



ALLIANCEBERNSTEIN®

# Capital Markets Outlook

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At the Intersection of  
Fear and Hope

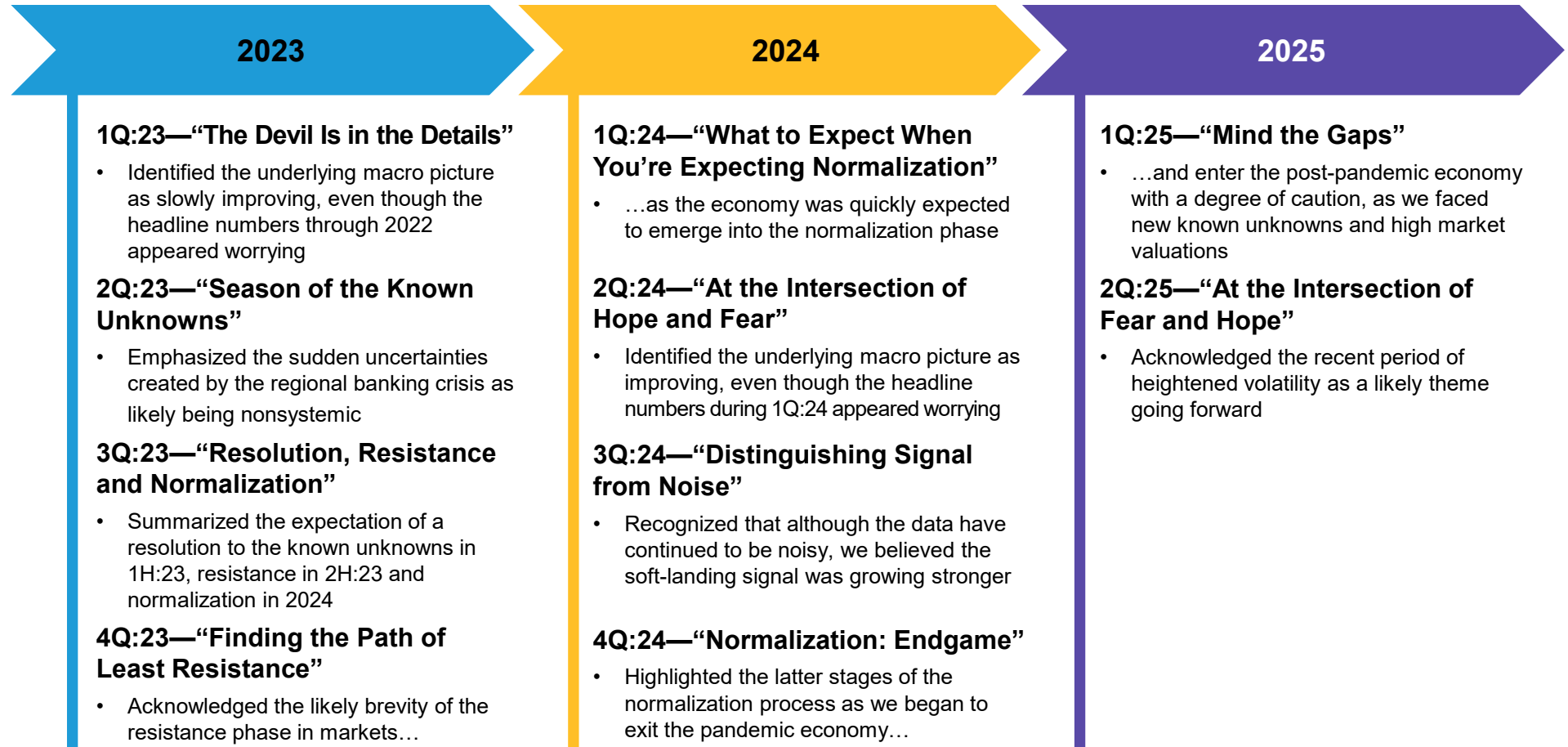
Second Quarter 2025

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.

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

# Timeline of AB's Capital Markets Outlook Themes



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

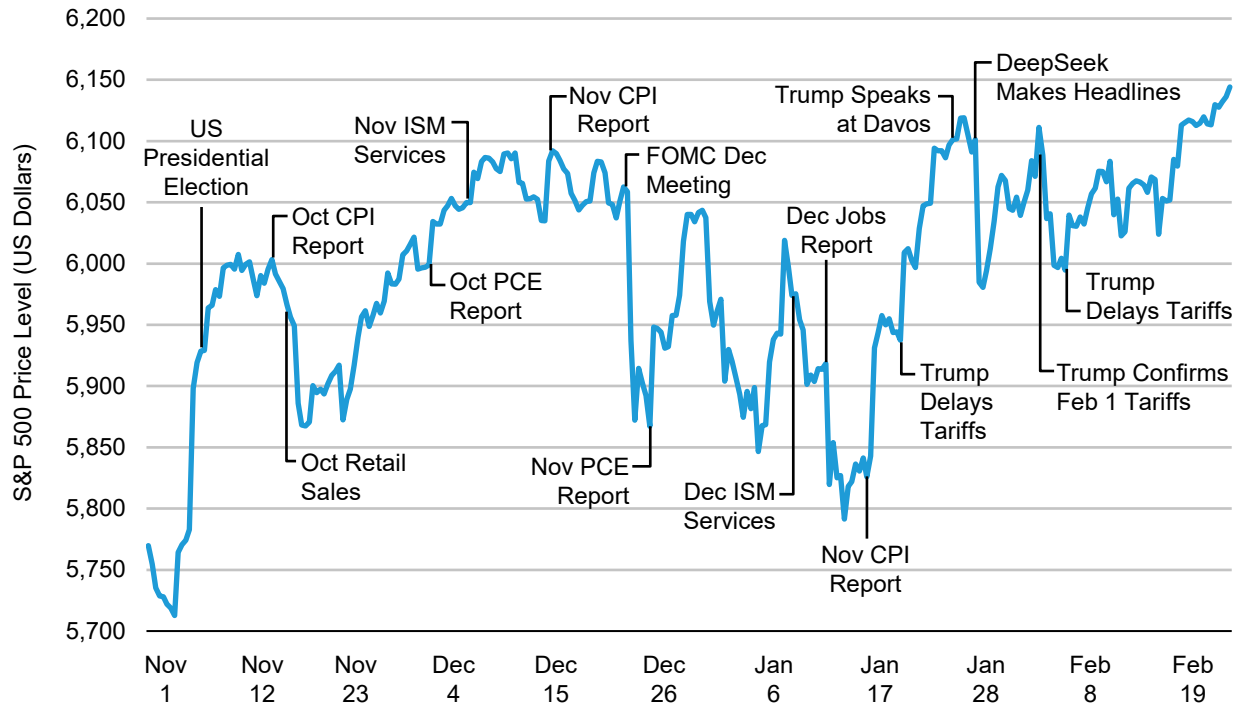
1H: first half; 2H: second half

Source: AB

# The Manifestation of Hope

Markets celebrating the potential upsides of Trump's policies

## S&P 500: Risk-On Trade



"Starting on day one, we will **end inflation** and make America affordable again."

Aug 9, 2024  
—Donald Trump

"We will give **massive tax cuts** for workers, families and small businesses."

Oct 30, 2024  
—Donald Trump

"On day one, I will sign an executive order directing every federal agency to immediately **remove every single burdensome regulation.**"

Oct 21, 2024  
—Donald Trump

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

FOMC: Federal Open Market Committee; ISM: Institute for Supply Management; PCE: Personal Consumption Expenditures Price Index

Returns are price returns; event dates are approximate.

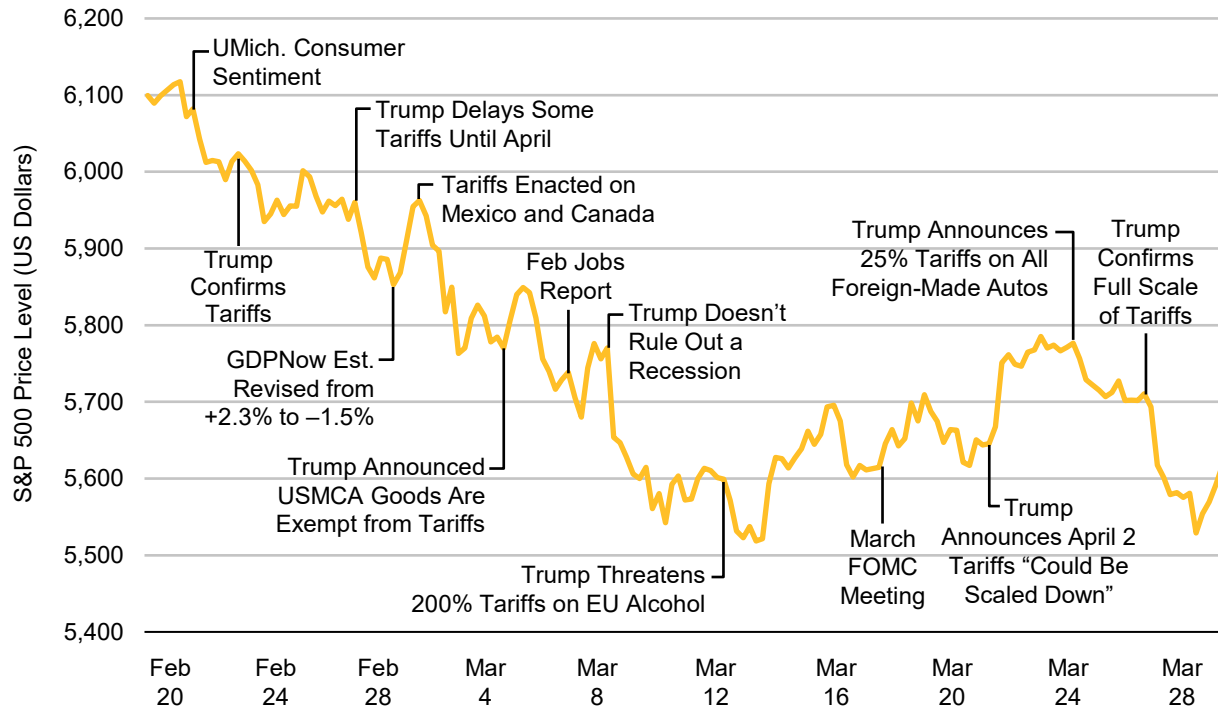
As of March 31, 2025

Source: Bloomberg, S&P and AB

# The Manifestation of Fear

Markets contemplating the potential downsides of Trump's policies

## S&P 500: Risk-Off Trade



"Trump Won't Rule Out a Recession This Year."

Mar 9, 2025  
—Fox News

"These Tariffs Will Be Worse Than Markets Think."

Mar 12, 2025  
—Bloomberg

"Trump Tax Cuts May Fail to Drive Much, If Any, Economic Gain."

Aug 13, 2024  
—Bloomberg

"Trump Immigration Crackdown Likely to Affect Labor Market."

Jan 21, 2025  
—WSJ

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

FOMC: Federal Open Market Committee; UMich.: University of Michigan; USMCA: United States-Mexico-Canada Agreement

Returns are price returns; event dates are approximate.

As of March 31, 2025

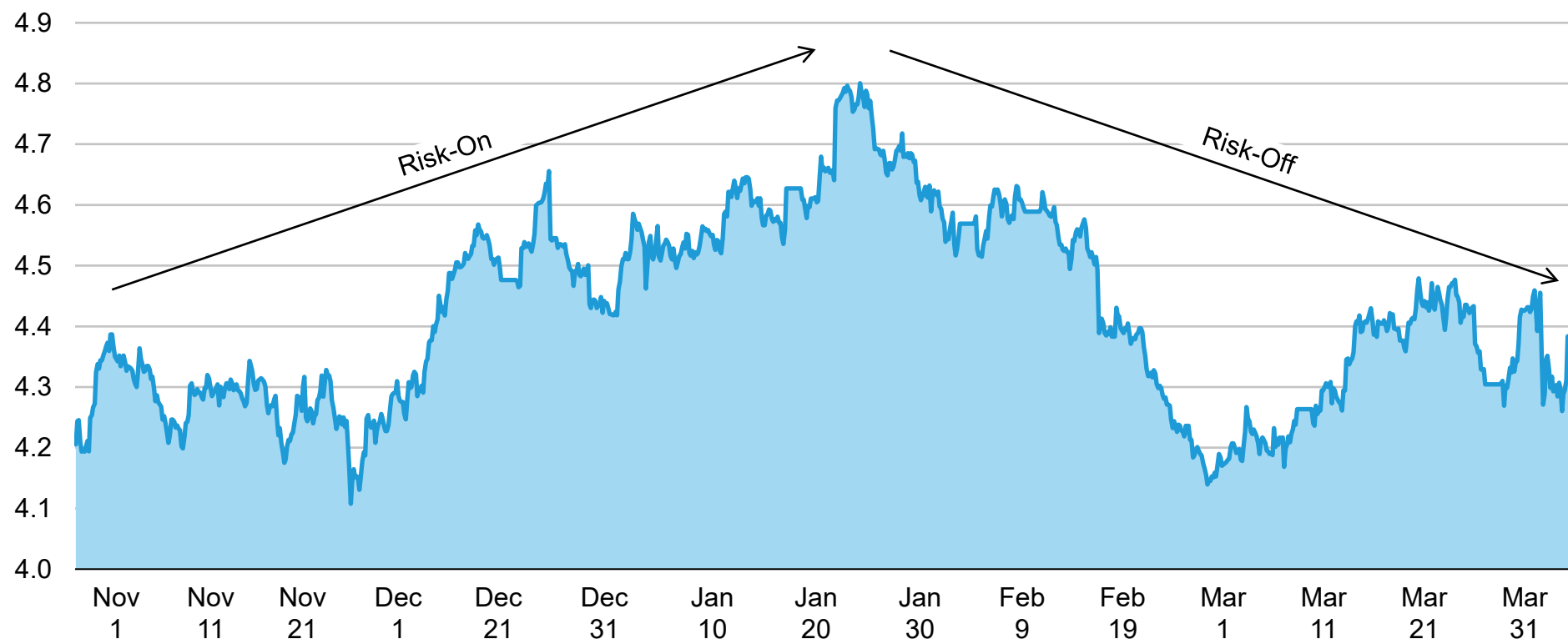
Source: Bloomberg, Fox News, S&P, the *Wall Street Journal* and AB

# The Intersection from Another Lens: Bonds

Rates have essentially round-tripped since the US election

## 10-Year Treasury: Risk-On vs. Risk-Off Trade

Percent

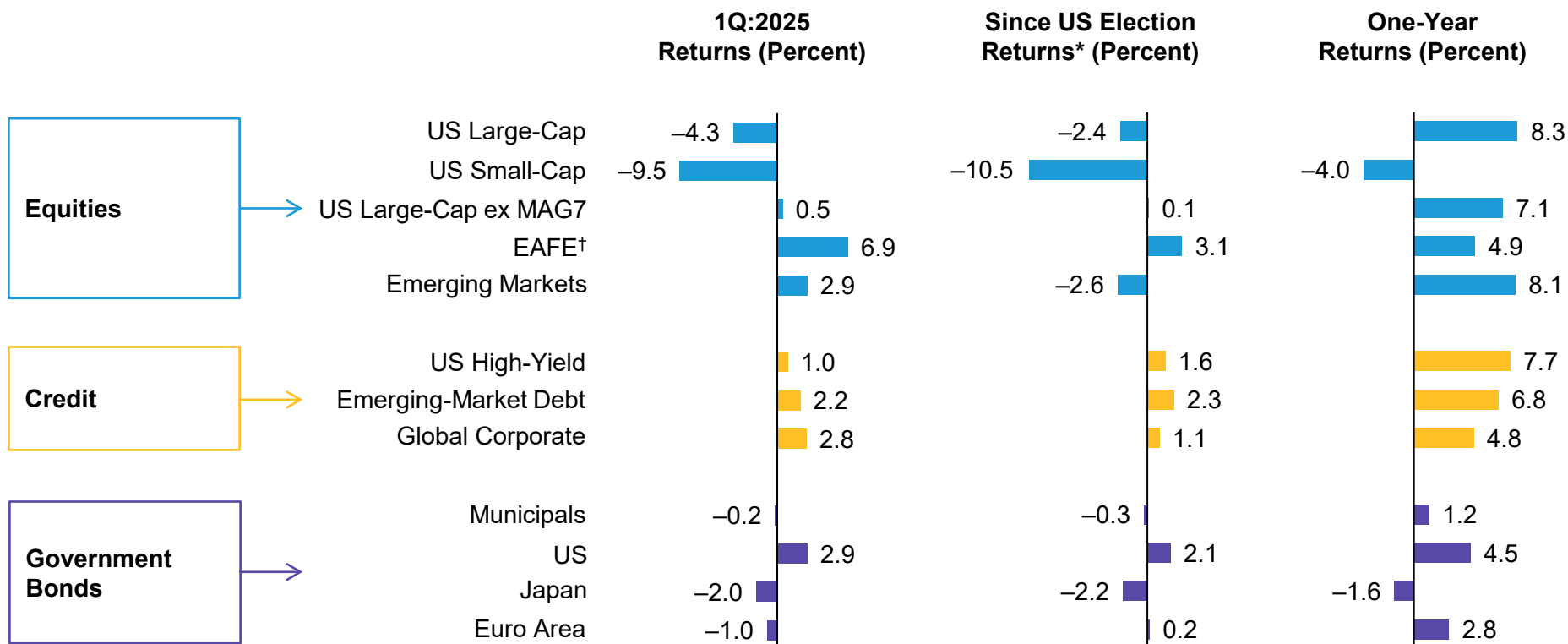


**Historical analysis and current forecasts do not guarantee future results.**

As of March 31, 2025

Source: Bloomberg and AB

# Performance: US Equities Booked Their Worst Quarterly Returns Since 2022



## Past performance does not guarantee future results.

Returns in US dollars. EAFE and emerging-market returns are net returns; all other returns are total returns. Japan government bonds are in hedged USD terms. All other non-US returns are in unhedged USD terms. US large-cap is represented by the S&P 500. US small-cap is represented by the Russell 2000. US large-cap ex MAG7 is represented by the Bloomberg US Large Cap ex Magnificent 7 Total Return. 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.

\*As of market close on November 5, 2024. †Europe, Australasia and the Far East

As of March 31, 2025

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

# What's Been the Driver? Tariffs and the Ongoing Trade War

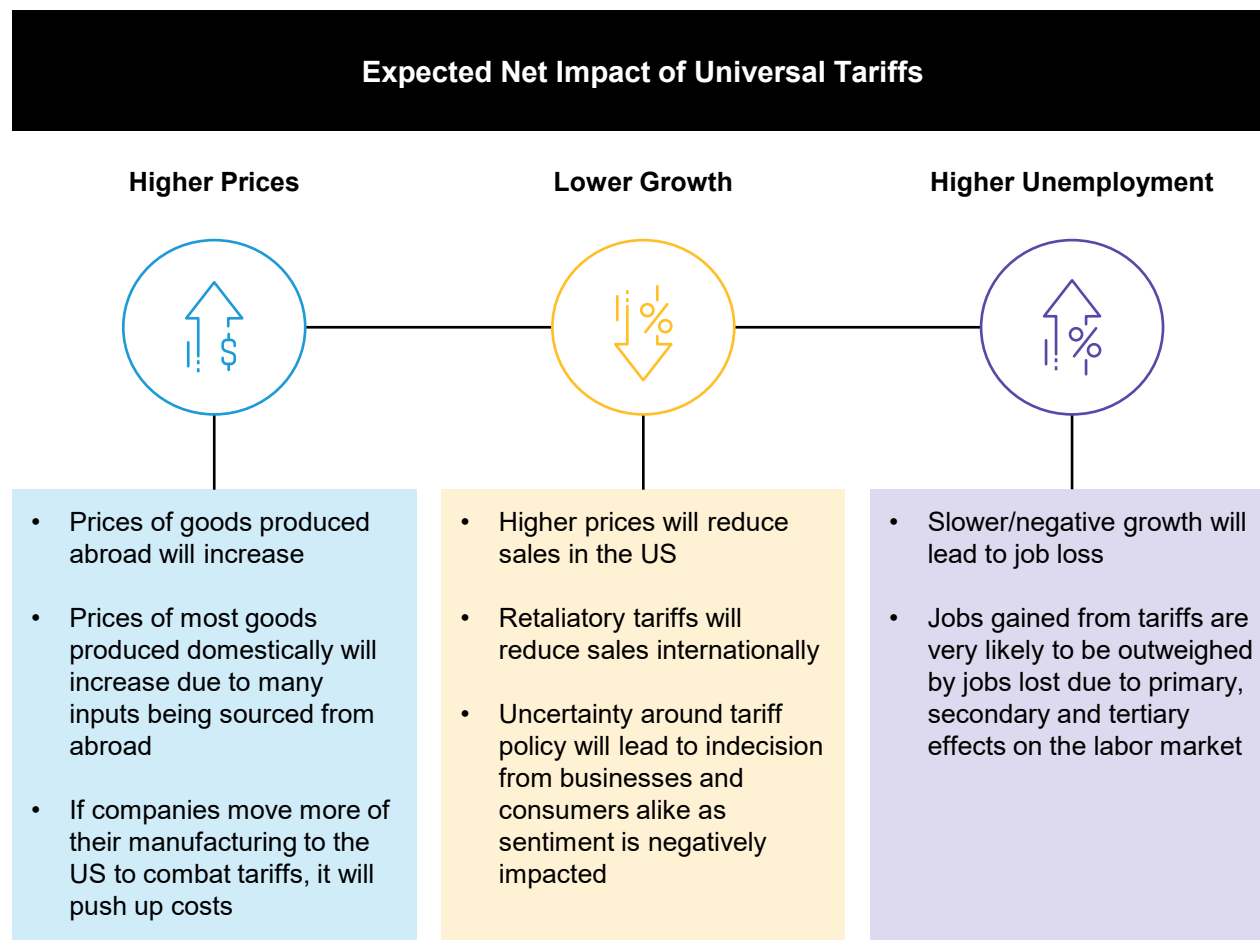
Country	Tariffs Charged to the US*	US Reciprocal Tariff
China	67%	34%
EU	39%	20%
Vietnam	90%	46%
Taiwan	64%	32%
Japan	46%	24%
India	52%	26%
South Korea	50%	25%
Thailand	72%	36%
Switzerland	61%	31%
Indonesia	64%	32%
Malaysia	47%	24%
Cambodia	97%	49%
UK	10%	10%
South Africa	60%	30%
Brazil	10%	10%
Bangladesh	74%	37%

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

\*According to the White House; the tariff list is not exhaustive.

