



ALLIANCEBERNSTEIN®

Third Quarter 2023

Capital Markets Outlook

Dog Days of Summer Redux:
Resolution, Resistance and
Normalization

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

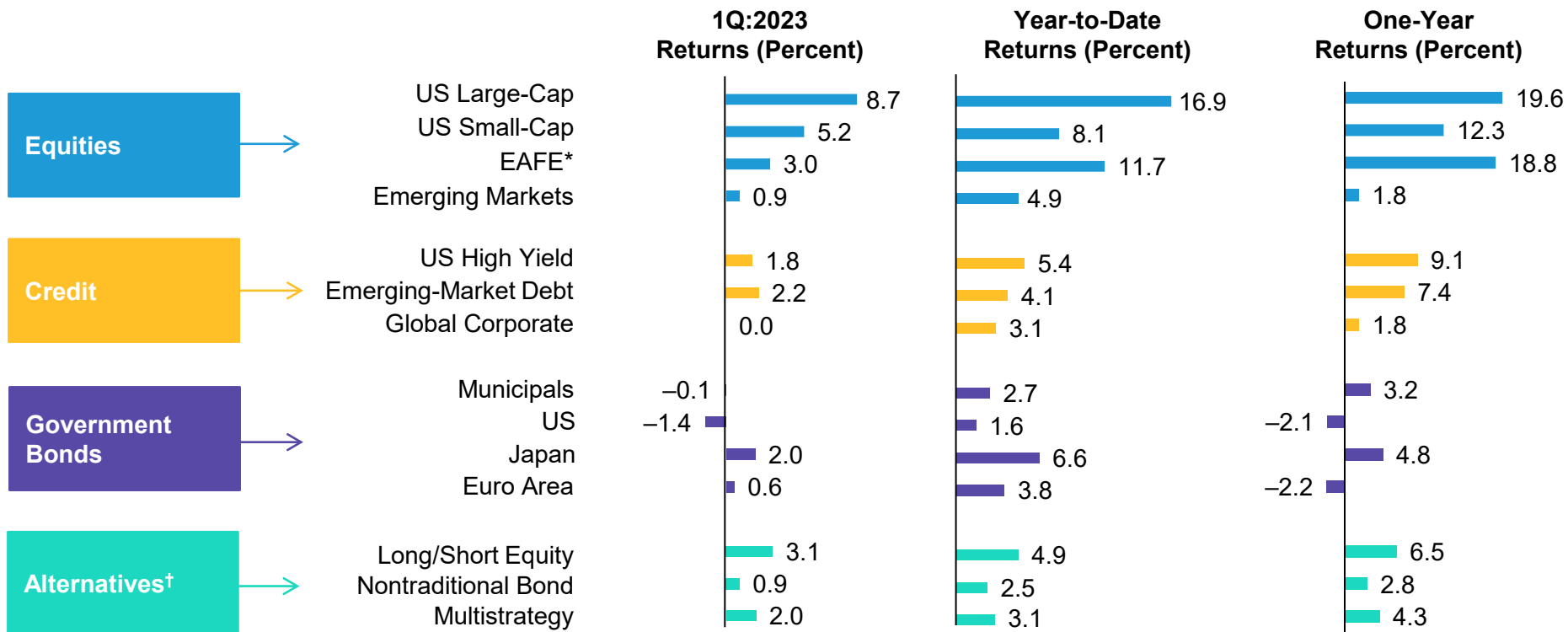
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● Are Not FDIC Insured ● May Lose Value ● Are Not Bank Guaranteed

Housekeeping

- Thank you for joining today's call
- Please note, slides are available for download in the related content box on the left side of your screen
- To ask a question during the presentation, submit your question in the "Q&A" box on the left side of your screen
- If you experience any technical issues, please submit a chat so the producer can follow up

Piercing the Ceilings: After the Lifting of the US Debt Ceiling, Markets Pushed Through a Ceiling of Their Own on the Back of an AI-Fueled Rally



Past performance does not guarantee future results.

Returns in US dollars. EAFE and EM returns are net returns; all other returns are total returns. Global corporates, Japan and euro-area government bonds in hedged USD terms. All other non-US returns in unhedged USD terms. US Large-Cap represented by S&P 500. US Small-Cap represented by Russell 2000. An investor cannot invest directly in an index, and its performance does not reflect the performance of any AB portfolio. The unmanaged index does not reflect the fees and expenses associated with the active management of a portfolio.

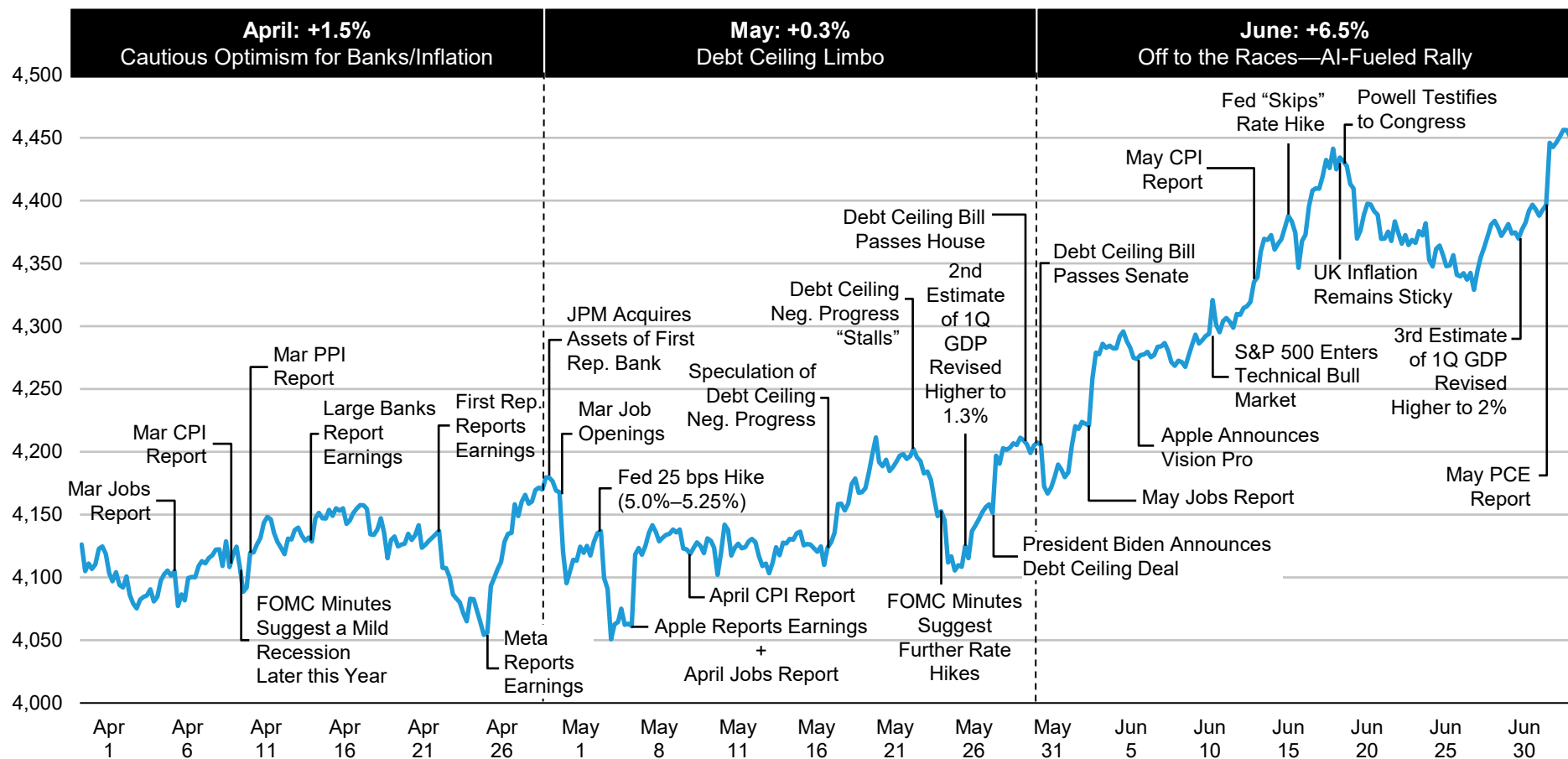
*Europe, Australasia and the Far East; †Returns reflect Morningstar US open-end fund category averages.

As of June 30, 2023

Source: Bloomberg, Morningstar Direct and AB

2Q 2023: From Fears of a Deep Recession to Hopes of a Soft Landing

When and how the market came to price in the “improbable”



Historical analysis and current forecasts do not guarantee future results.

bps: basis points; CPI: Consumer Price Index; PCE: personal consumption expenditures; PPI: Producer Price Index; GDP: gross domestic product; JPM: J.P. Morgan
Returns are price returns. Events are placed at approximate points.

As of June 30, 2023

Source: Bloomberg and AB



Market Summary Recap and Outlook

Three key themes

First Half (1H) of 2023: Resolution

- Many of the previous “known unknowns” plaguing the market were either resolved or saw material progress
 - Debt ceiling was lifted
 - Banking crisis was contained
 - Headline inflation was cut in half
 - Labor markets began to soften but showed resilience
 - Peak/near peak in rates was likely identified
 - Economic growth and S&P 500 earnings were stronger than anticipated
- Consequently, the S&P 500 entered a technical bull market, and a soft landing was priced in by many market participants

Second Half (2H) of 2023: Resistance

- Low-hanging fruit was picked during 1H, leaving markets with limited avenues for a sustained push higher
 - Equity multiples are trading at more expensive levels
 - Inflation is expected to rise slightly into year-end after bottoming out in June
 - Rates will likely remain high, increasing the chances of “breaking” something currently unknown
 - Unemployment is expected to rise
 - Growth is expected to hold up but remain below trend as consumer finances weaken
 - Earnings face higher hurdles during 3Q and 4Q

2024: Normalization

- Many of the areas affected by COVID-19, such as growth, labor markets and inflation, will move toward trend
- From an economic perspective, we expect growth and inflation to return to long-term expectations by end of 2024/early 2025
- In response to this economic normalization, we expect rate cuts to start in 2024
- The above will likely strengthen bond markets as rates fall, with potential multiple support to equity markets alongside reduced uncertainty premiums

Historical analysis and current forecasts do not guarantee future results.

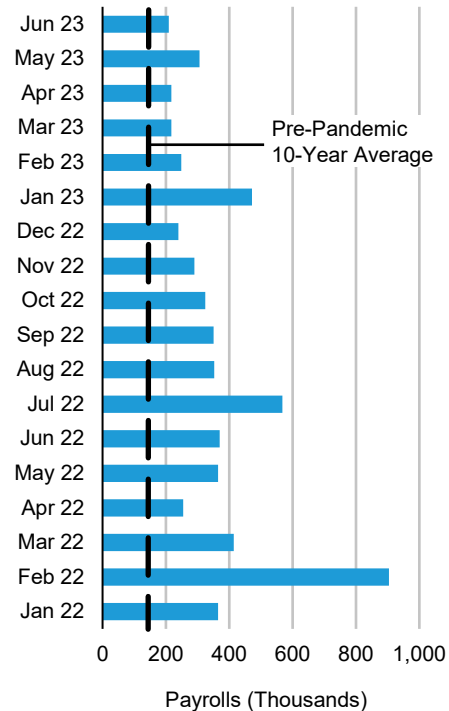
As of June 30, 2023

Source: AB

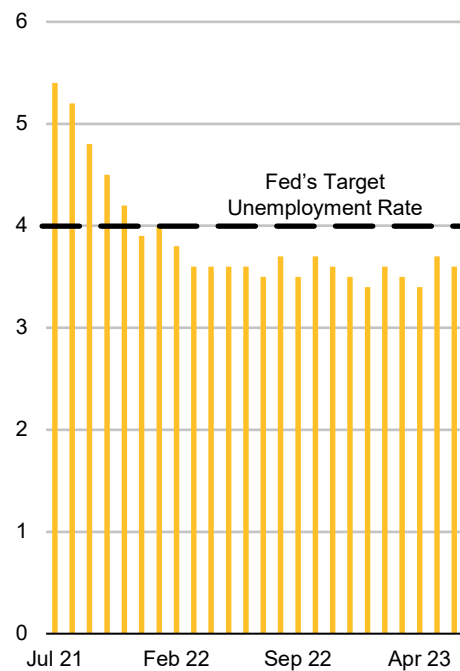


Fed's Number-One Priority: Finding a Better Balance in the Labor Market

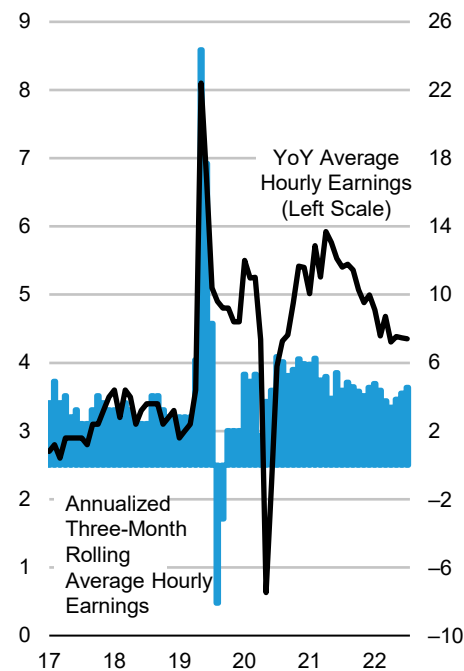
We Continue to Add Jobs at an Above-Average Pace



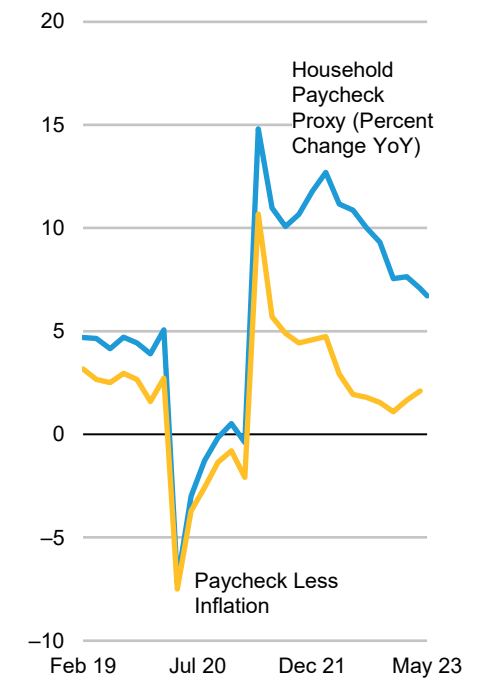
Keeping Unemployment Low...



...and Wages Relatively High



Leading to Rising Real Income as Inflation Falls



Historical analysis and current forecasts do not guarantee future results.

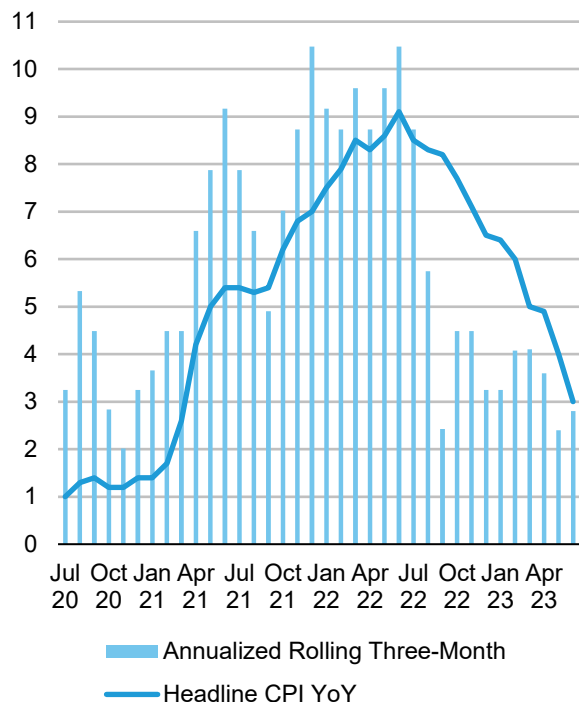
As of July 7, 2023

Source: Bloomberg, US Bureau of Labor Statistics and AB

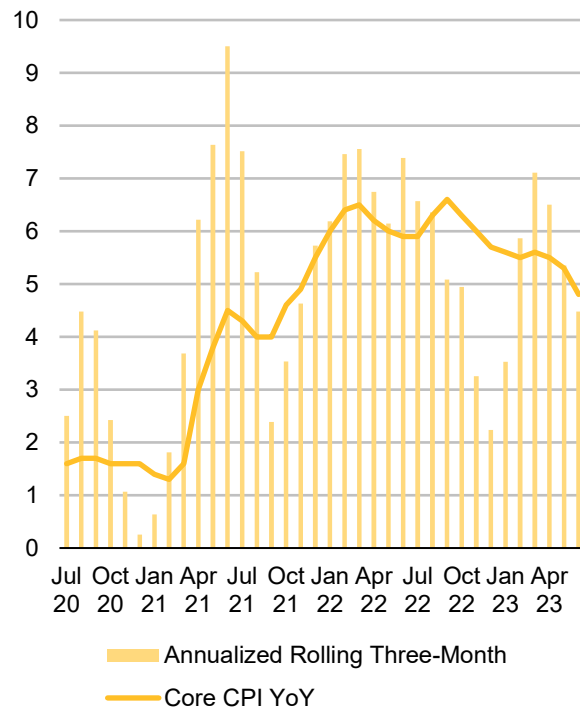


Fortunately, Inflation Measures Are Continuing to Show Signs of Improvement

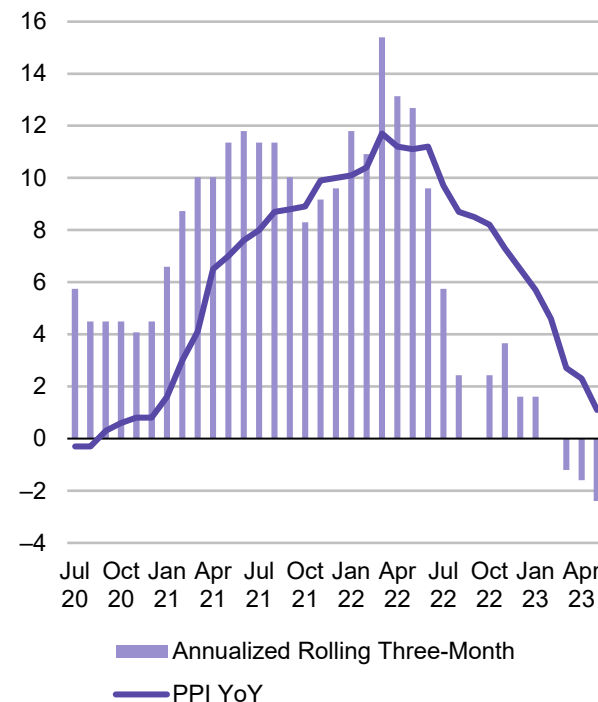
Headline CPI
Percent



Core CPI
Percent



Headline PPI
Percent



Historical analysis and current forecasts do not guarantee future results.

