The information herein reflects prevailing market conditions and our judgments as of the date of this document, which are subject to change. 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 which 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
Improved Returns for Risk Assets—Especially After US Election

Returns in US Dollars

Past performance does not guarantee future results.

As of December 31, 2016

Global corporates, Japan and euro-area government bonds in hedged USD terms. All other non-US returns in unhedged USD terms. An investor cannot invest directly in an index, and its performance does not reflect the performance of any AB portfolio. The unmanaged index does not reflect the fees and expenses associated with the active management of a portfolio.

*Europe, Australasia and the Far East
†Returns reflect Morningstar US open-end fund category averages.
Source: Bloomberg Barclays, Morningstar, MSCI, Standard & Poor’s (S&P) and AB
After “After the Beta Trade” or Trump Bump?

Prior to Election, Equity Returns Muted
Annualized Returns of S&P 500 Index and a 60/40 Portfolio (Percent)

Market Levels Hadn’t Changed Much, Until…
US Aggregate Yield to Worst and Level of S&P 500 Index

...Trump Bump Following US Election
2016 Returns of S&P 500 Index and a 60/40 Portfolio (Percent)

Past performance and forecasts do not guarantee future results.
As of December 31, 2016
Beta trade calculated from October 1, 2010, to February 28, 2015. After the Beta Trade is from March 1, 2015, to November 8, 2016. 60/40 is 60% S&P 500 and 40% Bloomberg Barclays US Aggregate Bond. Post-US election returns calculated from November 9, 2016, to December 31, 2016
US Aggregate yields represented by Bloomberg Barclays US Aggregate Bond yield to worst
Source: Bloomberg Barclays, S&P and AB
# 2017 and Beyond: After the Beta Trade Meets Trumponomics

## After the Beta Trade Principles
- Lower expected returns
  - Elevated valuations
  - Lack of top-line growth
  - Net margin gains limited
- Higher volatility
  - Increased dispersion
  - Greater alpha potential
- Increased downside potential
- Yields rise on a “low and slow” path

## Post-Election Recap
- Yields rose
  - Curve steepened
  - Real yields rose
  - Inflation expectations rose
  - Muni/Treasury ratio fell
- Dividend yielders underperformed
- Financials, cyclicals outperformed
- Small-caps beat large-caps
- Higher-tax companies beat lower-tax companies

## Key Considerations
- Impact of rising yields on:
  - Interest costs, net margins
  - Discount rates, P/Es
  - Home, auto sales
- Impact of stronger dollar on net exports
- Is this a Trump bump or a trajectory change?
  - Increased cash flows or sustainable growth driver?
- What will ultimately be proposed?
- When?
- What will pass?

---

Current assessment does not guarantee future results.
As of December 31, 2016
Source: AB
## Promises, Promises: Will Trump’s Proposals Translate into Policy?

### Focus on US Growth and Jobs

<table>
<thead>
<tr>
<th>Focus</th>
<th>Growth</th>
<th>Inflation</th>
<th>Who Decides?</th>
<th>Comments</th>
</tr>
</thead>
<tbody>
<tr>
<td>Taxation</td>
<td>+</td>
<td>?</td>
<td>Congress/President</td>
<td>+ To pass in late 2017 and implement in 2018</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>+ Not an easy task because of special interests</td>
</tr>
<tr>
<td>Infrastructure</td>
<td>+</td>
<td>+</td>
<td>Congress/President</td>
<td>+ Size likely to be well below projected amount unless funding plans are changed</td>
</tr>
<tr>
<td>Trade</td>
<td>-</td>
<td>+</td>
<td>President has discretion</td>
<td>+ Will create winners and losers in the US</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>+ China, Mexico, South Korea have largest US trade exposure</td>
</tr>
<tr>
<td>Energy</td>
<td>+</td>
<td>-</td>
<td>President has discretion</td>
<td>+ Contentious issue in US, and some decisions will be challenged in courts</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>+ Might ignore international climate agreements instead of pulling out of them</td>
</tr>
<tr>
<td>Regulation</td>
<td>+</td>
<td>-</td>
<td>President has discretion</td>
<td>+ Focus on energy, finance and environment</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>+ A key focus in the first days of the new administration</td>
</tr>
<tr>
<td>Immigration</td>
<td>?</td>
<td>+</td>
<td>President has discretion</td>
<td>+ A big campaign issue, and President Trump will have to show progress in this area</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>+ Will the US reduce the flow of skilled labor into the country?</td>
</tr>
</tbody>
</table>

Current assessment does not guarantee future results.