As of April 3, 2025

Source: AB



# Economic Scenario Analysis: 2025

With tariffs, the base case is for a slowdown, not a recession—although the odds have increased

Economic Outcome	Description	Probability
Hard Landing/Deep Contraction	Either an external shock or business cycle dynamics deteriorate sharply. Growth slows rapidly and central banks have to act aggressively.	25%
Soft Landing/Mild Contraction	Growth slows, labor markets weaken and central banks hurry to get back to neutral. The magnitude of the slowdown defines the terminal rate, while inflation expectations will determine the speed with which it is reached.	30%
Rebalancing	Inflation and growth both approach trend levels only slowly, leaving the Fed comfortable easing policy slowly and remaining restrictive well into 2025: 25 bps cuts at some, but not all, meetings until policy hits neutral in 2026.	30%
Stagflation	The economy slows but inflation expectations rise meaningfully, trapping the Fed between a rock and a hard place.	10%
No Landing	The economy performs despite headwinds, and inflation stays elevated enough to keep the Fed on hold for some time to come.	5%

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

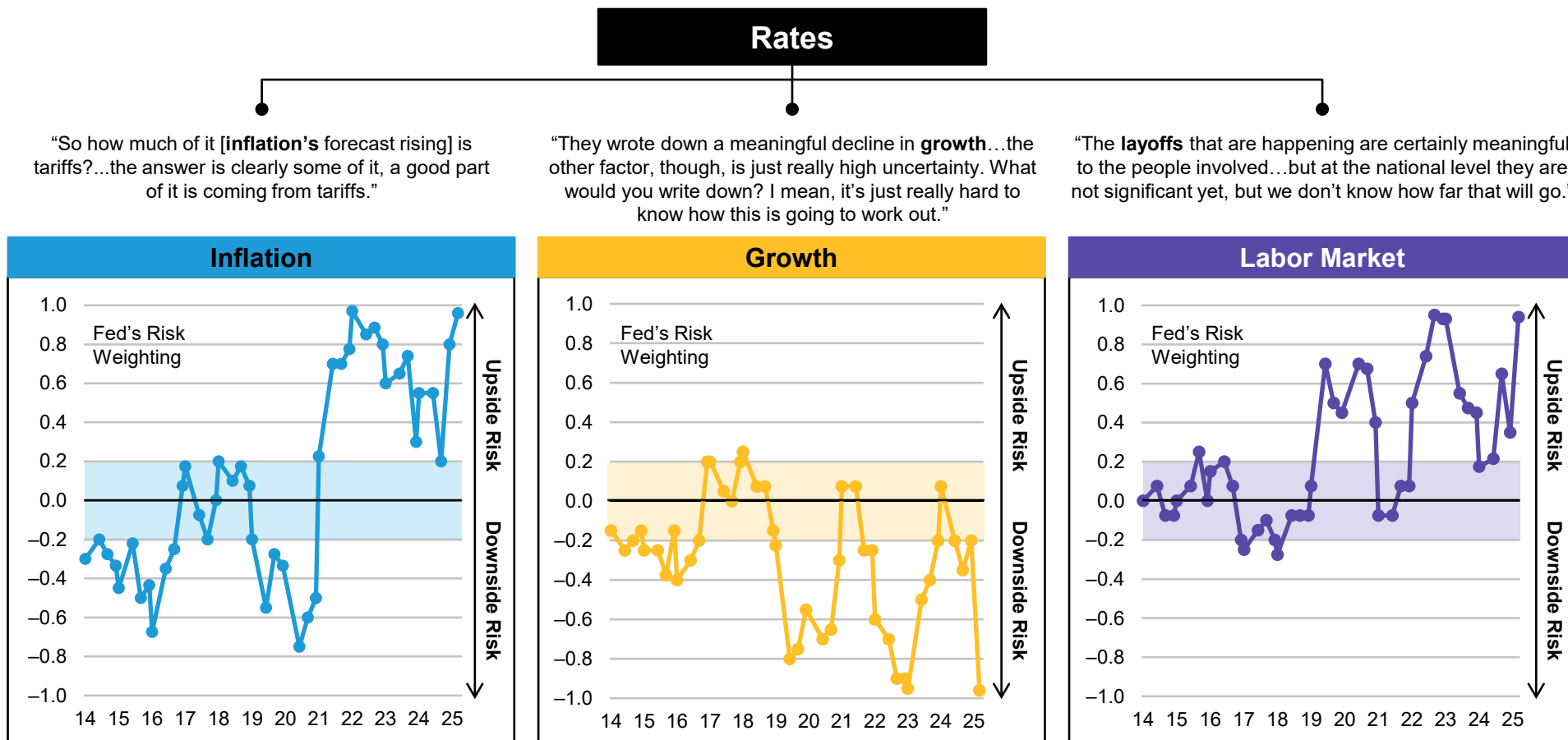
As of April 3, 2025

Source: AB



# Cake vs. Icing: Overlaying Policy Unknowns onto Current Macro Trends

Recent uptick in market volatility and the Fed's macro risk weightings were not driven by hard data



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

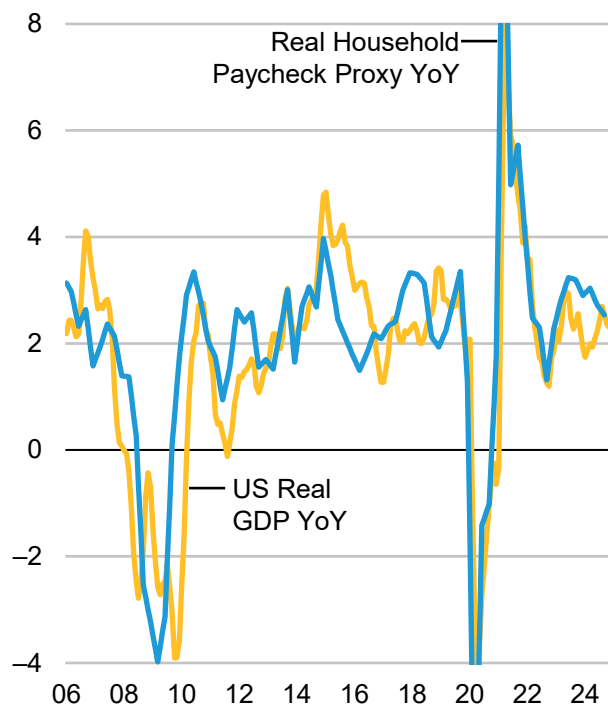
Quotes are from Jerome Powell on March 19, 2025. The shaded area is considered a risk weighting that is more neutral. Each point in the diffusion index represents the number of participants who responded "weighted to the upside" minus the number who responded "weighted to the downside," divided by the total number of participants.

Through March 31, 2025. Source: US Federal Reserve and AB

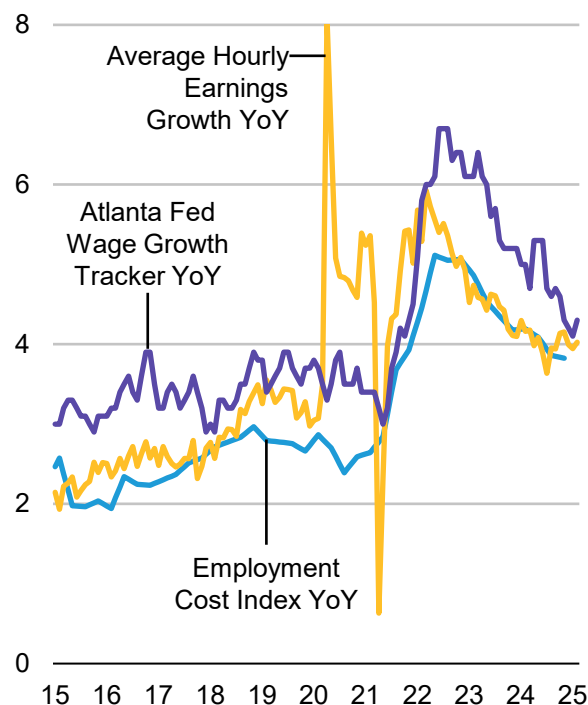
# What We Know: Growth Has Been Robust, and the Consumer Is Healthy

Growth ex policy

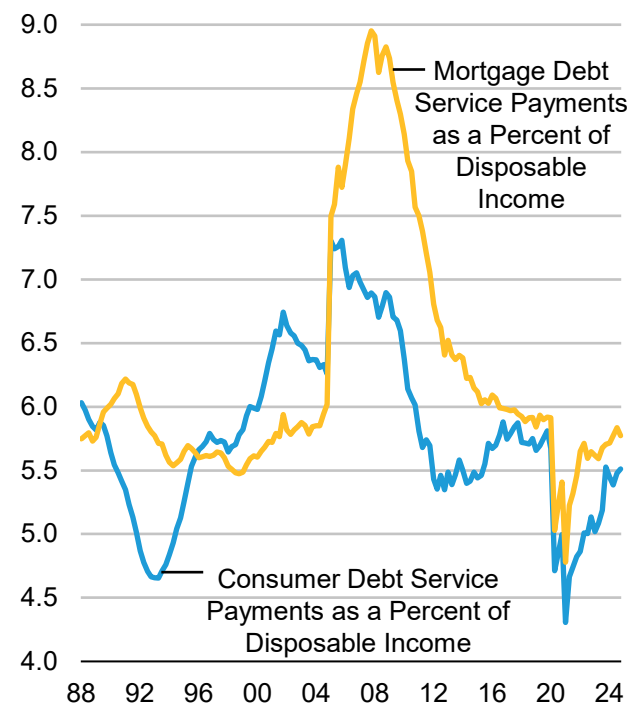
## GDP Growth Has Surprised to the Upside, Largely Due to Strong Real Wage Growth (Percent)



## While the Various Measures of Wage Growth Are Trending Lower, They Remain at Healthy Levels Overall (Percent)



## Consumer Debt Has Increased on an Absolute Basis, but Relative to Income It Remains Low (Percent)



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

YoY: year over year

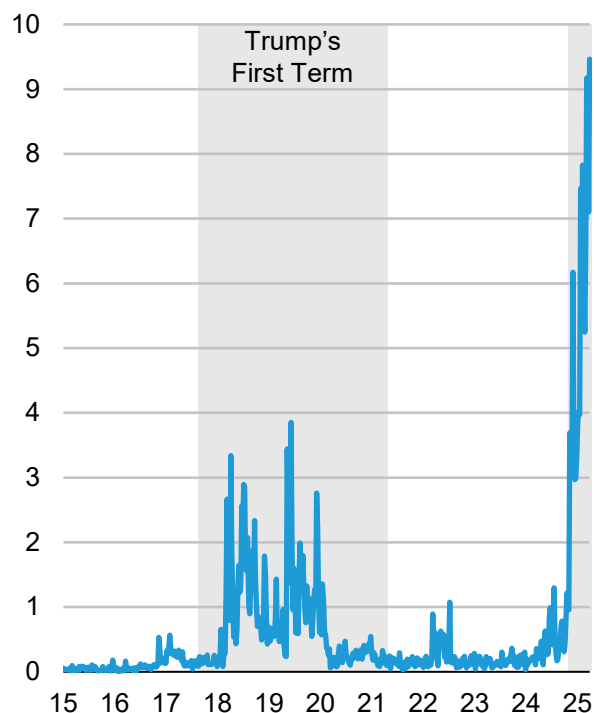
As of March 31, 2025

Source: Bloomberg, Federal Reserve Bank of Atlanta, Federal Reserve Bank of St. Louis, US Bureau of Labor Statistics and AB

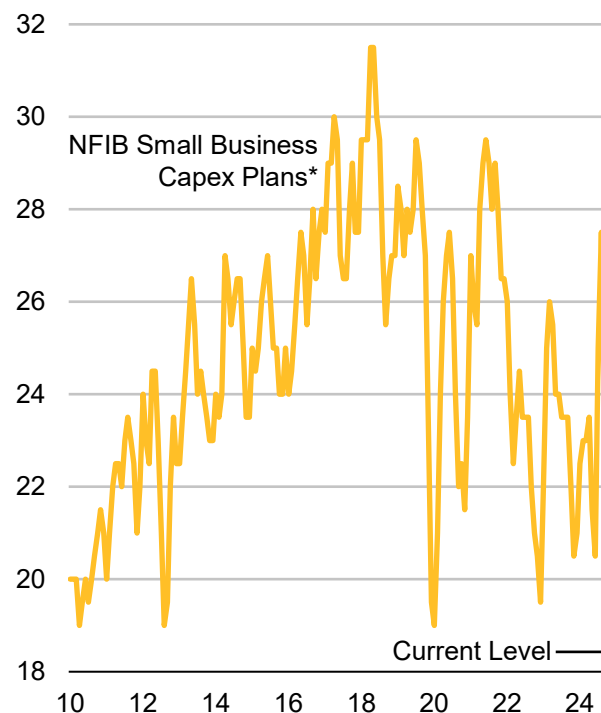
# What to Keep an Eye On: Business and Consumer Confidence

Growth with the policy overlay

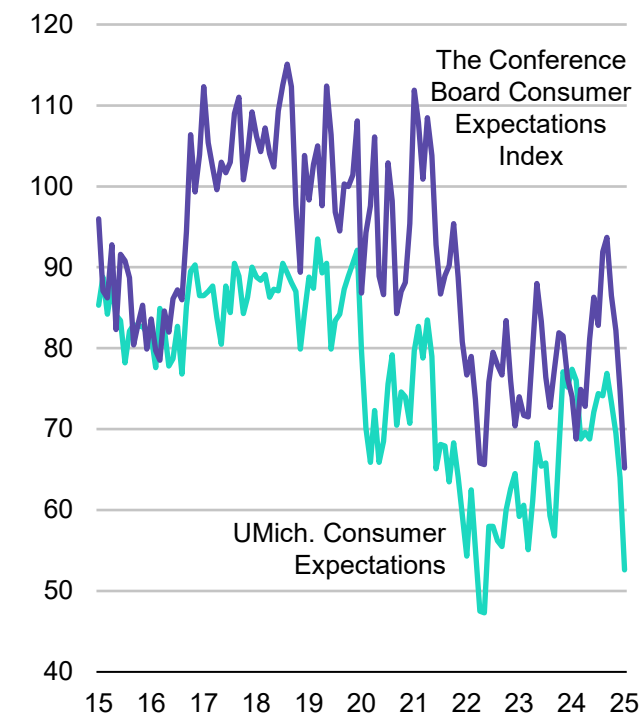
## Trade Policy Uncertainty Index Reflects Far Greater Uncertainty Compared to Trump's First Term (Index)



## Sustained Uncertainty Will Likely Lead to Sustained Indecision on a Corporate Level... (Index)



## ...and on a Consumer Level (Index)



### Current analysis does not guarantee future results.

NFIB: National Federation of Independent Business; UMich.: University of Michigan. The Trade Policy Uncertainty Index searches news feeds covering economics, research and government topics for words related to trade policy and uncertainty. The Conference Board Consumer Expectations Index focuses on how consumers view the prospects for their own financial situations, as well as the general economy over the short and long term. \*Two-month moving average

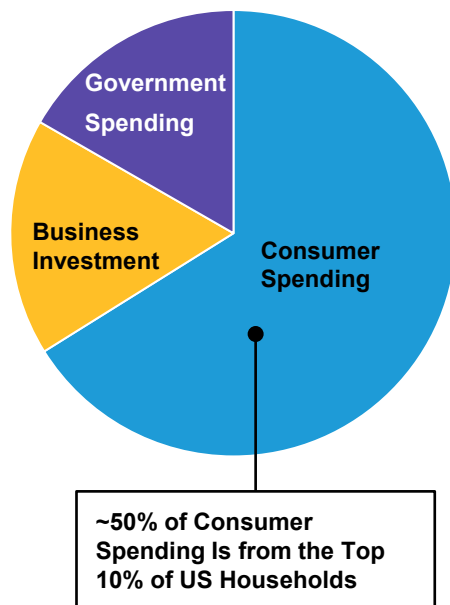
As of March 31, 2025. Source: Bloomberg, The Conference Board, NFIB, Trade Policy Uncertainty Index, University of Michigan and AB

# What to Keep an Eye On: Diminishing Wealth Effect

Growth with the policy overlay

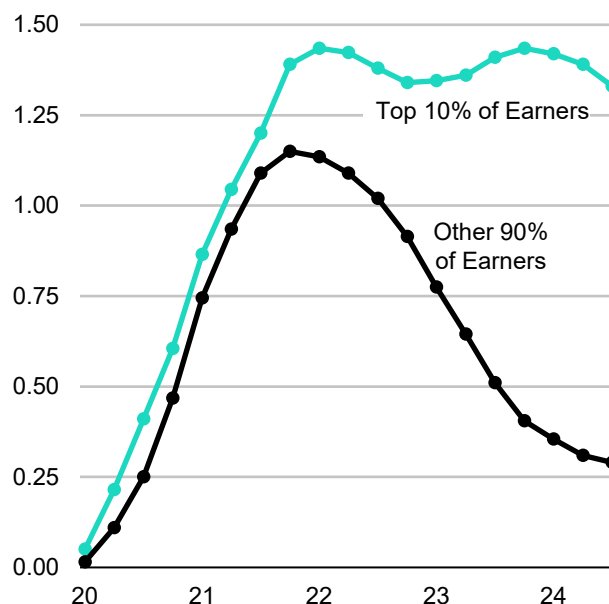
## GDP Contribution Breakdown\*

Consumer spending accounts for nearly 70% of US GDP, while 50% of that spending is from just 10% of households



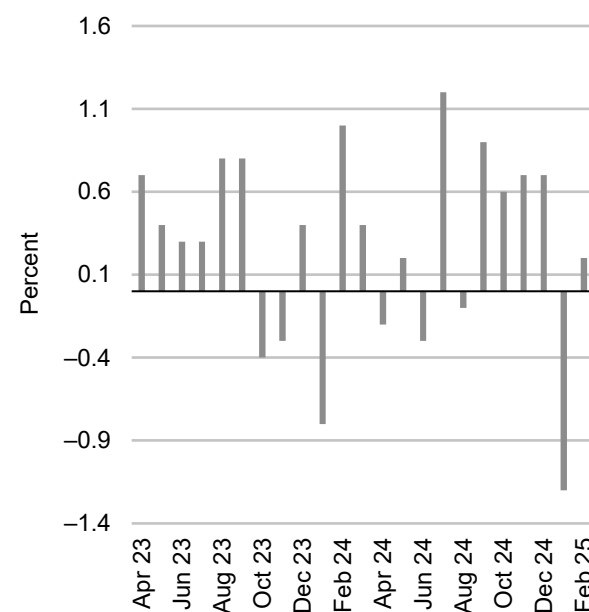
## Trillions of USD Above Pre-Pandemic Savings Rate

Top 10% of households have avoided a depletion to their excess savings but will be more susceptible to a declining wealth effect



## Advanced Retail Sales Month over Month

What to watch: advanced retail sales, which have already missed expectations this year



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

Middle display uses approximate data.

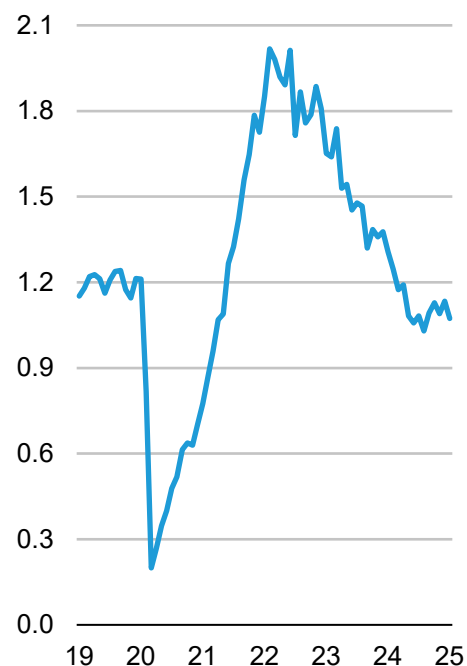
\*Does not sum to 100% due to net exports being a detractor

As of March 31, 2025. Source: Bloomberg, Moody's Analytics and AB

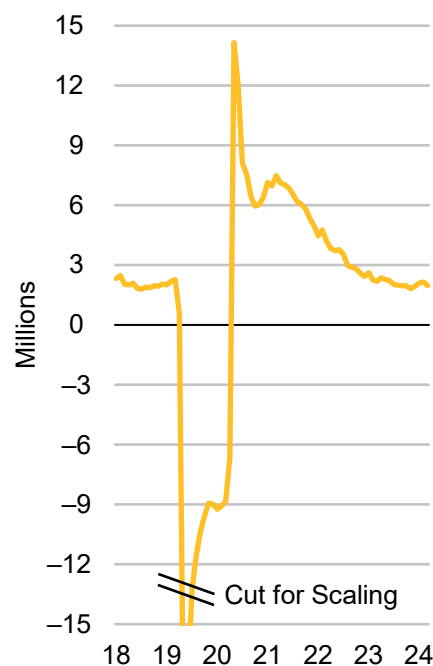
# What We Know: Labor Is Balanced, but “No Further Cooling” Is Welcomed

Labor ex policy

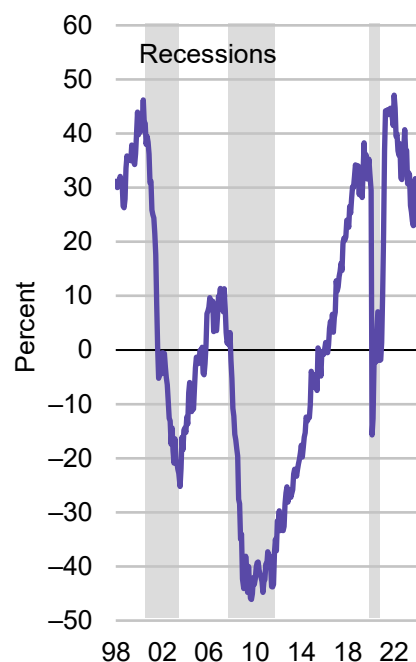
**Number of Open Jobs per Unemployed Persons Has Settled Around Its Pre-Pandemic Average**



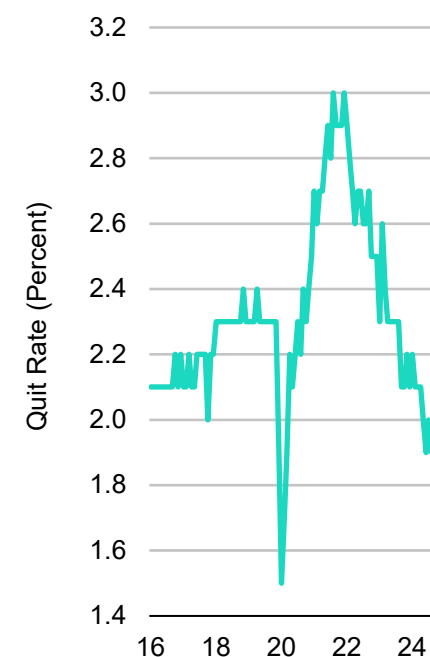
**The Trailing 12-Month Net Change in Payrolls Has Also Settled Around Trend**



**Jobs “Plentiful” vs. “Hard to Get” Points to a Softer Labor Market...**



**...as Does the Near Decade-Low Quit Rate: People Are Staying Put**



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

Through March 31, 2025

Source: Bloomberg, US Bureau of Labor Statistics and AB

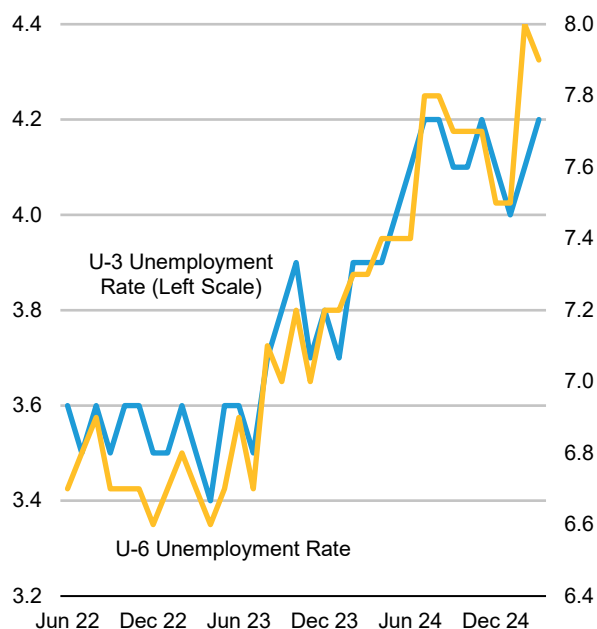


# What to Keep an Eye On: The Margins of the Labor Market

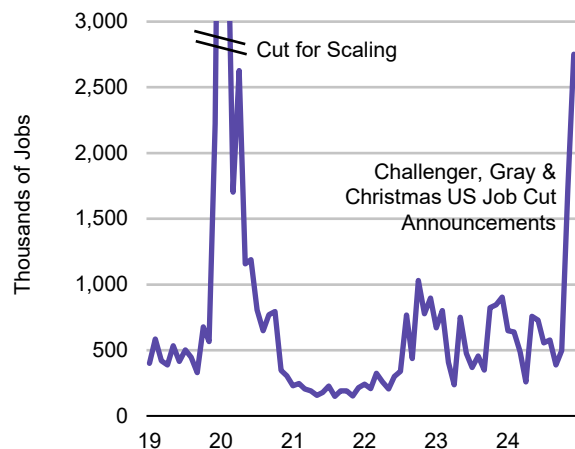
Labor with the policy overlay

**When Including Discouraged and Part-Time Workers, the Unemployment Rate Is Showing Potential Signs of Cracking...**

Percent



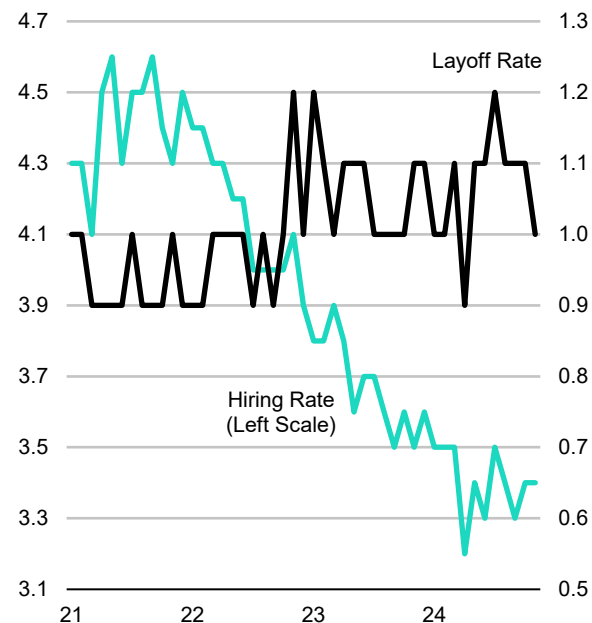
**...Especially Since Announced Job Cuts, ex Pandemic, Are at Their Highest Monthly Level Since 2009**



"With the impact of DOGE actions, as well as canceled government contracts, fears of trade wars and bankruptcies, job cuts soared."

