



**ALLIANCEBERNSTEIN®**

September 2020

# THE AB INVESTMENT OPPORTUNITY

PRESENTATION FOR THE INVESTMENT COMMUNITY

# The AB Investment Opportunity

## Sustained Growth

- + Differentiated investment performance and distribution capabilities driving sustained best-in-class organic growth and accelerating inorganic growth opportunities

## Expanding Alternatives

- + Demonstrated expansion in higher-fee, persistent-AUM alternatives platforms

## Committed Capital (EQH)

- + Strategic partner, Equitable (EQH), seeding new strategies and supporting M&A

## Strong Incremental Margins

- + 45-50% incremental margin targets from scalable platform, headquarters relocation, and consistent cost-savings

## Tax Advantaged Structure

- + Low <10% effective tax rate, given partnership structure, an attractive attribute should tax rates rise in the future

## High Distribution Yield

- + ~9% distribution yield in a low rate environment

## Brand Strength

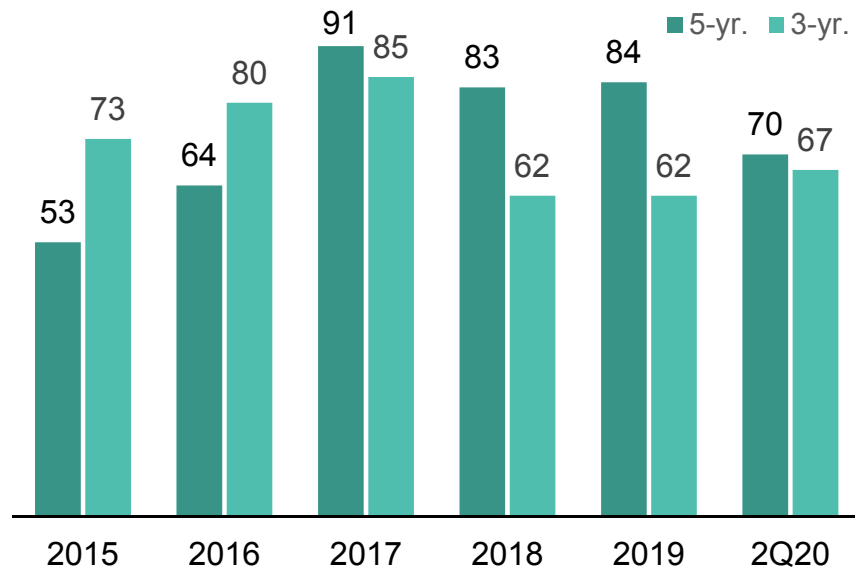
- + AB, Bernstein brands renowned among institutional investors
- + Private Wealth differentiated among peers; stable client assets, advisory fees adding significant long-term value



# Sustained and Differentiated Investment Performance...

## Percentage of Assets Outperforming at Quarter- End

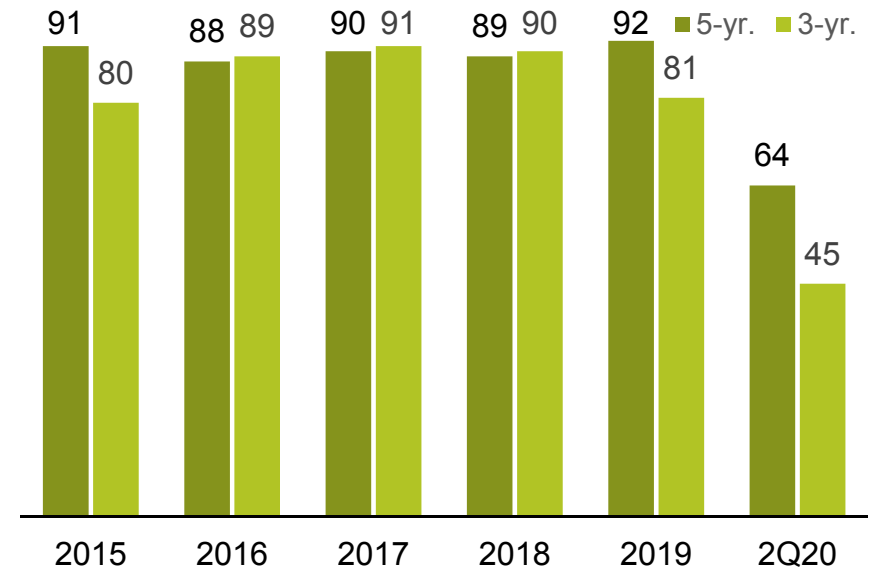
### Equities



#### Top 5 Relative Performance Equity Strategies (3-yr.)

- + US Small Cap Growth: +13.4%
- + US SMID Cap Growth: +6.9%
- + Sustainable Global Thematic: +6.9%
- + Discovery Growth: +5.6%
- + Select US Long/Short: +4.7%

### Fixed Income



#### Top 5 Relative Performance Fixed Income Strategies (3-yr.)

- + European Income: +2.0%
- + American Income: +1.4%
- + Intermediate Diversified Muni: +0.9%
- + High Income Muni: +0.7%
- + Euro High Yield: +0.5%

