



ALLIANCEBERNSTEIN®

Second Quarter 2019

GLOBAL CAPITAL MARKETS OUTLOOK

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.

Reminder: What the Market Was Pricing in on 1/1/19



RATES

- + No rate hikes
- + 2020 rate cut



EARNINGS

- + 0% earnings growth



ECONOMY

- + A “growth recession”

Current analysis does not guarantee future results.

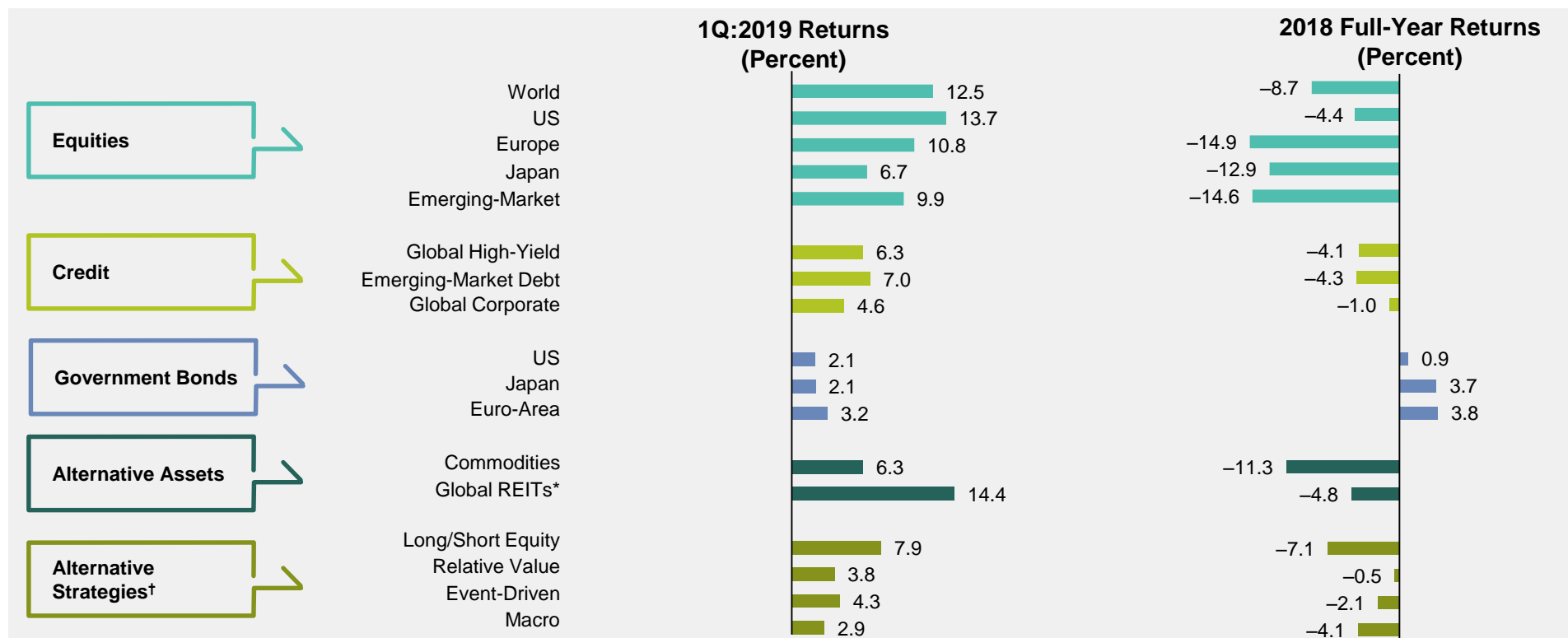
As of 1 January 2019

Source: AB



Returns Recap: S&P 500 Rebounds to Post Best Quarter Since 2009

Returns in US Dollars



Past performance does not guarantee future results.

Global high yield, global corporates, and Japan and euro-area government bonds in hedged USD terms. All other non-US returns in unhedged USD terms. Emerging-market debt returns are for dollar-denominated bonds as represented by the J.P. Morgan Emerging Markets Bond Index Global. An investor cannot invest directly in an index, and its performance does not reflect the performance of any AllianceBernstein (AB) portfolio. The unmanaged index does not reflect the fees and expenses associated with the active management of a portfolio.

*Real estate investment trusts. †Returns reflect HFRI index returns (see disclaimer pages for index definitions).

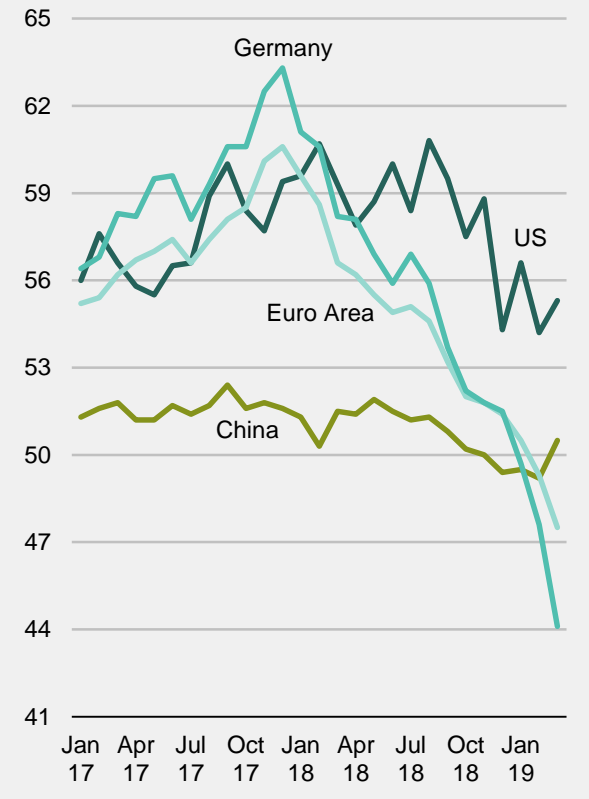
As of 31 March 2019

Source: Bloomberg Barclays, HFR, J.P. Morgan, Morningstar, MSCI, Standard & Poor's (S&P) Dow Jones and AB

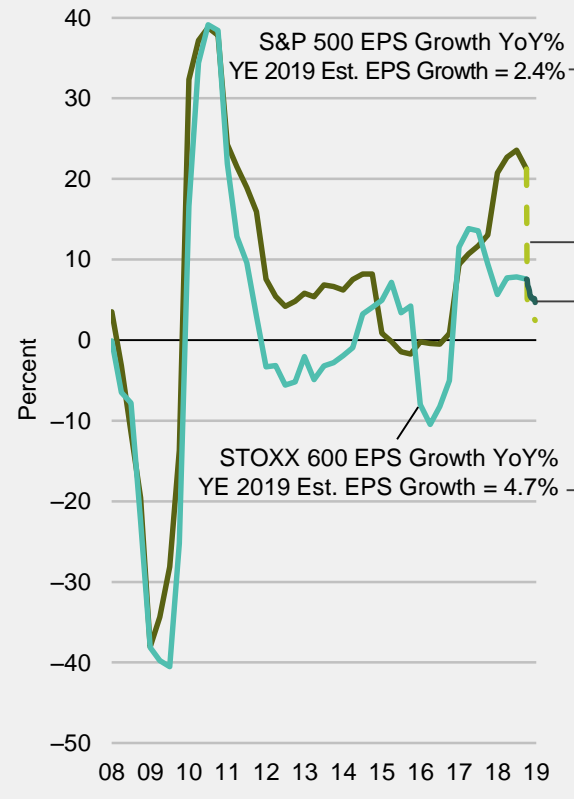


Returns Driven by Valuations...Not Growth

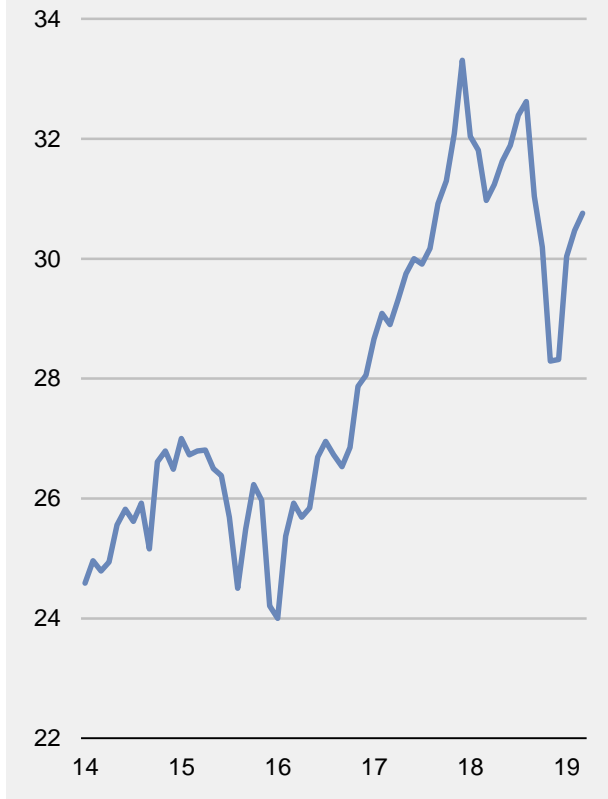
Global PMIs Decelerating



Earnings Estimates Continue to Slow



Valuations Rising: Shiller CAPE*



Current analysis does not guarantee future results.

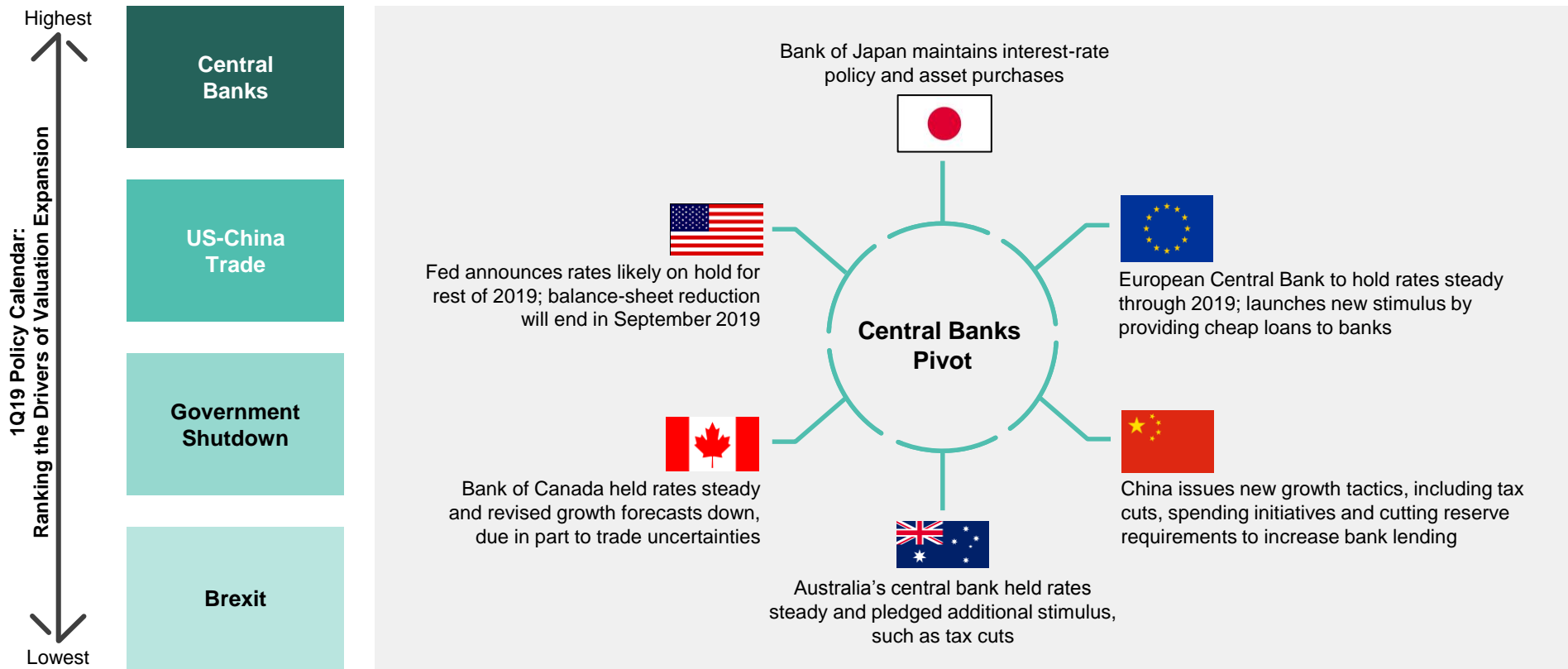
*CAPE: cyclically adjusted price/earnings ratio

As of 31 March 2019

Source: Bloomberg, IHS Markit, Robert Shiller, S&P, STOXX and AB



Primary Valuation Driver: Central Banks Shift Away from Tightening



Current analysis does not guarantee future results.