—Andrew Challenger, SVP of Challenger, Gray & Christmas

**However, One or Two Months' Worth of Data Is Not Yet a Trend: Keep a Close Eye on the Layoff Rate (Percent)**



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

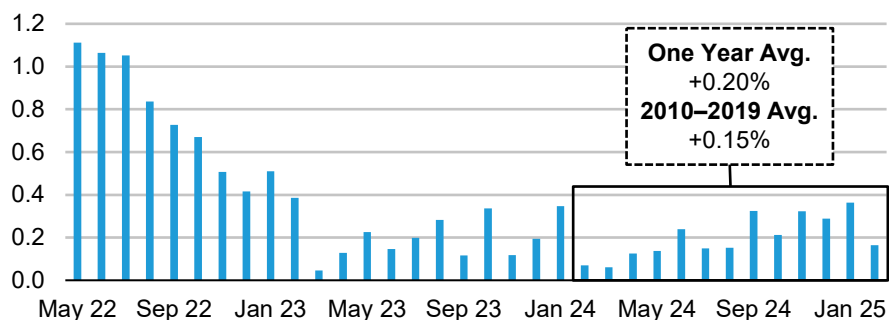
DOGE: Department of Government Efficiency. Left display as of April 4, 2025; middle display as of April 3, 2025; right display as of March 31, 2025

Source: Bloomberg; Challenger, Gray & Christmas; US Bureau of Labor Statistics and AB

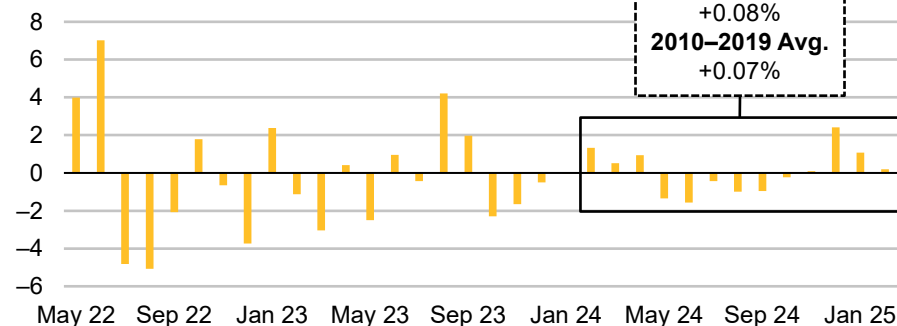
# What We Know: Three of Four Inflation Categories Have Returned to Trend

Inflation ex policy

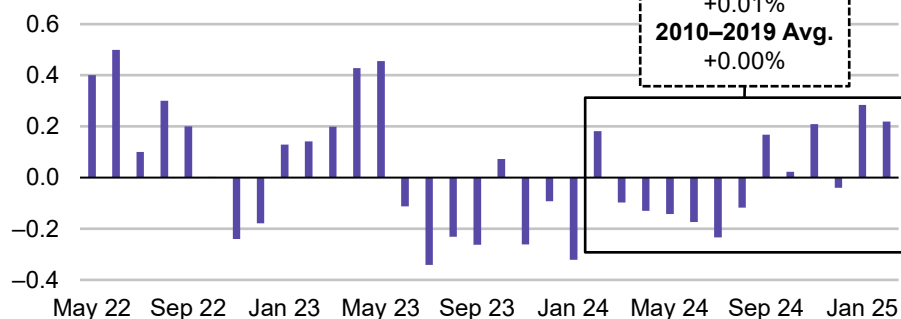
## Food Prices MoM (Percent)



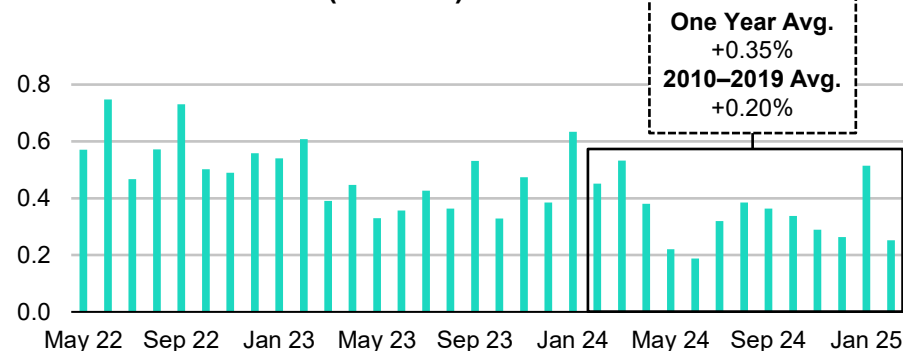
## Energy Prices MoM (Percent)



## Goods Prices MoM (Percent)



## Services Prices MoM (Percent)



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

MoM: month over month

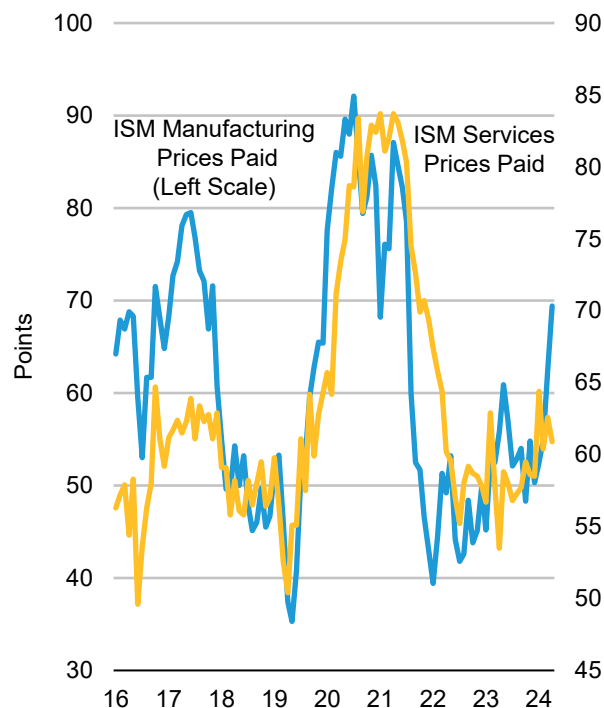
As of March 31, 2025

Source: Bloomberg, US Bureau of Labor Statistics and AB

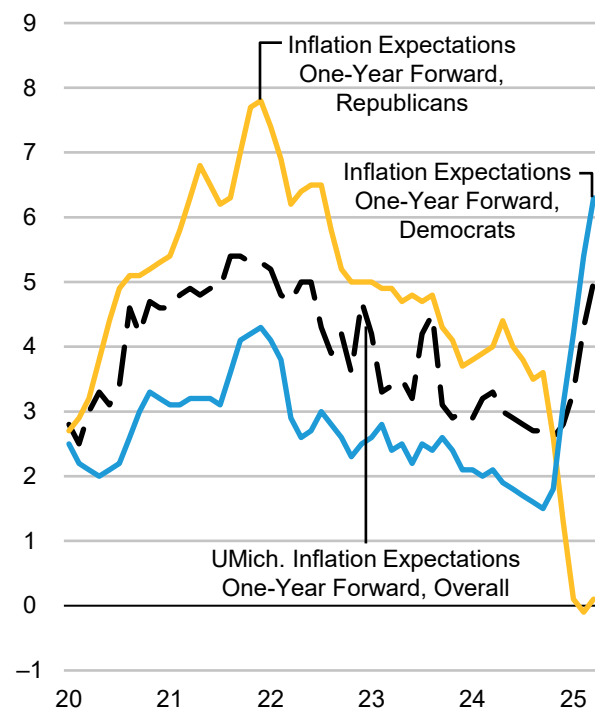
# What to Keep an Eye On: Forward-Looking Inflation Indicators

Inflation with the policy overlay

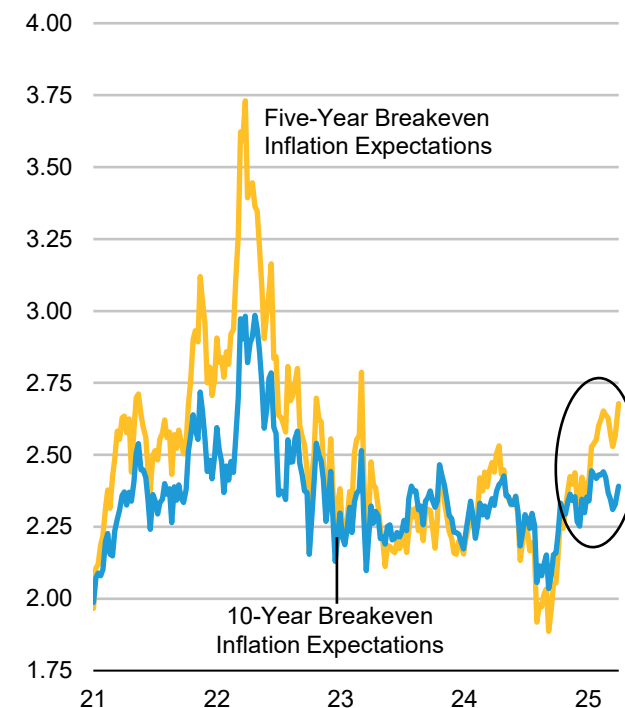
## One-Off or a Sustained Move? Prices Paid by Manufacturing and Service Providers Rose During the First Quarter



## Short-Term Inflation Expectations Have Risen Notably, but They Are Heavily Influenced by Political Affiliation (Percent)



## Better Signal to Watch: Long-Term Inflation Expectations/Compensation Within US Treasuries (Percent)



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

ISM: Institute for Supply Management; UMich.: University of Michigan

Left display through April 3, 2025; middle and right displays through March 31, 2025

Source: Bloomberg, University of Michigan, US Bureau of Labor Statistics and AB



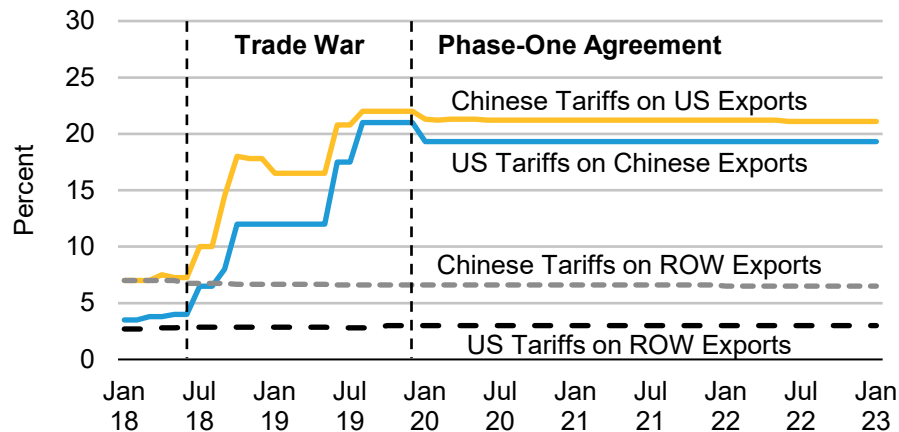
# Bringing It All Together

A scenario analysis on the “icing”

## Scenario #1

Tariffs are implemented relatively quickly, on select products and with clarity

- An example of this scenario is from Trump’s first presidency (2017–2021)
  - Tariffs were implemented relatively quickly. Prices went up. CPI went up. Inflation expectations remained anchored. CPI returned to trend after the one-off adjustment period
- Under this scenario, it’s a repeat of Trump 1.0, where rates slowly normalize as the ongoing macro trend is only temporarily disrupted



## Scenario #2

Tariffs are implemented over a longer period of time, with limited clarity and/or are universally applied

- Universally applied tariffs would lead to higher prices, lower growth and higher unemployment
- Higher prices would likely lead to slower growth in the US, and retaliatory actions from other nations would add pressure from abroad
- Tariff uncertainty would also negatively affect business and consumer investment/spending
- A meaningful slowdown in growth would negatively impact the labor market, which the Fed is more likely to protect—especially since they’ve made it clear that “no further cooling is welcomed”
- Stagflation is unlikely in this scenario, as higher sustained inflation would likely need a strong source of consumer demand. With the demand curve already strained after a prolonged period of pandemic inflation and a soft labor market, demand destruction should keep prices in check as margins suffer
- Once a slowdown is in sight, rates would likely fall quickly as the Fed reacts

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

ROW: rest of world

As of April 4, 2025

Source: Peterson Institute for International Economics and AB

# Macro Summary

## AB Global Economic Forecast

	Real Growth (Percent)		Inflation (Percent)		Official Rates (Percent)		Long Rates (Percent)	
	25F	26F	25F	26F	25F	26F	25F	26F
Global ex Russia	2.1	2.2	3.3	2.9	4.21	3.38	3.85	3.91
Industrial Countries	0.9	1.1	3.1	2.5	2.82	2.28	3.13	3.15
Emerging Countries	3.8	3.8	4.0	3.7	6.95	5.57	4.82	4.80
<b>US</b>	0.4	1.5	4.0	2.8	3.63	2.63	3.50	3.50
Euro Area	0.4	0.7	1.9	2.0	1.75	1.75	2.45	2.65
UK	0.8	1.1	2.5	3.3	3.75	3.25	4.80	4.20
Japan	0.8	1.3	2.6	2.0	1.00	1.25	1.75	2.00
China	4.8	4.5	0.5	1.0	1.00	1.25	2.00	2.25

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

Inflation is a Core Consumer Price Index (CPI) estimate. Growth and inflation forecasts are calendar-year averages. Interest rates are year-end forecasts. Real growth aggregates represent 29 country forecasts, not all of which are shown. Long rates are 10-year yields.

As of April 9, 2025

Source: AB

# Connecting Our Top-Down Views to Asset-Allocation Decision-Making

## Macro Outlook Summary

AB forecasts

### Inflation

- Current trend: making gradual progress as shelter inflation slowly normalizes under the surface
- Key risk: tariff uncertainty
- What to keep an eye on: inflation expectations

### Growth

- Current trend: strong but normalizing
- Key risk: tariff uncertainty
- What to keep an eye on: personal consumption within GDP and advance retail sales

### Labor Market

- Current trend: balanced but vulnerable
- Key risk: tariff uncertainty
- What to keep an eye on: layoff rate

### Rates

- Path 1: Tariffs are implemented quickly, the macro trend continues with limited disruptions and rates slowly head lower
- Path 2: Tariff uncertainty creates eventual slowdown and rates fall quickly

## Systemic Challenges Facing Investors

Other notable risks to consider

### Concentration Risk

- Persistently high levels of index concentration
  - Momentum-reversal risk continues
  - Sector concentration risk
  - Increased volatility for higher beta names
  - Lower expected forward returns

### High Valuations

- Historically high equity index valuations
  - Magnificent Seven are the main drivers of these elevated valuations
- Historically tight credit spreads

### Headline Risk

- Policy uncertainty = market uncertainty

### Earnings Pressures

- Magnificent Seven vs. Magnificent Others broadening out the story
- International vs. domestic exposure

## Investment Opportunities

Actionable steps to take



### Equity

- Value Equities
- Low Volatility
- Quality Growth
- Thematic Equities
- International Equities



### Fixed Income

- High Yield
- Select Duration
- Muni Credit

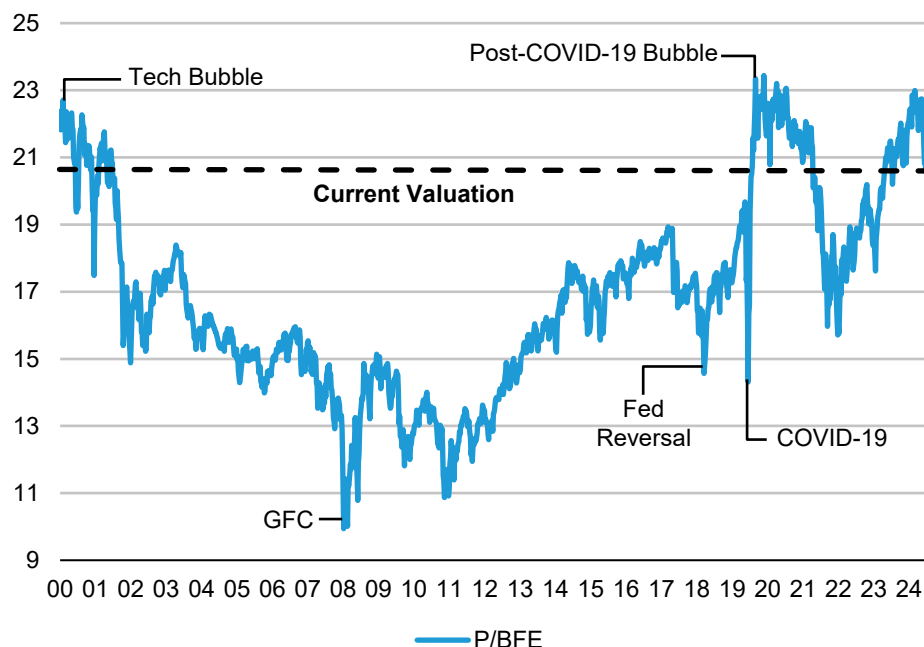
**Historical analysis and current forecasts do not guarantee future results.**

As of March 31, 2025

Source: AB

# S&P 500 Valuations Remain Elevated Despite the Recent Sell-Off

## S&P 500 Multiples



Time Period	P/E	P/BFE	P/FE <sub>1</sub>
March 31, 2025	23.0	20.3	20.9
December 31, 2024	25.2	21.9	21.9
December 31, 2023	21.5	19.6	19.6
December 31, 2022	17.2	16.8	16.8
Pre-Pandemic*	20.3	18.9	20.5
10-Year Average	20.2	18.5	19.7
Pre-Pandemic Five-Year Average	18.3	16.9	17.9
Average Since 2005	18.8	16.6	17.8

### Current analysis does not guarantee future results.

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; price/forward earnings one (P/FE<sub>1</sub>) is for calendar year 2025

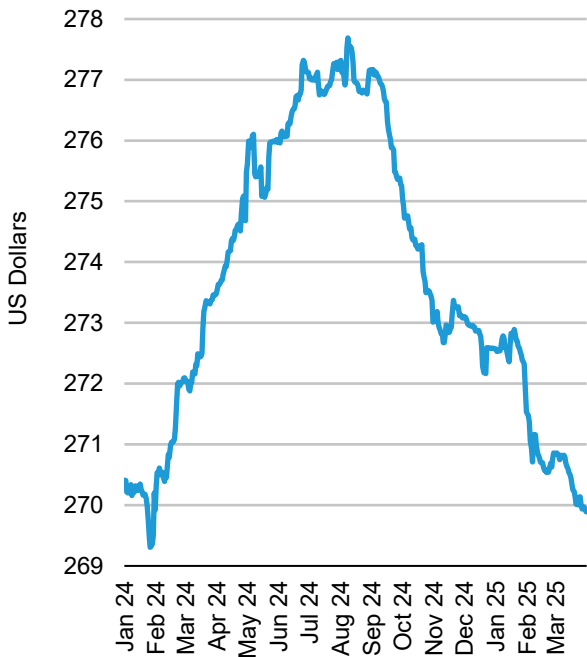
\*February 21, 2020

As of March 31, 2025

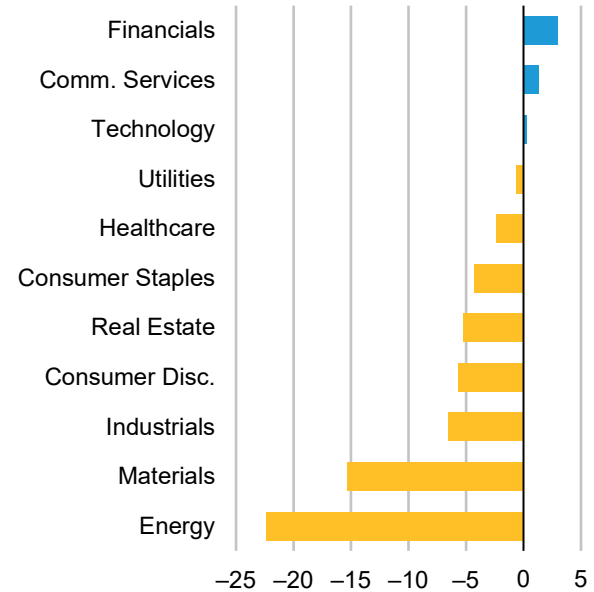
Source: Bloomberg, S&P and AB

# S&P 500 Earnings: Expect Continued Growth, but Keep an Eye on the Direction of Travel for Revisions

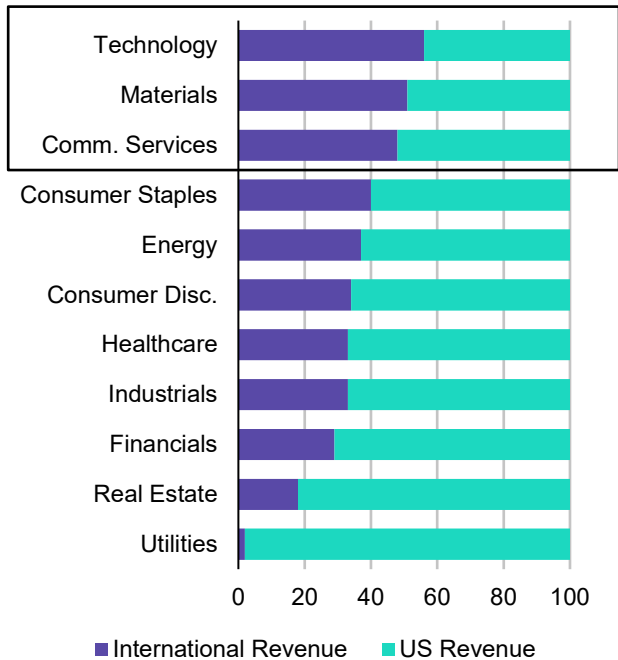
Earnings Estimates for 2025 Are Higher Than 2024, but Revisions Are Trending Lower...



