



ALLIANCEBERNSTEIN®

# Capital Markets Outlook

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At the Intersection of AI and  
All the Other Stuff

Second Quarter 2026

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

# Timeline of AB's Capital Markets Outlook Themes



Current analysis does not guarantee future results.

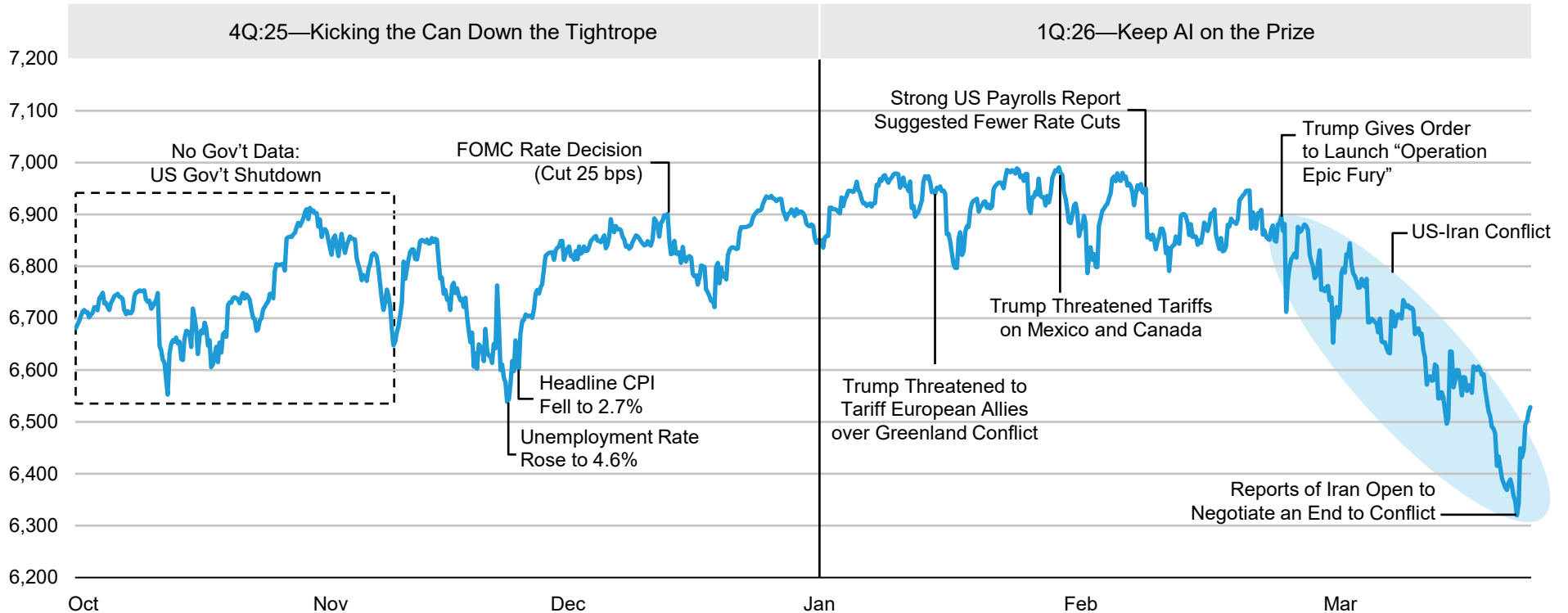
Source: AB



# The Market Intersection in Focus

Much like 2Q:23, 2Q:24 and 2Q:25, markets find themselves at a crossroads in 2Q:26

## S&P 500 Price Chart (in USD)



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

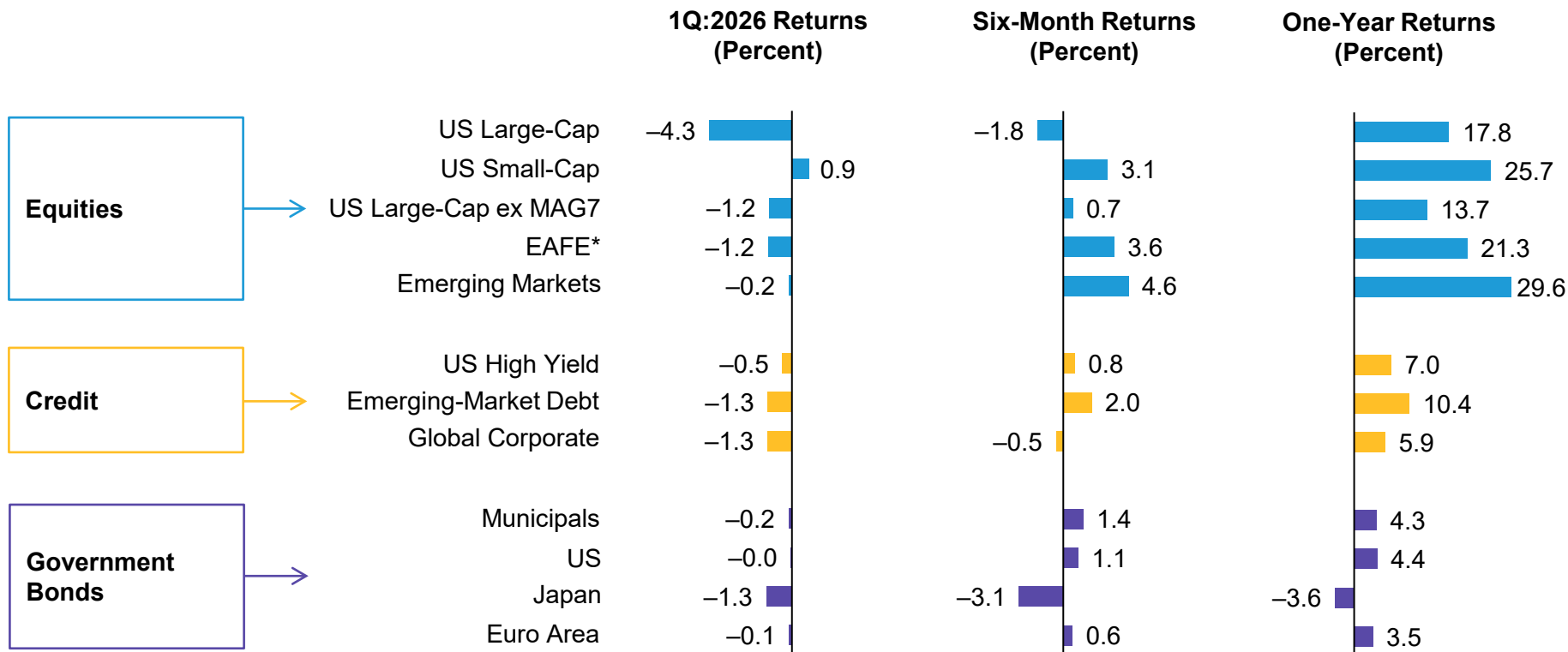
bps: basis points; FOMC: Federal Open Market Committee

Returns are price returns; event dates are approximate.

Through March 31, 2026

Source: Bloomberg, Federal Reserve, Institute for Supply Management, S&P, US Bureau of Labor Statistics and AB

# US Equities Posted Its Worst Two-Quarter Stretch 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.

\*Europe, Australasia and the Far East

As of March 31, 2026

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

# Macro Outlook: The Seemingly Irreducible Fraction

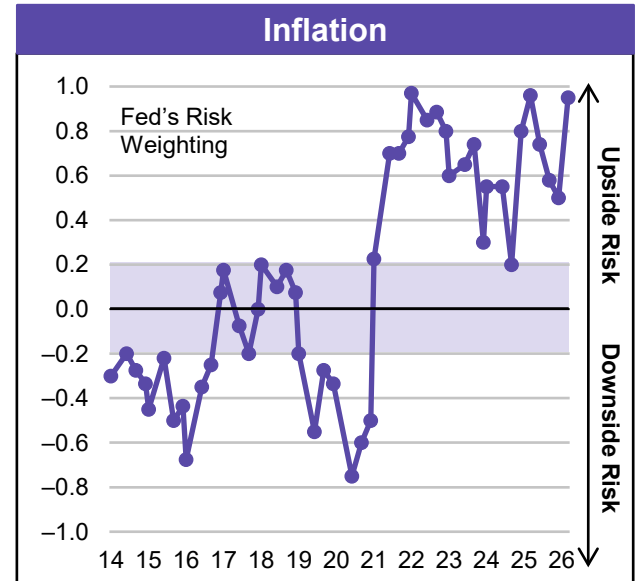
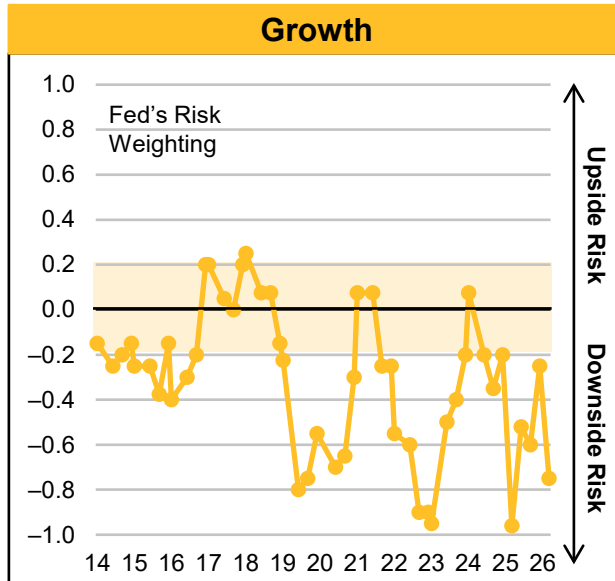
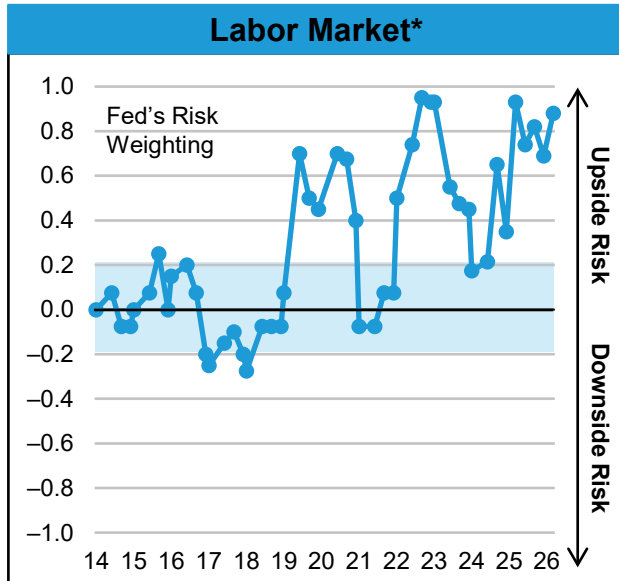
The macro picture refuses to simplify any further

## Rates

“Effectively there is zero net job creation. So, you have a zero-employment growth equilibrium. Now, that is balance. **But I would say it does have a feel of downside risk. And it’s not a really comfortable balance.**”

“Available indicators suggest **economic activity is expanding at a solid pace...**[but] if we have a long period of much higher gas prices, that’s going to weigh on consumption, that will weigh on disposable income.”

“Total core inflation, it’s about 3%, and **some big chunk of that, between a half and three quarters, is tariffs,** so we’re looking for progress on that. The question of...energy inflation doesn’t...arise until we have...checked that box.”



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

\*Labor market upside/downside risk is in relation to the unemployment rate. Quotes are from Jerome Powell on March 18, 2026. The shaded areas are considered risk weightings that are more neutral. Indices represent the number of Federal Open Market Committee 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, 2026. Source: Federal Reserve and AB

# Inflation and the Terrible, Horrible, No Good, Very Bad 2020s

## Back-to-Back-to-Back-to-Back-to-Back Supply Shocks

	COVID-19 Pandemic		Russian Invasion of Ukraine	Global US Tariffs	Closure of the Strait of Hormuz
	Lockdown	Reopening			
Description	Countries/economies shut down as their populations were ordered to quarantine inside	COVID-19 vaccines and subsequent virus mutations led to an uneven reopening process	Russia invaded Ukraine, leading to sanctions on Russian trade, most notably energy and food products	The US implemented tariffs on virtually every trading partner	During the US bombing of Iran, the Strait of Hormuz—through which roughly 20% of global oil flows—was effectively closed
Start Date	Feb 2020	Dec 2020	Feb 2022	Apr 2025	Feb 2026
Last Occurrence (Year*)	1918	1919	1945	1930	Never
Time Since Last	102 Years	101 Years	77 Years	95 Years	N/A

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

\*1918: Spanish flu; 1919: Spanish flu reopening; 1945: WWII; 1930: Smoot-Hawley Tariff Act

As of March 31, 2026

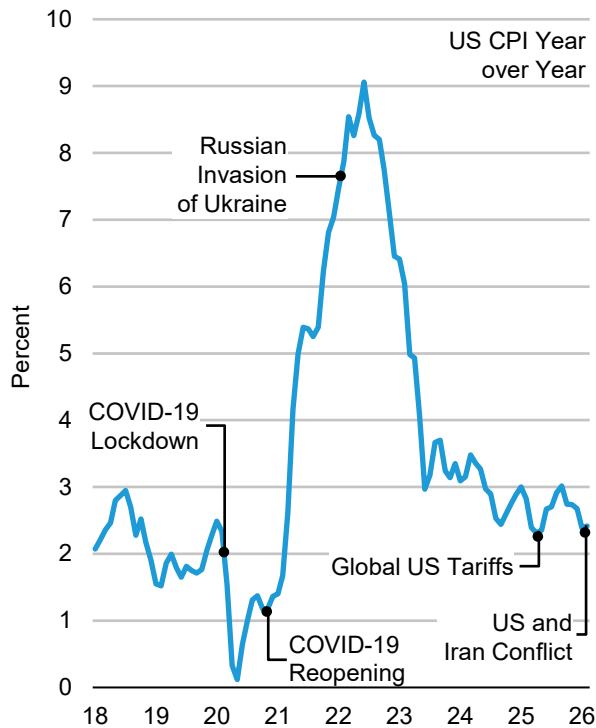
Source: AB



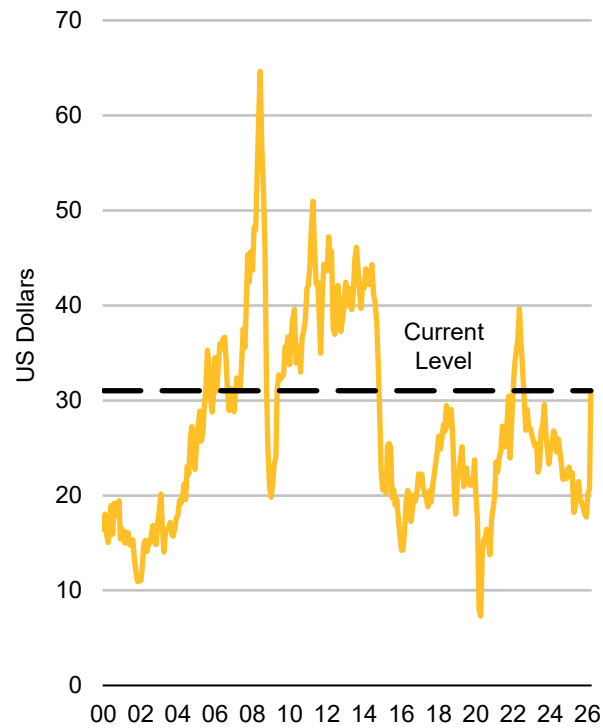
# Inflation with the [Insert Once-in-a-Generation Event] Overlay

Inflation with the Iran overlay

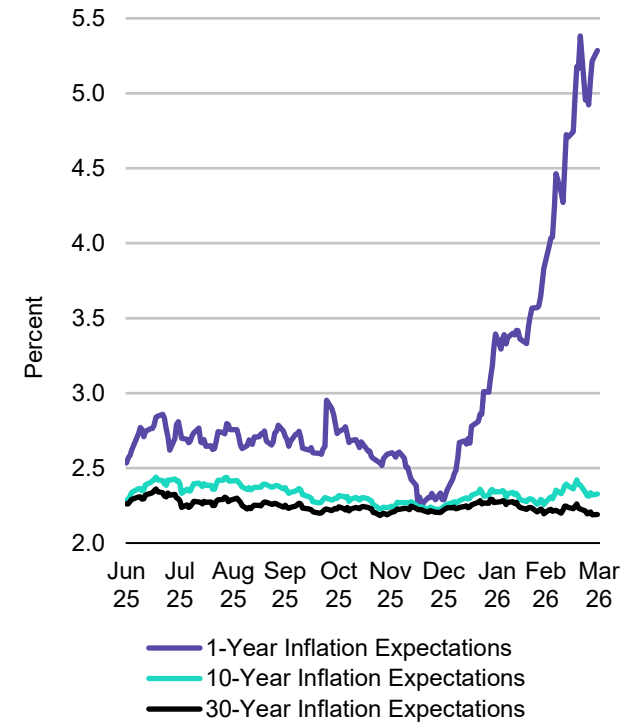
## Iran Represents Yet Another Historic Inflation Shock in the 2020s



## Fortunately, Inflation-Adjusted Oil Prices Have Remained Within Reason...



## ...and Supply-Side Shocks Historically Don't Affect Long-Term Monetary Policy



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

As of March 31, 2026

Source: Bloomberg, US Bureau of Labor Statistics and AB



# Inflation ex Iran

Looking through the energy shock, inflation continues to make slow progress

## Key Areas to Watch When Tracking Inflation

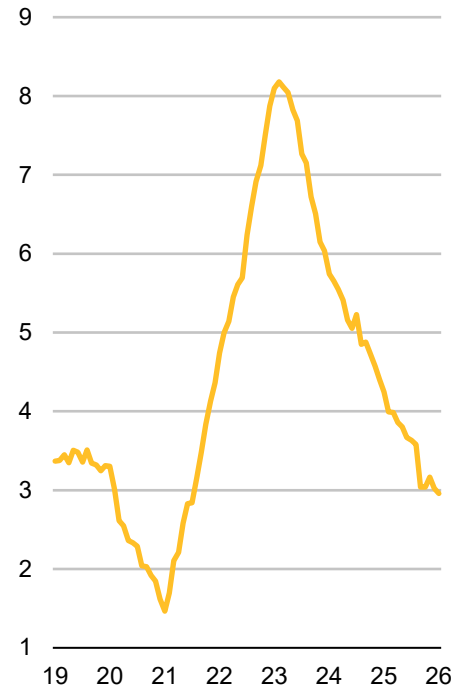


What we want to see for this year is continued progress on **housing** [inflation], finally seeing **goods** inflation come back down because the one-time effects of tariffs are through, and also get help from **nonhousing services** [inflation].

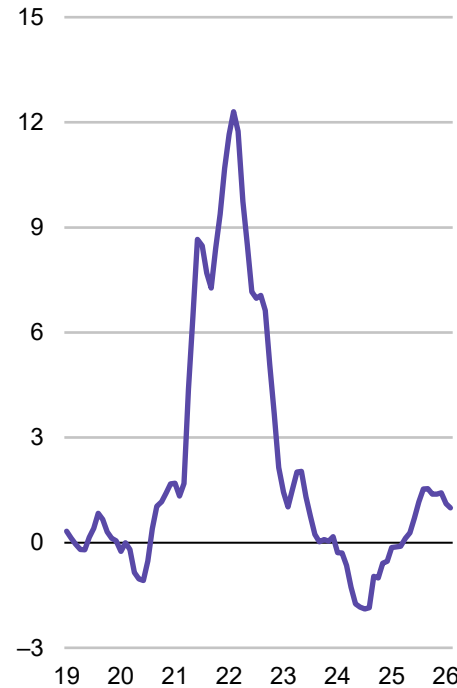
...if we don't see that [tariff] progress, then you won't see a rate cut."

