



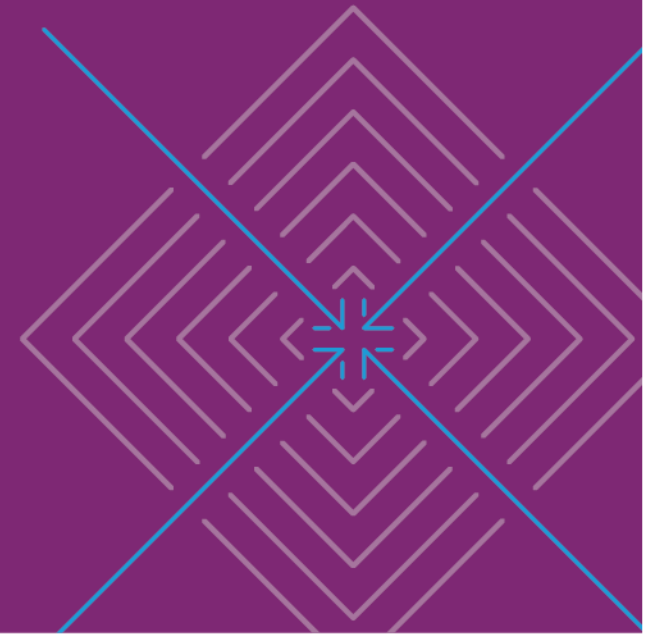
October 5, 2017



BUILD A BETTER PATH

MAKING INVESTMENT CHOICES IN A NEW MARKET LANDSCAPE

Richard A. Brink, CFA Market Strategist—Client Group, AB



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

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Build a Better Path: The Storyline

Past

The Beta Trade

Double Market Returns

$\frac{1}{2}$ to $\frac{2}{3}$ Volatility

Historically Low Dispersion

Present and Future?

After the Beta Trade

Lower Market Returns

Volatility Normalizes

Dispersion Rises

Fiscal Policy and the Rise of Populism

???

The Uncertainty Prescription

Build a Better Path

Focus Portfolio Design on Up/Down Capture

Potential Sources:

- + Better Beta
- + Efficient Structure
- + Targeted Alpha

Key Themes

Where to Focus Up/Down Capture Efforts Today

For illustrative purposes only. Historical and current analysis and forecasts do not guarantee future results.

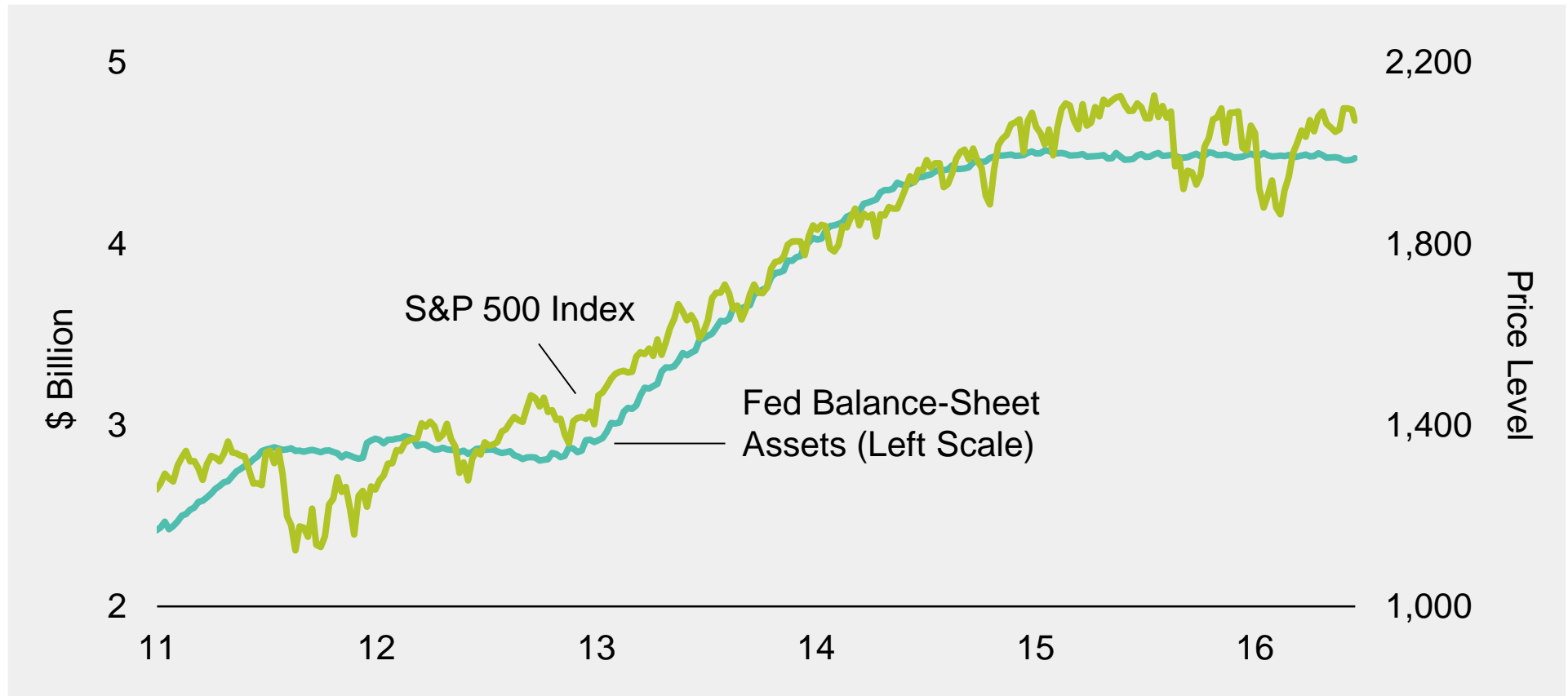
AB forecasts based on proprietary models. Beta trade calculated from October 1, 2010 to February 28, 2015. After the Beta Trade is from March 1, 2015 to the present.