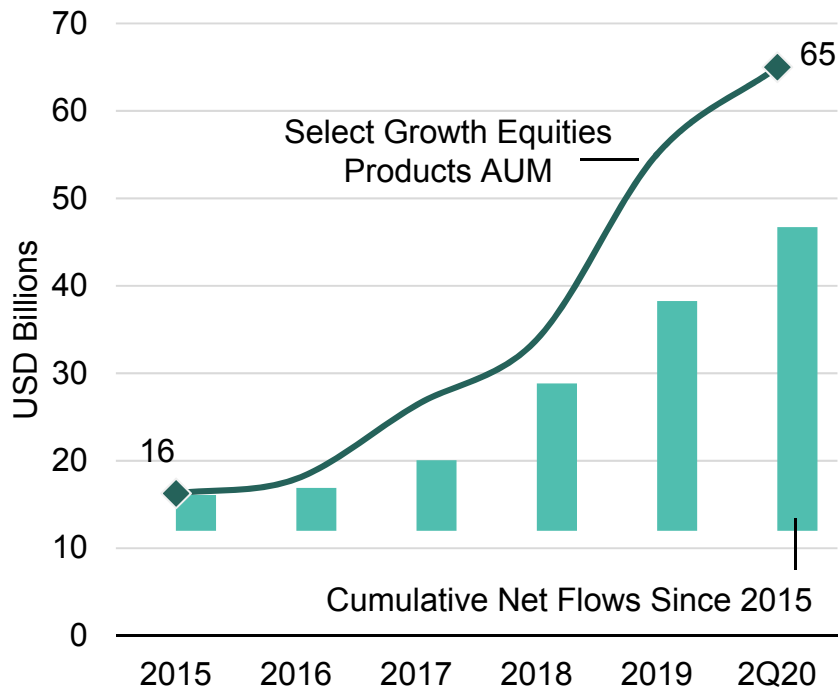
\*: Percentage of active fixed income and equity assets in institutional services that outperformed their benchmark gross of fees, and percentage active fixed income and equity assets in retail Advisor and I share class funds ranked in the top half of their Morningstar category. Where no Advisor class exists, A share class used.



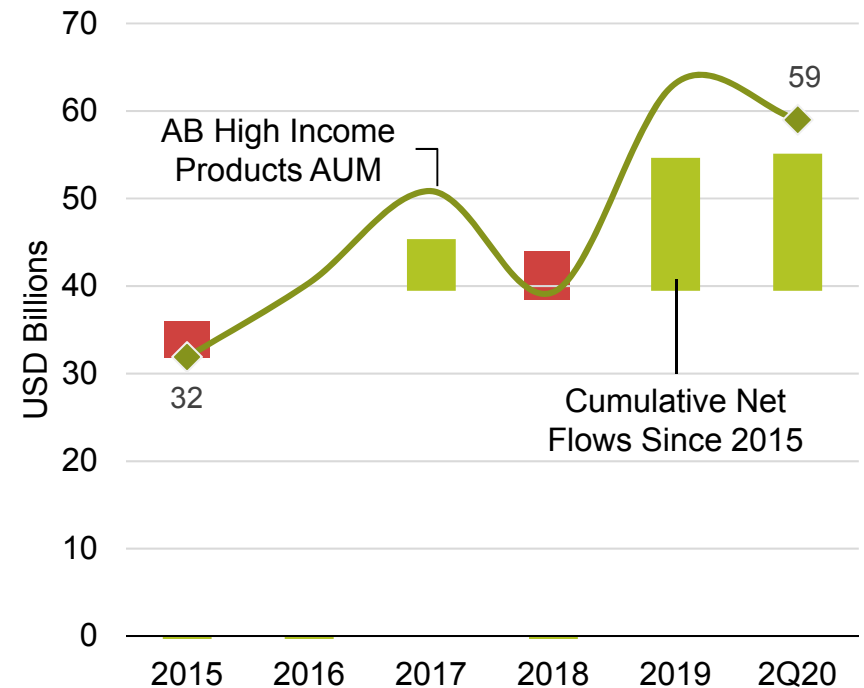
# ...Has Driven Scale and Net Flows Across Our Platform...

## AUM Growth of Key Products

Select Growth Equities Products\*



High Yield



\*Includes: Concentrated Equities, Global Core Equities, Global Strategic Core, US Large Cap Growth



# ...Resulting in Sustained, and Accelerating, Organic Growth

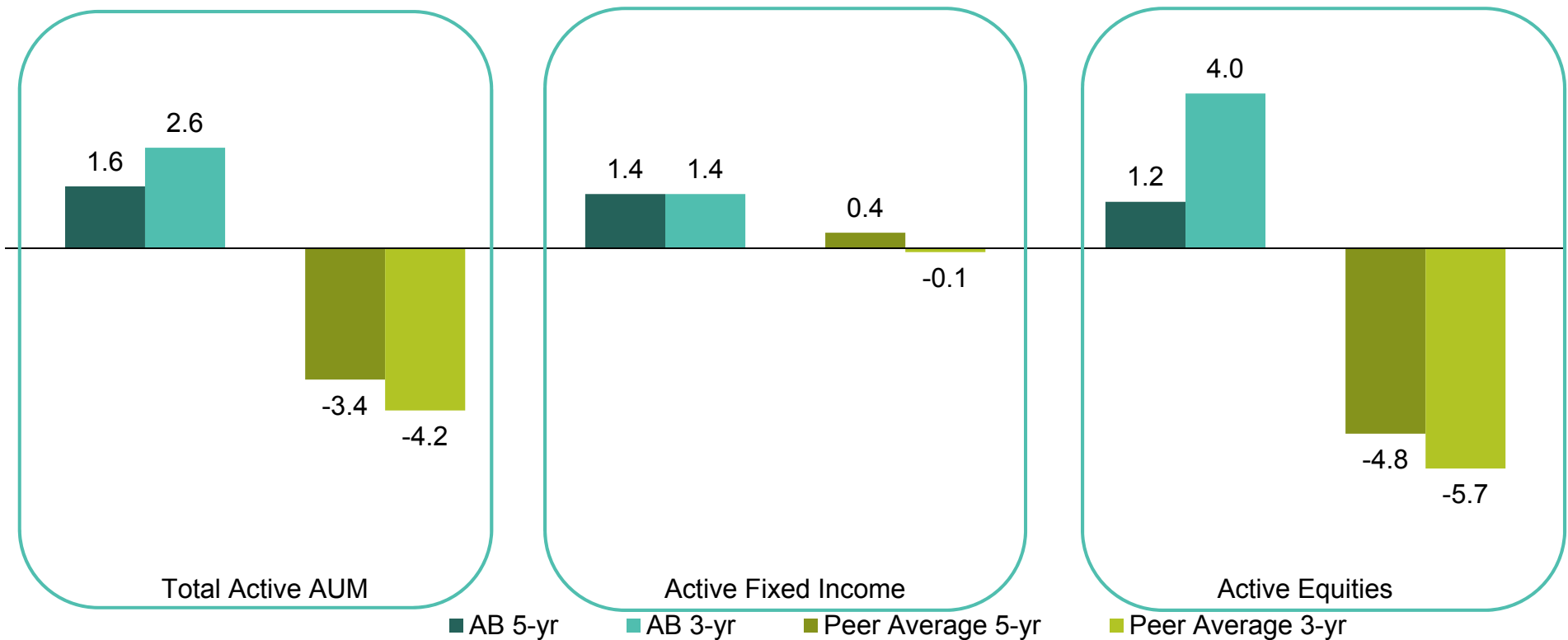
AUM Compound Annual Growth: 5.7% 2015 – 1H2020

