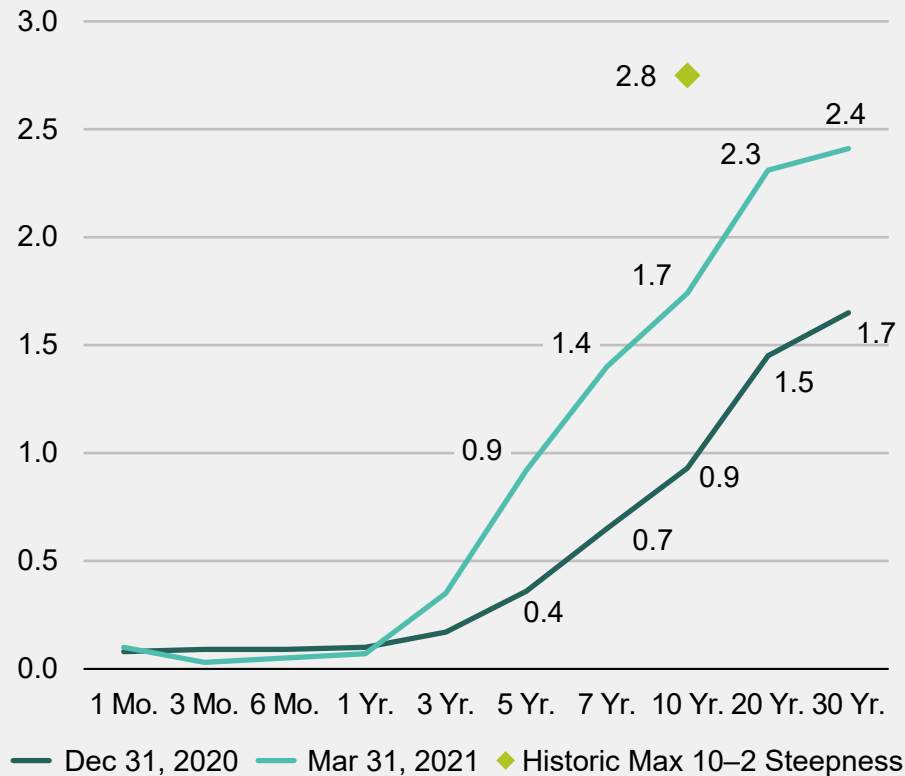
Source: US Department of the Treasury and AB



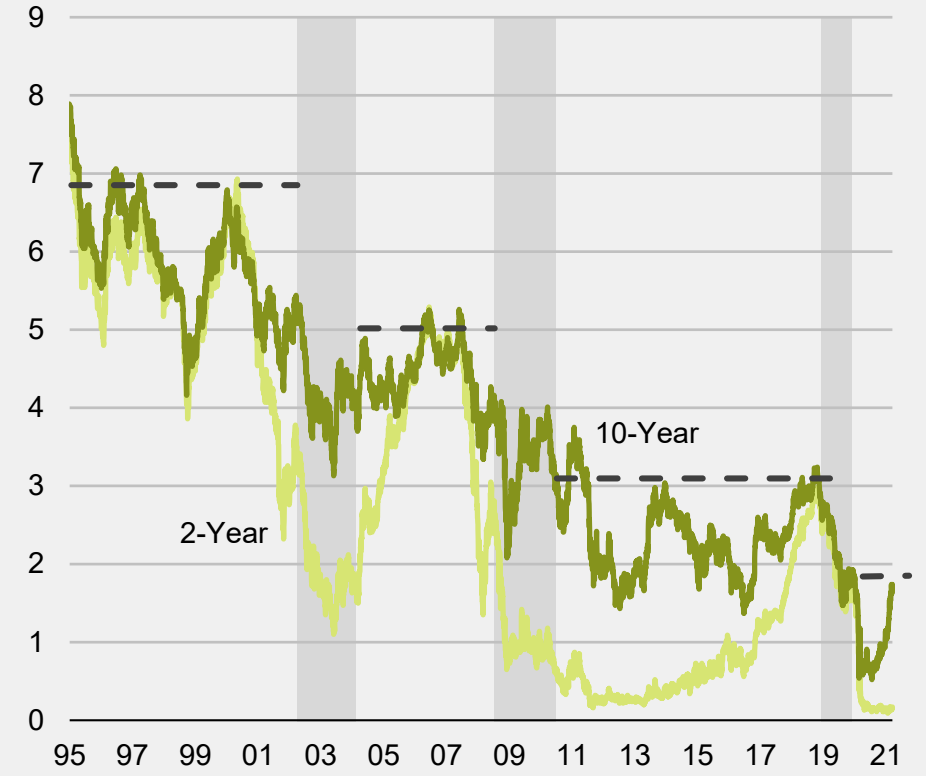
# Saved by Zero: A Fed Locked in at ZIRP Restricts Peak Long Bond Yields

Maximum Term Premium a Reasonable Indicator of Upper Bound

**Term Premium Plus Fed Action/Inaction Frames Eventual Peak in the 10 Year**



**Long-Term Trends Further Highlight Limitations to Long Bond Yield Levels**



**Historical analysis and current forecasts do not guarantee future results.**

As of March 31, 2021

Source: US Department of the Treasury



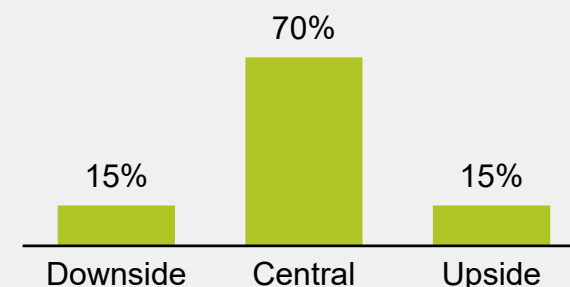
# Global Macro Outlook: Central Narrative and Balance of Risks

## Central Narrative

- + **Global Growth:** We're not far off consensus. With COVID-19 fading as a cyclical driver, global output is likely to rebound strongly from here: we expect a 5.9% increase, roughly twice the pre-pandemic norm
- + **Reflation:** Vaccine rollout and fiscal stimulus will help set the pace of the recovery. The US is well placed on both; Europe less so. China has already made a full recovery, with stability now the watchword
- + **Inflation:** We think the world is on the cusp of a new, higher, inflation regime. But large output gaps and anchored inflation expectations are important hurdles to a sustained near-term increase (notwithstanding a temporary spike in coming months)
- + **Monetary Policy:** First the easy bit—DM policy rates should be on hold until at least the end of 2022. But bond yields are now the battleground. We expect central banks to push back against a further rise, but that won't prevent markets testing their resolve. Expect more volatility
- + **Bond Yields:** The Fed has been surprisingly relaxed about rising yields but may be approaching the limits of its tolerance—especially if equities come under pressure. European and Japanese yields are anchored

## Key Risks & Probabilities

- + **Virus:** virus mutations and/or vaccine failure
- + **Bond Yields:** central banks fail to control the reflation narrative; yield rise turns disruptive
- + **Inflation:** are we ignoring historical warning signs—rapid demand growth when supply is impaired; explosive money-supply growth; money-financed fiscal stimulus?



**Current analysis does not guarantee future results.**

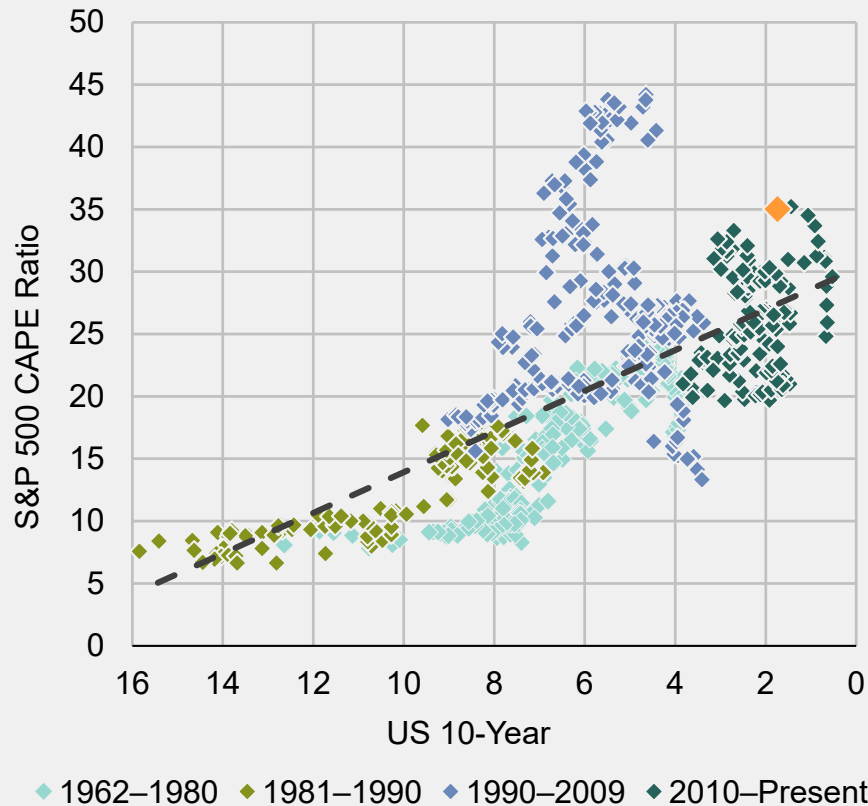
As of March 31, 2021

Source: AB



# Lofty Equity Valuations Challenged: Is TINA Eyeing the Coat Check?

**Peanut Butter and Jelly, Ham and Eggs, and Rates and Valuations**



**10-Year US Treasury Surpasses S&P 500 Dividend Yield**



**Historical analysis and current forecasts do not guarantee future results.**

Shiller P/E is defined as price divided by 10-year average inflation-adjusted earnings.

As of March 31, 2021

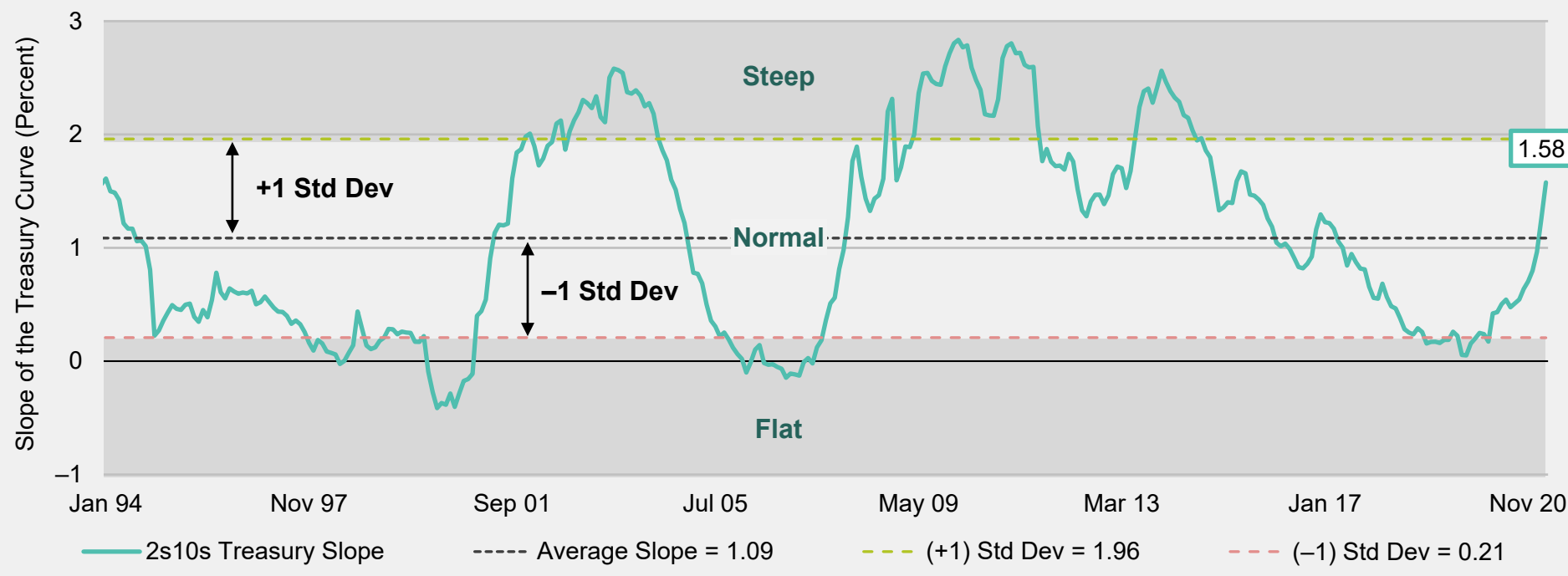
Source: Bloomberg, Robert Shiller's database and AB



# Today's Yield Curve Slope in Historical Context, with the Subtitle Steeper Yield Curves Historically Relate to Stronger Risk Asset Returns

**Slope of the US Treasury Curve: 10-Year Treasury Less Two-Year Treasury Yield**

January 1994–March 31, 2021



**Past performance and current analysis do not guarantee future results.** For illustrative purposes only

The 2s10s slope is calculated by subtracting the yield-to-worst of Bloomberg Barclays US Treasury Bellwether Two-Year from the yield-to-worst of Bloomberg Barclays US Treasury Bellwether 10-Year.