Source: AB



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During the Beta Trade: Fed Policy Boosted Markets



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Date are from October 1, 2011, through June 15, 2016

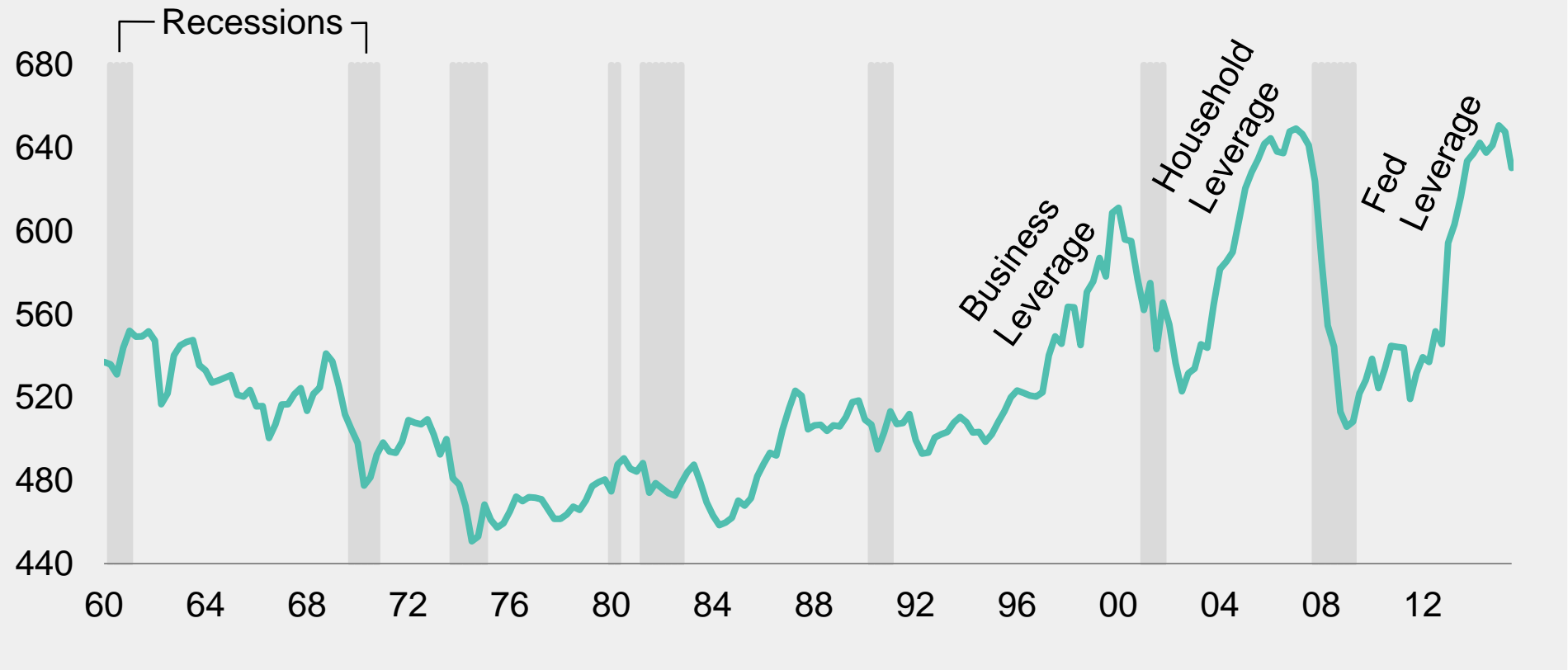
Source: Bloomberg and S&P



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Limits to Beta Trade: Balance-Sheet Leverage Abnormally Fueled Markets