Active Equity accelerating from 1.2% to 4.0% in 3-year period

## Active Net Inflows

Average Annualized Growth: 2015–1H 2020 (Percent)

Average Annualized Growth: 2017–1H 2020 (Percent)



Note: Total Active AUM and Active Fixed Income Average Annualized Growth excludes \$8.9B in low-fee AXA terminated mandates during 1H20.

Peer Average includes: Affiliated Managers Group, Franklin Resources, Blackrock, Invesco, Janus Henderson, Legg Mason, T. Rowe Price, Waddell and Reed

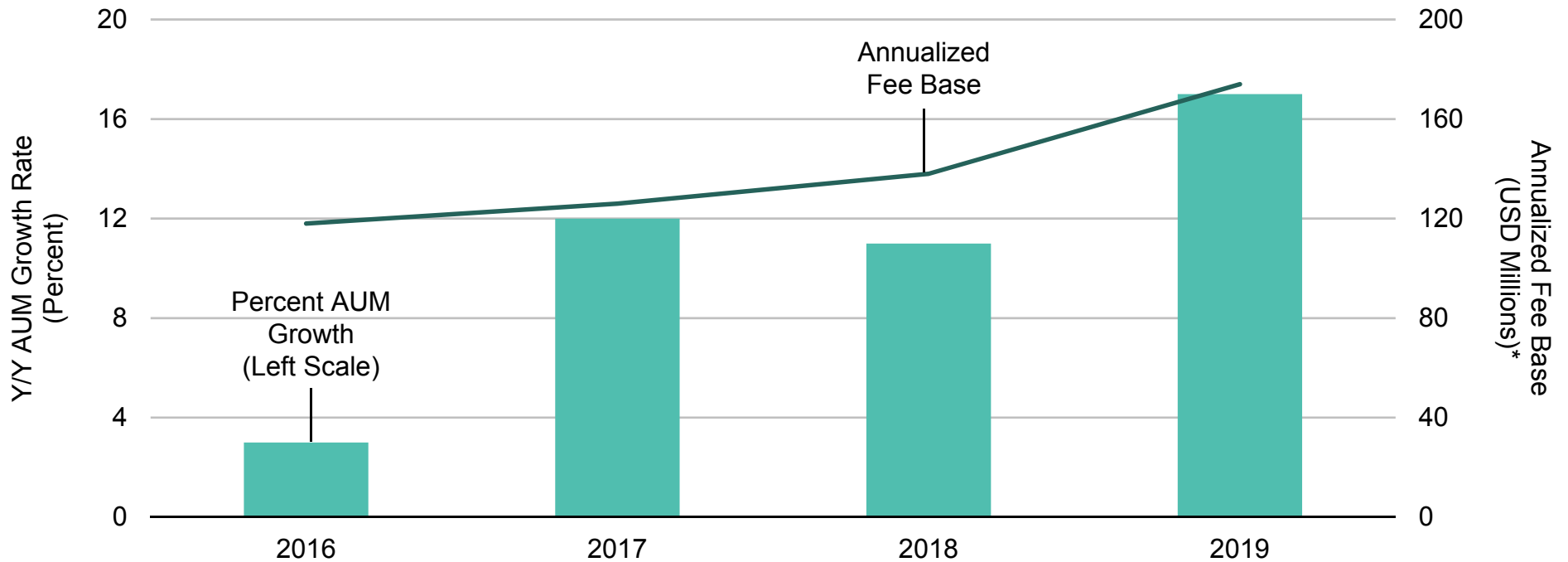


# We Have a Growing Alternatives Platform...

Representing 7% of Annual Fee Base

## 11% Compound Annual Growth Rate

2015–2019



Alternatives includes: Real Estate Lending, Private Credit, Arya Partners, Select Equity Long/Short, US Real Estate, Option Advantage, Custom Alternatives, Securitized Assets, Financial Services Opportunities, Global Energy Exploration, Drawdown Managed, All Market Total Return, Asturias, and other alternative strategies. Annualized Fee Base represents the estimated 12-month management fee run-rate, excluding performance fees, based on assets at a specific point in time.



## ...Accelerated by a Strategic Partner in Equitable Holdings (EQH)...

- + Founded in 1859, Equitable (Rated A+/A2 by S&P/Moody's) provides advice, protection and retirement strategies with more than 5,000 client relationships globally
- + EQH receives value through its 65% economic interest in higher-multiple AB, having owned AB for over 25 years\*
  - + EQH incented to help AB grow faster, receiving a "fee rebate" via its 65% ownership
  - + AB represents unregulated earnings to EQH at a high multiple, and aligns with EQH's strategy to growing its mix of capital-light, fee-type revenues
  - + AB provides investment expertise and support to help improve EQH's yield
- + Low global interest rate environment may drive EQH over time to rotate growing asset base into higher return, diversifying products (yield enhancing and diversifying private credit and alternatives)
- + Provides AB unique access to large addressable insurance market seeking higher yields, without sacrificing capital outlay