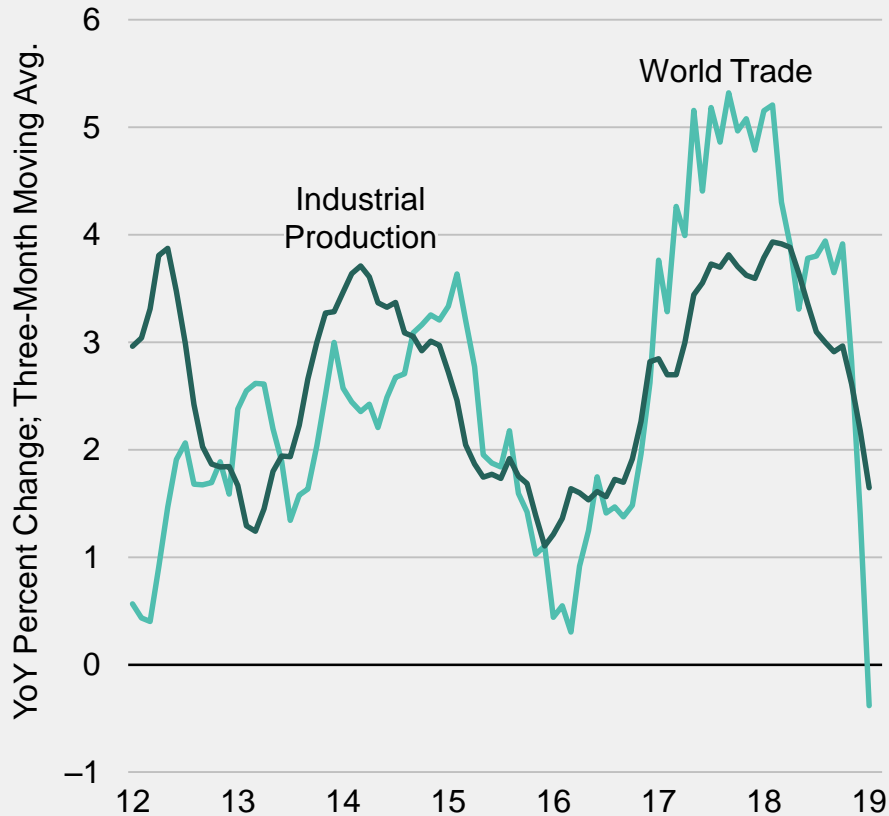
As of 31 March 2019

Source: Bloomberg and AB

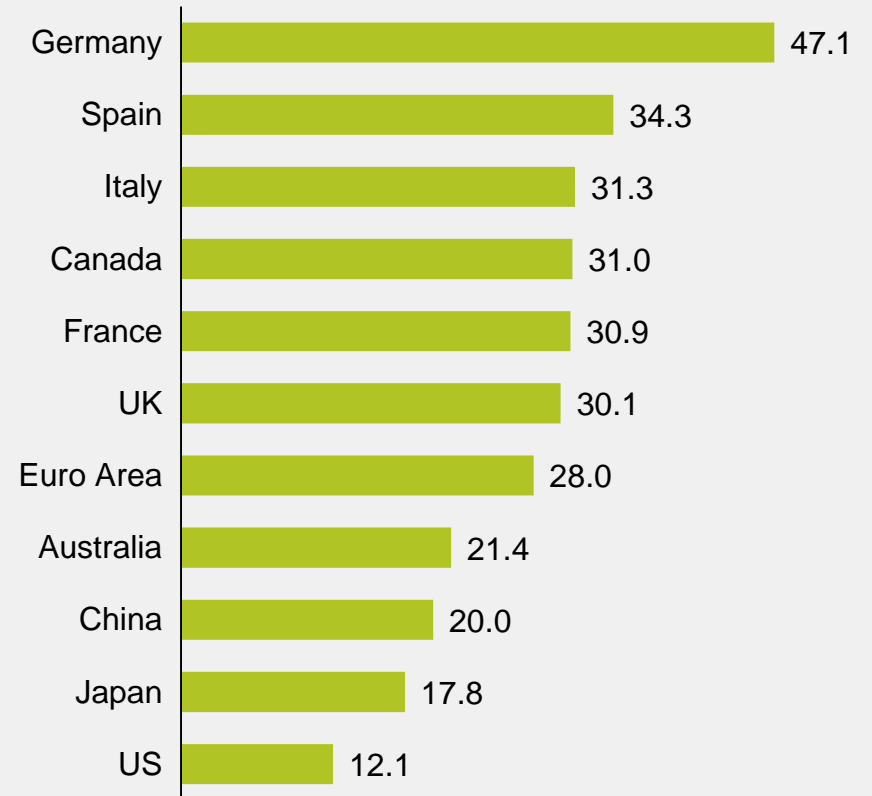


Why the Shift? Ongoing Global Trade Woes

World Trade and Industrial Production Growth



Exports of Goods and Services
2017 (Percent of GDP)



Current analysis does not guarantee future results.

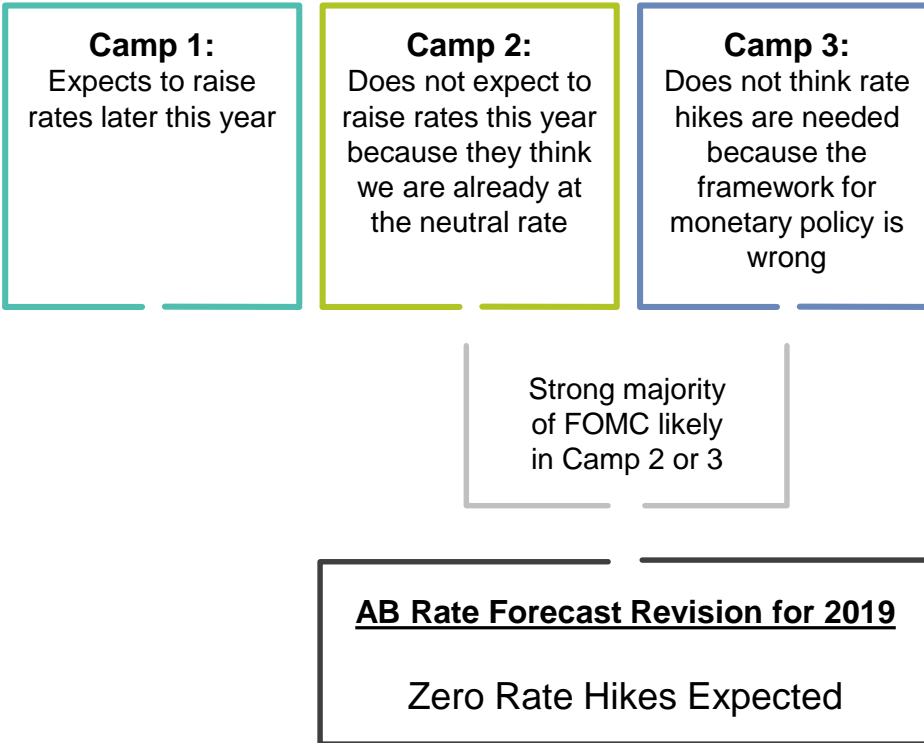
Left display through 31 January 2019; right display as of December 31, 2017

Source: Haver Analytics and AB

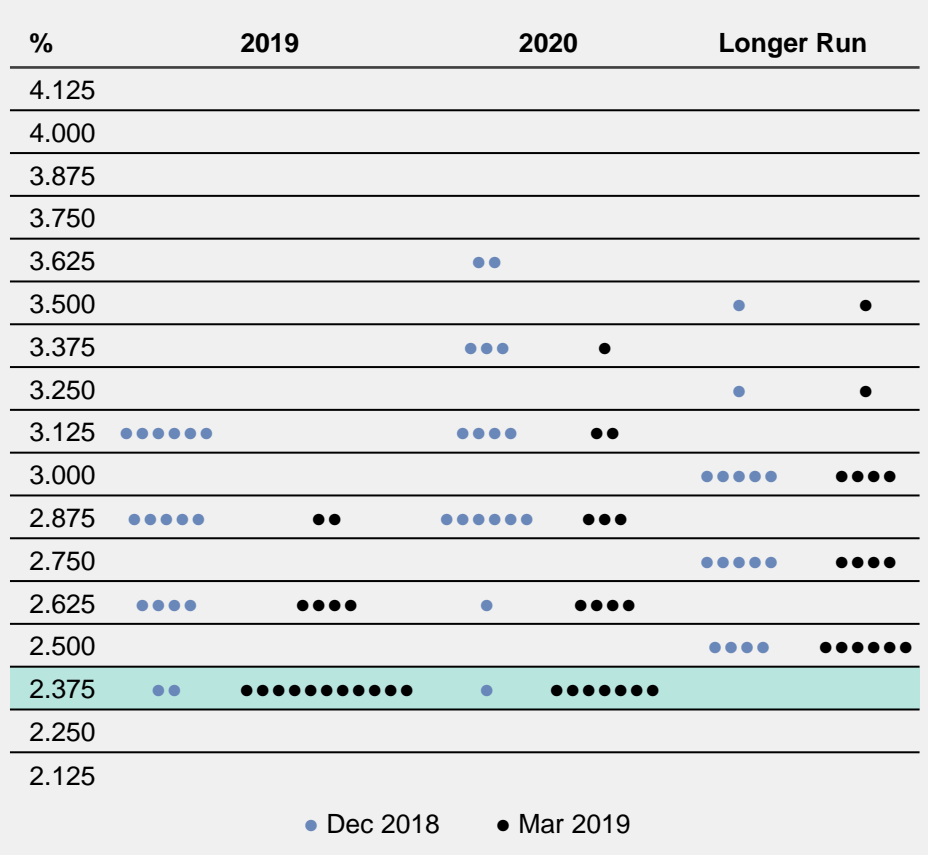


Regime Shift: Fed Signals Change in Its Approach to Inflation

There Are Three Camps Within the FOMC Today:



Fed Dot Plot*



Historical analysis and current forecasts do not guarantee future results.

*Each shaded circle (dot) indicates the value of an individual participant's judgment of the midpoint of the appropriate target range for the fed funds rate or the appropriate target level for the fed funds rate at the end of the specified calendar year or over the longer run. One participant did not submit longer-run projections for the fed funds rate. Projections are from both the 19 December 2018, meeting and the 20 March 2019, meeting.

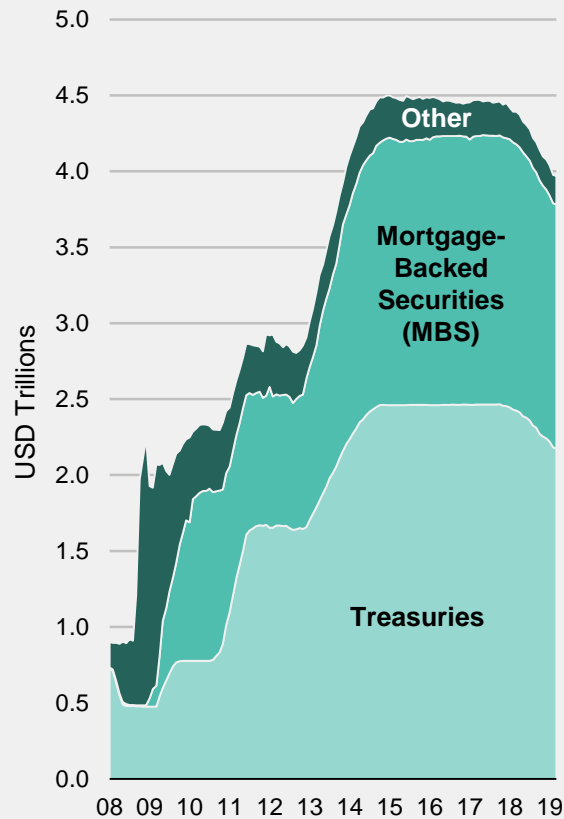
As of 20 March 2019

Source: US Federal Reserve and AB



Fed's Move Away from Tightening Includes the Balance Sheet

Fed Balance-Sheet Assets



Questions Recently Answered by the Fed

Q: When will the Fed stop shrinking its balance sheet?

A: September 2019. The Fed will slow the reduction of Treasuries rolling off the balance sheet in May 2019—from \$30 billion per month to \$15 billion per month. At the end of September, the Fed will conclude the Treasuries' roll-off altogether.

Q: What will be the composition of the balance sheet going forward?

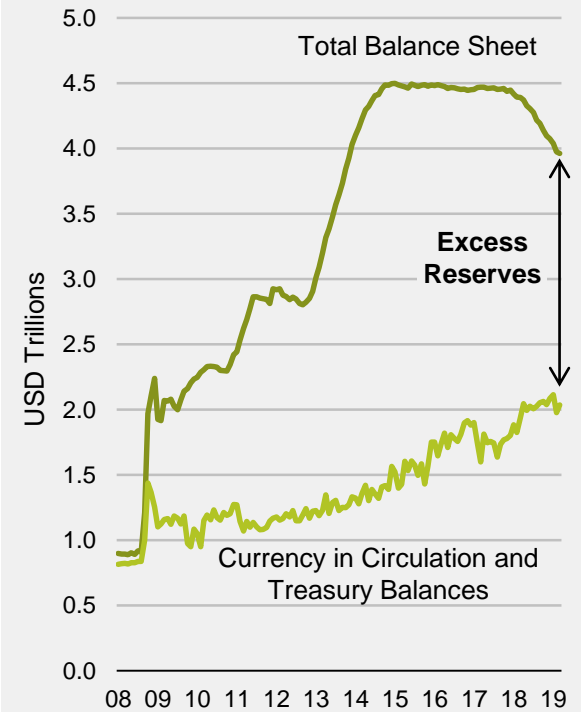
A: Primarily Treasuries in the long run. Beginning in October 2019, the Fed will allow a maximum of \$20 billion per month in MBS to roll off and be reinvested into Treasuries.

Q: Will the Fed primarily hold longer- or shorter-term Treasuries?

A: The Fed is still debating this. In the meantime, starting in October, any Treasuries purchased will be distributed across a range of maturities.