...with Only Financials, Communication Services and Technology Seeing Positive Revisions Since Estimates Peaked Last Summer (Percent)



However, with International Trade Under Pressure, Most of Those Sectors Are Vulnerable to Downward Revisions (Percent)



Historical analysis and current forecasts do not guarantee future results.

As of March 31, 2025

Source: Bloomberg, FactSet, S&P and AB



# S&P 500 Scenario Chart: Using Earnings and Valuations to Form a Price Target Range

## Choose Your Own Adventure

2025											S&P Price Level	2025 Price Return*
	15	16	17	18	19	20	21	22	23			
245	3,675	3,920	4,165	4,410	4,655	4,900	5,145	5,390	5,635		4,940	-12.0%
250	3,750	4,000	4,250	4,500	4,750	5,000	5,250	5,500	5,750		5,130	-8.6
255	3,825	4,080	4,335	4,590	4,845	5,100	5,355	5,610	5,865		5,300	-5.6
260	3,900	4,160	4,420	4,680	4,940	5,200	5,460	5,720	5,980		5,460	-2.7
265	3,975	4,240	4,505	4,770	5,035	5,300	5,565	5,830	6,095		5,612	0.0
270	4,050	4,320	4,590	4,860	5,130	5,400	5,612	5,940	6,210		5,720	1.9
275	4,125	4,400	4,675	4,950	5,225	5,500	5,775	6,050	6,325		5,830	3.9
280	4,200	4,480	4,760	5,040	5,320	5,600	5,880	6,160	6,440		5,940	5.8
285	4,275	4,560	4,845	5,130	5,415	5,700	5,985	6,270	6,555		6,050	7.8

2026											S&P Price Level	2025-26 Price Return†
	12	13	14	15	16	17	18	19	20			
275	3,300	3,575	3,850	4,125	4,400	4,675	4,950	5,225	5,500		5,015	-6.2%
280	3,360	3,640	3,920	4,200	4,480	4,760	5,040	5,320	5,600		5,185	-4.4
285	3,420	3,705	3,990	4,275	4,560	4,845	5,130	5,415	5,700		5,310	-3.1
290	3,480	3,770	4,060	4,350	4,640	4,930	5,220	5,510	5,800		5,400	-2.2
295	3,540	3,835	4,130	4,425	4,720	5,015	5,310	5,605	5,900		5,612	0.0
300	3,600	3,900	4,200	4,500	4,800	5,100	5,400	5,700	6,000		5,700	0.9
305	3,660	3,965	4,270	4,575	4,880	5,185	5,612	5,795	6,100		5,890	2.8
310	3,720	4,030	4,340	4,650	4,960	5,270	5,580	5,890	6,200		5,950	3.4
315	3,780	4,095	4,410	4,725	5,040	5,355	5,670	5,985	6,300		6,100	4.9

■ March 31, 2025 (What's Currently Priced In\*)

■ AB's Most Likely Range of Future Outcomes

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

\*Based on S&P 500's 1Q:25 closing price of 5,612; horizontal axis contains forward price/earnings multiples; vertical axis contains forward earnings; numbers may not sum due to rounding; †Annualized

As of March 31, 2025

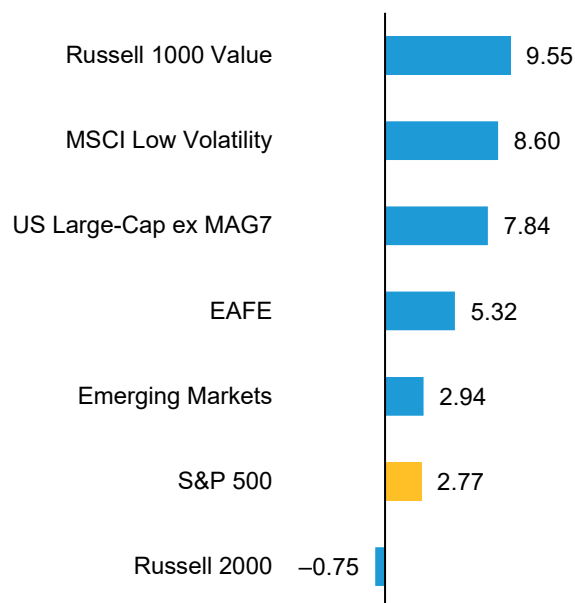
Source: Bloomberg, S&P and AB

# A Reversal of Fortune: Less Crowded but Still Concentrated

After an early extension of 2024's strong return profile, index and factor results adopted a new look

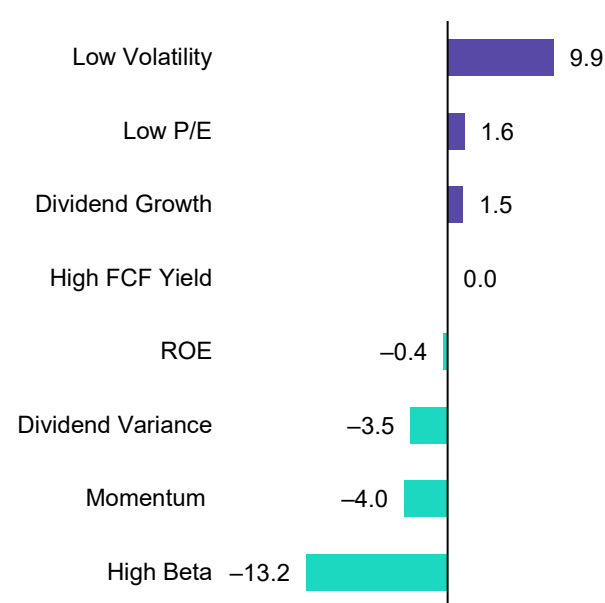
## Recent Index Returns: A Different Complexion vs. the Last Two Years

Percent return (3Q:24 to 1Q:25)



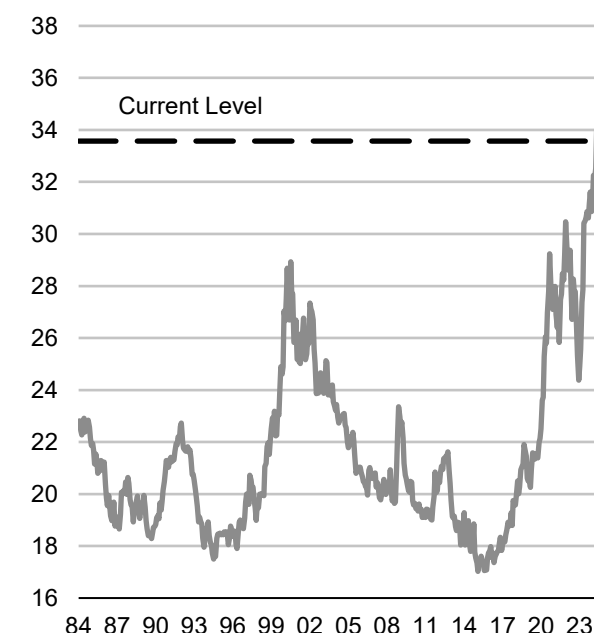
## Low Volatility and Value Factors Gain at Growth and Momentum's Expense\*

Percent return (Jan 31, 2025–Mar 31, 2025)



## Concentration Remains

Top 10 combined weights (percent)



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

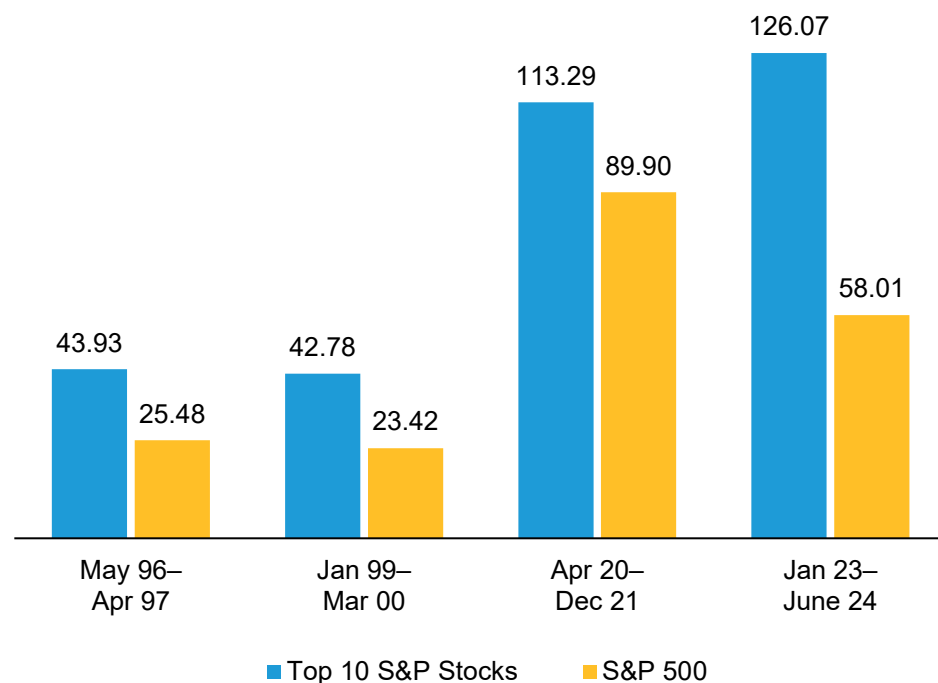
EAFE: Europe, Australasia and the Far East; ex MAG7: excluding Magnificent Seven. \*Factor returns are calculated by the relative performance of the top-quintile cohort vs. the bottom-quintile cohort within the S&P 500. Low volatility: low 30-day variance in daily price change; low price to earnings (P/E): current share price/next 12 months' earnings per share; dividend growth: year-over-year change in last 12 months' (LTM) dividends per share; high free-cash-flow (FCF) yield: LTM FCF per share/current share price; return on equity (ROE): LTM net income/LTM average shareholder equity; dividend variance: five-year standard deviation in year-over-year change in LTM dividends per share; momentum: 52-week price return; high beta: the regression between the monthly stock return and the monthly market return over the last five years. As of March 31, 2025. Source: Bloomberg, Cboe Global Markets, FactSet, FTSE Russell, MSCI, Piper Sandler, S&P and AB

# What Has Happened After Periods of Mega-Cap Outperformance?

History may again rhyme

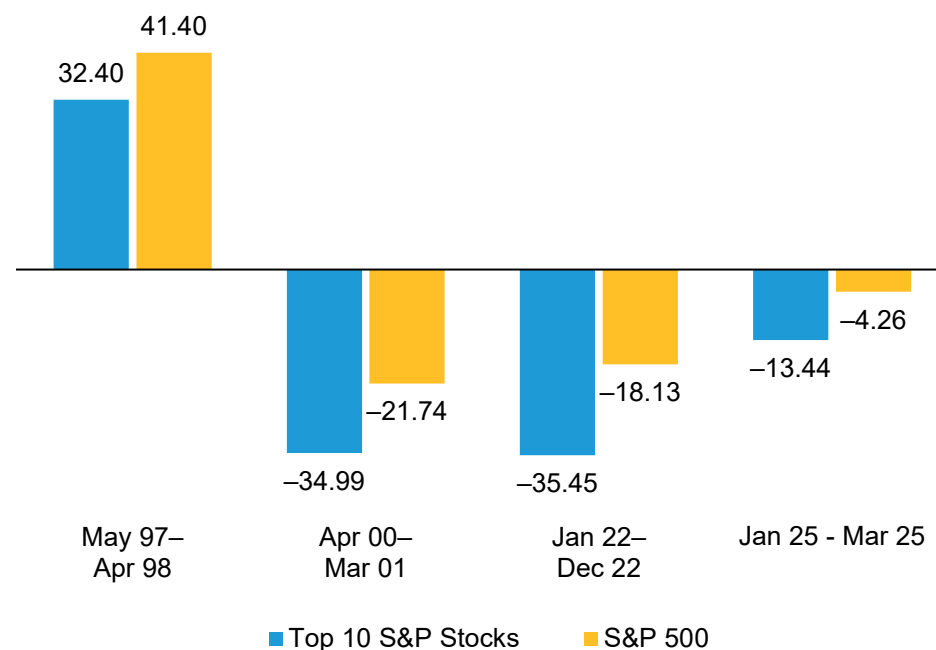
## When Were the Largest Examples of Outperformance?

Percent



## Now Consider the Subsequent 12-Month Performance

Percent



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

Performance periods show cumulative returns.

As of March 31, 2025

Source: Bloomberg, S&P and AB

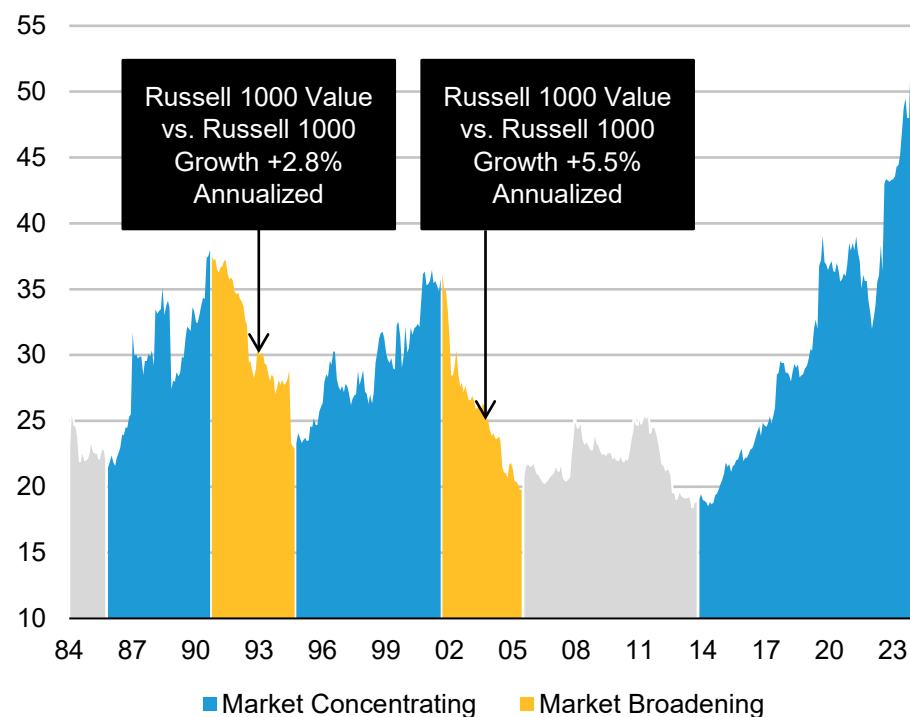


# Value Equities: The Opportunity for Active Management Is Compelling

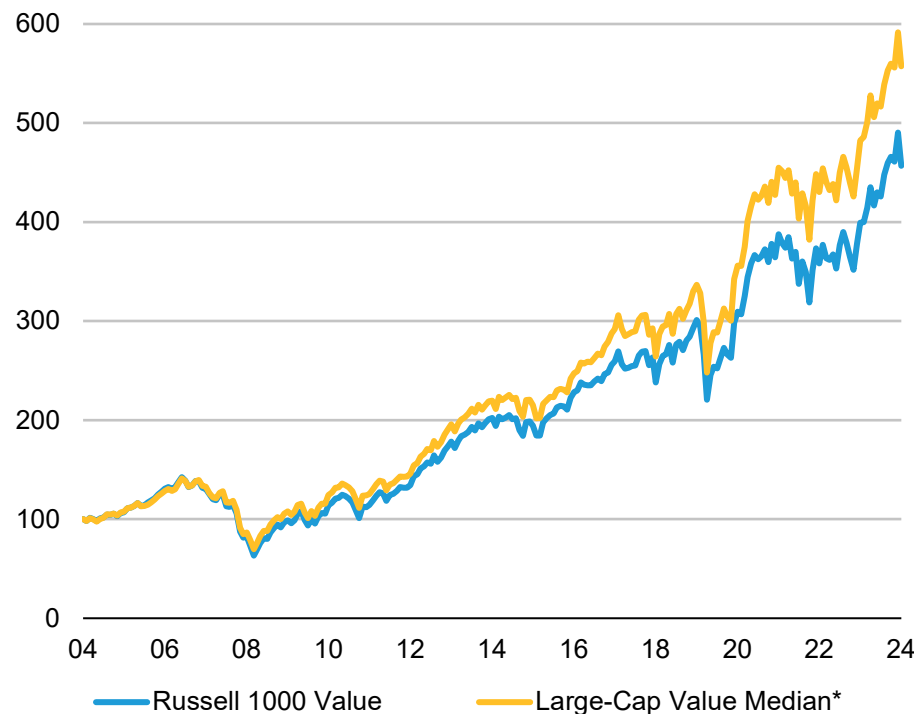
Many US large-cap indices have been hard to beat, but the odds for US value may be on your side

## Value Has Outperformed During Previous Market Broadenings

Top 10 percent of total Russell 1000 Growth Market Cap



## Active Value Managers Fare Better than Others in the Large-Cap Space (Growth of \$100)



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

\*eVestment Large Cap Value median

Through December 31, 2024

Source: eVestment, FTSE Russell, S&P and AB

# Value Equities: Many Shots on Goal Are Available

Despite value's comeback, it is not too late to initiate or add to positions in value

## Finding Growth Within Value

### Investment Themes

#### Healthcare R&D Spending

2025/2026 YoY EPS Growth: 12%

#### Housing Demand

2025/2026 YoY EPS Growth: 16%

#### Cyclically Depressed Consumer Spending

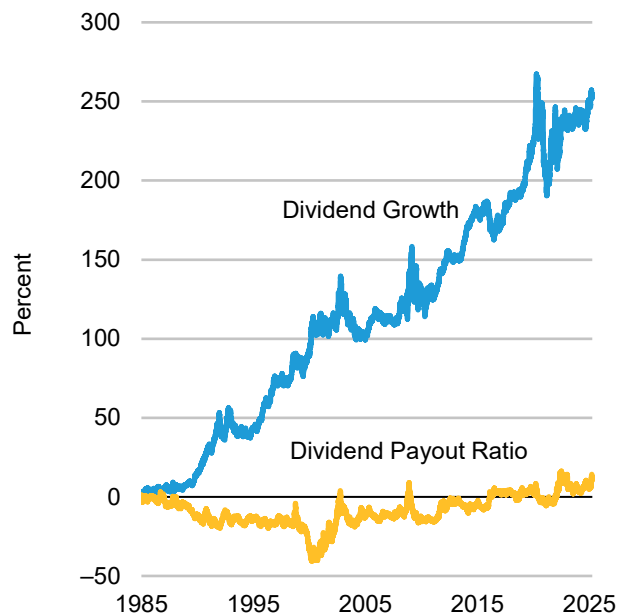
2025/2026 YoY EPS Growth: 10%

#### Agricultural Cycle and Productivity

2025/2026 YoY EPS Growth: 16%

## Dividend Equities: Rising Income, Not Current Income, Is What Matters

Factor performance, cumulative return\*



## Classic Quality Value Factors Remain Attractively Priced†



### Past performance does not guarantee future results.

EPS: earnings per share; YoY: year over year. Earnings-growth forecasts are based on consensus estimates.

\*Factor returns are calculated by the daily relative performance of the top-quintile cohort vs. the bottom-quintile cohort within the S&P 500 for the period January 1985 through March 2025. †Percentile rankings are based on monthly valuations (i.e., relative price to earnings of 1Q for each factor vs. Russell 1000) from 1990. Dividend yield: last 12 months' (LTM) dividends per share divided by current share price. Price to free cash flow: current share price divided by LTM free cash flow per share.

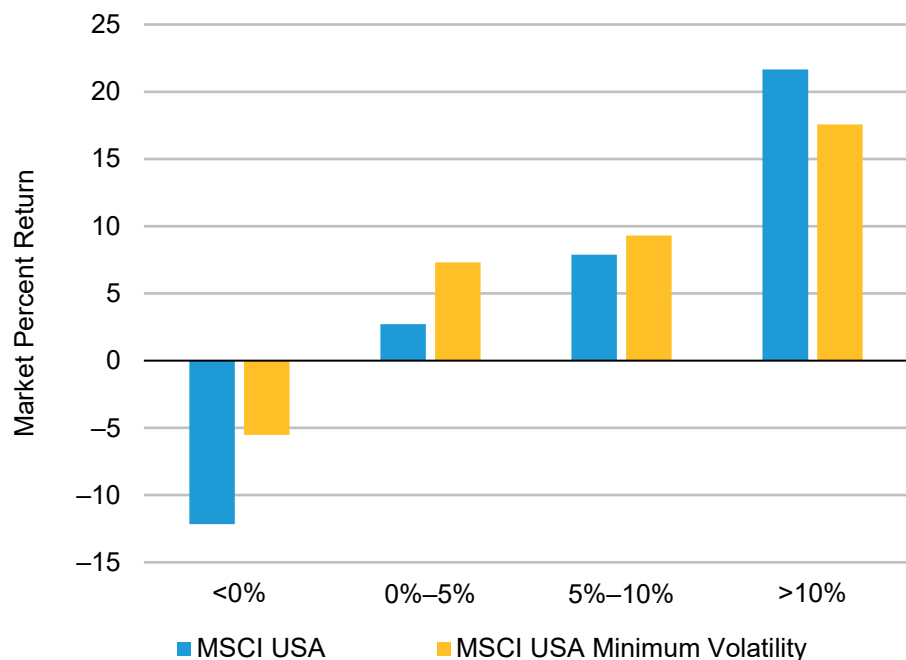
As of March 31, 2025. Source: FTSE Russell, Piper Sandler, S&P and AB

# Low-Volatility Equities: A Solid Choice for Times Like These

Defense can play offense, and the price is still right

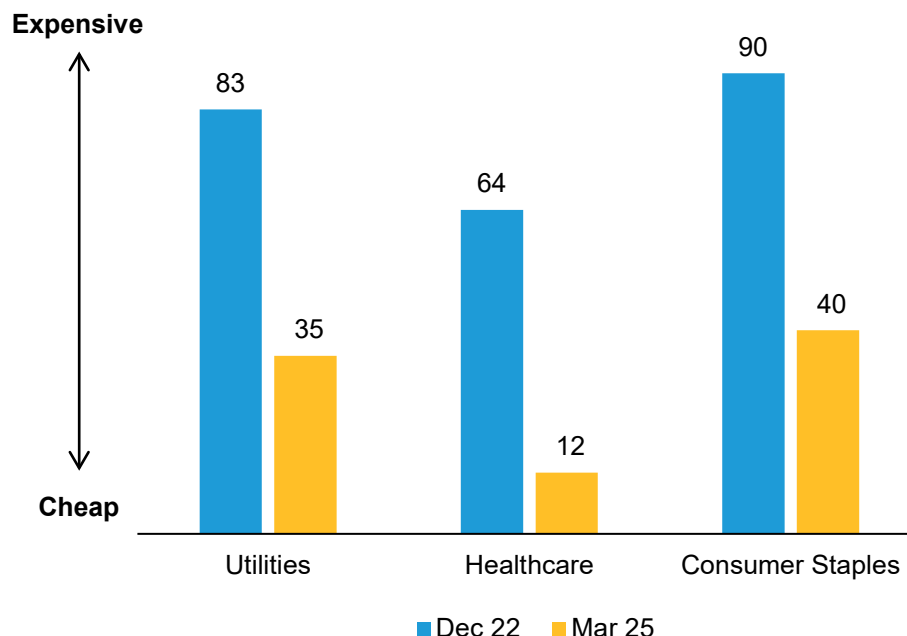
## Low-Volatility Performance in Different Market Regimes

Percent returns: January 1988–December 2024\*



## 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.

\*Annual data from January 1988 through December 2024 for the average annual MSCI USA and MSCI USA Minimum Volatility return in different ranges of US market returns from <0% to >10%.