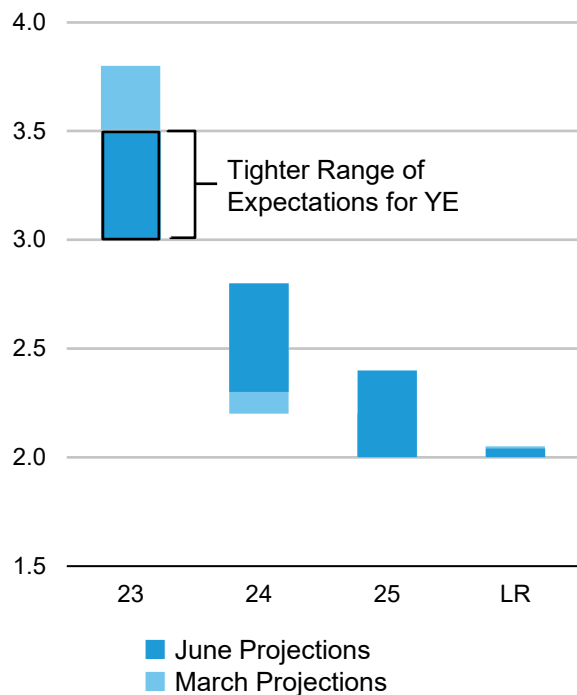
As of July 12, 2023

Source: Bloomberg, US Bureau of Labor Statistics and AB

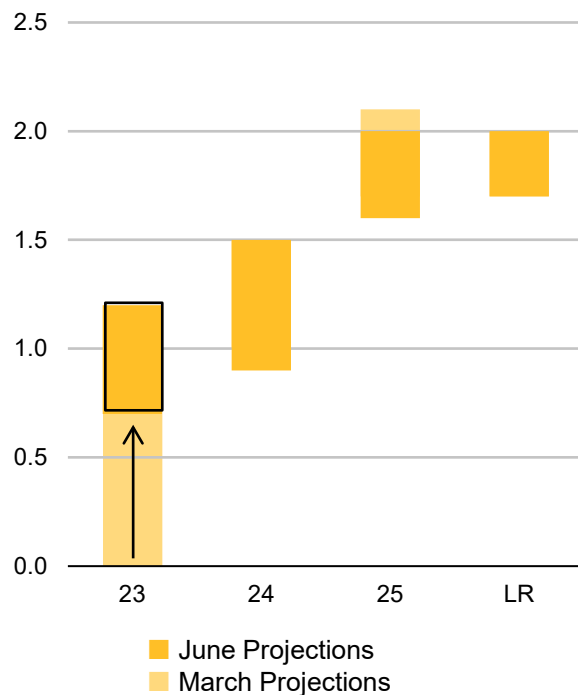


On Similar Pages: Members of the Federal Reserve Have Pivoted to Increasingly Anticipate a Relatively Soft Landing

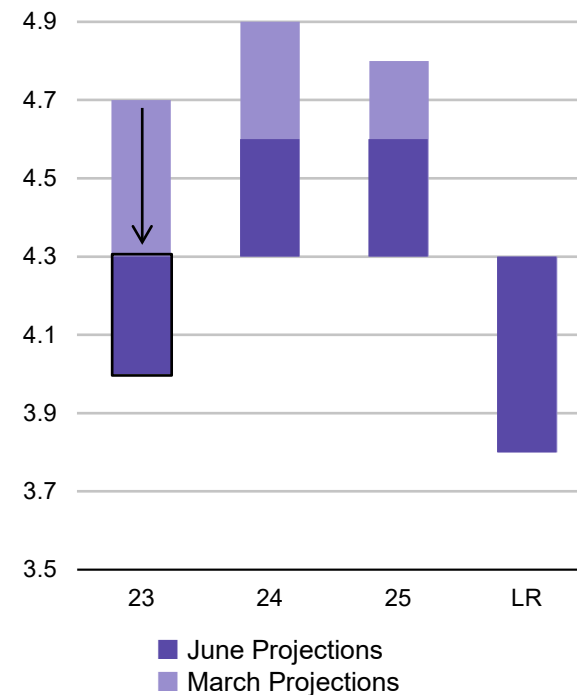
PCE Inflation Central Tendency of FOMC Members (Percent)



Real GDP Central Tendency of FOMC Members (Percent)



Unemployment Central Tendency of FOMC Members (Percent)



Historical analysis and current forecasts do not guarantee future results.

YE: year-end

As of June 30, 2023

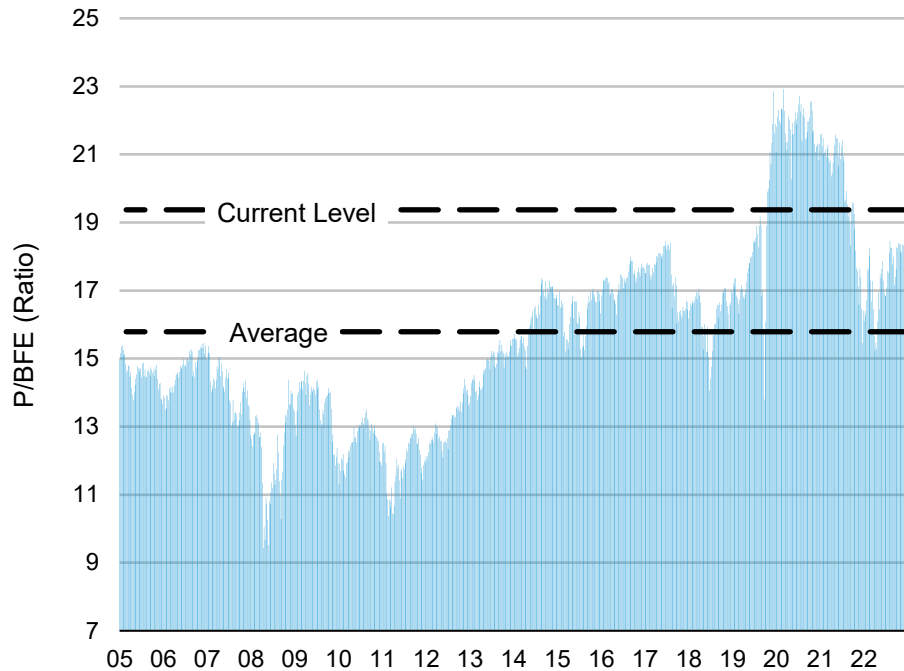
Source: US Federal Reserve and AB



Consequences of These Expectations: Greater Resistance Ahead

Paying More for Less

S&P 500 valuations have returned to expensive levels



Higher Rates

Rate expectations have returned to pre-banking-crisis heights as the Fed and markets see resilience in the economy



Historical analysis and current forecasts do not guarantee future results.

P/BFE: price to blended forward earnings

As of June 30, 2023

Source: Bloomberg and AB



Macro Summary

Signs point to economic normalization for many parts of the globe in 2024

AB Global Economic Forecast

	Real Growth (Percent)		Inflation (Percent)		Official Rates (Percent)		Long Rates (Percent)	
	23F	24F	23F	24F	23F	24F	23F	24F
Global ex. Russia	2.1	1.9	5.2	3.3	5.08	3.83	3.74	3.08
Industrial Countries	1.0	0.6	4.2	2.3	4.30	3.09	3.11	2.29
Emerging Countries	3.7	3.8	6.6	4.9	6.33	5.27	4.45	4.13
US	0.8	1.0	3.8	2.5	5.38	3.88	3.75	2.75
Euro Area	0.1	0.3	5.0	2.3	4.00	2.75	2.75	2.25
UK	0.0	1.0	6.0	2.0	5.75	4.00	3.00	2.50
Japan	1.5	1.0	2.5	1.5	0.00	0.25	0.75	0.75
China	5.1	4.8	2.3	2.0	1.75	1.50	2.50	2.25

Past performance and current analysis do not guarantee future results.

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

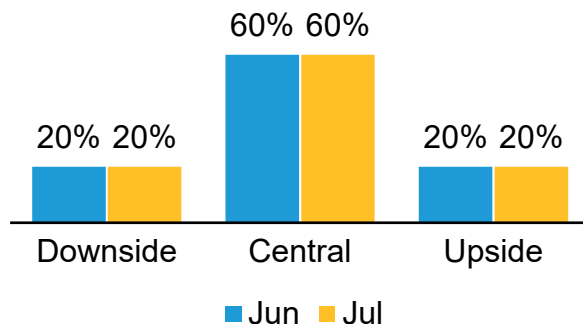
As of June 30, 2023

Source: AB

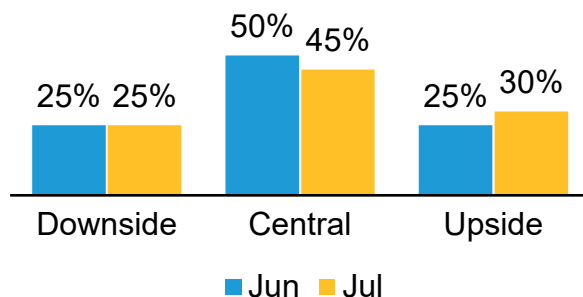


Bringing It All Together: Balance of Risks and Various Paths Forward

Balance of Risks: Growth



Balance of Risks: Inflation



Economic Outcome	Policy Path	Probability	10-Year Rate/Curve Shape
Hard Landing: Growth rolls over and Inflation quickly and sustainably approaches target.	Aggressive rate cuts starting as soon as the summer; QT stops relatively soon.	10%	<3.0% Massive Steepener
Slow Convergence: Growth slows, and inflation falls slowly but steadily during the year; the labor market weakens.	Rates on hold for most of the year with rate cuts possible by year-end; QT likely to continue until rate cuts happen.	30%	3.0%–3.75% Steepener
Plateau: Growth slows a bit and inflation falls for a while; inflation convergence is inconsistent; the labor market weakens only modestly.	No rate cuts this year, QT continues.	45%	3.75%–4.5% Modest Steepener
No landing: inflation doesn't fall meaningfully and/or the labor market stays strong.	Much higher terminal rate, no suggestion of rate cuts, QT continues.	15%	>4.5% Flattener

Past performance and current analysis do not guarantee future results.

QT: quantitative tightening

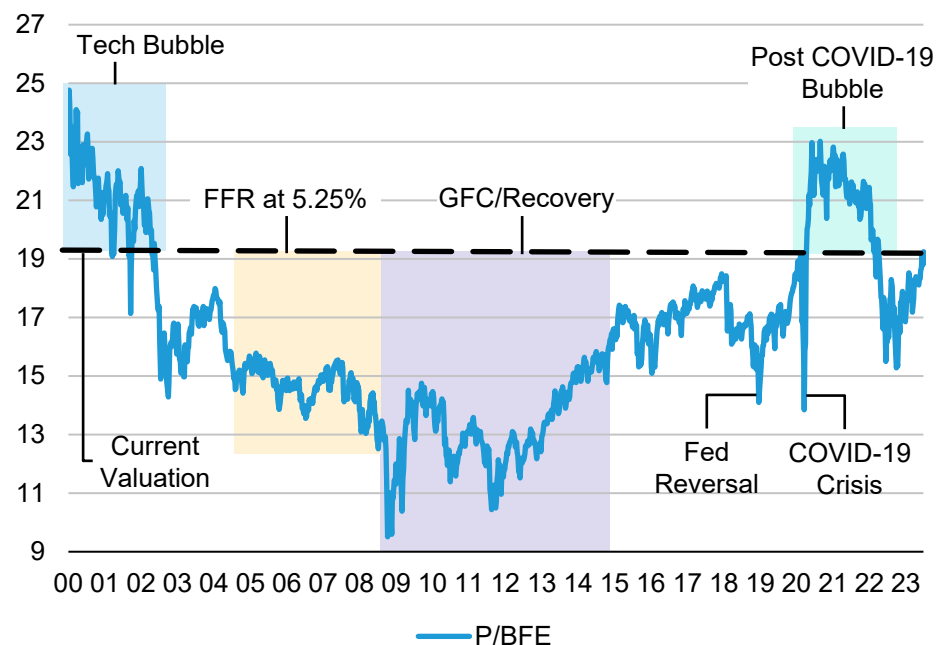
As of June 30, 2023

Source: AB



Valuations: As Earnings Growth Expectations Remain Largely Unchanged, Valuations Hover Near a Ceiling Only Breached During Market Bubbles

S&P 500 Multiples



Time Period	P/E	P/BFE	P/FE ₁	P/FE ₂	P/FE ₃
June 30, 2023	19.9	19.3	20.2	18.4	16.8
March 31, 2023	19.7	18.3	18.8	17.0	15.6
December 31, 2022	18.6	16.7	17.5	16.4	15.0
Pre-Pandemic*	21.5	18.8	19.3	17.3	15.5
10-Year Average	19.4	17.9	19.0	17.2	15.8
Pre-Pandemic Five-Year Average	19.8	16.9	17.8	16.0	14.4
Average P/E When Rates Are Increasing†	19.2	16.1	17.1	15.4	14.3
Average Since 2000	18.1	15.9	17.3	15.6	14.2
January 2014–November 2016	18.5	16.2	17.1	15.3	13.7

Historical analysis and current forecasts do not guarantee future results.

FFR: federal funds rate; GFC: global financial crisis

Price/earnings (P/E) is for the trailing 12 months; price/blended forward earnings (P/BFE) is for the next 12 months; price/forward earnings (P/FE₁) is for the calendar year 2023;

P/FE₂ is for the calendar year 2024; P/FE₃ is for the calendar year 2025.

*February 21, 2020

†Last two Fed cycle hikes, excluding the current one

As of June 30, 2023

Source: Bloomberg, S&P and AB

Scenario Chart: Choose Your Own Adventure

Forward returns expected to be limited, with valuations already pricing in lower rates and earnings facing headwinds

S&P 500 Return Scenario Chart

2023											
	14	15	16	17	18	19	20	21	22	S&P Price Level	2023 Price Return*
200	2,800	3,000	3,200	3,400	3,600	3,800	4,000	4,200	4,400	3,740	-16.0%
205	2,870	3,075	3,280	3,485	3,690	3,895	4,100	4,305	4,510	3,870	-13.0
210	2,940	3,150	3,360	3,570	3,780	3,990	4,200	4,410	4,620	3,960	-11.0
215	3,010	3,225	3,440	3,655	3,870	4,085	4,300	4,515	4,730	4,180	-6.1
220	3,080	3,300	3,520	3,740	3,960	4,109	4,450	4,620	4,840	4,200	-5.6
225	3,150	3,375	3,600	3,825	4,050	4,275	4,500	4,725	4,950	4,300	-3.4
230	3,220	3,450	3,680	3,910	4,140	4,370	4,600	4,830	5,060	4,450	0.0
235	3,290	3,525	3,760	3,995	4,230	4,465	4,700	4,935	5,170	4,620	3.8
240	3,360	3,600	3,840	4,080	4,320	4,560	4,800	5,040	5,280	4,725	6.2

2024											
	12	13	14	15	16	17	18	19	20	S&P Price Level	2023-24 Price Return†
220	2,640	2,860	3,080	3,300	3,520	3,740	3,960	4,180	4,400	3,675	-12.0%
225	2,700	2,925	3,150	3,375	3,600	3,825	4,050	4,275	4,500	3,840	-9.4
230	2,760	2,990	3,220	3,450	3,680	3,910	4,140	4,370	4,600	4,080	-5.7
235	2,820	3,055	3,290	3,525	3,760	3,995	4,230	4,465	4,700	4,165	-4.3
240	2,880	3,120	3,360	3,600	3,840	4,109	4,450	4,560	4,800	4,230	-3.3
245	2,940	3,185	3,430	3,675	3,920	4,165	4,410	4,655	4,900	4,450	0.0
250	3,000	3,250	3,500	3,750	4,000	4,250	4,500	4,750	5,000	4,560	1.6
255	3,060	3,315	3,570	3,825	4,080	4,335	4,590	4,845	5,100	4,750	4.5
260	3,120	3,380	3,640	3,900	4,160	4,420	4,680	4,940	5,200	5,000	8.1

■ June 30, 2023

■ March 31, 2023

Historical analysis and current forecasts do not guarantee future results.

*Based on S&P 500's 1Q closing price of 4,450; June 30, 2023, and March 31, 2023, use rounded numbers for earnings and multiples.

†Annualized return from the "As of" date to the end of 2024

As of June 30, 2023

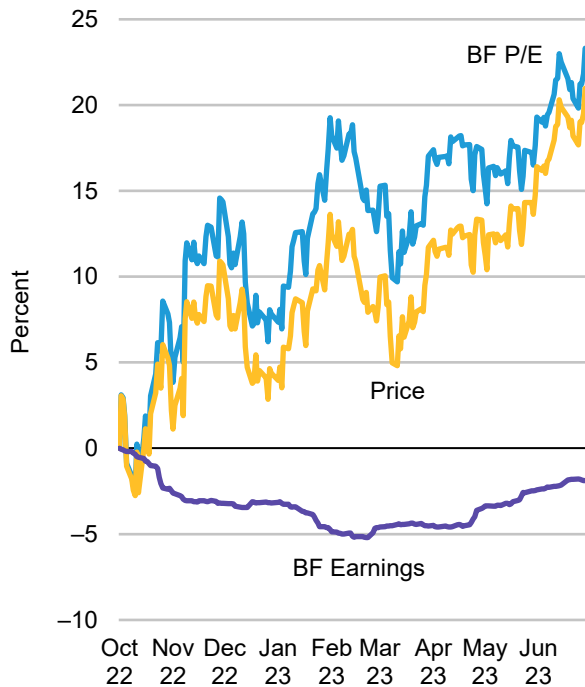
Source: Bloomberg, S&P and AB



Equities Driven by Multiple Expansion: A Story with Layers

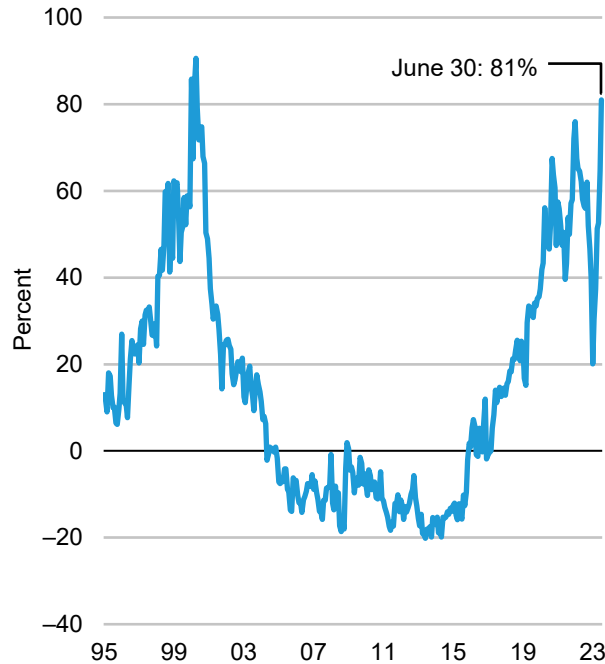
Attractive earnings growth for the 10 biggest stocks, but others should not be ignored

P/E Multiple Expansion Has Led the Way Since October's Lows...



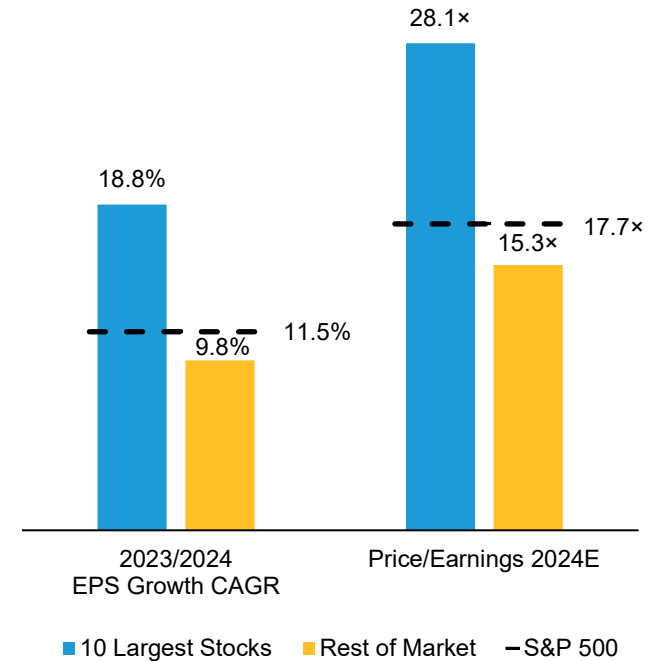
...Especially by the 10 Largest Stocks

10 largest S&P 500 names vs. the other 490 (multiple premium)



S&P 500 Disaggregation

Earnings growth vs. valuation



Past performance does not guarantee future results.