Shrinking from the Underside

Excess Reserves Will Continue to Fall Due to Increases in Currency and Liabilities



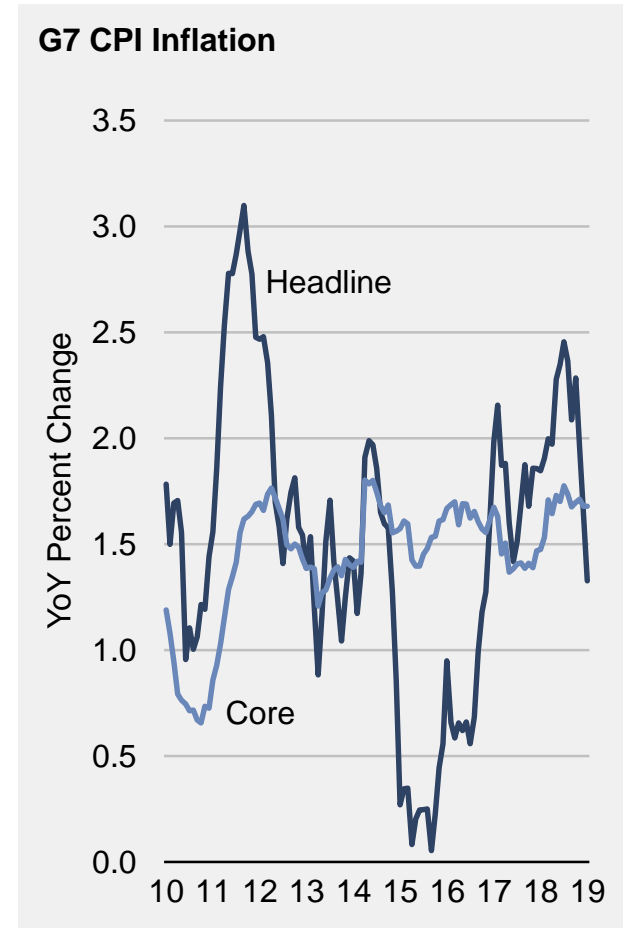
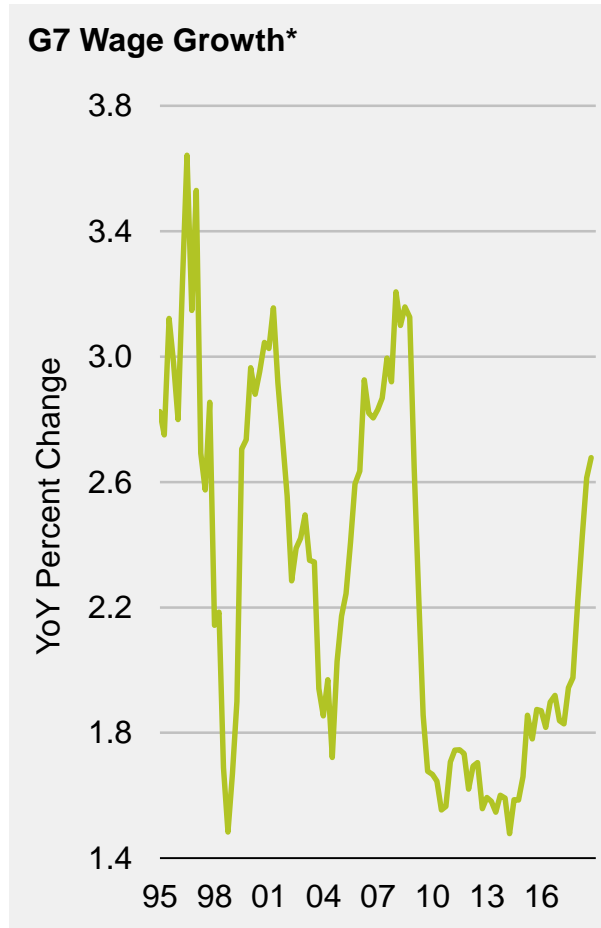
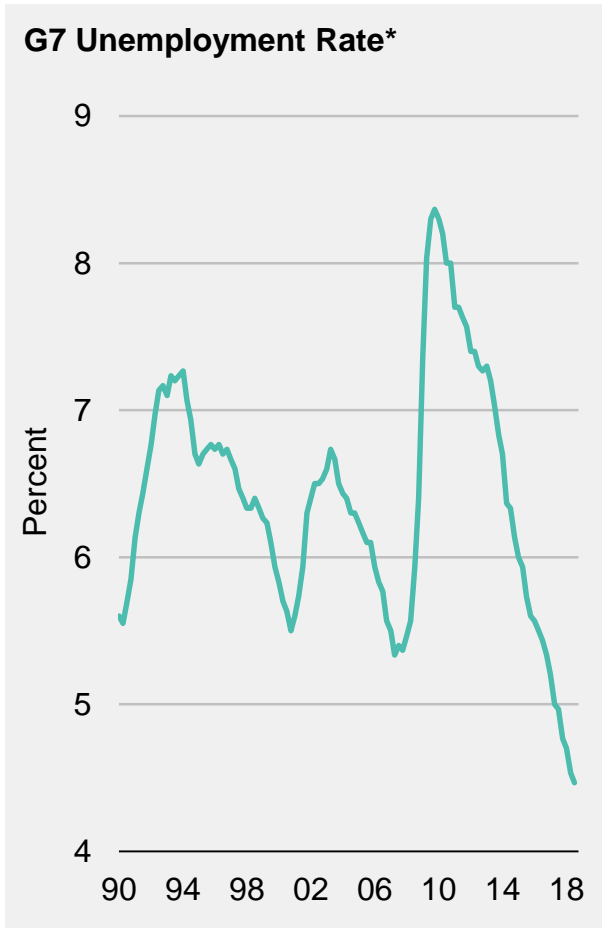
Historical analysis and current forecasts do not guarantee future results.

As of 31 March 2019

Source: Bloomberg, Federal Reserve Bank of St. Louis, US Federal Reserve and AB



Waiting for Phillips: Labor Gains Spur Growth but Not Inflation



Current analysis does not guarantee future results.

*Weighted average of the US, euro area, Japan, UK and Canada

Left display through 31 July 2018; middle display through 31 October 2018; right display through 31 December 2018

Source: Bloomberg, Haver Analytics and AB



Moderating Growth + Modestly Increasing Inflation = Largely Unchanged Rates, but US Numbers Reflect a Change in Fed Policy

AB Global Economic Forecast: March 2019 (Percent)

	Real Growth		Inflation		Official Rates		Long Rates	
	19F	20F	19F	20F	19F	20F	19F	20F
Global	2.6	2.7	2.6	2.6	2.9	2.8	2.9	3.0
Industrial Countries	1.6	1.5	1.7	1.9	1.2	1.3	1.7	1.8
Emerging Countries	4.4	4.7	4.1	3.7	6.1	5.7	5.4	5.2
US	2.0	1.8	2.3	2.5	2.4	2.4	2.8	3.0
Euro Area	1.1	1.2	1.4	1.5	0.0	0.0	0.5	0.5
UK	1.2	1.5	1.8	2.0	0.8	1.0	1.5	1.5
Japan	0.6	0.5	0.8	1.2	-0.1	-0.1	0.0	0.0
China	6.2	6.0	2.2	2.2	4.4	4.4	3.0	3.0

Historical analysis and current forecasts do not guarantee future results.

Real growth aggregates represent 48 country forecasts, not all of which are shown. Long rates are 10-year yields.

As of 31 March 2019

Source: Bloomberg, Haver Analytics and AB

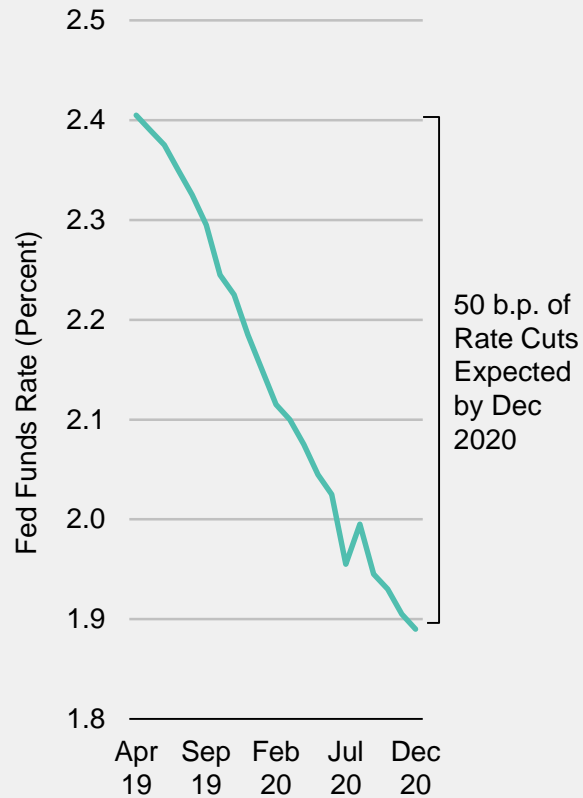


Agreeing to Disagree

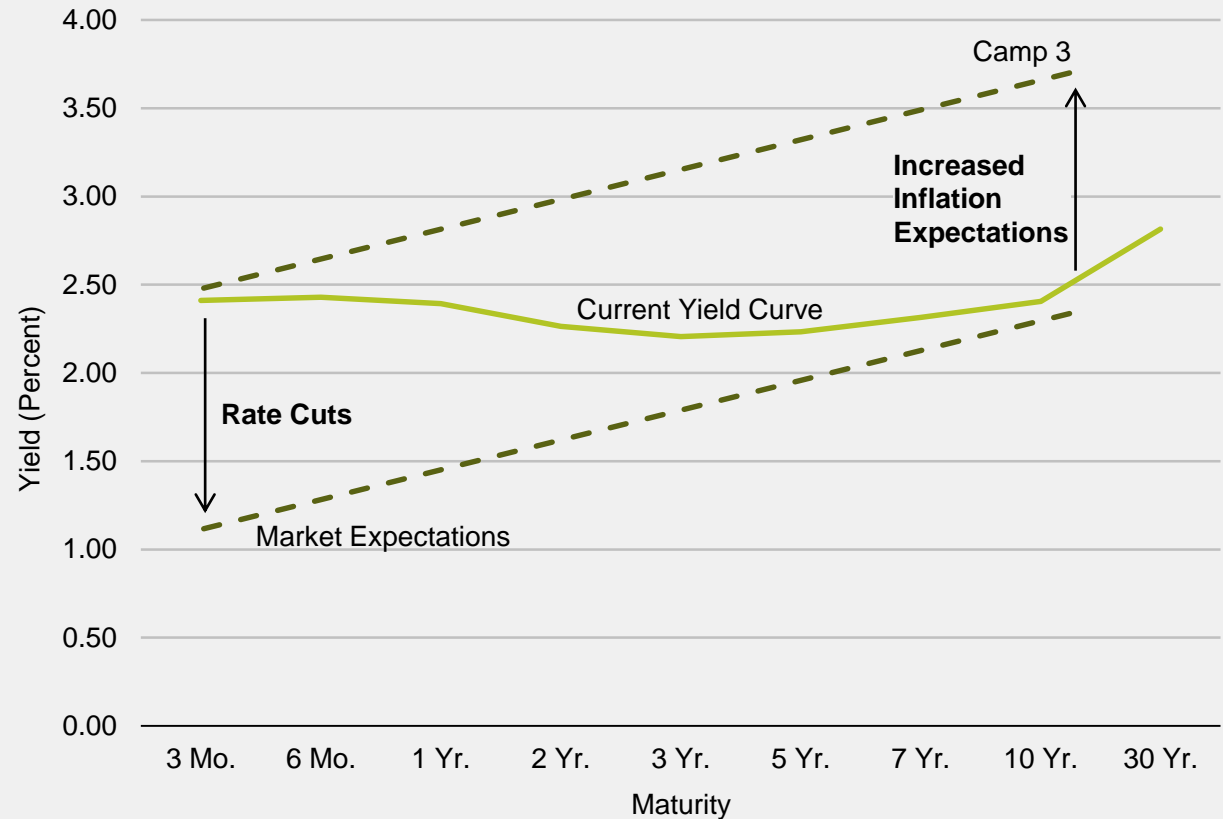
The Market's and Fed's Views Both Imply Steepening—but for Different Reasons

Market-Implied Policy Rate

US Fed Funds



More than One Way to Steepen a Curve



Historical analysis and current forecasts do not guarantee future results.