Household Net Worth as a Percent of Income



Historical analysis does not guarantee future results.

As of September 30, 2015

Source: Haver Analytics and S&P

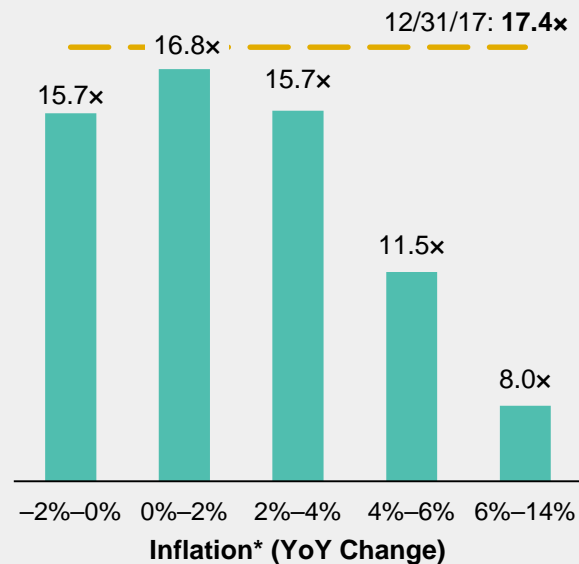


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Limits to Beta Trade: Ceilings on P/Es, Net Margins; Floors on Volatility and Rates

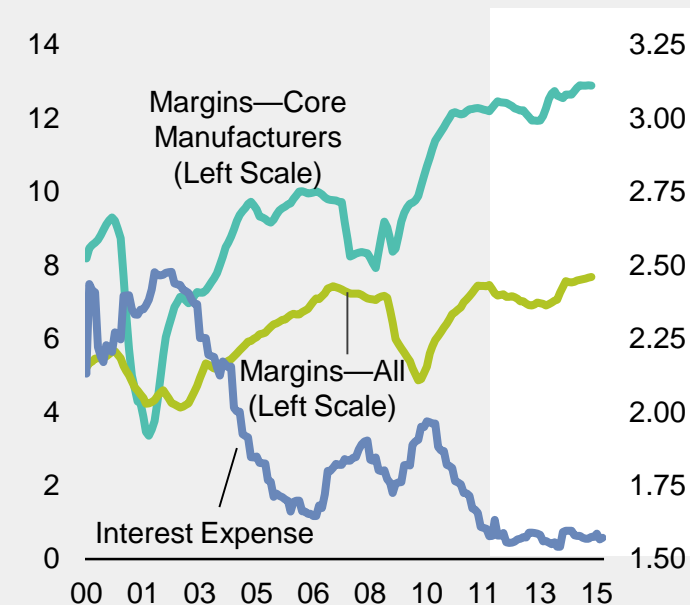
“Priced for Perfection”: P/E Ratios Near Top