BF: blended forward estimates from Bloomberg

As of June 30, 2023

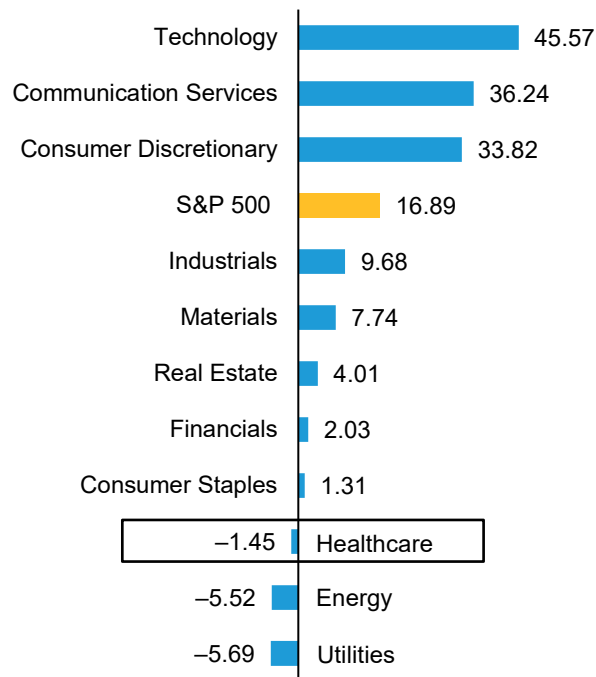
Source: Bloomberg, S&P and AB



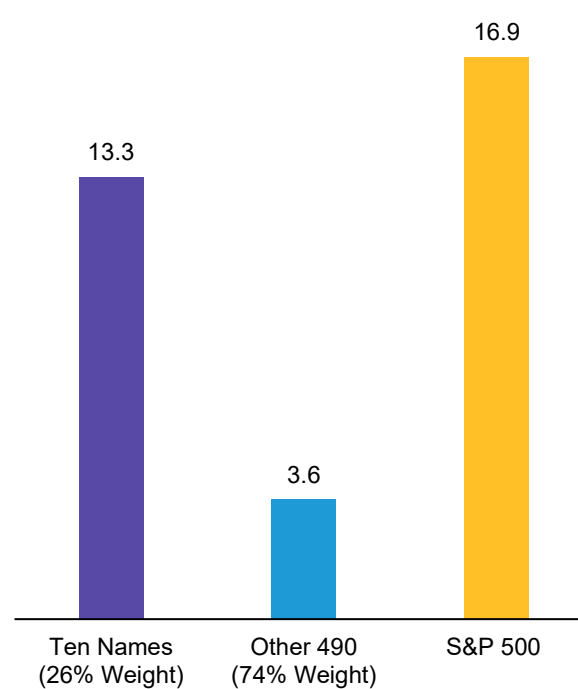
Narrow Leadership Continues to Persist

S&P 500's first-half return driven primarily by three sectors outperforming the index

Outperformers: Driven in Part by the Prospects of Easing Inflation; Healthcare Should Also Benefit

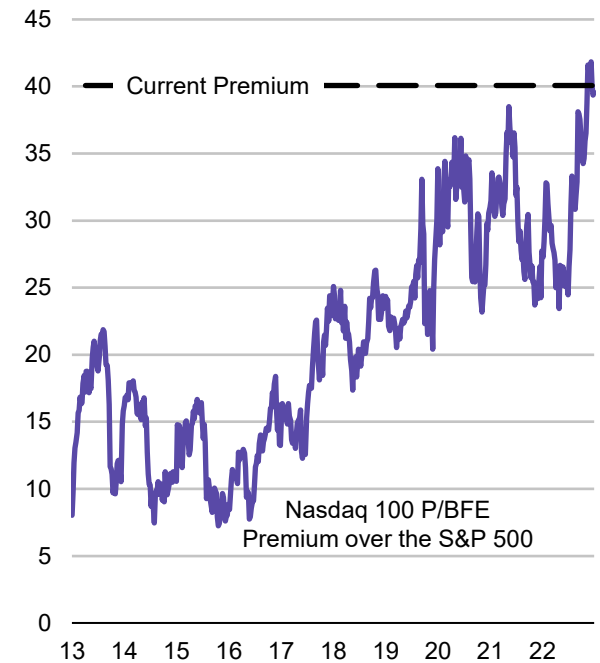


Year to Date, Approximately 80% of the S&P 500's Return Was Generated by Just 10 Names (Percent)



What and How Much You Own Among the Mega-Caps Matters

Many still trade at a high premium (percent)



Past performance does not guarantee future results.

P/BFE: price to blended forward earnings

Ten names include: Alphabet Inc., Amazon, Apple, Broadcom, Eli Lilly, Meta Platforms, Microsoft, NVIDIA, Salesforce and Tesla

As of June 30, 2023

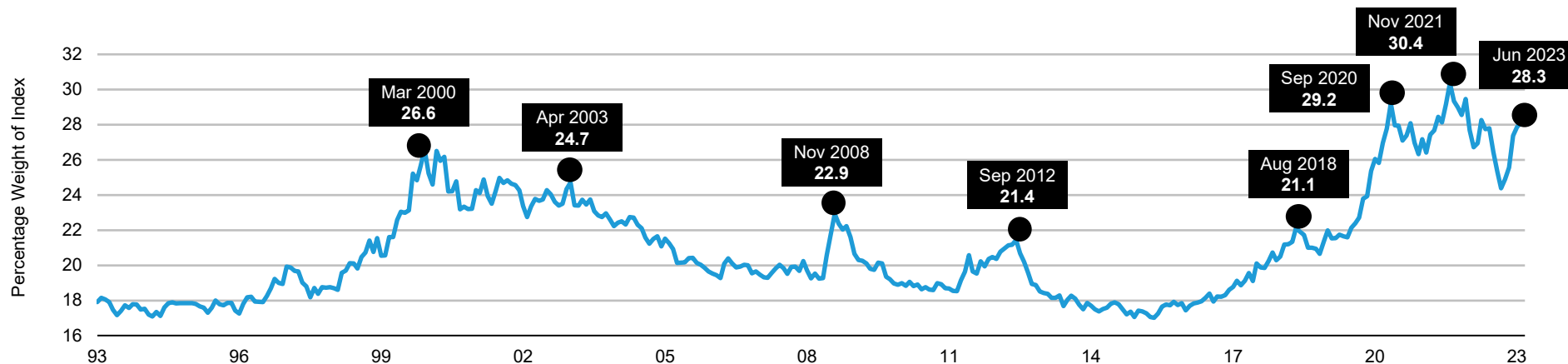
Source: Bloomberg and AB

Index Concentration Is Back

Looking beyond the largest names has paid off at prior peaks

Ten Largest Companies in the S&P 500*

Maybe not at a new peak, but now at an extreme level



Subsequent Six- and 12-Month Returns of the S&P 500 Equal Weighted vs. S&P 500 Following Concentration Peaks (Cumulative, in Percent)

	Mar 2000 Peak		April 2003 Peak		Nov 2008 Peak		Sep 2012 Peak		Aug 2018 Peak		Sep 2020 Peak		Nov 2021 Peak		Jun 2023 Level
	Six-Month	12-Month	Six-Month	12-Month	Six-Month	12-Month	Six-Month	12-Month	Six-Month	12-Month	Six-Month	12-Month	Six-Month	12-Month	YTD
S&P 500 Equal Weighted	5.88	4.94	24.62	35.52	17.30	43.80	15.69	27.44	-1.81	0.42	21.48	42.70	-2.34	-1.31	7.03
S&P 500	-3.60	-21.68	15.62	22.88	4.05	25.39	10.19	19.34	-3.04	2.92	9.74	31.17	-8.85	-9.21	16.89
Relative Performance	9.48	26.61	9.00	12.65	13.25	18.41	5.50	8.09	1.24	-2.51	11.74	11.54	6.51	7.90	-9.86

Historical analysis and current forecasts do not guarantee future results.

*The highlighted data points in the line chart are month-end values using the average weight for the year.

Through June 30, 2023

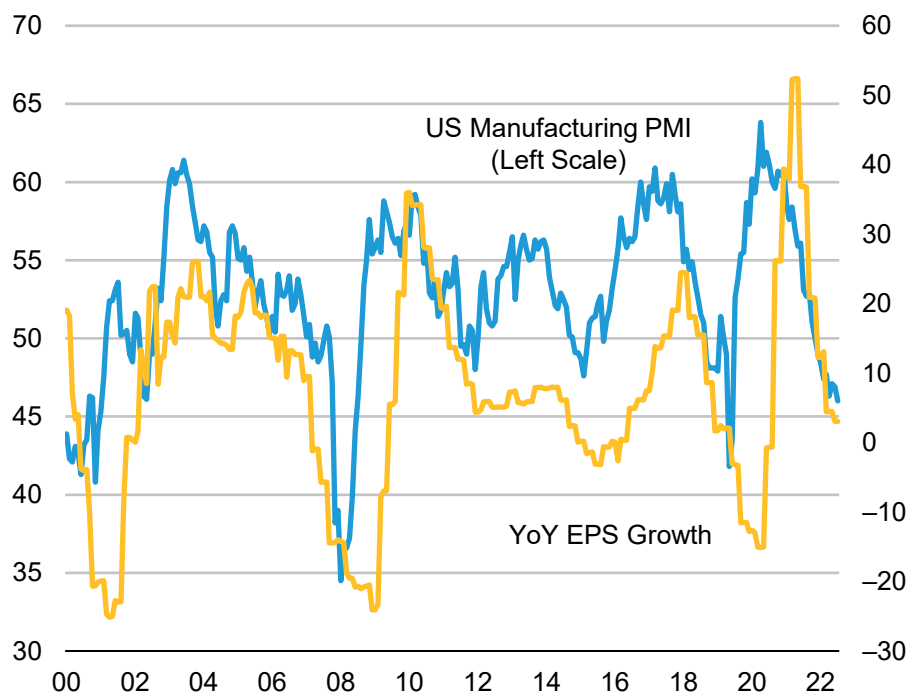
Source: Bloomberg, Morningstar and AB

Earnings Growth Likely to Remain Subdued

Quality attributes should remain coveted

Slowing Economy Should Challenge Near-Term Earnings

US Manufacturing PMI vs. sequential change in S&P 500 EPS



Best-Performing Factors When EPS Estimates Fall

		Best-Performing Factors When EPS Estimates Fall		
Peak in NTM EPS	Trough in NTM EPS	ROA (Percent)	Net Income Margin (Percent)	ROE (Percent)
Jan 1986	May 1986	10.00	7.90	10.90
Sep 1989	Apr 1991	36.90	29.90	19.20
Sep 2000	Nov 2001	0.50	2.60	3.60
Oct 2007	May 2009	7.40	4.40	6.80
Sep 2014	Mar 2016	4.80	4.30	6.60
Feb 2020	May 2020	14.70	15.00	9.00
May 2022	May 2023	10.94	4.41	4.18
Average		12.18	9.79	8.61
Hit Rate		100.00	100.00	100.00

Historical analysis and current forecasts do not guarantee future results.

EPS: earnings per share; NTM: next 12 months; ROA: return on assets; ROE: return on equities

As of June 30, 2023

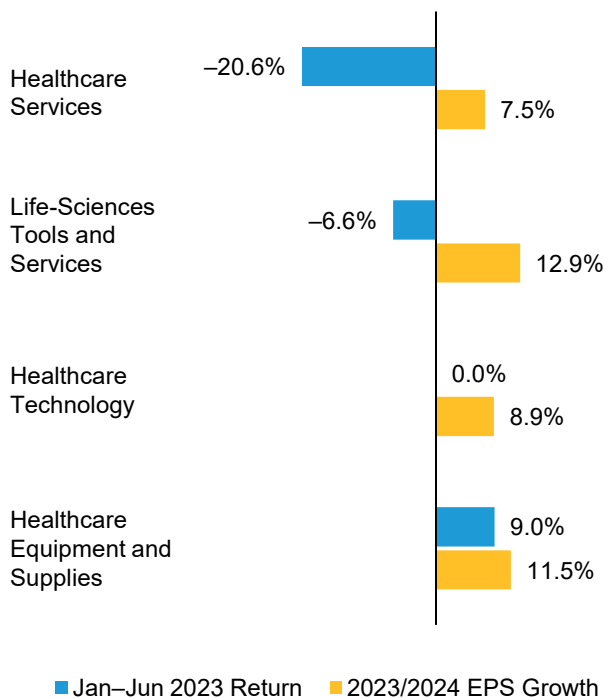
Source: Bloomberg, Institute for Supply Management, Piper Sandler, Thomson Reuters I/B/E/S and AB



Quality Growth: An Emphasis on Selective Healthcare

Durable trends at attractive price points

Healthcare Stocks Have Lagged, but Have a Favorable Earnings Outlook



Long-Term Demographic Change and Inelastic Demand Are Supportive

A Growing and Aging Population

- Populations are growing as people live longer. Over 65s will double by 2050

Surgical Procedures

- People have an average of seven procedures in their lifetimes

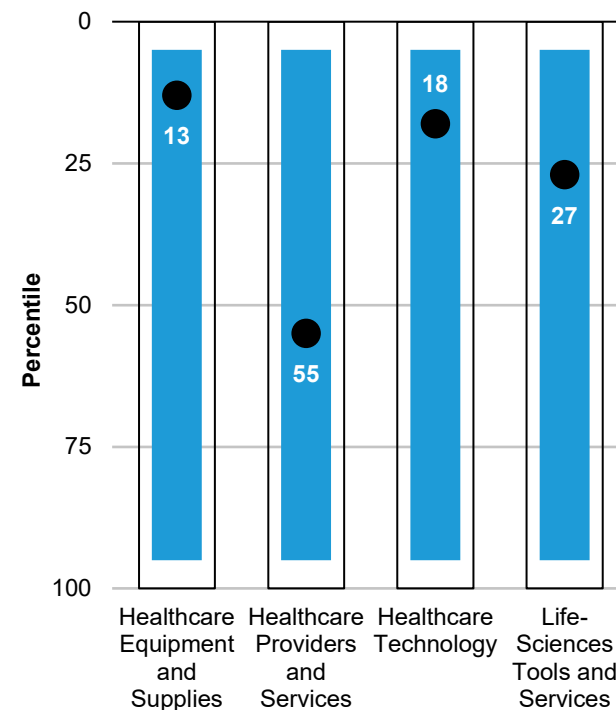
Robotics

- Robotics and AI can enhance the efficiency of clinicians and surgeons

Costs

- Global healthcare spending was US\$9.2 trillion in 2014 and is estimated to reach US\$24 trillion by 2040

Valuations Are Attractive Among a Broad Array of Companies



Past performance does not guarantee future results.

Based on consensus estimates

Right display: industries within MSCI World Healthcare

Left display as of June 15, 2023; middle and right displays as of June 30, 2023

Source: *The Lancet*, OECD, S&P, Strategas Research Partners and AB

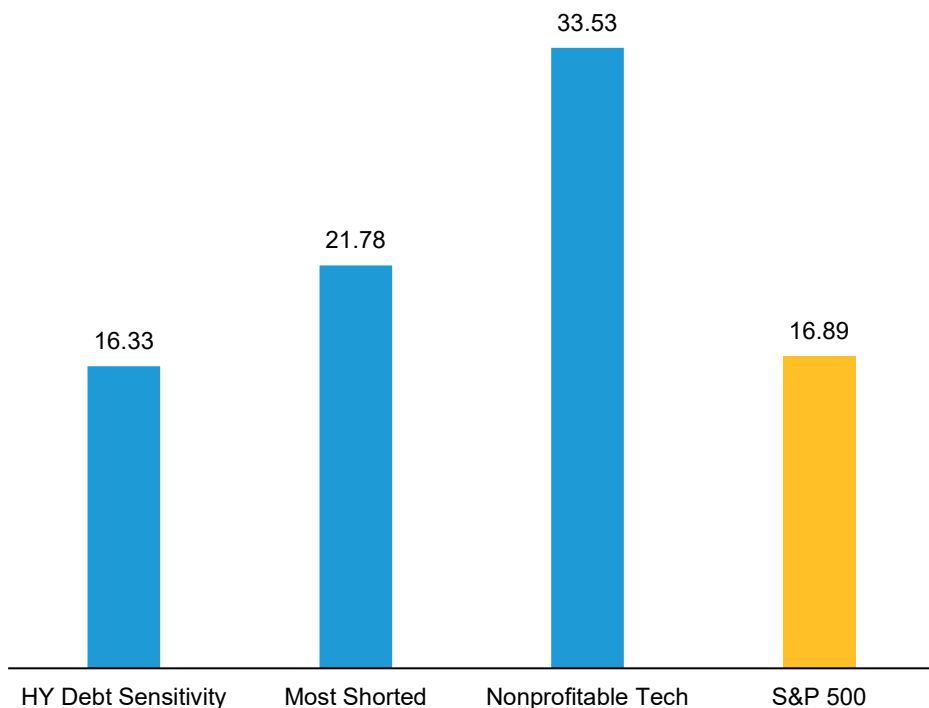


Higher Beta Stocks Advance in the Face of Moderating Economic Activity

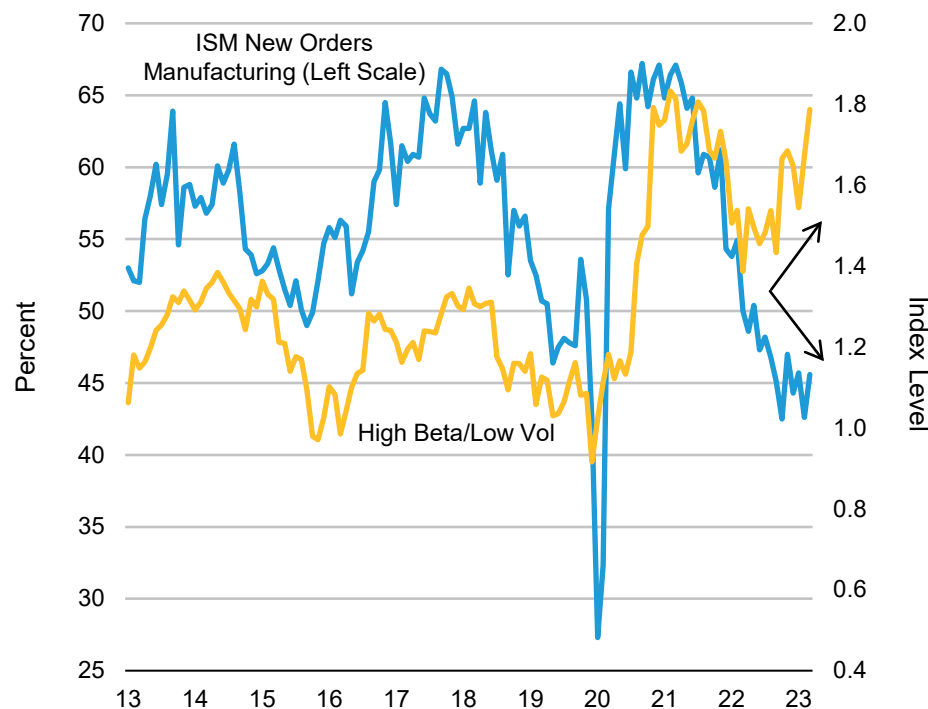
We do not expect this disconnect to persist

Speculative Stocks Continue Their Charge

Jan–Jun 2023 (percent)



Higher-Beta Stocks Have Jumped, Even as Economic Growth Has Slowed; Expect This to Revert Back to Prior Trends



Past performance does not guarantee future results.