As of 31 March 2019

Source: Bloomberg and AB

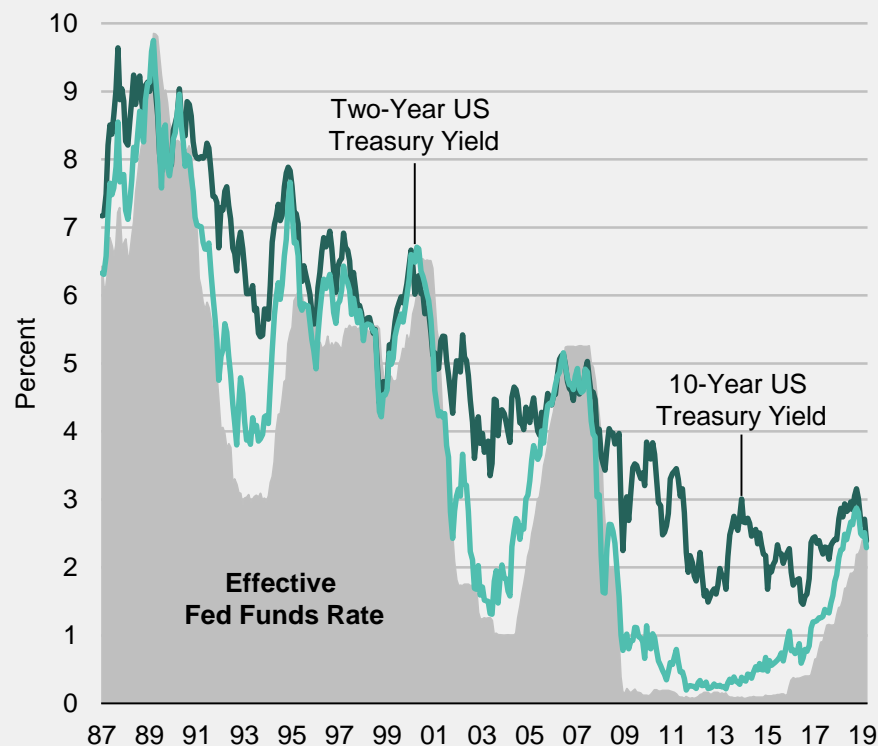


Has the 10-Year US Treasury Yield Peaked for This Cycle?

Typically It Peaks Near the Cycle High for the Fed Funds Rate—but New Fed Policy May Change That

10-Year US Treasury Yield vs. Fed Funds Rate

January 1987–March 2019



Forward Returns (Annualized) from Cycle Peak in 10-Year US Treasury Yield

Fed Raises	10-Year Peaked	Index	1-Yr. Total Return	3-Yr. Total Return	3-Yr. Sharpe Ratio
Jun 04– Jun 06: 1.0% to 5.25%	Jun 06 @ 5.14%	US Treasury	5.5%	7.4%	0.81
		Global Credit Barbell	6.9	10.0	0.64
		US High Yield	11.5	2.1	0.03
		S&P 500	20.6	-8.2	-0.51
Jun 99– May 00: 4.75% to 6.5%	Jan 00 @ 6.67%	US Treasury	14.1	10.4	1.34
		Global Credit Barbell	19.5	14.0	1.22
		US High Yield	1.6	0.5	-0.25
		S&P 500	-0.9	-13.8	-0.90
Feb 94– Feb 95: 3.0% to 6.0%	Nov 94 @ 7.89%	US Treasury	17.4	9.9	0.99
		Global Credit Barbell	25.7	13.6	1.09
		US High Yield	18.2	14.3	2.43
		S&P 500	37.0	31.1	2.00
Apr 87– Sep 87: 6.0% to 7.25%	Sep 87 @ 9.64%	US Treasury	12.0	10.0	0.40
		Global Credit Barbell	16.0	10.8	0.27
		US High Yield	12.1	2.1	-0.64
		S&P 500	-12.4	1.9	-0.18

Past performance and current analysis do not guarantee future results.

10-year US Treasury yield is represented by Bloomberg Barclays Bellwether 10-Year US Treasury.

US Treasury is represented by Bloomberg Barclays US Treasury; Global credit barbell is a hypothetical risk-weighted portfolio made up of 65% Bloomberg Barclays US Treasury and 35% Bloomberg Barclays Global High-Yield and leveraged 30%; US high yield is represented by Bloomberg Barclays US High-Yield.

As of 29 March 2019

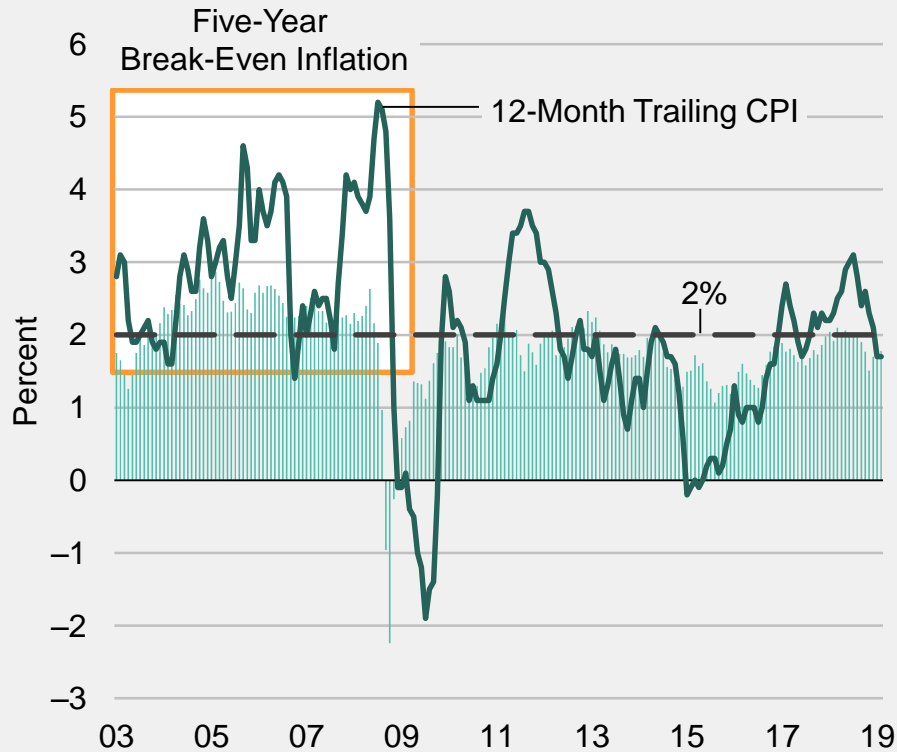
Source: Bloomberg Barclays, Federal Reserve Bank of St. Louis, S&P and AB



Why Fight the Fed?

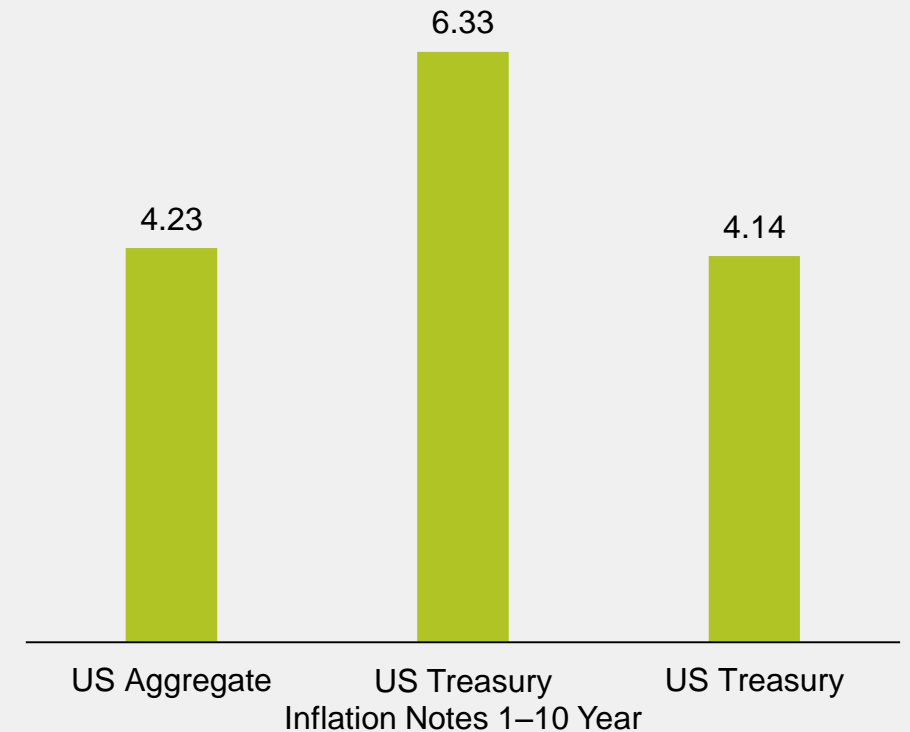
Inflation Protection Outperformed the Last Time Inflation Ran Above 2% for an Extended Period

Five-Year Break-Even Inflation vs. 12-Month Trailing CPI



January 2003–June 2008

Annualized Returns (Percent)



Past performance and current analysis do not guarantee future results.

As of 31 March 2019

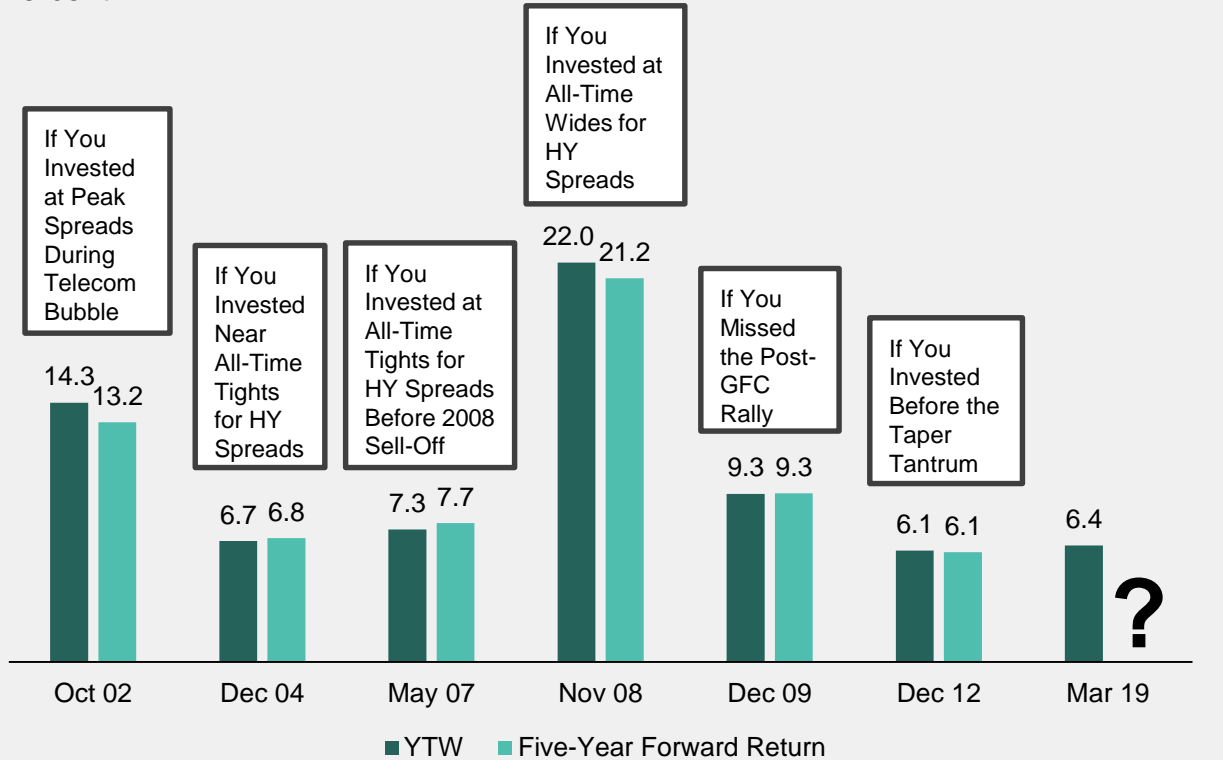
Source: Bloomberg Barclays, US Bureau of Labor Statistics and AB



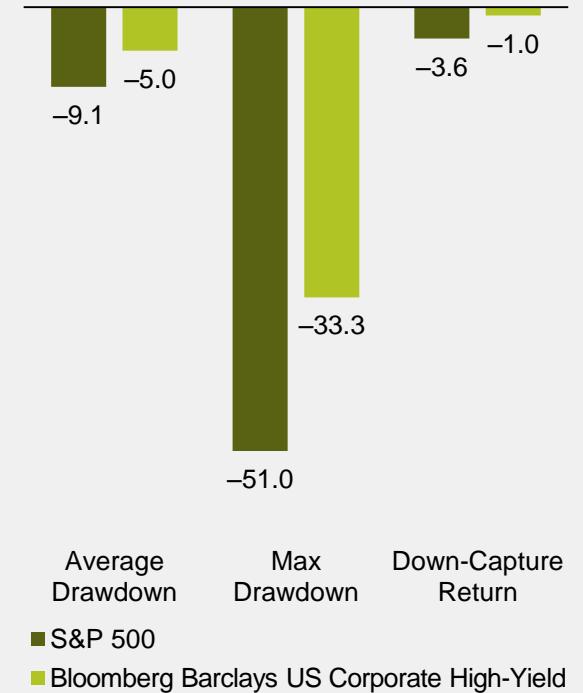
Better Beta: Using High Yield to De-Risk Equities

Yield to Worst, Historically a Strong Predictor of Future Returns, Is Near Current Equity Expectations

Starting Yield to Worst and Five-Year Forward Annualized Return
Percent



Downside Risk Statistics
February 1990–March 2019 (Percent)



Historical and current analyses and current forecasts do not guarantee future results.

US corporate high yield is represented by Bloomberg Barclays US Corporate High-Yield (USD Hedged). Any benchmark or index cited herein is used for comparison purposes only. An investor cannot invest directly in an index. The unmanaged index performance does not reflect any fees and expenses associated with the active management of an AB portfolio.