Average S&P 500 Price/Forward Earning Ratio by Inflation Range

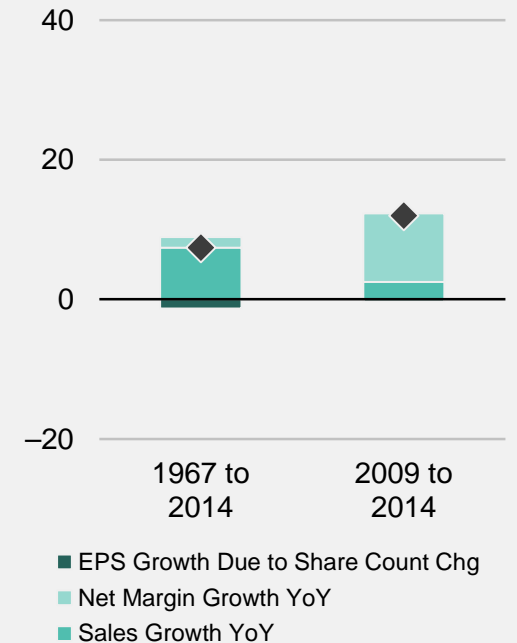


Interest Costs, which Boosted Margins**, Near Bottom

Interest Expense as Percent of Sales and Margins (Percent)



Sales Growth—Classic Earnings Driver—Largely Absent



Past performance and historical analysis do not guarantee future results.

Left display as of September 30, 2016; Middle display through March 31, 2015.

*Measured by Consumer Price Index

**US large-cap stocks, excluding financials. 1995–4Q:2014E. Trailing four-quarter data. Smoothed on a trailing three-month basis. Manufacturers include 173 companies with at least some manufacturing business.

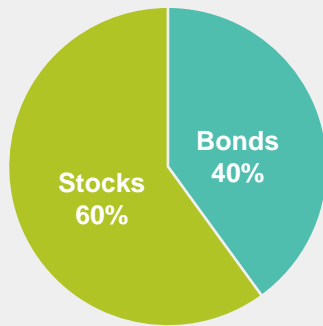
Source: Company reports, Empirical Research Partners, S&P Compustat, S&P Dow Jones, US Federal Reserve Board and AB



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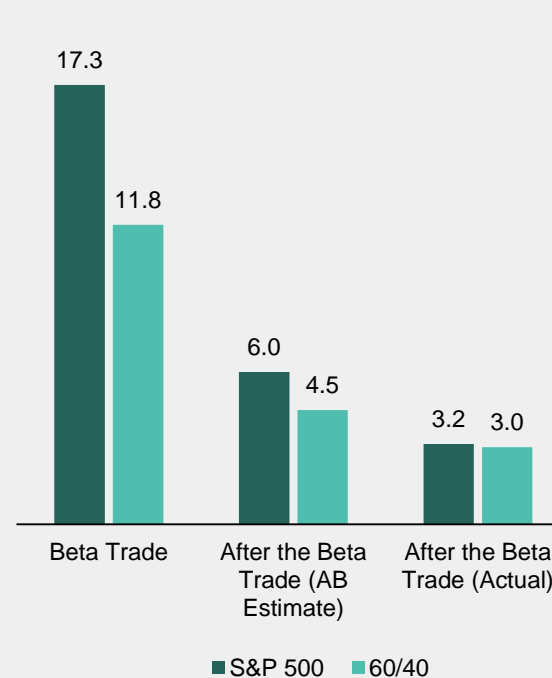
Enter “After the Beta Trade”

Expectation: Muted Returns, Rising Volatility and Dispersion



Expected Return	4%–5%
Standard Deviation	↑
Inflation and Taxes	??

Equity Returns Muted, Driven by...
Annualized Returns of S&P 500 Index and a 60/40 Portfolio (Percent)



Markets Noisy but Levels Largely Same
US Aggregate Yield to Worst and Level of S&P 500 Index



Past performance, historical and current analysis, and forecasts do not guarantee future results.

As of December 31, 2016

AB forecasts based on proprietary models. Beta trade calculated from October 1, 2010, to February 28, 2015. After the Beta Trade is from March 1, 2015, to the present.

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. An investor cannot invest in an index.

Source: Bloomberg Barclays, S&P and AB



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2017 and Beyond: After the Beta Trade Meets Trumponomics

After the Beta Trade Landscape

- + Lower expected returns
 - + Elevated valuations
 - + Lack of top-line sales growth
 - + Net margin gains limited
- + Higher volatility
 - + More dispersion
 - + More alpha potential
- + More 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 trajectory change?
 - + Increased cash flows or sustainable growth driver?
- + What will ultimately be proposed?
- + When?
- + What will pass?

Past performance and, current assessment and forecasts do not guarantee future results.

As of December 31, 2016

After the Beta Trade is from March 1, 2015, to the present. Post election recap is from November 9, 2016, through December 31, 2016.