As of December 31, 2016
The information contained here reflects the views of AB or its affiliates and sources it believes are reliable as of the date of this publication. AB makes no representations or warranties concerning the accuracy of any data. There is no guarantee that any projection, forecast or opinion in this material will be realized.
Source: AB
Global Trends: Fiscal Stimulus Meets Populism

The Baton Will Likely Pass to Fiscal Policy
G4 Plus China Fiscal Tightening/Loosening (Percent of GDP)*

<table>
<thead>
<tr>
<th>Time Line</th>
<th>Event/Election</th>
<th>Outcome</th>
</tr>
</thead>
<tbody>
<tr>
<td>Oct 19, 2015</td>
<td>Canada Elections</td>
<td>Anti-establishment</td>
</tr>
<tr>
<td>Jun 23, 2016</td>
<td>Brexit</td>
<td>Anti-establishment</td>
</tr>
<tr>
<td>Nov 8, 2016</td>
<td>US Presidential Elections</td>
<td>Anti-establishment</td>
</tr>
<tr>
<td>Dec 4, 2016</td>
<td>Italian Referendum</td>
<td>Anti-establishment</td>
</tr>
<tr>
<td>Mar 15, 2017</td>
<td>Dutch Parliamentary Elections</td>
<td>?</td>
</tr>
<tr>
<td>End Mar 2017</td>
<td>UK Triggers Article 50?</td>
<td>?</td>
</tr>
<tr>
<td>Apr/May 2017</td>
<td>French Presidential Elections</td>
<td>?</td>
</tr>
<tr>
<td>Jun 2017</td>
<td>French Parliamentary Elections</td>
<td>?</td>
</tr>
<tr>
<td>Sep/Oct 2017</td>
<td>German Parliamentary Elections</td>
<td>?</td>
</tr>
</tbody>
</table>

Historical analysis and current forecasts do not guarantee future results.
Left display through September 30, 2016; right display as of December 31, 2016
*G4 is a weighted average of the US, euro area, Japan and the UK. Historical data are International Monetary Fund estimates of the change in the cyclically adjusted primary budget balance. 2016 and 2017 are AB estimates.
Source: Haver Analytics, IMF and AB
## Global Growth Projections

<table>
<thead>
<tr>
<th>Country/Region</th>
<th>GDP (%)</th>
<th>Inflation (%)</th>
<th>Expected Policy Rate Path</th>
<th>2016 FX Change (%)</th>
<th>FX Forecast</th>
<th>The Latest</th>
</tr>
</thead>
<tbody>
<tr>
<td>Global</td>
<td>2.4</td>
<td>2.8</td>
<td>1.8</td>
<td>2.6</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Developed Countries</td>
<td>1.7</td>
<td>2.2</td>
<td>0.8</td>
<td>2.1</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Emerging Countries</td>
<td>3.6</td>
<td>3.8</td>
<td>3.5</td>
<td>3.4</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>US</td>
<td>1.7</td>
<td>3.1</td>
<td>1.3</td>
<td>2.9</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>UK</td>
<td>2.0</td>
<td>1.5</td>
<td>0.7</td>
<td>2.6</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Euro Area</td>
<td>1.7</td>
<td>1.5</td>
<td>0.2</td>
<td>1.6</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Japan</td>
<td>1.0</td>
<td>1.5</td>
<td>−0.3</td>
<td>0.7</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>China</td>
<td>6.5</td>
<td>5.7</td>
<td>2.0</td>
<td>2.5</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Brazil</td>
<td>−3.5</td>
<td>0.9</td>
<td>8.8</td>
<td>5.9</td>
<td>—</td>
<td>—</td>
</tr>
</tbody>
</table>

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

As of December 31, 2016

GDP represents forecast year-over-year change in real terms. Inflation represents forecast year-over-year change in Consumer Price Index. Expectations for monetary policy are through end of 2017. FX change is currency spot return for last 12 months vs. US dollar; FX forecast is AB economists’ return projections for next six months vs. US dollar.

Source: Bloomberg and AB
The Big Picture

+ The number one theme in 2017 is uncertainty
  + Campaign promises typically ≠ policy
  + Market is clearly focused on positives and not potential negatives; flexibility is key!
+ Uncertainty = volatility = dispersion = alpha potential: find the winners, avoid the losers
+ Fixed Income
  + Yield and policy environment continues to favor global currency-hedged fixed income over domestic
  + High yield remains attractive versus passive equities, but selectivity is key; include other sector/country credits
  + For income-driven portfolios, rising rates/tighter spreads suggest an active barbell approach
+ Equities
  + Opportunities remain in post-election winners, but focus on best in class
  + Seek better top-line growers and users of free cash flows
  + Use caution on bond proxies
+ Emerging Markets
  + Fundamentals largely intact, but policy will create/amplify winners and losers
+ Alternatives
  + Market uncertainty calls for noncorrelated returns and downside protection, but target based upon client needs
Official Rates Rising, but Not All Bonds React Equally