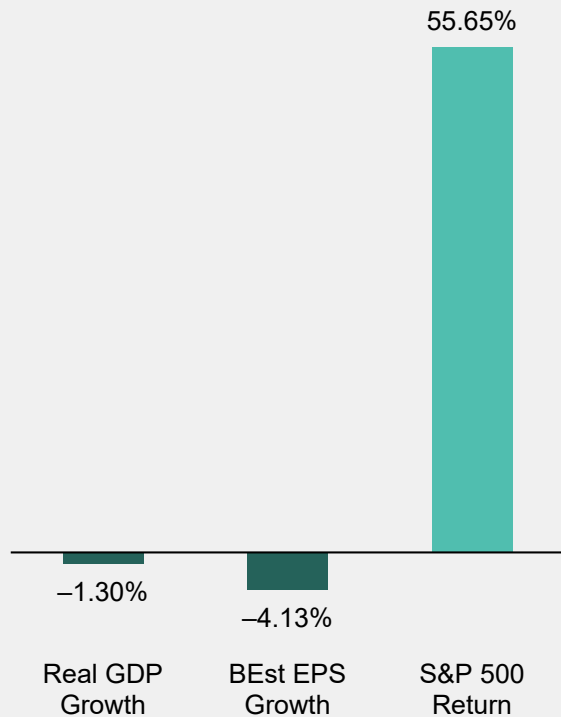
As of March 31, 2021

Source: Bloomberg Barclays, Morningstar Direct, S&P and AB



# Strong Market Recovery Has Pulled Future Returns Forward

## Strong Market Returns from 2019–2020 Were Not Reflective of Fundamental Growth...

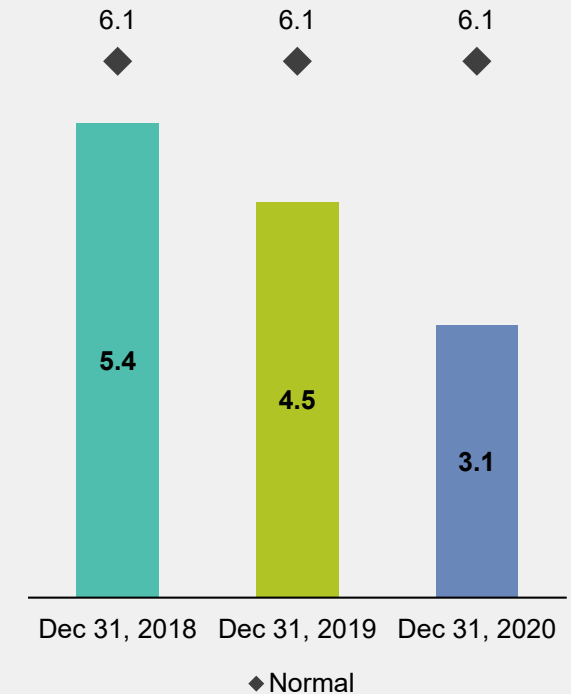


## ...but Rather Were Driven by Fiscal and Monetary Support



## 60/40 Return Expectations Meaningfully Reduced

10-Year Forward Returns Projections (Percent)



**Historical analysis and current forecasts do not guarantee future results. Right display does not represent past performance.**

Bonds are represented by 60% global investment-grade bonds and 40% global sovereign bonds; stocks are represented by a universe similar to the MSCI World; both are reported in and hedged into US dollars.

As of December 31, 2020

Source: Bloomberg, Bureau of Economic Analysis, FRED and AB





# EQUITY

# Pro-Cyclical Rotation Following Long Period of Growth Outperformance

		First Half (Percent)	Second Half (Percent)	Historic BEst P/E	Pre-Pandemic BEst P/E	Current BEst P/E	Change in BEst P/E (Percent)
Index	Russell 1000 Growth	79	6	17	24	29	+20
	S&P 500	61	14	15	19	22	+15
	Russell 2000	60	36	21	25	33	+31
	Russell 1000 Value	48	24	14	16	18	+15
	MSCI EAFE	44	16	13	15	17	+12
Factor*	Growth	82	6	18	26	33	+26
	Momentum	74	4	20	26	34	+32
	Small Cap	64	33	20	22	26	+19
	Quality	60	10	17	20	23	+14
	Value	44	22	13	15	17	+15
Sector	Technology	81	9	16	23	26	+12
	Consumer Discretionary	80	7	17	22	33	+52
	Materials	74	17	15	19	20	+3
	Industrials	65	22	15	18	26	+42
	Communication Services	58	13	14	18	22	+22
	Energy	49	73	16	17	21	+22
	Healthcare	47	7	15	16	16	+1
	Real Estate	46	13	39	46	52	+13
	Financials	46	38	13	13	15	+15
	Consumer Staples	38	6	17	21	21	-2
Utilities	36	1	15	21	18	-14	

## Past performance does not guarantee future results.

First half from March 24, 2020, to September 2, 2020; second half returns from November 9, 2020, to March 31, 2021; historic BEst P/E from January 7, 2005, to February 21, 2020; pre-pandemic BEst P/E from February 21, 2020; current BEst P/E from March 31, 2021; change in BEst P/E represents percent change from pre-pandemic BEst P/E to current BEst P/E

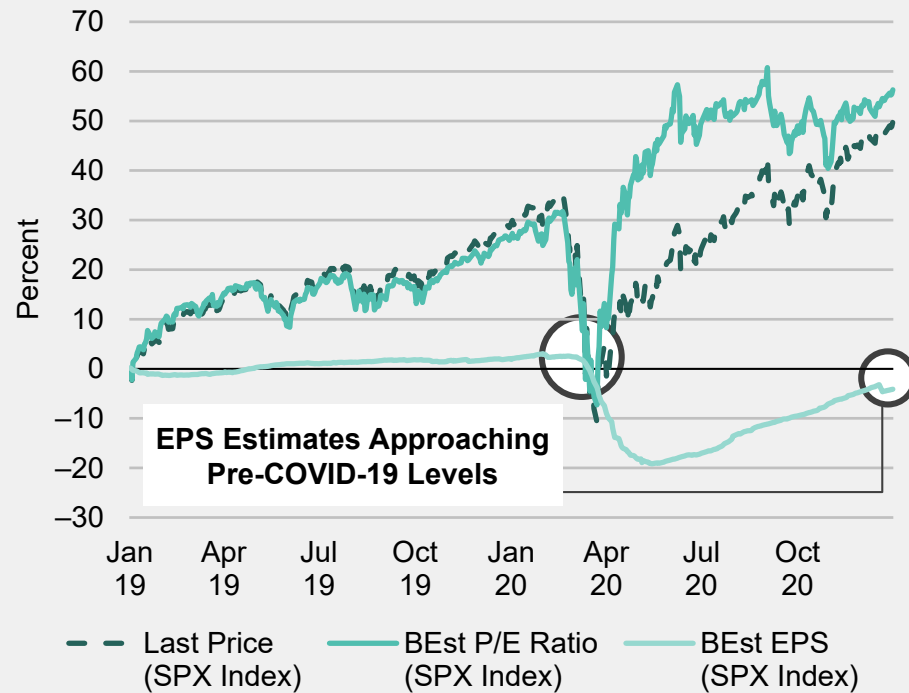
\*MSCI USA Factor indices

Source: Bloomberg Barclays

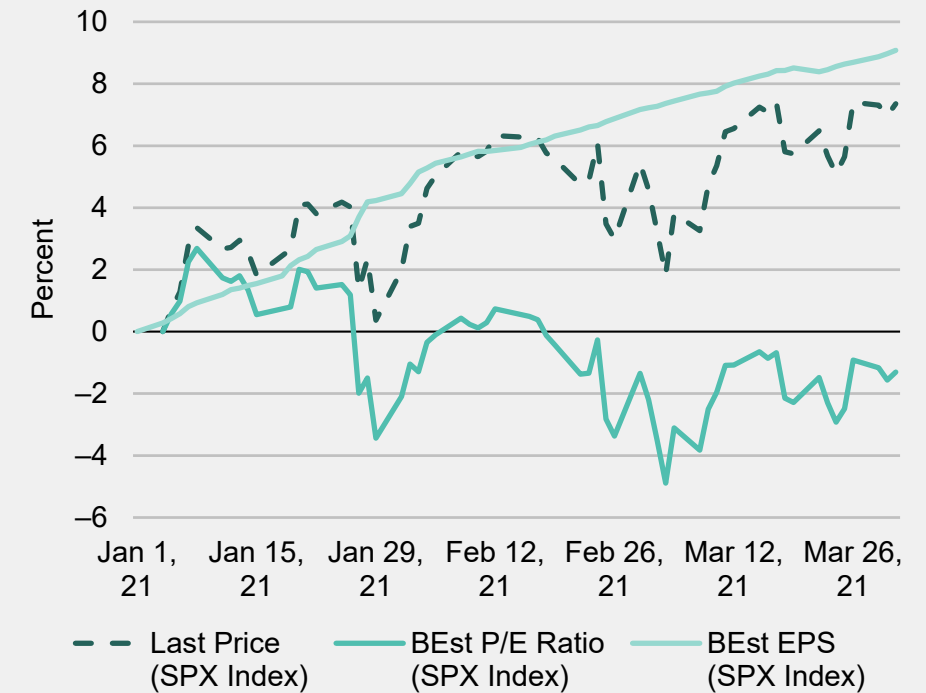
# Markets Being Influenced in a Healthier Way: Earnings Take the Lead

## A Closer Look at the S&P 500 Drivers

2019–2020: P/Es Dominated; Earnings Did Not



2021: Earnings on a Better Trend



Historical analysis and current forecasts do not guarantee future results.