Source: AB



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The Uncertainty Prescription: Build a Better Path

Targeting Portfolio Up/Down Capture May Help Improve Return Sequence

1. Reduce Volatility and Drawdowns
2. Enhance Total Returns
3. Improve Investor Experience through Portfolio Design

Current analysis and forecasts do not guarantee future results. There can be no assurance that any investment objective will be achieved.

As of December 31, 2016

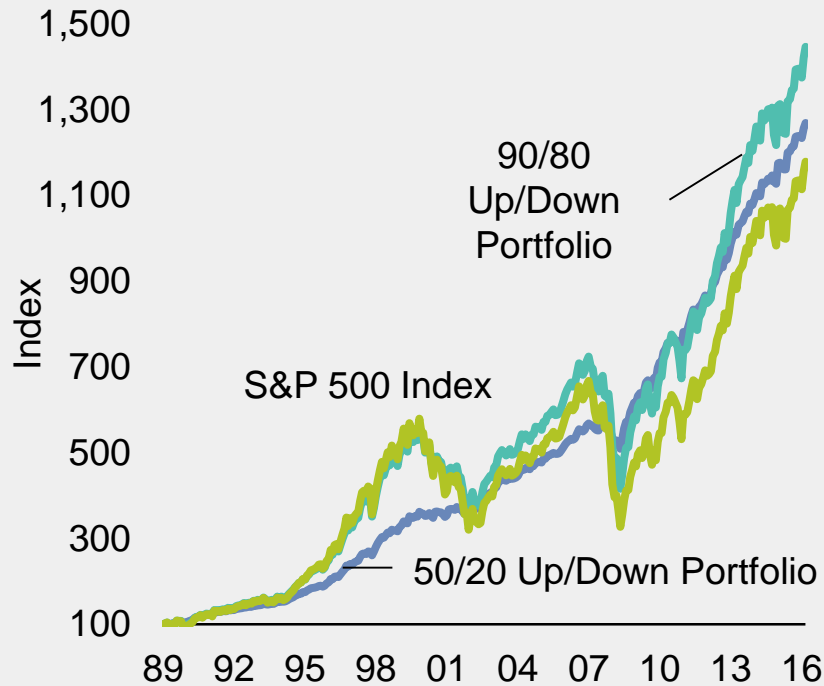
Source: AB



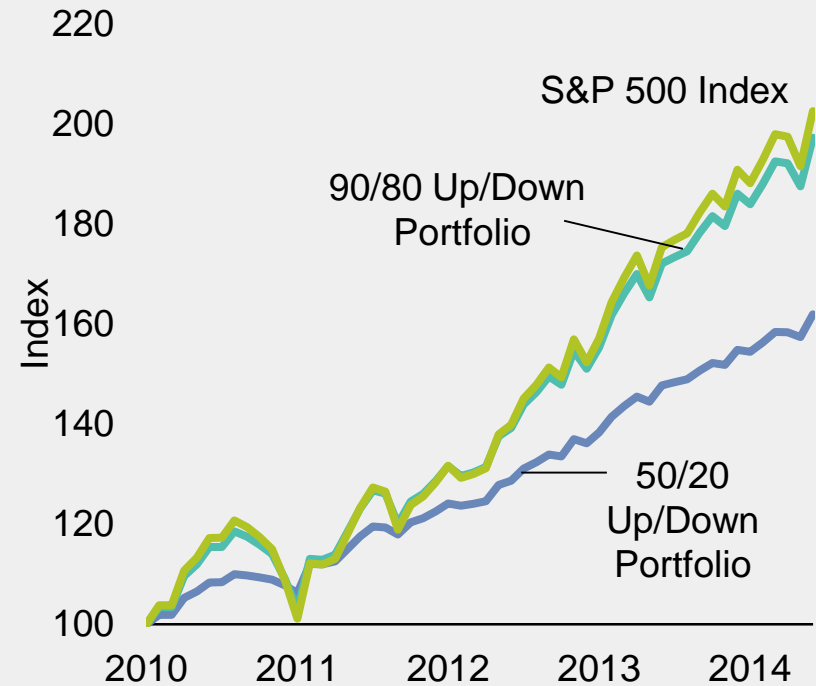
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Time Frame Matters in Up/Down Capture Experience

Up/Down Is Effective Over the Long Run...



...but Can Struggle in Beta-Driven Markets



Past performance does not guarantee future results. An investor cannot invest in an index.