Gradual Official Rate Hikes Likely
Expectations of Fed Funds Rate

Rising Rates Don’t Have to Derail
Fixed-Income Returns
12-Month Expected Returns*

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>US Treasury</td>
<td>0.4%</td>
<td>−2.2%</td>
<td>5.6%</td>
</tr>
<tr>
<td>US Aggregate</td>
<td>1.0%</td>
<td>−1.2%</td>
<td>5.5%</td>
</tr>
<tr>
<td>Global Aggregate USD Hedged</td>
<td>2.2%</td>
<td>−0.6%</td>
<td>4.9%</td>
</tr>
<tr>
<td>Investment-Grade Corporate</td>
<td>1.7%</td>
<td>−0.7%</td>
<td>6.5%</td>
</tr>
<tr>
<td>High Yield</td>
<td>6.4%</td>
<td>5.9%</td>
<td>7.5%</td>
</tr>
</tbody>
</table>

Bond Sectors Don’t Always Move in Sync
Bloomberg Barclays Index Correlations to US Treasuries

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>0.9</td>
<td>0.9</td>
<td>0.7</td>
<td>0.7</td>
<td>0.6</td>
<td>−0.1</td>
<td>−0.2</td>
</tr>
</tbody>
</table>

Historical analysis does not guarantee future results.
Left display as of January 3, 2017; middle display as of December 21, 2016; right display as of December 31, 2016.
Market expectations are determined by forward freight contracts of fed funds rates on Bloomberg.
*Return forecasts assume that rates move on the first day. These returns also incorporate the impact of today’s carry and roll over a 12-month period and assume historical relationship between rates and credit. Fixed income sectors are for Bloomberg Barclays indices.
Source: Bloomberg Barclays, US Federal Reserve and AB
Credit: High Yield Attractive vs. Passive Equities, but Selectivity Is Key

Yield Often Indicates Future Returns
Yield to Worst and Forward Return

Wide Range in US High-Yield Valuations Today
Yield Distribution in the US HY Index (Percent)

Historical analysis does not guarantee future results.
Left display as of December 31, 2016, except equity forecast as of September 30, 2016; right display as of December 31, 2016
High yield is represented by Bloomberg Barclays Global Corporate High Yield (USD Hedged). 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.
Source: Bloomberg Barclays, Credit Suisse, J.P. Morgan, Morningstar, S&P Capital IQ and AB
**Credit: Fundamentals Vary Among Sectors and Industries**

Choose with Care

Historical analysis and current forecasts do not guarantee future results. Left display as of September 30, 2016; middle display as of December 31, 2016; right display as of December 31, 2015. 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 fees and expenses associated with the active management of a portfolio. LTM: last 12-months debt; EBITDA: a measure of company’s ability to pay off its incurred debt. *High yield. †FICO score is a type of credit score that helps lenders assess borrower’s credit risk. Typically, scores above 650 indicated a very good credit history. FICO scores and Debt to Income ratios is for borrowers with low Loan-to-Value ratios backed by Freddie Mac.

Source: Bloomberg Barclays, Freddie Mac and AB
Credit: Look Beyond Loans for Floating Rate Exposure

Historical analysis does not guarantee future results.
Left display as of December 12, 2016; middle and right displays as of December 31, 2016
*10-year yield movements include time periods with an increase/decline of above 10 basis points. US low-volatility high yield is represented by Bloomberg Barclays US High-Yield 1–5 Year BB/B; CRT non-rated security is represented by CAS 2016 C011B; CRT B-rated security by CAS 2015 C031M2.
Source: Credit Suisse, J.P. Morgan and AB
Emerging Markets: Select Opportunities

High-Yield USD Sovereigns
Be Selective

Supported by:
+ High carry
+ Greater stability in commodity prices
+ Stable global growth

Examples:*
- Argentina: Yield 6.77%
- Dominican Republic: Yield 6.80%
- Gabon: Yield 7.56%
- Ivory Coast: Yield 6.75%
- Brazil: Opportunities in quasi-sovereigns and corporates Yield: 7.19%

Local-Currency Debt
High Relative Yields

EM FX: Valuations Are Attractive

Historical analysis does not guarantee future results.
As of December 31, 2016
EM local is represented by J.P. Morgan Government Bond–Emerging Markets. 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 fees and expenses associated with the active management of a portfolio.
*Yields are for representative sovereign bonds close to 10-year maturities.
EM FX is represented by J.P. Morgan Emerging Market Currency.
Source: Bloomberg, J.P. Morgan and AB