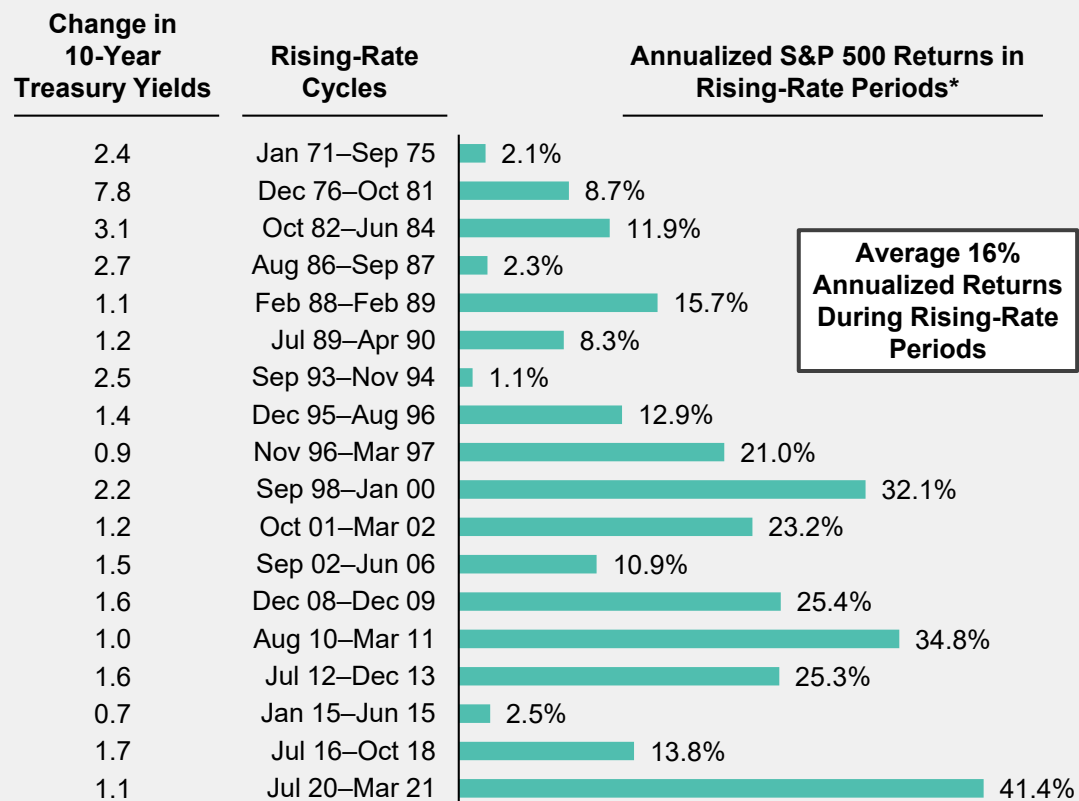
As of March 31, 2021

Source: Bloomberg, Cornerstone Macro, S&P and AB

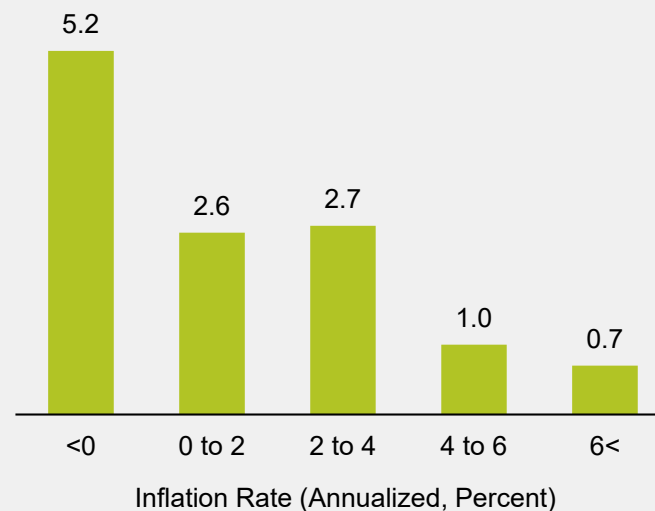


# Stocks Have Fared Well in Most Rising-Rate and Inflationary Periods

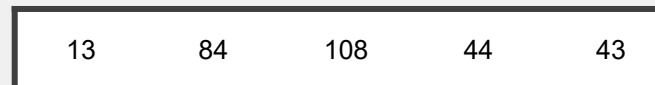
## S&P 500 in Past Periods of Rising Rates



## S&P 500: Average Quarterly Return in Different Inflation Environments 1948–2020 (Percent)



### Number of Quarterly Observations:



### Past performance and current analysis do not guarantee future results.

\*Based on peak-to-trough rate cycles for the corresponding periods of the S&P 500. Rising-rate environments are defined as periods during which the US 10-year Treasury yield rose by more than 70 basis points.

Left display as of March 31, 2021; right display as of December 31, 2020

Source: Bloomberg, Federal Reserve Bank of St. Louis, S&P and AB

# 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...

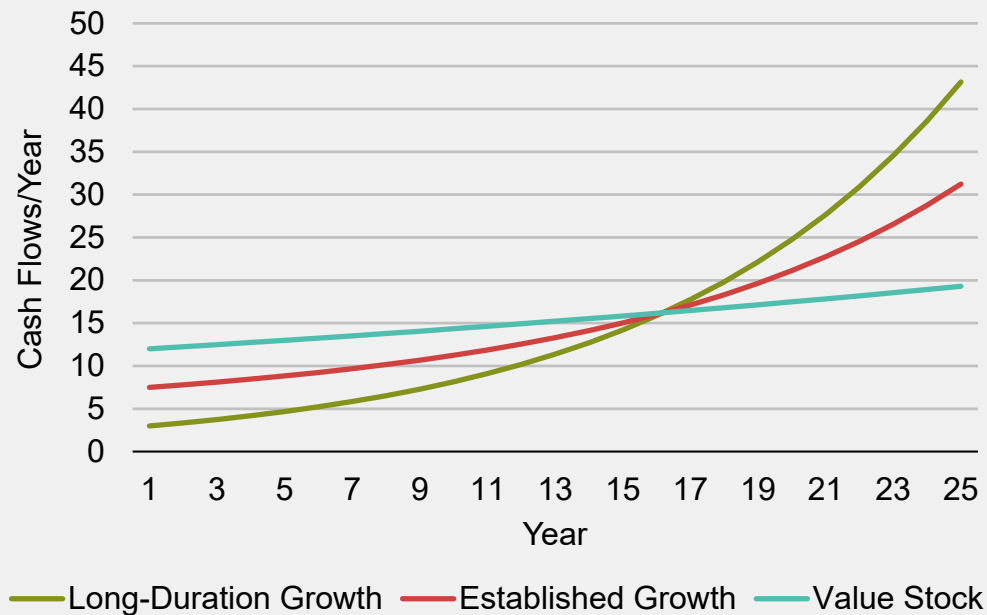


Growth Multiples

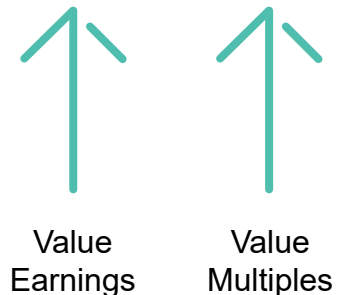
...and many longer-duration growth stock P/Es decline, as future cash flows become less valuable today

## 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...



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

Past performance and current analysis do not guarantee future results.

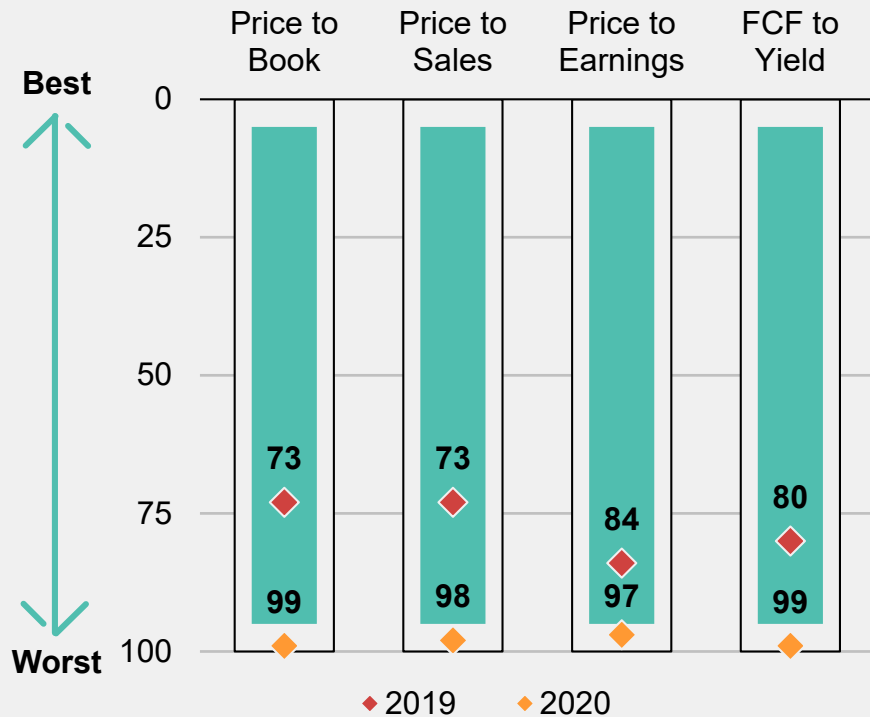
As of March 31, 2021

Source: AB

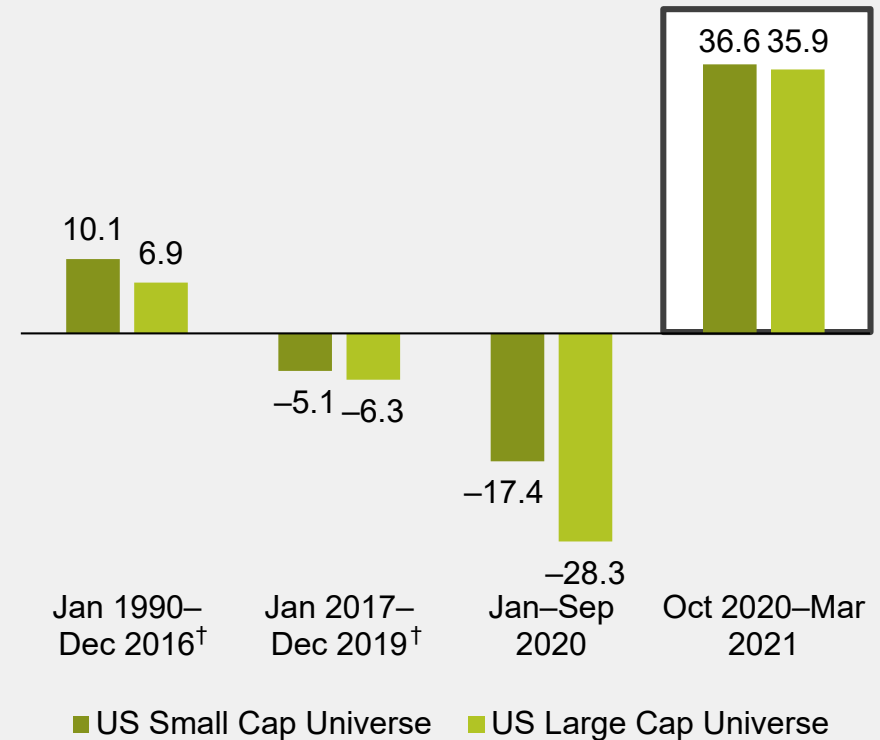


# Historic Underperformance of Value: Upside Remains, but Be Selective

Relative Performance Rankings: Value's Rough Road\*



Price/Free Cash Flow: An Effective Factor Revived  
First Quintile vs. Market: Excess Return (Percent)



Past performance and historical analysis do not guarantee future results.