—Jerome Powell  
March 18, 2026

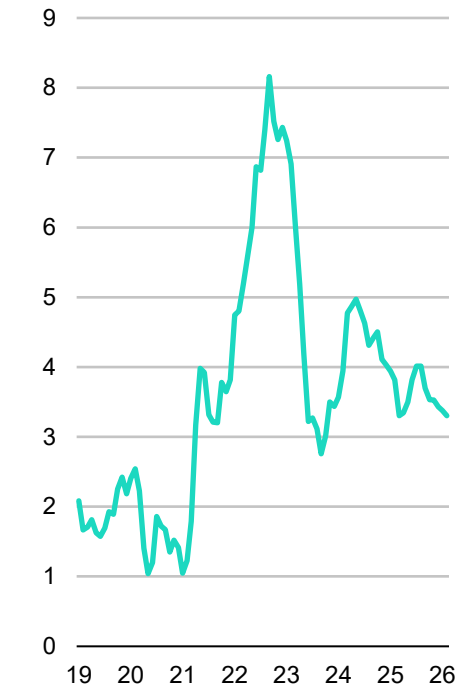
## Housing Prices YoY Percent



## Goods Prices YoY Percent



## Nonhousing Services YoY Percent



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

YoY: year over year

As of March 31, 2026

Source: Federal Reserve, US Bureau of Labor Statistics and AB

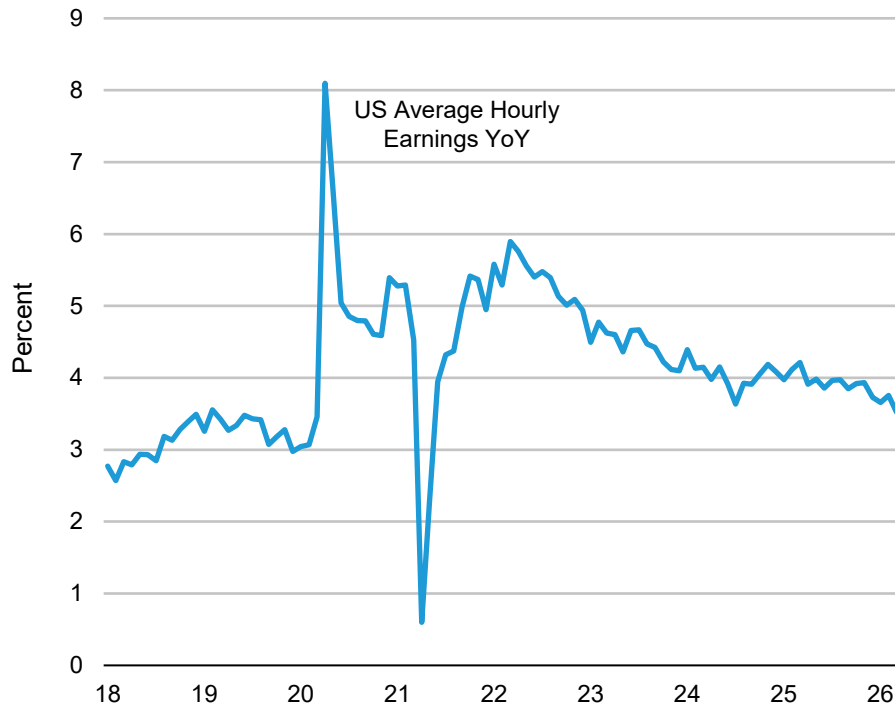


# Inflation: What Else to Watch

Forward-looking inflation indicators remain well-behaved

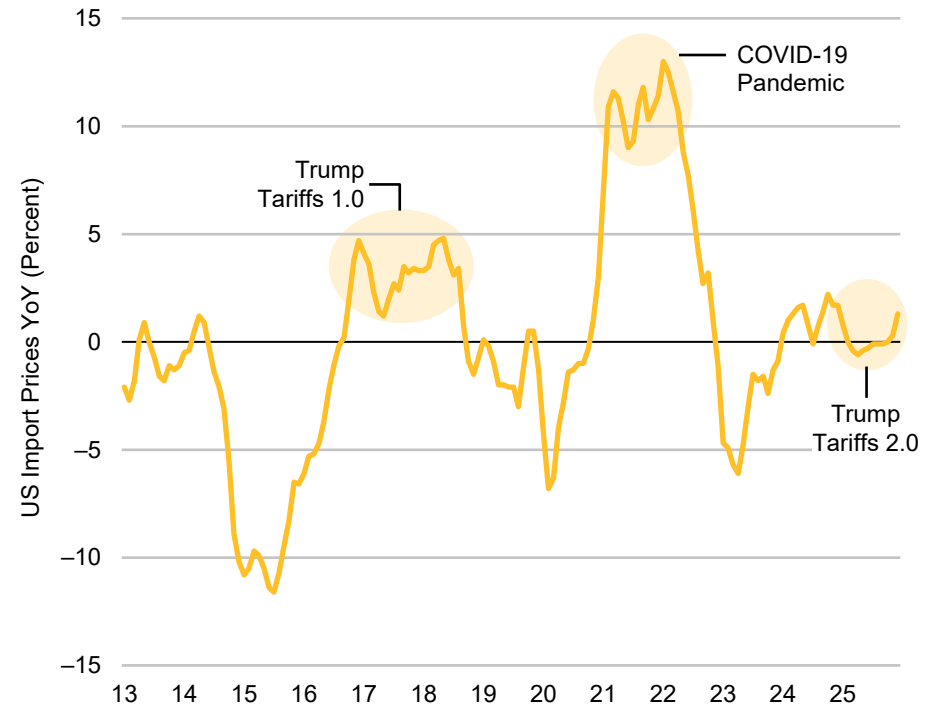
## Wages

Key driver for services (housing and nonhousing) inflation



## Tariffs

Key driver for goods inflation



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

YoY: year over year

As of March 31, 2026

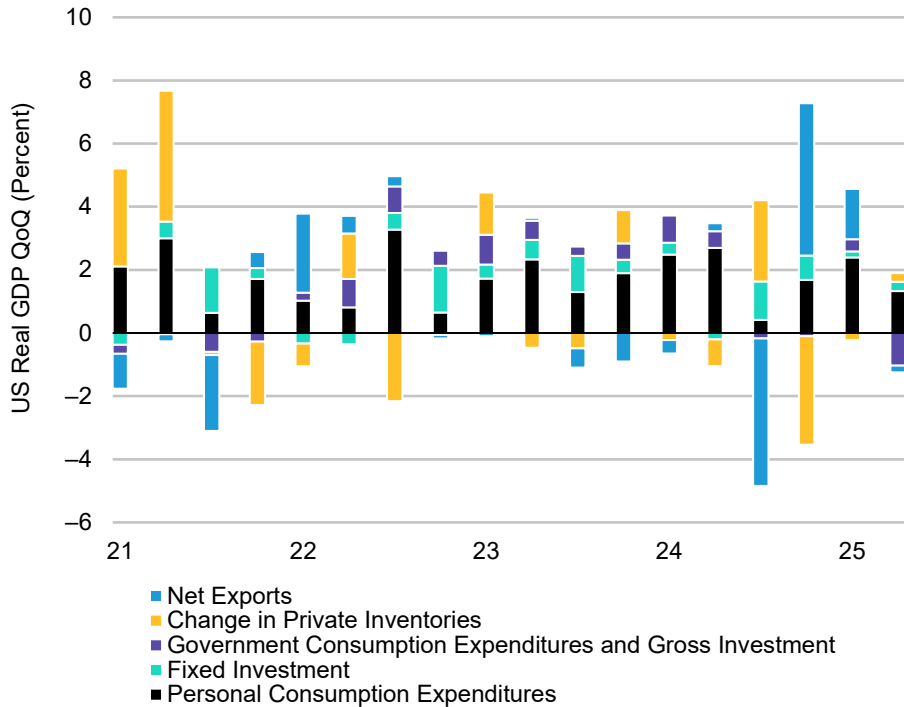
Source: Bloomberg, US Bureau of Labor Statistics and AB



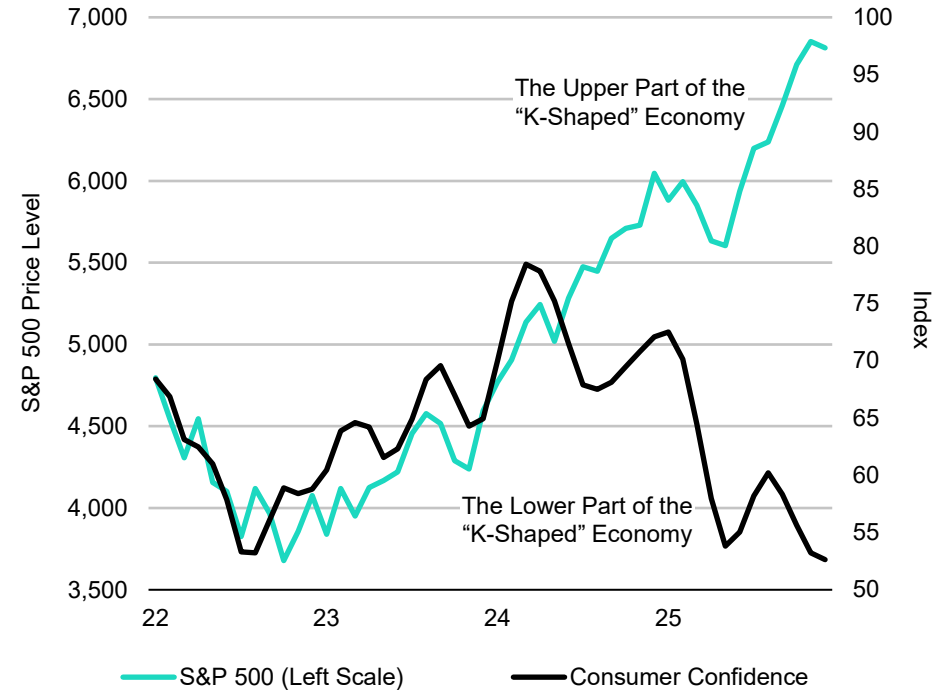
# Growth: Solid but Narrow

Backward-looking growth metrics were supported by strong capital markets

## Solid...



## ...but Narrow



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

QoQ: quarter over quarter

Left display through March 31, 2026; right display through December 31, 2025

Source: Bloomberg, S&P, US Bureau of Economic Analysis and AB



# Growth Could Be the Key Economic Risk During a *Prolonged* War in Iran

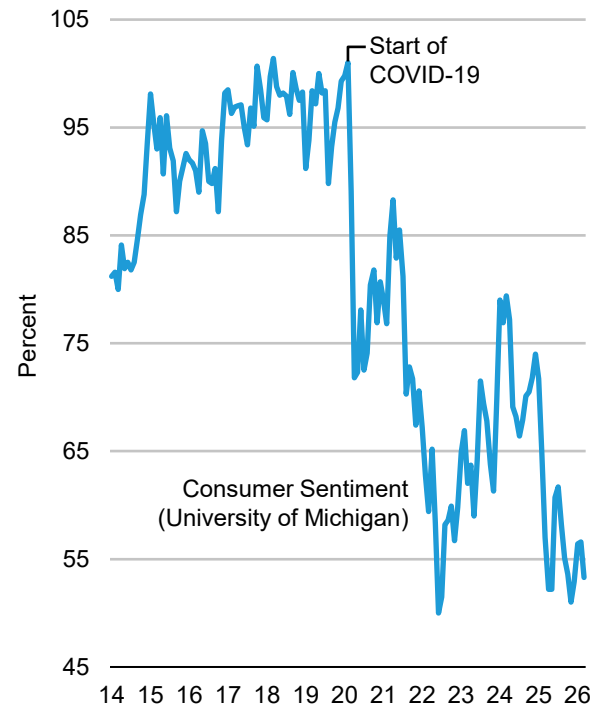
## “K-Shaped” Reality

The bottom 90% has been struggling with higher prices since the pandemic

	Six Years Post-COVID	Six Years Pre-COVID
Car Repair	48%	14%
Meats	43	9
Electricity	40	5
Restaurant Meals	35	17
Bread	33	6
Fish	23	7
Milk	22	-5
New Cars	22	-1
Fruits and Vegetables	20	4
Furniture	19	-3
Appliances	11	-9
Airline Fares	6	-15

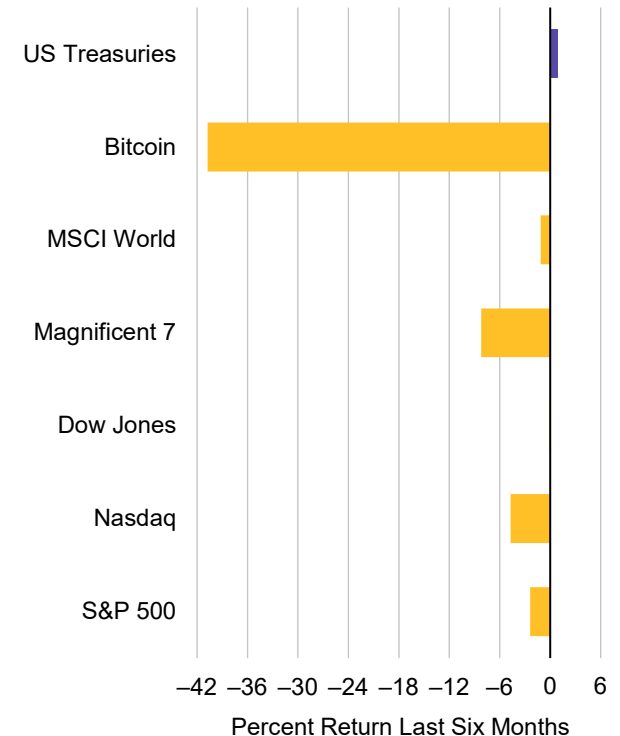
## Yet Another Shock

A prolonged war in Iran would only exacerbate the affordability problem



## Diminishing Wealth Affect

Unlike previous shocks, a protracted war could affect the upper part of the “K”



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

Right display is price returns.

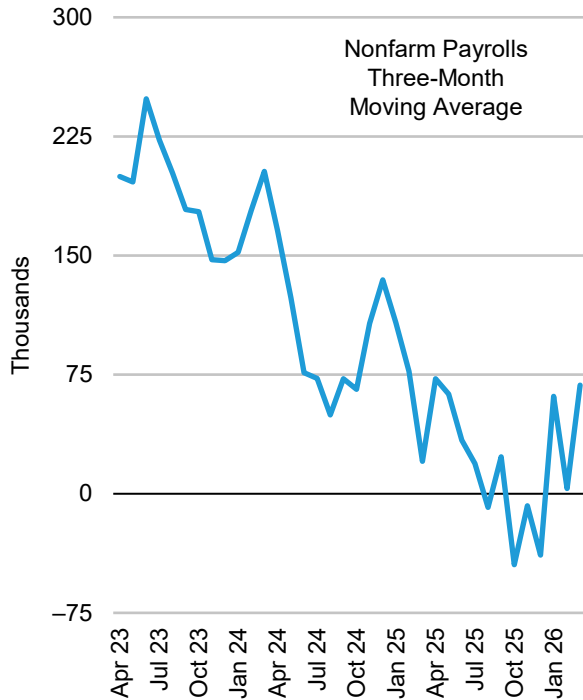
As of March 31, 2026

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

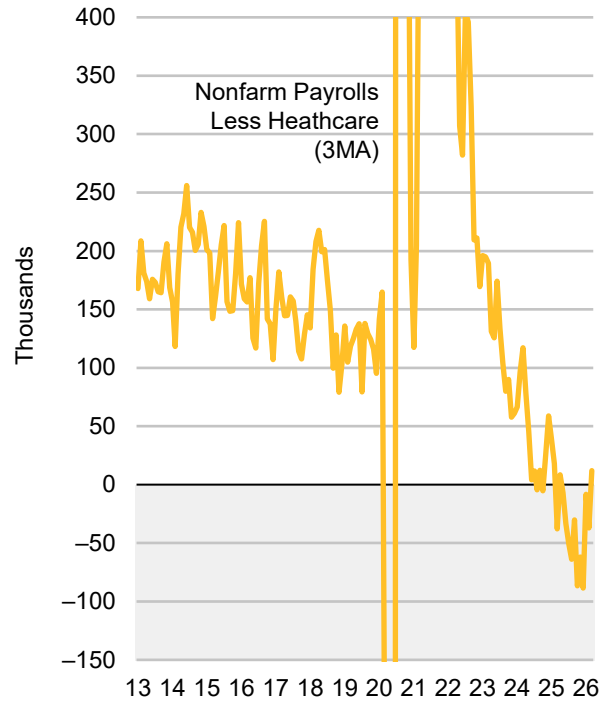
# Labor: An Uncomfortable Balance

Labor is vulnerable to a shock

## A War-Induced Growth Shock Would Endanger Labor’s Tentative Equilibrium



## GDP Isn’t the Only Metric Defined by Its “Narrow” Nature



## Revisions to the Labor Market Have Been Mostly to the Downside

2025	Previously Published	Revised Number	Difference (Revision)
January	111	-48	-159
February	102	42	-60
March	120	67	-53
April	158	108	-50
May	19	13	-6
June	-13	-20	-7
July	72	64	-8
August	-26	-70	-44
September	108	76	-32
October	-173	-140	+33
November	56	41	-15
December	50	48	-2

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

3MA: three-month moving average

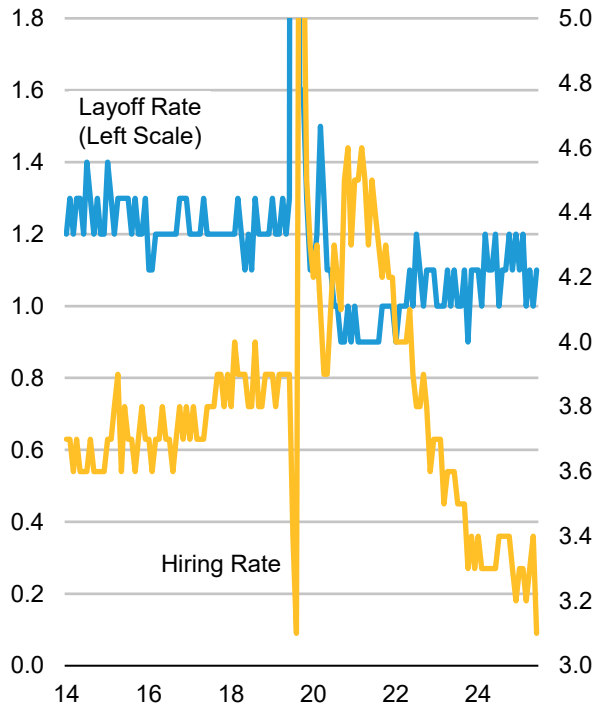
As of March 31, 2026

Source: Bloomberg, Federal Reserve, US Bureau of Labor Statistics and AB

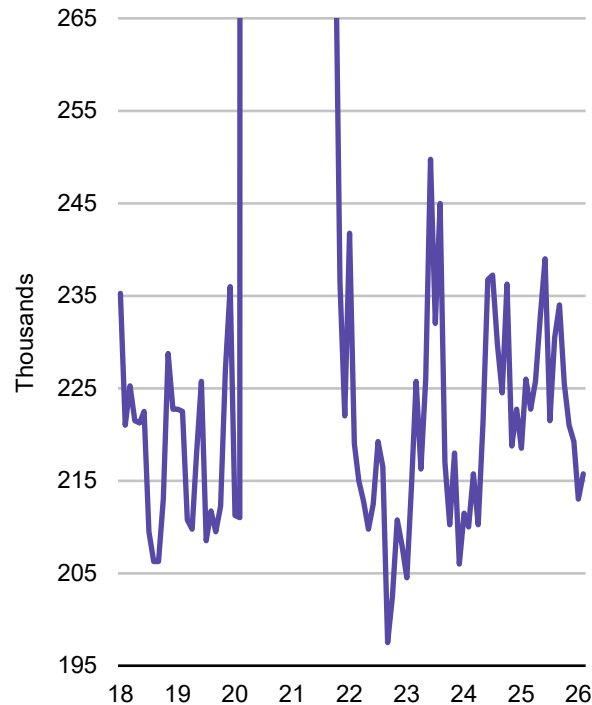


# However, an Uncomfortable Balance Is Still a Balance

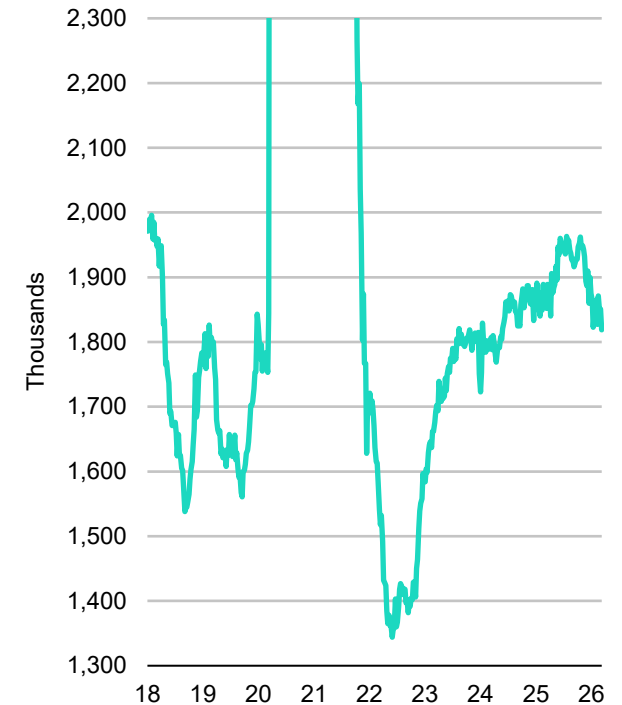
**Low Hiring, but Low Firing Environment**  
Percent



**Initial Jobless Claims Remain Low**  
One-month moving average



**Continuing Jobless Claims Have Improved After Rising into Year-End**



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

As of March 31, 2026

Source: Bloomberg, Federal Reserve, US Bureau of Labor Statistics and AB

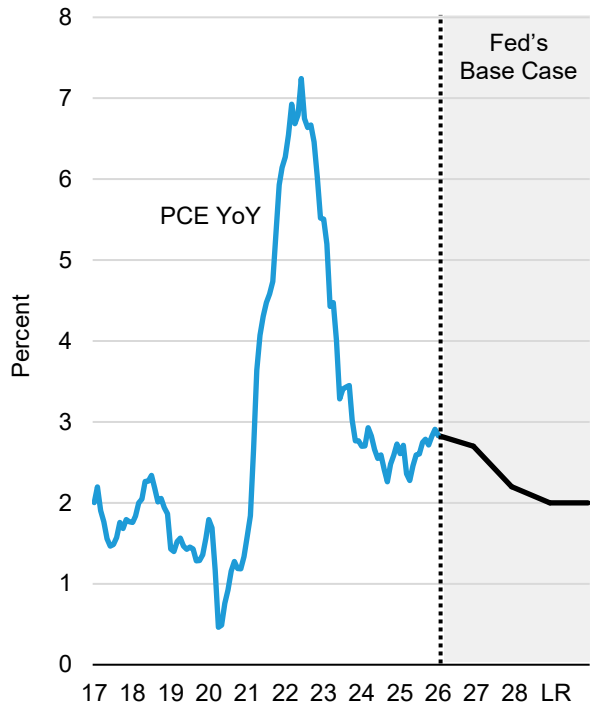


# Fed: What's Priced in for Rates?

The Fed believes the federal funds rate is “in the high end of neutral”

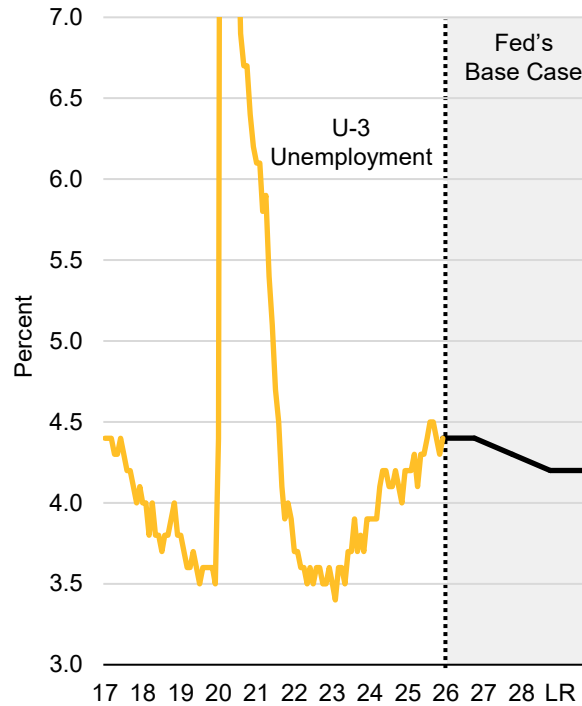
## Fed's Projection for Inflation

Energy bump, then trends slowly to target



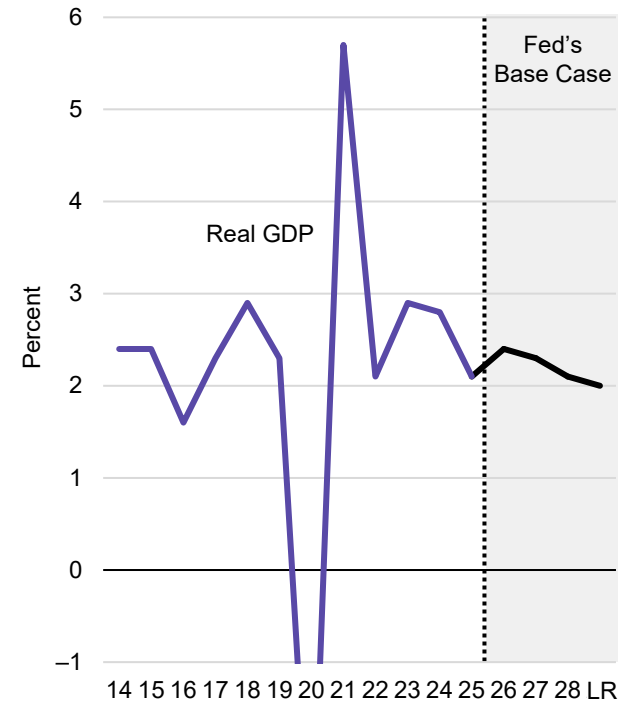
## Fed's Projection for Labor

Around target



## Fed's Projection for Growth

Around target



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

LR: longer run; PCE: personal consumption expenditures; U-3: measures the percentage of people in the labor force who are actively looking for work and are available to work  
As of March 31, 2026

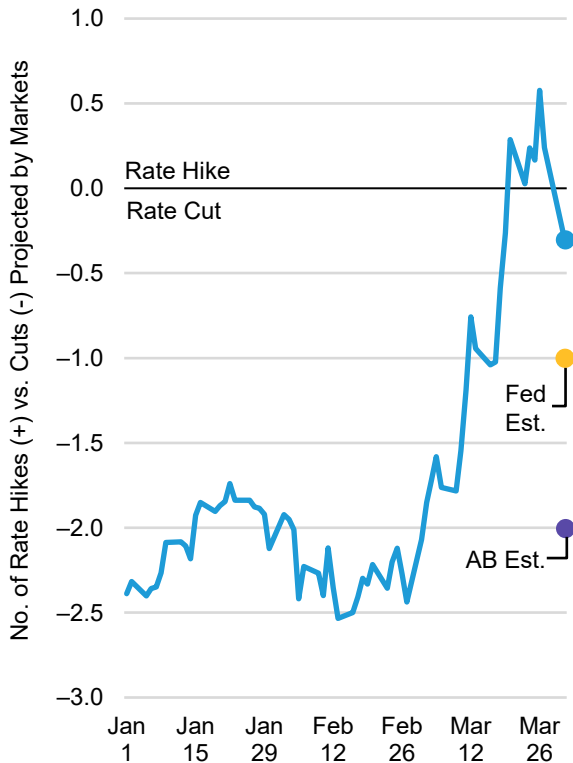
Source: Bloomberg, US Bureau of Labor Statistics and AB



# Fed: What's Priced in for Rates?

Why rate cuts are more likely than not

## The Fed Still Sees Rate Cut(s) Ahead...and We Agree



## What It Would Take for a Rate Hike

The bar is high



We are balancing these two goals in a situation where the risks to the labor market are to the downside—which would call for lower rates—and the risks to inflation are to the upside—which would call for higher rates, **or not cutting, anyway.**

—Jerome Powell  
March 18, 2026

The Fed needs more than just upside risks to inflation for rate hikes.