Left chart from October 31, 1989, through December 31, 2016; right chart from September 30, 2010, through February 28, 2015.

Source: S&P and AB



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How to Pursue a Good Up/Down Capture Experience

What to Consider

- + Must Invest Across the Cycle
- + Is Investor Driven More by Up or Down Capture?
- + Match Return Path to Investor's Needs and Behavior
- + Understand What Drives Portfolio Up/Down Capture

Designing Up/Down Capture

Aspect	Approach
Market Exposure	Better Beta
Portfolio Assembly	Efficient Structure
Manager Skill	Targeted Alpha

As of December 31, 2016

Themes and rationale are subject to change. There can be no assurances any investment objective will be achieved.

Source: AB



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Better Beta: Examples

Beta Approach	Market Index	Up Capture (%)	Down Capture (%)	Up/Down Capture Ratio
MSCI World Quality	MSCI World	94	83	1.14
S&P 500 Low Volatility	S&P 500	73	53	1.37
S&P National AMT Free Muni	Bloomberg Barclays US Government	71	17	4.13
BofA/ML US High Yield	S&P 500	48	30	1.58
Bloomberg Barclays Global Aggregate Bond (USD Hedged)	Bloomberg Barclays US Aggregate Bond	89	71	1.25

Past performance and historical analysis do not guarantee future results.

Index examples are presented to illustrate the application of our investment philosophy and are used for comparison purposes only. An investor cannot invest directly in an index.

As of November 30, 2016. Calculations use 10-year period ending November 30, 2016.

Source: Bank of America Merrill Lynch, Morningstar Direct, MSCI and S&P



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Efficient Structure: Examples

Portfolio Assembly	Market Index	Up Capture (%)	Down Capture (%)	Up/Down Capture Ratio
50% US Treasury & 50% US High Yield	US Treasury	68	17	3.89
50% US Treasury & 50% US High Yield	US High Yield	56	39	1.45
HFRI Equity Hedge	60/40	60	53	1.13
33% MSCI Quality / 33% US HY / 33% Equity Hedge	MSCI World	68	52	1.30

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As of November 30, 2016. Calculations use 10-year period ending November 30, 2016.

Source: Bloomberg Barclays, HFR, Morningstar Direct, MSCI and AB.



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Targeted Alpha: Pick Your Spots

Secular Alpha Opportunities

- + Focus on Topline Growers
- + Emphasis on Better Free-Cash-Flow Users

Information Advantage

- + Small-Cap Analyst Coverage
- + Limited Forecast Horizon from 3-5 Years
- + Emerging Markets

Inefficient Indices

- + MSCI EM
- + Most FI, esp. Credit
- + US High Yield vs. ETFs

As of December 31, 2016

Themes and rationale are subject to change. There can be no assurances any investment objective will be achieved.

Index examples are presented to illustrate the application of our investment philosophy and are used for comparison purposes only. An investor cannot invest directly in an index.