As of 31 March 2019

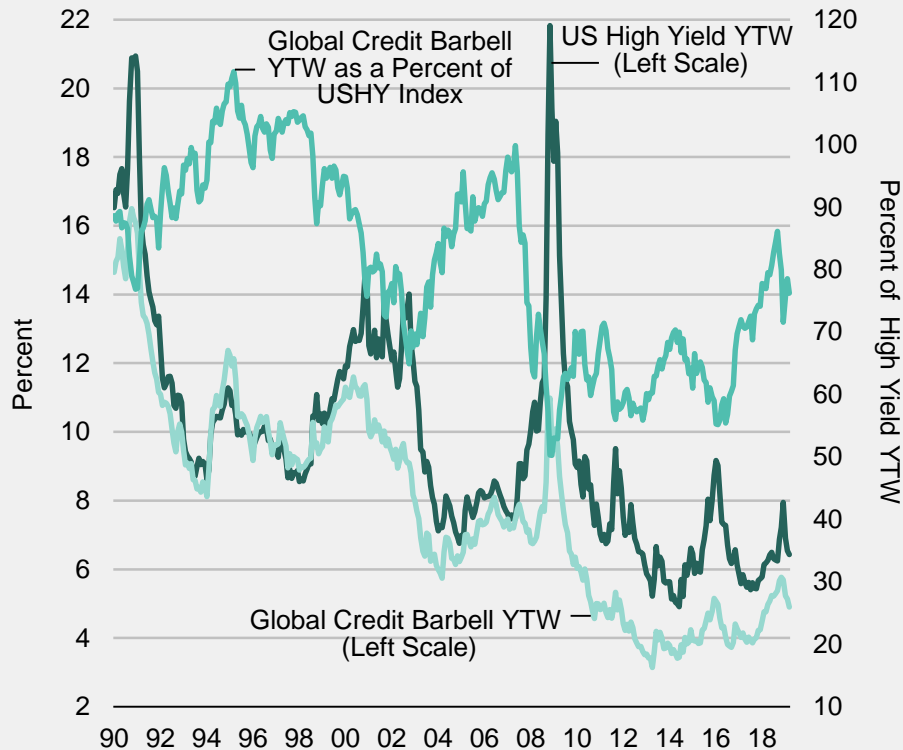
Source: Bloomberg Barclays and AB



Late-Cycle Income with the Downside Protection of Treasuries

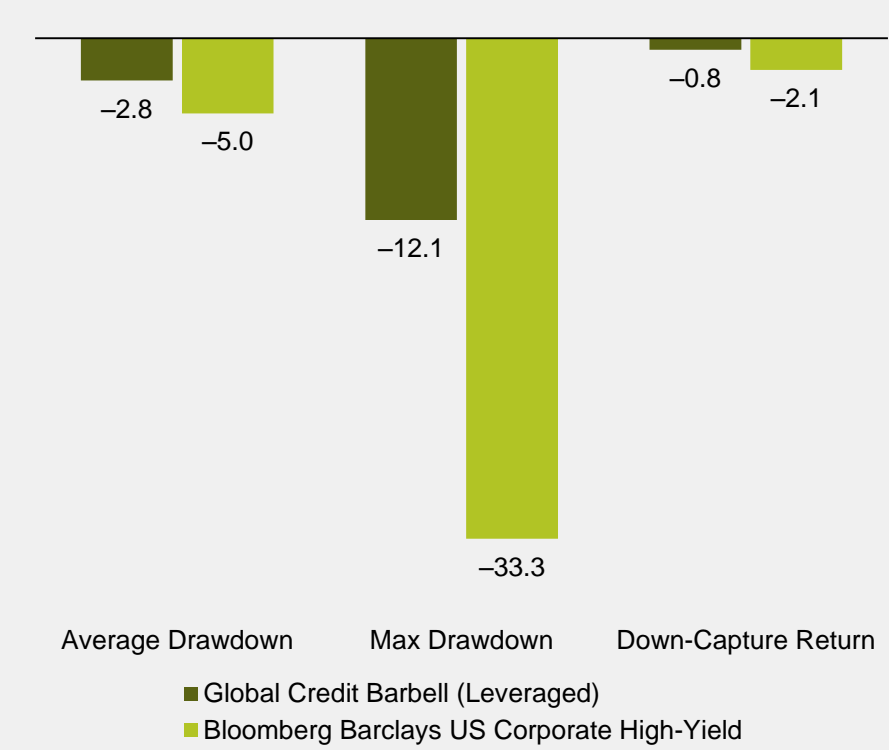
Currently, a Global Credit Barbell Generates ~76% of the Income of the High Yield Index

Yield to Worst of Global Credit Barbell and Bloomberg Barclays US Corporate High-Yield



Downside Risk Statistics

February 1990–March 2019 (Percent)



Past performance and current analysis do not guarantee future results.

Global credit barbell is a hypothetical risk-weighted portfolio made up of 65% Bloomberg Barclays US Treasury and 35% Bloomberg Barclays Global High-Yield and leveraged 30%. Any benchmark or index cited herein is used for comparison purposes only. An investor cannot invest directly in an index. The unmanaged index performance does not reflect any fees and expenses associated with the active management of an AB portfolio.

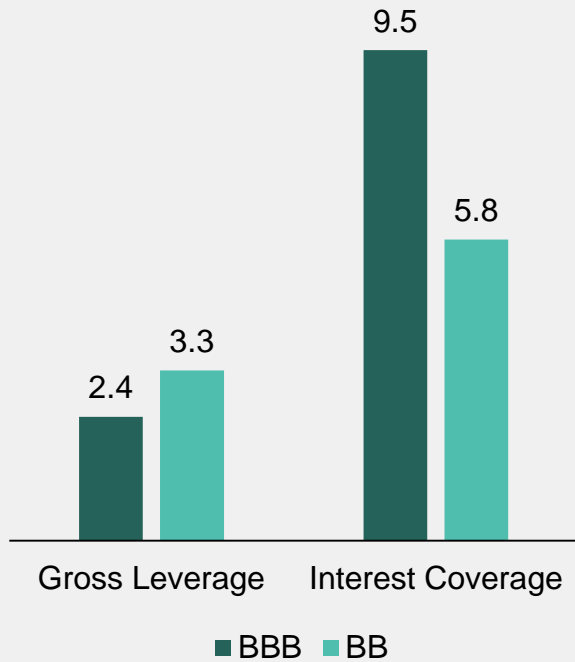
As of 31 March 2019

Source: Bloomberg Barclays, Federal Reserve Bank of St. Louis and AB



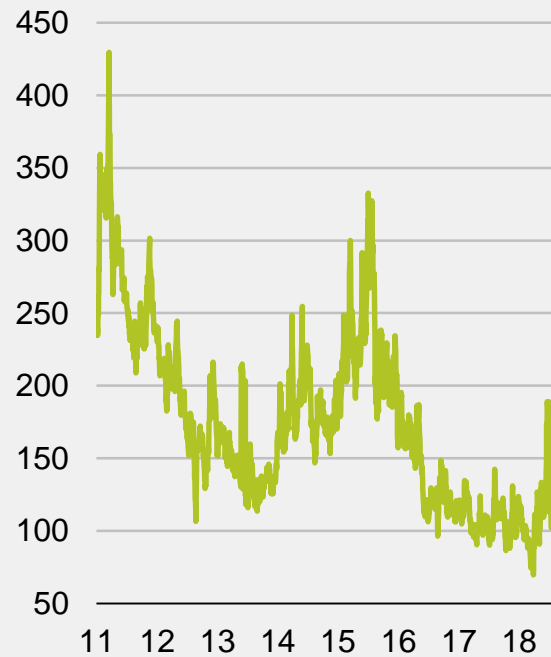
BBB Leverage Is High, but Capital Could Be Reprioritized

US IG Leverage Is High, but Interest Coverage Remains High
Ratio (x)

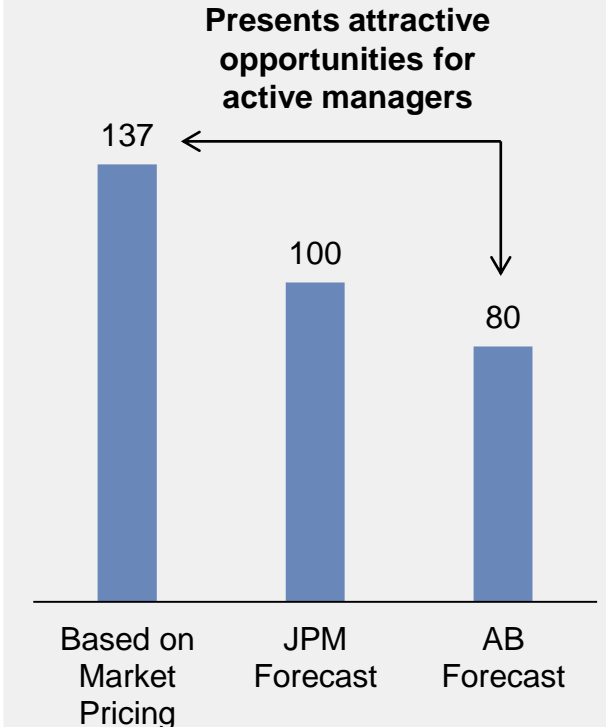


Opportunity to Buy BBBs Trading at BB Levels

Three-to-Seven Year BB OAS minus
Three-to-Seven Year BBB OAS (b.p.)



How Much BBB Debt Will Fall to HY?
USD Billions



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

JPM forecast includes the \$17 billion of Pacific Gas and Electric Company debt that already defaulted. AB forecast is the \$80 billion of investment grade-rated debt outstanding that has a forward rating of high yield by AB credit analysts.

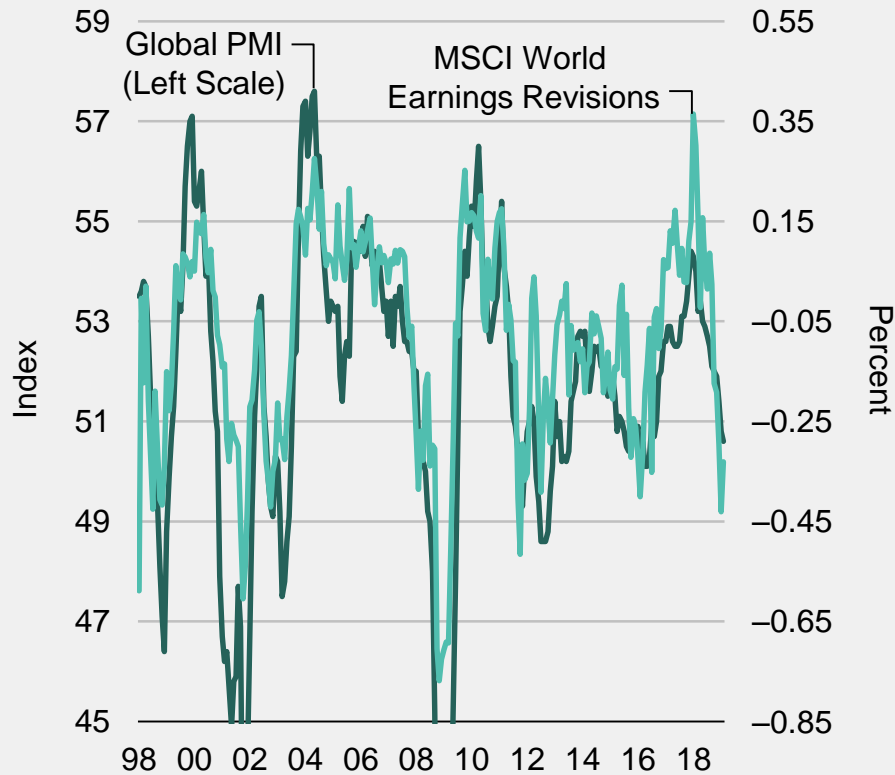
Through 31 December 2018

Source: Bloomberg Barclays, J.P. Morgan, Morgan Stanley and AB

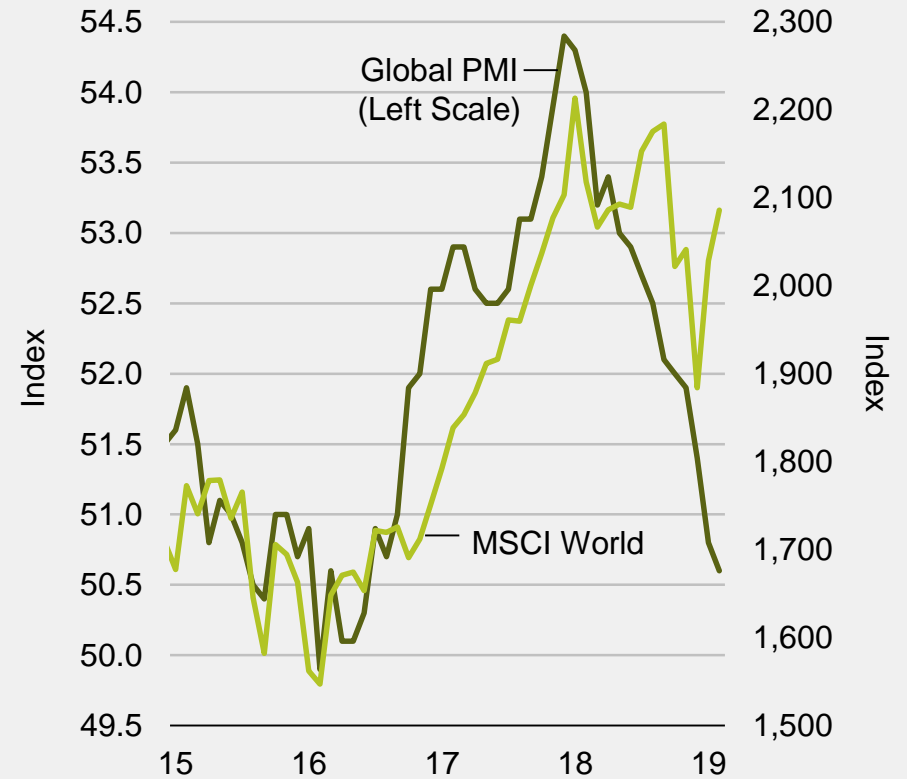


Clear Divergence Between Global Growth and Market Returns

Global Economic and Earnings Growth Have Receded...