Favor commodity currencies and unique country situations

39+\% Drop Since April 29, 2011
Interest-Rate Exposure: Get It Globally…and Consider Inflation Protection

Hedged Global Core Bonds Preserve Capital Better as US Yields Climb

Returns During Environments of Rising US Interest Rates (Percent)

<table>
<thead>
<tr>
<th>Period</th>
<th>US</th>
<th>Global Hedged</th>
</tr>
</thead>
<tbody>
<tr>
<td>1/96–6/96</td>
<td>0.8</td>
<td>−1.2</td>
</tr>
<tr>
<td>10/99–1/00</td>
<td>0.7</td>
<td>−0.6</td>
</tr>
<tr>
<td>11/01–3/02</td>
<td>−1.6</td>
<td>−1.9</td>
</tr>
<tr>
<td>6/03–8/03</td>
<td>−2.4</td>
<td>−2.9</td>
</tr>
<tr>
<td>4/04–5/04</td>
<td>−3.0</td>
<td>−3.0</td>
</tr>
<tr>
<td>1/09–6/09</td>
<td>3.5</td>
<td>2.9</td>
</tr>
<tr>
<td>12/10–2/11</td>
<td>2.9</td>
<td>−0.6</td>
</tr>
<tr>
<td>5/13–12/13</td>
<td>2.2</td>
<td>−1.8</td>
</tr>
<tr>
<td>7/14–Present (Effective Tightening*)</td>
<td>3.4</td>
<td></td>
</tr>
</tbody>
</table>

Past performance does not guarantee future results.

As of December 31, 2016

Rising-rate environments are defined as periods during which the US 10-year Treasury yield rose by more than 100 basis points. US bonds are represented by Bloomberg Barclays US Aggregate Bond; global hedged bonds by Bloomberg Barclays Global Aggregate Bond—hedged into US dollars.

*Effective tightening began with the end of the US Federal Reserve’s asset purchases, which effectively concluded its stimulus program.

Source: Bloomberg Barclays and AB
Municipals: Post-Election Sell-Off Creates Value

Outflows Have Picked Up, but Are Less than Past Volatile Periods
Muni Bond In/Outflows

Muni Yields Are Attractive vs. Taxable Equivalents
10-Year Yields (Percent)

Historical analysis does not guarantee future results.
As of December 20, 2016
Nominal yields. A credit rating is a measure of the quality and safety of a bond or portfolio, based on the issuer’s financial condition. AAA is highest (best) and D is lowest (worst). Ratings are subject to change. Investment-grade securities are those rated BBB and above.
Source: Bloomberg Barclays, Investment Company Institute, Municipal Market Data and AB
Municipals: Balance Intermediate Quality with Longer-Maturity Credit

**Shorter Bonds:** Consider short-maturity municipals vs. comparable-maturity taxable bonds

**Intermediate Bonds:** Focus on roll and carry

**Longer Bonds:** Dip down in credit for an extra yield pickup—avoid longer-maturity high grades which may remain volatile owing to possible changes to tax rates

---

**Roll Plus Yield (Percent)**

<table>
<thead>
<tr>
<th>Maturity (Years)</th>
<th>Yield</th>
<th>Roll*</th>
<th>BBB Muni</th>
</tr>
</thead>
<tbody>
<tr>
<td>2</td>
<td>1.30</td>
<td>0.49</td>
<td></td>
</tr>
<tr>
<td>5</td>
<td>1.98</td>
<td>0.94</td>
<td></td>
</tr>
<tr>
<td>7</td>
<td>2.31</td>
<td>1.13</td>
<td></td>
</tr>
<tr>
<td>8</td>
<td>2.43</td>
<td>1.15</td>
<td></td>
</tr>
<tr>
<td>9</td>
<td>2.55</td>
<td>0.97</td>
<td></td>
</tr>
<tr>
<td>10</td>
<td>2.66</td>
<td>1.07</td>
<td></td>
</tr>
<tr>
<td>15</td>
<td>3.03</td>
<td>0.50</td>
<td></td>
</tr>
<tr>
<td>20</td>
<td>3.30</td>
<td>0.25</td>
<td>4.06</td>
</tr>
<tr>
<td>30</td>
<td>3.44</td>
<td>0.08</td>
<td></td>
</tr>
</tbody>
</table>

---

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

As of December 20, 2016

Nominal yields. A credit rating is a measure of the quality and safety of a bond or portfolio, based on the issuer’s financial condition. AAA is highest (best) and D is lowest (worst). Ratings are subject to change. Bloomberg Barclays long indices are used for each respective rating category.