1. Broad inflation pressure
2. Stable to strong labor market
3. Stable to strong growth
4. Long-term inflation expectations break higher

Do We Have It?

- No
- No
- Yes
- No

## What It Would Take for Rate Cuts

The bar is much lower

### Prolonged Conflict in Iran

- Growth weakens due to entire “K-shaped” economy struggling, vulnerable labor market weakens, inflation temporarily higher (one-off energy price jump, similar to tariffs)
- Outcome: reactive rate cuts. Rate cuts delayed due to initial inflation jump, but weakening growth/labor pushes for accelerated cuts once commodity prices adjust higher

### Conflict in Iran Ends Soon

- Return to previous macro landscape: slow inflation progress continues, labor market remains in uncomfortable balance, growth stable enough
- Outcome: proactive rate cuts. Rate cuts happen as expected at start of year, with potential for more since labor is not as stable as the Fed first thought and another supply-side shock rattles affordability

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

As of March 31, 2026

Source: Bloomberg, Federal Reserve, US Bureau of Labor Statistics and AB



# Macro Summary

## AB Global Economic Forecast

	Real Growth (Percent)		Inflation (Percent)		Official Rates (Percent)		Long Rates (Percent)	
	26F	27F	26F	27F	26F	27F	26F	27F
Global ex Russia	2.6	2.6	3.2	2.5	3.43	3.28	4.23	4.11
Industrial Countries	1.6	1.6	3.0	2.2	2.68	2.63	3.63	3.43
Emerging Countries	3.9	4.0	3.6	3.2	5.12	4.61	4.93	4.91
<b>US</b>	<b>2.0</b>	<b>2.0</b>	<b>3.3</b>	<b>2.4</b>	<b>3.13</b>	<b>3.13</b>	<b>4.00</b>	<b>4.00</b>
Euro Area	0.8	1.0	2.5	1.8	2.00	2.00	3.00	2.60
UK	0.7	1.1	3.4	2.6	3.75	3.00	4.80	4.10
Japan	1.0	1.0	2.8	2.0	1.00	1.25	2.25	2.25
China	4.5	4.5	1.0	1.2	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.

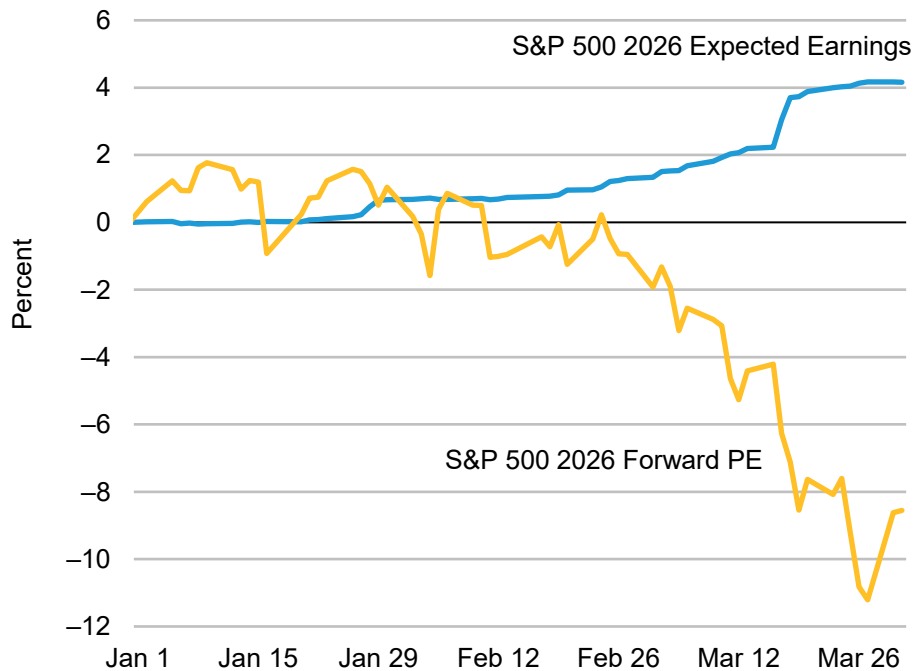
As of March 31, 2026

Source: AB

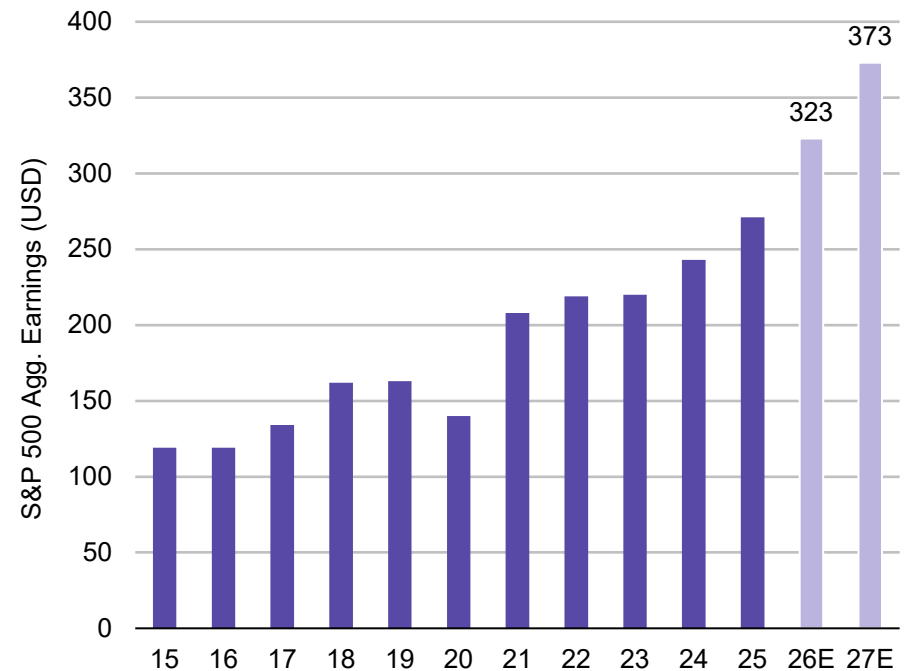


# S&P 500 Earnings: Forward Expectations Remain Robust, but the Bar Is Quite High

**EPS Expectations Jump as AI Earnings Momentum Proves Resilient Despite Geopolitical Uncertainty**



**In Fact, If Realized, 2026 and 2027 Would Mark the Strongest Consecutive Two-Year Earnings Growth, Outside a Post-Recession Period, This Millennium**



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

Agg.: aggregate; EPS: earnings per share

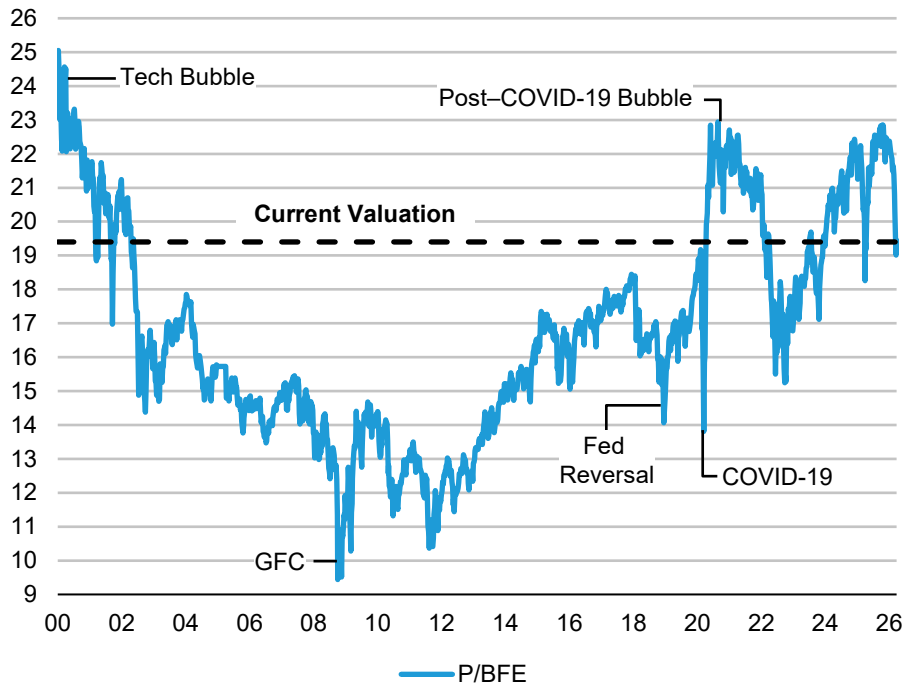
As of March 31, 2026

Source: Bloomberg, S&P and AB



# S&P 500 Valuations: Valuations Tumble as Geopolitics Rattle Markets

## S&P 500 Multiples



Time Period	P/E	P/BFE
<b>March 31, 2026</b>	<b>23.5</b>	<b>19.4</b>
December 31, 2025	25.1	22.2
December 31, 2024	24.7	21.5
December 31, 2023	21.5	19.6
Pre-Pandemic*	20.3	18.9
10-Year Average	20.5	18.8
Pre-Pandemic Five-Year Average	18.3	16.9
Average Since 2000	19.0	16.7

### 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.

\*February 21, 2020

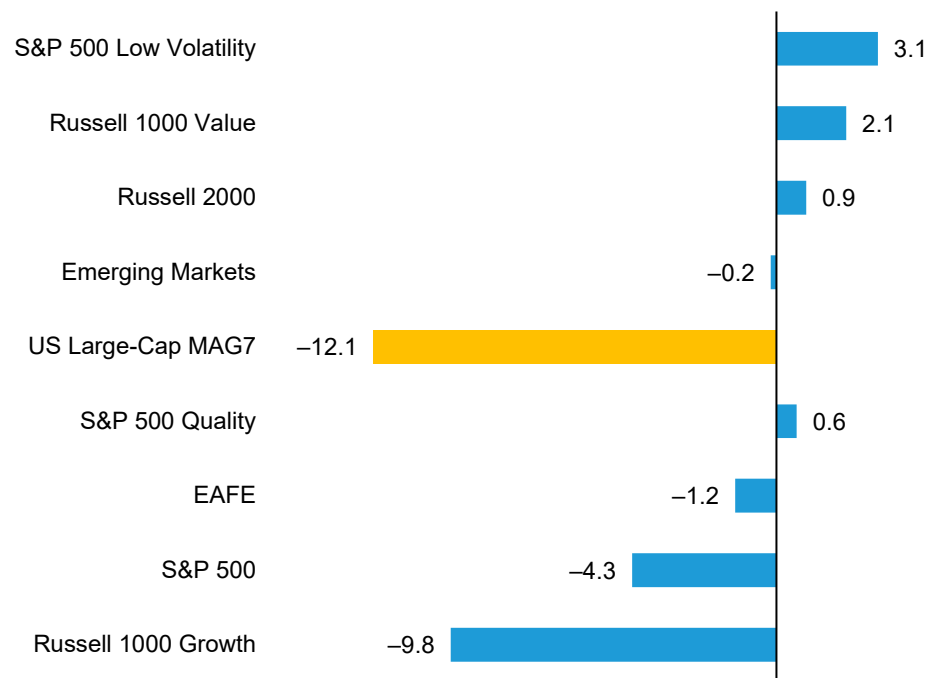
As of March 31, 2026

Source: Bloomberg, S&P and AB

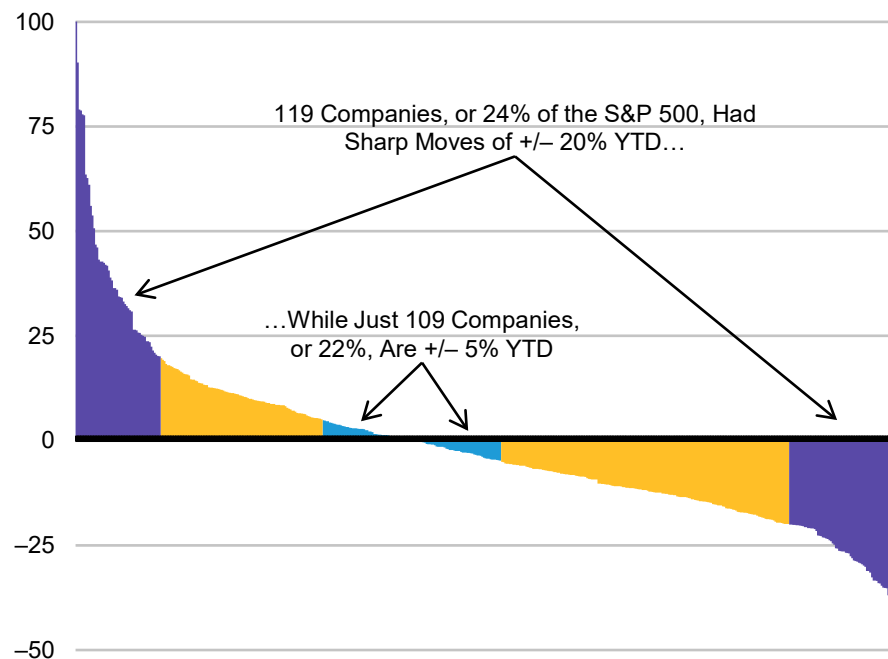


# Low Volatility and Value Equities Led, and Material S&P 500 Dispersion

## Style Reversal in US Large-Caps; Relative Strength Persisted in International vs. US, and the MAG7 Were the LAG7 Jan–Mar 2026 (percent)



## The S&P 500's Subsurface Correction Jan–Mar 2026 (percent)



### Past performance does not guarantee future results.

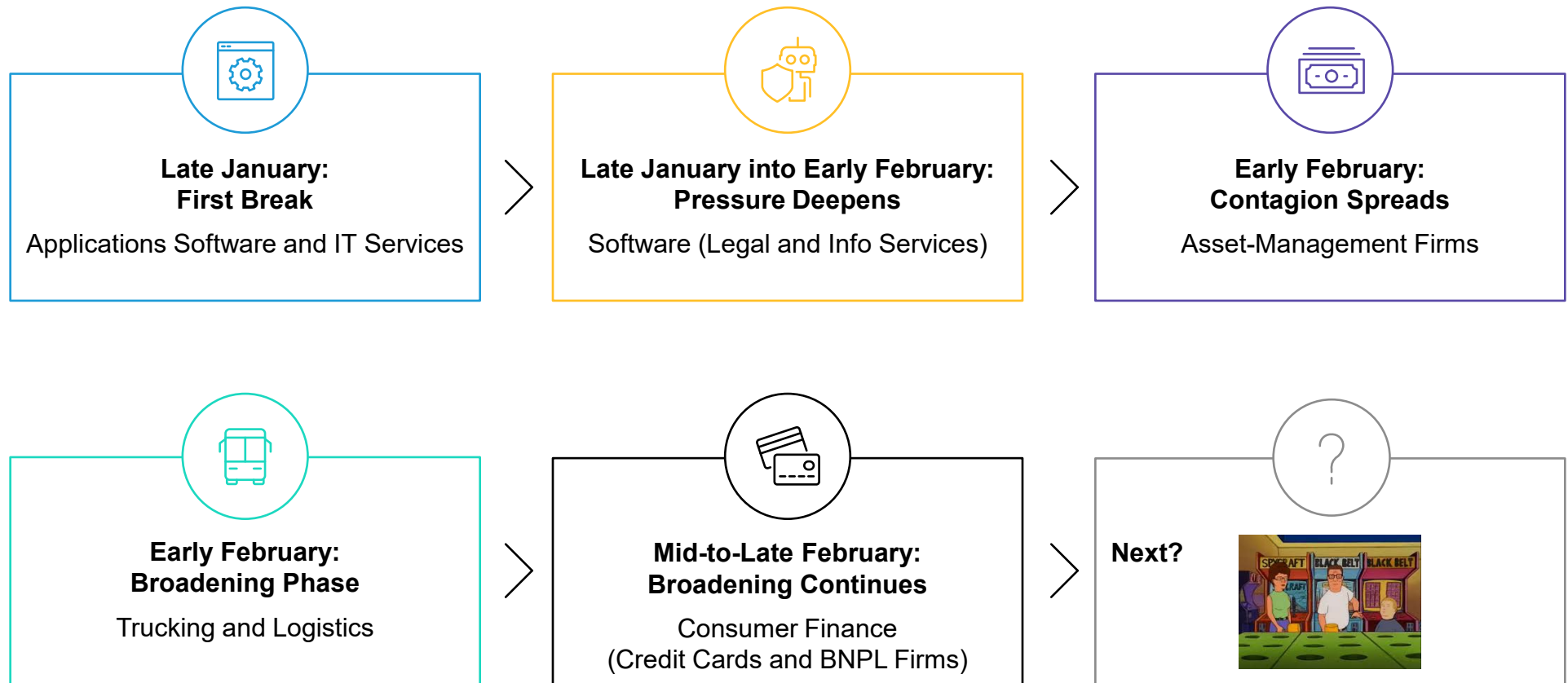
EAFE: Europe, Australasia and the Far East; MAG7: Magnificent Seven; YTD: year to date. Analysis is provided for illustrative purposes only and is subject to revision. References to specific securities discussed are not to be considered recommendations by AllianceBernstein L.P.