HY: high-yield; ISM: Institute for Supply Management

As of June 30, 2023

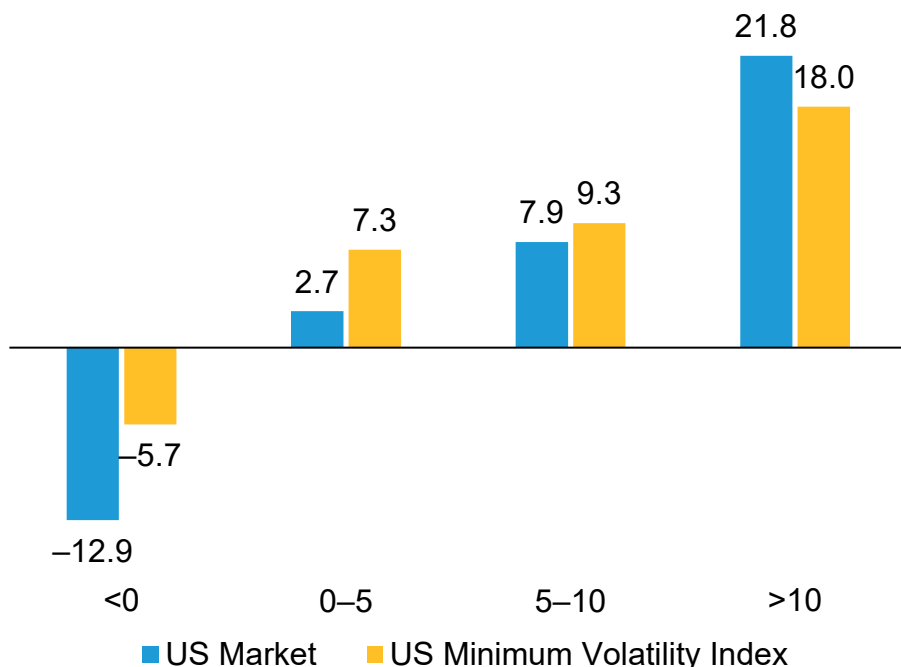
Source: Bloomberg, Goldman Sachs and AB



Low Volatility Provides a Versatile Equity Exposure for the Risk Averse

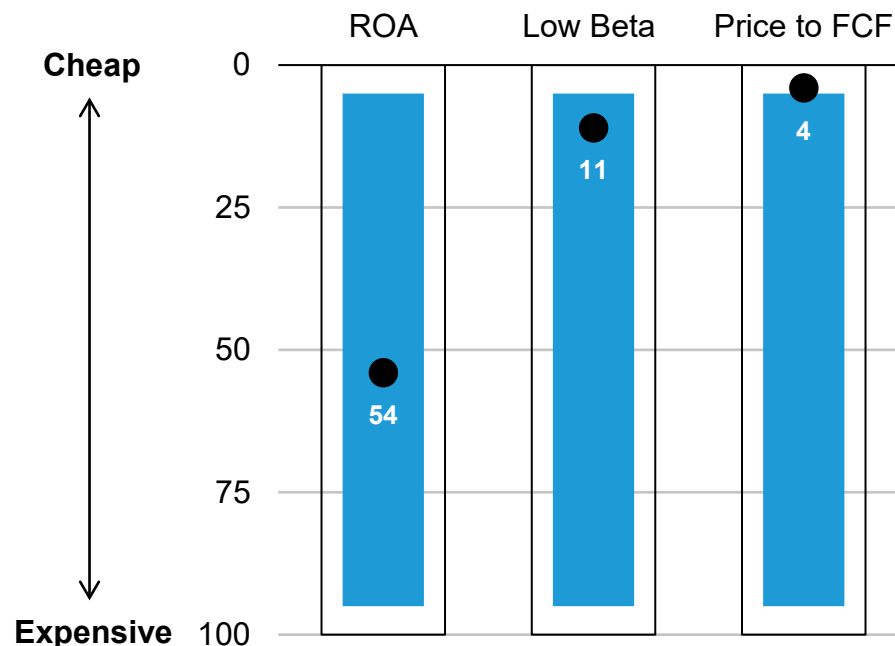
Focus on profitable, resilient businesses at attractive valuations

Low-Volatility Performance in Different Market-Return Regimes (Percent)



Quality Attributes Are Not Expensive

Factor valuation percentile rankings*



Historical analysis and current estimates do not guarantee future results.

Annual data from 1988 through 2022; US Market is represented by MSCI USA; US Minimum Volatility is represented by MSCI USA Minimum Volatility.

*Percentile rankings are based on monthly valuations (i.e., relative P/E of 1Q for each factor vs. Russell 1000) from 1990 to present. ROA: LTM earnings divided by average total assets. Low beta: exponentially weighted beta with a one-year half-life over the last five years. FCF/P: LTM cash flow from operations less three-year average CAPEX to market cap.

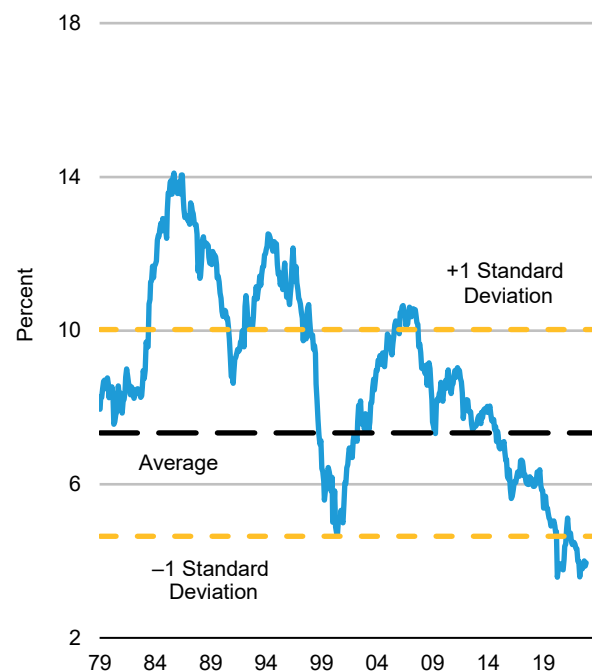
Left display as of December 31, 2022; right display as of June 30, 2023. Source: MSCI, Thomson Reuters Datastream and AB

Patience Rewarded: Expect the Small-Cap Growth Recovery to Continue

Small caps remain at an attractive entry point, and growth stocks have strong topline visibility

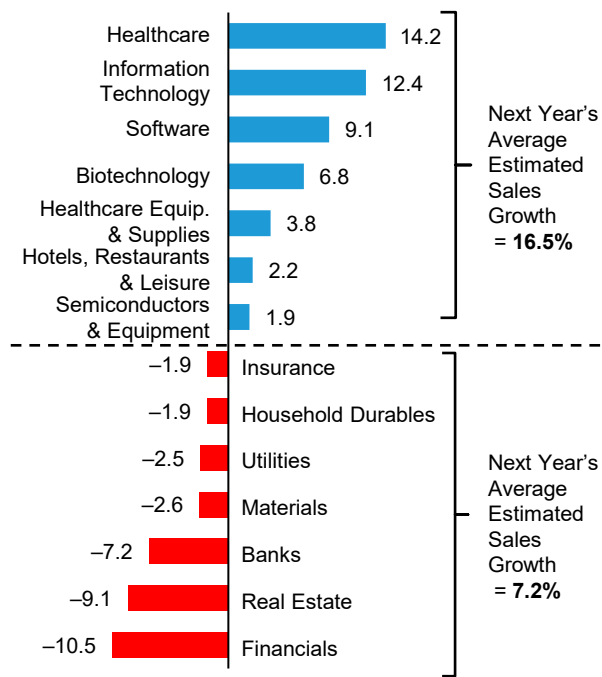
A Compelling Entry Point for Small-Cap Stocks

Small-cap percentage of US market



Faster Sales Growth vs. Value Cohorts

Russell 2000 Growth minus Value sector and industries (percent)



Russell 2000 Growth Annual Performance History (Percent)

Year	One-Year Performance	Following Six Months	Following 24 Months*
2008	-38.5	11.4	31.8
2002	-30.3	19.3	30.3
2022	-26.4	13.6	?
2000	-22.4	0.0	-20.4
1990	-17.4	26.0	27.7
1984	-15.8	18.8	16.5
1987	-10.5	24.9	20.3
2018	-9.3	20.4	31.5
1981	-9.2	-15.6	20.6
2001	-9.2	-17.4	1.8
Avg.	-19.2	10.1	17.8
Percent Positive		80%	88%

Past performance does not guarantee future results.

*Performance greater than one year is annualized.

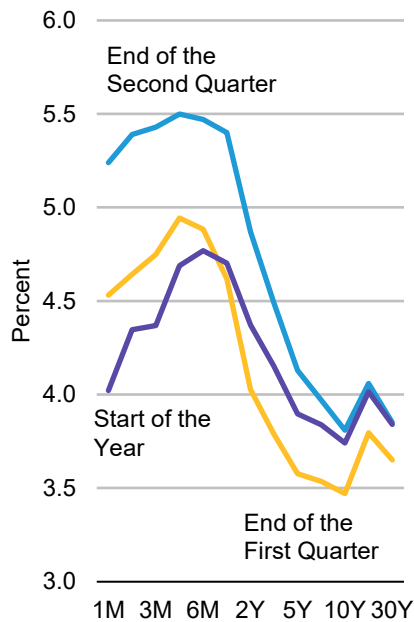
Left display as of May 31, 2023; middle and right displays as of June 30, 2023

Source: Center for Research in Security Prices, FTSE Russell, Jefferies, University of Chicago Booth School of Business and AB

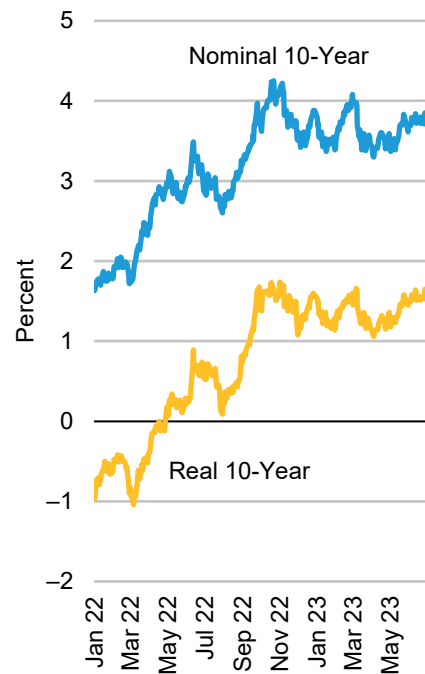


Yields Increased Across the Board as the “Known Unknowns” Were Largely Resolved and the Labor Market Showed Further Signs of Strength

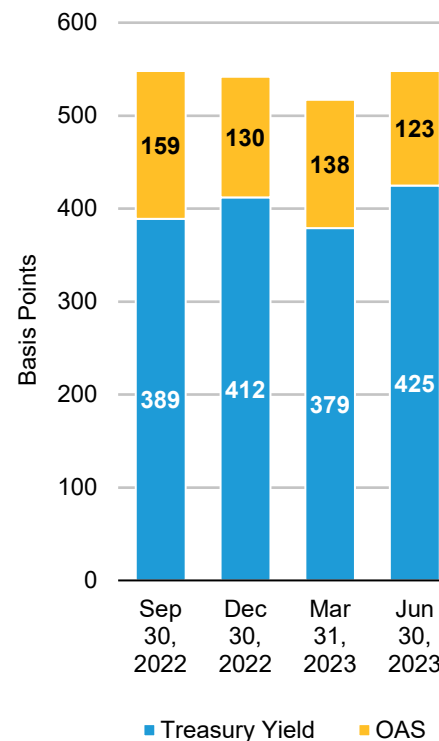
Short End of the Curve Approached Levels Not Seen Since the Early 2000s



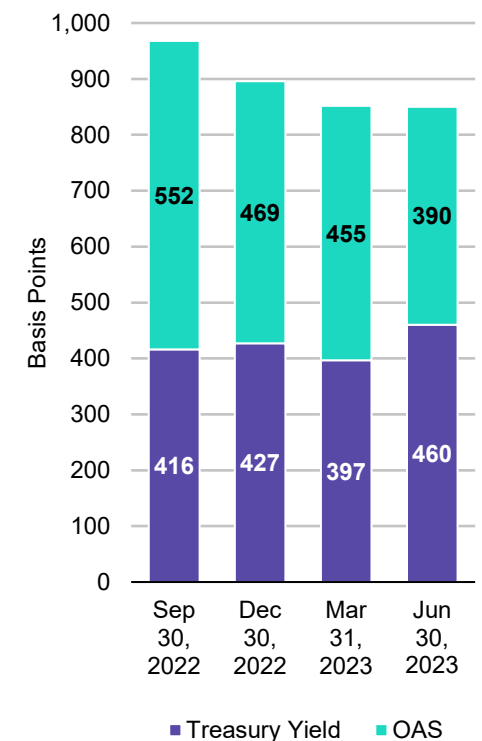
Real Yields Remain Positive (but Hover Around Near-Term Ceiling)



Investment-Grade YTW Rose Back to Pre-Regional Banking Crisis Levels



HY Spreads Narrowed, but with Limited Overall Compression as Rates Rose



Historical analysis does not guarantee future results.
 HY: high-yield; OAS: option-adjusted spread; YTW: yield to worst
 As of June 30, 2023
 Source: Bloomberg and AB

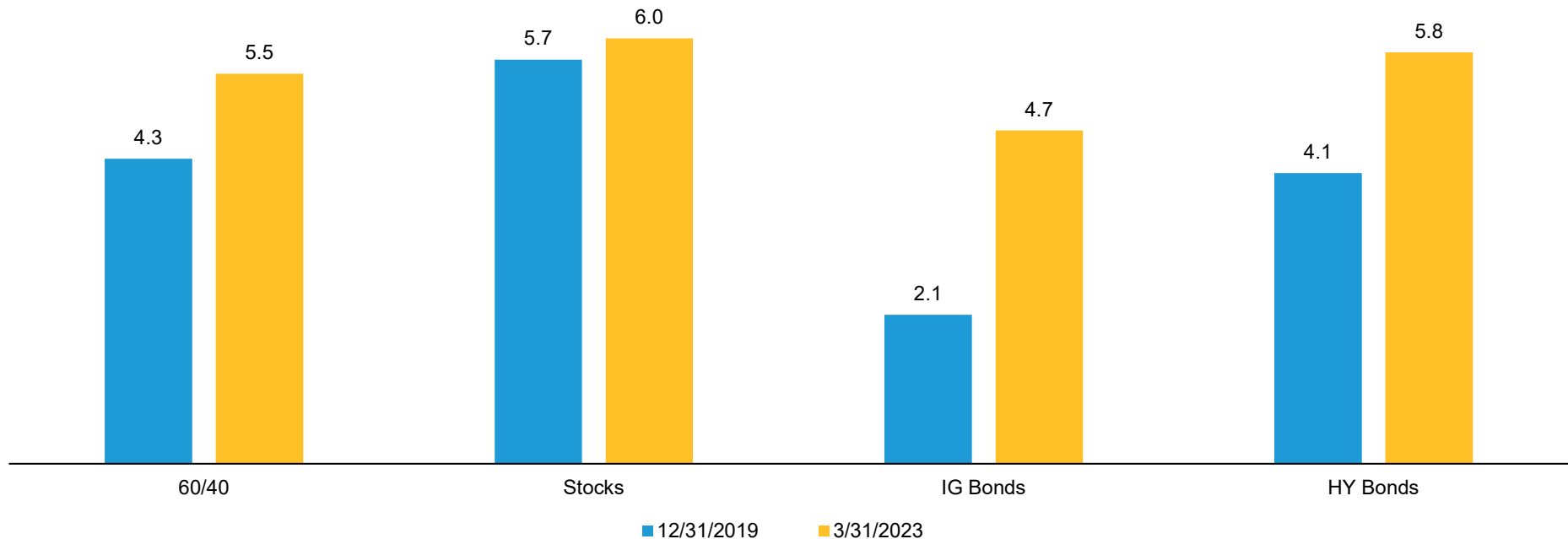


Current Return Projections Are Higher Today Than Pre-Pandemic

Hint: driven by rates

Ten-Year Return Projections Have Risen Since Pre-Pandemic

Percent



Past performance and current analysis do not guarantee future results.

HY: high-yield; IG: investment-grade

Hypothetical 60/40 portfolio: 60% S&P 500 Total Return, 40% IG Bonds. The “performance” numbers displayed above are not intended to portray the results of any AB-managed portfolio.

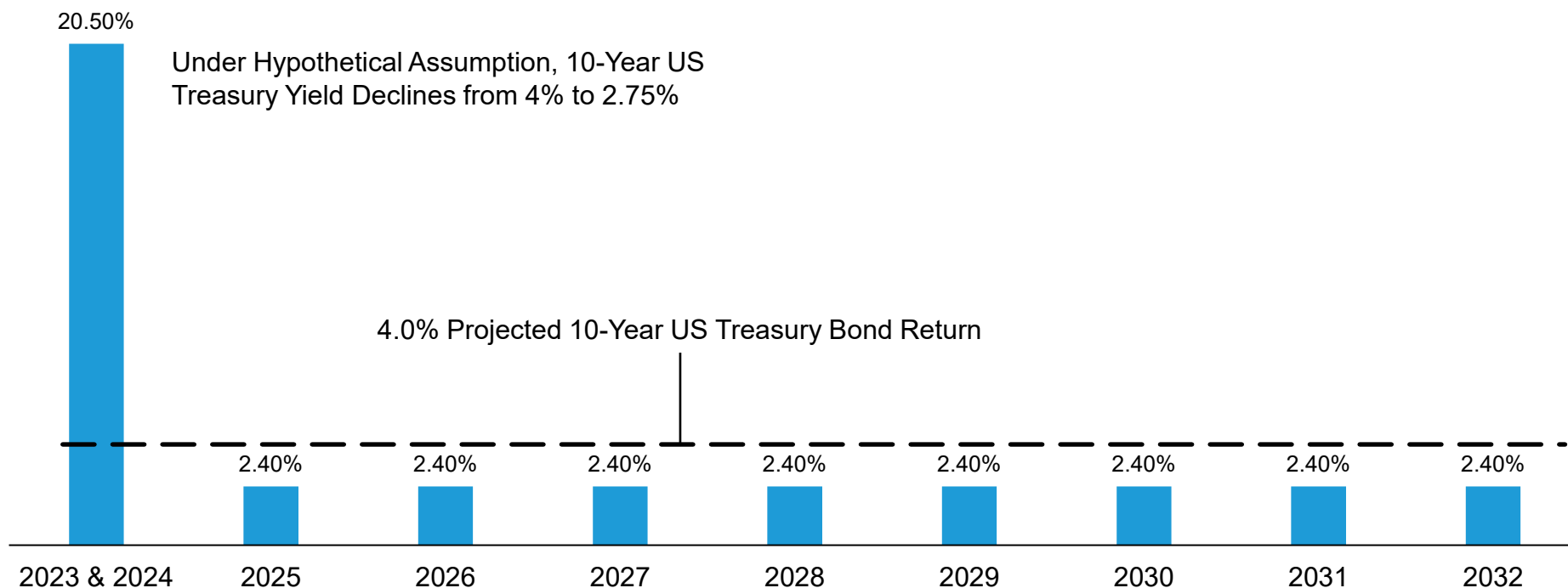
As of March 31, 2023

Source: AB



We Expect Returns to Be Heavily Front-Loaded

Simplified Return Illustration: 10-Year US Treasury Bond



Past performance and current analysis do not guarantee future results.

Returns are simplified and thus for illustrative purposes only; they assume a 4% coupon, 10-year duration, and 125-basis-point yield declines over the first two years. Convexity, roll, term premium and coupon reinvestment are excluded from this approximation.

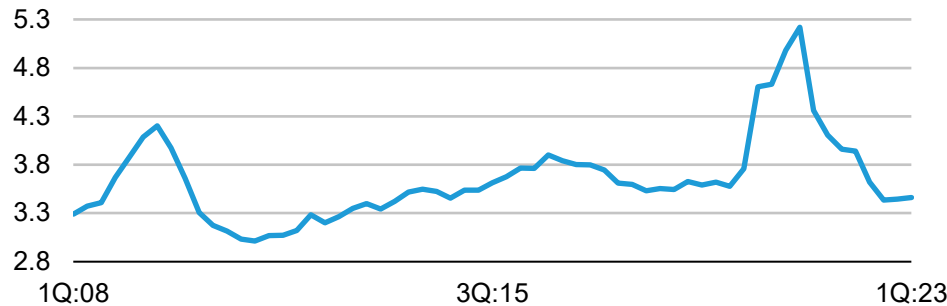
As of June 30, 2023

Source: AB



US High-Yield Fundamentals: Strong Starting Point, but Inflecting from Cyclical Peaks

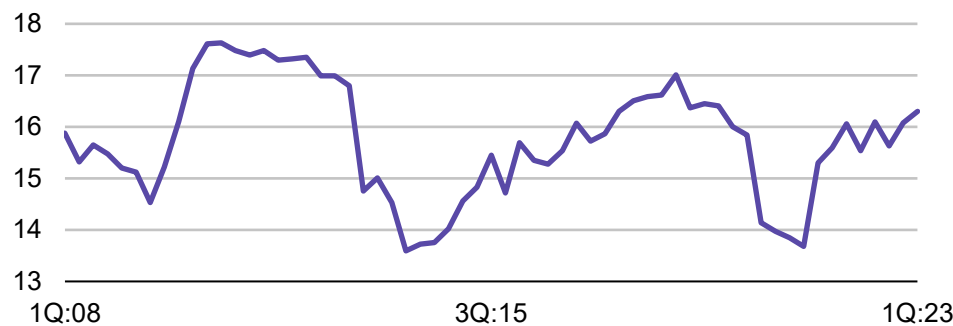
Net Leverage (Debt/EBITDA)



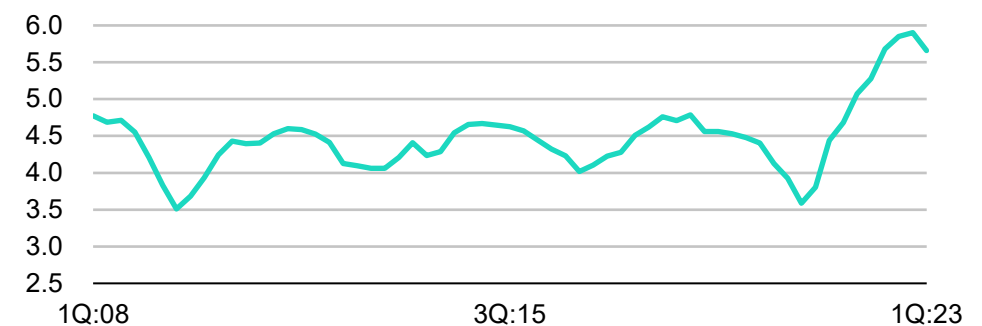
Default Rates (Percent)



EBITDA Margin (Percent)



Interest Coverage (EBITDA/Interest)



Historical and current analyses do not guarantee future results.