\*Ranks based on calendar years since 1977

†Annualized

Left display through December 31, 2020; right display through March 31, 2021

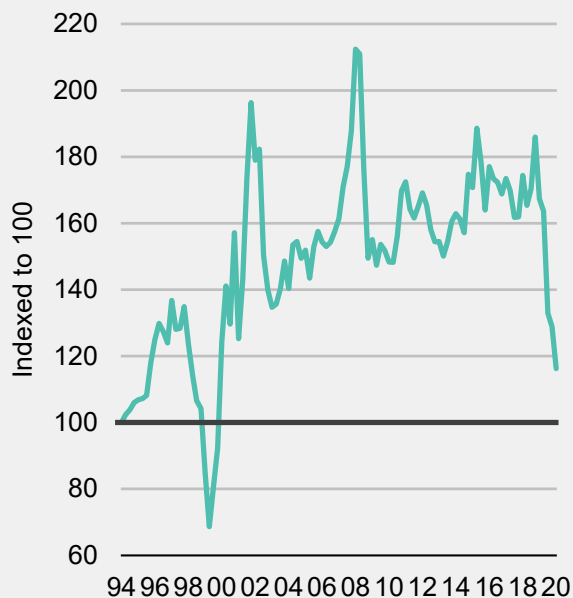
Source: AB



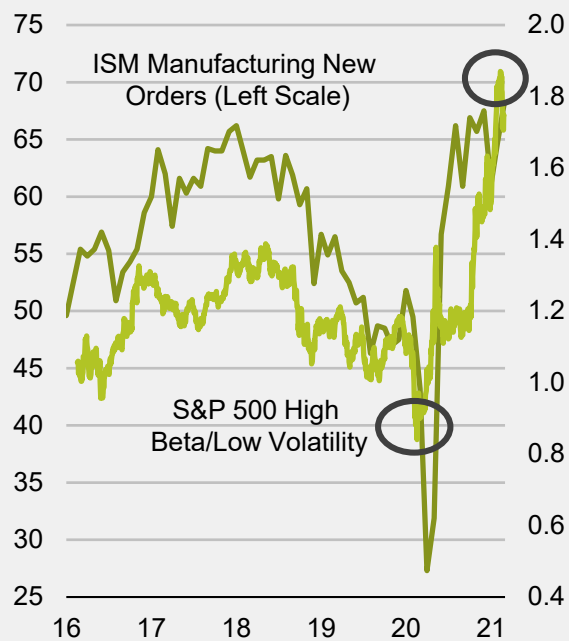
# Many Equities Being Driven by Speculation Instead of Profits

## A Shorter Runway for This Trade

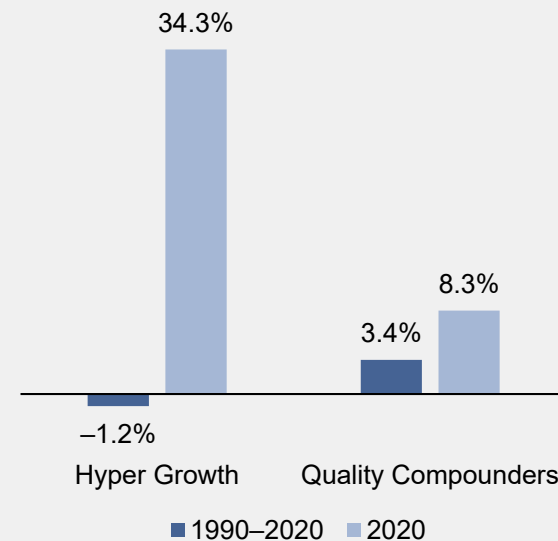
**Unprofitable Companies Have Outperformed Profitable Ones**  
Cumulative Returns of Profitable vs. Unprofitable Companies\*



**Optimal Time for High Beta Stocks Is at Troughs...Not at This Stage**



**Despite Recent Strength from Hyper-Growth Companies, Quality Compounders Also Performed Well†**  
Returns Relative to Russell 1000 Index



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

\*Based on the top 1,000 companies by trailing 12-month market capitalization

†Hyper growth: free cashflow profitability lower than 60th percentile (among the least profitable 40%), free cashflow valuation lower than 60th percentile (among the most expensive 40%), top line growth higher than 30th percentile (top 30%), momentum higher than 30th percentile (top 30%). Quality compounders: free cashflow profitability in top 40%, stable cashflow growth in top 40%, free cashflow valuation better than bottom 30%, stock beta not among the highest 30%

Left and right displays through December 31, 2020; middle display through March 31, 2021

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



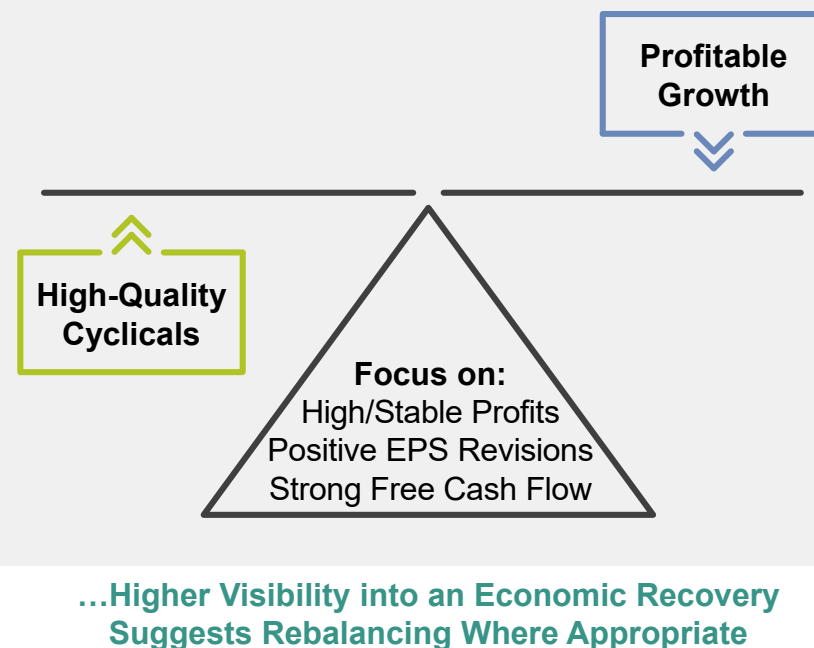
# Vital Attributes for a Fast-Moving Landscape

Solid Fundamentals Attractively Priced; Longer Duration Growth Remains at a Premium

Current Factor Valuation Percentile Rankings\*



Potential Downside Risks Suggest Overexposure to Strong Business Models, While...



**Historical analysis and current forecasts do not guarantee future results.**

\*Percentile rankings are based on monthly valuations (i.e., relative P/E of Q1 for each factor vs. Russell 1000) from 1990 to present. FCF/P: LTM cash flow from operations less three-year average CAPEX to market cap. ROA: LTM earnings divided by average total assets. Revisions: smoothed three-month revision of consensus NTM earnings estimate. High growth: high AB growth score (stable five-year sales growth; high sales, earnings multiple; high sell-side long-term growth forecast)

As of April 1, 2021

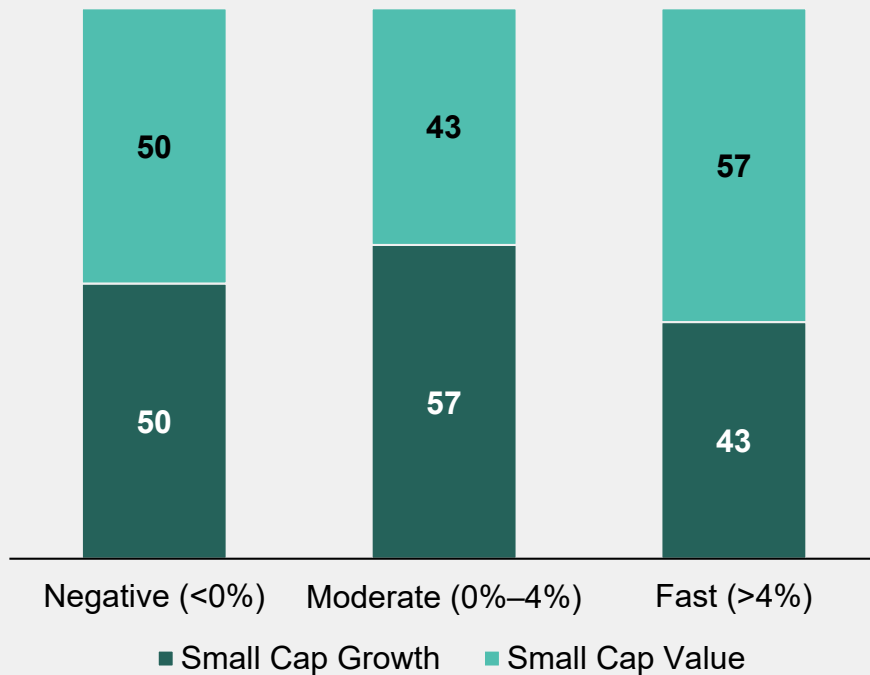
Source: Bloomberg, FTSE Russell and AB



# Small-Cap-Style Leadership Changes Are Material; Be Discerningly Active

The Growth-Value Continuum Tails Are Ripe with Richer Opportunities vs. a Core Approach

**US GDP: A Factor That Influences Style Leadership\***  
1Q:1979–4Q:2020 (Percent)



**The Benefit of Investing in Small-Cap Style†**  
Percent (Annualized)



**Past performance does not guarantee future results.**

\*Twenty quarters were negative, 104 quarters were moderate and 44 quarters were fast.

†Includes active managers in the Small Cap Growth, Small Cap Blend and Small Cap Value Morningstar categories

Left display as of December 31, 2020; right display as of March 31, 2021

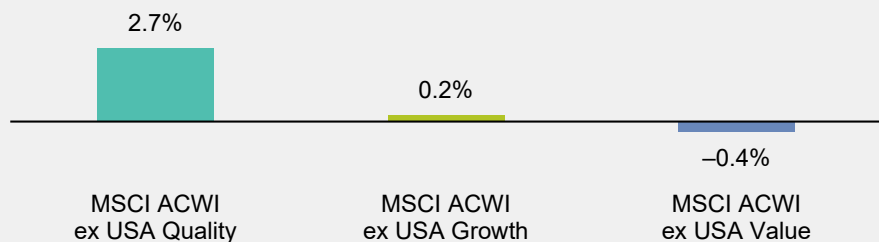
Source: FTSE Russell, Morningstar and AB



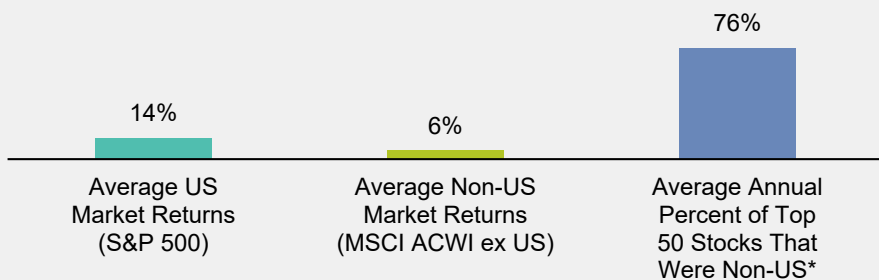
# Quality Is a Durable and Universal Characteristic

## Different Paths Can Be Rewarding: A Focus on International and Thematic Opportunities

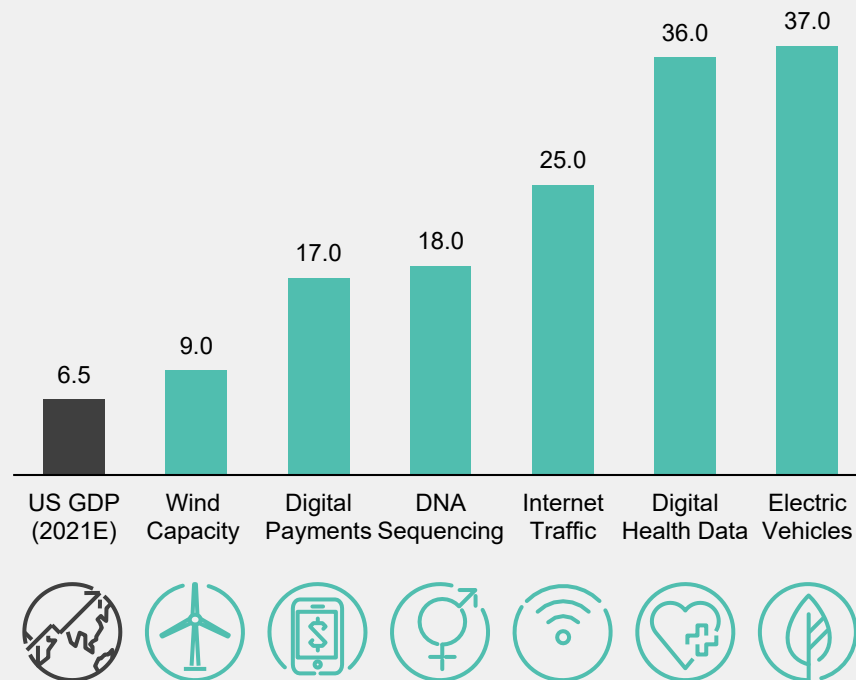
**Look Beyond Style in International Equities**  
**Relative Performance vs. MSCI ACWI ex US (in US Dollars)**  
 Since Common Inception (Jan 1, 2001–Mar 31, 2021)



**Long-Term Performance Trends in Active International Are Favorable (2011–2020)**



**Secular Trends Offer Outsized Growth Potential**  
 Compounded Annual Growth Rates (Percent)



**Historical analysis and current forecasts do not guarantee future results.**

US GDP estimate from AB economists as of March 31, 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

\*Top 50 stocks are the companies with the highest total returns in the S&P 500 and MSCI ACWI ex US each year.