As of March 31, 2026

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



# The AI Disruption Whac-A-Mole Game...So Far

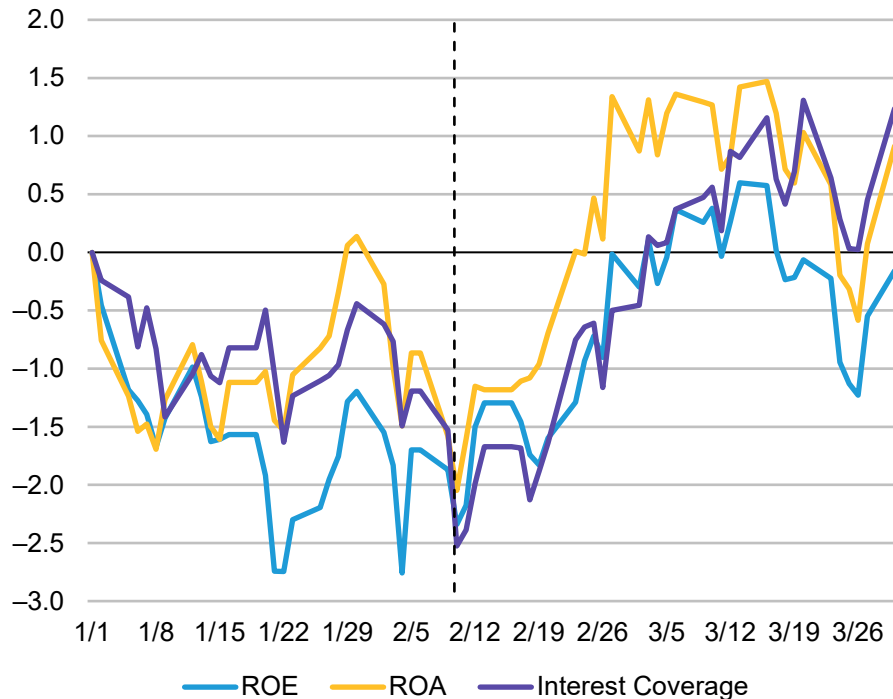


BNPL: buy now, pay later  
Source: AB

# Traits That Encompass a Business's Moat Are Evolving

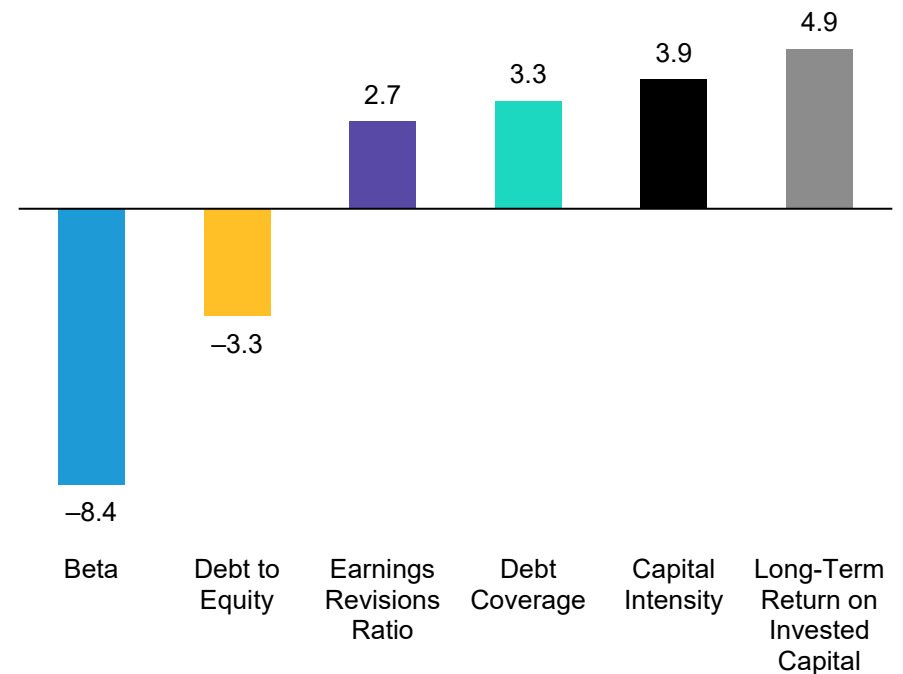
Deglobalization and AI disruption are among the forces determining winning business models

## These Classic Quality Factors Found Their Stride as the Gulf War Loomed (Percent)\*



## Capital Discipline and Adaptability: A Toolkit for AI Disruption

YTD cumulative return by factor (percent)\*



### Performance does not guarantee future results.

ROA: return on assets; ROE: return on equity; YTD: year to date

\*Factor returns are calculated by using the relative performance of the top-quintile cohort vs. the bottom-quintile cohort within the S&P 500.

As of March 30, 2026

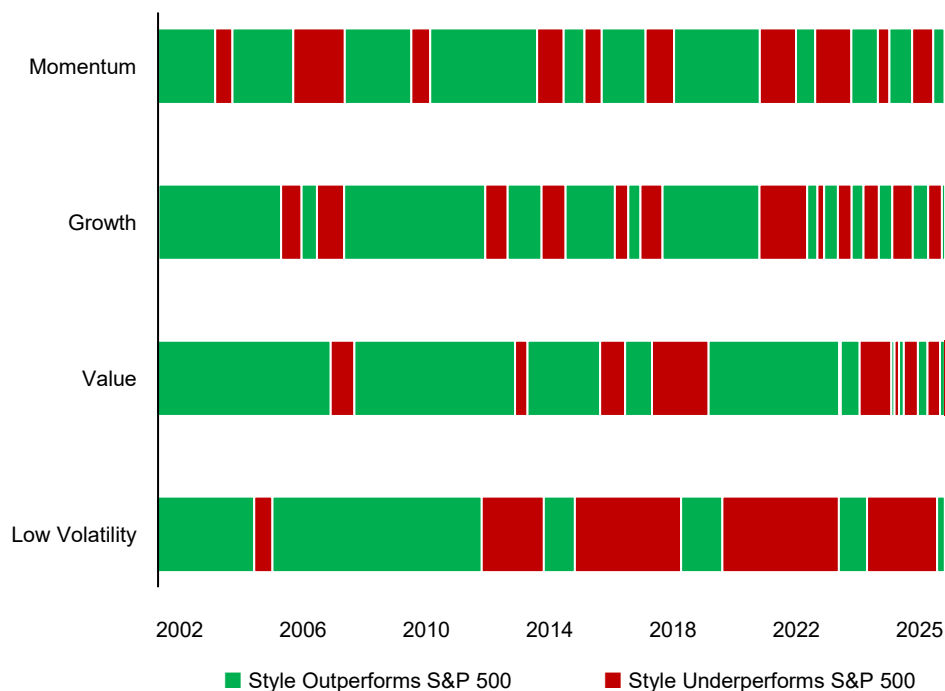
Source: FactSet, Piper Sandler, S&P and AB



# The Case for Flexible Core Equities Remains Intact

**Over the Last Five Years, Style Performance Has Rotated Every 233 Days on Average vs. 796 Days Between 2010 and 2015**

US style factor rotations: 2002–2025 (length of time)\*



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

YTD: year-to-date

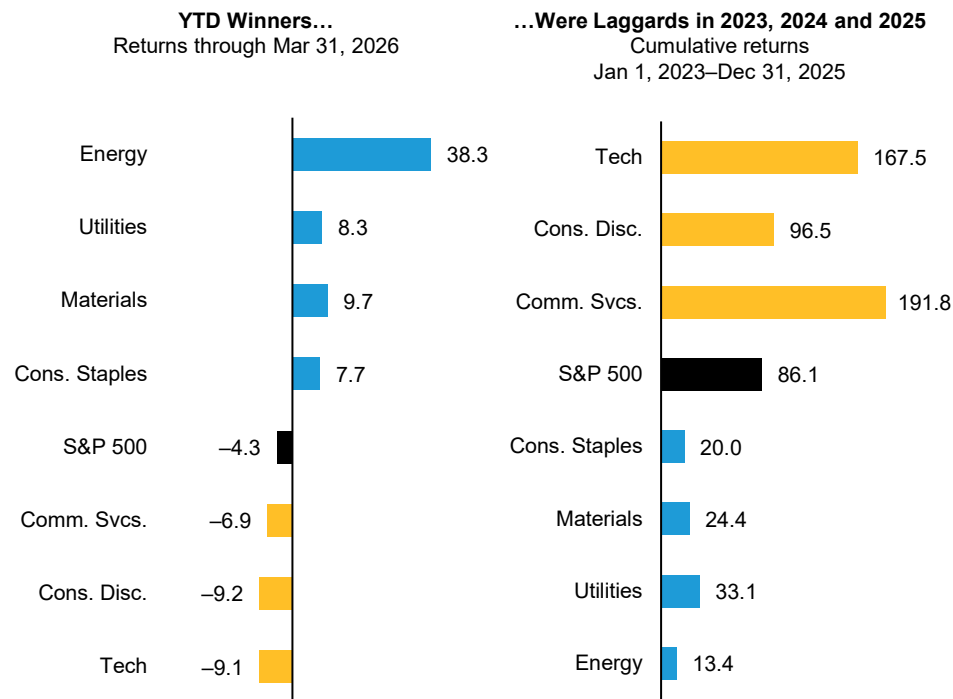
\*Style rotation defined as factor performance from peak to trough or trough to peak

Left display as of December 16, 2025; right display as of March 31, 2026

Source: Barra, Bloomberg, FactSet, S&P and AB

**Old-Economy Sectors Are Making a Comeback**

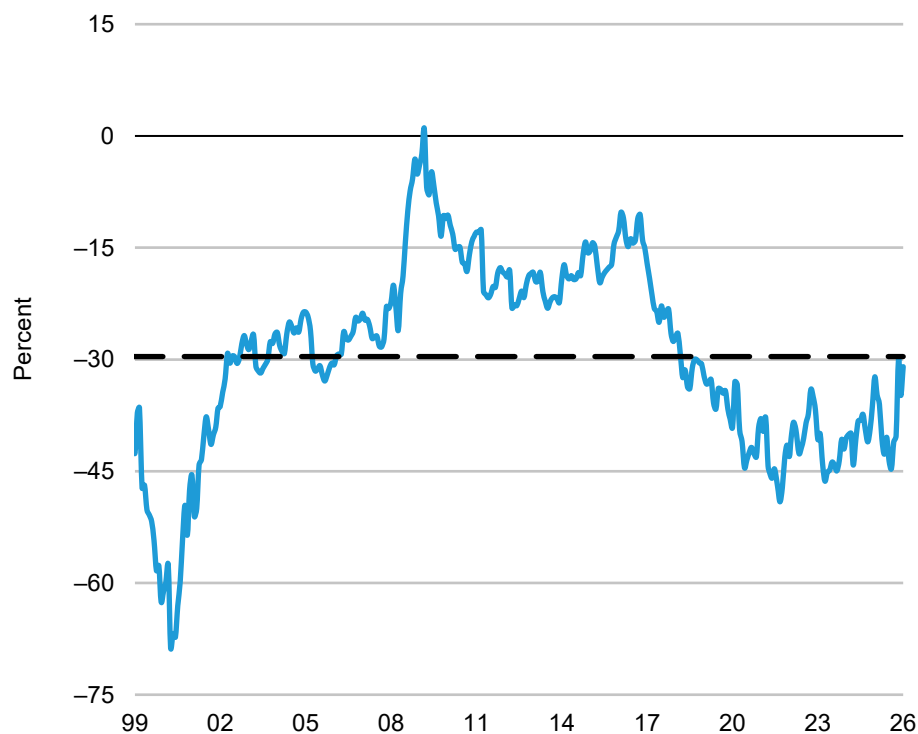
Meet the new boss...same as the old boss (percent)



# Many Value Stocks Have Strong Earnings Potential at an Attractive Price

## Russell 1000 Value vs. Russell 1000 Growth

Price/forward earnings discount



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

EPS: earnings-per-share; YoY: year-over-year

As of March 31, 2026

Source: FTSE Russell, Global Analytics and AB



## Finding Growth Within Value

Key investment themes

### Commercial Aircraft Manufacturing

2026/2027 YoY EPS Growth: 25%

- Commercial aircraft production has been crimped in the last five years, and consumers still prefer experiences over goods



### Cyclically Depressed Consumer Spending

2026/2027 YoY EPS Growth: 10%

- Recent softer consumer demand has led to faster-growing quick-service restaurants and entertainment parks being attractively priced



### Agricultural Cycle and Productivity

2026/2027 YoY EPS Growth: 19%

- Farm equipment and seed sales are off from COVID-19's surge but are needed to spur agricultural productivity, given limited acreage availability



### Healthcare Spending

2026/2027 YoY EPS Growth: 10%

- The managed-care industry's long-term growth is intact despite cyclical pressures, and secular research and development spending is likely to remain above GDP growth

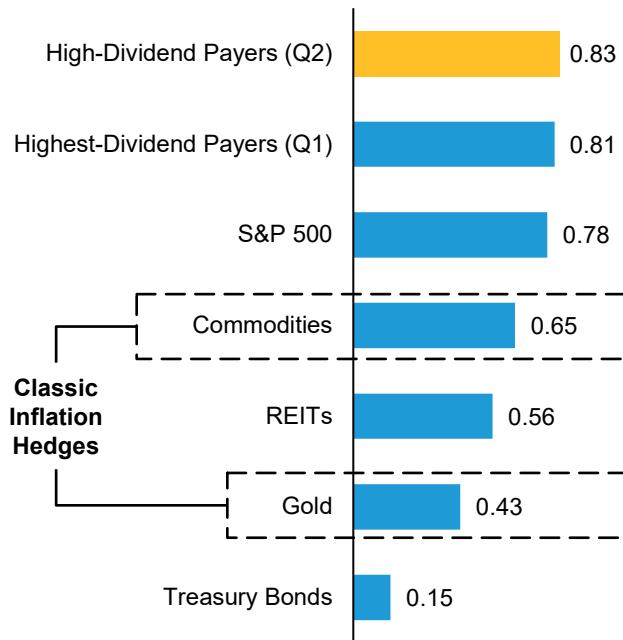


# Dividend Stock Durability: Consistent Performers in Varied Environments

Companies that thoughtfully return capital outpace more volatile ones over time, and the price is right

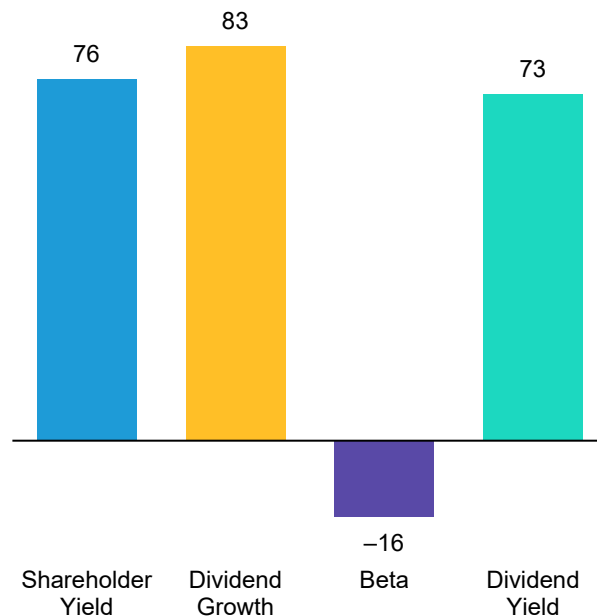
## Sustainable Dividend Payers Perform Well When Inflation Retreats

Annualized risk-adjusted returns (percent)\*



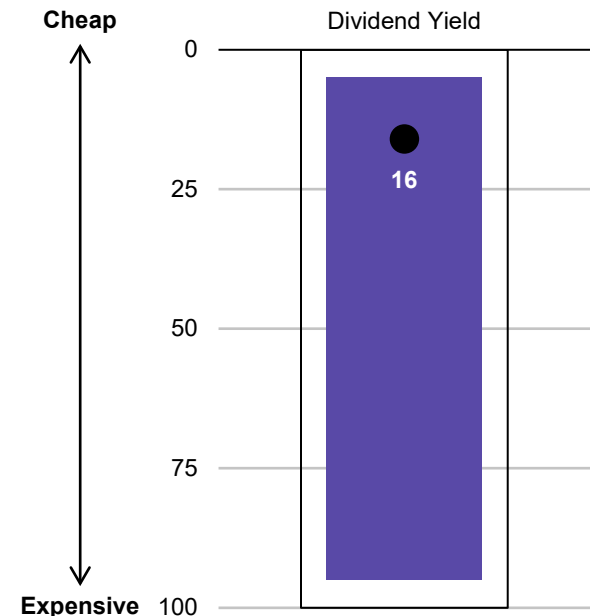
## History Tells Us Beta's Staying Power Is Not Robust†

20-year cumulative returns (percent)



## An Inexpensive Space, and You Get Paid While You Wait‡

Percentile



### Past performance does not guarantee future results.

REITs: real estate investment trusts

\*Annualized return/volatility, 1971–2026. †Factor returns are calculated using the relative performance of the top-quintile cohort vs. the bottom-quintile cohort within the S&P 500.

‡Percentile rankings are based on monthly valuations (i.e., relative price to earnings of first quarter for each factor vs. Russell 1000) from January 1, 1990. Commodities is a supersector based on AllianceBernstein sector classifications for energy, industrial commodities and gold stocks. REITs are a GICS sector.

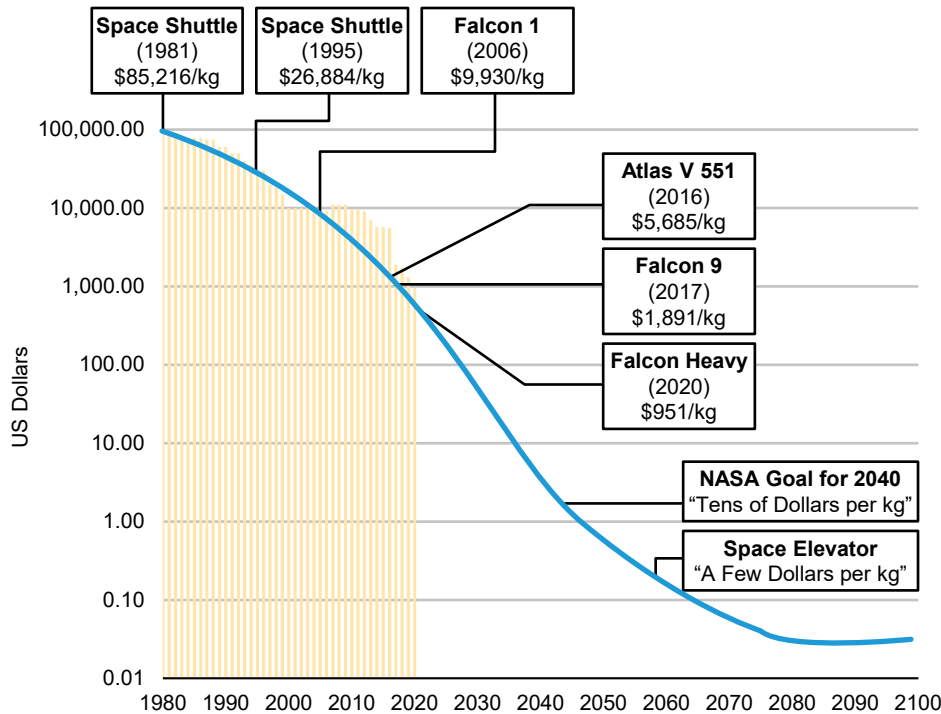
Left and right displays as of February 28, 2026; middle display as of March 31, 2026. Source: FTSE Russell, MSCI, Piper Sandler, S&P and AB

# Space Is at an Investment Inflection Point, and AI Adoption Is at Early Stage

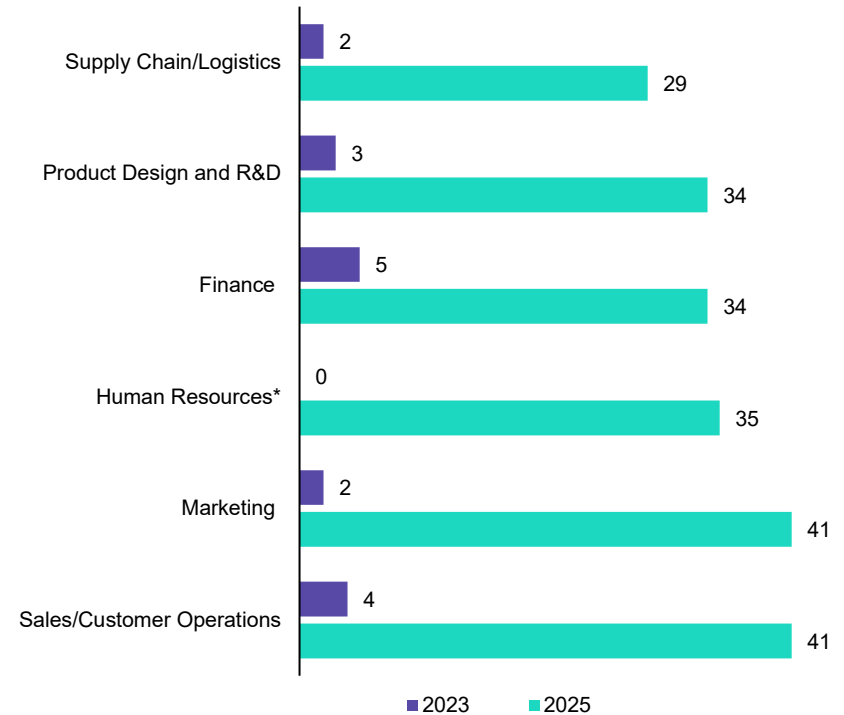
Capitalizing on these enduring themes is likely to prove rewarding

## Launch Costs to Low Earth Orbit (1980–2100)

Cost per kilogram of payload delivered to low Earth orbit (logarithmic scale, inflation adjusted to year 2100)



## ChatGPT and Then Some: Percentage of Organizations Implementing Generative AI Use Cases, by Function



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

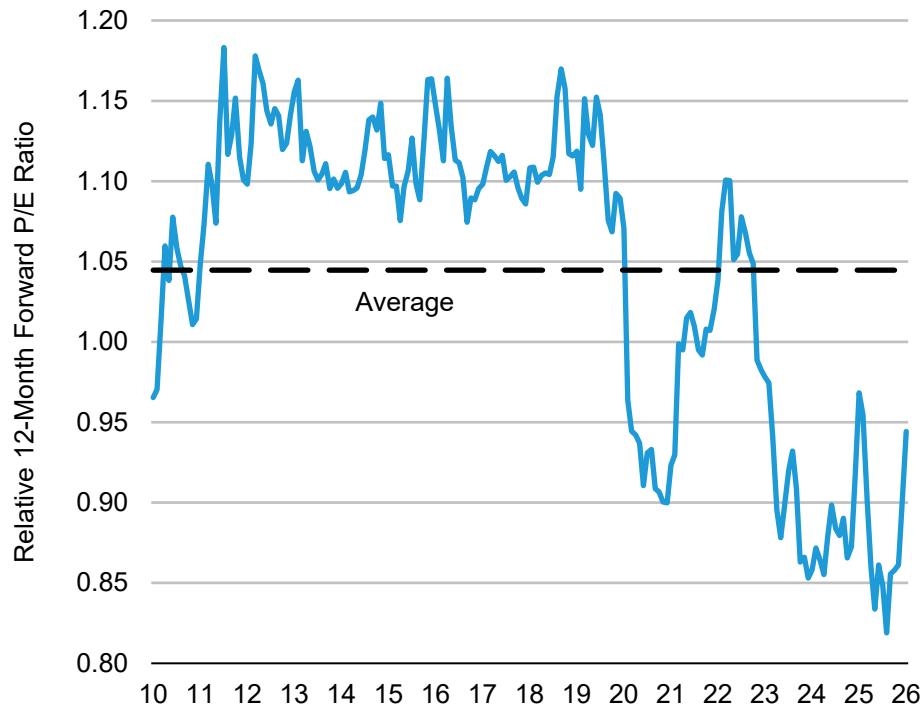
\*Human resources was excluded from the 2023 research.