EBITDA: earnings before interest, taxes, depreciation and amortization

Metrics data are calculated using weighted average.

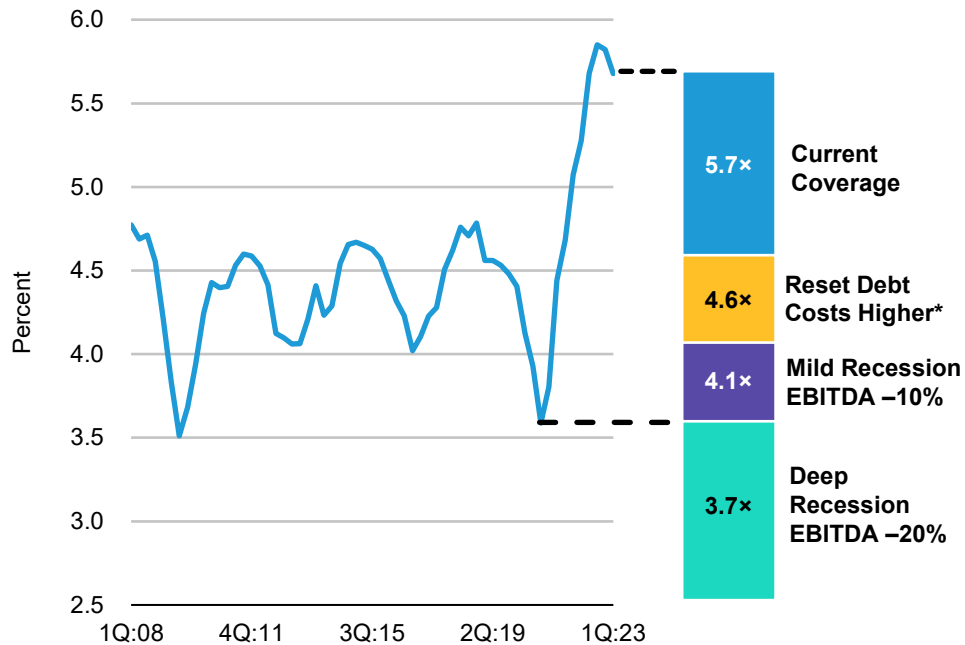
Fundamentals as of March 31, 2023; defaults as of June 30, 2023

Source: J.P. Morgan and AB

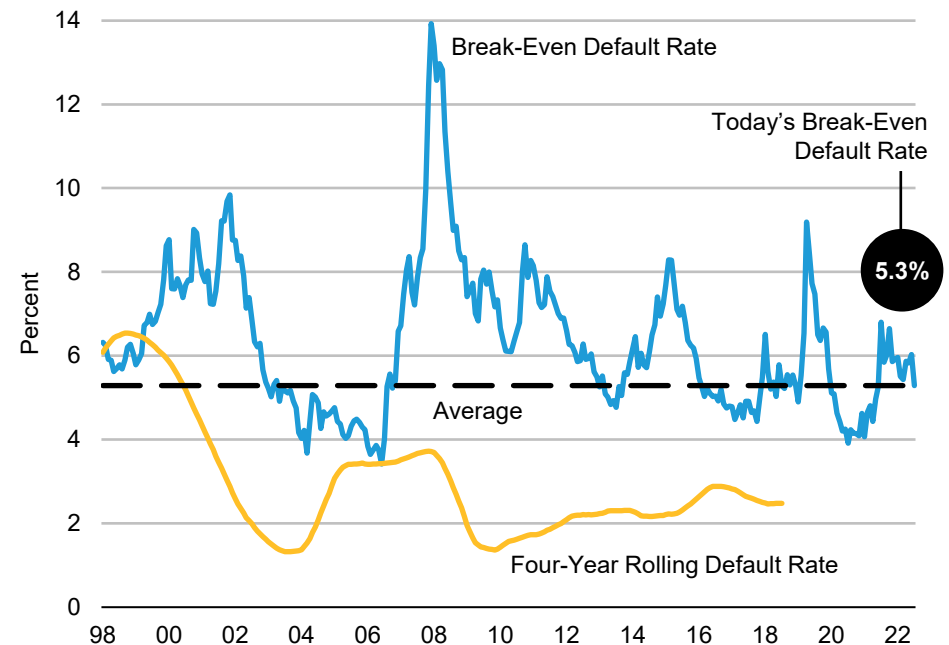


Why the Starting Point Matters: Interest Coverage Provides Cushion

Interest Coverage (EBITDA/Interest): If EBITDA Declines 20% (Similar to GFC), Interest Coverage Is Still Almost 4.0x



At Current Spread Levels, Break-Even Defaults Are Over 5.0% per Year for the Next Four Years



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

EBITDA: earnings before interest, taxes, depreciation and amortization; GFC: global financial crisis

*Repriced upcoming three years of maturity of the market, which is 27% to current market rates (8.5%). Historic data considered from 1Q:08 to 1Q:23. Data provided as weighted average. Implied default rates represented by Bloomberg US Corporate High Yield; high-yield market defaults by J.P. Morgan high-yield market default data; default rise by change from lowest default rate to highest in the period.

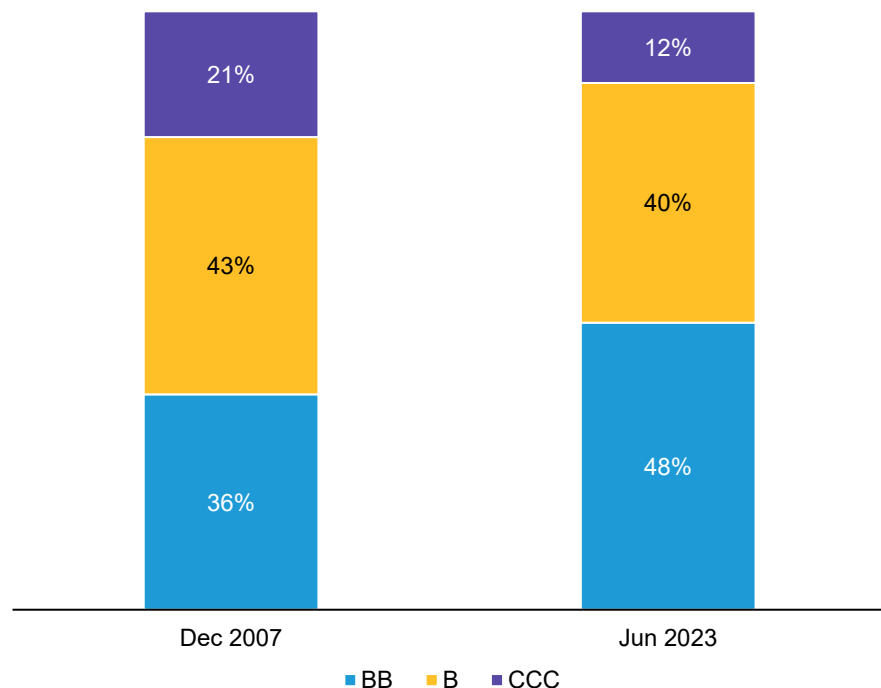
Left display as of March 31, 2023, right display as of June 30, 2023

Source: Bloomberg, J.P. Morgan and AB

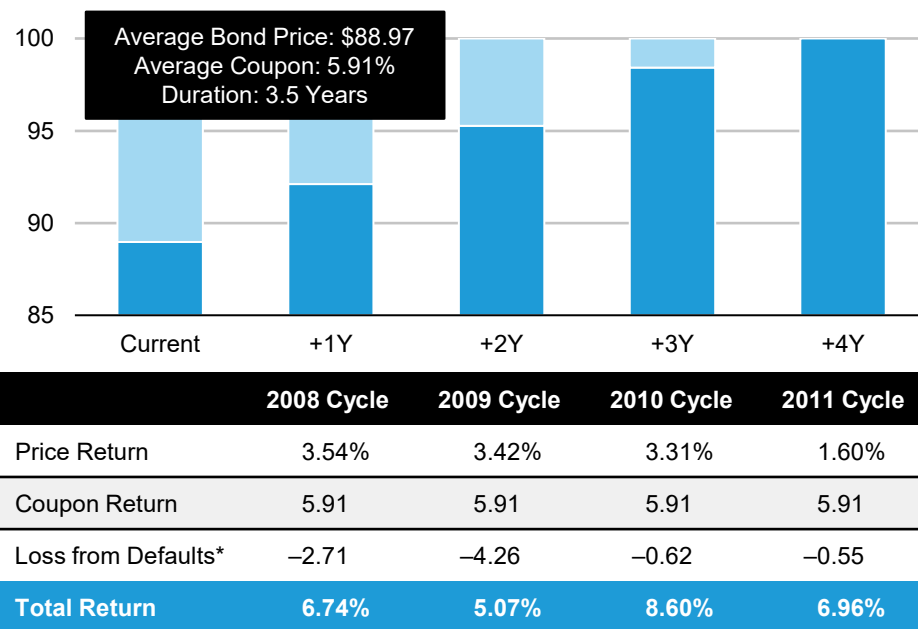


Today's Yields and Low Bond Prices May Lead to Attractive Forward Returns Versus Equities Even in a Deeper Recession Scenario

Today's Market Is Higher Quality than Entering GFC Default Cycle



Even if GFC Default Cycle Were Experienced Today, High Yield Can Still Offer Strong Returns Due to Low Starting Prices



Current and historical analyses do not guarantee future results.

GFC: global financial crisis; high yield represented by Bloomberg US Corporate High Yield. Total return calculated using today's index composition.

*Loss from defaults assumes 2008 credit loss rates of BB: 1.6%, B: 2.7%, CCC & below: 7.2%; 2009 credit loss rates of BB: 1.1%, B: 4.3%, CCC & below: 16.8%; 2010 credit loss rates of BB: 0.0%, B: 0.2%, CCC & below: 4.5%; 2011 credit loss rates of BB: 0.1%, B: 0.2%, CCC & below: 3.5%.

As of June 30, 2023

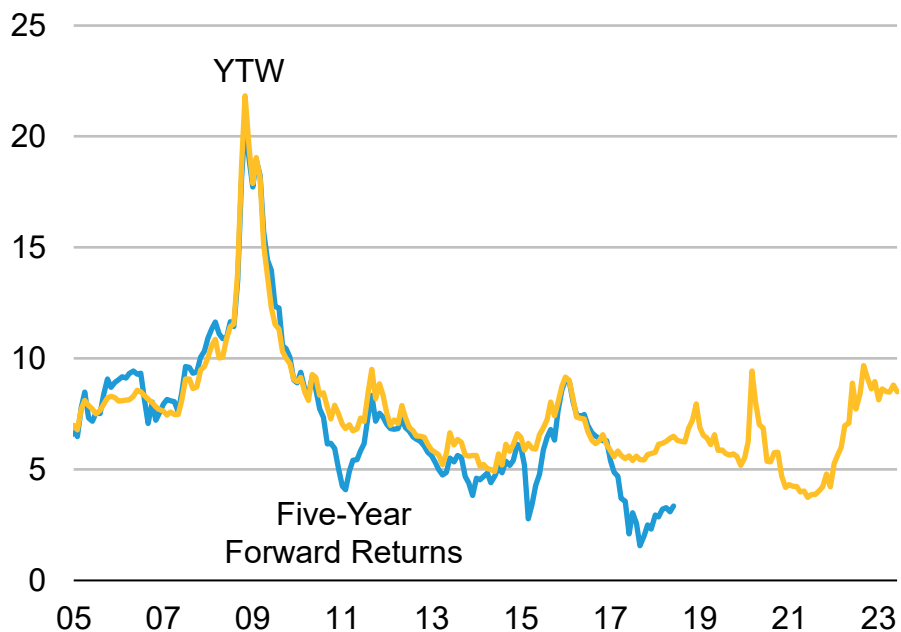
Source: Bloomberg, Moody's and AB



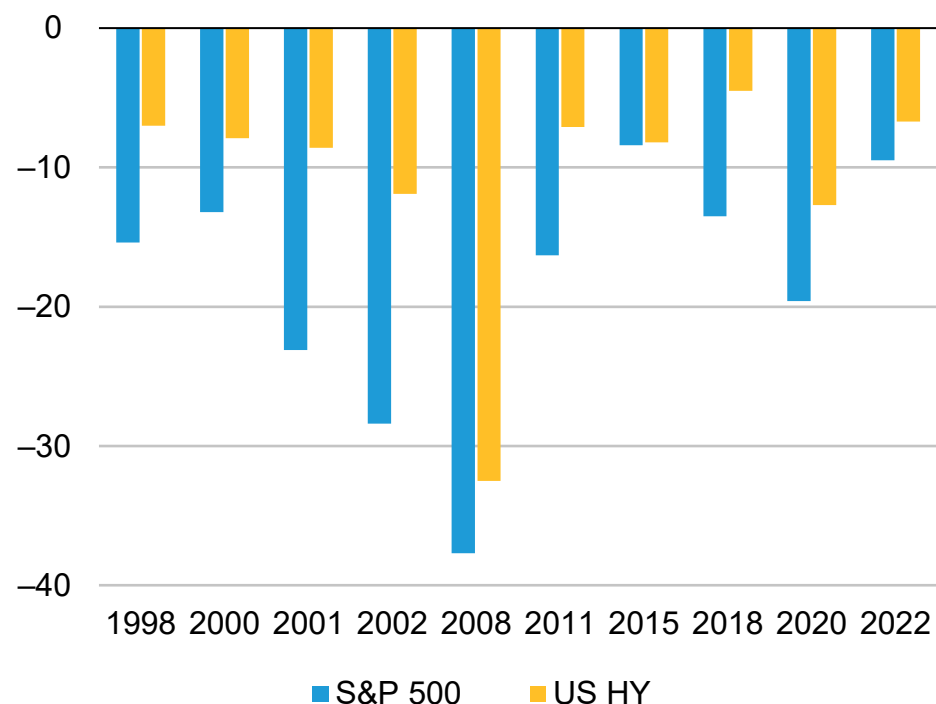
Opportunity to “De-Risk” into HY

Historically, YTW has been a good predictor for returns over the next five years

Starting YTW vs. Five-Year Forward Annualized Returns
Percent



When HY Draws Down ~5%, Equities Draw Down More
Calendar year max. drawdown (percent)



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

HY: high yield; YTW: yield to worst

US HY represented by Bloomberg US Corporate High Yield

As of June 30, 2023

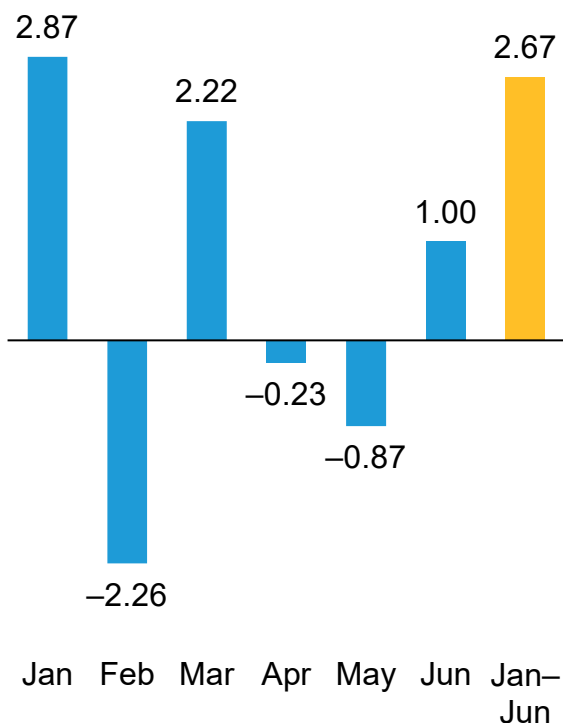
Source: Bloomberg, J.P. Morgan, S&P and AB



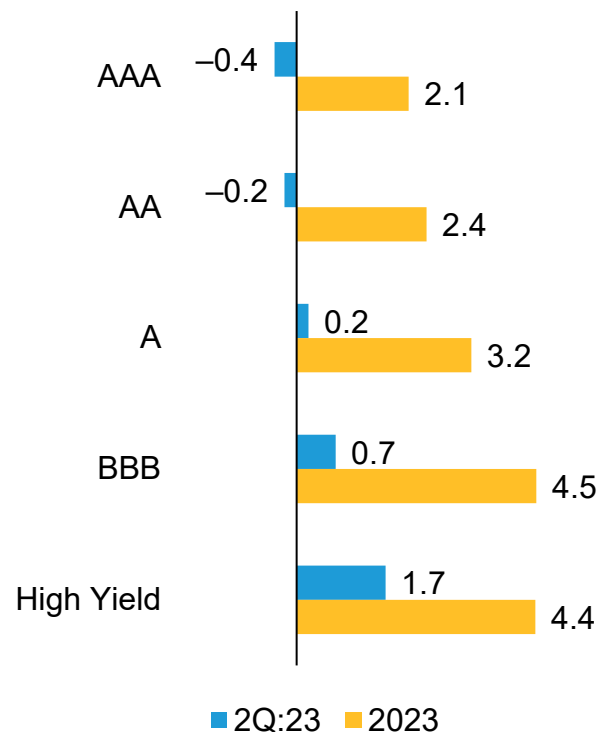
Municipal Returns Continue to Be Volatile but Remain Positive YTD

Municipal credit and duration have both benefited

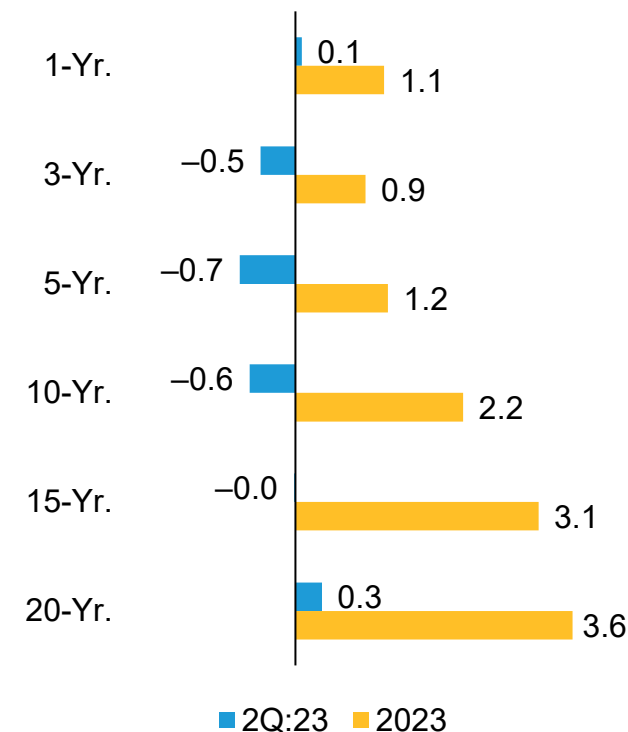
10-Year US Treasury and AAA Municipal Yields (Percent)



QTD and YTD Returns by Credit Quality
Percent



QTD and YTD Returns by Maturity
Percent



Past performance does not guarantee future results.