### EQH's Low Cost of Capital and High Cash Generation Benefits AB

- + Represents AB's largest client totaling ~20% of AUM
  - + Lead investor in seeding new liquid and illiquid alternative strategies, having committed >\$1 billion to past funds
  - + Significant client for Fixed Income
- + Provides low-cost \$900 million Line of Credit to AB

### AB a Key Contributor to EQH Portfolio

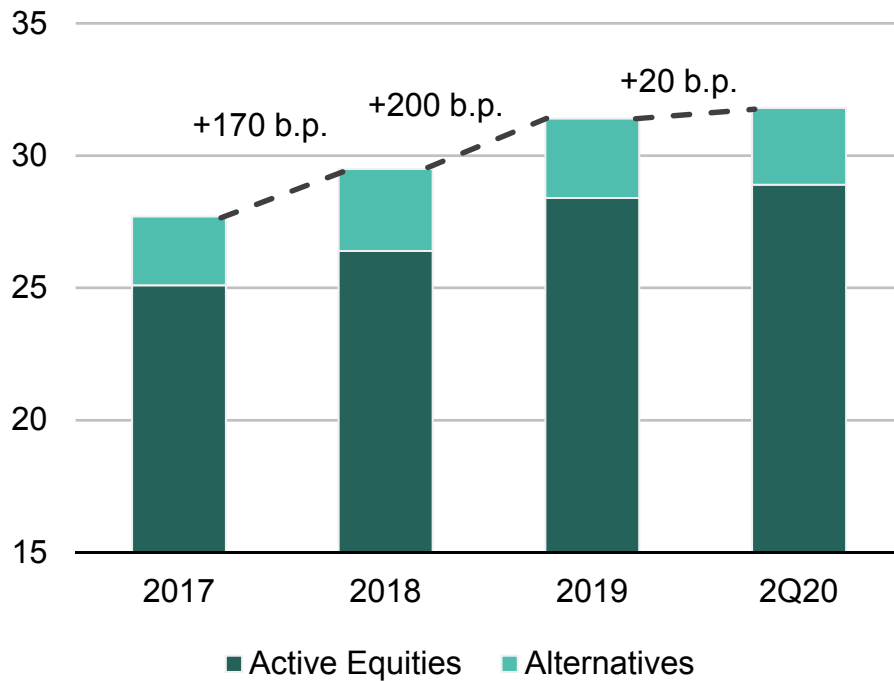
- + Hedging trading expertise; investment portfolio insights driving better risk-adjusted outcomes; delivers stable and unregulated cash distributions; diversifying, low-capital business