*Roll is the natural price gain that a bond experiences as it ages, assuming interest rates are unchanged. Yield advantage shown is for 10-year municipal securities. Short taxable bonds are represented by Bloomberg Barclays US Aggregate 1–3 Year ex Government.

Equities Today Present Attractive Return Potential

Large Gaps Between Stock and Bond Yields Are Rare…
Stock Earnings Yields vs. Bond Yields (Percent)

Earnings historically drive total returns; intermediate bond yields are historically low today

When the yield gap between equities and bonds is big, consider tilting toward equity earnings—if underlying fundamentals are strong

Historical analysis and past performance do not guarantee future results.
As of December 31, 2016
Source: Bloomberg Barclays, S&P and AB
Elevated Valuations and Rising Rates
Stocks Have Performed Well, but Watch Those Sector Swings!

Current Valuations Warrant Selectivity…
Average S&P 500 P/FE by YoY CPI*

<table>
<thead>
<tr>
<th>Sector</th>
<th>Six Months Prior</th>
<th>First Six Months After</th>
<th>Next Six Months</th>
<th>Year After Increase</th>
</tr>
</thead>
<tbody>
<tr>
<td>Industrials</td>
<td>15.7×</td>
<td>15.7×</td>
<td>11.5×</td>
<td>8.0×</td>
</tr>
<tr>
<td>Consumer Discretionary</td>
<td>16.8×</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Technology</td>
<td>16.8×</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Consumer Staples</td>
<td>−6.5</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Utilities</td>
<td>−14.7</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Telecom</td>
<td>−15.4</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

...But Equities Have Fared Well in Rate-Hike Cycles
Average Returns (Percent)†

- 10.9
- 3.1
- 4.7

Past performance and historical analysis do not guarantee future results. Not all sectors perform the same.
Left display as of September 30, 2016; middle display as of December 31, 2016; right display as of December 31, 2013
*Based on quarterly CPI data from December 31,1977, to September 30, 2016
†Average returns for the S&P 500 before and after fed funds initial rate increase, equal-weighted six months before and one year after the initial increase in the fed funds rate, based on 19 episodes from 1970 to 2016
‡Annualized returns relative to the S&P 500 from May 22, 2013, to December 31, 2013
Source: Bloomberg, S&P and AB
High-Dividend, Bond-Like Stocks: Still Appear Vulnerable

Reversal of Fortune for 10-Year Yields* and Stock Sectors (Percent)

- **Jan–Jun**
  - Telecom: 24.9
  - Utilities: 23.4
  - Consumer Staples: 10.5
  - 10-Yr. US Treasury Index: 8.0

- **Jul–Dec**
  - Telecom: −1.1
  - Consumer Staples: −4.6
  - Utilities: −5.8
  - 10-Yr. US Treasury Index: −7.5

If Your Equity Yield Exposure Mimics Your Bonds...

- **Same Direction**
  - 10 Years†: 1
  - Five Years†: 1
  - Since Taper Tantrum†: 1

- **Opposite Direction**
  - 10 Years†: −1
  - Five Years†: −1
  - Since Taper Tantrum†: −1

...You’re Paying Too Much for Too Little Diversification

Price/Earnings Ratio (×)‡

Historical analysis does not guarantee future results.
As of December 31, 2016
*Yield shown is the 10-year US Treasury Yield.
†Periods ending December 31, 2016; taper tantrum is from May 1, 2013, through December 31, 2016. Correlations shown are based on monthly returns.
‡Highest 20% of dividend payers among 1,500 US-listed stocks in the AB equity universe, excluding 33 companies that do not currently have a P/E ratio because they are not profitable.

Source: FactSet, Morningstar, S&P, US Department of the Treasury and AB
Small-Caps: Opportunity Remains—an Active Edge Required

Trending Now: Smaller-Cap Stocks Remain Attractively Valued
Relative Valuations* (Russell 2000 vs. Russell 1000)

Potential Increase in Earnings per Share if Effective Tax Rate Drops to 25% for All Companies†

A Few Sectors Loom Large in Small-Cap Indices
Percent of Index

Historical analysis does not guarantee future results.
Left and right displays through December 31, 2016; middle display as of November 30, 2016
*Valuation composite is one-third price to forward earnings, one-third price to book and one-third price to sales.
†Based on median 2015 effective tax rate for S&P 500 and Russell 2000. Excludes real estate and negative-pretax-income companies.
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.
Source: Bloomberg, FactSet, Russell Investments, Thomson Reuters I/B/E/S and AB
Highly Taxed Firms Posted Good Gains Post Election