Source: AB

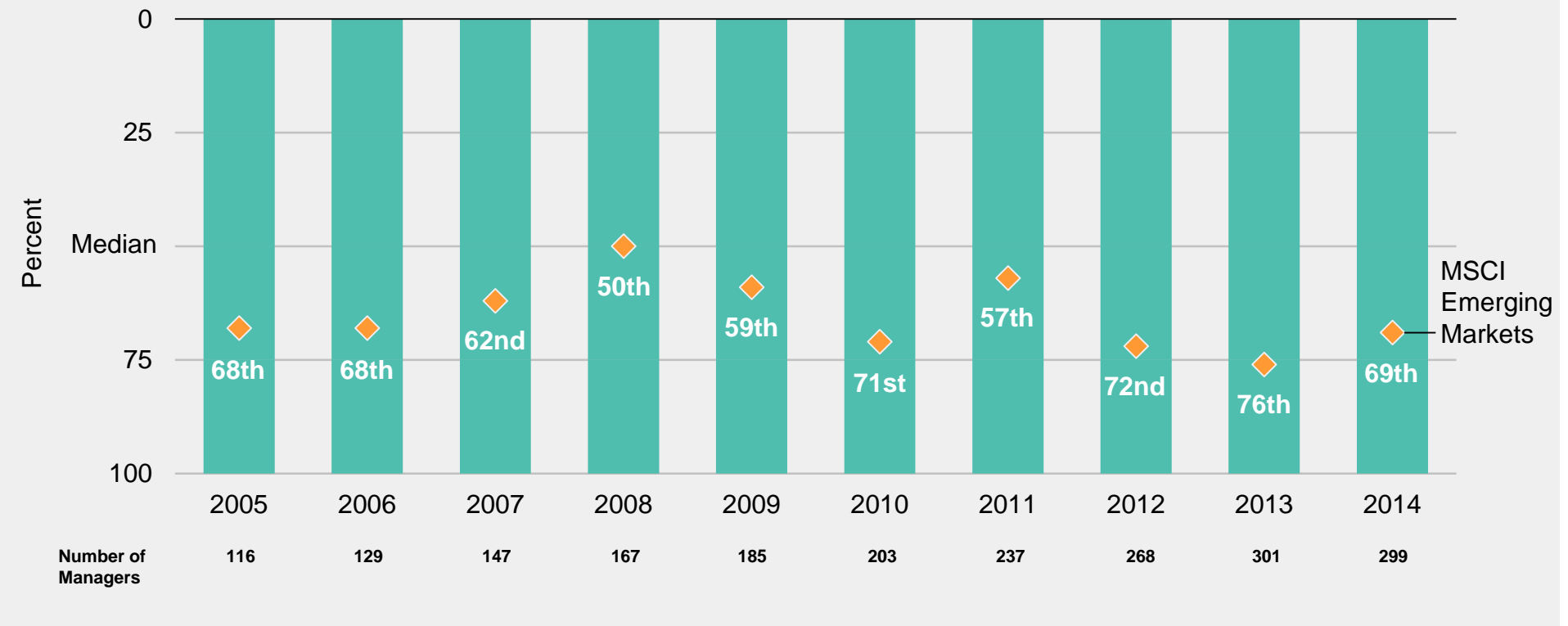


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Structural Alpha: Information Advantage Meets Inefficient Index

Below-Median Active Managers Have Historically Beaten Emerging-Market Index

Emerging Market Index Returns vs. Active Manager Percentile Rank



Past performance does not guarantee future results.

As of December 31, 2014

Based on USD returns for managers in the eVestment Emerging Market All-Cap and Large-Cap Universe on a calendar year basis.

Index examples are presented to illustrate the application of our investment philosophy and are used for comparison purposes only. An investor cannot invest directly in an index.

Source: eVestment Alliance and AB



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Build a Better Path: The Seven Key Investment Themes

**Stay Away
from Problem
Children**

**Avoid the
Crowds**

**Master
Liquidity**

**Be the Last
Active Manager
Standing**

**Relook at
Re-Emerging
Markets**

**Embrace
Alts 2.0***

**Capitalize on
Trends Around
the World**

*What Theme(s)
Will Be Next?*

Themes are subject to change. **There can be no assurances any investment objectives will be achieved.**

*Investments in alternative strategies can be speculative and involve a high degree of risk and volatility. Alternative investment funds are typically unregistered and subject to reduced regulatory oversight. Performance compensation may create an incentive to make riskier investments. Alternative investments may involve higher fees and limit transferability and liquidity. AB and its affiliates have relationships and may engage in activities that may pose conflicts of interest.

Source: AB



Fund Performance—Advisor Shares

Average Annual Total Return As of June 30, 2017

Fund	Symbol	1-Year (%)	5-Year (%)	10-Year or Life (%)	Inception Date	Total Expense Ratio Net*/Gross	As of Date
AB Large Cap Growth Fund	APGYX	22.36	17.76	10.87	10/1/96	0.77	2/3/17
AB Concentrated Growth Fund	WPSGX	26.26	15.07	8.47	2/28/94	0.99/1.01	10/31/16
AB Discovery Value Fund	ABYSX	20.30	14.69	7.55	3/29/01	0.89	2/28/17
AB Emerging Markets Multi-Asset Portfolio	ABYEX	13.06	3.98	2.16	8/31/11	0.99/2.43	2/3/17
AB High Income Municipal Portfolio	ABTYX	-0.84	5.35	7.01	1/26/10	0.61/0.63	9/30/16
AB Income Fund	ACGYX	5.55	4.76	7.00	8/28/87	0.79/0.86	1/30/17
AB Global Bond Fund	ANAYX	1.97	3.62	5.27	11/5/07	0.58	1/30/17
AB High Income Fund	AGDYX	12.30	7.40	8.76	1/28/08	0.58	1/30/17