Left display as of September 1, 2018; right display as of September 30, 2025

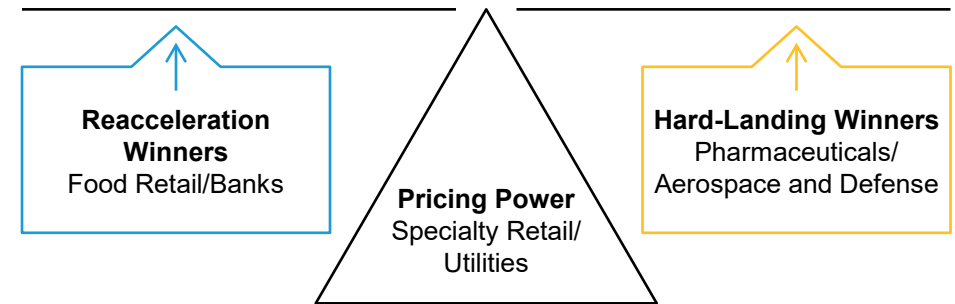
Source: Bernstein Research, Capgemini, International Federation of Robotics, Our World in Data, Statista and US Bureau of Labor Statistics

# Lower-Volatility Stocks on Sale Have Potential to Play Both Defense and Offense

## Low-Volatility Relative Factor Valuation Is Well Below Its Long-Term Average\*



## Uncertainty Suggests Maintaining a Balanced Exposure



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

P/E: price-to-earnings

\*Calculated as a ratio of the MSCI USA Minimum Volatility Index P/E ratio relative to those of the MSCI USA Large and Mid Cap indices

As of March 31, 2026

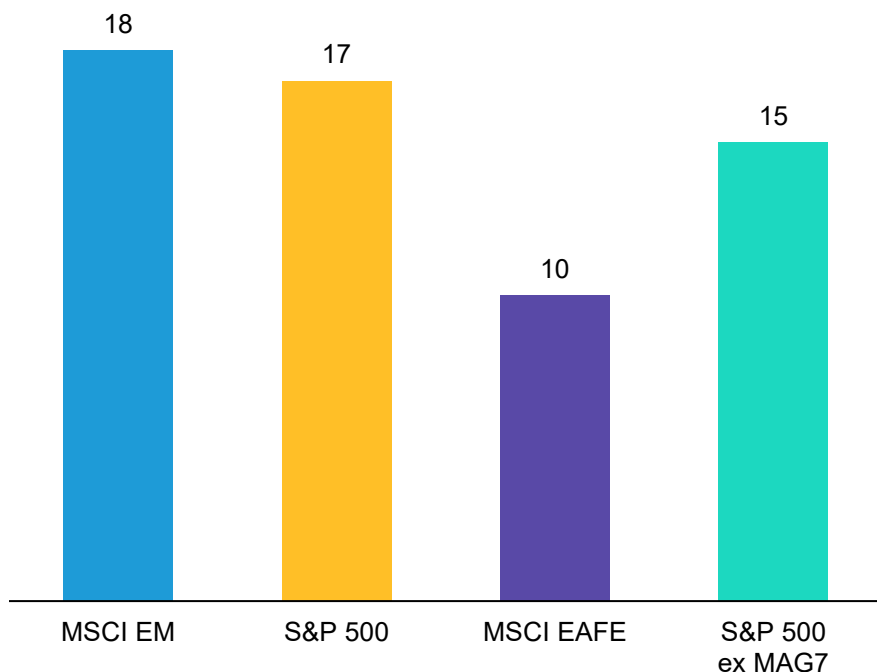
Source: Macrobond, MSCI and AB



# Casting a Wider Net Can Yield Abundant Opportunities

## Non-US Earnings Growth Is Competitive with US Markets...

Year-over-year earnings growth (2026E)\*



## ...and These Are Among the Respective Industries Where We Have High Conviction

### Industry Overweights: Developed Markets

#### Electrical Equipment

2025/2026 YoY EPS Growth: 10%



#### Leisure and Interactive Media

2025/2026 YoY EPS Growth: 14%



### Industry Overweights: Emerging Markets

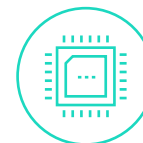
#### Commercial Banks

2025/2026 YoY EPS Growth: 9%



#### Semiconductors

2025/2026 YoY EPS Growth: 14%



### Past performance does not guarantee future results.

EAFE: Europe, Australasia and the Far East; EM: emerging markets; EPS: earnings-per-share; MAG7: Magnificent Seven; YoY: year-over-year

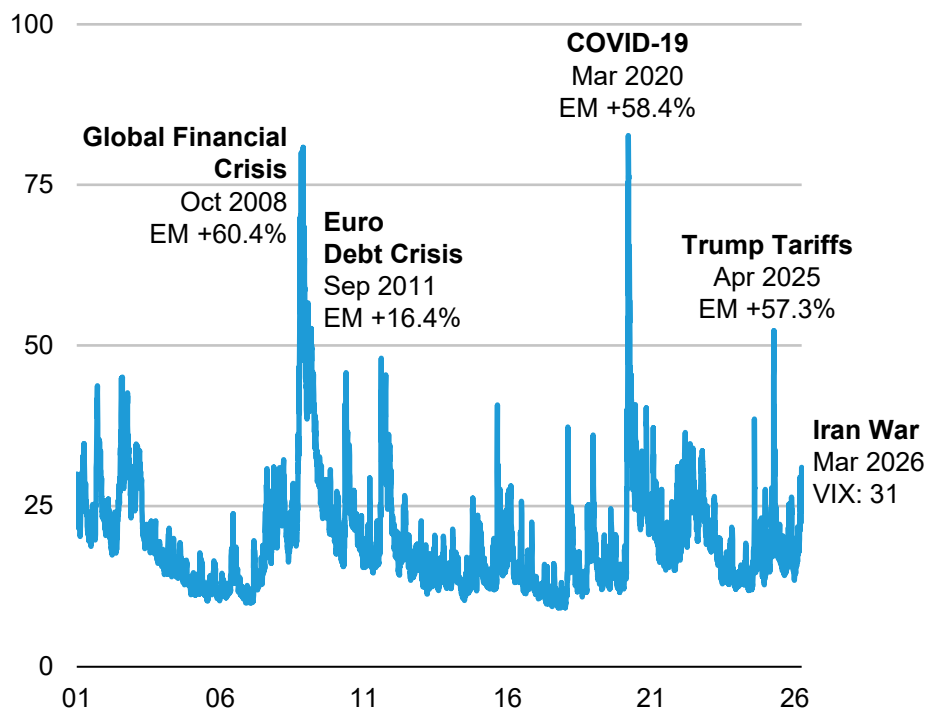
\*Earnings-growth forecasts are based on consensus estimates.

As of March 31, 2026

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

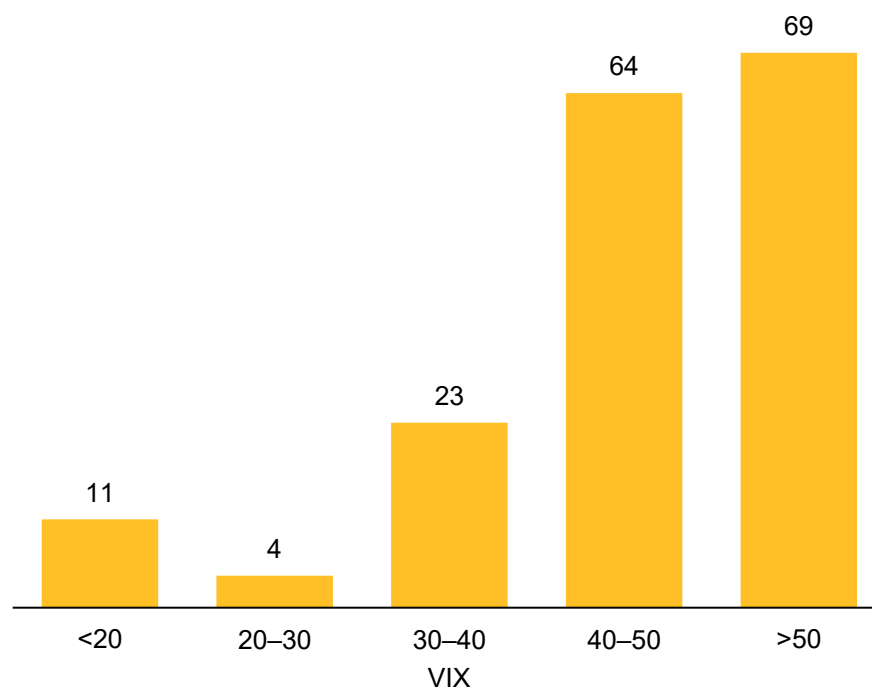
# Moments of Extreme Fear Have Prompted Powerful Emerging-Market Equity Returns

**VIX Index and 12-Month Forward MSCI Emerging Markets Index Returns**



**MSCI Emerging Markets: 12-Month Forward Returns from Month-End VIX Levels**

January 2001–February 2026 (average, percent)\*



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

EM: emerging markets. \*In US-dollar terms

Left display through March 31, 2026; right display as of February 27, 2026

Source: Bloomberg, Cboe Global Markets, MSCI and AB



# 2Q 2026 Equity Playbook



## Current Market Backdrop

- Markets are adjusting to a more uncertain world where geopolitics, inflation risks and AI disruption are simultaneously at play
- Returns are no longer coming from just a handful of mega-cap tech stocks—more sectors and styles are participating
- Global equities are likely to remain volatile until the Middle East war is resolved and energy markets can stabilize
- Capital discipline and adaptability are traits that are being rewarded and, we believe, are key to determining future winning business models



## Key Areas of Conviction

- **Large-Cap Active Core:** Optionality matters, as factor and style rotations are increasing in frequency
  - Financials, industrials, and energy
- **Value:** Many value stocks are anchored in hard assets and shorter-duration cash flows, which offer more immediate, reliable earnings visibility
  - Commercial aircraft manufacturing, select consumer businesses, agricultural productivity and healthcare spending beneficiaries
  - Sustainable dividend growers have outperformed many classic inflation hedges over time, especially when inflation retreats
- **Thematic:** Long-term trends offer many avenues to capitalize on them; the opportunity set intersects with traditional growth and value stocks
  - Aerospace and defense, and AI adoption beneficiaries
- **Low Volatility:** Higher-quality, lower-beta names are typically more resilient in market pullbacks, especially when speculation is out of favor
  - Food and specialty retail, pharmaceuticals, aerospace and defense, and banking
- **International:** Competitive earnings growth with the US, less concentrated markets, and many stocks still trading at a discount
  - Electrical equipment, banking, leisure and online media, and semiconductors



## Other Thoughts

- **Emerging Markets:** Opportunity knocks in periods of extreme fear, as subsequent 12-month returns have been powerful

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

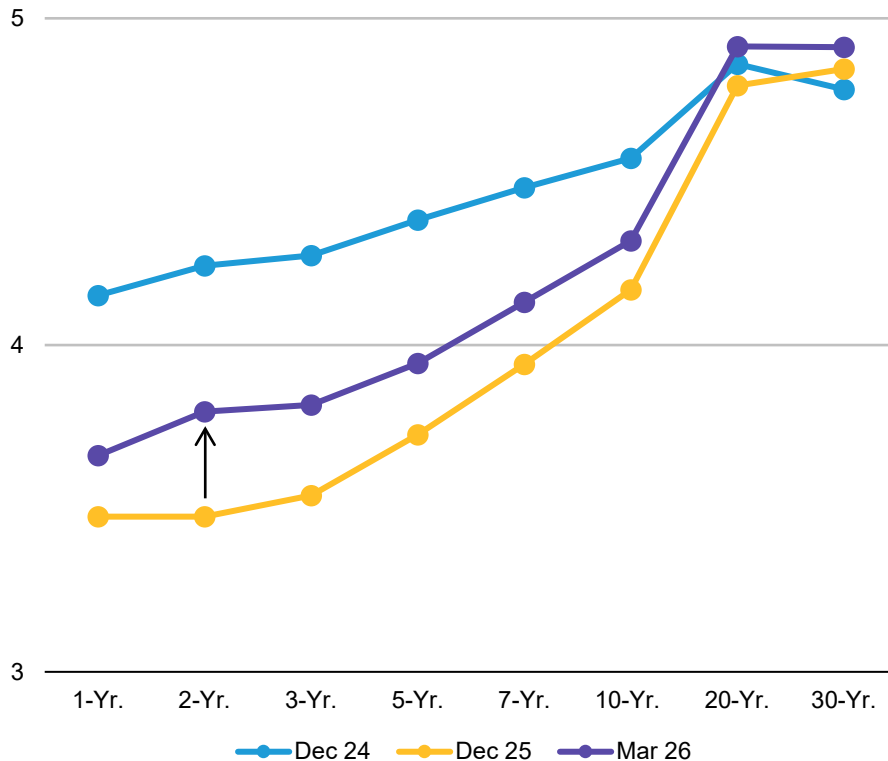
As of March 31, 2026

Source: AB

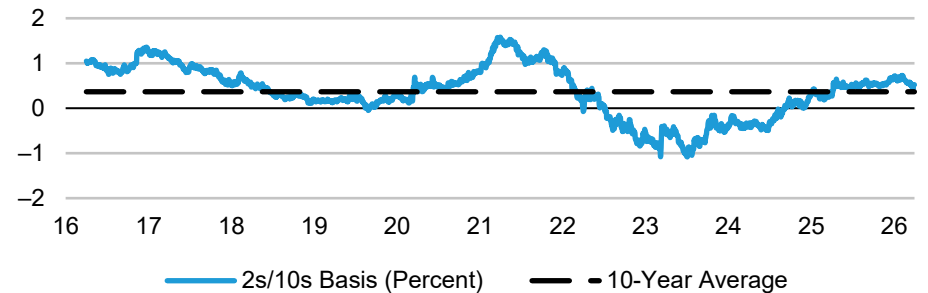


# In 1Q:26, the Treasury Curve Retracted Some of the Steepening that Occurred in 2025

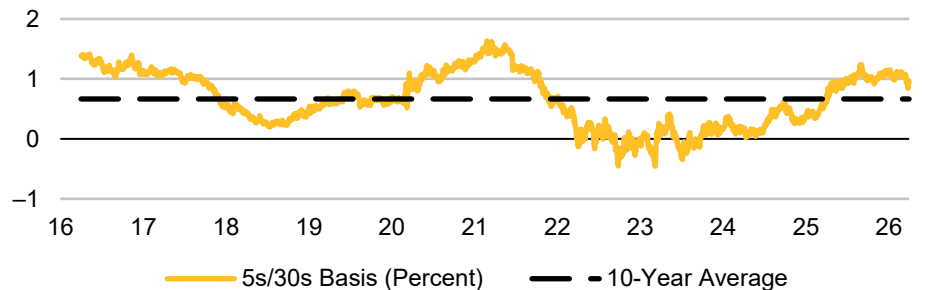
**Front-End Yields Have Increased to Start the Year...**  
Yield (percent)



**...Retracing Steepening We Saw in the 2s/10s Curve...**  
Basis (difference in yield)



**...and the 5s/30s Curve**  
Basis (difference in yield)



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

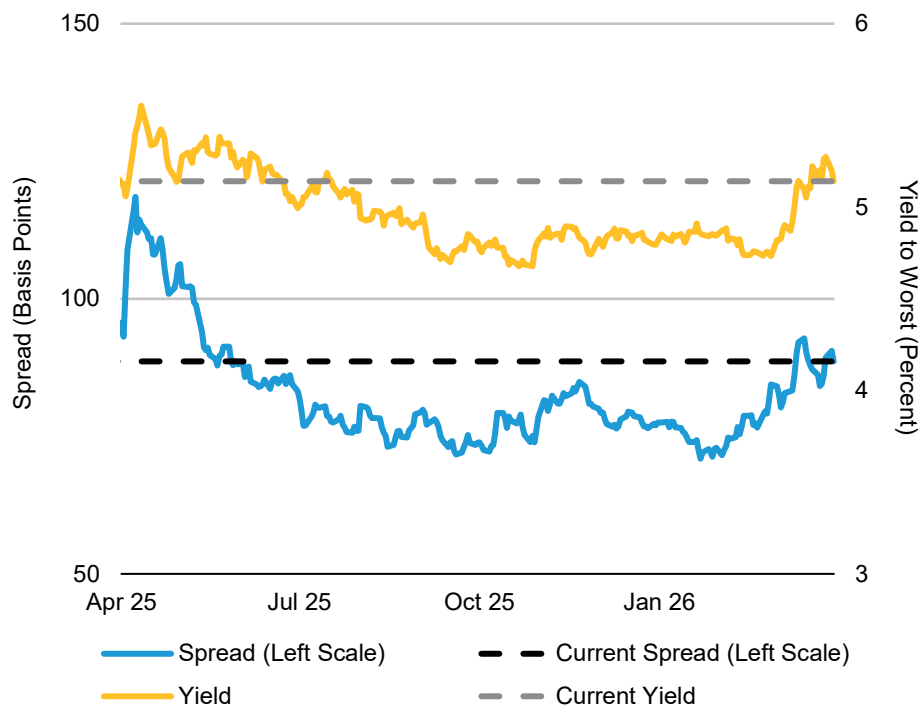
As of March 31, 2026

Source: Bloomberg and AB

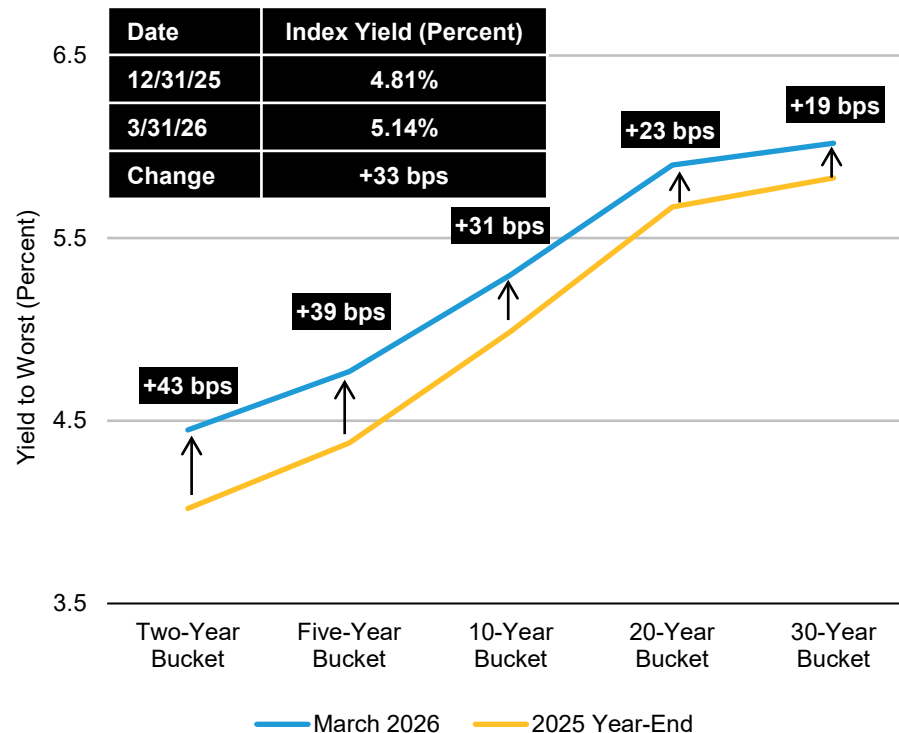


# Investment-Grade: Both Yields and Spreads Are Back to Levels Not Seen in Almost a Year, and the Curve Has Flattened

## Yields Are Higher, Spreads Are Wider



## The Yield Curve Has Flattened with the Move in Treasuries



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

bps: basis points

Investment-grade defined as Bloomberg US Corporate Bond

As of March 31, 2026

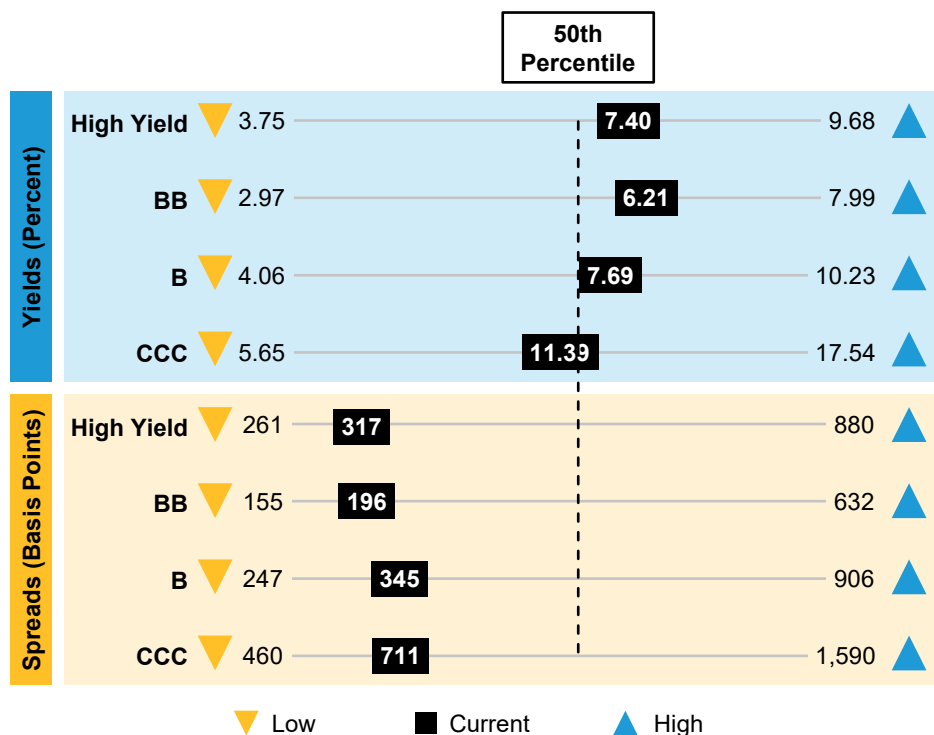
Source: Bloomberg and AB



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

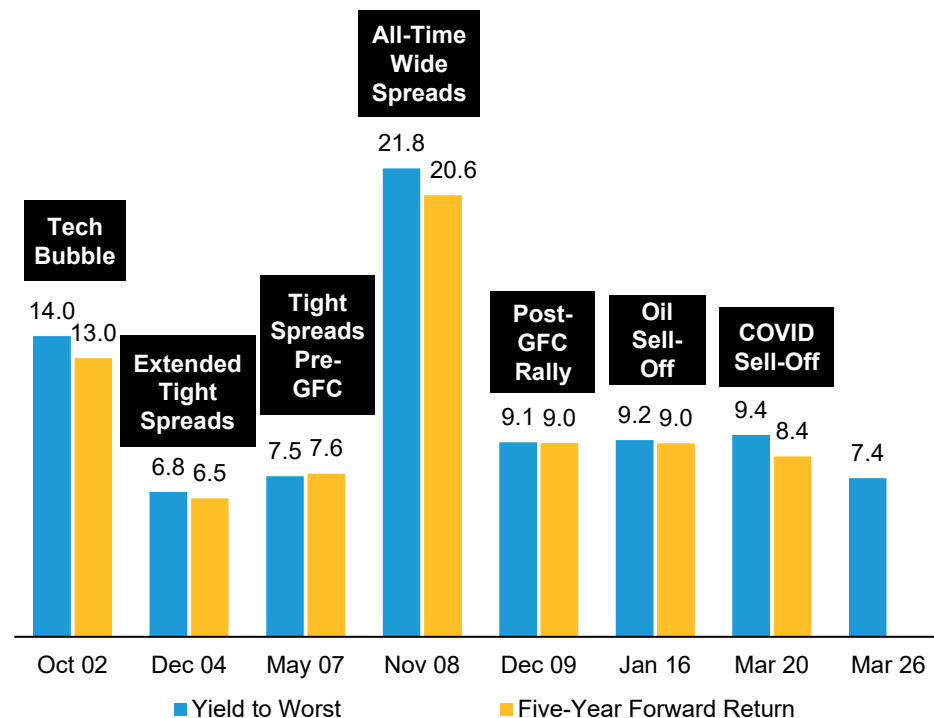
## Yields Have Retraced to More Attractive Levels This Year