...but the Market Has Yet to Notice



Historical analysis and current forecasts do not guarantee future results.

Through 28 February 2019

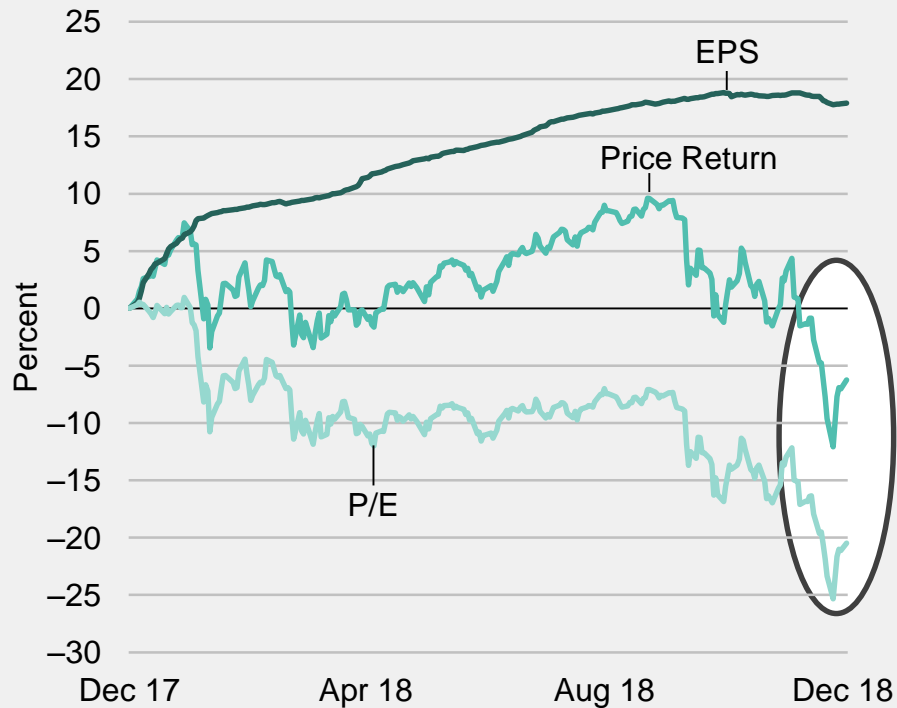
Source: Bloomberg, Cornerstone Macro, MSCI and AB



A Tale of Two Quarters in the US

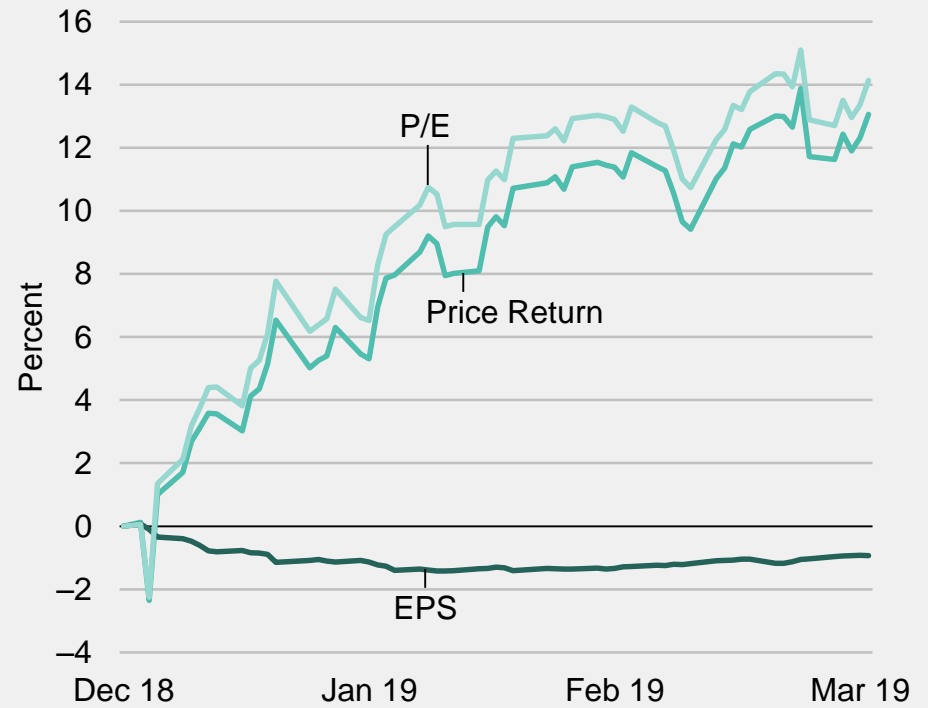
S&P 500: 2018

A Bull Market in Earnings and a Bear Market in P/Es



S&P 500: Year-to-Date 2019

A Mirror Image of 2018 Thus Far



Historical analysis and current forecasts do not guarantee future results.

All data for the S&P 500. Earnings estimates are represented by Bloomberg consensus blended forward 12-month estimates.

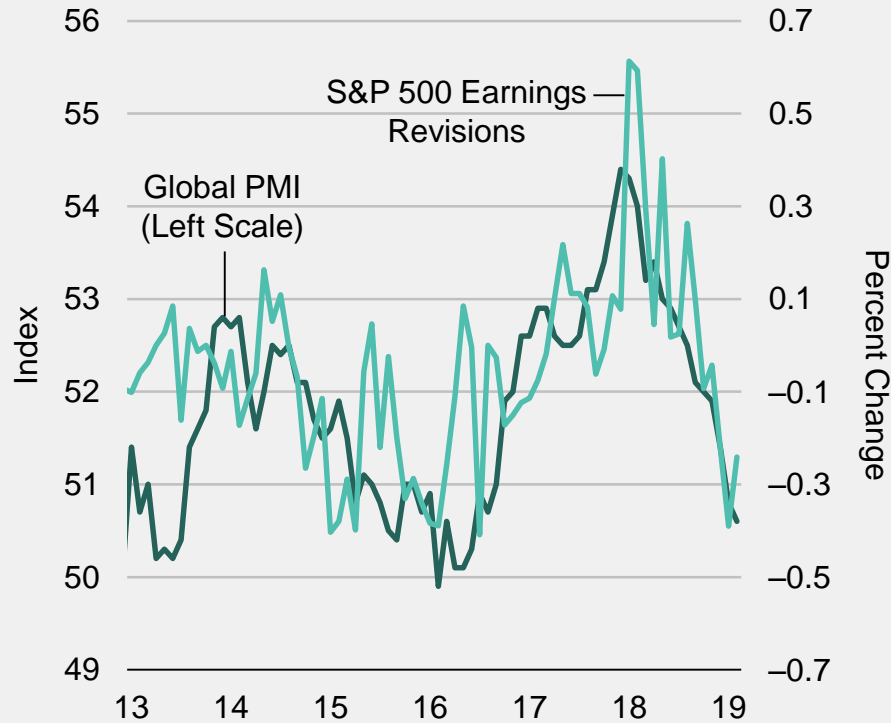
Left display through 31 December 2018; right display through 31 March 2019

Source: Bloomberg, Cornerstone Macro, S&P and AB

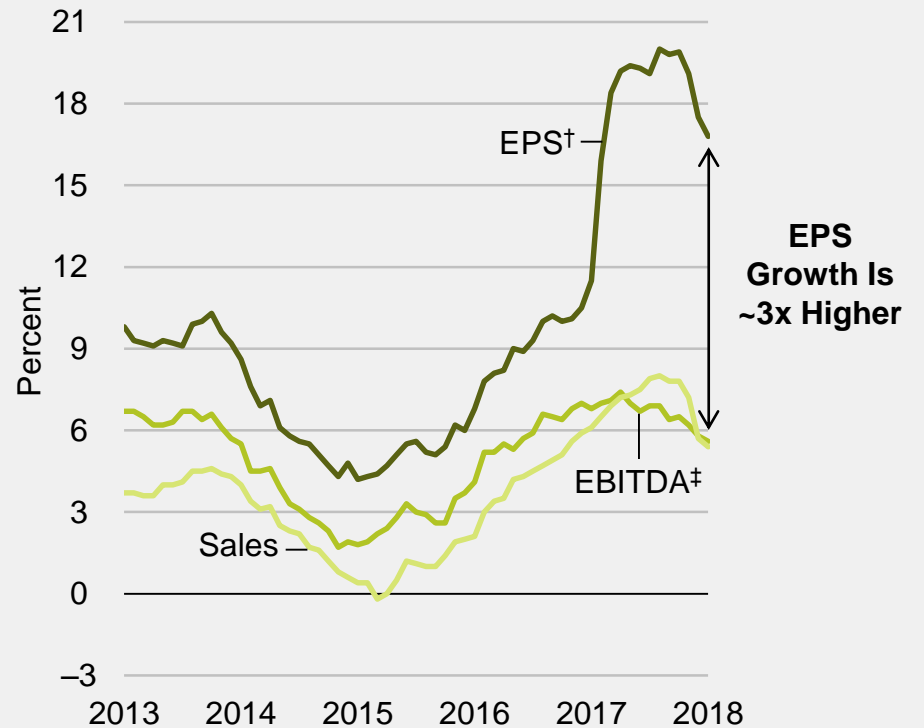


Corporate Earnings: Expectations Declining and Tailwinds Fading

Earnings Expectations Declined with Global Economic Growth...



...and the Large Tailwind of Tax Cuts Is Behind Us
Year-over-Year Growth (Next 12 Months)*



Historical analysis and current forecasts do not guarantee future results.

*Median growth estimates within the S&P 500. †Earnings per share. ‡Earnings before interest, tax, depreciation and amortization

Left display through 28 February 2019; right display through 31 December 2018

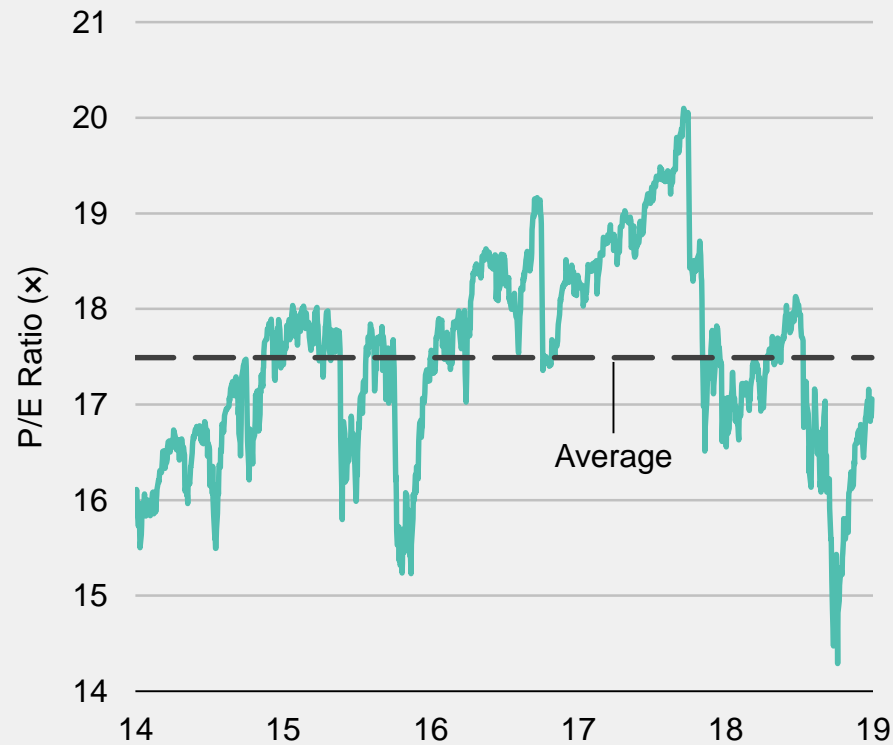
Source: Bloomberg, Cornerstone Macro, FactSet, S&P and AB



After a Recovery from 2018 Lows, Valuations Are a Mixed Picture

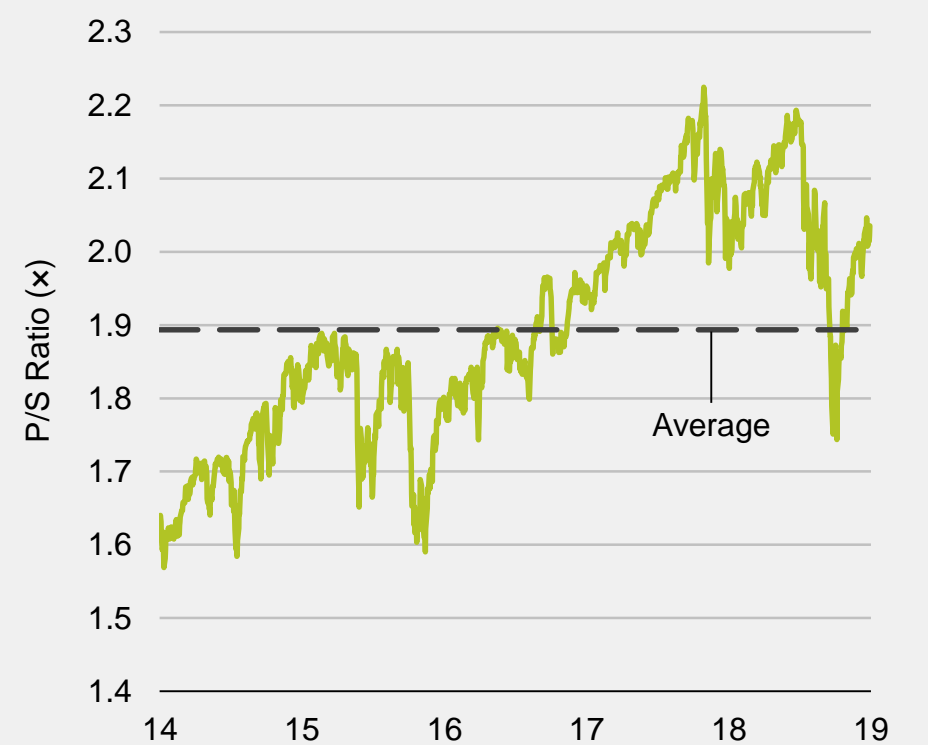
S&P 500 Price to Earnings

Below, but Nearing Its Five-Year Average



S&P 500 Price to Sales

Remains Expensive on Top-Line Results



Historical analysis and current forecasts do not guarantee future results.