The performance shown above represents past performance and does not guarantee future results. Current performance may be lower or higher than the performance information shown. You may obtain performance information current to the most recent month-end by visiting www.abfunds.com. The investment return and principal value of an investment in the Portfolio will fluctuate, so that your shares, when redeemed, may be worth more or less than their original cost. Advisor Class shares have no front-end or contingent deferred sales charges, however when purchased through a financial advisor additional fees may apply. Returns for other share classes will vary due to different charges and expenses. If applicable, please keep in mind that high, double-digit returns are highly unusual and cannot be sustained. Investors should also be aware that these returns were primarily achieved during favorable market conditions.

*If applicable, net expense ratio reflects the Adviser's contractual waiver of a portion of its advisory fee and/or reimbursement of a portion of the Fund's operating expenses. This waiver extends through the Fund's current fiscal year and may be extended by the Adviser for additional one-year terms. Absent reimbursements or waivers, performance would have been lower. For AB Income Fund, expenses are capped at 0.52%, which excludes expenses associated with acquired fund fees and expenses other than the advisory fees of any AB mutual funds in which the Fund may invest, interest expense, taxes, extraordinary expenses, and brokerage commissions and other transaction costs. Net expense is actual cost paid by investor, displayed as a percentage of Fund's net assets.

Source: AB



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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.

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For each fund with at least a three-year history, Morningstar calculates a Morningstar Rating based on a Morningstar Risk-Adjusted Return measure that accounts for variation in a fund's monthly performance, placing more emphasis on downward variations and rewarding consistent performance. Exchange-traded funds and open-ended mutual funds are considered a single population for comparative purposes. The top 10% of funds in each category receive 5 stars, the next 22.5% receive 4 stars, the next 35% receive 3 stars, the next 22.5% receive 2 stars and the bottom 10% receive 1 star. The Overall Morningstar Rating for a fund is derived from a weighted average of the performance figures associated with its three-, five- and ten-year (if applicable) Morningstar Rating metrics. Morningstar rating is for the Advisor Share class only; other share classes may have different performance characteristics.

AB Large Cap Growth Fund was rated 5 stars against 1,277, 1,152 and 803 funds in the Large Growth category for the three-, five- and 10-year periods.

AB Concentrated Growth Fund was rated 3, 4 and 4 stars against 1,277, 1,152 and 803 funds in the Large Growth category for the three-, five- and 10-year periods, respectively.

AB Discovery Value Fund was rated 3 stars against 356, 310 and 217 funds in the Mid-Cap Value category for the three-, five- and 10-year periods.

AB Emerging Markets Multi-Asset Portfolio was rated 5 and 4 stars against 634 and 436 funds in the Diversified Emerging Markets category for the three- and five-year periods, respectively.

AB High Income Municipal Portfolio was rated 4 stars against 145 and 119 funds in the High Yield Muni category for the three- and five-year periods.

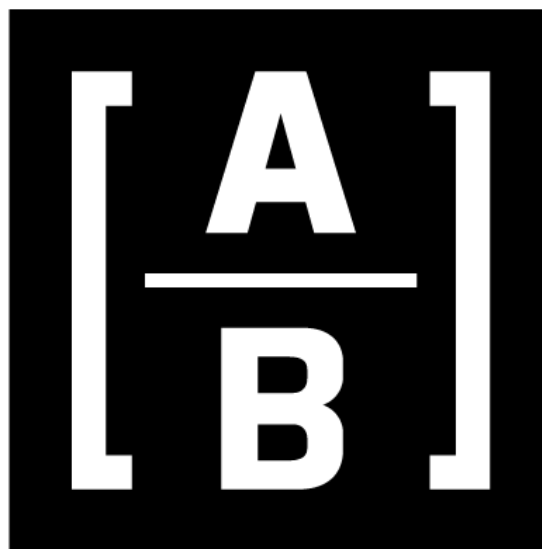
AB Income Fund was rated 5 stars against 856, 767 and 540 funds in the Intermediate-Term Bond category for the three-, five- and 10-year periods.

AB Global Bond Fund was rated 5, 4 and 4 stars against 298, 253 and 126 funds in the World Bond category for the three-, five- and 10-year periods, respectively.

AB High Income Fund was rated 5 stars against 590 and 474 funds in the High Yield Bond category for the three- and five-year periods.

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