†Valuation percentiles for sectors are cap-weighted average forward price-to-earnings forecast relative to benchmark and relative to their own history. The investable benchmark is S&P 500.

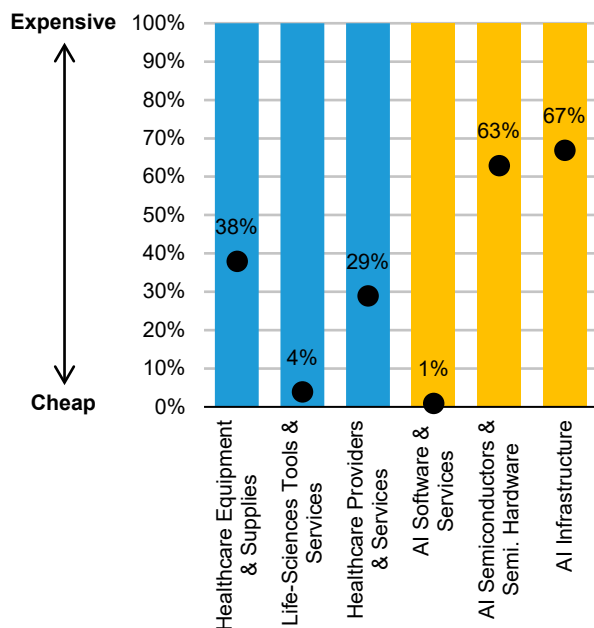
Left display as of December 17, 2024; right display as of March 31, 2025

Source: FTSE Russell, LSEG Data & Analytics, MSCI, S&P and AB

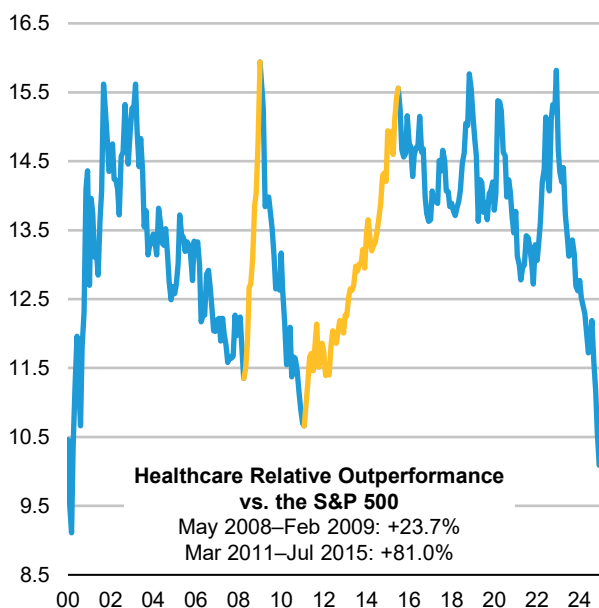
# Growth Equities: Healthcare Is Healthier, and Select AI Opportunities Emerge

Certain AI stocks are better priced, and it's worth maintaining conviction in healthcare

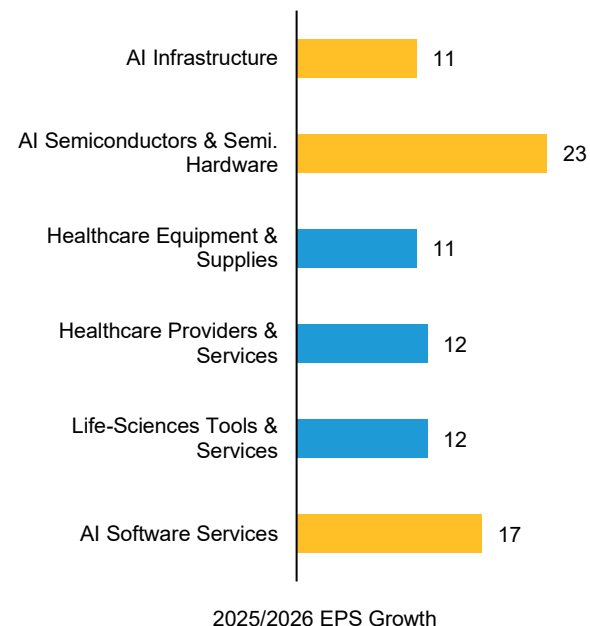
## Price/Earnings Valuations vs. the S&P 500 Percentile rankings (2015–2025)\*



## Healthcare: Past S&P 500 Weight Lows Have Led to Rewarding Returns Percent†



## Favorable Earnings Growth Along with Valuation Support Earnings forecast (percent)‡



### Current analysis does not guarantee future results.

EPS: earnings per share. Displays show six industry groups within the S&P 500.

\*Percentile ranking of monthly observations of the price/earnings ratio, based on earnings for the next 12 months, for each industry group

†The healthcare sector weight in the S&P 500; outperformance periods are cumulative from trough to peak weightings.

‡Earnings-growth forecasts are based on consensus estimates.

As of March 31, 2025

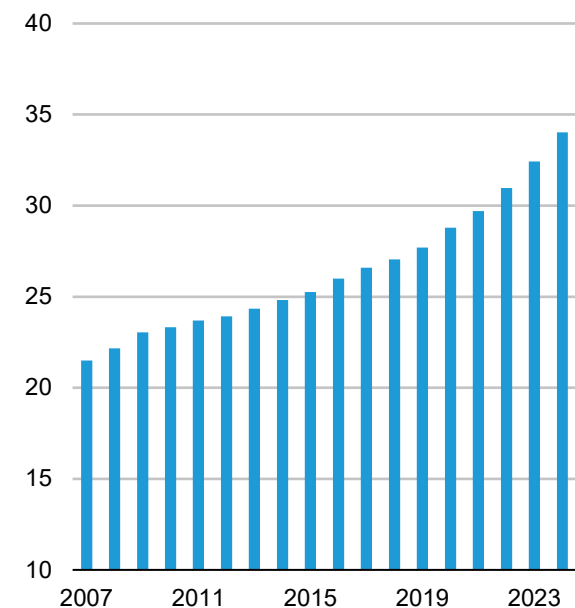
Source: FactSet, MSCI, S&P and AB

# Thematic Equities: Finding Counterweights to Reshoring Costs

Wage concerns may lead to an embrace of AI in manufacturing and automation

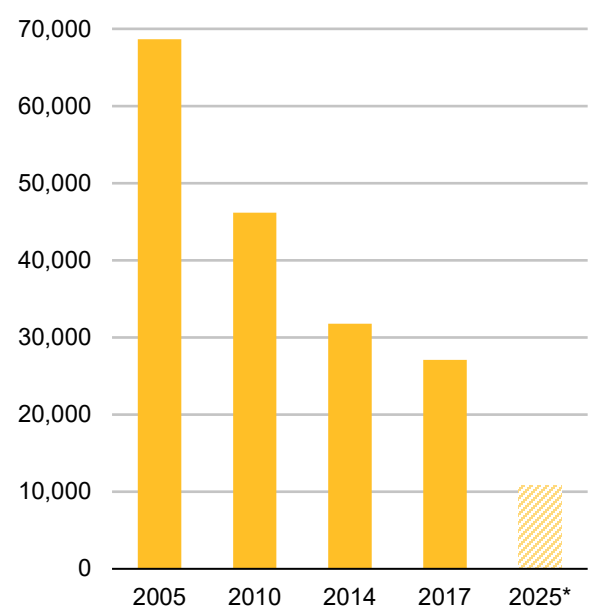
## The Main Challenge of Reshoring Is Rising US Wages...

Average hourly wage in US manufacturing (US dollars)



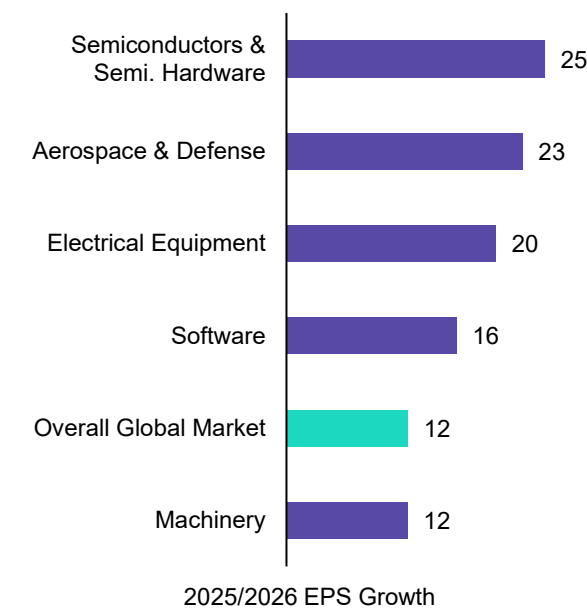
## ...but the Cost of Industrial Robots Is Falling

Average cost (US dollars)



## Favorable Earnings Growth for Robotics-Related Industries

Earnings forecast (percent)<sup>†</sup>



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

EPS: earnings per share

\*2025 number is projected

<sup>†</sup>Earnings-growth forecasts are based on consensus estimates.

Left and middle displays as of December 31, 2024; right display as of March 31, 2025

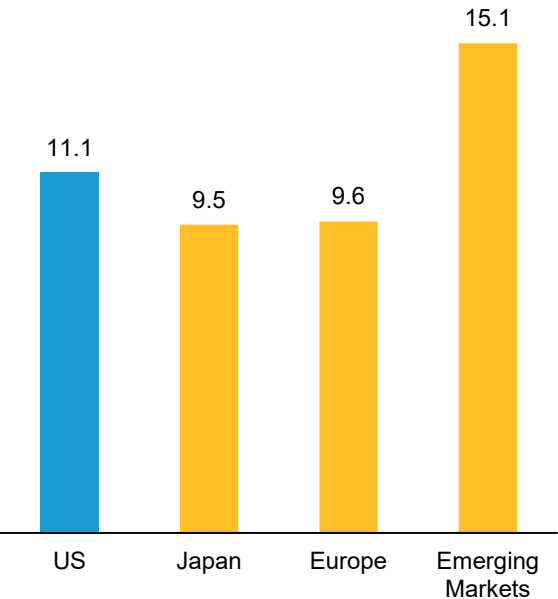
Source: Bloomberg, International Federation of Robotics, Statista, US Bureau of Labor Statistics and AB



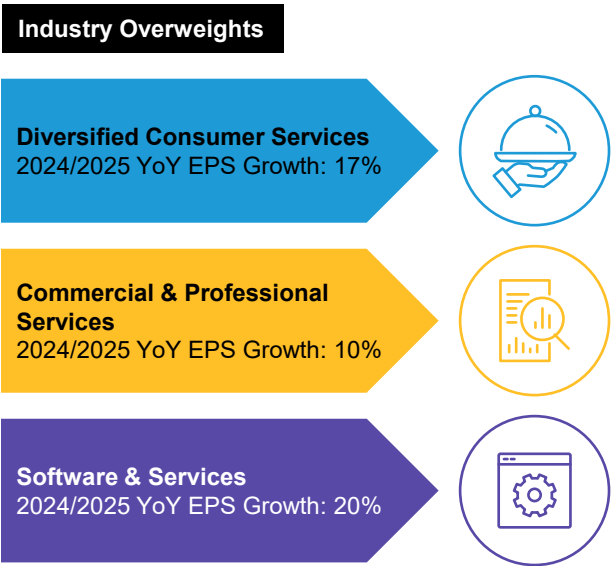
# International Equities: Trade Frictions and Earnings Provide Tailwinds

An earnings convergence is forecast, and an emphasis on services vs. goods is advised

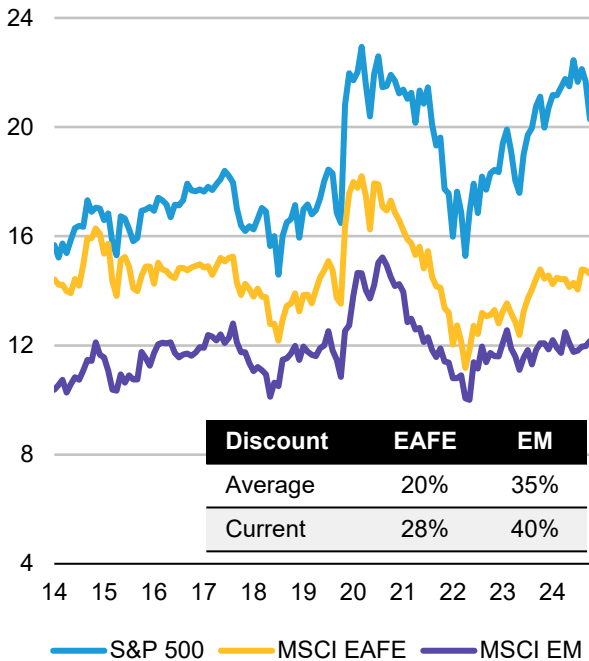
Earnings Growth Outside of the US Is Catching Up  
2025 vs. 2024 (percent)



Favoring Services over Goods at Both the Enterprise and Consumer Levels



International Equities Still Trade at a Wide Discount  
Price-to-earnings ratio (next 12 months)

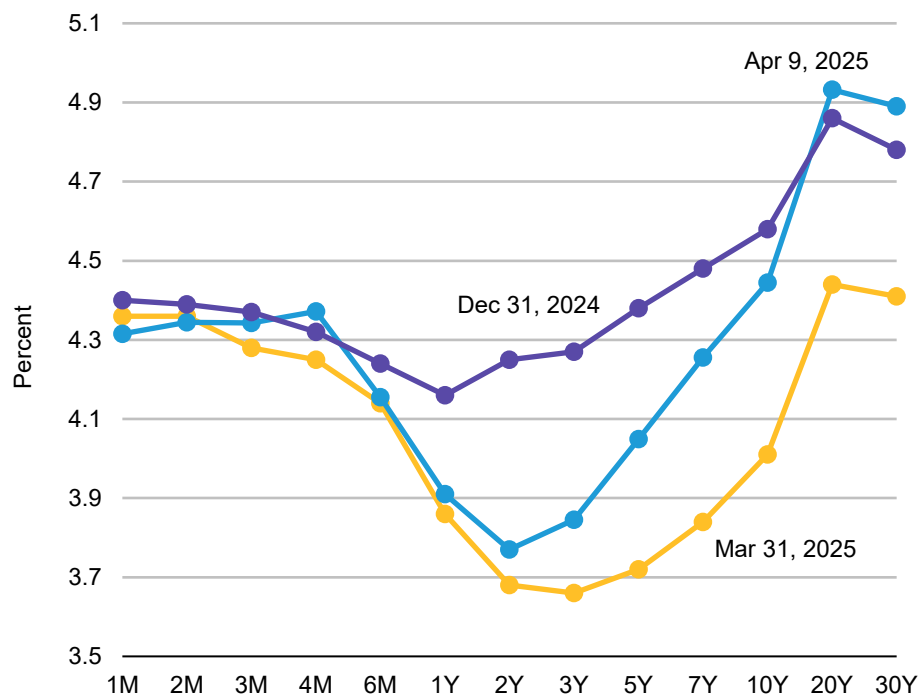


**Past performance does not guarantee future results.**

EAFE: Europe, Australasia and the Far East; EM: emerging markets; EPS: earnings per share; YoY: year-over-year  
Earnings-growth forecasts are based on consensus estimates. US is represented by S&P 500; Japan is represented by MSCI Japan; Europe is represented by MSCI EMU; emerging markets is represented by MSCI Emerging Markets.  
As of March 31, 2025  
Source: Bloomberg, FactSet, MSCI, S&P and AB

# After a Momentary Flattening, the Belly and Long End of the Curve Suddenly Steepened in a Historic Move

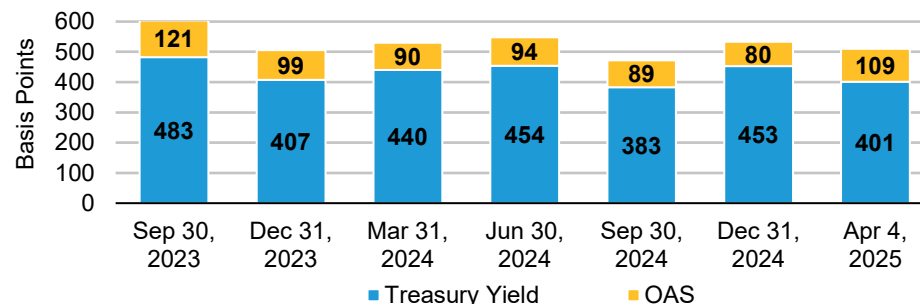
As Questions Resurfaced Over US Treasury Demand, the Long End of the Curve Saw Historic Volatility



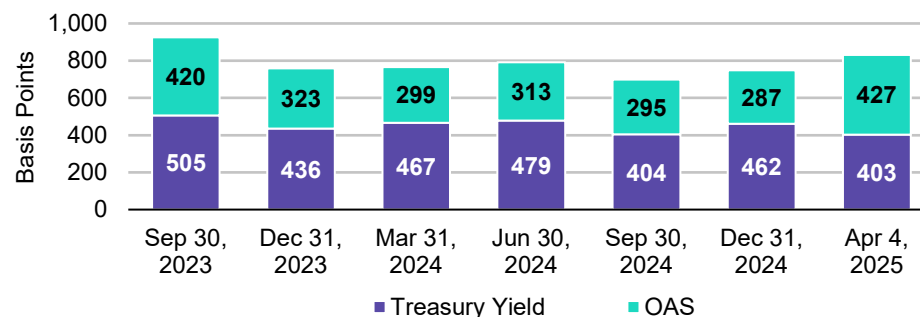
**Historical analysis does not guarantee future results.**

OAS: option-adjusted spread; YTW: yield to worst  
 Left display as of April 9, 2025; right displays as of April 4, 2025  
 Source: Bloomberg, US Department of the Treasury and AB

Investment-Grade YTW: Rates Fell as Spreads Hardly Budgeted

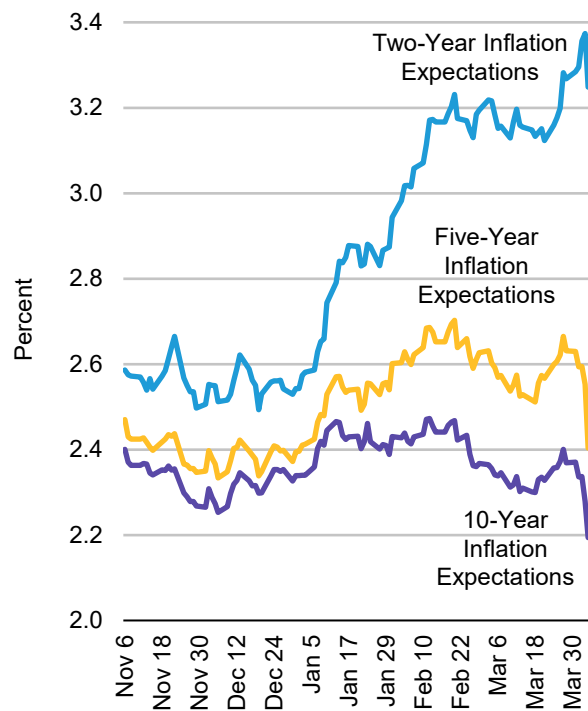


High-Yield YTW: Rates Fell, but Spreads Widened Noticeably

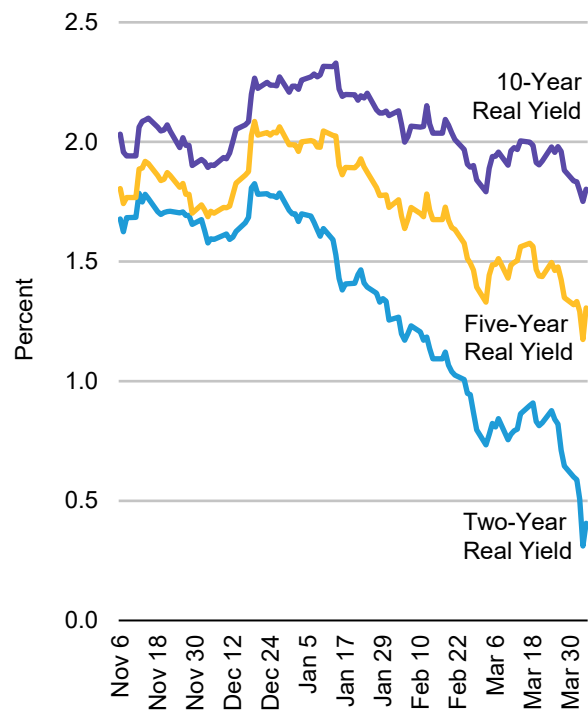


# Taking Note of the Path as the Dust Settles

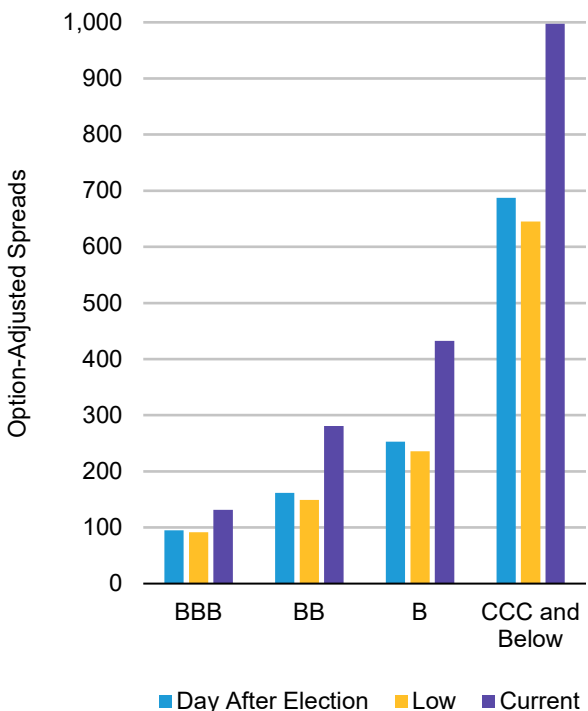
US Treasury Inflation Expectations, by Maturity



US Treasury Real Yields (TIPS), by Maturity



Option-Adjusted Spreads, by Credit Quality



Historical analysis does not guarantee future results.