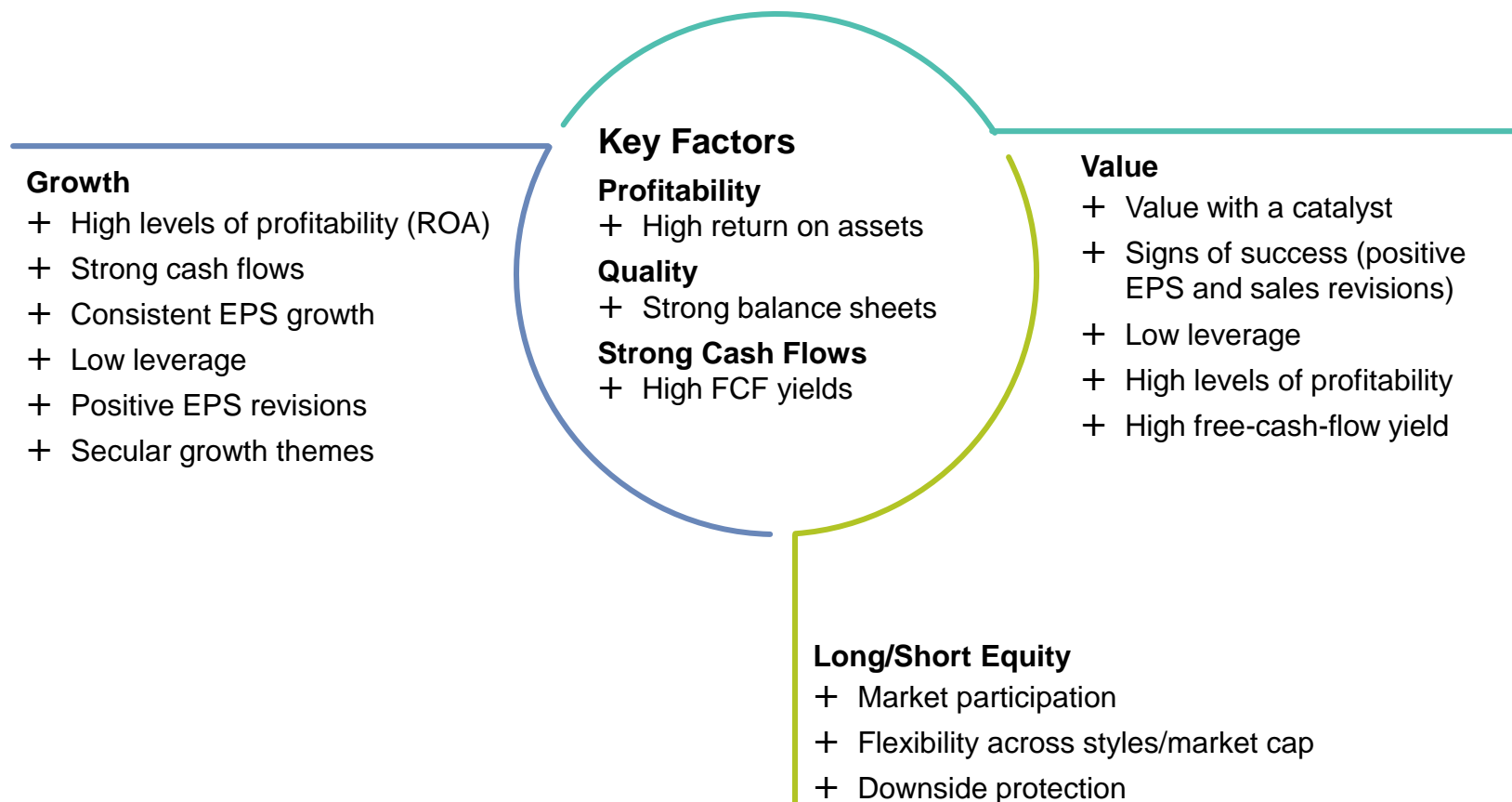
All data for the S&P 500. Earnings estimates are represented by Bloomberg consensus blended forward 12-month estimates.

Through 31 March 2019

Source: Bloomberg, S&P and AB



Key Opportunities to Focus on in the Late-Cycle Environment



Current forecasts do not guarantee future results.

As of 31 March 2019

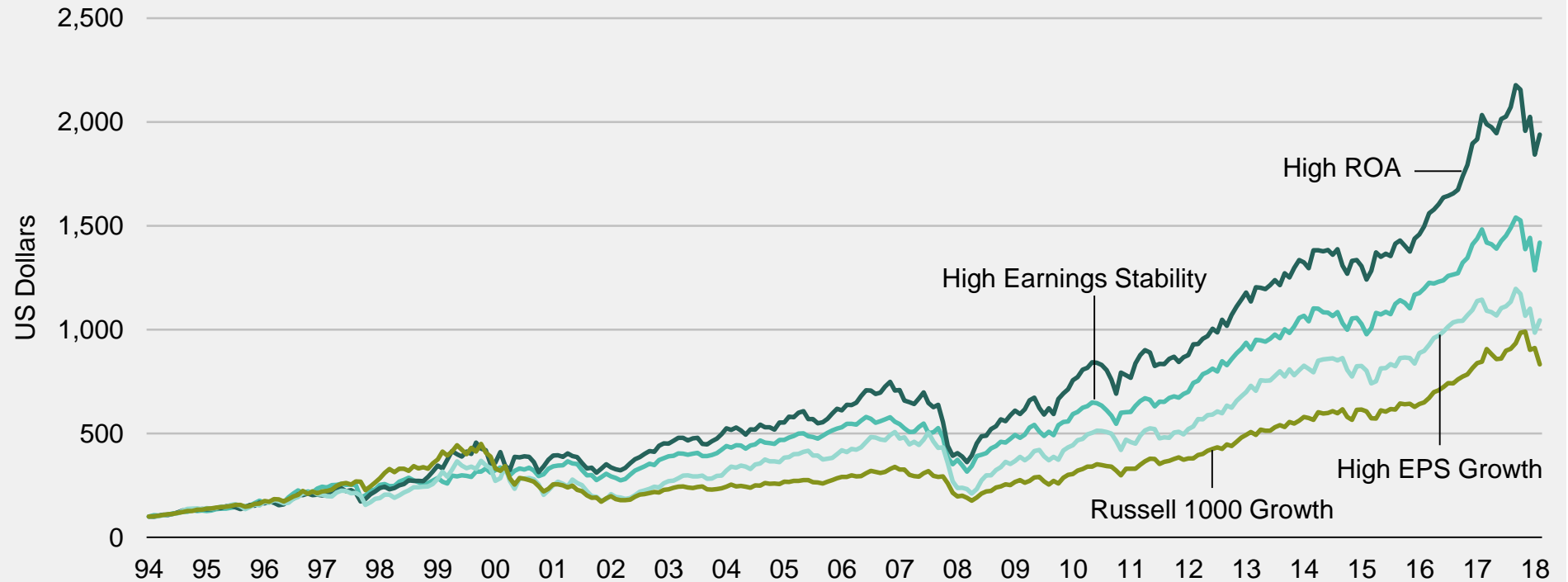
Source: AB



In Uncertain Environments, Emphasize High Profitability and Stability

Companies with High Return on Assets and Earnings Stability Historically Outperform over the Long Term

Growth of \$100



Past performance does not guarantee future results.

Based on the Russell 1000 Growth universe, indexed to 100 on November 30, 1994. Returns shown are for the 20% of stocks in the universe with the highest ROA, lowest earnings variability (earnings stability) and the highest EPS growth over trailing years.

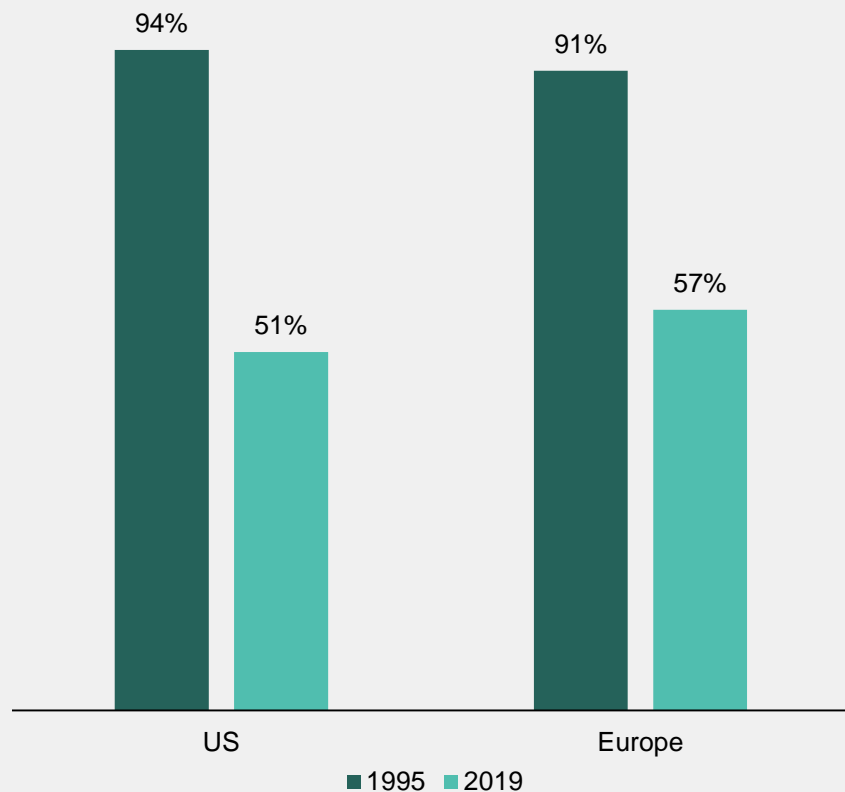
Through 31 December 2018

Source: Russell Investments and AB

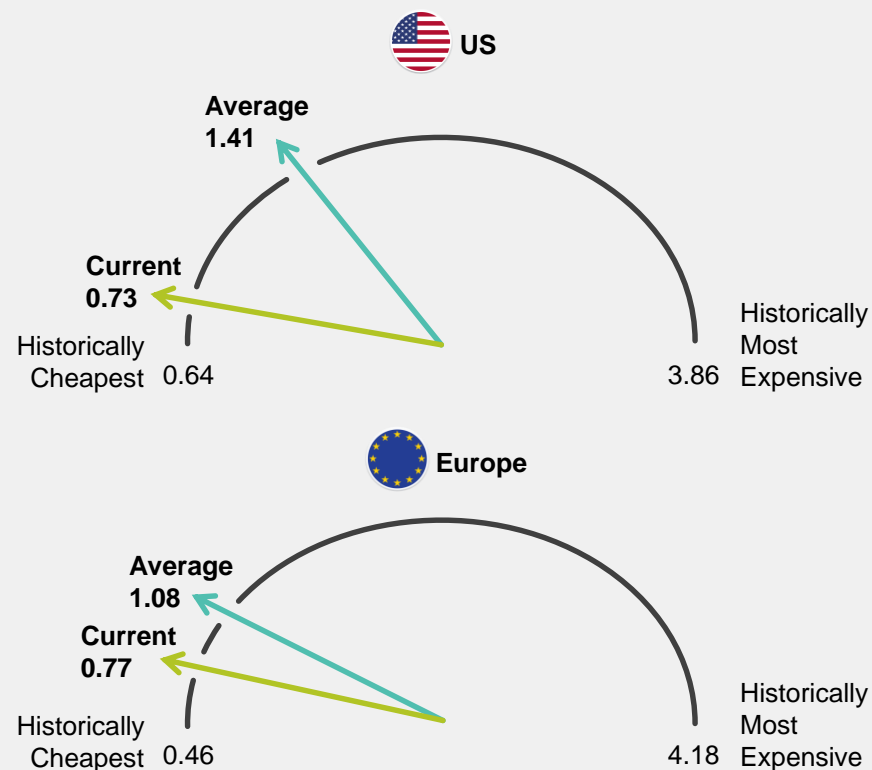


Financial Strength: Harder to Come By, but Not Expensive

The Number of Companies with High-Rated Debt Has Plunged



Relative Valuations of Companies with Good Credit Ratings Are Trading at a Meaningful Discount
P/B Ratios of Low-Debt Companies to High-Debt Companies



