



COMPLETION FUNDS: HELPING ROUND OUT YOUR SMA PORTFOLIO

What are completion funds and why are they in your separately managed account (SMA)? They offer diversification and access to opportunities that would be hard to obtain with individual bonds. That's critical in today's municipal market, where more traditional high-grade ladder strategies offer low yields and little protection against rising interest rates.

HOW COMPLETION FUNDS WORK

Completion funds—also known as income shares or commingled vehicles—are a lot like open-end mutual funds, with two key differences: First, you don't pay any management fees. Second, the general public can't invest in completion funds; they're for the exclusive use of AB's SMA clients.

By reserving access to SMA investors, completion funds don't have to contend with major swings in investment flows like traditional retail mutual funds do. Using completion funds, investors can access parts of the bond market that might be hard to tap by purchasing individual bonds. That's critical, because in today's muni market, you must be flexible.

WHY SETTLE FOR YESTERDAY'S BOND STRATEGY?

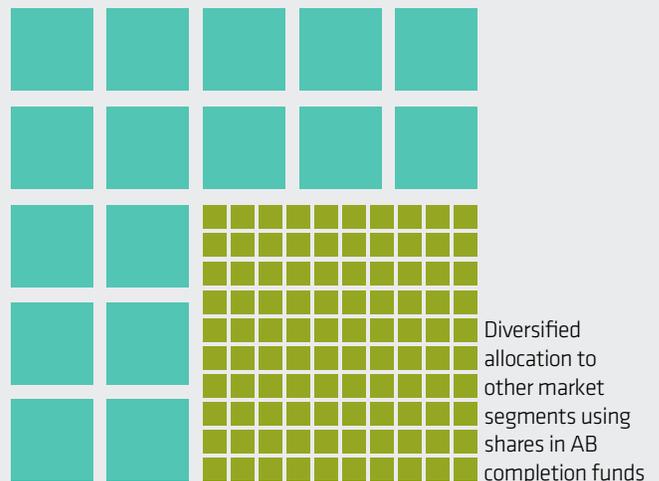
The global financial crisis changed the muni market forever. Bond insurers disappeared essentially overnight, turning the muni market into a credit market. This made individual bond research critical in assessing the fundamental strength of bond issuers.

The demise of muni bond insurers also reduced liquidity, and so did investment banks' paring down of muni bond inventories in response to changing federal regulations. This illiquidity increased the costs of transacting, adding a layer of complexity and fragmentation to the equation.

More potential changes are on the horizon, including tax reform, a federal infrastructure package and the prospect of higher interest rates and rising inflation. With today's market presenting these unique challenges, why would investors want their portfolios managed the way they were before 2008?

COMPLETION FUNDS: MORE ACCESS AND DIVERSIFICATION FOR SMA INVESTORS

SMA portfolio with individual securities



Source: AllianceBernstein (AB)

They wouldn't. Today's municipal bond strategy needs to be flexible and dynamic, able to make active shifts into areas such as municipal credit and even taxable bonds as market opportunities evolve. As AB's SMA business has eclipsed 15,000 SMA portfolios, completion funds allow us to implement trades uniformly across our account base, creating consistent client experiences.