\* Includes prior AXA ownership

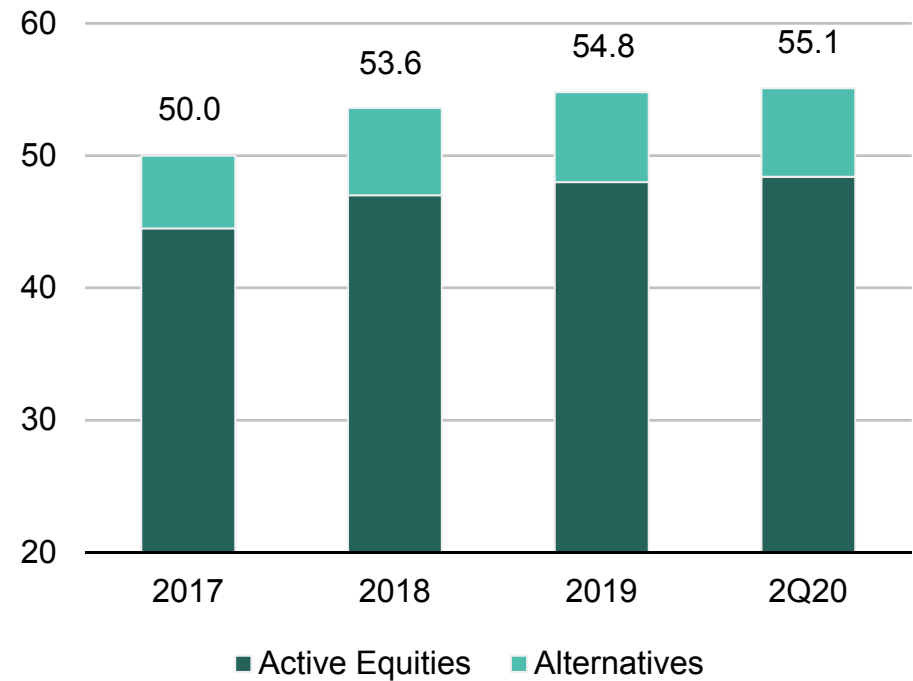


# A Continued Mix Shift to Higher Fee Active Equities and Alternatives...

Percent of Assets under Management Active Equities and Alternatives



Percent of Annualized Fee Base, Active Equities and Alternatives

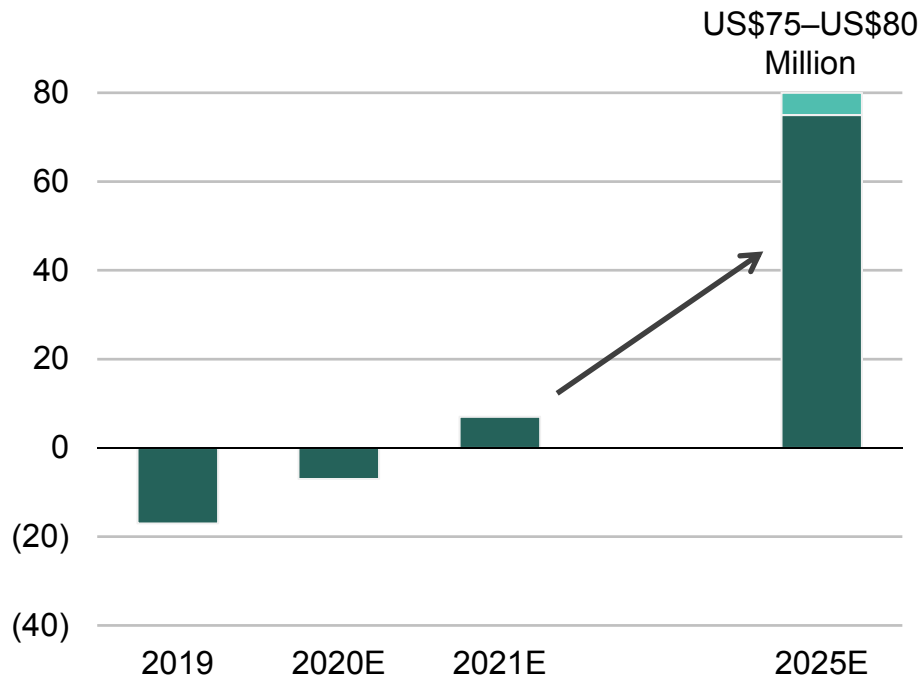




# ...Combined with Focused Execution on Cost Reduction...

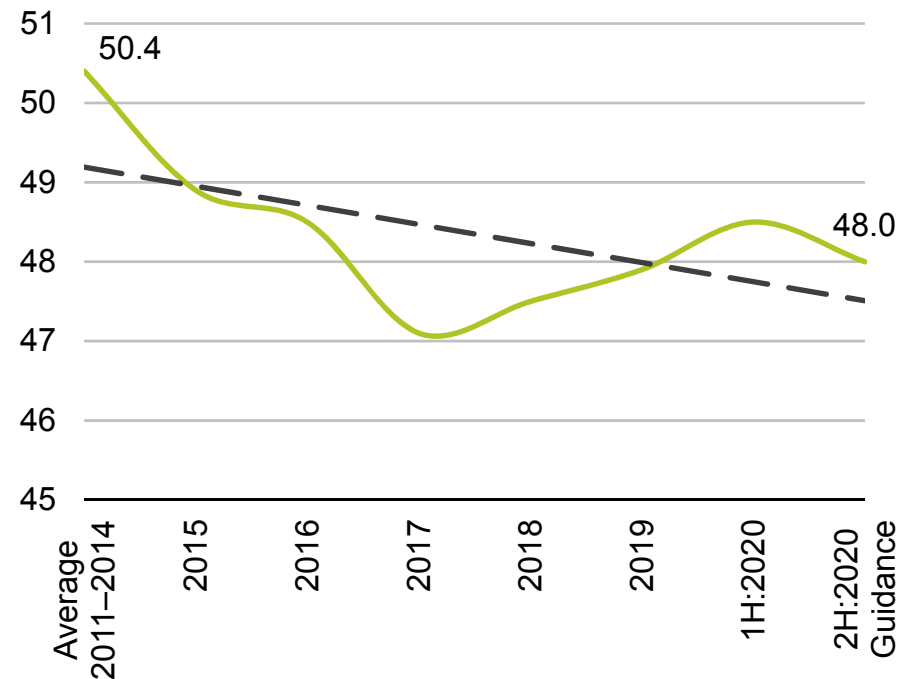
**Strong Incremental Margins**

**Nashville Relocation Annual Cost Savings**  
USD Millions



- + Reduced dilution in 2020, slightly accretive in 2021
- + Over 700 positions relocated out of targeted 1,250
- + Current targeted headquarters move in, end of 1H 2021

**Adjusted Comp Expense as Percent of Revenues**



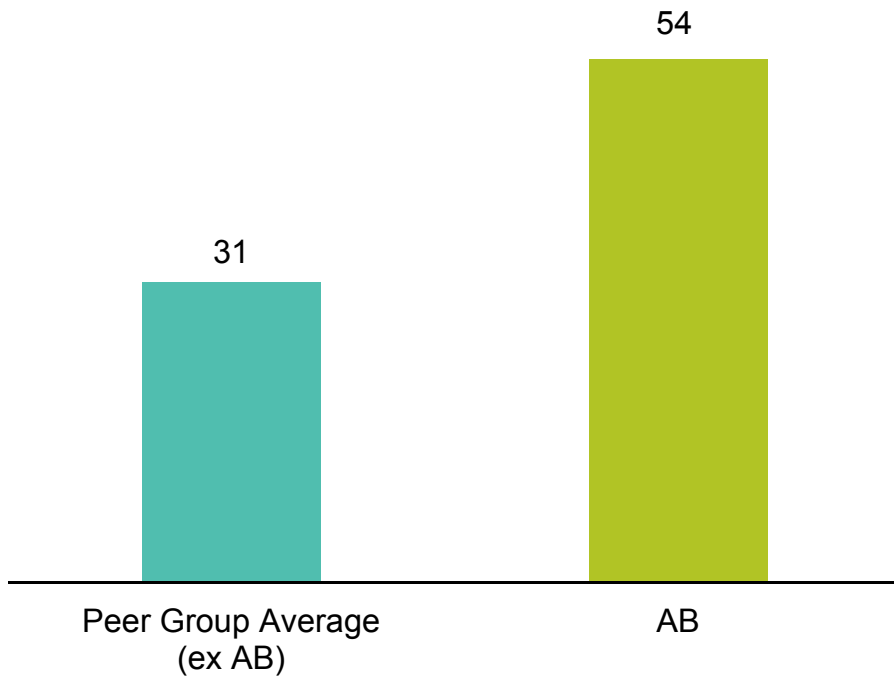
- + Reduced adjusted compensation ratio by more than 200bps historically
- + Committed to increasing ratio of variable to fixed compensation