Municipal market returns are represented by the Bloomberg Municipal Bond Index.

As of June 30, 2023

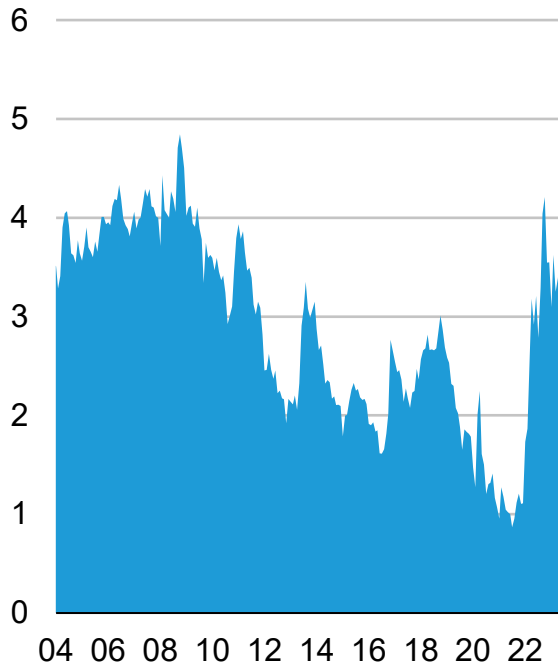
Source: Bloomberg, Morningstar and Municipal Market Data



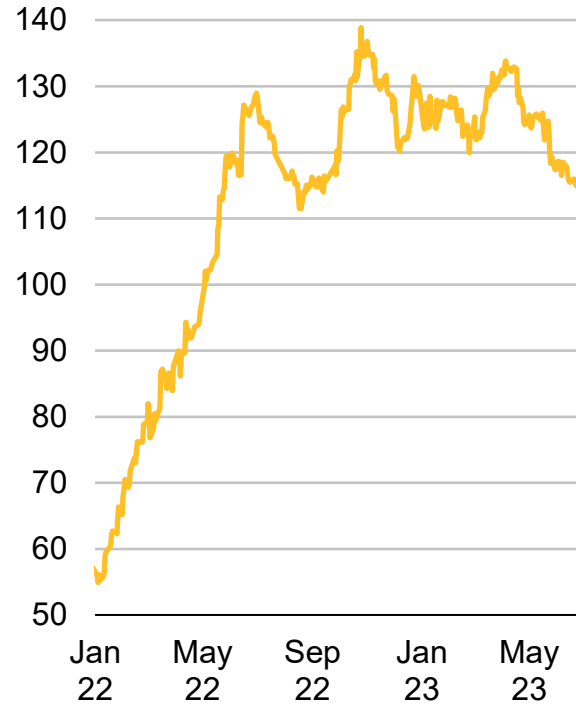
Investor Entry Point Is Attractive Today

Higher yields, wide credit spreads and supportive technicals

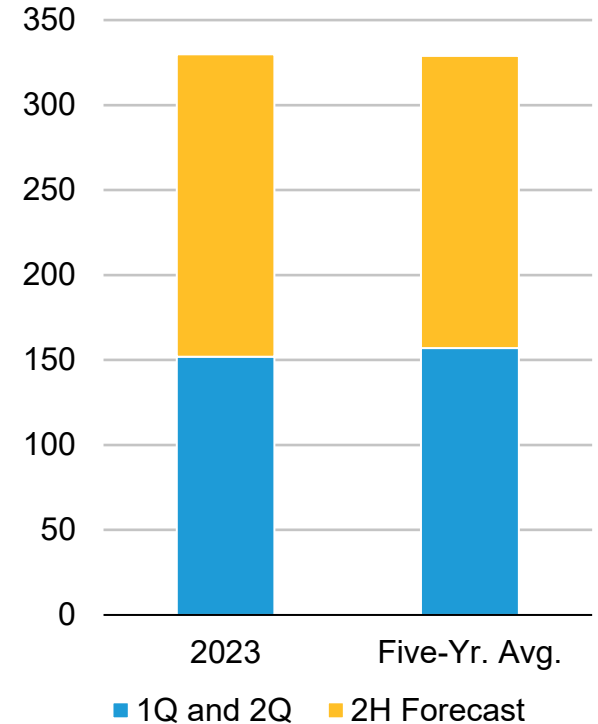
Bloomberg Municipal Index Yield to Worst (Percent)



BBB Municipal Credit Spreads
Basis points



2023 Municipal Supply Essentially Flat vs. Trailing Five-Year Average (Billions)



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

AUM: assets under management

As of June 30, 2023

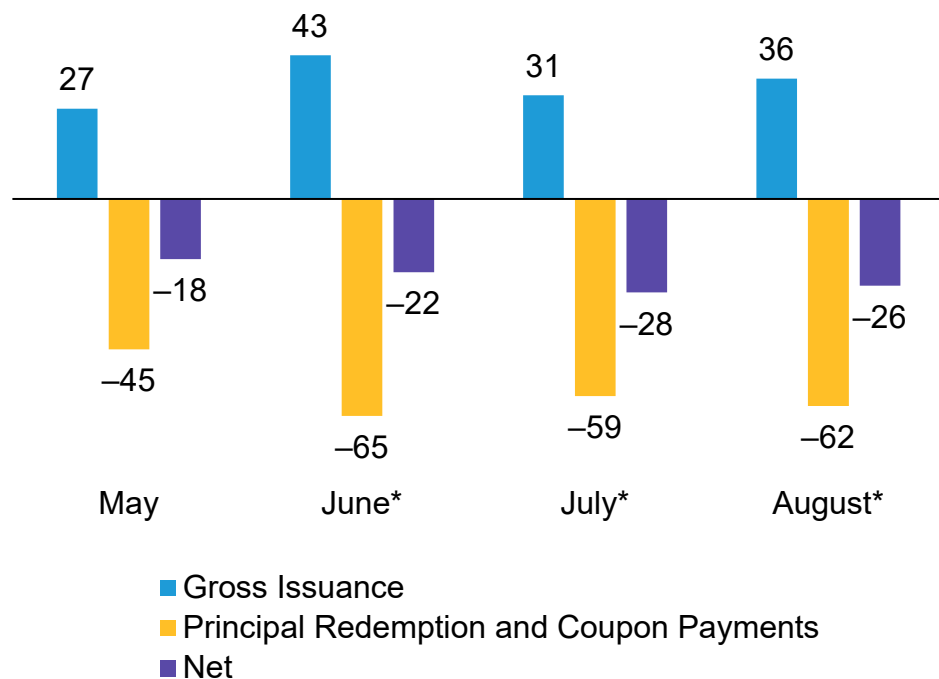
Source: Bloomberg, J.P. Morgan and AB



Technicals Are Expected to Remain Supportive in Municipals

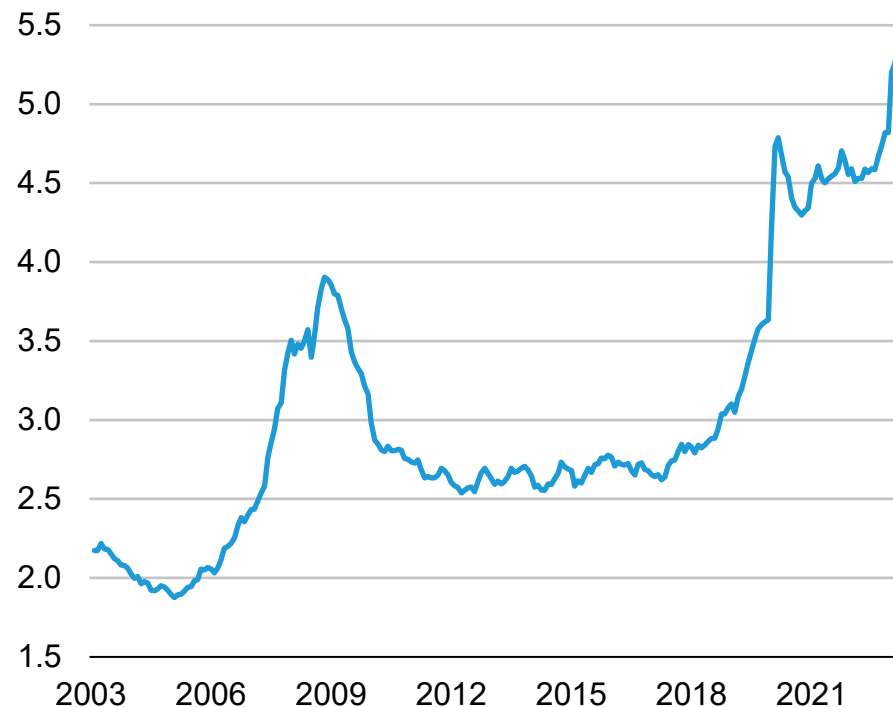
Summer Technical Season in Full Swing

-\$94 billion in net supply expected



Money Market Fund AUM

Trillions



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

*Forecasts

As of June 30, 2023

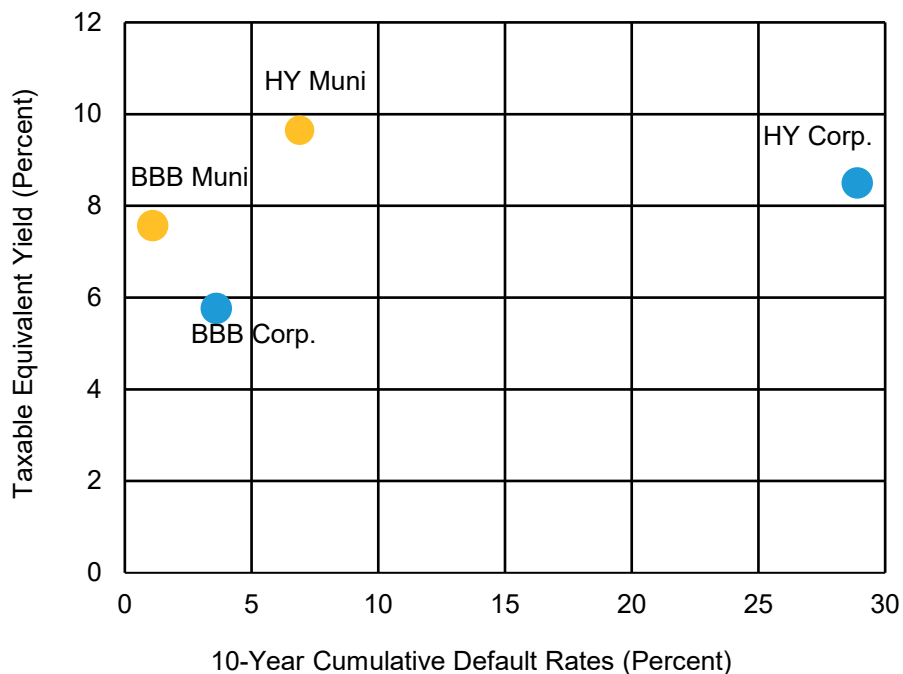
Source: Bloomberg, Citi Research, Morningstar and AB



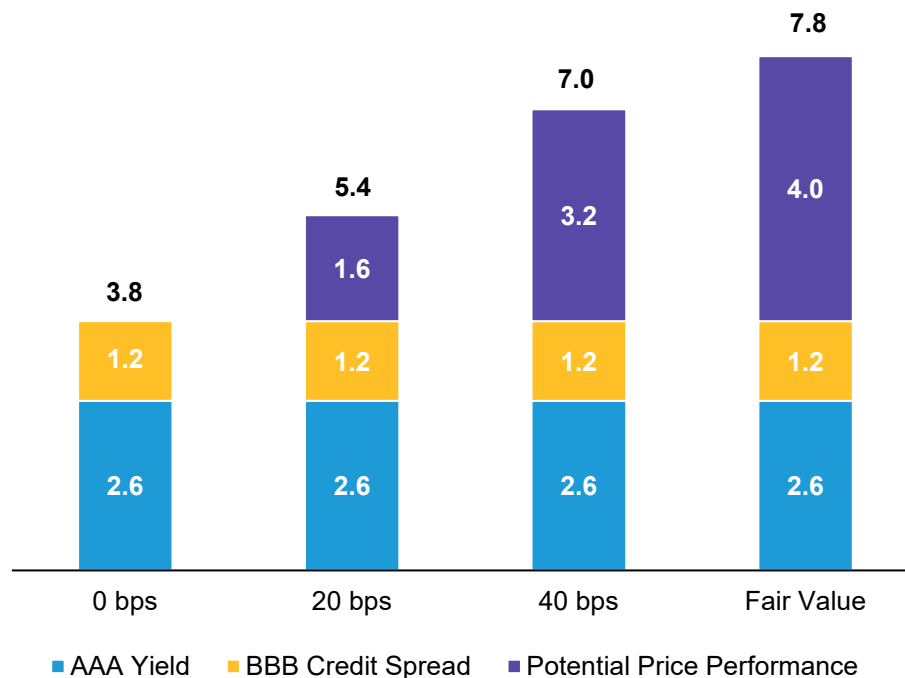
Sizing Up the Municipal Credit Opportunity

As flows return to the market, AB anticipates municipal credit will outperform

Compelling Tax-Equivalent Yield Pickup vs. Default Risk



12-Month Spread Compression Scenario Analysis (Percent)



Current analysis does not guarantee future results.

HY: high-yield; bps: basis points

Analysis provided for illustrative purposes only and is subject to revision. Hypothetical analysis based on total return components. There is no guarantee any investment objective will be achieved. Characteristics are subject to change. Numbers may not sum due to rounding. Twelve-month scenario analysis assumes reversion to the long-term average of BBB credit spreads of 70 basis points and an assumed duration of eight years.

As of June 30, 2023

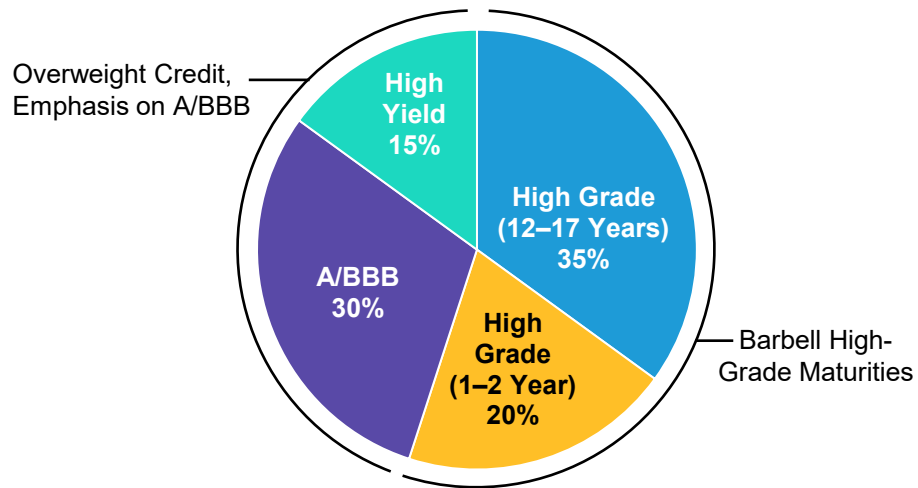
Source: Bloomberg, Moody's and AB



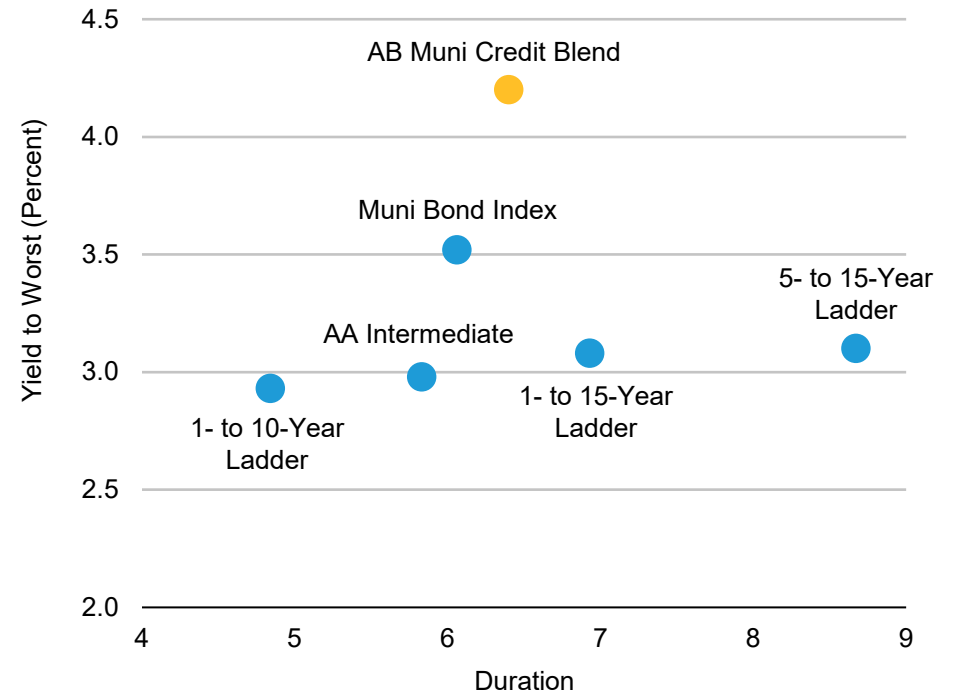
Portfolio Construction for Today's Environment

Overweight municipal credit, duration overweight and barbell maturity structure

AB Municipal Credit Blend



Active Better Positioned than Passive



Current analysis does not guarantee future results.

AB Muni Credit Blend is a blend of Bloomberg Muni Indices: 55% high grade, 30% A/BBB and 15% high yield.

As of June 30, 2023

Source: Bloomberg and AB



Q&A

Use the widgets from the lower engagement tool bar to...



Ask a Question

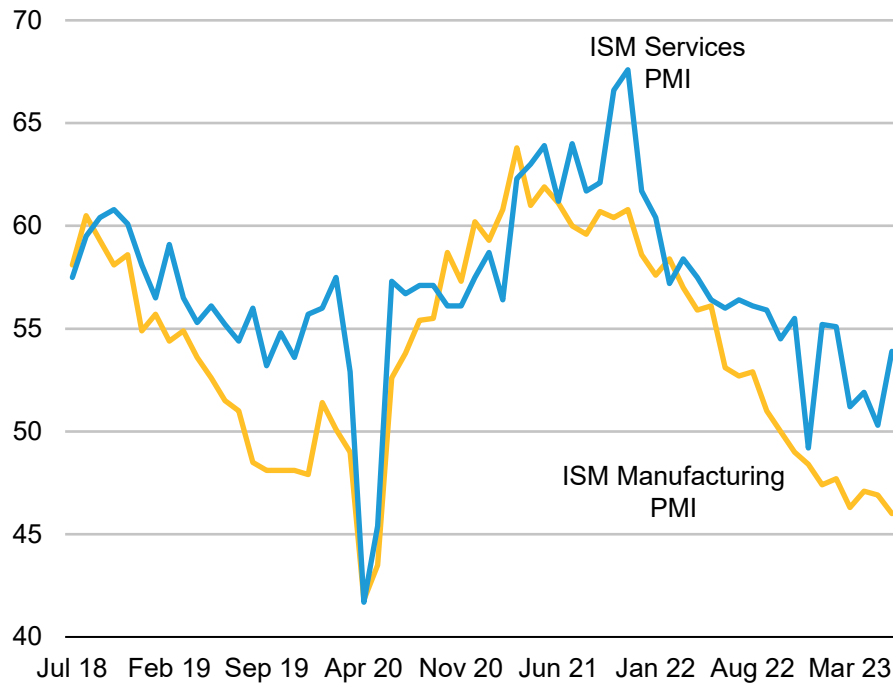


Request a Meeting

Appendix

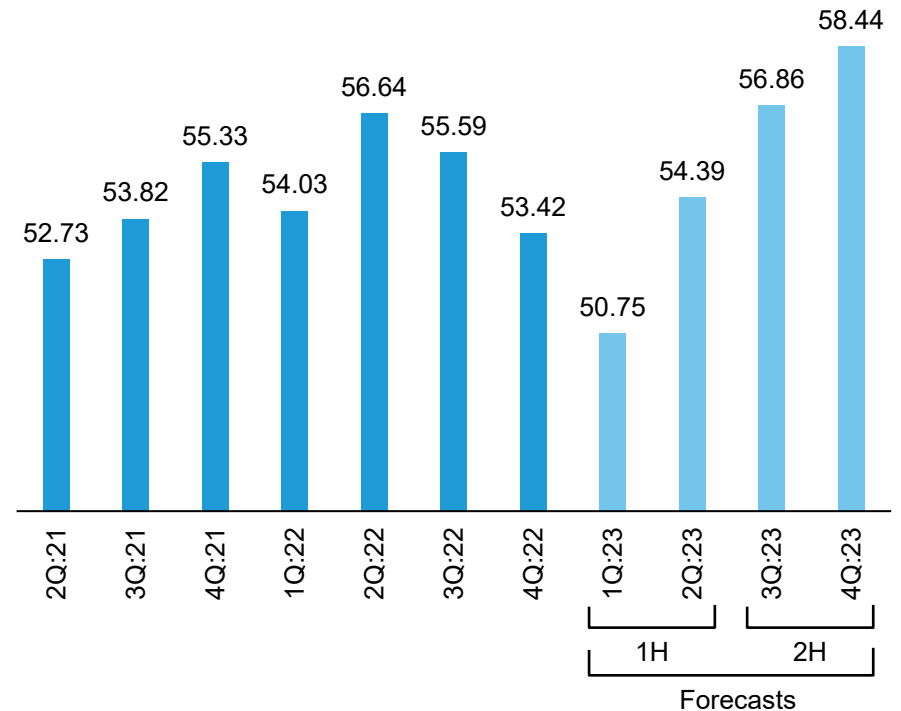
Overly Pessimistic Expectations in 1H Have Been Replaced by Possibly Overly Optimistic Expectations in 2H

ISM Data Continue to Point Toward Slower Growth Ahead...