Yields are above long-term average levels



## 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

Both displays are represented by Bloomberg US Corporate High Yield. Left display data from April 2016 to March 2026

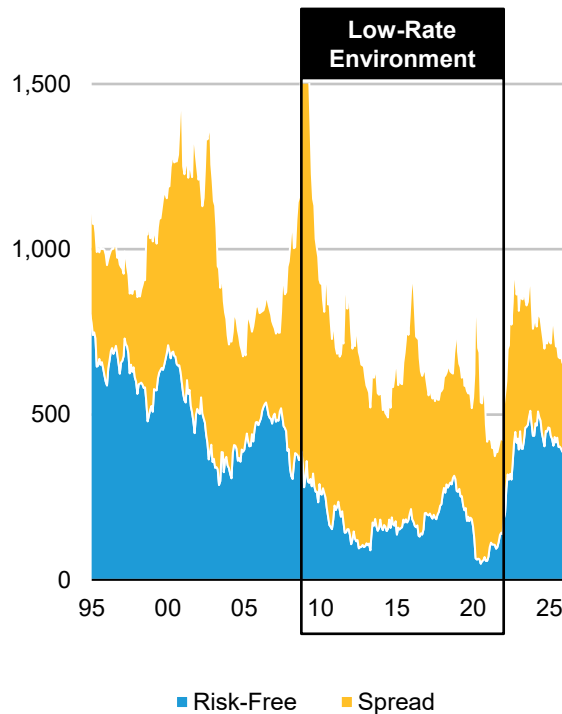
As of March 31, 2026

Source: Bloomberg, S&P and AB

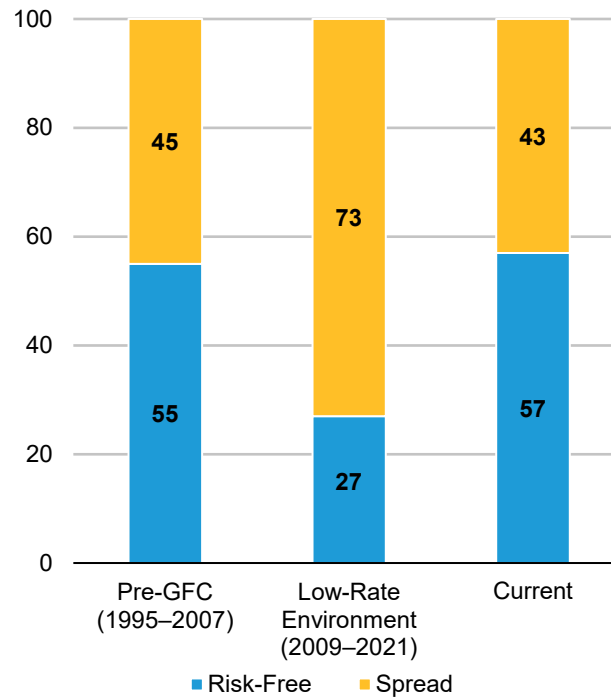


# Spreads Have Adjusted Lower, Given a Higher Risk-Free Rate

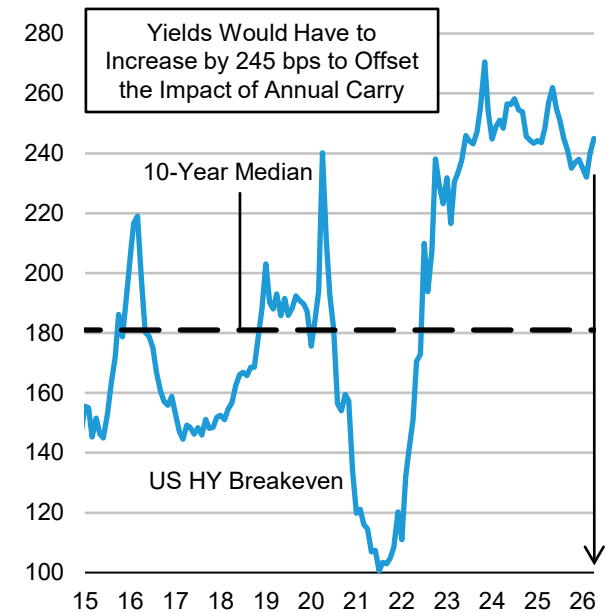
**Risk-Free Rate Makes Up a Greater Portion of Yield**  
Basis points



**The Low-Rate Environment of the 2010s Is the Outlier**  
Percent of yield



**Break-Even Bar Is Still High**  
Basis points



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

bps: basis points; GFC: global financial crisis; HY: high yield

US high yield is represented by Bloomberg US Corporate High Yield. Data since January 1995. Breakeven calculated by dividing yield to worst and duration.

As of March 31, 2026

Source: Bloomberg and AB



# High Yield Has Evolved: Improved Quality and Shorter Duration Are Partly Responsible for Tighter Spread Levels

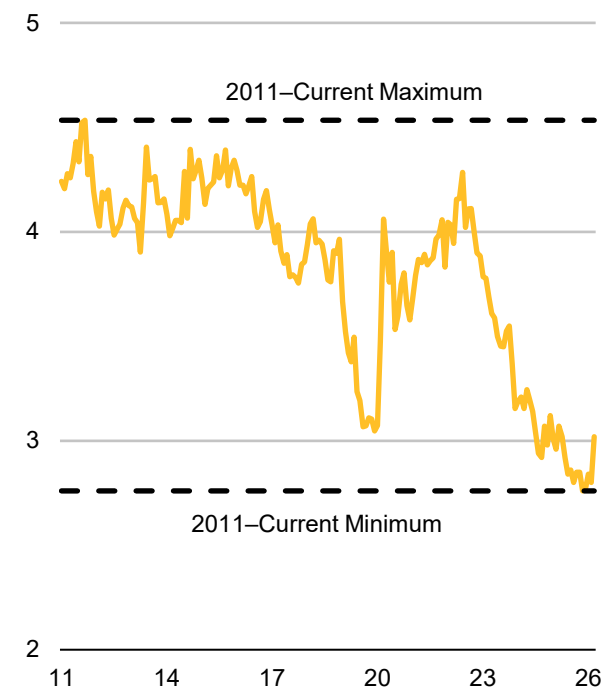
## The High-Yield Market Is Near Its Highest-Quality Level...

Average index rating



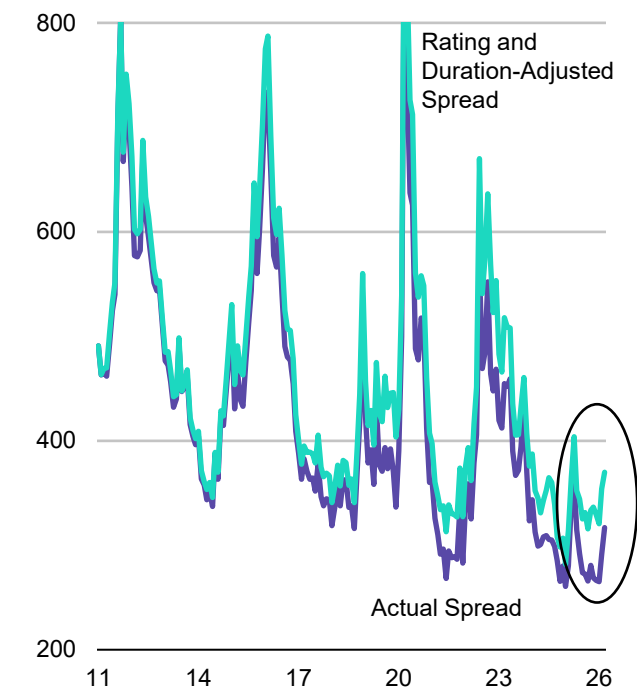
## ...and Duration Has Fallen to the Lowest Level

Duration



## These Changes Are Responsible for Spreads Being Lower by over 50 bps

Spread (basis points)



### Past performance does not guarantee future results.

bps: basis points. Based on Bloomberg US High Yield Corporate. Left display: weighted average ratings of the index; middle display: weighted average option-adjusted duration of the index; right display: rating and duration-adjusted spread based on ratings and duration weights in the index as of March 31, 2026

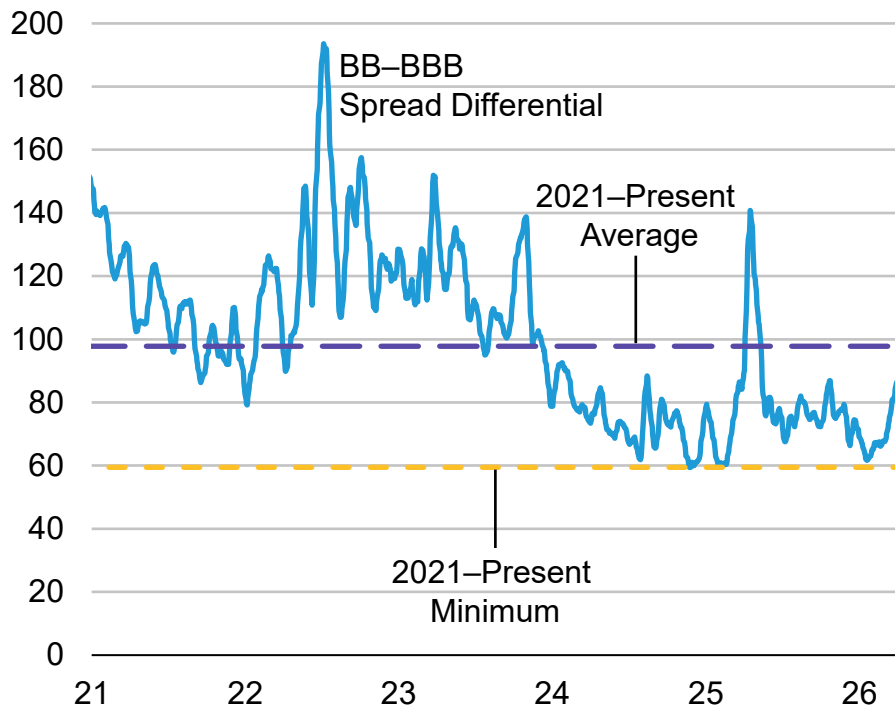
As of March 31, 2026

Source: Bloomberg and AB

# Investors Can Move Up in Quality from BBs to BBBs Without Giving Up Much (or Any) Yield

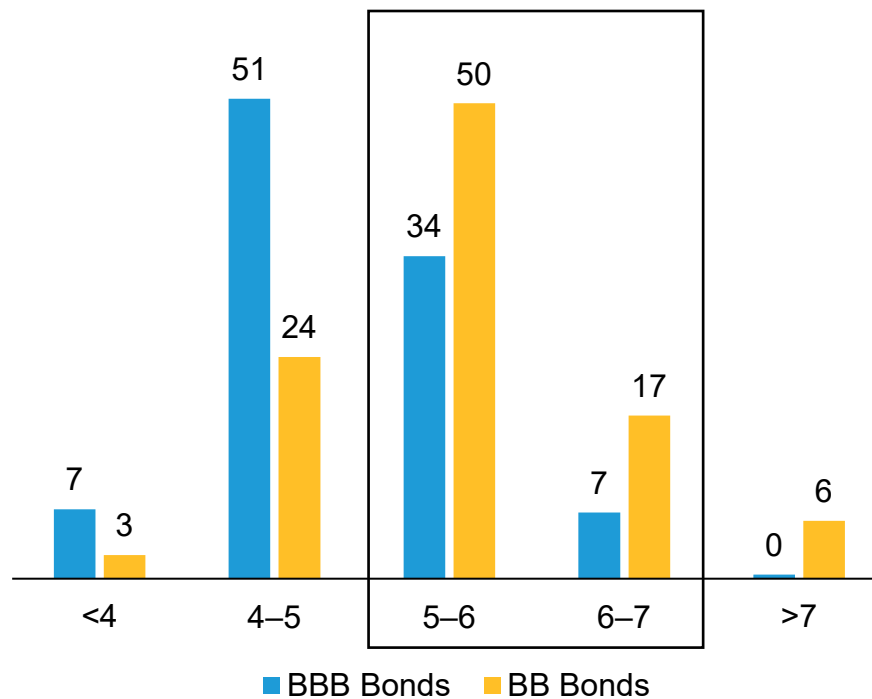
## The BB–BBB Spread Ratio Is Trading at Tight Levels

Spread basis (percent)



## 41% of the BBB Market Offers Yields Similar to BBs

Yield-to-worst buckets (percent)



### Past performance does not guarantee future results.

Bonds are rated by a nationally recognized statistical rating organization; AAA is highest (best) and D is lowest (worst). BBB bonds are represented by the BBB cohort bonds in Bloomberg US Credit Corporate. BB bonds are represented by the BB cohort bonds in Bloomberg US High Yield Corporate.

As of March 31, 2026

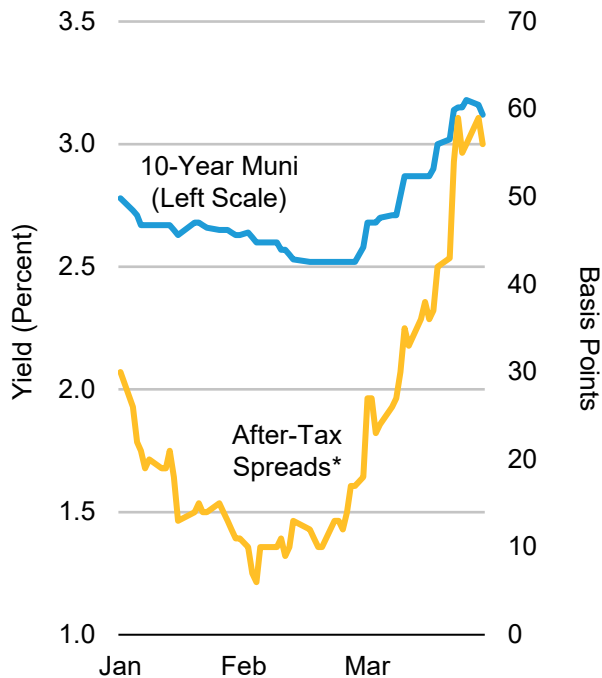
Source: Bloomberg and AB



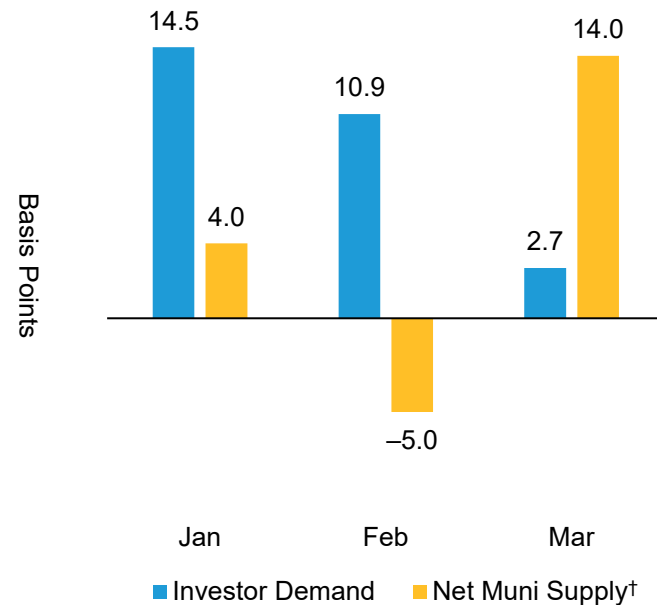
# Yields Spiked in March, Erasing January's and February's Outperformance

Evaporation of strong technicals in March, combined with macro volatility, drove muni underperformance

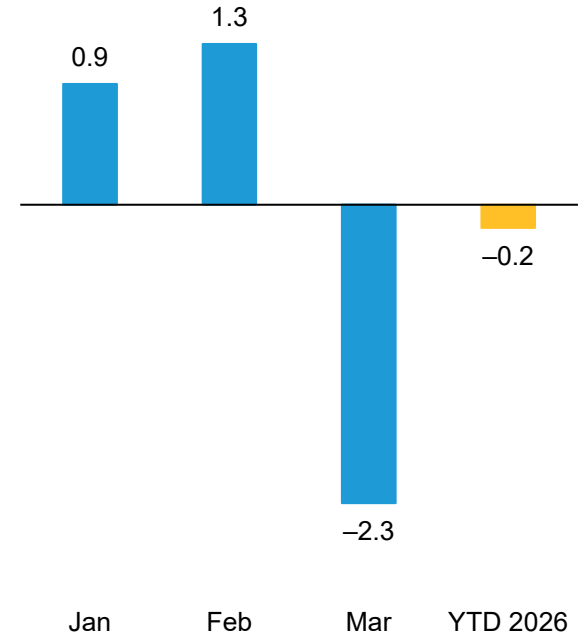
**10-Year AAA Muni and After-Tax Spreads\***



**Muni MF and ETF Flows Began the Year Strong, Before Waning in March as Supply Increased (Billions)**



**Bloomberg Municipal Index Returns Percent**



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

ETF: exchange-traded fund; MF: mutual fund; YTD: year-to-date

\*Tax rate assumptions using a 40.8% tax rate. †Net supply is new issue supply less bond redemptions, coupon payments and refunding payments.

As of March 31, 2026

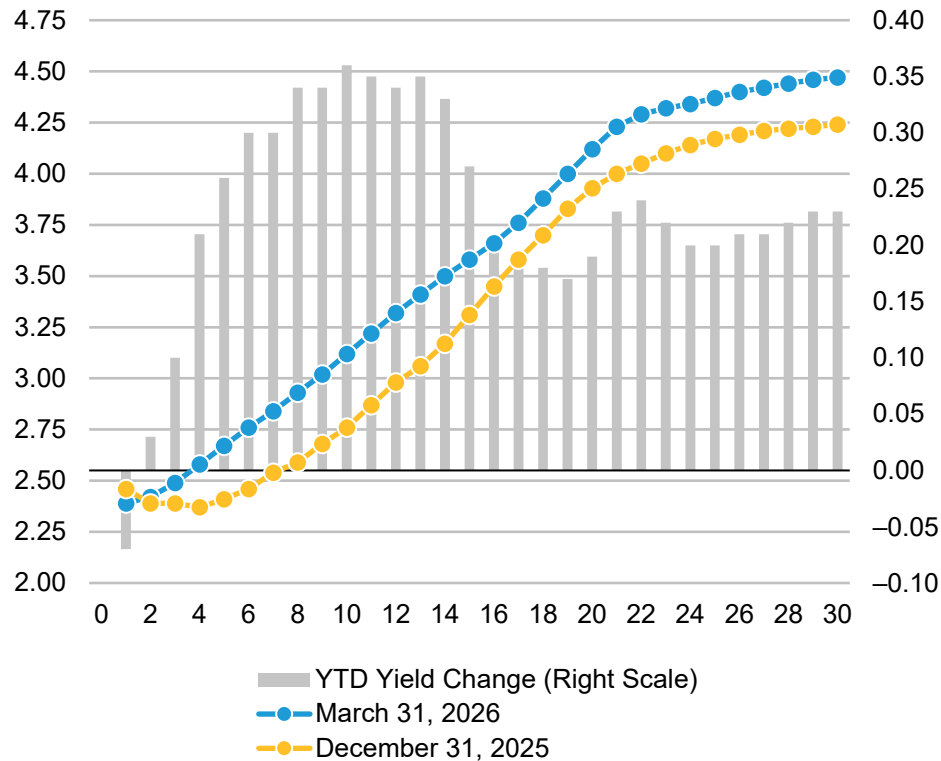
Source: Bloomberg, Morningstar, Municipal Market Data and AB



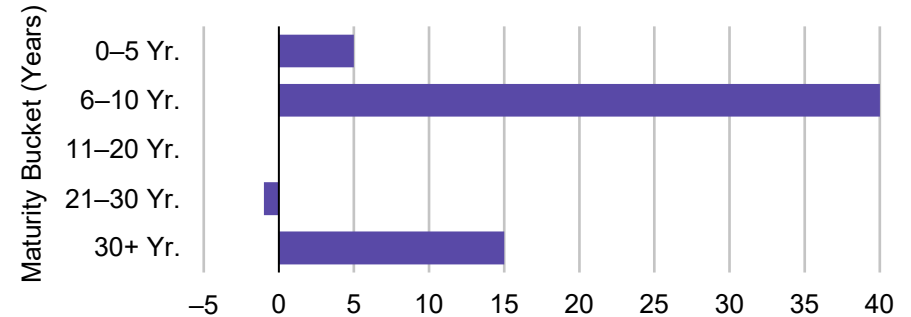
# The Belly of the Curve Underperformed During the Quarter

Concentrated issuance and expensive valuations caused intermediate munis to underperform

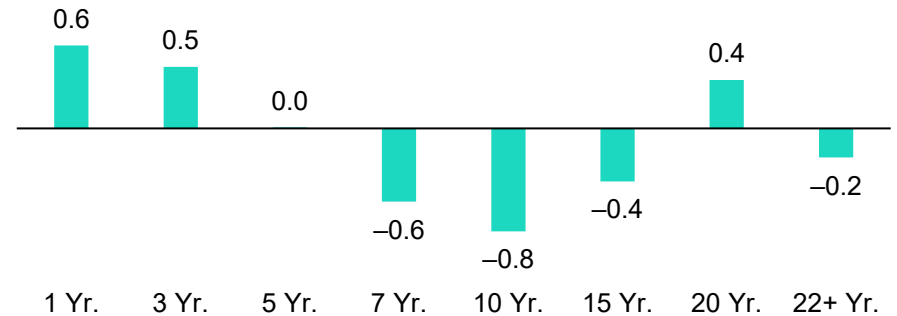
## AAA Municipal Yield Curve (Percent)