**Trump Bump Looks to Lower Corporate Taxes**
S&P 500 Stocks by Effective Tax Rate
Returns from November 8, 2016 through December 31, 2016

<table>
<thead>
<tr>
<th>Sector</th>
<th>Median Tax Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Financials</td>
<td>32.2%</td>
</tr>
<tr>
<td>Industrials</td>
<td>8.3%</td>
</tr>
<tr>
<td>Healthcare</td>
<td>4.8%</td>
</tr>
<tr>
<td>Consumer Discretionary</td>
<td>13.3%</td>
</tr>
</tbody>
</table>

*Historical analysis does not guarantee future results.*

As of December 31, 2016

Source: Bloomberg, Ned Davis Research, S&P Capital IQ and S&P Compustat

...but Be Careful of Costly, Lower-Growth Sectors
Price/Earnings to Growth (PEG Ratio)

<table>
<thead>
<tr>
<th>Sector</th>
<th>PEG Ratio</th>
</tr>
</thead>
<tbody>
<tr>
<td>Financials</td>
<td>2.7</td>
</tr>
<tr>
<td>Industrials</td>
<td>2.1</td>
</tr>
<tr>
<td>Healthcare</td>
<td>1.9</td>
</tr>
<tr>
<td>Consumer Discretionary</td>
<td>1.8</td>
</tr>
<tr>
<td>Technology</td>
<td>1.7</td>
</tr>
</tbody>
</table>
Curiously Strong (but Unpopular): Fast-Growing, Profitable Companies on Sale

Historical analysis does not guarantee future results.
Through December 31, 2016
Data are based on the highest 20% of earnings growth and ROE among 1,500 of the largest US-listed stocks by market capitalization in the AB Bernstein equity universe, excluding 33 companies that do not currently have a P/E ratio because they are not profitable.
Source: FactSet and AB Bernstein
After the Beta Trade: Be Active! Volatility and Dispersion Aren’t Going Away

Higher Volatility Increases Security Dispersion
Monthly Dispersion* vs. Level of VIX (Percent)

Median Monthly Return†

Past performance and current forecasts do not guarantee future results. Left display through December 31, 2016; right display as of December 31, 2015. *Dispersion is cross-sectional standard deviation of monthly returns. †Median monthly return of the S&P 500. ‡Using data from Style Research, high-conviction strategies are defined as the top 20% of managers who consistently display a high-conviction characteristic in the eVestment US Large Cap Equity universe. Within each high-conviction category universe, the representative performance of skilled high-conviction strategies is the average of all managers whose performance is greater than that of the median manager over the period in which they reported. Monthly outlier returns are capped at the fifth percentile. A manager may be classified in more than one category. These numbers do not represent the performance history of any AB-managed product, but do include AB services if they meet the criteria of one of the universes. Factor index performance represents the returns of the MSCI indices—dividend yield: MSCI USA High Dividend Yield; value: MSCI USA Value; quality: MSCI USA Quality; low beta: MSCI USA Minimum Volatility; momentum: MSCI USA Momentum. These indices may not be investable and do not take into account transaction costs.

Source: Bloomberg Barclays, Chicago Board Options Exchange, eVestment, MSCI, S&P, Style Research and AB
Emerging Markets: Questions Are Warranted, but Opportunities Still Available

EM Equities Still Cheap Compared to Developed Peers
Price/Earnings* and Price/Book of MSCI EM vs. MSCI World

<table>
<thead>
<tr>
<th></th>
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<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>2010</td>
<td>19.2</td>
<td>8.5</td>
<td>13.1</td>
<td>19.9</td>
<td>5.5</td>
<td>1.3</td>
<td>11.4</td>
</tr>
<tr>
<td>2011</td>
<td>26.7</td>
<td>5.5</td>
<td>12.0</td>
<td>18.5</td>
<td>1.2</td>
<td>2.3</td>
<td>10.2</td>
</tr>
<tr>
<td>2012</td>
<td>11.6</td>
<td>15.0</td>
<td>15.0</td>
<td>18.6</td>
<td>1.0</td>
<td>5.0</td>
<td>7.5</td>
</tr>
<tr>
<td>2013</td>
<td>24.0</td>
<td>10.2</td>
<td>16.5</td>
<td>18.6</td>
<td>–0.3</td>
<td>9.7</td>
<td>6.3</td>
</tr>
<tr>
<td>2014</td>
<td>19.3</td>
<td>15.0</td>
<td>16.5</td>
<td>18.6</td>
<td>–14.6</td>
<td>9.7</td>
<td>6.3</td>
</tr>
<tr>
<td>2015</td>
<td>3.9</td>
<td>18.5</td>
<td>16.5</td>
<td>18.6</td>
<td>–25%</td>
<td>9.7</td>
<td>6.3</td>
</tr>
<tr>
<td>2016</td>
<td></td>
<td>18.5</td>
<td>16.5</td>
<td>18.6</td>
<td>–25%</td>
<td>9.7</td>
<td>6.3</td>
</tr>
</tbody>
</table>