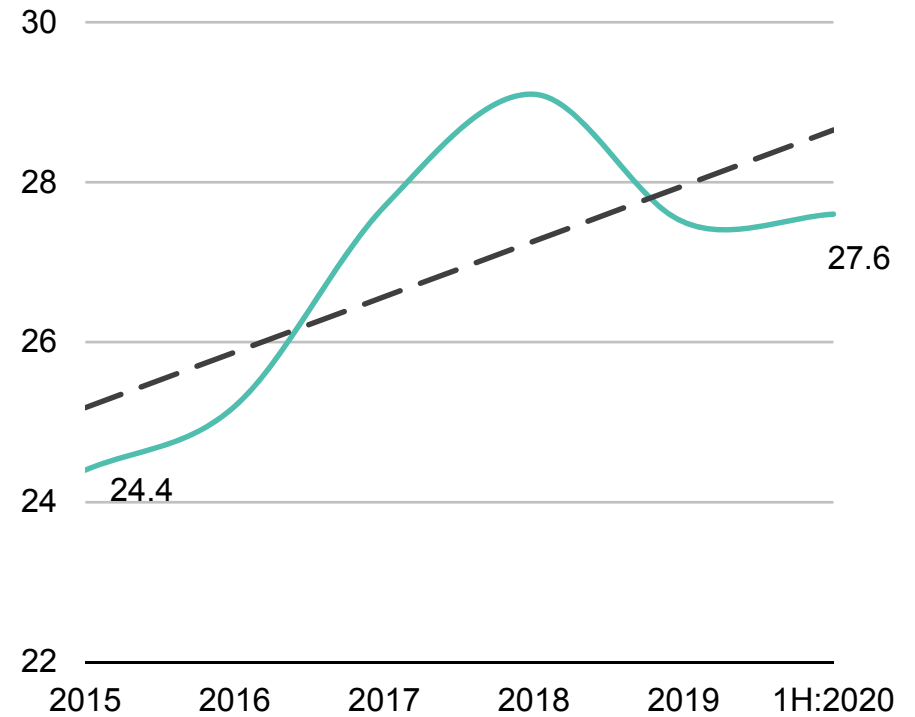
# ...Supports Strong Incremental Margins

Strong Incremental Margins

**Average Incremental Margin**  
Five Years: 2015–2019 (Percent)



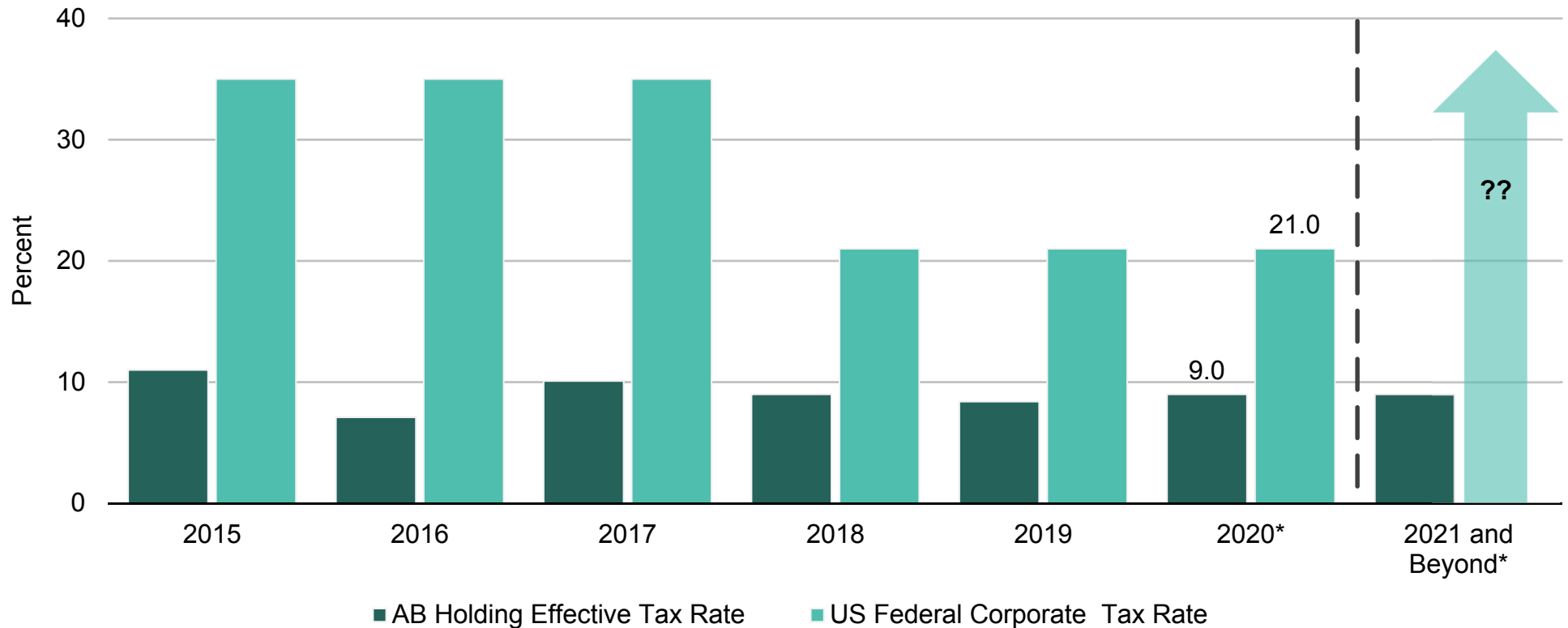
**AB Adjusted Operating Margin (Percent)**



Peer Average includes: Affiliated Managers Group, Franklin Resources, Blackrock, Invesco, Janus Henderson, Legg Mason, T. Rowe Price, Waddell and Reed