Top left display as of March 31, 2021; bottom left display as of December 31, 2020; right display as of March 31, 2021

Source: BCC Research, Bloomberg, Cisco Systems, FactSet, FTSE Russell, Global Wind Energy Council, IDC, Morgan Stanley, Morningstar, MSCI, S&P, Statista and AB





# TAXABLE FIXED

# Historically, Credit Performs Best When the Curve Is Steep

Mar 97–Jan 21: 12-Month Forward Return Based on Slope of Curve  
10-Year Less Two-Year YTW (Percent)\*

	Municipal Five-Year GO	US Treasury	US TIPS	US Aggregate	Short Duration Credit Barbell	Global Credit Barbell	Municipal High Yield	Leveraged Loans	USHY 1–5- Year Ba/B	US High Yield	Global High Yield	S&P 500
<b>Steep Curve (69)</b>												
Avg. 12-Mo. Return	4.1	4.8	8.0	5.7	6.7	10.5	11.1	7.9	10.6	14.0	14.5	14.7
Percent Positive	99	97	96	99	100	100	100	100	100	97	88	97
<b>Normal Curve (142)</b>												
Avg. 12-Mo. Return	3.5	3.9	3.4	4.1	4.8	6.0	4.1	4.0	5.0	5.5	6.2	7.1
Percent Positive	90	74	71	85	93	87	75	84	81	73	76	76
<b>Flat Curve (65)</b>												
Avg. 12-Mo. Return	5.2	7.5	7.9	7.2	7.9	8.5	4.3	3.4	4.9	3.5	4.4	7.9
Percent Positive	98	92	100	94	100	100	80	85	91	75	75	66

The performance shown represents past performance and does not guarantee future results. Current performance may be lower or higher than the performance information shown. The investment return and principal value of an investment in the Portfolio will fluctuate, so that shares, when redeemed, may be worth more or less than their original cost. For performance current to the most recent month-end, visit [www.abfunds.com](http://www.abfunds.com). Performance assumes reinvestment of distributions and does not account for taxes. \*Forward returns are calculated based on month-end yield curves, when the slope of the curve (10-Year Treasury YTW minus Two-Year Treasury YTW) is equal to or below the stated slope. Municipal five-year GO is represented by Bloomberg Barclays Municipal Five-Year GO; US treasury by Bloomberg Barclays US Treasury; US TIPS by Bloomberg Barclays US Treasury TIPS; US aggregate by Bloomberg Barclays US Aggregate Bond; Short duration credit barbell is made up of 65% Bloomberg Barclays US Treasury 1–5 Yr. and 35% Bloomberg Barclays US High-Yield BB/B 1–5 Yr. and leveraged 30%; Global credit barbell is made up of 65% Bloomberg Barclays US Treasury and 35% Bloomberg Barclays Global High-Yield and leveraged 30%; Municipal high yield by Bloomberg Barclays Municipal High Yield; Leveraged loans by Credit Suisse Leveraged Loan USHY 1–5-Year Ba/B by Bloomberg Barclays USHY 1–5 Year Ba/B; US high yield by Bloomberg Barclays US Corporate High Yield; Global high yield by Bloomberg Barclays Global High Yield

As of February 26, 2021

Source: Bloomberg Barclays, Morningstar Direct, S&P and AB



# Environment Favors Risk Assets, While Valuations Suggest Caution

Range and Frequency: January 1994–March 2021

## Environment for Risk

Slope of Curve = Top 1/3rd

	2s10s Slope	Number of Months Steeper	% of Time Curve Steeper
	2.81	0	0.0
	2.5	18	5.5
	2.25	46	14.1
	2.0	66	20.2
	1.75	93	28.4
<b>3/31/2021</b>	<b>1.58</b>	<b>105</b>	<b>32.1</b>
	1.5	109	33.3
	1.25	140	42.8
<b>Average</b>	<b>1.09</b>	<b>155</b>	<b>47.4</b>
	1.0	161	49.2
<b>Median</b>	<b>0.97</b>	<b>164</b>	<b>50.2</b>
	0.75	181	55.4
	0.5	210	64.2
	0.25	254	77.7
	0.15	280	85.6
	0.0	302	92.4
	-0.25	322	98.5
	<b>-0.5</b>	327	100.0

## Compensation for Credit Risk

HY Spreads = Near Bottom Decile

	USHY Spreads	Number of Months Wider	% of Time Spreads Wider
	18.33	0	0.0
	12.0	7	2.1
	10.0	10	3.1
	9.0	14	4.3
	8.0	24	7.3
	7.5	32	9.8
	7.0	49	15.0
	6.5	67	20.5
	6.0	86	26.3
	5.5	106	32.4
<b>Average</b>	<b>5.03</b>	<b>129</b>	<b>39.4</b>
<b>Median</b>	<b>4.44</b>	<b>163</b>	<b>49.8</b>
	4.0	187	57.2
	3.5	236	72.2
<b>3/31/2021</b>	<b>3.10</b>	<b>288</b>	<b>88.1</b>
	3.0	295	90.2
	2.5	319	97.6
	<b>2.35</b>	327	100.0

**Past performance and current analysis do not guarantee future results.** For illustrative purposes only

As of March 31, 2021

Source: Bloomberg Barclays and AB

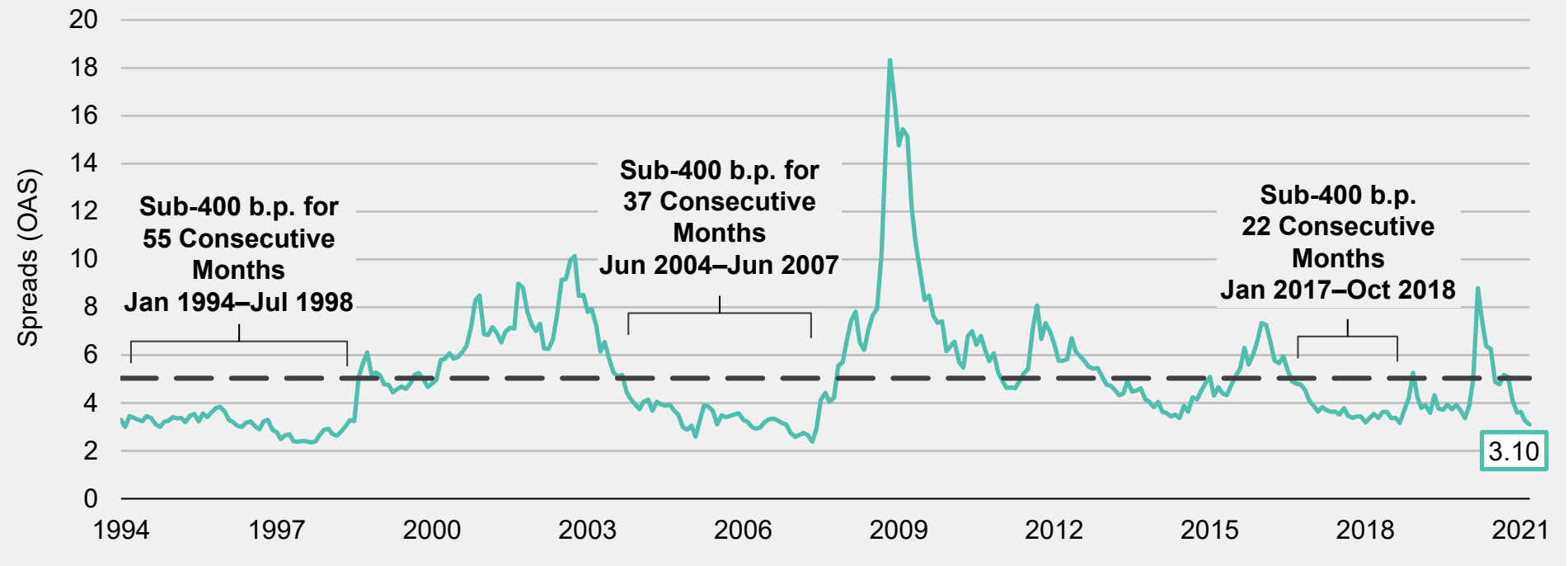


# High Yield Spreads Can Remain Tight for a Long Time

High Yield Spreads Have Traded Below 400 b.p. ~43% of the Time

## Historical US High Yield Spreads (OAS)

January 1994–March 31, 2021



**Past performance and current analysis do not guarantee future results.** For illustrative purposes only

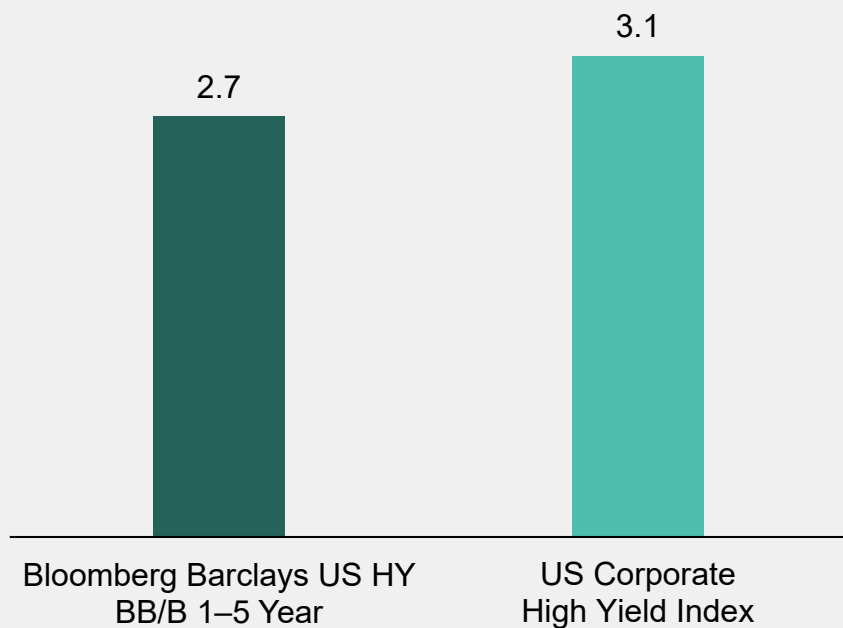
As of March 31, 2021

Source: Bloomberg Barclays and AB

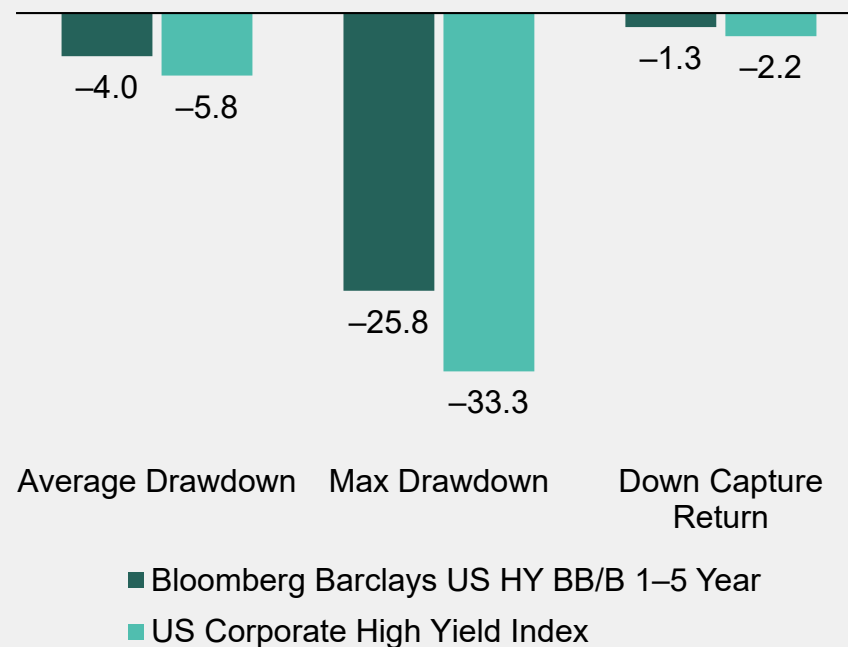


# Higher Quality/Shorter Duration High Yield Offers Relative Value and Risk Mitigation

Option-Adjusted Spread (OAS) of High Quality and Short Duration High Yield and US High Yield Index