FLEXIBILITY AND ACCESS TO TODAY'S OPPORTUNITIES

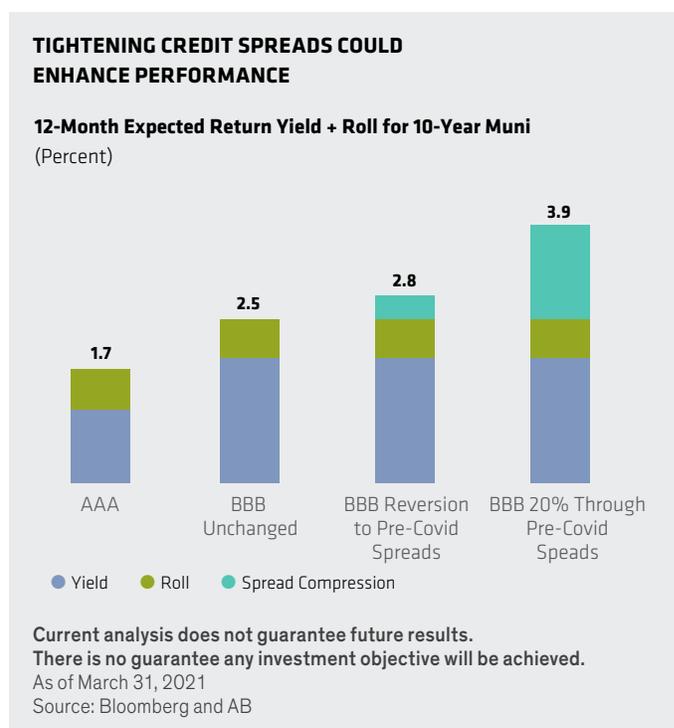
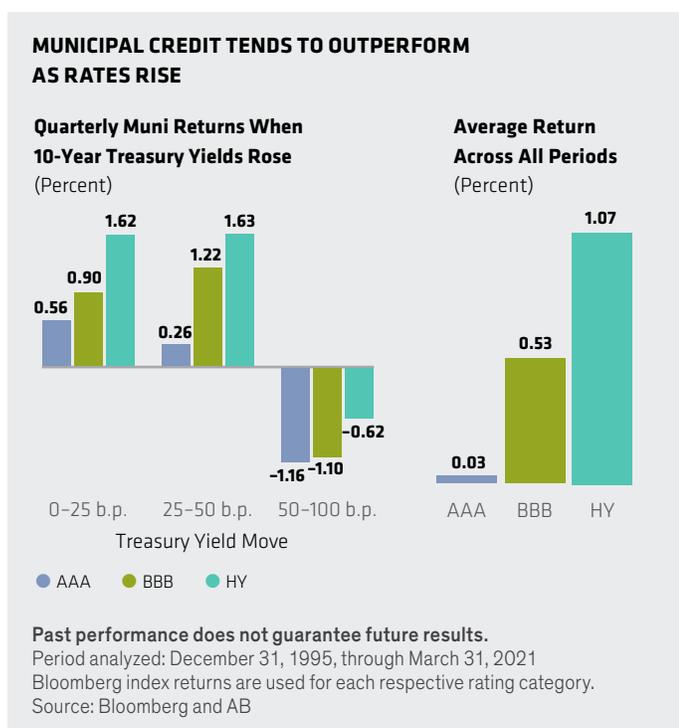
Using completion funds, portfolios can be designed with a combination of diversified, liquid individual muni bonds and diversified allocations to attractive segments of the bond market. Here are some examples of opportunities that could be unlocked with the added flexibility of completion funds:

- + Credit spreads are attractive today, offering the potential for higher portfolio yields and protection as interest rates rise. And municipal bonds rarely default—even BBB-rated muni bonds have extraordinarily low default rates
- + Historically, when 10-year US Treasury yields have risen, BBB-rated and high-yield municipals have outperformed their higher-grade counterparts
- + Going forward, BBB-rated municipals offer an attractive total return profile, boosting investors' income levels and offering potential performance enhancement from declining yield spreads

+ If munis become expensive—or if an investor has a lower federal marginal tax bracket—the ability to invest in taxable bonds adds relatively attractive opportunities and diversification

Trying to pursue these opportunities by purchasing individual securities would require investors to buy smaller amounts than if they bought high-quality bonds, creating increased concentration risk. This very inefficient way to access the muni market is not a formula for success.

Completion funds change the game. By pooling money from many SMA investors, these funds can make bigger, more cost-effective purchases of many bonds. By investing some of your SMA portfolio in completion funds, you can spread your assets across more market segments and retain the flexibility to pursue opportunities in today's bond market.



» LEARN MORE

ABOUT OUR AB MUNICIPAL SMA PORTFOLIOS | PLEASE CONTACT US AT (800) 227 4618

There is no assurance that a separately managed account will achieve its investment objective. Separately managed accounts are subject to market risk, the market values of securities owned will fluctuate so that your investment, when redeemed, may be worth more or less than its original cost.

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