TIPS: Treasury Inflation-Protected Securities

As of April 4, 2025

Source: Bloomberg, US Department of the Treasury and AB

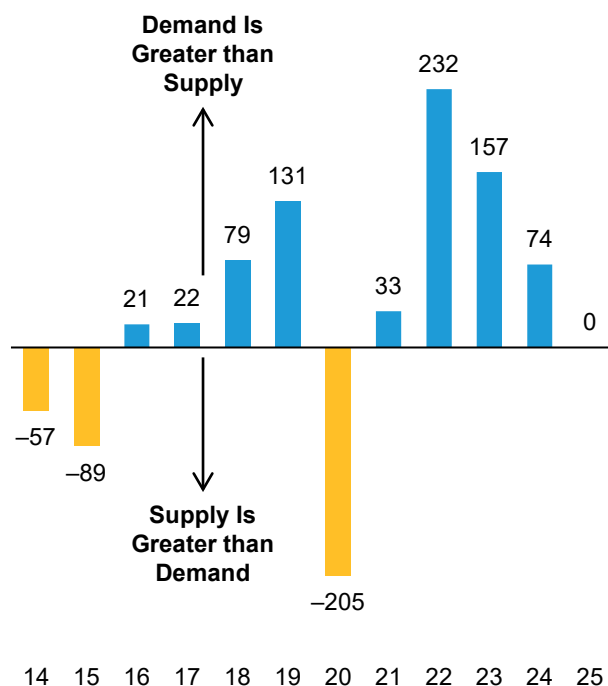




# Technicals and Fundamentals Remain Supportive of High-Yield Credit

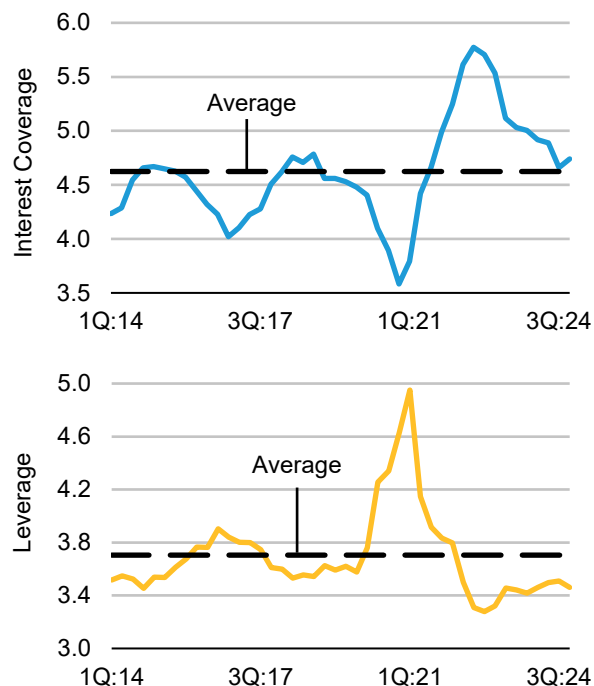
## Technicals Have Weakened, but Fundamentals Remain Supportive

USD billions



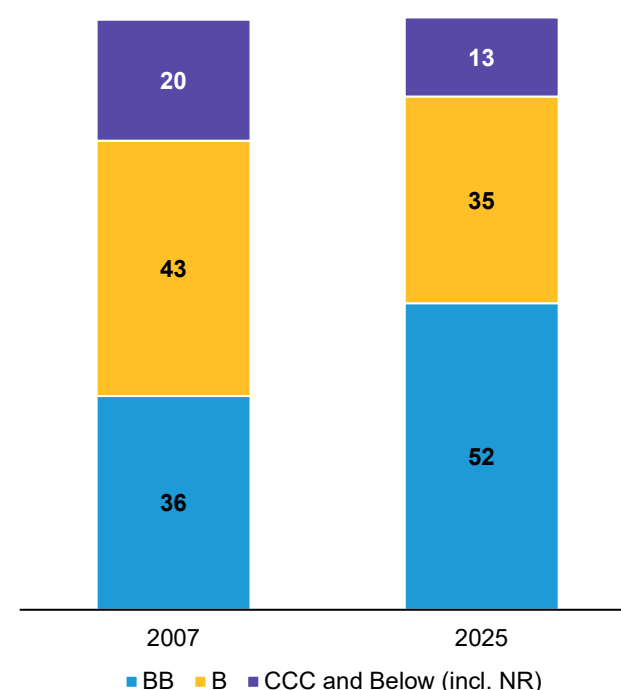
## Interest Coverage and Leverage Starting from Positions of Strength\*

Percent



## HY Index Is Much Higher Quality Today, with Fewer CCCs than Before the GFC

Percent

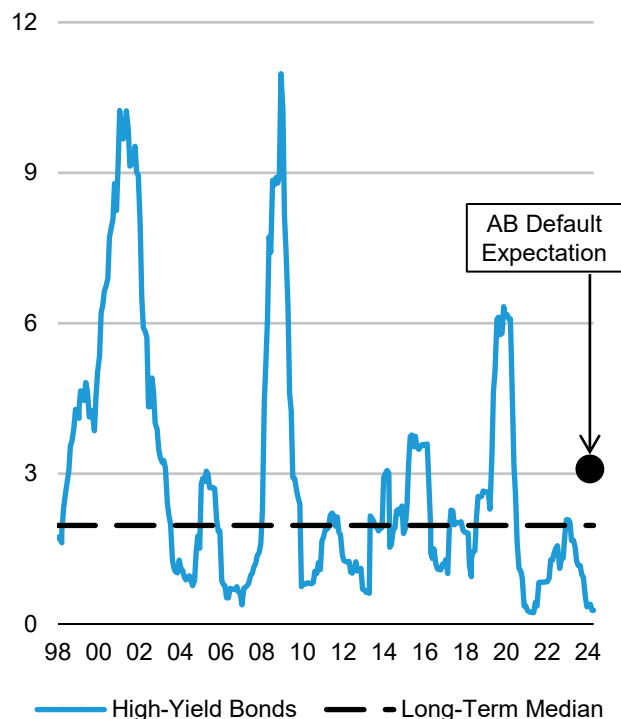


### Current and historical analyses do not guarantee future results.

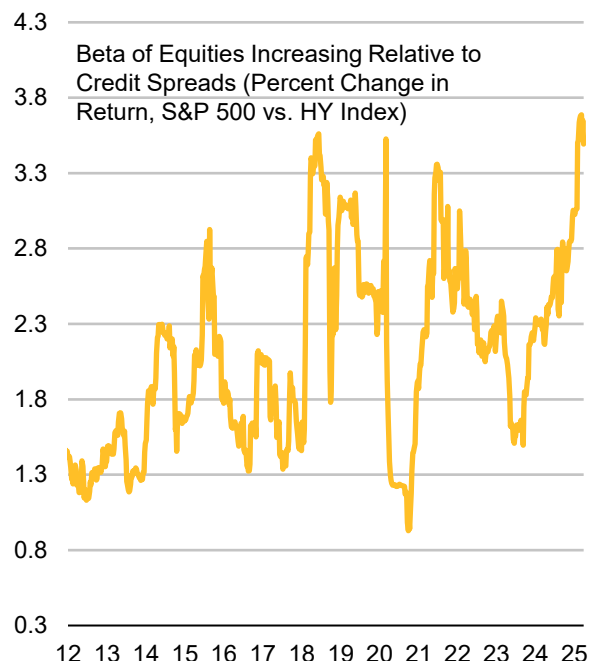
USD: US dollar; HY: high-yield; GFC: global financial crisis; NR: not rated. Left display: high-yield bond and levered loan surplus/shortfall are the difference of high-yield bond supply minus demand. High-yield bond supply is composed of the sum of gross new issuance and fallen angels. High-yield bond demand is composed of the sum of called bonds, tenders, matured bonds, rising stars, assumed 75% of coupons reinvested into market and mutual fund flows. Averages are since January 1, 2014. Rating weights are represented by quality buckets within the Bloomberg US Corporate High Yield. \*Interest coverage (EBITDA/interest); EBITDA: earnings before interest, taxes, depreciation and amortization. Left and right displays through March 31, 2025; middle display as of December 31, 2024. Source: Bloomberg, J.P. Morgan and AB

# High Yield May Provide Opportunity to Reduce Risk

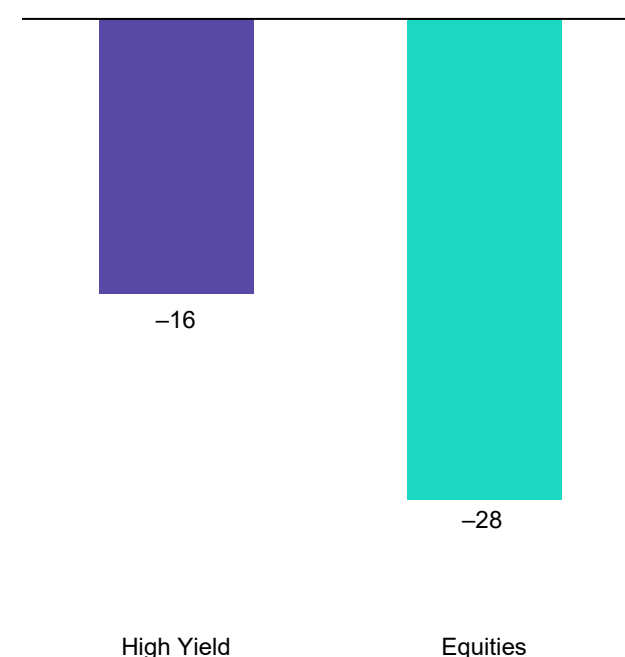
## Defaults Are Low but Are Expected to Increase to 2%–3% in the US... (Percent)



## ...While Macro Risks Are Likely to Cause Further Spread-Widening



## Average Returns from Peak to Trough During Large Equity Sell-Offs (Percent)



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

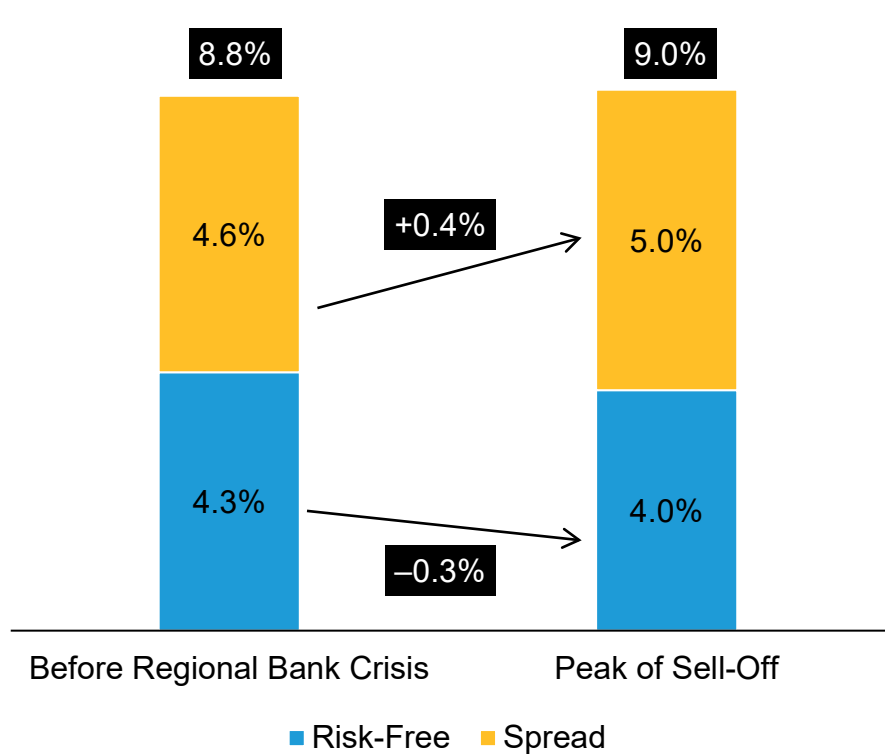
Left display: last-12-months default rates based on J.P. Morgan US High Yield Universe; right display: based on monthly returns. Large sell-offs defined as periods in which the S&P 500's return is less than -10%. Returns measured from relative peak to relative trough

As of March 28, 2025

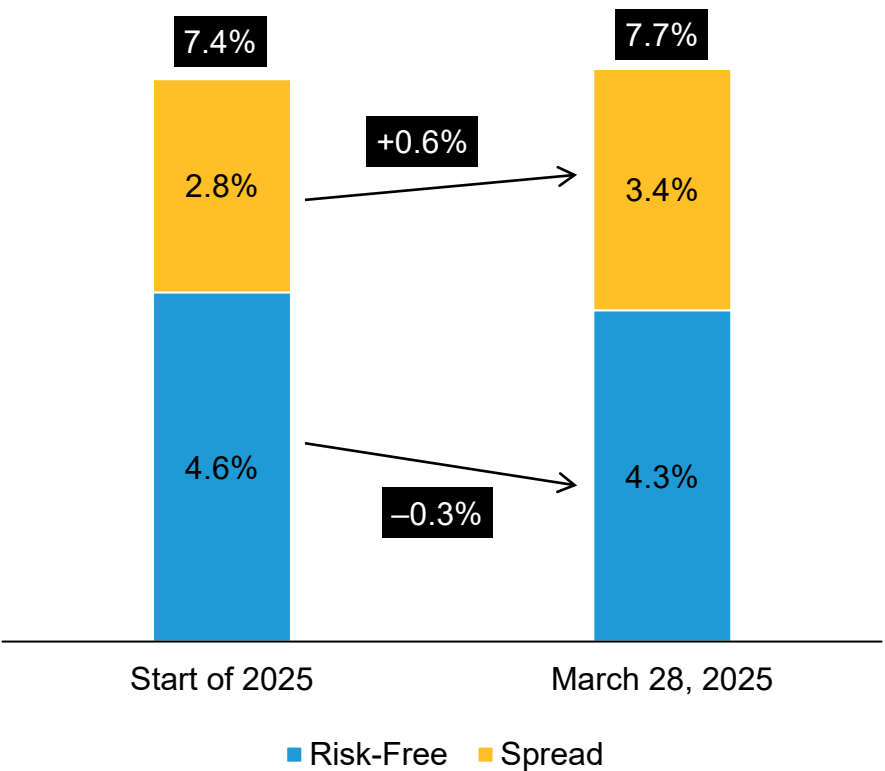
Source: Barclays, Bloomberg, J.P. Morgan and AB

# Spreads and Risk-Free Are a Ballast to Each Other

Regional Bank Crisis



2025 Year to Date

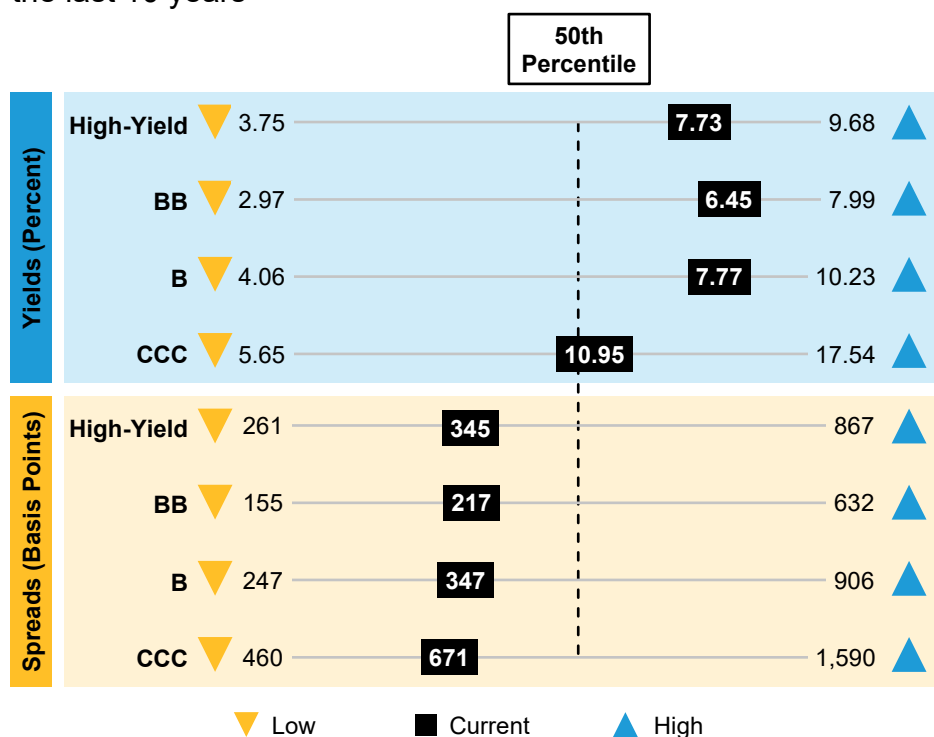


Numbers may not sum due to rounding.  
As of March 28, 2025  
Source: Bloomberg and AB

# US High-Yield: Current High-Yield Valuations May Still Lead to Attractive Future Returns

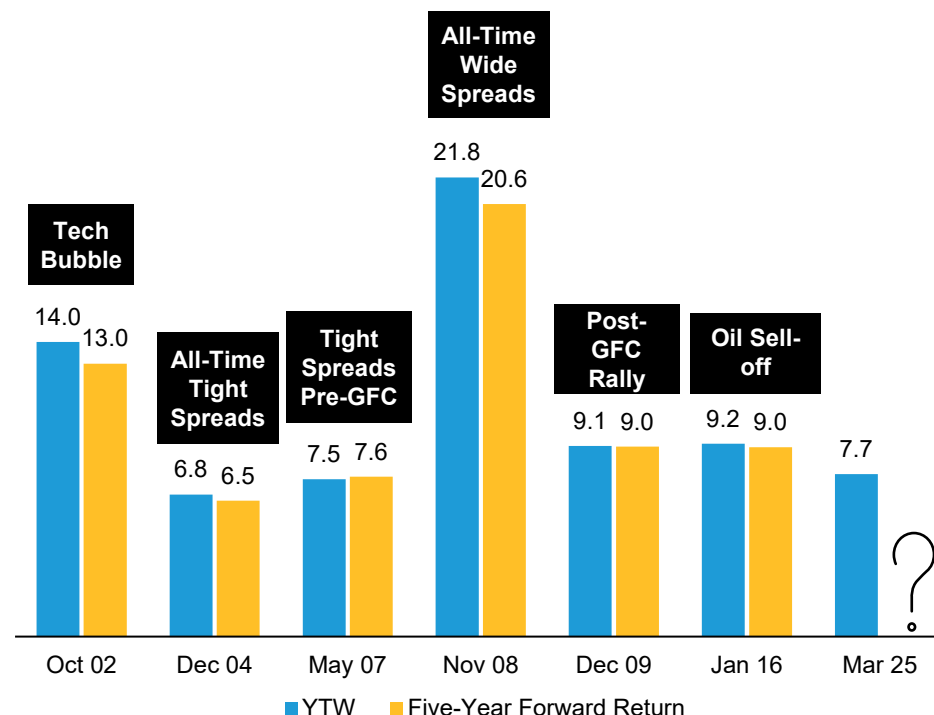
## Spreads Are Tight but Yields Are Still High

Yields on the high-yield index are above the 70th percentile over the last 10 years



## Yield to Worst Has Historically Been a Strong Predictor of Future Returns

Yield to worst and five-year forward annualized returns (percent)



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

GFC: global financial crisis; YTW: yield to worst

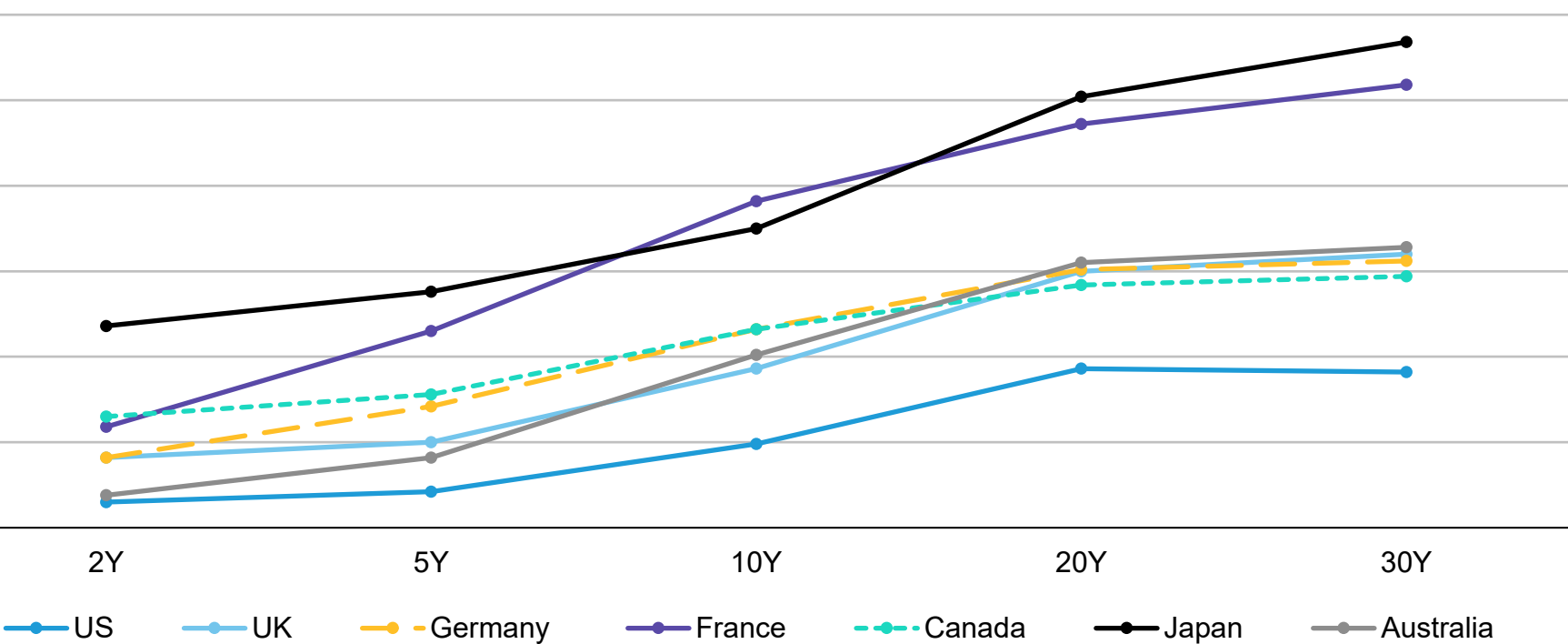
Both displays are represented by the Bloomberg US Corporate High Yield.

As of March 31, 2025

Source: Bloomberg and AB

# Globally Diverging Yields Present Opportunities for Investors

Major Developed-Market Yield Curves, Hedged  
Percent



Past performance and historical analysis do not guarantee future results.

As of April 4, 2025

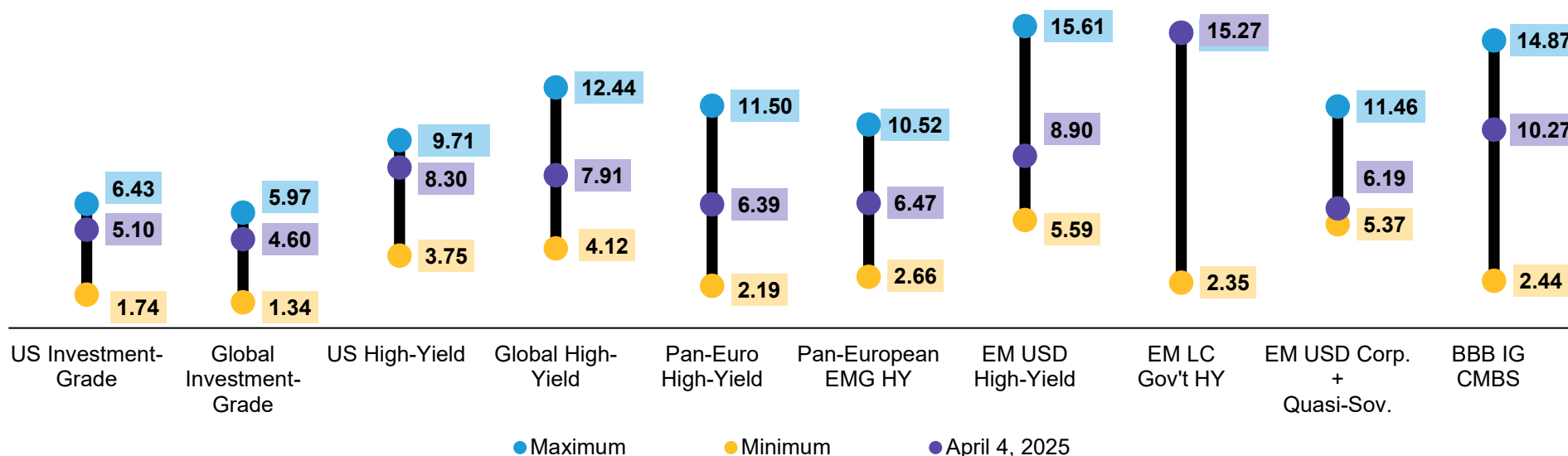
Source: Bloomberg and AB



# Beyond High-Yield: Other Opportunities Around the Globe

## Yield-to-Worst Range

January 2012–April 2025



## Past performance does not guarantee future results.

CMBS: commercial mortgage-backed securities; EM: emerging-market; EMG: emerging; HY: high-yield; IG: investment-grade; LC: local-currency; Quasi-Sov.: quasi-sovereign; USD: US dollar. Historical information is provided for illustrative purposes only. US investment-grade is represented by Bloomberg US Agg Corporate; global investment-grade by Bloomberg Global Agg Corporate; US high-yield by Bloomberg US High Yield Corporate; global high-yield by Bloomberg Global High Yield Corporate; pan-Euro high-yield by Bloomberg Pan-European High Yield; pan-European EMG HY by Bloomberg Pan European EMG High Yield; EM USD high-yield by Bloomberg EM USD Sovereign High Yield; EM LC gov't HY by Bloomberg EM Local Currency Government High Yield; EM USD corp. + quasi-sov. by Bloomberg EM USD Corp + Quasi Sovereign High Yield; BBB IG CMBS by Bloomberg CMBS IG BBB.