# Partnership Structure Hedges US Against Risk of a Higher Tax World



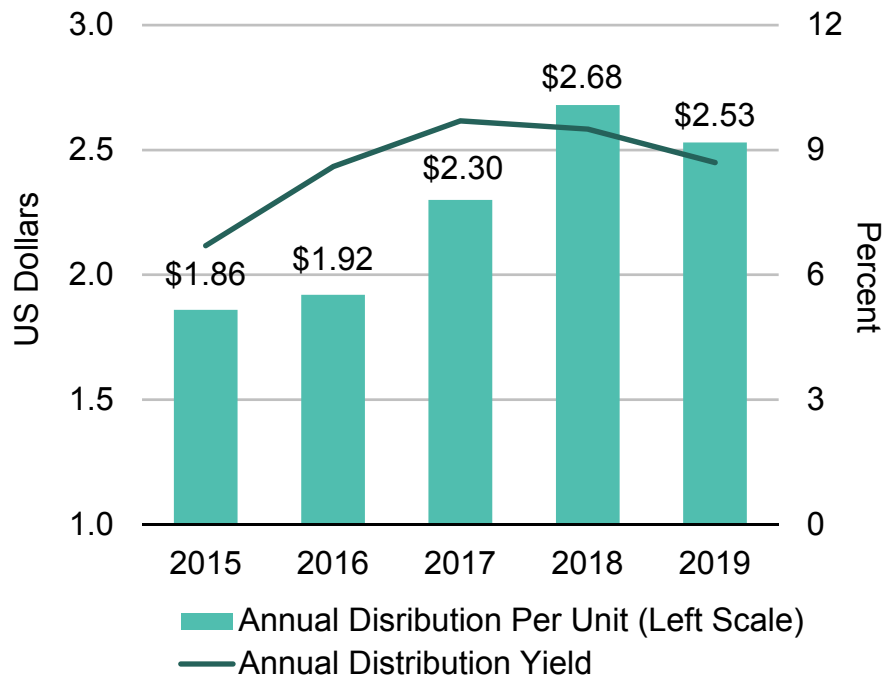
Note: AB Holding is a grandfathered publicly-traded partnership “PTP” for federal tax purposes and, accordingly, is not subject to federal or state corporate income taxes. However, AB Holdings is subject to a 3.5% federal tax and a 1.0% California state tax on partnership gross income from active conduct of a trade or business, derived from its interest in AB  
 \*2020 and 2021 AB ETR represents 2020 YTD AB ETR



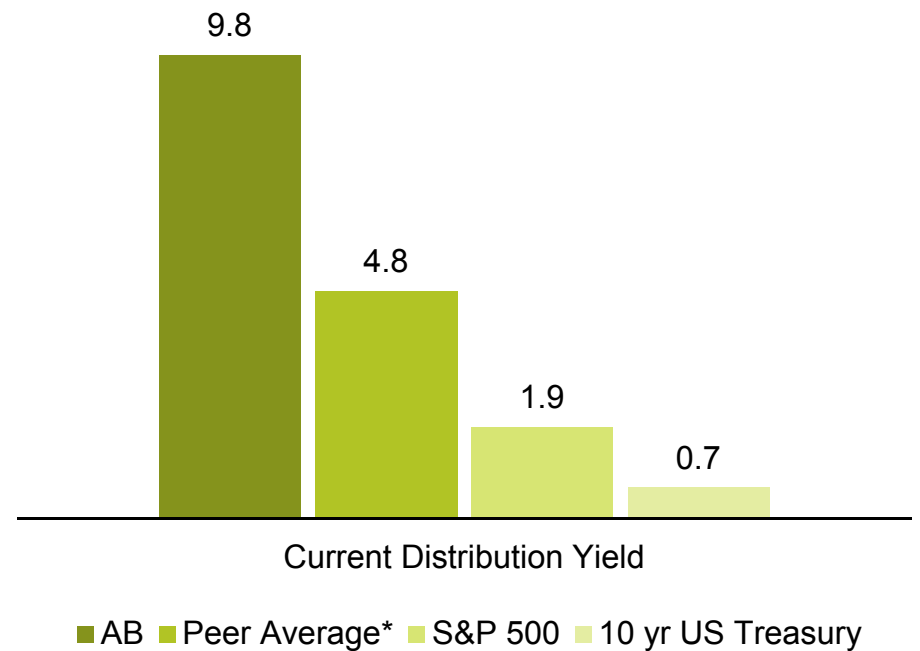
# High Distribution Yield in a Low-Rate Environment

AB Pays out 100% of Adjusted Earnings

Distribution and Yield 2015–2019



Yield vs. Peer Group June 30, 2020  
Percent



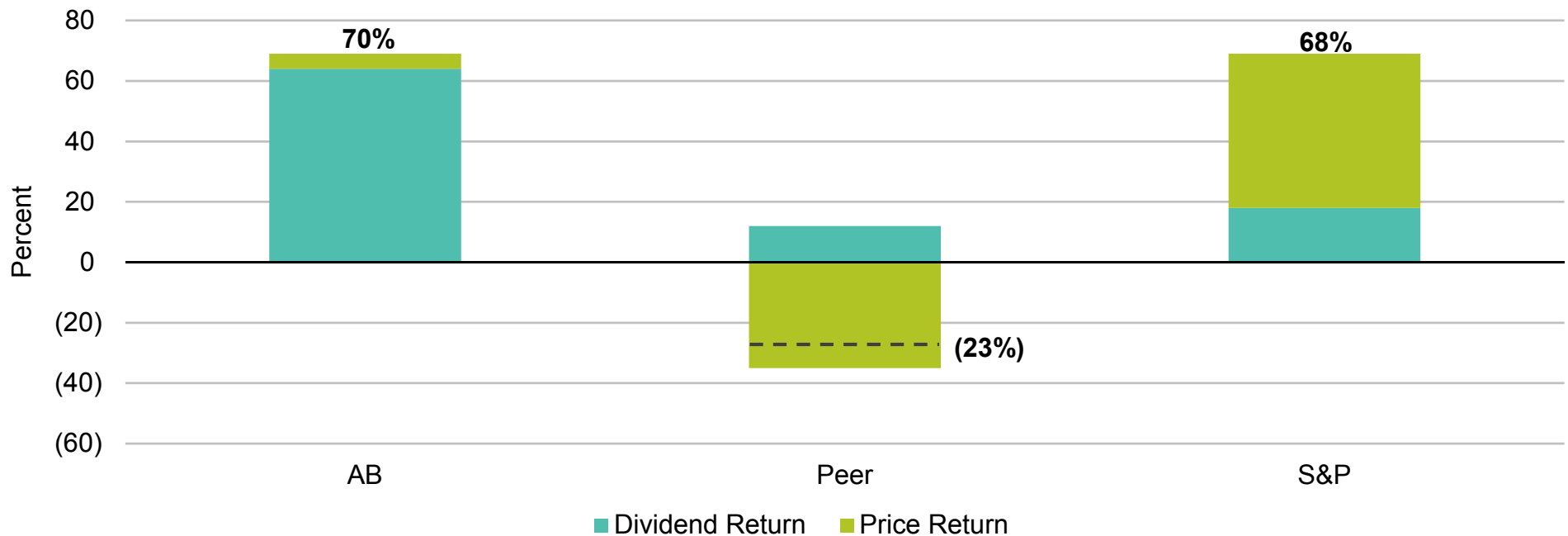
\*Peer Average includes: Affiliated Managers Group, Franklin Resources, Blackrock, Invesco, Janus Henderson, Legg Mason, T. Rowe Price, Waddell and Reed.  
Source: Bloomberg