...Even So, Entering the Year, Earnings Expectations for 2023 Were Considerably Higher for 2H

S&P 500 earnings expectations for 2023



Historical analysis and current forecasts do not guarantee future results.

ISM: Institute for Supply Management; PMI: Purchasing Managers Index; 1H: first half; 2H: second half

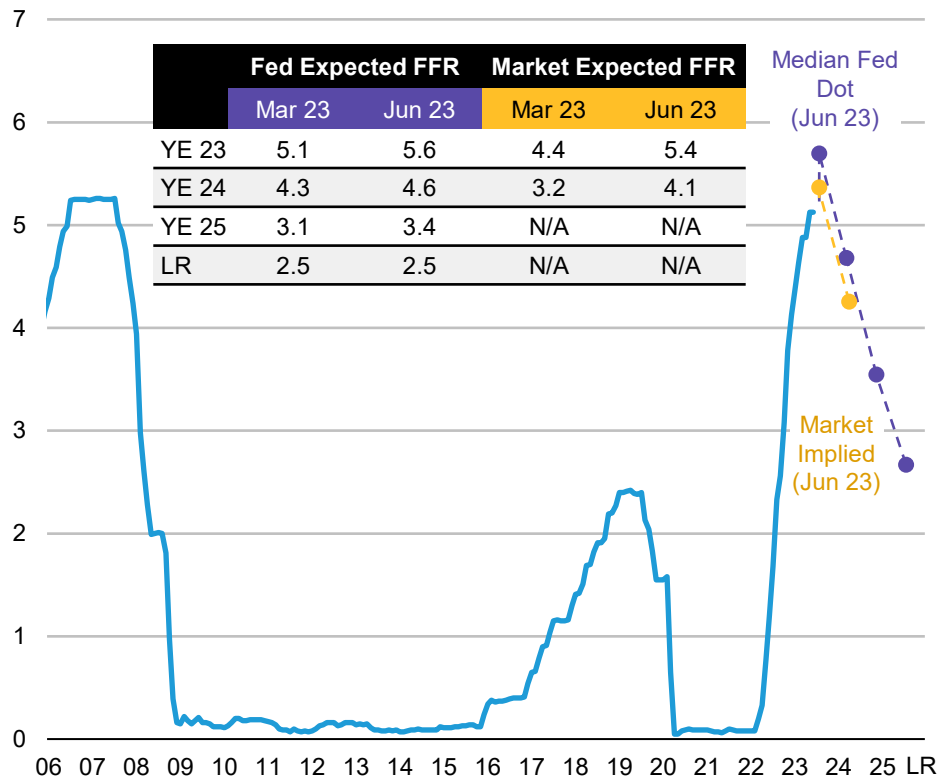
As of June 30, 2023

Source: Bloomberg, FactSet, ISM and AB

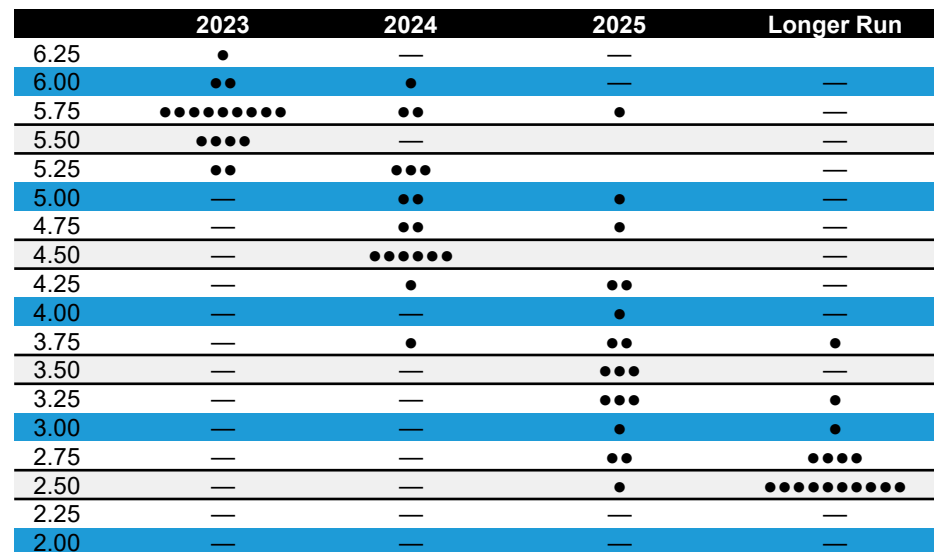


The Fed Is Unlikely to Cut Rates in 2023

Market and Fed See Similar Path for Rates in 2023, but Increasingly Diverge in 2024



Dot Plot Percent



“It will be appropriate to cut rates at such time as inflation is coming down really significantly. Again, we’re talking about a couple of years out. I think, as anyone can see, not a single person on the Committee wrote down a rate cut this year, nor do I think it is at all likely to be appropriate.”

—Jerome Powell (Jun 14, 2023)

Historical analysis and current forecasts do not guarantee future results.

FFR: federal funds rate; YE: year-end

As of June 30, 2023

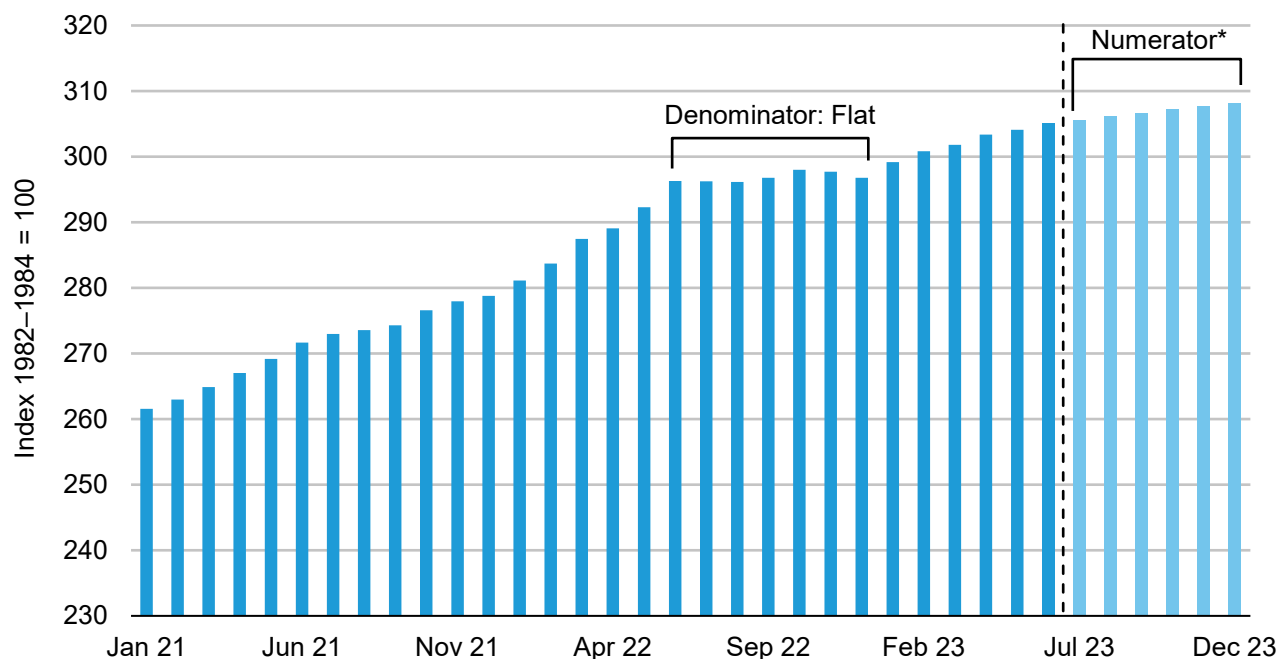
Source: Bloomberg, US Federal Reserve and AB



We Are Anticipating an Inflation “Bounce” into Year-End, but Don’t Panic

Six Months Ended December 31, 2022, Saw Virtually Zero Headline Inflation

As a result, any inflation, even at the target level, will push headline inflation higher by year-end



- 2H 2023 is likely to see a slight uptick in the YoY headline inflation number, even if inflation comes in at a MoM rate consistent with the Fed’s long-run target

June 2023 Headline Inflation
3.0%

December 2023 Headline Inflation
3.9%†

Historical analysis and current forecasts do not guarantee future results.

MoM: month over month; YoY: year over year

*MoM growth rate that achieves Fed’s long-run target of 2% inflation annually; †Hypothetical December headline inflation number based on 0.17% MoM growth (2% annualized)

As of July 12, 2023

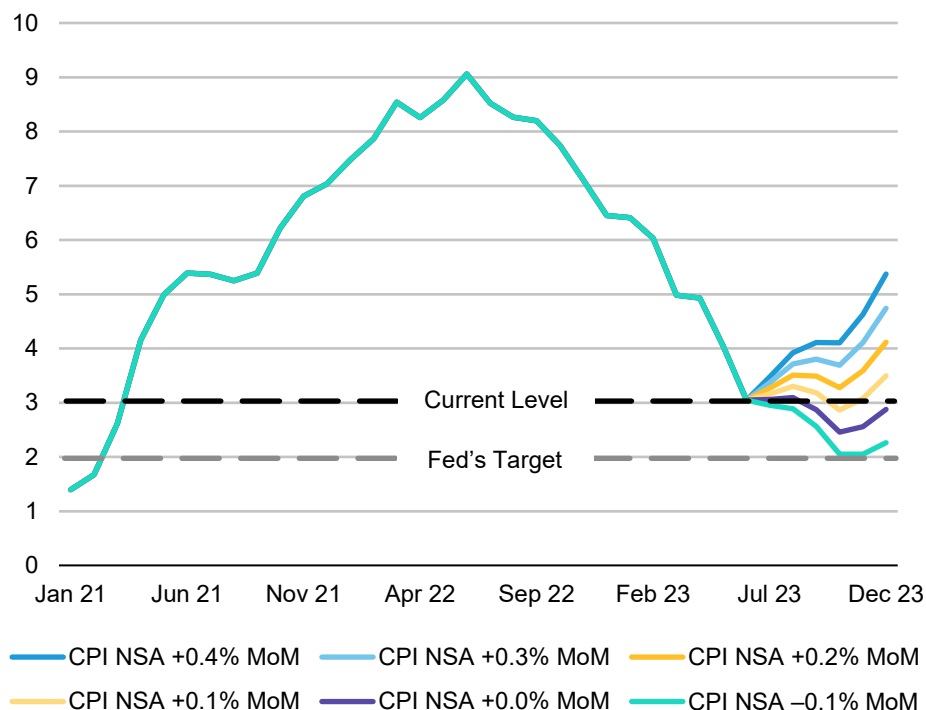
Source: Bloomberg, US Bureau of Labor Statistics and AB



We Are Anticipating an Inflation “Bounce” into Year-End, but Don’t Panic

Most Likely Paths Forward for Inflation (Percent)

Don't expect to hit the Fed's target this year



Inflation Is Expected to Bottom Out in June and Slowly Rise by Year-End

Date	YoY CPI: +0.4% MoM	YoY CPI: +0.3% MoM	YoY CPI: +0.2% MoM	YoY CPI: +0.1% MoM	YoY CPI: +0.0% MoM	YoY CPI: -0.1% MoM
Dec 2023	5.4	4.7	4.1	3.5	2.9	2.3
Nov 2023	4.6	4.1	3.6	3.1	2.6	2.1
Oct 2023	4.1	3.7	3.3	2.9	2.5	2.0
Sep 2023	4.1	3.8	3.5	3.2	2.9	2.6
Aug 2023	3.9	3.7	3.5	3.3	3.1	2.9
Jul 2023	3.5	3.4	3.3	3.2	3.1	3.0
Jun 2023	3.0	3.0	3.0	3.0	3.0	3.0
May 2023	4.0	4.0	4.0	4.0	4.0	4.0
Apr 2023	4.9	4.9	4.9	4.9	4.9	4.9
Mar 2023	5.0	5.0	5.0	5.0	5.0	5.0
Feb 2023	6.0	6.0	6.0	6.0	6.0	6.0
Jan 2023	6.4	6.4	6.4	6.4	6.4	6.4

Historical analysis and current forecasts do not guarantee future results.

CPI: Consumer Price Index; MoM: month over month; NSA: non-seasonally adjusted; YoY: year over year

As of July 12, 2023

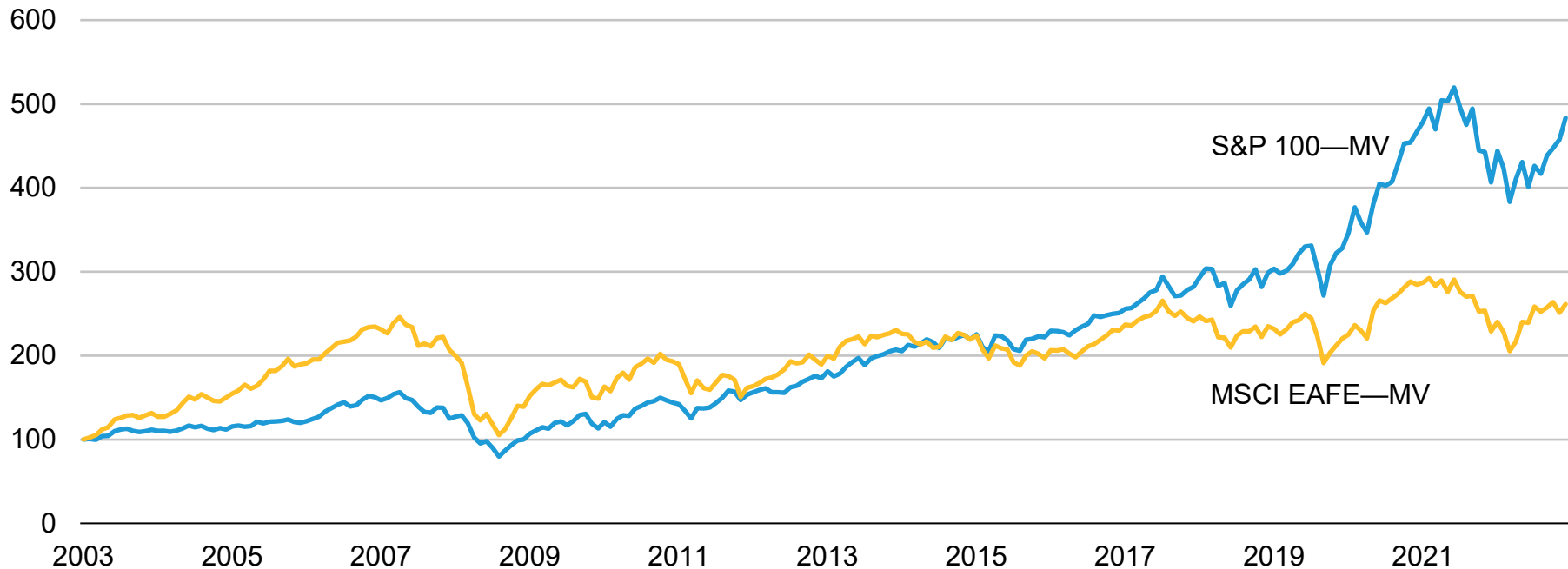
Source: Bloomberg, US Bureau of Labor Statistics and AB



Concentration with an Exclamation Point!

One hundred largest US companies remain meaningfully larger than all non-US developed markets

Market Value of 100 Largest US Companies as a Percentage of All Non-US Developed Markets (US Dollars)



Historical analysis does not guarantee future results.

S&P 100 market value as a percentage of MSCI EAFE Index

As of June 30, 2023

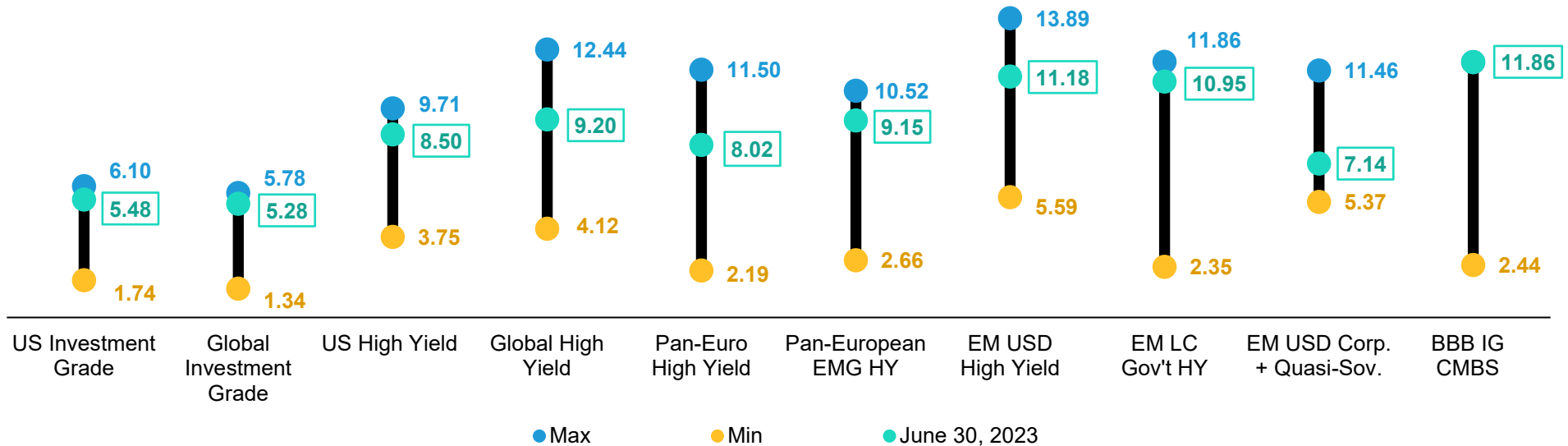
Source: FactSet, MSCI, S&P and AB



Yields Remain Near 10-Year Highs for Much of the Bond Market...but for How Long?

Ten-Year Yield-to-Worst Range

July 2013–June 2023 (percent)



Past performance does not guarantee future results.