Downside Risk Statistics  
Jan 2000–Mar 2021



**Past performance and current analysis do not guarantee future results.**

US Corporate High Yield Index is represented by Bloomberg Barclays US Corporate High Yield

As of March 31, 2020

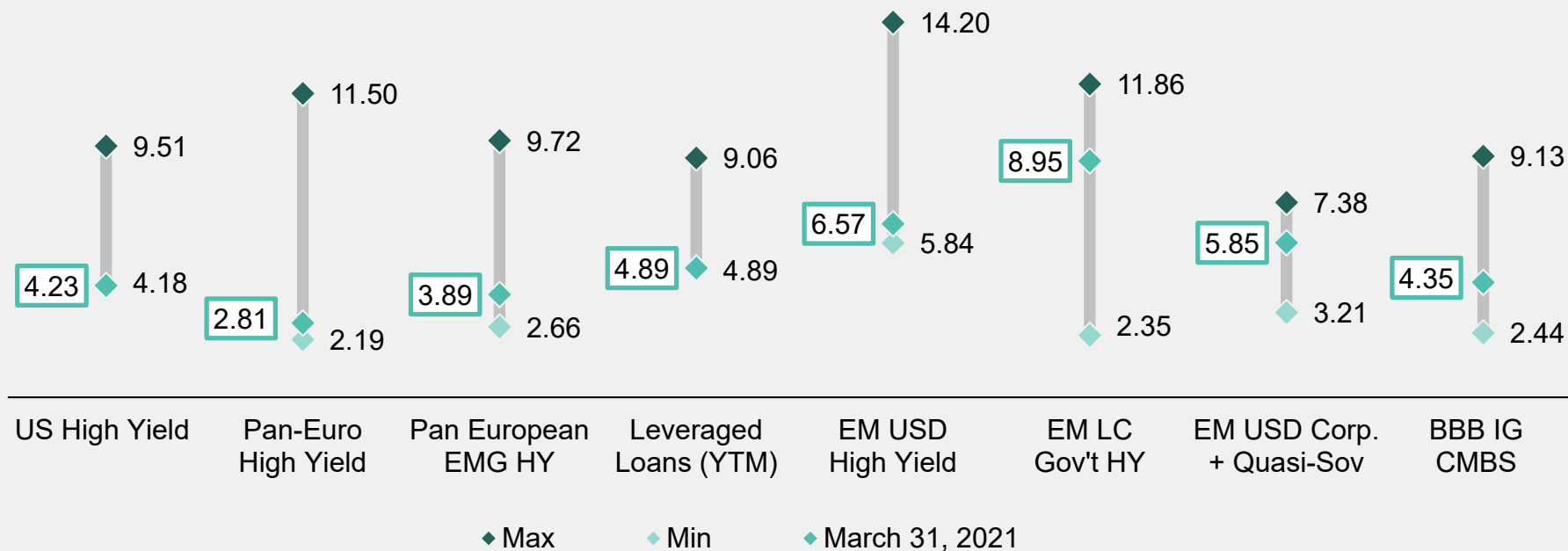
Source: Bloomberg Barclays and Morningstar Direct



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

## 10-Year Yield-to-Worst Range

January 2011–March 2021



### Past performance does not guarantee future results.

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

As of March 31, 2021

Source: Bloomberg, Morningstar and AB



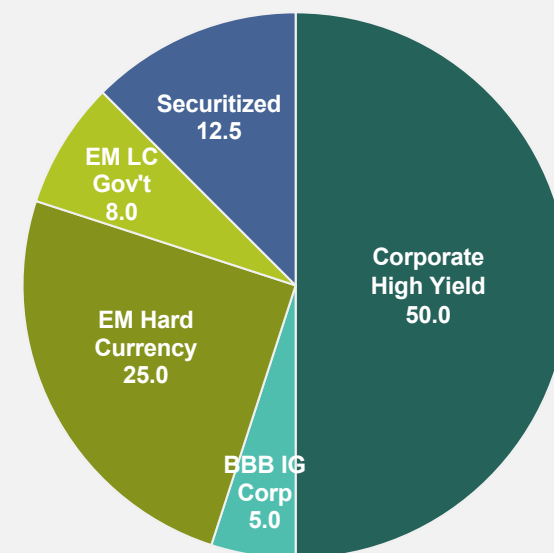
# By the Numbers

## 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)	4.6	2.5	6.6	5.9	9.0	5.0	4.4	5.3	4.2
OAS (b.p.)	380	112	544	502	135	470	336	386	310
Credit Quality	B+	BBB	B	BB/B	B	B	BBB	Ba/B	Ba/B
Duration (Years)	4.3	8.4	5.5	4.2	4.1	0.3	4.8	4.5	3.9

### Sector Allocation: Market Weight Percent



### Past performance does not guarantee future results.

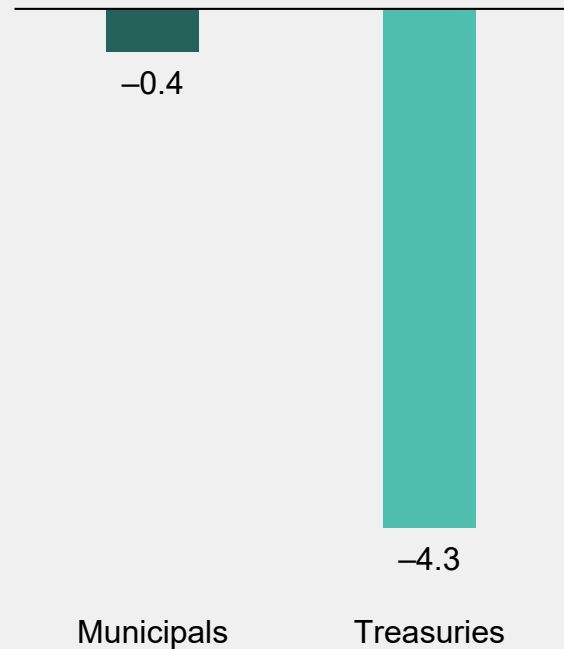
Simulated or hypothetical performance results have certain inherent limitations. Unlike the results shown in an actual performance record, these results do not represent actual trading. Results include estimates of trading costs and market impact; however, because these trades have not actually been 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 Barclays BBB Investment-Grade Corporates; EM HC Corp: 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 Barclays indices were used for the hypothetical portfolio characteristics.

As of March 31, 2021. Source: Bloomberg Barclays and AB

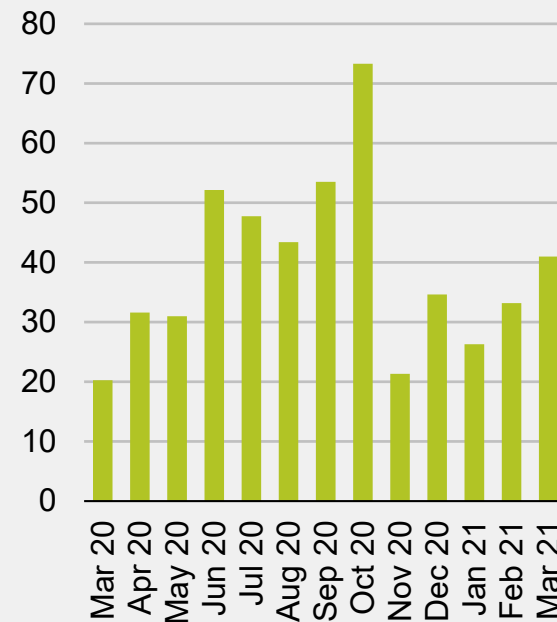
# Municipals' Outperformance Driven by Strong Technicals

Muni Yields Rose Only Half as Much as US Treasuries

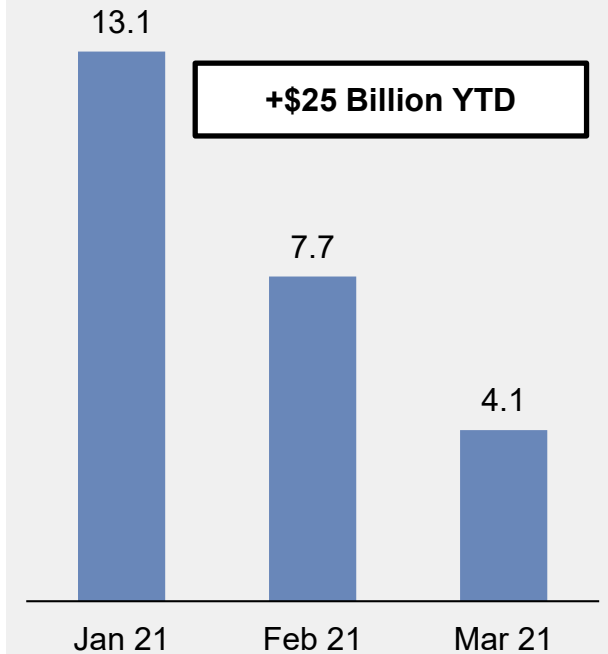
1Q:21 Fixed Income Returns  
Percent



Issuance Pulled Forward in 3Q:20,  
Leading to Lack of Supply in 1Q:21  
Billions



Muni Market Inflows Have Been  
Strong (Billions)



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

As of March 31, 2021

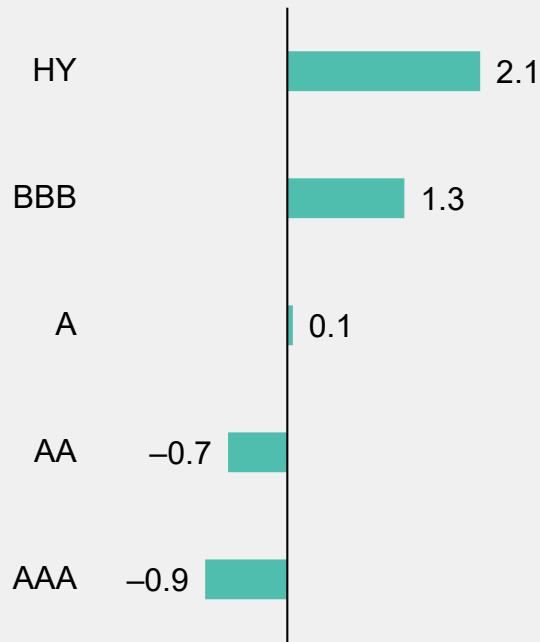
Source: Bloomberg, J.P. Morgan, Morningstar, Municipal Market Data and AB



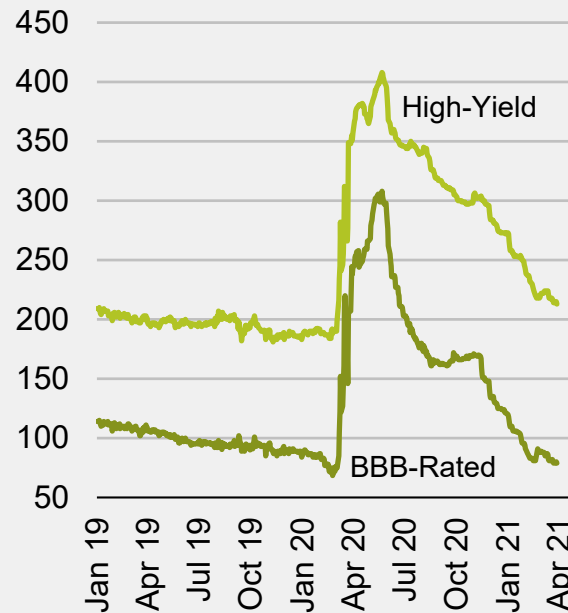
# Municipal Credit Led the Way in 1Q:2021