# Total Shareholder Return

- + AB TSR has exceeded both S&P 500 and Peers
- + Distributions represent >90% of TSR since 2015

Total Shareholder Return CAGR (2015–June 30, 2020)



Assumes distributions are reinvested

Peer Average includes: Affiliated Managers Group, Franklin Resources, Blackrock, Invesco, Janus Henderson, Legg Mason, T. Rowe Price, Waddell and Reed.

Source: Bloomberg



# Our Brand Is a Competitive Advantage

## Bernstein Research

Quality Standard of the Industry

**87% of Senior Analysts ranked by Institutional Investor\***

**AB Awarded #1 US Equity Research Team Overall on Greenwich Quality Index\*\***

- #1 Most Intense Sales Coverage**
- #1 Overall Satisfaction with Client Service**
- #1 Electronic Trading Quality and Service**

## AllianceBernstein

**AB Awarded Greenwich Associates' Quality Leader**

American Income—Best Fund over 3, 5, 10 years (Lipper); Best in Class (Benchmark Fund)

AB Global Core Equity—3 and 5 Year Trophy (Lipper)

AB Small Cap Growth – 10 Year Certificate (Lipper)

**AB Awarded Greenwich Associates' Quality Leader in Asian Region for Three Consecutive Years**

- #1 Brand Awareness in Taiwan†**
- #1 Brand Awareness in Hong Kong†**

**“An expert in fixed income funds”, “Reliable” and “Excellent performance”** are brand images highly associated with ABHK, while ABTW rank 1st place on images of **“Fixed income funds”, “Well-known and respected firms”, “Trustworthy” and “Retirement expert”** compared to key competitors. † †

\*Average over last five years for analysts who have published >2 years

\*\*Normalized composite of all research qualitative evaluations in survey. Score increased 15 points y/y and was 84 points above the mean

†Source: The Nelson Company Brand Tracking Study

† † Source: Greenwich Associates, GID-Asian-19



# Differentiated Private Wealth Management

## We Aim to Provide the Best Service to Our Loyal and High Value, High Net Worth Customers...

- + Average client relationship tenure of 12 years
- + Low team turnover
- + Mix shift to ultra high-net worth customers
- + Integrated architecture driven by wealth advice minimizes unintended bets, prevents double layer of fees and optimizes tax loss harvesting

## ...Who Are a Significant Contributor to AB's Business Model...

- + \$94 billion AUM represents 16% of AB's AUM and 36% of Annual Adjusted Base Fees
- + 45% of clients are invested in AB's alternative offerings
  - + \$11.7 billion in Alts/Focused Equities committed and deployed capital
  - + Helps seed new investment strategies (Alternatives, liquid Alts)
- + \$3.2 billion in AUM invested in ESG strategies

## ...and a High Multiple, Recurring Fee Business

- + Stable client assets, advisory fees valued at mid-teens earnings multiple in public markets

Additional AUA (Assets under Administration) of \$1 billion reflect cash for which AB derives a distribution fee.



## Key Accomplishments Over the Last Three Years...

### Distribution build-out is paying off

- + Significant investment in U.S. and European retail and initial investment in China

### Organic growth through consistent, strong investment performance

- + Strong Equity and Fixed Income performance has driven net inflows well in excess of the peer group

### Alternatives growth

- + Led by Arya, US RE Debt and Private Credit; high-fee and committed Alts AUM has grown at an 11% CAGR
- + EQH committed to seed additional strategies to build out offering

### ESG growth accelerated through innovative partnership

- + \$12B in portfolios with purpose supported by proprietary digital platforms across equity and fixed income
- + Unique partnership with Columbia University on Climate Change; dedicated leadership team appointed

### Culture and Citizenship

- + Clear commitment to racial equality; strong diversity and inclusion emphasis

### Nashville HQ relocation decision, with execution on track

- + Accretive in 2021, with cost savings building annually to \$75-\$80M in 2025; >700 of targeted 1,250 roles currently filled

### Total Shareholder Return (TSR) supported by strong distribution

- + AB units have outperformed both the S&P 500 and the peer group, with 100% of earnings paid out annually



## ...Inform Our Strategy Over the Next Five Years

### Growth:

#### Leadership in active traditional management

- + Continued discipline of idiosyncratic alpha in equities, and systematic returns in Fixed Income
- + Targeted growth of select gaps in product offering

#### Known leader in Private Alternatives globally

- + Continued buildout of differentiated liquid and illiquid alts offerings, leveraging EQH ownership

#### Distribution growth

- + Leverage US retail investment to further grow market share; focus on RIAs
- + Build foundation in China; further develop other key Asian markets

#### Grow Private Client through focus on ultra-high net worth segment

- + Full service wealth management firm, substantially growing ultra-high net worth

### Margin expansion:

#### State of the art HQ in Nashville

- + Complete HQ relocation, and realize cost savings of \$75-\$80M annually in 2025

#### Optimize portfolio and cost structure to drive higher margins

- + Operating discipline ever-present through culture of cost control
- + Improve fixed/variable cost structure, with focus on pay for performance