CMBS: commercial mortgage-backed securities; EM: emerging-market; EMG: emerging; IG: investment-grade; LC: local-currency; USD: US dollar

Historical information provided for illustrative purposes only. US Investment Grade represented by Bloomberg US Agg Corporate Index; Global Investment Grade represented by Bloomberg Global Agg Corporate Index; US High Yield represented by Bloomberg US High Yield Corporate Index; Global High Yield represented by Bloomberg Global High Yield Corporate Index; Pan-Euro High Yield represented by Bloomberg Pan-European High Yield; Pan-European EMG HY represented by Bloomberg Pan-European EMG High Yield; EM USD High Yield represented by Bloomberg EM USD Sovereign High Yield; EM LC Gov't HY represented by Bloomberg EM Local Currency Government High Yield; EM USD Corp. + Quasi-Sov. represented by Bloomberg EM USD Corp + Quasi Sovereign High Yield; BBB IG CMBS represented by Bloomberg CMBS IG BBB Index.

As of June 30, 2023

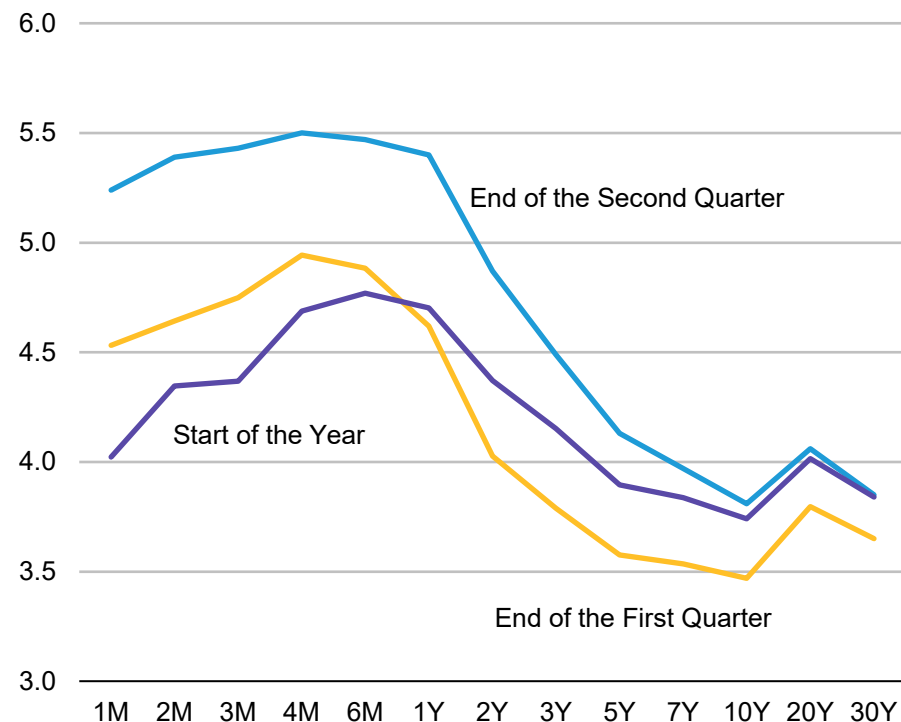
Source: Bloomberg, Morningstar and AB

Yields Rose Across the Board as the “Known Unknowns” Were Largely Resolved and the Labor Market Showed Further Signs of Strength

Bond Returns (Percent)

US Treasuries	Yield (Jun 30, 2023)	Yield (Dec 31, 2022)	2023 Return
10-Year TIPS	1.60	1.53	2.21
Two-Year	4.87	4.41	0.56
Five-Year	4.13	3.99	0.66
10-Year	3.81	3.88	1.78
30-Year	3.85	3.97	3.49
Sector	Yield (Jun 30, 2023)	Yield (Dec 31, 2022)	2023 Return
US Aggregate	4.81	4.68	2.09
IG Corps	5.48	5.42	3.21
US HY	8.50	8.96	5.38
Municipals	3.52	3.55	2.67
MBS	4.78	4.71	1.87
Leveraged Loans	11.16	11.41	6.54

Short End of the Curve Approached Levels Not Reached Since the Early 2000s



Historical analysis does not guarantee future results.

HY: high yield; IG: investment-grade; MBS: mortgage-backed securities; TIPS: Treasury Inflation-Protected Securities

Sector indices provided by Bloomberg

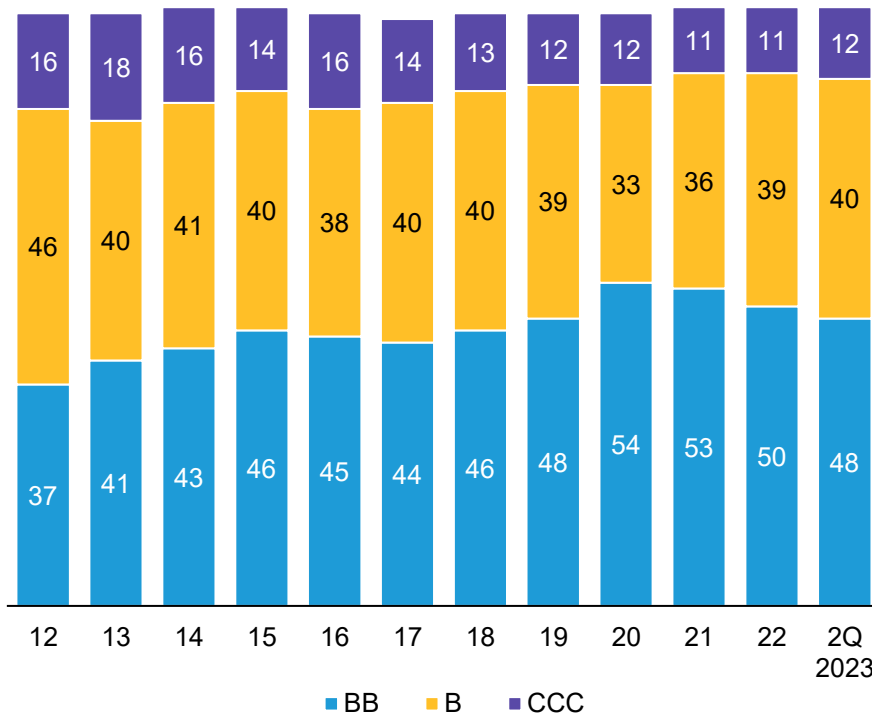
As of June 30, 2023

Source: Bloomberg, J.P. Morgan and AB

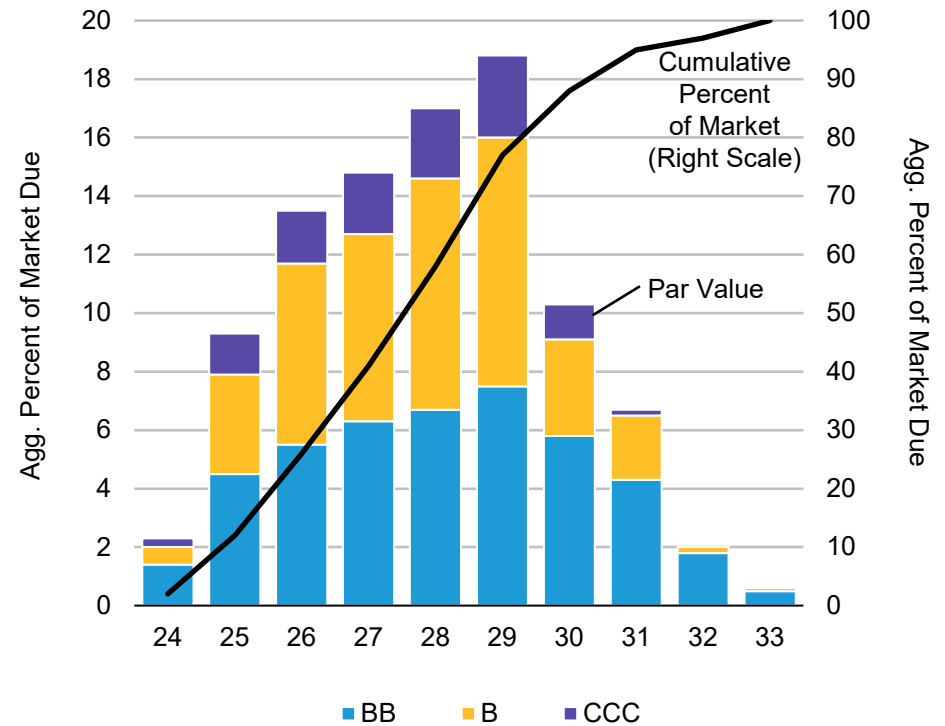


Today, the High-Yield Market Is Higher Quality, with Manageable Maturities

The US High Yield Index Is Much Higher Quality Today



Over the Next Two Years, CCCs Make Up Less Than 2% of the Upcoming Maturity Market



Past performance does not guarantee future results.

High yield is represented by Bloomberg US Corporate High Yield 2% Constrained. Numbers may not sum due to rounding.

As of June 30, 2023

Source: Bloomberg, J.P. Morgan and AB

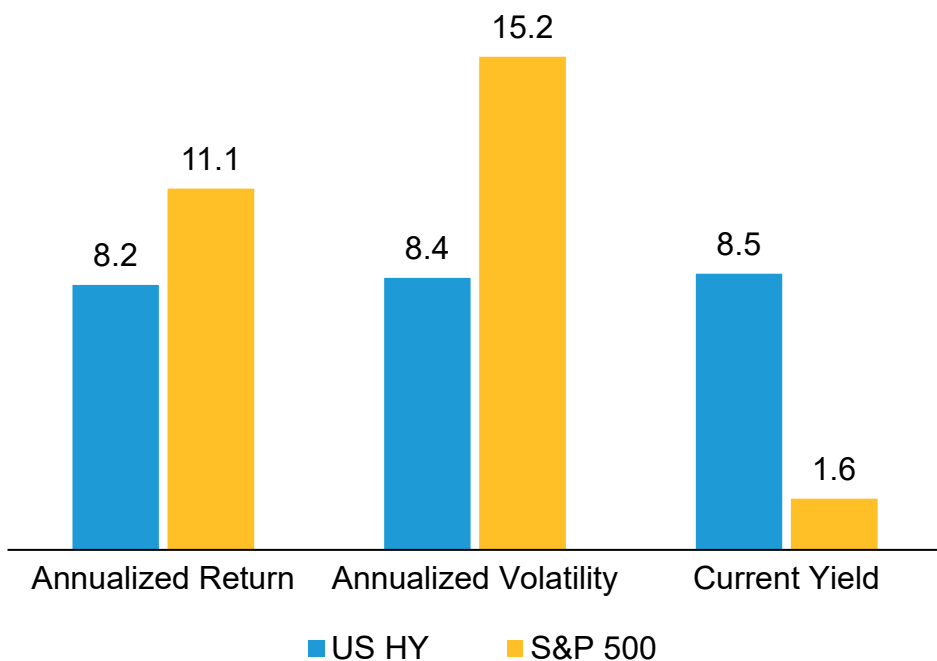


Opportunity to “De-Risk” into HY

HY bonds could generate equity-like returns with almost half the risk and distribute most of the return in income over the course of the year

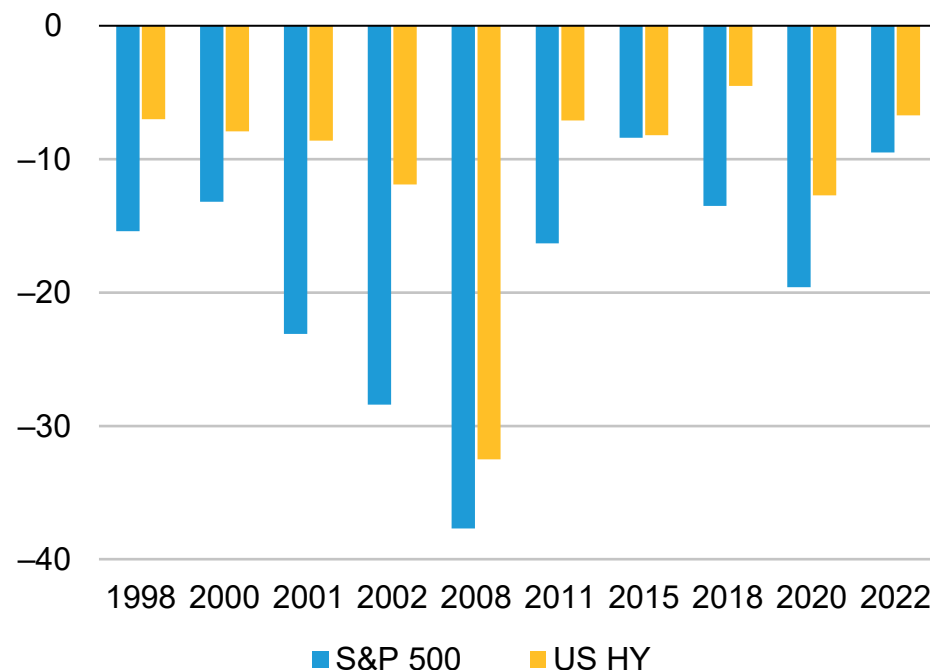
Historical Returns and Volatility

July 1983–June 2023 (percent)



When HY Draws Down ~5%, Equities Draw Down More

Calendar year max. drawdown (percent)



Past performance and historical analysis do not guarantee future results. Individuals cannot invest directly in an index.

HY: high-yield

Current yield for S&P 500 calculated as estimated forward dividend yield and for high yield based on current yield to worst.

US HY is represented by Bloomberg US Corporate High Yield Index. Based on monthly returns.

As of June 30, 2023

Source: Bloomberg, S&P 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, based on the issuer's financial condition, and not based on the financial condition of the fund itself. AAA is highest (best) and D is lowest (worst). Ratings are subject to change. Investment-grade securities are those rated BBB and above. If applicable, the Pre-Refunded category includes bonds which are secured by US government securities and therefore are deemed high-quality investment grade by the advisor.

Index Definitions

Following are definitions of the indices referred to in this presentation. It is important to recognize that all indices are unmanaged and do not reflect fees and expenses associated with the active management of a mutual fund portfolio. Investors cannot invest directly in an index, and its performance does not reflect the performance of any AB mutual fund.

- **Bloomberg/ASX Corporate BBB Index:** Includes all bonds in the Bloomberg/ASX Corporate Bond Index that have the minimum required BBB- rating at each monthly rebalancing
- **Bloomberg Global Aggregate Corporate Bond Index:** Tracks the performance of investment-grade corporate bonds publicly issued in the global market and found in the Global Aggregate. (Represents global corporate on slide 2)
- **Bloomberg Global High-Yield Bond Index:** Provides a broad-based measure of the global high-yield fixed-income markets. It represents the union of the US High-Yield, Pan-European High Yield, US Emerging Markets High-Yield, CMBS High Yield and Pan-European Emerging Markets High-Yield indices
- **Bloomberg Global Treasury Index:** Tracks fixed-rate local currency government debt of investment-grade countries. The index represents the treasury sector of the Global Aggregate Bond Index.
- **Bloomberg Global Treasury: Euro Bond Index:** Includes fixed-rate, local-currency sovereign debt that makes up the Euro Area treasury sector of the Global Aggregate Bond Index. (Represents euro-area government bonds on slide 2)
- **Bloomberg Global Treasury: Japan Bond Index:** Includes fixed-rate, local-currency sovereign debt that makes up the Japanese treasury sector of the Global Aggregate Bond Index. (Represents Japan government bonds on slide 2)
- **Bloomberg High Yield Corporate Bond Index:** A subindex of the Bloomberg Bond Index, seeks to measure the performance of US corporate debt issued by constituents in Bloomberg with a high-yield rating. The Bloomberg Bond Index is designed to be a corporate-bond counterpart to Bloomberg, which is widely regarded as the best single gauge of large-cap US equities
- **Bloomberg Municipal Bond Index:** A rules-based, market value–weighted index engineered for the long-term tax-exempt bond market. (Represents municipals on slide 2)
- **Bloomberg Municipal Bond BBB Rating Band Index:** Includes all bonds in the Bloomberg Municipal Bond Index that have a Bloomberg rating of between “BBB+” and “BBB-”, a Moody’s rating of between “Baa1” and “Baa3” and a Fitch rating of between “BBB+” and “BBB-”. If there are multiple ratings, the lowest rating is used
- **Bloomberg Municipal Bond High-Yield Index:** Consists of bonds in the Bloomberg Municipal Bond Index that are not rated or are rated below investment grade
- **Bloomberg US Aggregate Bond Index:** A broad-based benchmark that measures the investment-grade, US dollar–denominated, fixed-rate, taxable bond market, including US Treasuries, government-related and corporate securities, mortgage-backed securities (MBS [agency fixed-rate and hybrid ARM pass-throughs]), asset-backed securities (ABS), and commercial mortgage-backed securities (CMBS)

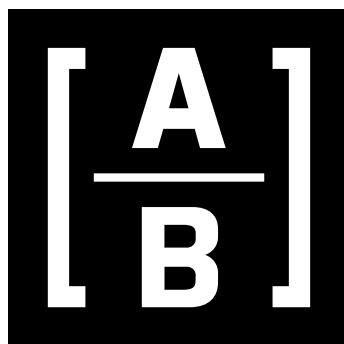
Index Definitions (cont.)

- **Bloomberg US Corporate High-Yield Bond Index:** Represents the corporate component of the Bloomberg Barclays US High-Yield Index. (Represents US high yield on slide 2)
- **Bloomberg U.S. 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-EMG 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 2)
- **Credit Suisse Leveraged Loan Index:** Tracks the investable market of the US dollar-denominated leveraged loan market. It consists of issues rated 5B or lower, meaning that the highest-rated issues included in this index are Moody's/S&P ratings of Baa1/BB+ or Ba1/BBB+. All loans are funded term loans with a tenor of at least one year and are made by issuers domiciled in developed countries
- **HFRI Equity Hedge Index:** Investment managers who maintain positions both long and short in primarily equity and equity derivative securities. A wide variety of investment processes can be employed to arrive at an investment decision, including both quantitative and fundamental techniques; strategies can be broadly diversified or narrowly focused on specific sectors and can range broadly in terms of levels of net exposure, leverage employed, holding period, concentrations of market capitalizations and valuation ranges of typical portfolios. Equity Hedge managers would typically maintain at least 50% exposure to, and may in some cases be entirely invested in, equities, both long and short
- **J.P. Morgan Emerging Market Bond Index Global:** A benchmark index for measuring the total return performance of government bonds issued by emerging-market countries that are considered sovereign (issued in something other than local currency) and that meet specific liquidity and structural requirements. In order to qualify for index membership, the debt must be more than one year to maturity, have more than \$500 million outstanding, and meet stringent trading guidelines to ensure that pricing inefficiencies don't affect the index. (Represents emerging-market debt on slide 2)
- **MSCI EAFE Index:** A free float-adjusted, market capitalization-weighted index designed to measure developed-market equity performance, excluding the US and Canada. It consists of 22 developed-market country indices. (Represents EAFE on slide 2)
- **MSCI Emerging Markets Index:** A free float-adjusted, market capitalization-weighted index designed to measure equity market performance in the global emerging markets. It consists of 21 emerging-market country indices. (Represents emerging markets on slide 2)
- **MSCI Europe ex UK Index:** Captures large- and mid-cap representation across 14 developed markets countries in Europe. With 345 constituents, the index covers approximately 85% of the free float-adjusted market capitalization across European developed markets, excluding the UK

Index Definitions (cont.)

- **MSCI Japan Index:** Designed to measure the performance of the large- and mid-cap segments of the Japanese market. With 321 constituents, the index covers approximately 85% of the free float-adjusted market capitalization in Japan
- **MSCI United Kingdom Index:** Designed to measure the performance of the large- and mid-cap segments of the UK market. With 97 constituents, the index covers approximately 85% of the free float-adjusted market capitalization in the UK
- **MSCI World Index:** A market capitalization-weighted index that measures the performance of stock markets in 24 countries
- **Russell 1000 Index:** A stock market index that represents the highest-ranking 1,000 stocks in the Russell 3000 Index, representing about 90% of the total market capitalization of that index
- **Russell 2000 Index:** Measures the performance of the small-cap segment of the US equity universe. It is a subset of the Russell 3000 Index, representing approximately 8% of the total market capitalization of that index. It includes approximately 2,000 of the smallest securities based on a combination of their market cap and current index membership. (Represents US small-cap on slide 2)
- **S&P 500:** Includes a representative sample of 500 leading companies in leading industries of the US economy. (Represents US large-cap on slide 2)

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