Flexibility to Move Across Asset Classes Can Pay Off
Annual Returns (Percent)

High/Low Gap: 7.2 - 26.7 - 4.9 - 24.0 - 11.6 - 19.3 - 3.9

Current analysis does not guarantee future results.
As of December 31, 2016
EM equity is represented by MSCI Emerging Markets; global equity by MSCI World; EM sovereign debt by J.P. Morgan EMBIG; EM corporate debt by J.P. Morgan CEMBI; and EM local-currency debt by J.P. Morgan GBI-EM.
*Price-to-earnings ratio uses next 12 months forecasted earnings.
Source: J.P. Morgan, Morningstar Direct, MSCI and AB
Unique Benefits of Alternatives—Important in Uncertain Markets

Low Betas to Traditional Investments
December 2006–November 2016*

Performance Held Up Post-Election (Percent)

Historical analysis does not guarantee future results.
As of December 31, 2016
Alternative strategies represented by corresponding Morningstar category. Event-driven category represented by HFRX Event Driven.
*Time period of December 2009–November 2016 used for credit long/short and managed futures categories owing to inception dates.
Source: Barclays Bloomberg, Hedge Fund Research, Morningstar Direct and S&P
## Uncertainty and Principles: Navigating 2017

<table>
<thead>
<tr>
<th>Evergreen Advice</th>
<th>Environment</th>
<th>Suggested Actions</th>
</tr>
</thead>
</table>
| **Focus Portfolio Design on Better Up/Down Capture Generation**  
Better betas, efficient structures, targeted alpha | Growth ♦ ♦  
Inflation ♦ ♦ | Favor These...  
Small-cap equity  
High yield  
Inflation protection  
Government bonds |
| **Be Global**  
Economies/policies not moving in lockstep | Heating Up  
Questionable ♦ ♦  
Surprise Slip ♦ ♦ | ...over These  
High yield  
Quality and growth equity  
Government bonds  
Inflation protection |
| **Be Balanced**  
Amidst uncertainty, don’t overload | | |
| **Be Selective/Active**  
Security and sector dispersion on the rise | | |

*Current assessment does not guarantee future results.*
*As of December 31, 2016*
*Source: AB*
A Word About Risk

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Important Risk Information Related to Investing in Equity and Short Strategies

All investments involve risk. Equity securities may rise and decline in value due to both real and perceived market and economic factors as well as general industry conditions.

A short strategy may not always be able to close out a short position on favorable terms. Short sales involve the risk of loss by subsequently buying a security at a higher price than the price at which it sold the security short. The amount of such loss is theoretically unlimited (since it is limited only by the increase in value of the security sold short). In contrast, the risk of loss from a long position is limited to the investment in the long position, since its value cannot fall below zero. Short selling is a form of leverage. To mitigate leverage risk, a strategy will always hold liquid assets (including its long positions) at least equal to its short position exposure, marked to market daily.

Important Risk Information Related to Investing in Emerging Markets and Foreign Currencies

Investing in emerging-market debt poses risks, including those generally associated with fixed-income investments. Fixed-income securities may lose value due to market fluctuations or changes in interest rates. Longer-maturity bonds are more vulnerable to rising interest rates. A bond issuer’s credit rating may be lowered due to deteriorating financial condition; this may result in losses and potentially default, or failure to meet payment obligations. The default probability is higher in bonds with lower, noninvestment-grade ratings (commonly known as “junk bonds”).

There are other potential risks when investing in emerging-market debt. Non-US securities may be more volatile because of the associated political, regulatory, market and economic uncertainties; these risks can be magnified in emerging-market securities. Emerging-market bonds may also be exposed to fluctuating currency values. If a bond’s currency weakens against the US dollar, this can negatively affect its value when translated back into US-dollar terms.

Bond Ratings Definition

A measure of the quality and safety of a bond or portfolio, based on the issuer’s financial condition, and not based on the financial condition of the fund itself. AAA is highest (best) and D is lowest (worst). Ratings are subject to change. Investment-grade securities are those rated BBB and above. If applicable, the Pre-Refunded category includes bonds which are secured by US government securities and therefore are deemed high-quality investment grade by the advisor.
Index Definitions

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

- **Bloomberg Barclays Global Aggregate Bond Index**: Measure of global investment grade debt from 24 local currency markets and includes treasury, government-related, corporate and securitized fixed-rate bonds from both developed- and emerging-markets issuers.