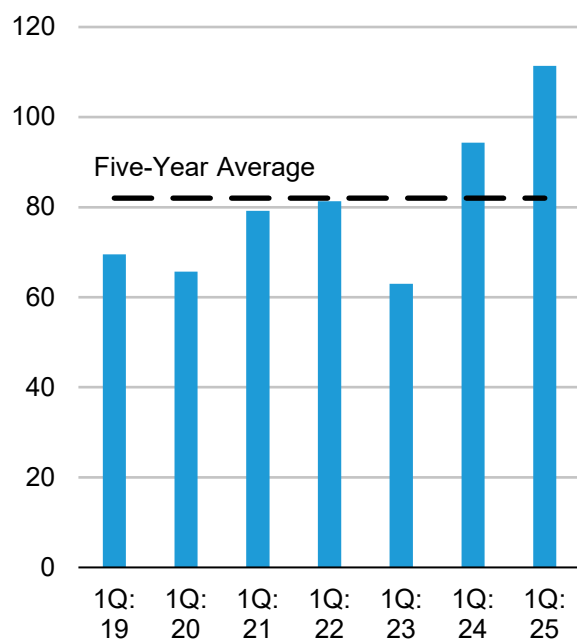
As of April 4, 2025

Source: Bloomberg and AB

# After a Strong Start, Muni Market Performance Was Challenged in March

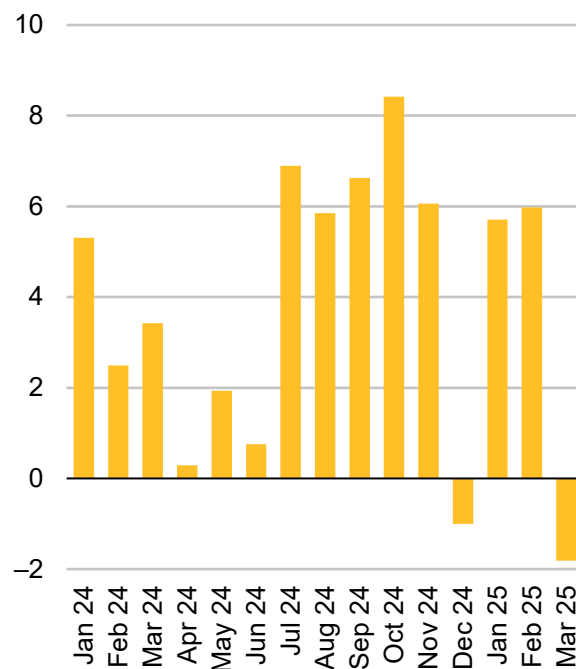
Elevated new issue supply and negative headlines were headwinds to 1Q performance

**1Q New Issue Supply Was 18% Higher than in 2024 and 45% Higher than the Five-Year Average (Billions)**

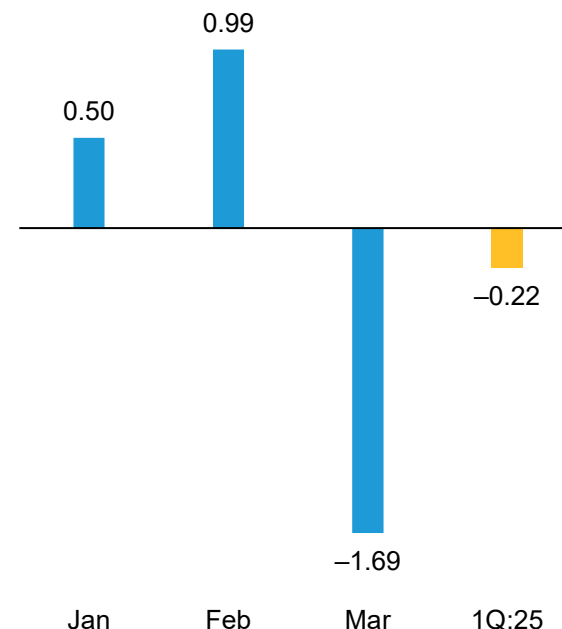


**Demand Waned as March Performance Was Weaker**

Muni MF/ETF net inflows (billions)



**Bloomberg Municipal Bond Index Performance (Percent)**



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

ETF: exchange-traded fund; MF: mutual fund

Municipal returns are represented by the Bloomberg Municipal Bond Index.

As of March 31, 2025

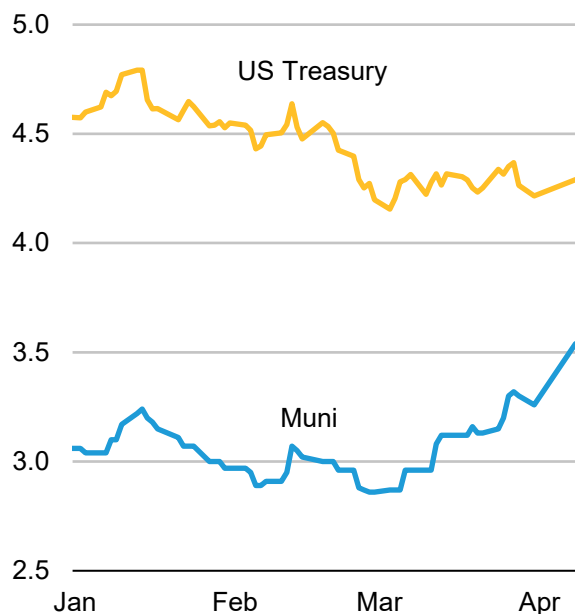
Source: Bloomberg, J.P. Morgan, Morningstar, Municipal Market Data and AB

# Municipals and Treasuries Have Moved in Opposite Directions

Municipal valuations are now very cheap across all maturities

## 10-Year Municipal and US Treasury Yields (Percent)

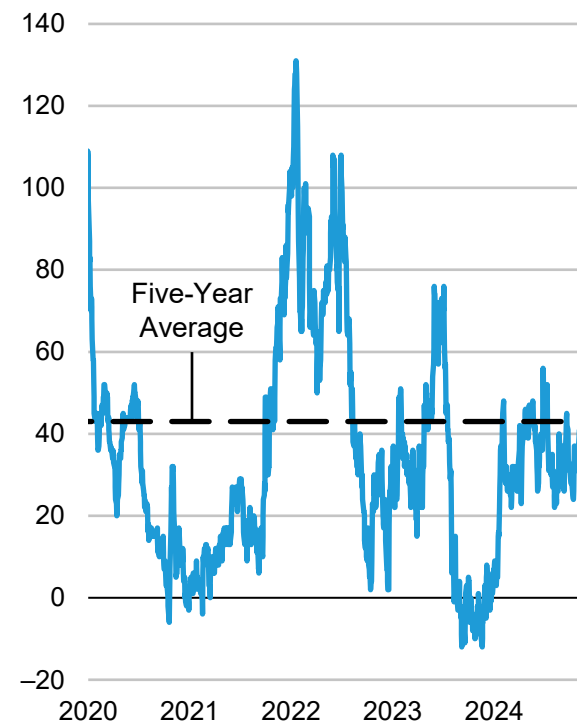
YTD Change	Muni	US Treasury
10 Year	+0.48%	-0.29%



## Municipal/Treasury After-Tax Spreads\* Basis points

Maturity	Dec 31, 2024	Apr 8, 2025	Five-Year Average
2 Yr.	30	74	16
5 Yr.	27	80	21
10 Yr.	36	100	43
15 Yr.	46	120	66
20 Yr.	74	151	76
30 Yr.	107	172	96

## 10-Year Muni/Treasury After-Tax Spreads\* (Basis Points)



**Current analysis and forecasts do not guarantee future results.**

YTD: year-to-date

\*Tax rate used is 40.8%.

As of April 8, 2025

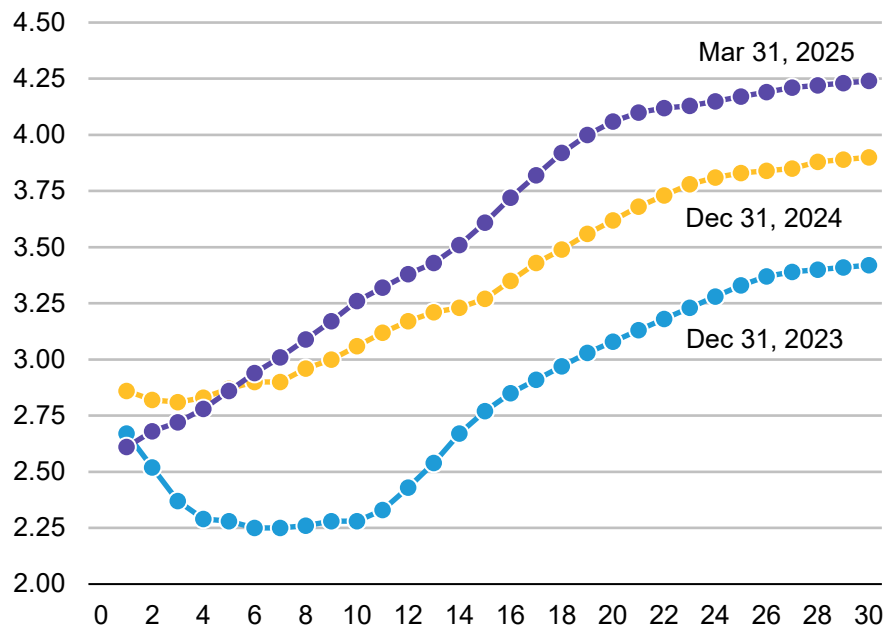
Source: Bloomberg, Morningstar, Municipal Market Data and AB



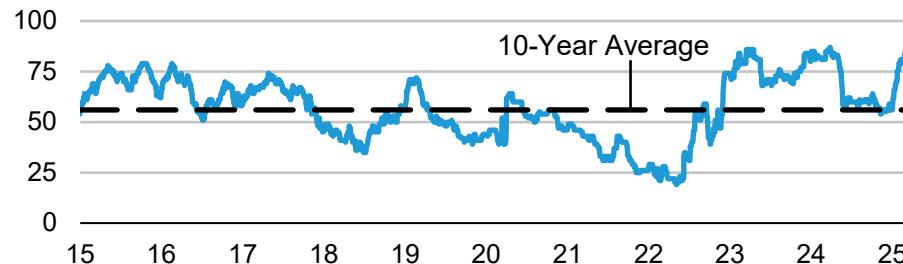
# The Municipal Yield Curve Has Become Very Steep

A barbelled maturity structure maximizes yield + roll and offers increased potential for total return

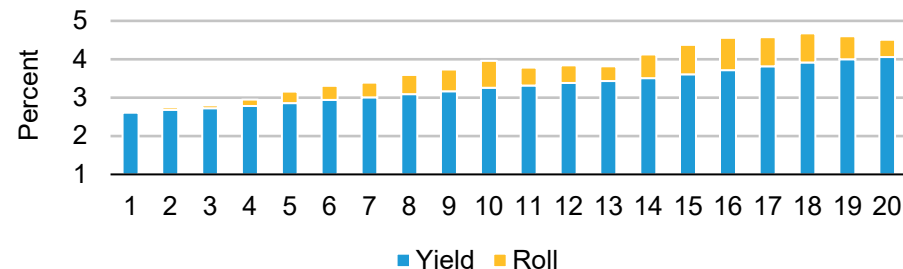
## AAA Municipal Yield Curve (Percent)



## 10s/20s Municipal Yield-Curve Slope (Basis Points)



## Yield + Bond Roll Is Maximized in 14- to 20-Year Maturities



**Past performance does not guarantee future results. There is no guarantee any investment objective will be achieved. An investor cannot invest in an index. Index figures do not reflect the deduction of management fees and other expenses an investor would incur when investing in a fund or separately managed portfolio. No representation is being made that any account will or is likely to achieve returns or a volatility profile similar to those being shown.**

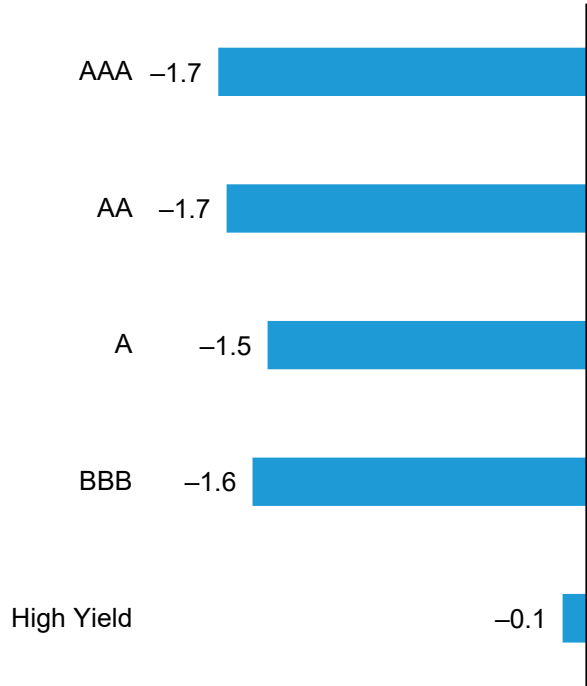
As of March 31, 2025

Source: Bloomberg, Municipal Market Data and AB

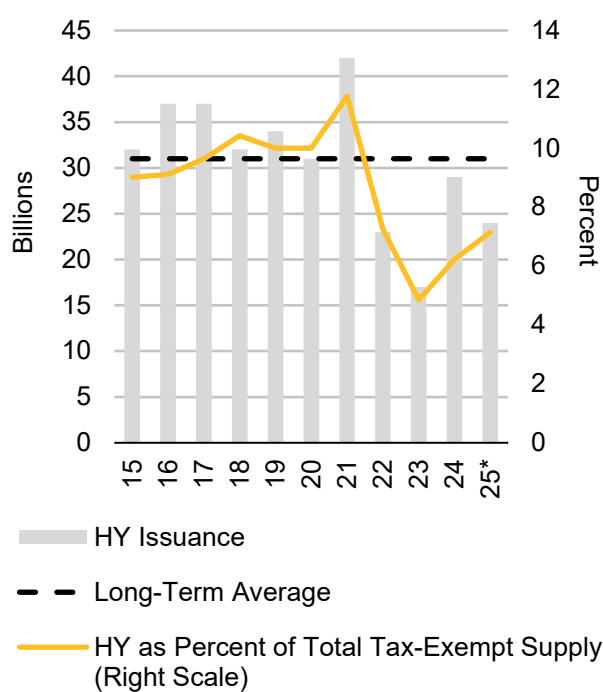
# Municipal Credit Has Held Its Value Amid Heightened Volatility

Market technicals have been firmer in municipal credit

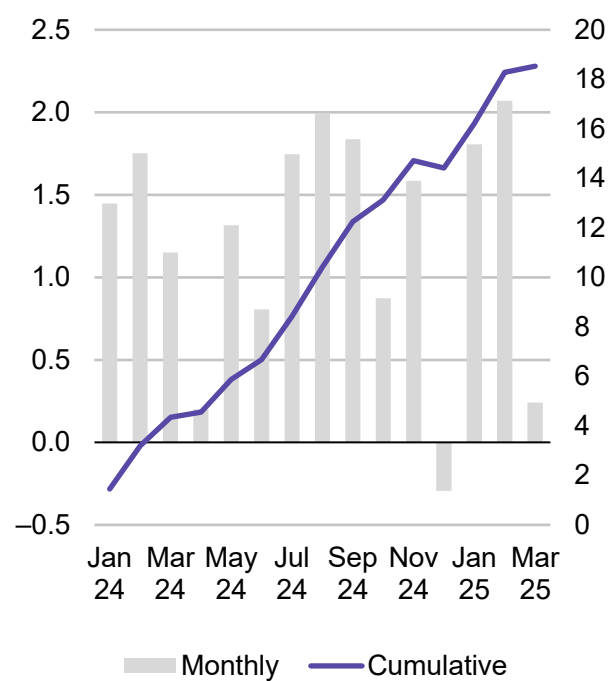
Municipal Returns by Credit Quality  
Percent



HY Issuance Remains Subdued,  
Providing a Technical Tailwind  
HY issuance



Demand Remains Robust  
Monthly HY fund/ETF flows (billions)



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

ETF: exchange-traded fund; HY: high-yield

\*Projected 2025 annualized high-yield municipal supply

Left display as of April 7, 2025; middle and right displays as of March 31, 2025

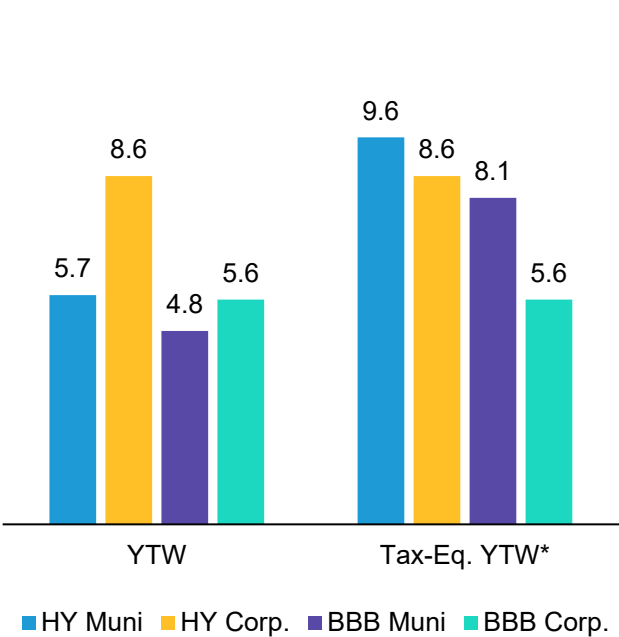
Source: Bloomberg, J.P. Morgan, Morningstar and AB



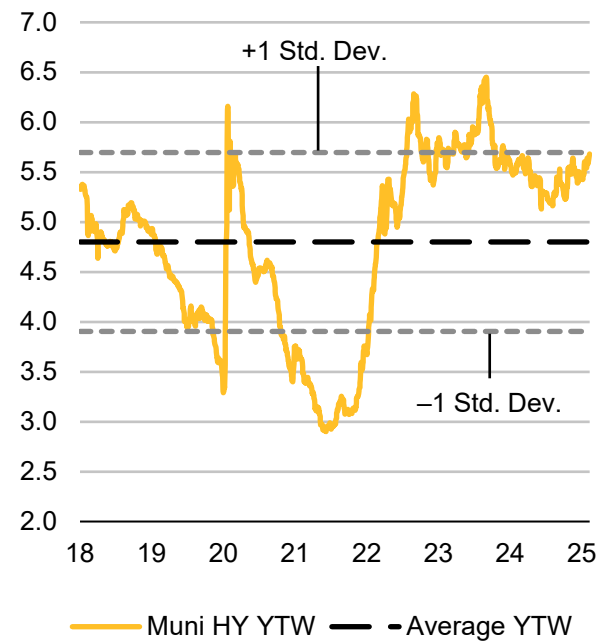
# Spreads Are Tight, but All-In Yields Remain Historically High

As spreads have narrowed, we expect yield and duration to benefit investors

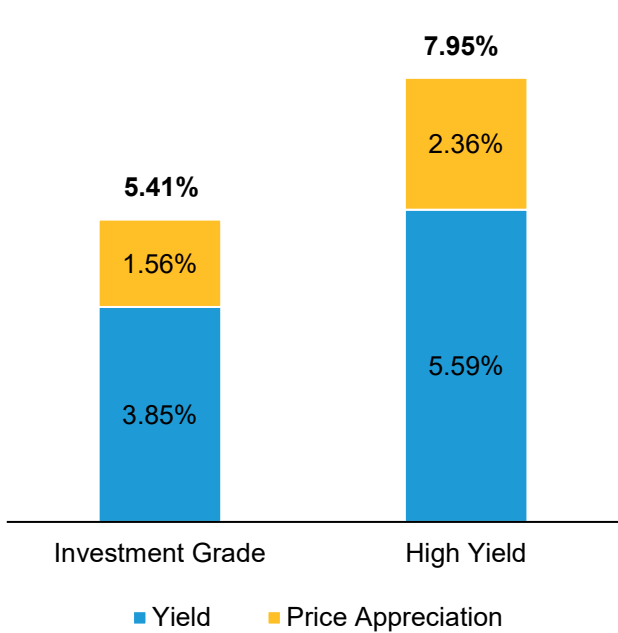
**Municipal Credit Offers Attractive Income Relative to Other Asset Classes**  
Yield to worst (percent)



**Municipal Credit Offers Attractive Income: Yield to Worst (Percent)**



**12-Month Hypothetical Returns in Falling-Interest-Rate Environment\***



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

HY: high-yield; YTW: yield to worst

\*Hypothetical returns assume municipal market yields fall 25 basis points over the next 12 months. Investment grade is represented by the Bloomberg Municipal Bond; high yield is represented by the Bloomberg Municipal Bond: High Yield. 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.

YTW data is as of April 7, 2025; all other data is as of March 31, 2025.

Source: Bloomberg and AB

# Distilling Headline Noise: How Will the Current Administration's Policies Affect the Municipal Market

## Administration Tax Policy

- The entire municipal market losing its tax-exempt status is unlikely
  - Muni bonds finance ~75% of US infrastructure
  - \$40 billion saved is a drop in the bucket as it relates to the near \$7 trillion investment
  - Few affordable infrastructure-funding alternatives
- Some sectors may be impacted more than others
  - Private activity bonds
  - Private higher education

## Federal Funding Cuts

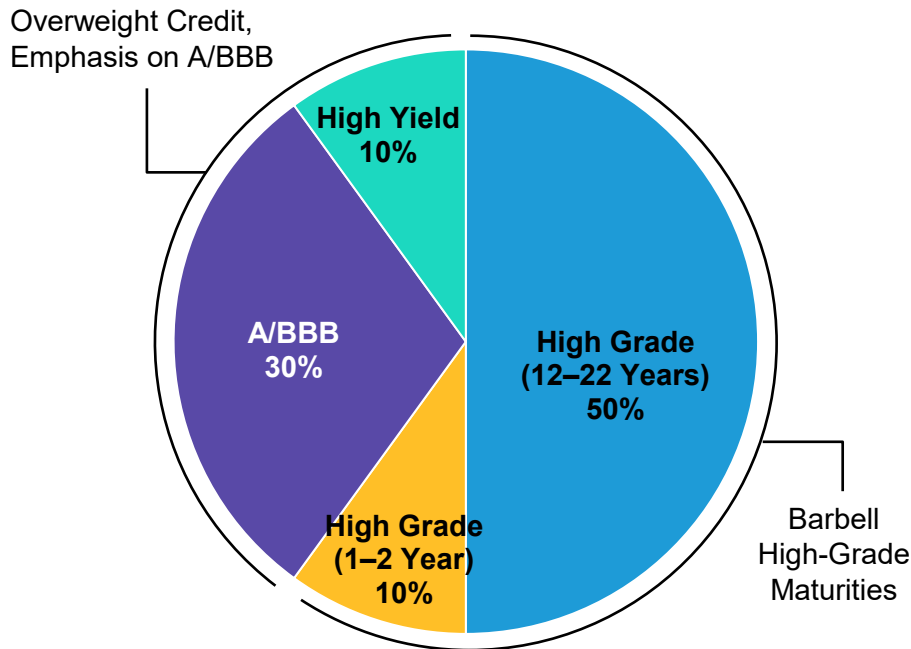
- Proposals from the Trump administration to reduce federal funding for state and local governments have been met with uncertainty regarding what this means for the municipal bond market
- Due to concerns over the national debt and higher interest rates, we view there to be a transformative shift in the federal government's role in funding state and local governments, particularly in relation to Medicaid funding
- While we believe that most issuers will be able to manage potential cuts, they could pose challenges for those already experiencing credit stress
- Healthcare and higher education are sectors that may be most impacted by potential budget cuts; this will disproportionately affect certain issuers

For illustrative purposes only. Current analysis and forecasts do not guarantee future results.