## Supply Has Been More Concentrated in the Belly of the Curve: Year-over-Year Percent Increase in Supply by Tenor



## Year-to-Date Returns by Maturity (Percent)

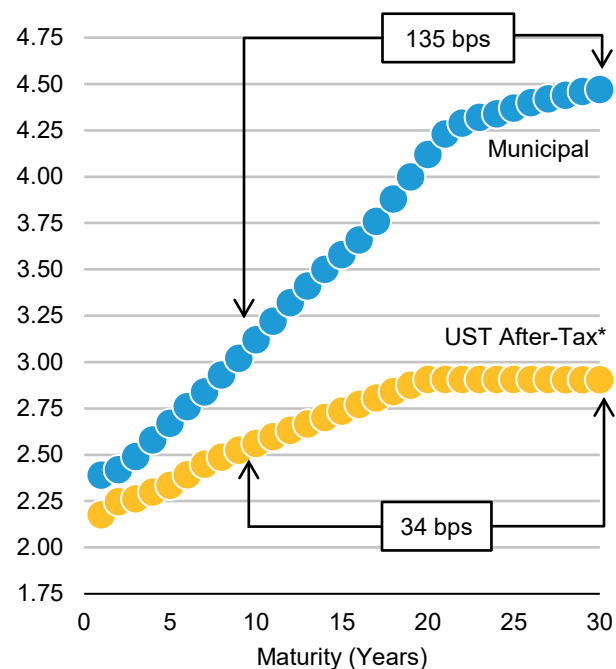


**Past performance does not guarantee future results. There is no guarantee any investment objective will be achieved. An investor cannot invest in an index. Index figures do not reflect the deduction of management fees and other expenses an investor would incur when investing in a fund or separately 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. YTD: year-to-date. As of March 31, 2026. Source: Bloomberg, J.P. Morgan, Municipal Market Data and AB**

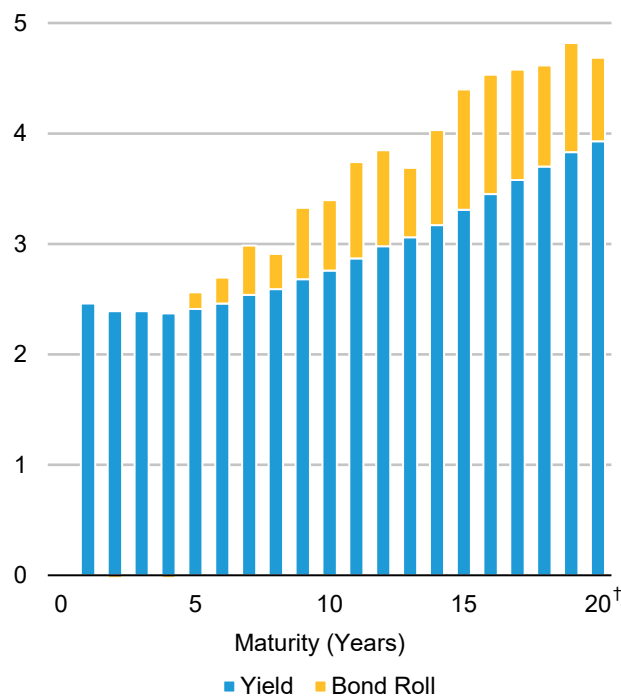
# Yield-Curve Positioning Is Key

A barbelled maturity helps maximize yield + roll

## Municipal Yield Curve Offers More Slope vs. US Treasuries (Percent)



## Yield + Roll Is Maximized in the 15- to 20-Year Part of the Curve (Percent)



## Hypothetical Maturity Construction†

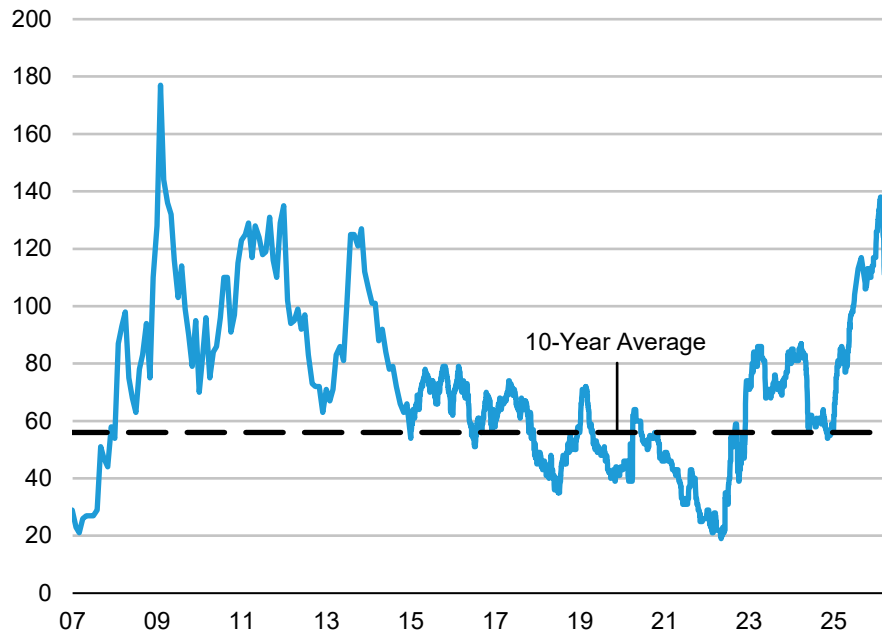
	Yield to Worst (Percent)	Duration (Years)	1Q 2026 Return
Barbell Maturity	3.70	5.9	0.20%
Concentrated Maturity	3.54	5.9	-0.79%
Ladder (Duration Neutral)	3.58	5.9	-0.08%

**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.** bps: basis points; UST: US Treasury. \*Tax rate assumptions using a 40.8% tax rate. †Data for maturity structure is calculated using Bloomberg municipal indices. Barbell is 33% in the one-year, 33% in the 15-year and 33% in the 20-year muni indices. Concentrated is 100% in the 10-year municipal index. Ladder is equal weights to the one-year through 22-year municipal indices. As of March 31, 2026. Source: Bloomberg, Morningstar, Municipal Market Data and AB

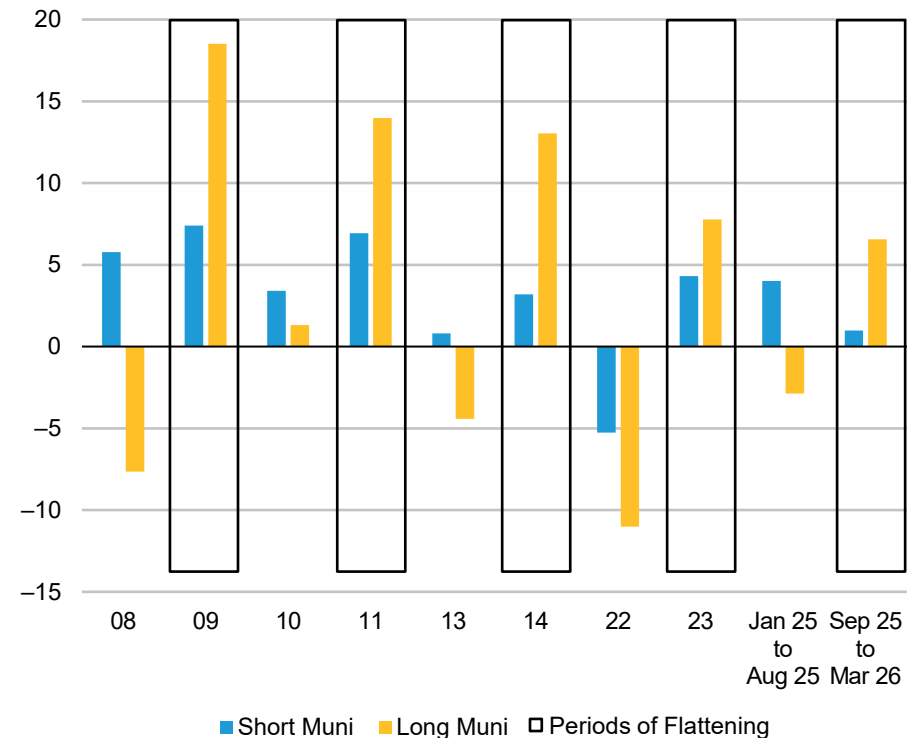
# Historically, Steepening Shifts Are Followed by Curve-Flattening Periods

When the curve flattens, long bonds have historically outperformed

**10s/20s Municipal Yield-Curve Slope**  
Basis points



**Short vs. Long Bond Muni Performance in Steepening and Flattening Environments (Percent)**



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

Short muni returns are represented by the Bloomberg 5 Year Municipal Bond. Long muni returns are represented by the Bloomberg 20 Year Municipal Bond.

As of March 31, 2026

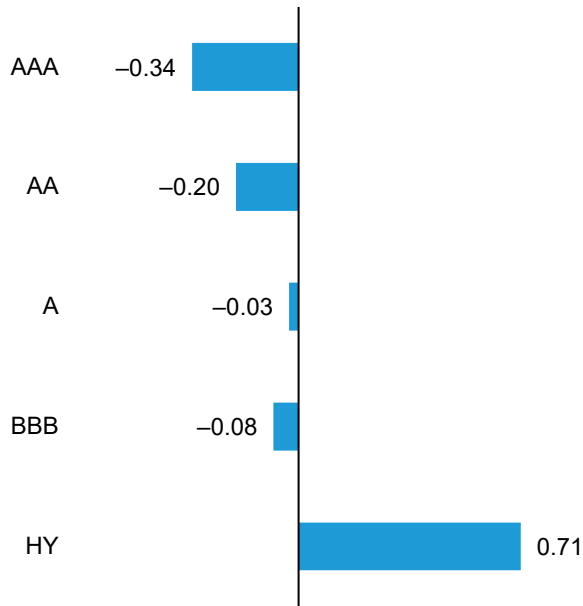
Source: Bloomberg, Municipal Market Data and AB



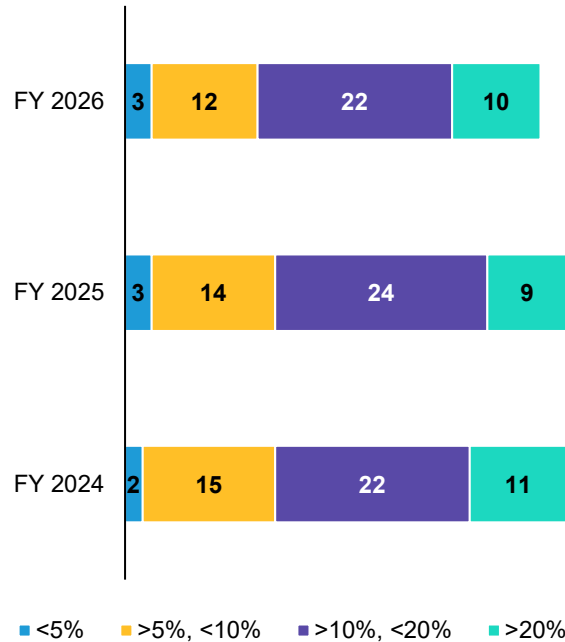
# Muni Credit Remains the Best Yield Opportunity for High-Tax Investors

While credit boasts supportive fundamentals and compelling yields, selectivity is crucial

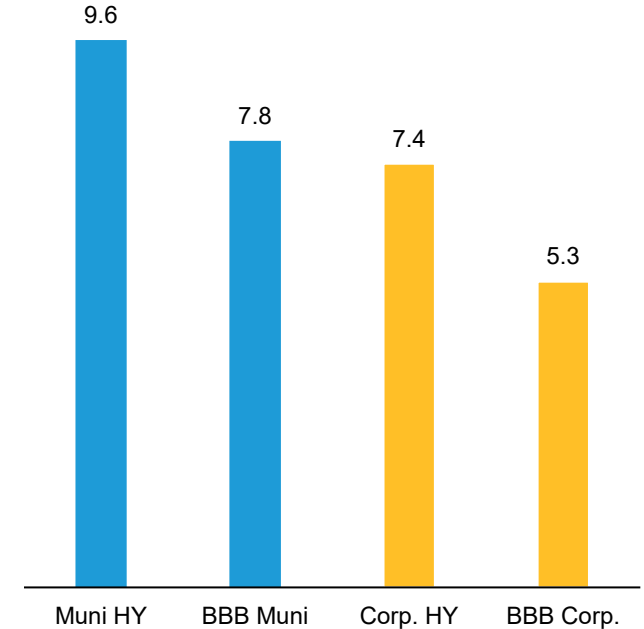
**Muni Returns by Credit Quality**  
Percent



**Rainy-Day Fund Balance as a Percentage of General-Fund Spending**  
Number of states



**Tax-Equivalent Yield Analysis\***  
Percent



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

FY: fiscal year; HY: high yield. Fiscal 2025 is preliminary actual; fiscal 2026 is projected based on states' enacted budgets. Three states (Georgia, Pennsylvania and Wisconsin) were not able to report on rainy-day fund balance projections for fiscal 2026.

\*Tax rate assumptions using a 40.8% tax rate

As of March 31, 2026

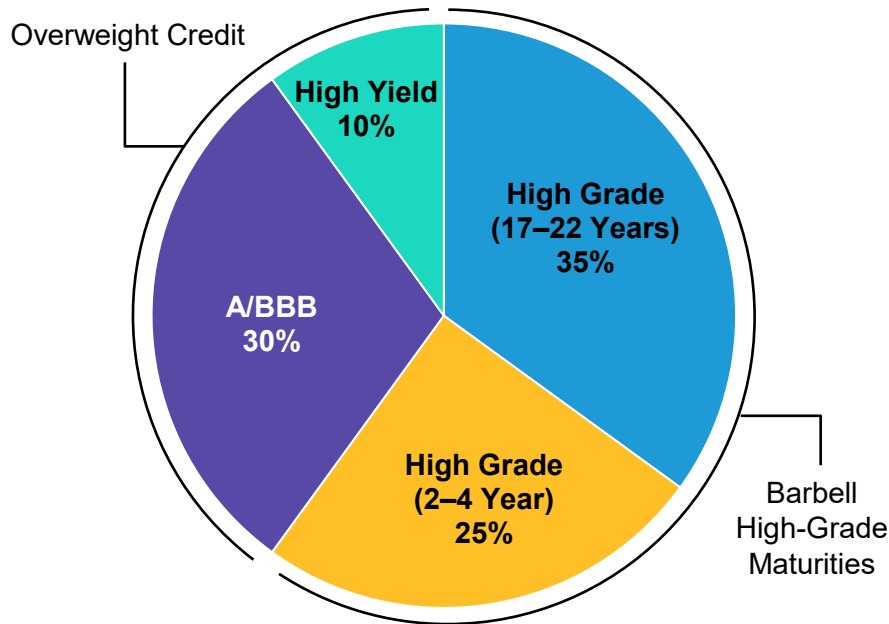
Source: Bloomberg, National Association of State Budget Officers and AB



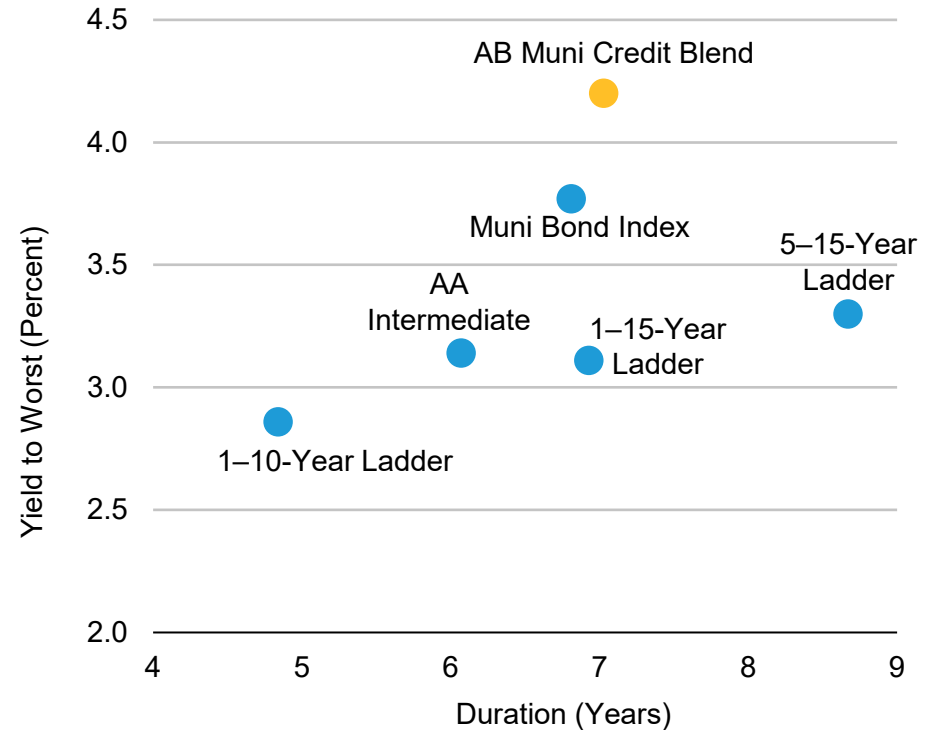
# Portfolio Construction for Today's Environment

Overweight municipal credit, overweight duration via a barbelled maturity structure

## AB Municipal Credit Blend



## Active Better Positioned than Passive



**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, 20% BBB, 10% A and 10% high yield.

As of March 31, 2026

Source: Bloomberg and AB



# Appendix

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

## Choose Your Own Adventure

2026												
	16	17	18	19	20	21	22	23	24		S&P Price Level	2026 Price Return*
295	4,720	5,015	5,310	5,605	5,900	6,195	6,490	6,785	7,080		5,800	-11.2%
300	4,800	5,100	5,400	5,700	6,000	6,300	6,600	6,900	7,200		6,000	-8.1
305	4,880	5,185	5,490	5,795	6,100	6,405	6,710	7,015	7,320		6,200	-5.0
310	4,960	5,270	5,580	5,890	6,200	6,510	6,820	7,130	7,440		6,400	-2.0
315	5,040	5,355	5,670	5,985	6,300	6,615	6,930	7,245	7,560		6,528	0.0
320	5,120	5,440	5,760	6,080	6,400	6,720	7,040	7,360	7,680		6,845	4.9
325	5,200	5,525	5,850	6,175	6,528	6,825	7,150	7,475	7,800		7,000	7.2
330	5,280	5,610	5,940	6,270	6,600	6,930	7,260	7,590	7,920		7,250	11.1
335	5,360	5,695	6,030	6,365	6,700	7,035	7,370	7,705	8,040		7,500	14.9

2027												
	14	15	16	17	18	19	20	21	22		S&P Price Level	2026-27 Price Return†
345	4,830	5,175	5,520	5,865	6,210	6,555	6,900	7,245	7,590		6,000	-5.4%
350	4,900	5,250	5,600	5,950	6,300	6,650	7,000	7,350	7,700		6,200	-3.3
355	4,970	5,325	5,680	6,035	6,390	6,745	7,100	7,455	7,810		6,400	-1.3
360	5,040	5,400	5,760	6,120	6,480	6,840	7,200	7,560	7,920		6,528	0.0
365	5,110	5,475	5,840	6,205	6,570	6,935	7,300	7,665	8,030		6,800	2.7
370	5,180	5,550	5,920	6,290	6,660	7,030	7,400	7,770	8,140		7,000	4.7
375	5,250	5,625	6,000	6,375	6,528	7,125	7,500	7,875	8,250		7,200	6.7
380	5,320	5,700	6,080	6,460	6,840	7,220	7,600	7,980	8,360		7,400	8.6
385	5,390	5,775	6,160	6,545	6,930	7,315	7,700	8,085	8,470		7,600	10.6

■ March 31, 2026 (What's Currently Priced In by Markets\*)   ■ AB's Most Likely Range of Future Outcomes

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

\*Based on S&P 500's 4Q:25 closing price of 6,528; horizontal axis contains forward price/earnings multiples; vertical axis contains forward earnings; numbers may not sum due to rounding. †Annualized

As of March 31, 2026

Source: Bloomberg, S&P and AB

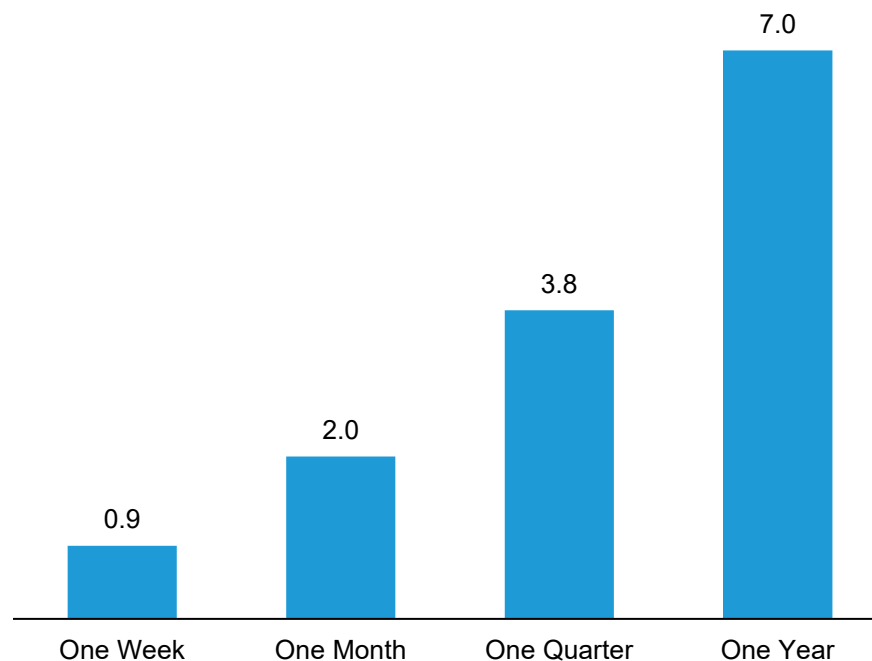


# Conflicts/Wars: Events Rarely Have a Lasting Market Impact

Select major conflicts since 1970 and S&P 500 returns (percent)

Event	First Trading Day	One Week	One Month	One Quarter	One Year
Yom Kippur War*	Oct 8, 1973	1.4	-3.9	-10.0	-43.2
Iraq Invades Kuwait*	Aug 2, 1990	-4.7	-8.9	-12.8	12.8
Desert Storm/First Gulf War*	Jan 17, 1991	4.5	17.2	23.6	36.6
War in Afghanistan*	Oct 8, 2001	1.9	3.0	9.8	-24.2
Second Gulf War	Mar 20, 2003	-0.5	2.4	14.3	29.2
Russia/Ukraine/Crimea	Feb 27, 2014	1.6	0.5	3.5	16.8
Russia Invades Ukraine	Feb 24, 2022	1.8	5.5	-7.8	-7.4
Israel-Hamas War	Oct 9, 2023	0.9	0.4	10.1	35.5