Muni Credit Offers Investors Attractive Levels of Income and Benefits from Massive Stimulus

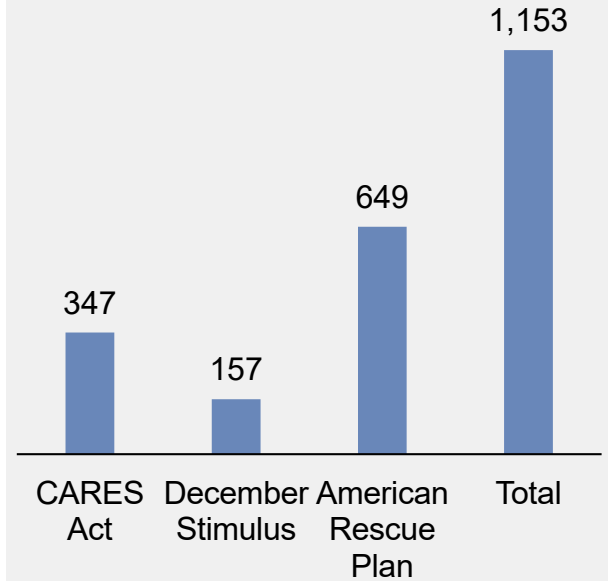
**1Q:21 Returns by Credit Quality**  
Percent



**Credit Spreads Have Tightened but Remain Above Pre-COVID-19 Levels**  
Basis Points



**COVID-19 Municipal Aid**  
Billions



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

As of March 31, 2021

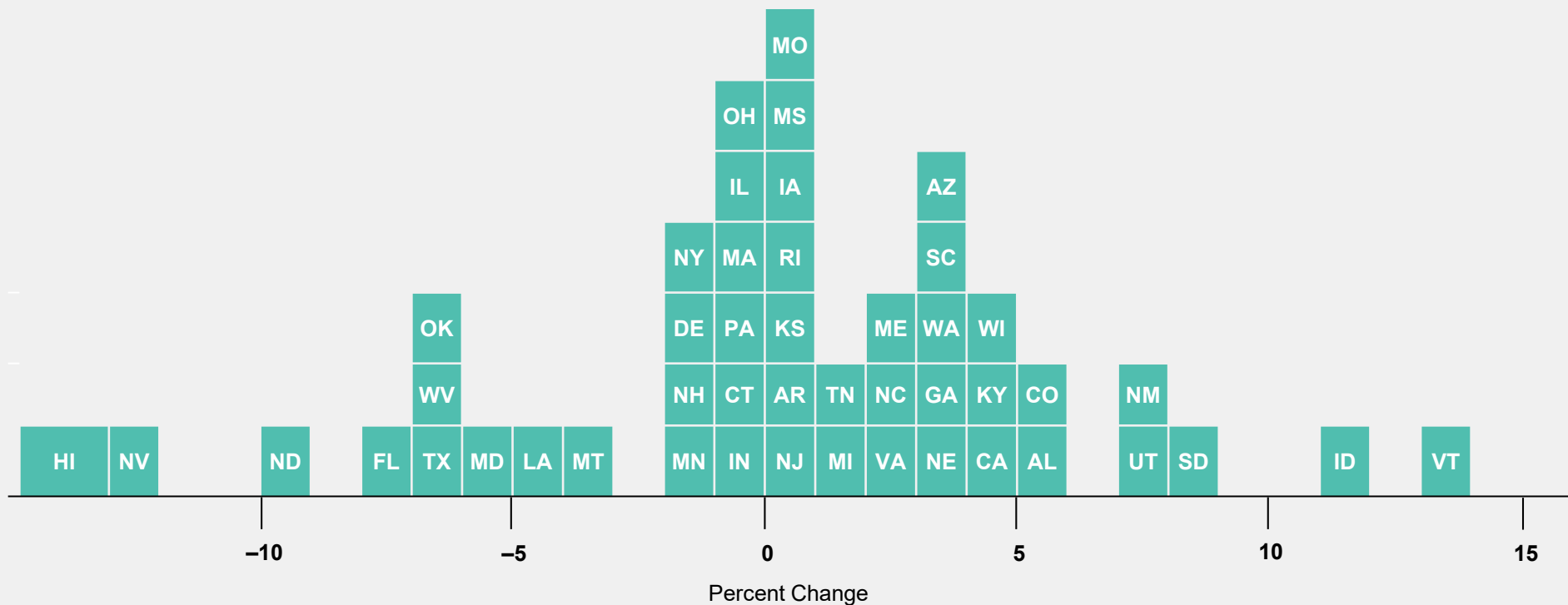
Source: Bloomberg, J.P. Morgan, Morningstar, Municipal Market Data and AB



# State Tax Collections Much Stronger Than Anticipated

Down a Tenth of a Percent on Average

**State Total Tax Revenues Are Holding Up Well\***  
Calendar Year 2020 vs. 2019



**Historical analysis does not guarantee future results.**

\*Oregon, Wyoming and Alaska do not report monthly tax revenue figures. Michigan, Wisconsin, Colorado, Nevada, Utah, Hawaii, New Mexico, Maine, Delaware and Montana are through November 2020.

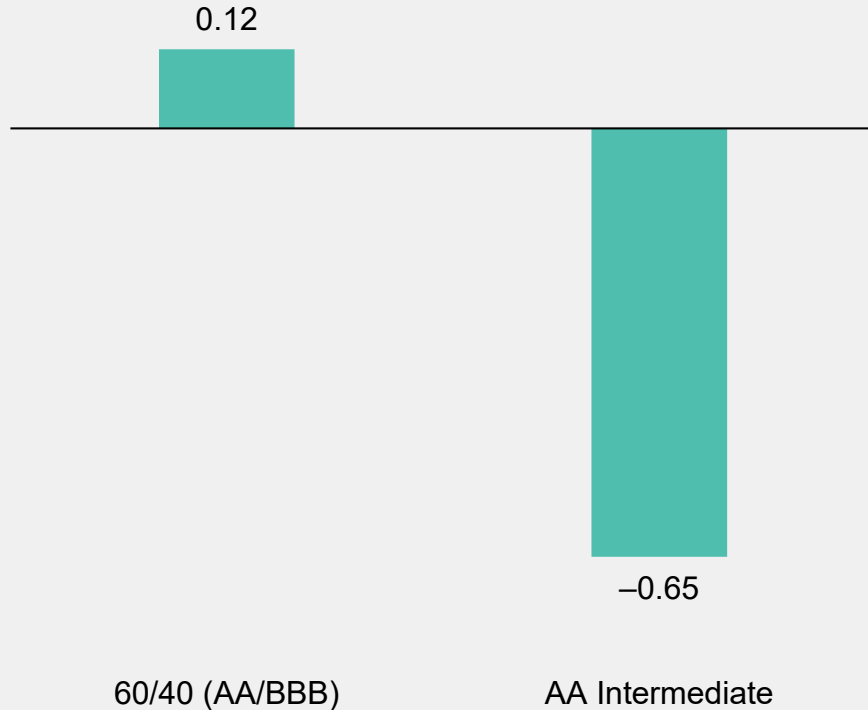
As of December 31, 2020

Source: J.P. Morgan and AB

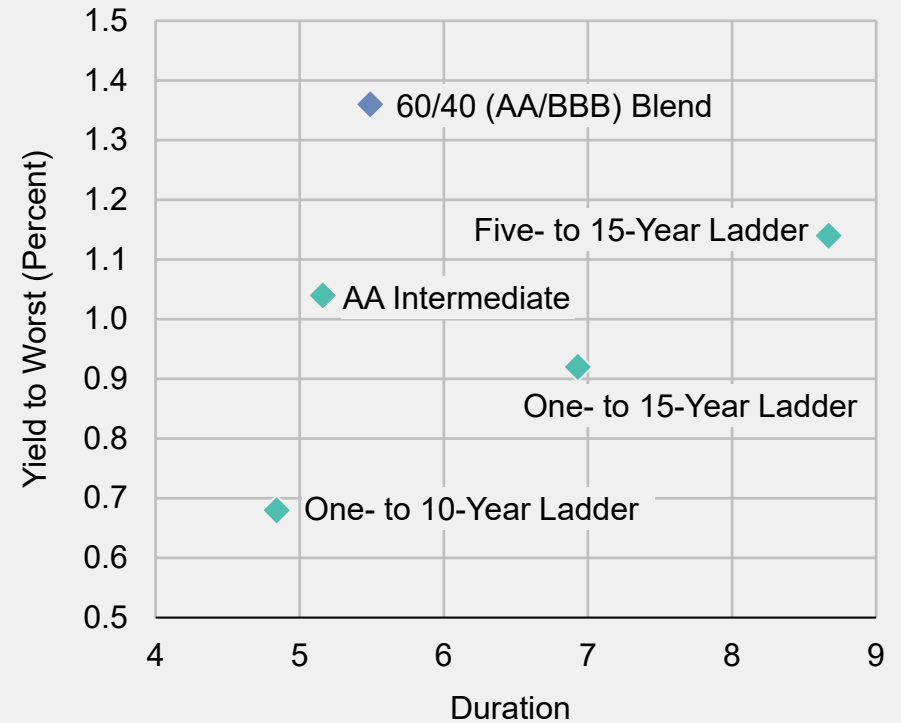


# Credit Barbell Continues to Be Favorable Strategy

1Q:21 Returns



Barbell Increases Yield Without Taking on Too Much Interest-Rate Risk



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

As of March 31, 2021

Source: Bloomberg, Federal Reserve Bank of St. Louis and AB





# APPENDIX/BENCH SLIDES

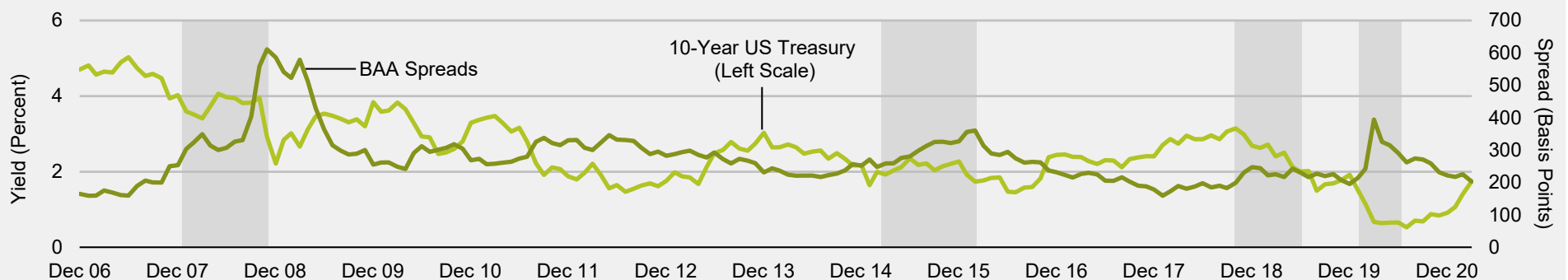
# Higher Risks Drive P/Es Lower, Not Rates