- **Bloomberg Barclays Global Aggregate Corporate Bond Index**: Tracks the performance of investment-grade corporate bonds publicly issued in the global market and found in the Global Aggregate. (Represents global corporate on slide 1.)


- **Bloomberg Barclays Global Treasury: Euro Bond Index**: Includes fixed-rate, local-currency sovereign debt that makes up the Euro Area Treasury sector of the Global Aggregate Index. (Represents euro-area government bonds on slide 1.)

- **Bloomberg Barclays Global Treasury: Japan Bond Index**: Includes fixed-rate, local-currency sovereign debt that makes up the Japanese Treasury sector of the Global Aggregate Index. (Represents Japan government bonds on slide 1.)

- **Bloomberg Barclays US CMBS Investment-Grade Index**: Designed to mirror commercial mortgage-backed securities of investment-grade quality (Baa3/BBB-/BBB– or above) using Moody’s, S&P and Fitch, respectively, with maturity of at least one year.

- **Bloomberg Barclays Municipal Bond Index**: A rules-based, market value–weighted index engineered for the long-term tax-exempt bond market. (Represents municipals on slide 1.)

- **Bloomberg Barclays US Aggregate Bond Index**: A broad-based benchmark that measures the investment-grade, US dollar–denominated, fixed-rate, taxable bond market, including US Treasuries, government-related and corporate securities, mortgage-backed securities (MBS [agency fixed-rate and hybrid ARM pass-throughs]), asset-backed securities (ABS), and commercial mortgage-backed securities (CMBS).

- **Bloomberg Barclays US Corporate High Yield Index**: Represents the corporate component of the Bloomberg Barclays US High Yield Index. (Represents US high yield on slide 1.)
Index Definitions (continued)

- **Bloomberg Barclays US Corporate Bond Index**: Measures the investment grade, fixed-rate, taxable corporate bond market and includes USD-denominated securities publicly issued by US and non-US industrial, utility and financial issuers.

- **Bloomberg Barclays US Treasury Index**: Includes fixed-rate, local-currency sovereign debt that makes up the US Treasury sector of the Global Aggregate Index. (Represents US government bonds on slide 1.)


- **HFRX Event Driven Index**: Includes managers focused on maintaining positions in companies currently or prospectively involved in corporate transactions of a wide variety, including but not limited to mergers, restructurings, financial distress, tender offers, shareholder buybacks, debt exchanges, security issuance or other capital structure adjustments. Investment theses are typically predicated on fundamental characteristics, with the realization of the thesis predicated on a specific development exogenous to the existing capital structure.

- **J.P. Morgan Corporate Emerging Markets Bond Index**: A global, corporate emerging-market benchmark that tracks USD-denominated corporate bonds issued by emerging-market entities.

- **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.

- **J.P. Morgan Emerging Market Currency Index**: A tradable benchmark for emerging-market currencies vs. the US dollar.


- **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 1.)

- **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-market debt on slide 1.)

- **MSCI USA High Dividend Yield Index**: A stock market index that aims to capture the high-dividend-yield equity opportunity set within the standard MSCI USA index by including only securities that offer a higher-than-average dividend yield (i.e., at least 30% higher) relative to that of the MSCI USA index and that pass dividend sustainability and persistence screens.
Index Definitions (continued)

- **MSCI USA Minimum Volatility Index**: A stock market index aiming to reflect the performance characteristics of a minimum-variance strategy focused on absolute returns as well as volatility with the lowest absolute risk.

- **MSCI USA Momentum Index**: A stock market index designed to reflect the performance of an equity-momentum strategy by emphasizing stocks with high price momentum, while maintaining reasonably high trading liquidity, investment capacity and moderate index turnover.

- **MSCI USA Quality Index**: A stock market index that aims to provide exposure to the quality factor by identifying quality stocks by calculating a quality score for each security in the eligible equity universe based on three main fundamental variables: high ROE, stable year-over-year earnings growth and low financial leverage.

- **MSCI USA Value Index**: A stock market index capturing large- and mid-cap US securities exhibiting overall value style characteristics. The value investment style characteristics for the index construction are defined using three variables: book value to price, 12-month forward earnings to price and dividend yield.

- **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 1.)

- **S&P 500 Index**: Includes a representative sample of 500 leading companies in leading industries of the US economy. (Represents US large-cap on slide 1)

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