Average Return After Start of War/Conflict†



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

\*Denotes the geopolitical event occurred during a recession or six months prior to the start of a recession

†Average based on eight wars/conflicts listed on the left side of this display

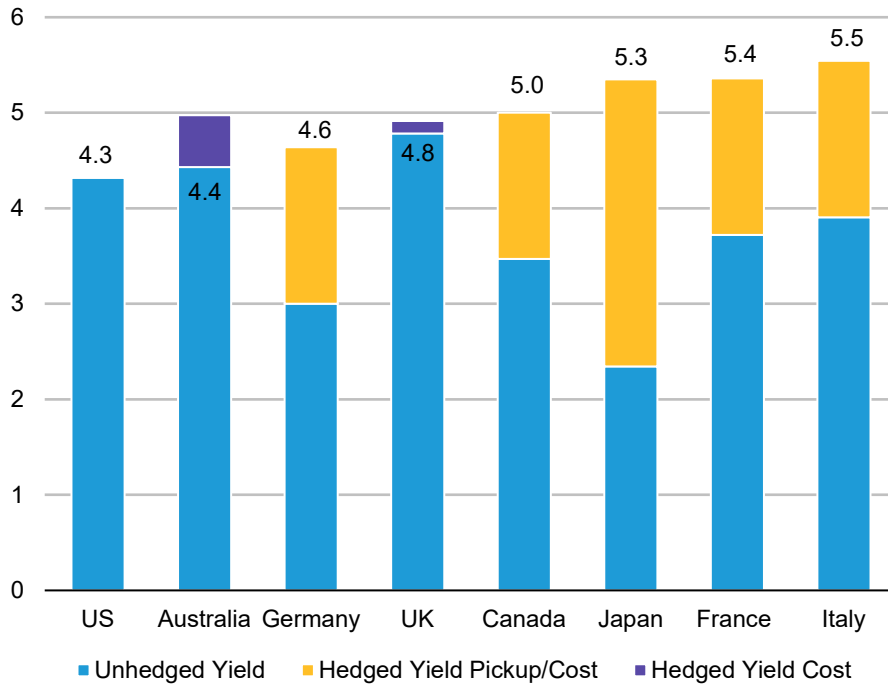
As of December 31, 2025

Source: Bernstein, Bloomberg, FactSet, National Bureau of Economic Research, S&P and AB

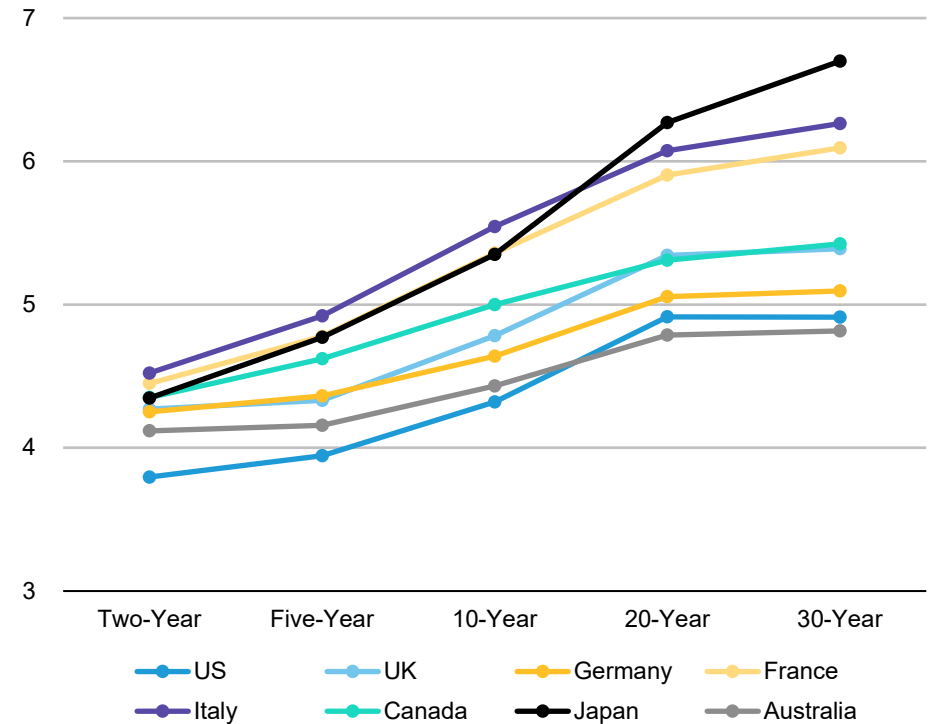


# Navigating Global Rates

**US Treasury Yields Look Low Compared to Attractive USD-Hedged Global Yields**  
Percent



**Major Developed-Market Yield Curves, Hedged Percent**



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

Hedged yields are hedged to US dollars. Left display shows 10-year maturities.

As of March 31, 2026

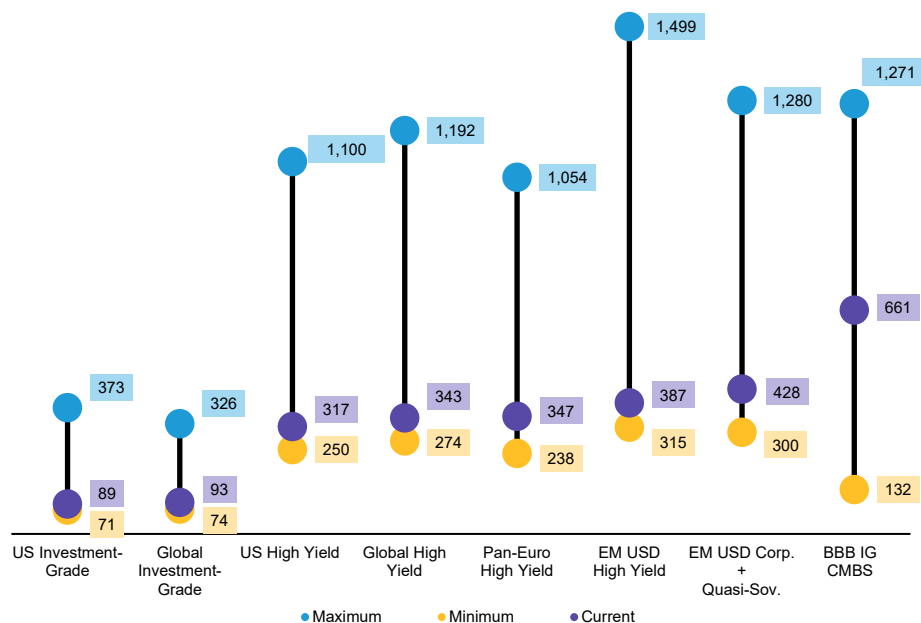
Source: Bloomberg and AB



# Spreads Are at Relatively Tight Levels, but Yields Are Still Attractive

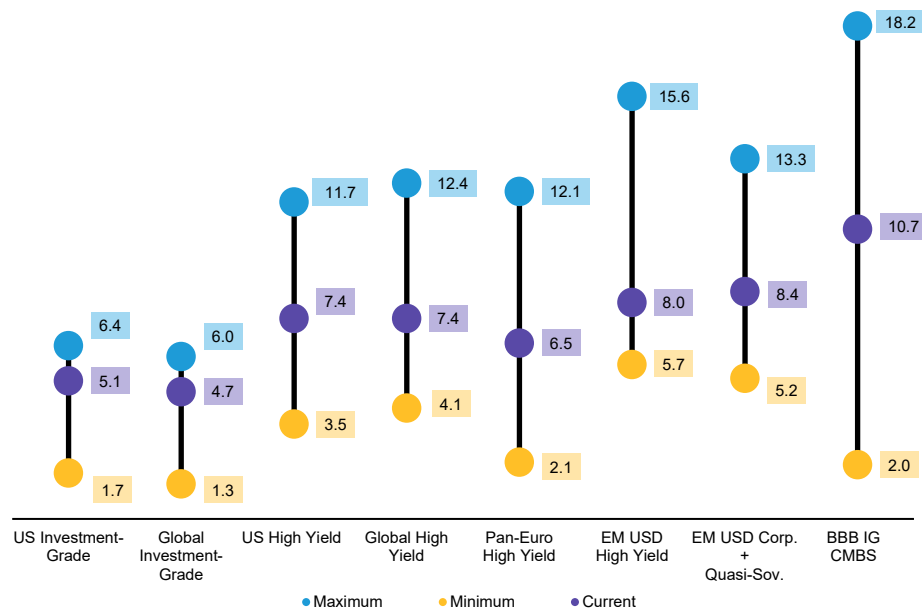
## Spread Ranges

January 2010–March 2026



## Yield Ranges

January 2010–March 2026



### Past performance does not guarantee future results.

CMBS: commercial mortgage-backed securities; EM: emerging-market; IG: investment-grade; 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; EM USD high yield by Bloomberg EM USD Sovereign 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 March 31, 2026

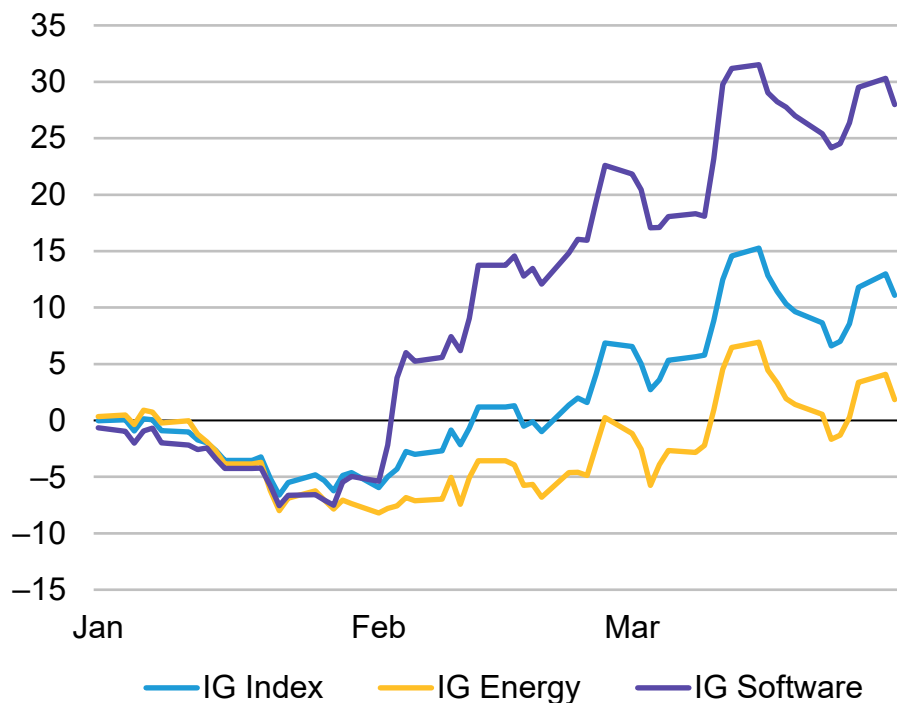
Source: Bloomberg and AB



# Software and Energy: The Two Themes Driving Credit Spreads

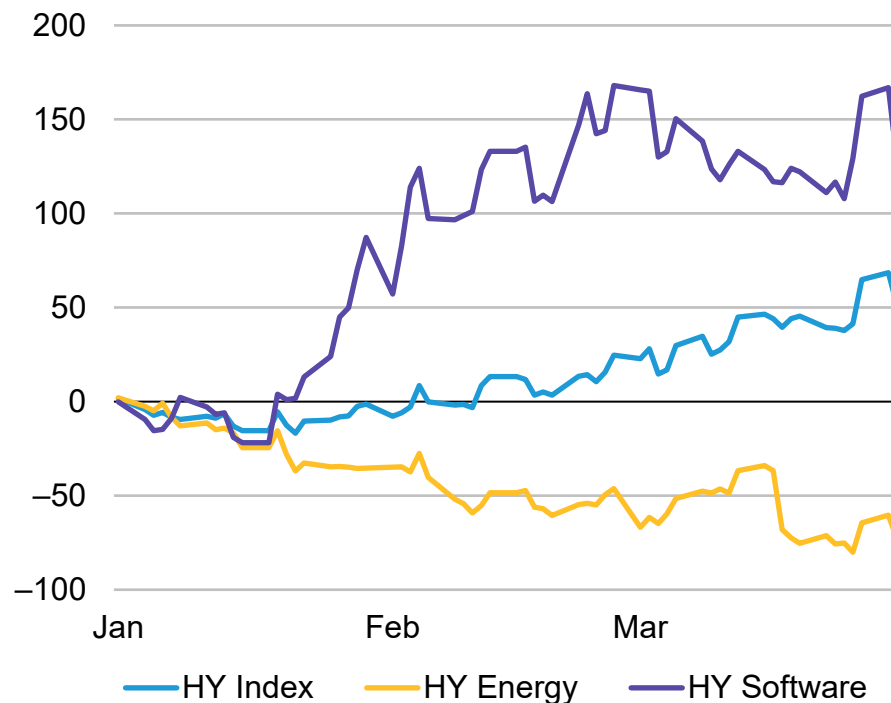
## Investment-Grade Year-to-Date Spread Changes

Basis points



## High-Yield Year-to-Date Spread Changes

Basis points



References to specific securities are not to be considered recommendations by AllianceBernstein L.P. It should not be assumed that investments in the securities identified were or will be profitable. HY: high-yield; IG: investment-grade. IG defined as Bloomberg US Corporate Bond. HY defined as Bloomberg US High Yield Bond. Software tickers are: ADBE, ADSK, APP, ATHENA, BR, CCSI, CDK, CDNS, CIFR, CISM, CNXC, CRM, CRWD, CRWV, CVT, DAEL, DNDCN, ESTC, FICO, FIS, FISV, FTNT, GEN, INTU, LOGM, MCFE, MSCI, MSFT, NOW, ORCL, OTEXCN, PAYX, PGY, PTC, RAX, RNG, ROCF, ROP, SNPS, SSNC, TEAM, TIBX, TRMB, TTWO, TWLO, ULTI, VYX, WDAY, WSTC, WULF and ZMINFO.

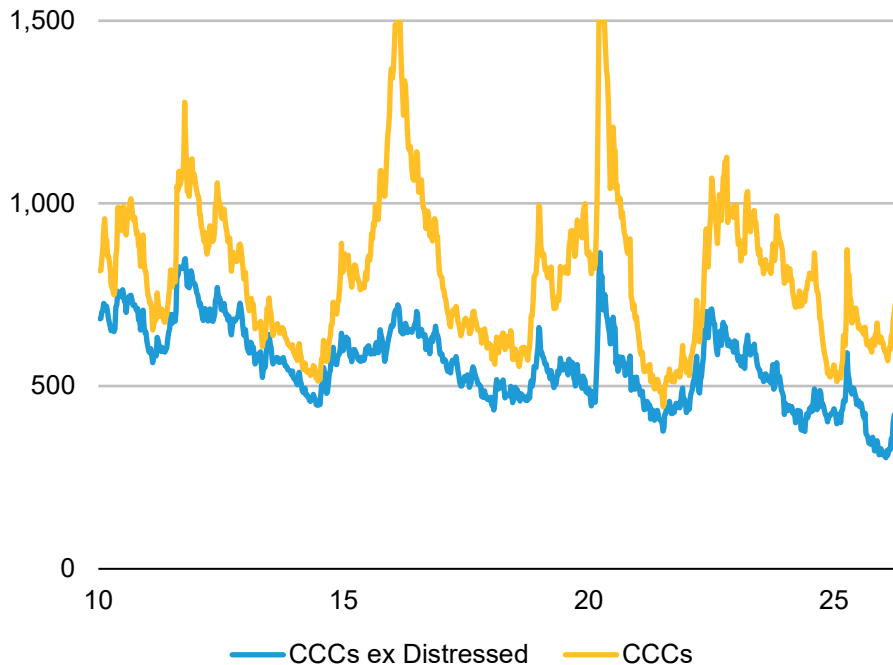
Through March 31, 2026. Source: Bloomberg and AB



# Not All CCCs Are Built the Same: Greater Emphasis on Credit Selection Is Required

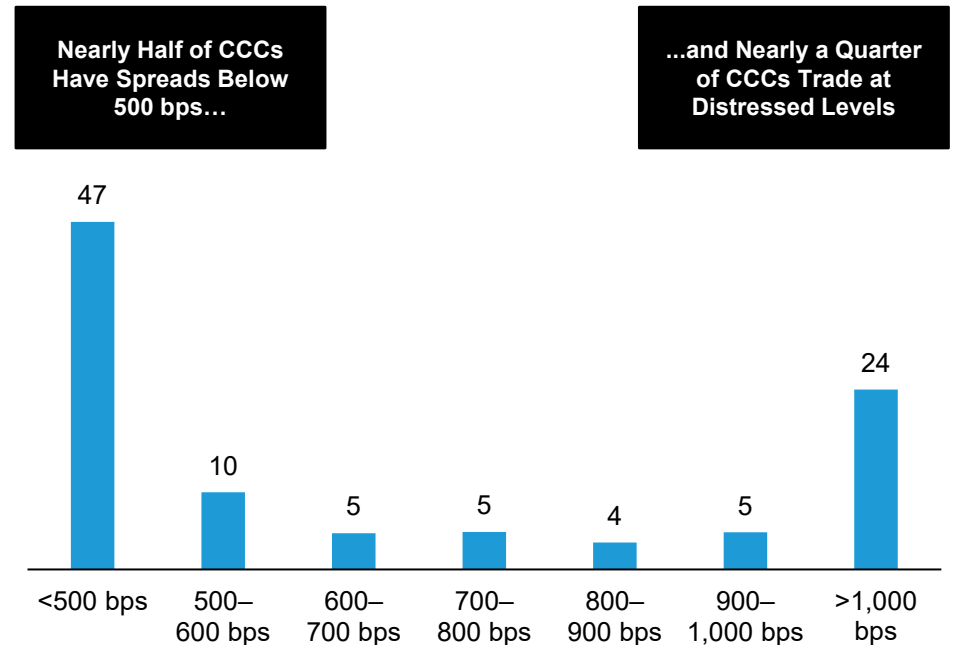
**When Stressed Bonds Are Excluded, CCC Compensation Is Near Its All-Time-Low Level**

Spread (basis points)



**This Has Driven a Bifurcation in Opportunity Within the CCC Space**

CCC par by spread bucket (percent)



Nearly Half of CCCs Have Spreads Below 500 bps...

...and Nearly a Quarter of CCCs Trade at Distressed Levels

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

bps: basis points

CCCs defined as bonds in Bloomberg US High Yield Caa Bond

Left display: distressed defined as bonds with a spread of 1,000 bps or more

As of March 31, 2026

Source: Barclays, Bloomberg and AB



# Fallen Angels Outpaced Rising Stars in 2025: A Trend That Has Continued in 1Q:26

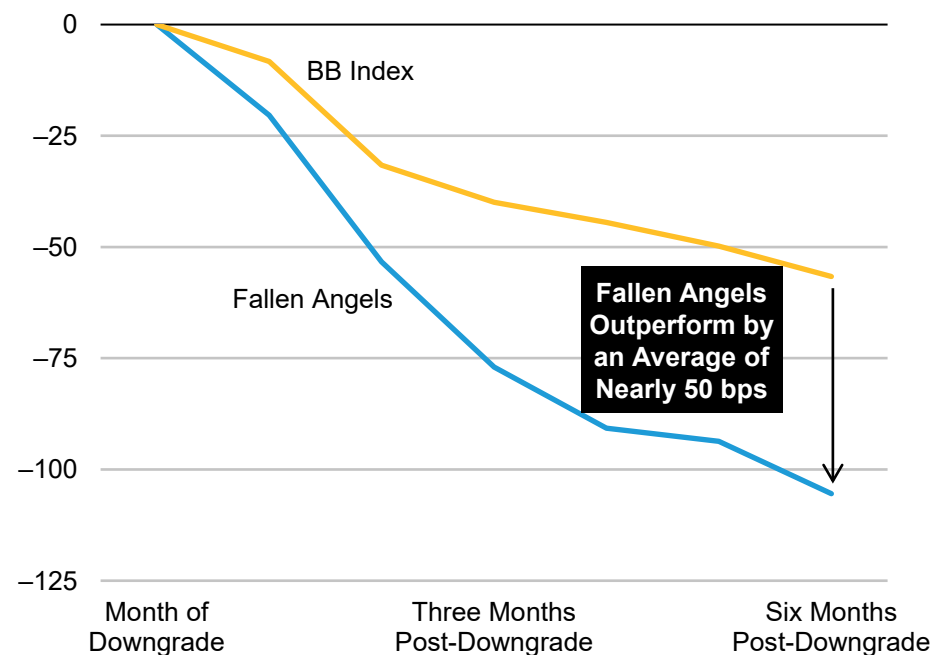
## There Have Been More Fallen Angels Than Rising Stars Since the Start of 2025

Amount outstanding (USD billions)



## Fallen Angels Tend to Outperform Following Downgrades to High Yield

Average spread change relative to time of downgrade (bps)



### Past performance does not guarantee future results.

bps: basis points. Right display based on fallen angels from 2015–2024; fallen angel spread change based on average spread move of bonds in the six months following move from investment-grade to high yield; BB index spread change based on average spread change of the BB cohort over the same time periods as the fallen angels

As of March 31, 2026

Source: Barclays, 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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# A Word About Risk

## **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 4)
- **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 4)
- **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 4)
- **Bloomberg Municipal Bond Index:** A rules-based, market value–weighted index engineered for the long-term tax-exempt bond market. (Represents municipals on slide 4)
- **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

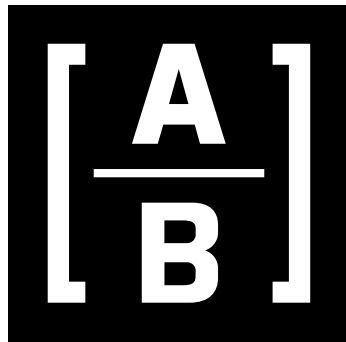
# Index Definitions (cont.)

- **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 4)
- **Bloomberg US High Yield Index:** Covers the universe of fixed-rate, noninvestment-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 4)
- **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 4)
- **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 4)
- **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 4)
- **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 4)
- **S&P 500:** Includes a representative sample of 500 leading companies in leading industries of the US economy. (Represents US large-cap on slide 4)

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