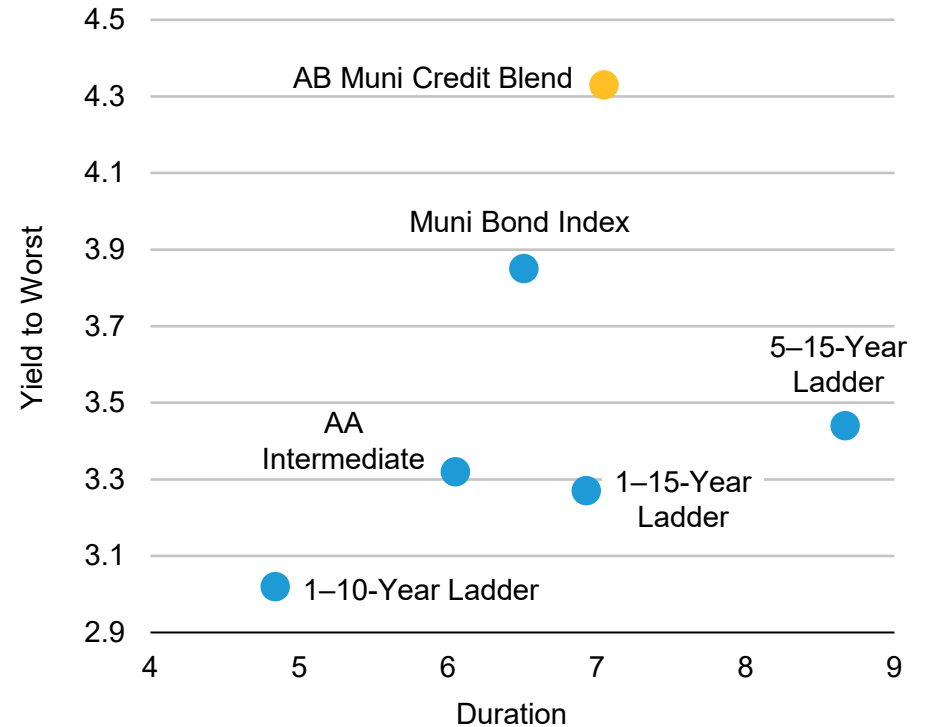
# Portfolio Construction for Today's Environment

Overweight municipal credit, overweight duration via a barbelled maturity structure

## AB Municipal Credit Blend



## Active Better Positioned than Passive (Percent)



**Current analysis does not guarantee future results. An investor cannot invest in an index. Index figures do not reflect the deduction of management fees and other expenses an investor would incur when investing in a fund or separately managed portfolio.**

AB Muni Credit Blend is a blend of Bloomberg muni indices: 60% high-grade, 30% A/BBB and 10% high-yield.

As of March 31, 2025

Source: Bloomberg and AB

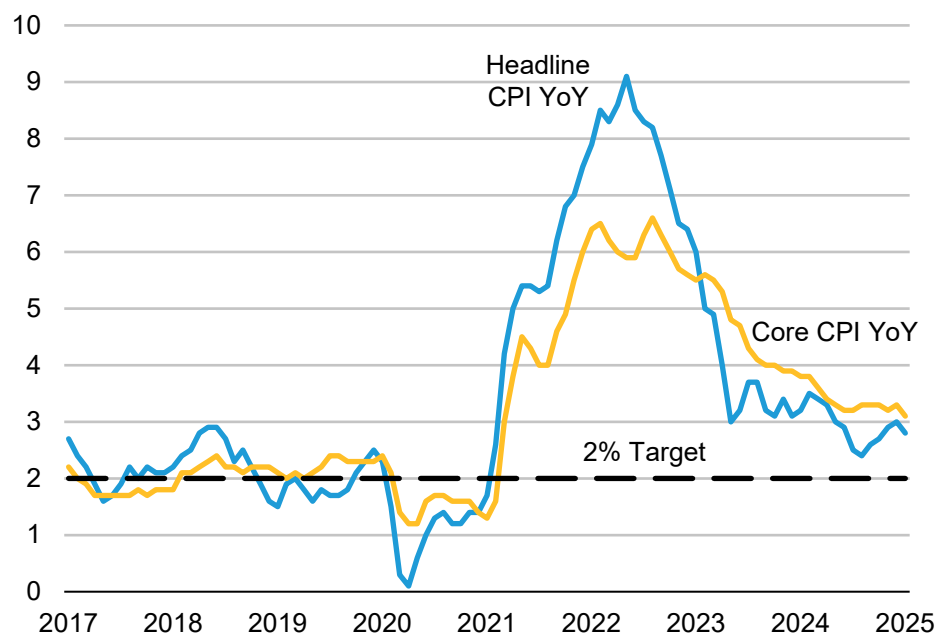
# Appendix

# What We Know: Inflation Has Gradually Made Progress Under the Surface

Inflation ex policy

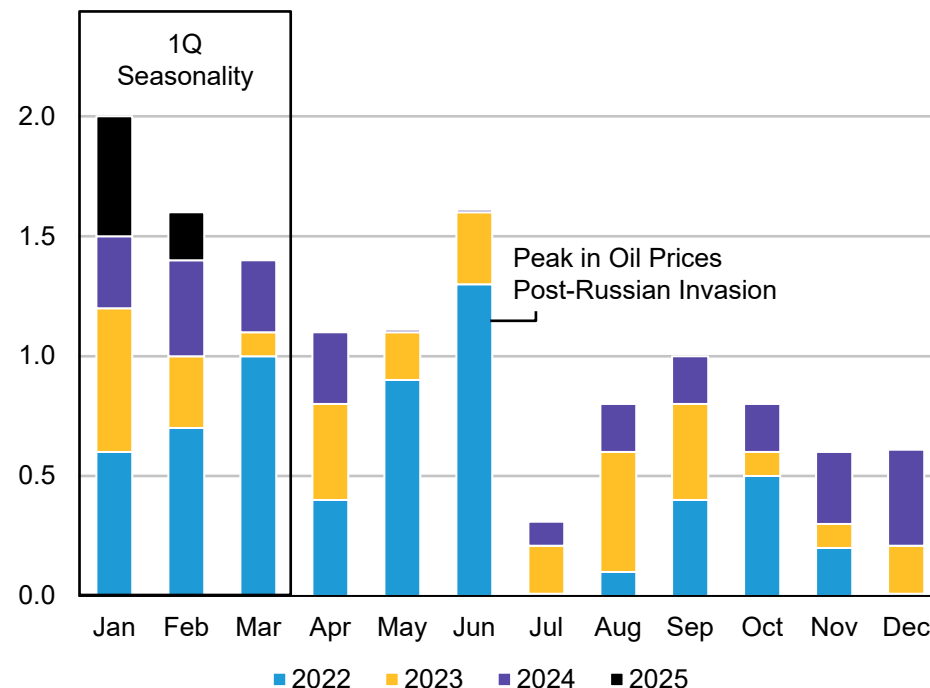
**The 30,000-Foot View: On the Surface, Inflation Appears to Have Settled Higher than the Fed's Target...**

Percent



**...However, the Data Are Partly Distorted by CPI Math, Such as Seasonality, Base Effects and Measurement Lags**

Month-over-month CPI SA (percent)



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

SA: seasonally adjusted; YoY: year over year

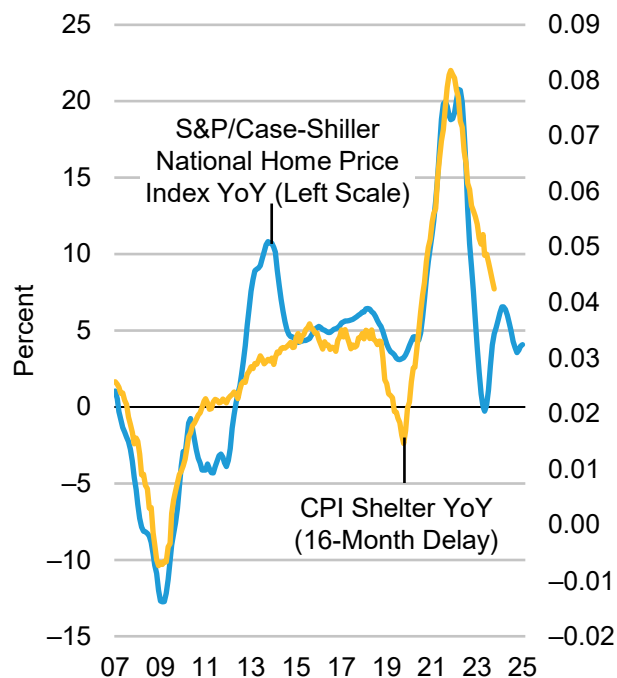
As of March 31, 2025

Source: Bloomberg, US Bureau of Labor Statistics and AB

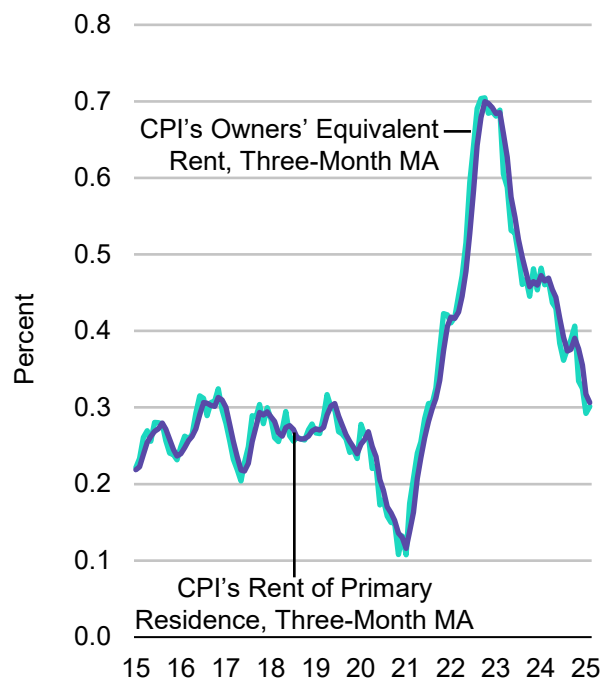
# What We Know: The Final Bastion of Pandemic Inflation Is Normalizing

Inflation ex policy

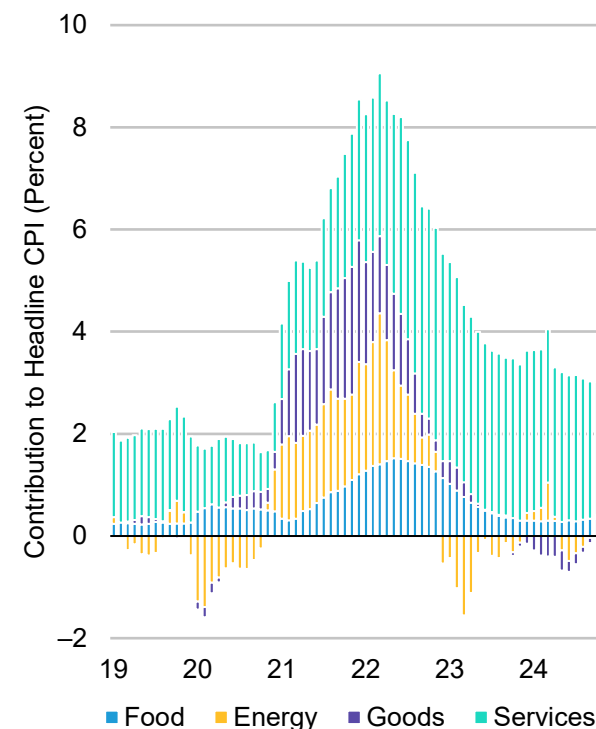
**CPI's Lagging Measurement of Shelter Prices vs. Real-Time Home Prices Suggests Continued Progress Ahead...**



**...Especially with Month-over-Month Shelter Measures Returning to Pre-Pandemic Levels**



**Ultimately, This Should Lead to a Lower Contribution from Services Within CPI, Which Has Dominated Thus Far**



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

CPI: Consumer Price Index; MA: moving average; YoY: year over year

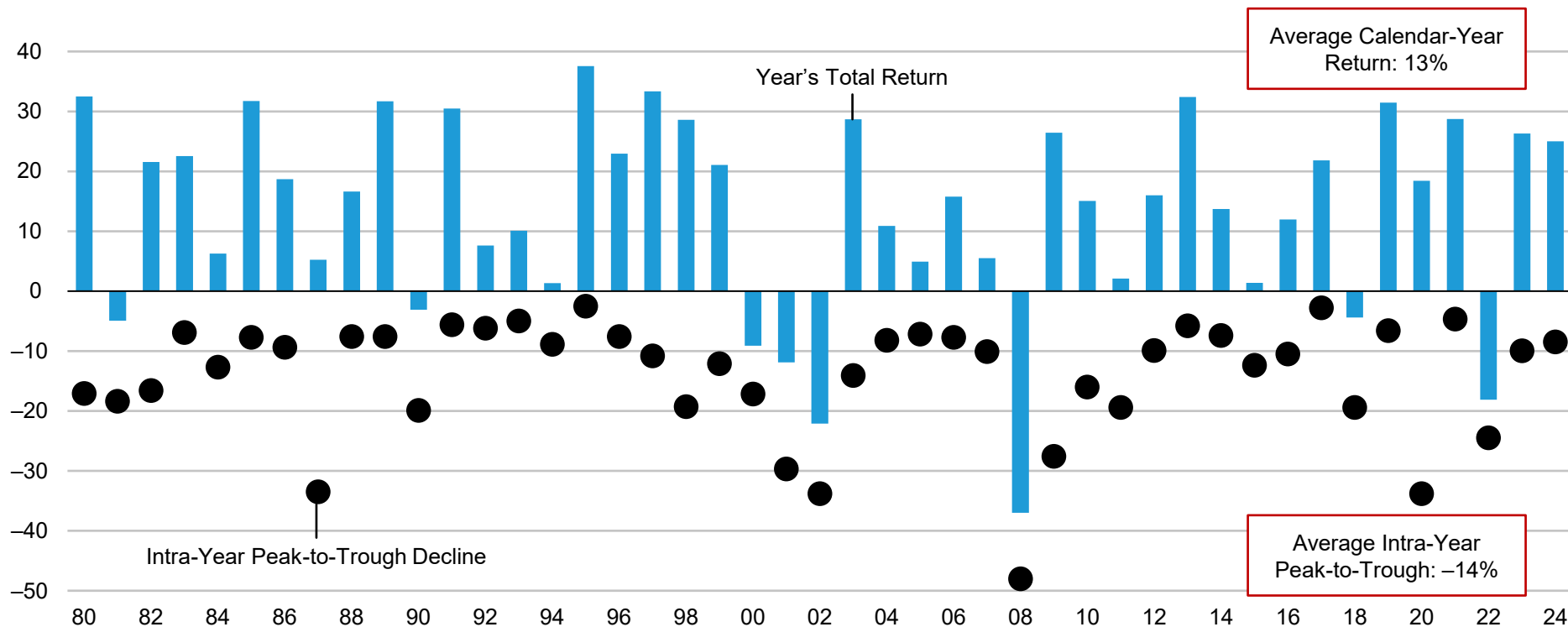
Through March 31, 2025

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



# US Stocks Have Risen in Most Years Despite Intra-Year Corrections

**S&P 500 by Calendar Year**  
Percent



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

As of December 31, 2024

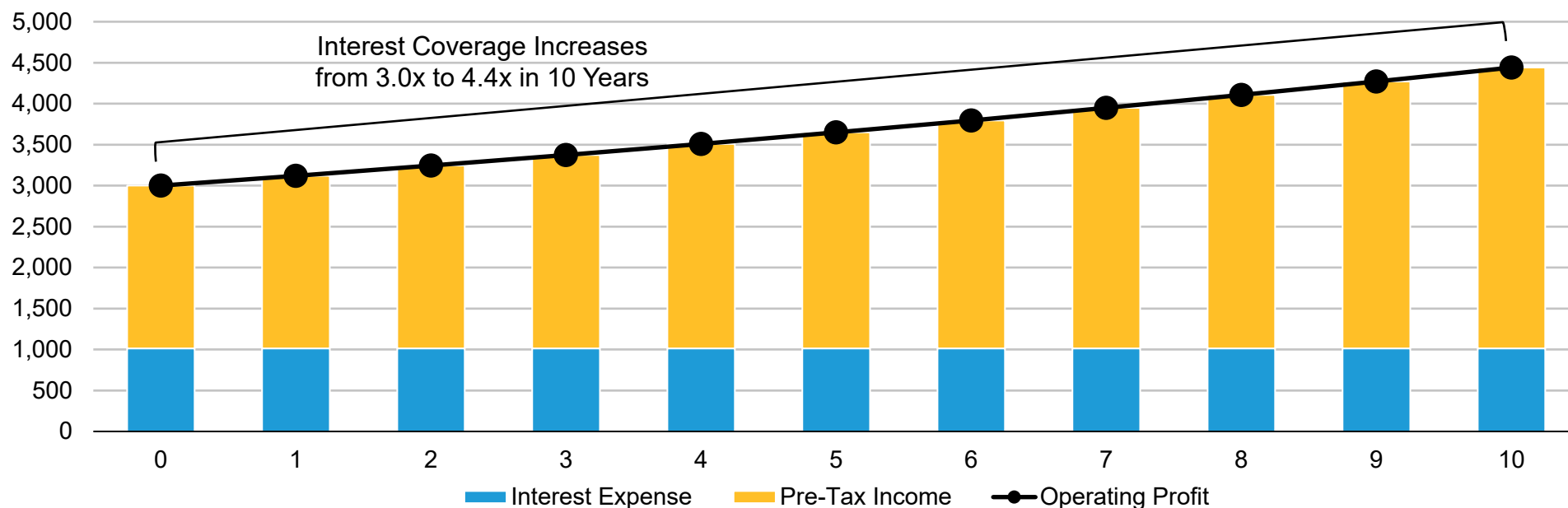
Source: FactSet, S&P and AB

# Moderate Inflation Can Also Be a Good Thing for Credit Fundamentals

Ability to service debt increases as operating profits grow and interest remains fixed

## Illustration: Hypothetical Company Financials

USD billions



- Company issues \$15 billion in debt at 6.75% rate of interest
- Operating profits (revenues – cost of goods sold – SG&A) are currently \$3 billion
- Assumes revenues and costs inflate at 4% per year

### Past performance does not guarantee future results.

SG&A: selling, general and administrative expenses

As of June 30, 2024

Source: Bloomberg and AB

# Disclosures and Important Information

Hypothetical, back-tested or simulated performance has many inherent limitations, only some of which are described herein. The hypothetical performance shown herein has been constructed with the benefit of hindsight and does not reflect the impact that certain economic and market factors might have had on the decision-making process. No hypothetical, back-tested or simulated performance can completely account for the impact of financial risk in actual performance. Therefore, it will invariably show better rates of return. The hypothetical performance results herein may not be realized in the actual management of accounts. No representation or warranty is made as to the reasonableness of the assumptions made or that all assumptions used in constructing the hypothetical returns have been stated or fully considered. Assumption changes may have a material impact on the returns presented. This material is not representative of any particular client's experience. Investors should not assume that they will have an investment experience similar to the hypothetical, back-tested or simulated performance shown. There are frequently material differences between hypothetical, back-tested or simulated performance results and actual results subsequently achieved by any investment strategy. Prospective investors are encouraged to contact the representatives of the investment manager to discuss the methodologies (and assumptions) used to calculate the hypothetical performance shown herein.

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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, the bond rating 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 that 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 CMBS IG BBB Index:** Measures the market of US Agency and US Non-Agency conduit and fusion CMBS deals with a minimum current deal size of \$300 million
- **Bloomberg EM Local Currency Government High Yield Index:** Measures the performance of local-currency emerging-markets debt
- **Bloomberg EM USD Corp + Quasi Sovereign High Yield Index:** Measures fixed and floating-rate US dollar–denominated debt issued from sovereign, quasi-sovereign and corporate EM issuers. Country eligibility and classification as Emerging Markets is rules-based and reviewed annually using World Bank income group and International Monetary Fund (IMF) country classifications
- **Bloomberg EM USD Sovereign High Yield Index:** Measures US dollar–denominated debt issued by emerging market sovereigns, government guaranteed, and 100% government owned emerging market issuers. Country eligibility and classification as emerging markets is rules-based and reviewed annually using World Bank income group and International Monetary Fund (IMF) country classifications
- **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 6)
- **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, commercial mortgage-backed security high-yield and pan-European emerging-markets high-yield indices
- **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 6)
- **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 6)
- **Bloomberg Municipal Bond Index:** A rules-based, market value–weighted index engineered for the long-term tax-exempt bond market. (Represents municipals on slide 6)
- **Bloomberg Pan-European High Yield Index:** Measures the market of noninvestment-grade, fixed-rate corporate bonds denominated in the following currencies: euro, Danish krone, Norwegian krone, pound sterling, Swedish krona and Swiss franc. Inclusion is based on the currency of issue, and not the domicile of the issuer. The index excludes emerging-market debt

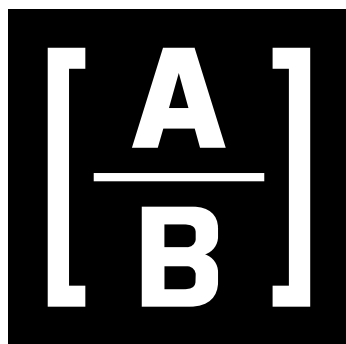
# Index Definitions (cont.)

- **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 (agency fixed-rate and hybrid adjustable rate mortgage pass-throughs), asset-backed securities and commercial mortgage-backed securities
- **Bloomberg US Corporate BAA Index:** Measures the Baa-rated, fixed-rate, taxable corporate bond market. It includes USD-denominated securities publicly issued by US and non-US industrial, utility and financial issuers
- **Bloomberg US Corporate High-Yield Bond Index:** Represents the corporate component of the Bloomberg US High-Yield Index. (Represents US high yield on slide 6)
- **Bloomberg US High Yield Index:** Covers the universe of fixed-rate, non-investment-grade debt. Eurobonds and debt issues from countries designated as emerging markets (sovereign rating of Baa1/BBB+/BBB+ and below using the middle of Moody's, S&P and Fitch) are excluded, but Canadian and global bonds (SEC registered) of issuers in non-emerging-market growth countries are included. Original issue zeroes, step-up coupon structures, 144-As and pay-in-kind bonds (PIKs, as of October 1, 2009) are also included
- **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 6)
- **Bloomberg US Large Cap ex Magnificent 7 Total Return Index:** A float-adjusted market cap–weighted benchmark designed to measure the most highly capitalized US companies, excluding members of the Bloomberg Magnificent 7 Index (Alphabet Inc., Amazon, Apple, Meta Platforms, Microsoft, NVIDIA, Tesla)
- **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 6)
- **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 6)
- **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 6)
- **MSCI Low Volatility Index:** Aims to reflect the performance characteristics of a minimum variance strategy applied to the MSCI large- and mid-cap equity universe across 23 developed-market countries
- **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

## Index Definitions (cont.)

- **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 6)
- **S&P 500:** Includes a representative sample of 500 leading companies in leading industries of the US economy. (Represents US large-cap on slide 6)

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