Increases in Credit Spreads More Impactful

### S&P 500: Bloomberg Estimated Forward 12-Month P/E Ratio



### 10-Year US Treasury Yield and BAA Credit Spreads



**Past performance and current analysis do not guarantee future results.**

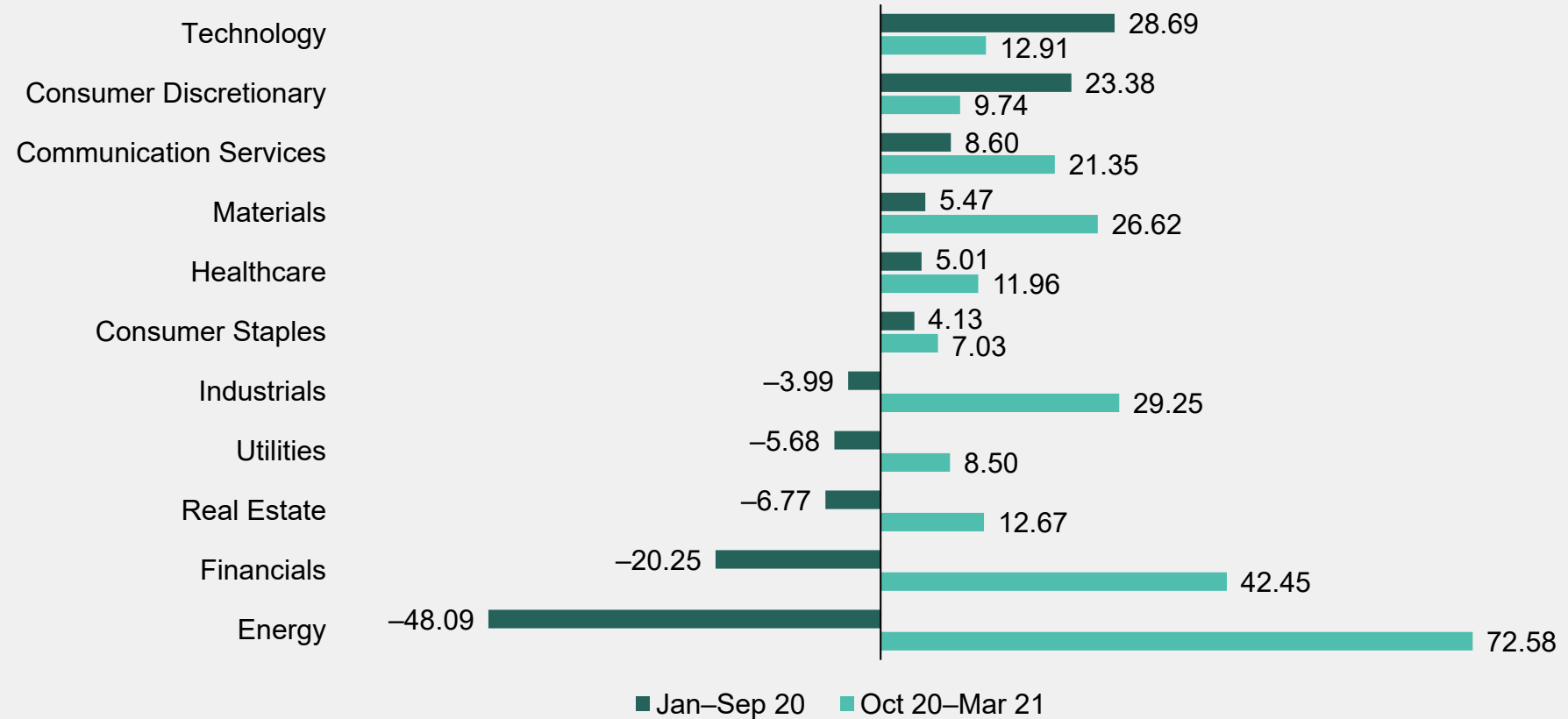
As of March 31, 2021

Source: Bloomberg and AB



# Reopening Trade Leads to Powerful Sector Reversals

## S&P 500 Sector Returns



**Past performance does not guarantee future results.**

Through March 31, 2021

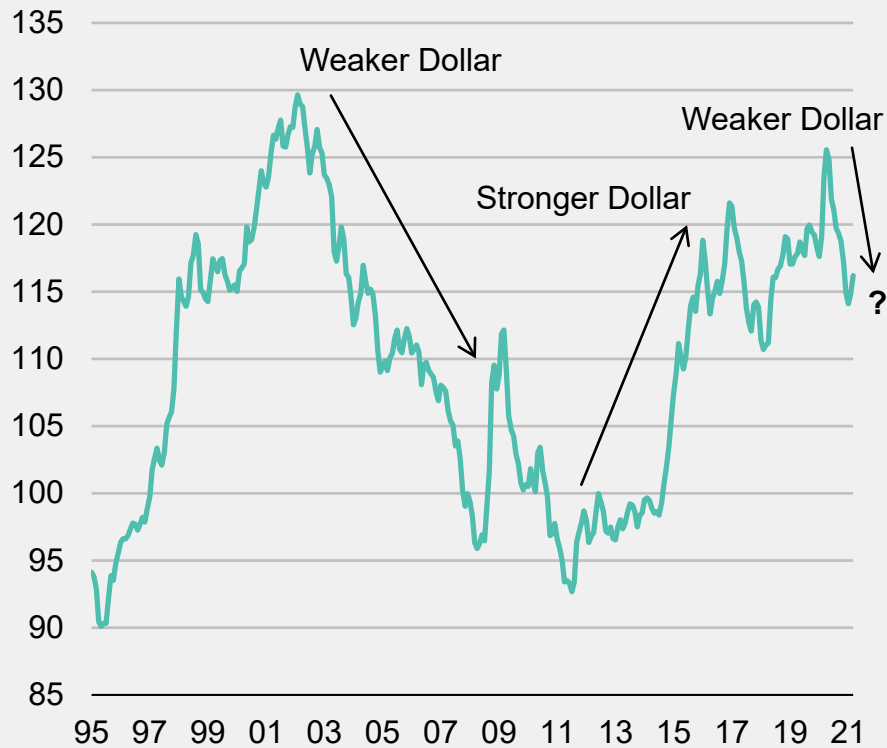
Source: Bloomberg and AB



# Currency: Elongated Cycles That Impact US Investor Returns

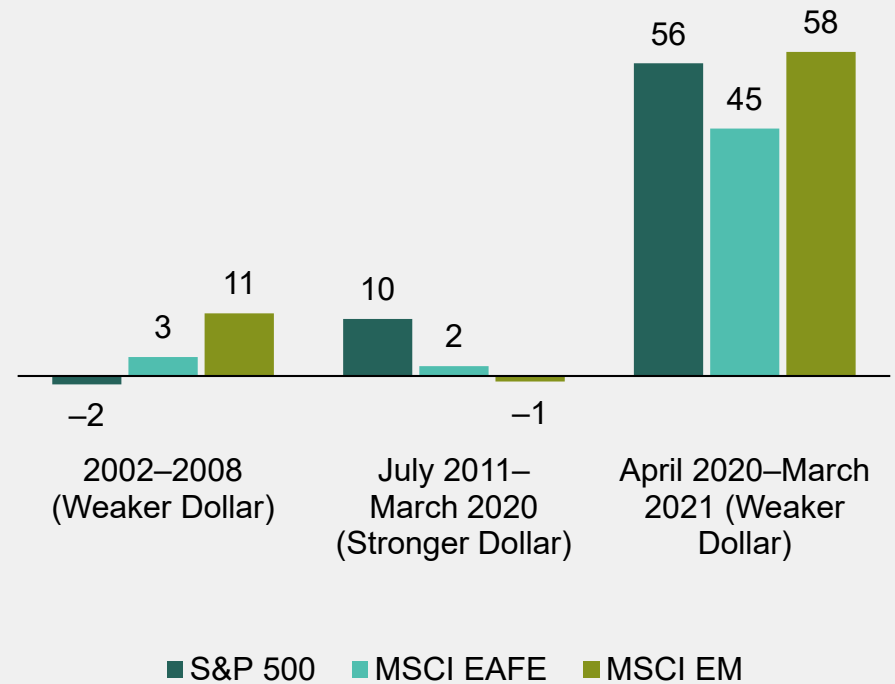
## The Start of a New Phase?

Daily Trade-Weighted Dollar Index 1997=100



## Weaker Dollar Boosts International Equity Returns (Percent)

Annualized Asset Class Returns (in US Dollars)



**Past performance does not guarantee future results.**

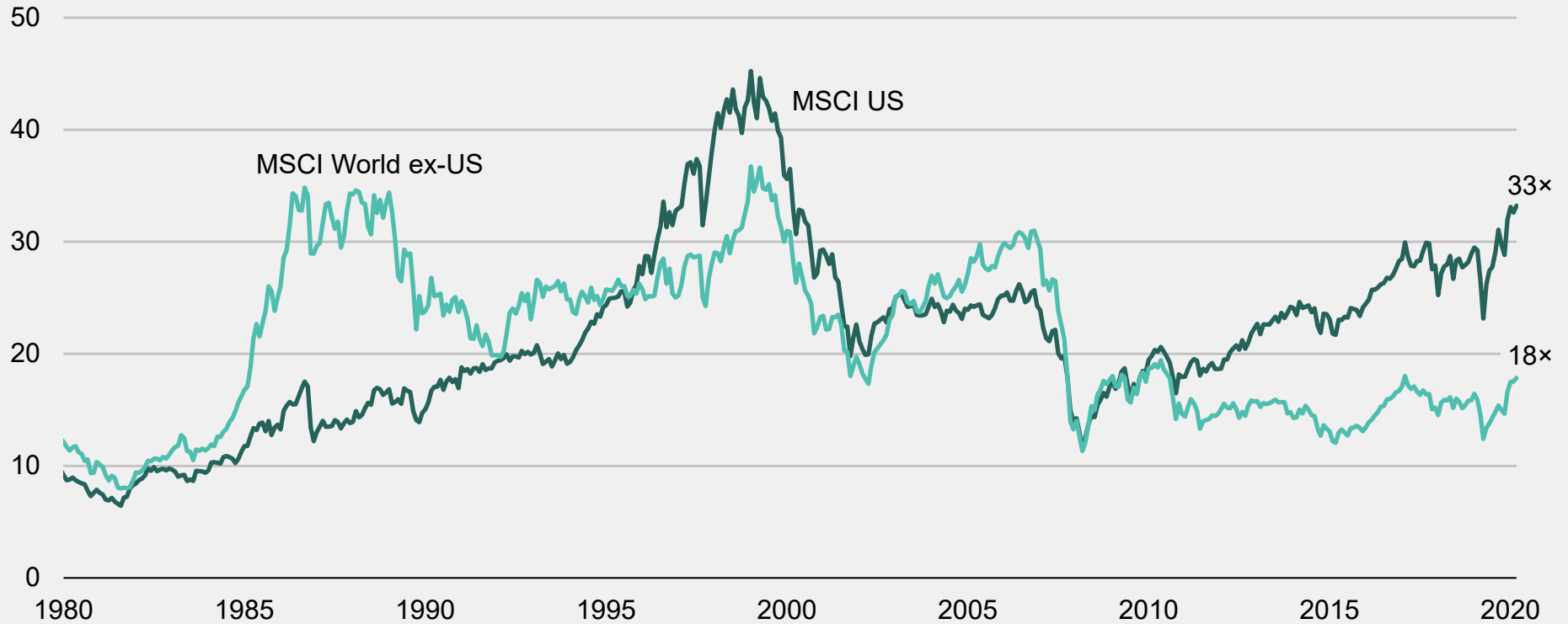
Left display as of March 1, 2021; right display as of March 31, 2021

Source: Bloomberg, Federal Reserve Economic Data, Morningstar and AB



# Equities Outside the US Are a Bargain

Cyclically Adjusted P/E Ratio



**Past performance and current analysis do not guarantee future results.**

Through February 1, 2021

Source: Gavekal Research and MSCI



# 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, 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 2.)
- + **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 2.)
- + **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 2.)
- + **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 2.)
- + **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 2.)
- + **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 2.)
- + **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 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. (Represents EAFE on slide 2.)
- + **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 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 2.)

# Index Definitions (cont.)

+ **S&P 500 Index:** Includes a representative sample of 500 leading companies in leading industries of the US economy. (Represents US large-cap 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 adviser'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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