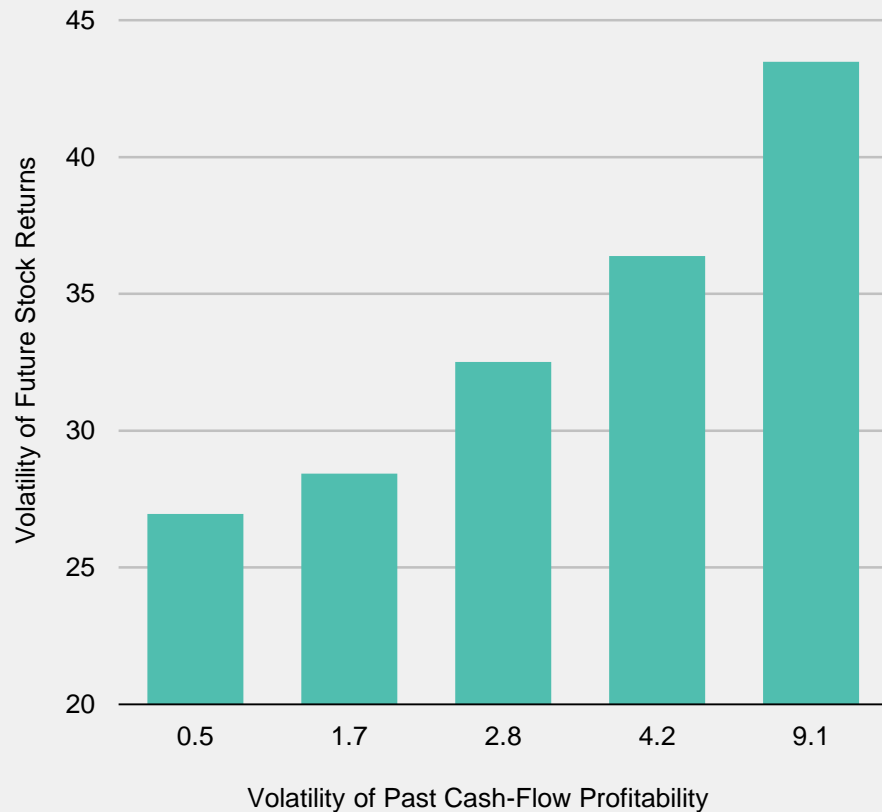
Historical analysis does not guarantee future results. AB defines credit-ratings classes based on Moody's credit ratings. Issuers with ratings of A3 or above are classified as high-rated issuers and those with ratings below A3 are classified as low-rated. The split by ratings is shown as a proportion of companies for which we can obtain credit ratings. AB defines leverage as the ratio of net debt to equity at a company. The minimum, maximum and average P/B ratios are calculated from monthly data over the past 22 years.

As of 31 January 2019

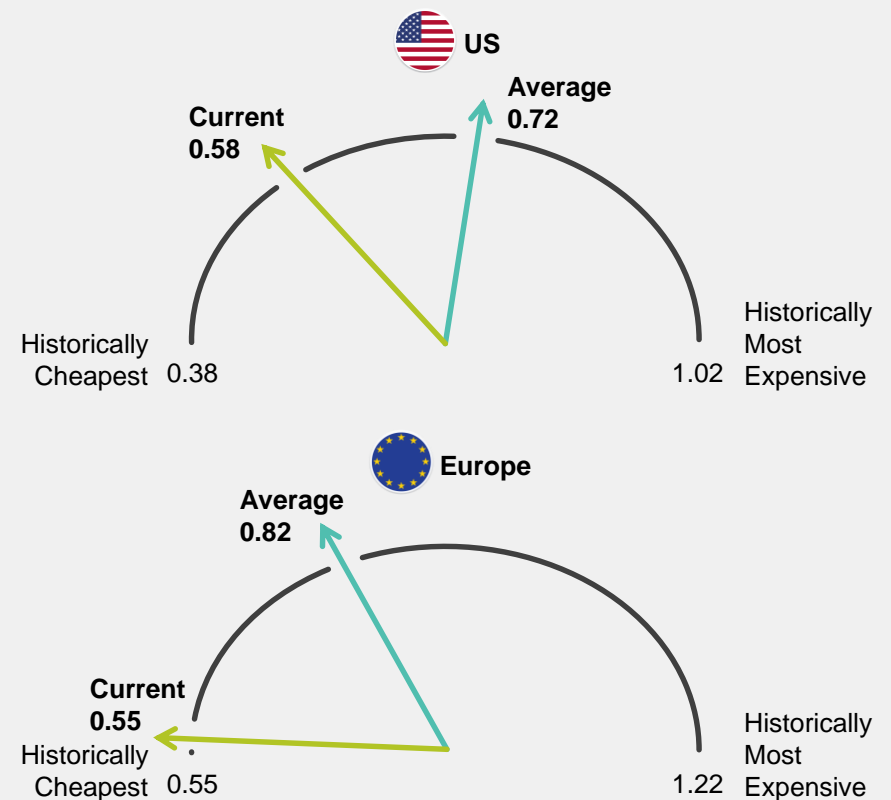
Source: Bernstein Research, FactSet, Moody's Investors Service and Thomson Reuters I/B/E/S

Steady Cash Flow Is Desirable, and High Free Cash Flow Is on Sale

Company Cash-Flow Profit Volatility Since 1990 Is Directly Related to Future Stock-Price Volatility (Percent)



12-Month Forward P/E of High Free-Cash-Flow Yield Stocks to Low Free-Cash-Flow Yield Stocks



Historical analysis does not guarantee future results. Future stock return volatility is measured as the standard deviation of absolute monthly returns, over the next two years, annualized, with group averages reported. Volatility of cash-flow profitability is measured by cash flow/assets standard deviation over the past three years. Stocks are grouped according to their past cash-flow profitability and future return volatility. Universe is US large-caps excluding financials. Returns from CRSP, financial data from S&P Compustat, for 1 January 1990, through 31 December 2018.

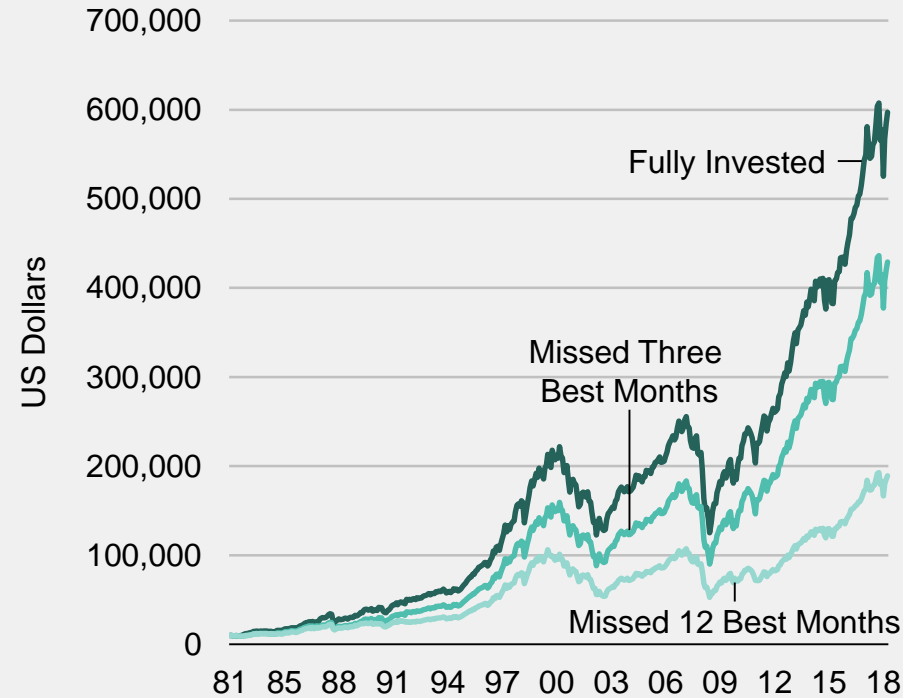
Left display as of 31 December 2018; right display as of 28 February 2019

Source: Bernstein Research, Center for Research in Security Prices (CRSP), FactSet, MSCI, S&P Compustat and AB

Remain Invested and Focus on Downside Protection

In It to Win It: A Proof Statement...

S&P 500: Hypothetical Growth of \$10,000



...but Beware of Drawdowns

Underwater Drawdown

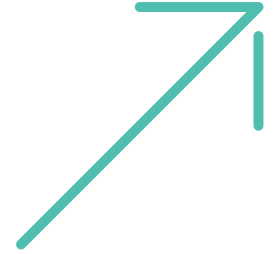


Past performance does not guarantee future results.

Long/short managers represented by the HFRI Equity Hedge, which represents the performance of fundamental growth, fundamental value, energy/basic materials, equity-market neutral, technology/healthcare, quantitative directional, short-bias and other hedge-fund managers. Index cited for comparison only, and should not be understood to mean that there is a correlation between the index and the Fund. An index does not reflect fees and expenses associated with active management and an investor generally cannot invest in an index.

Left display through 31 March 2019; right display is from 31 January, 2000, through 31 March 2019.

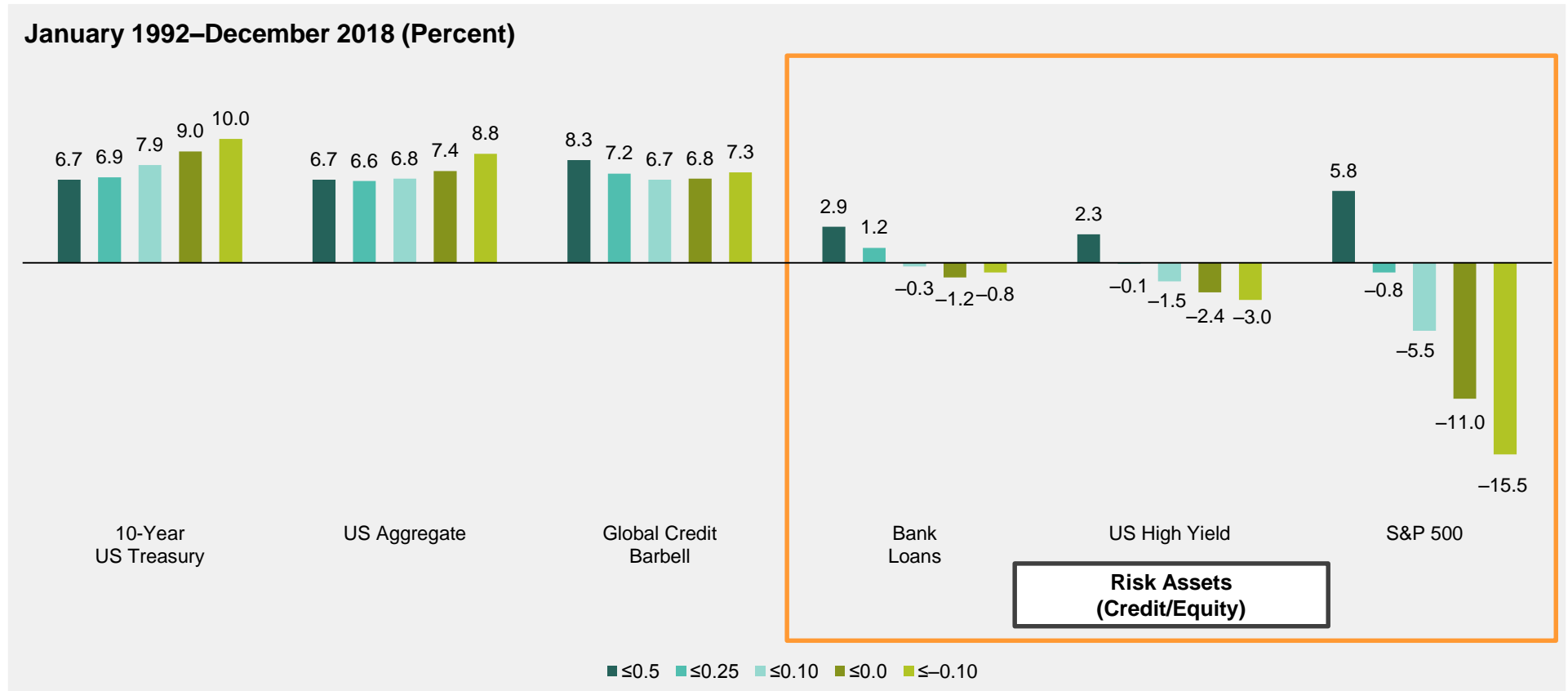
Source: Hedge Fund Research, S&P and AB



APPENDIX

Interest Rate–Sensitive Assets Outperform When the Curve Flattens

Annualized 24-Month Forward Returns Based on Treasury Curve Slope: 10-Yr. YTW Minus 2-Yr. YTW



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10-year US Treasury is represented by Bloomberg Barclays 10-Year US Treasury Bellwether; US aggregate by Bloomberg Barclays US Aggregate Bond; Global credit barbell is a hypothetical risk-weighted portfolio made up of 65% Bloomberg Barclays US Treasury and 35% Bloomberg Barclays Global High-Yield and leveraged 30%; and US high yield by Bloomberg Barclays US Corporate High-Yield.

As of 31 December 2018

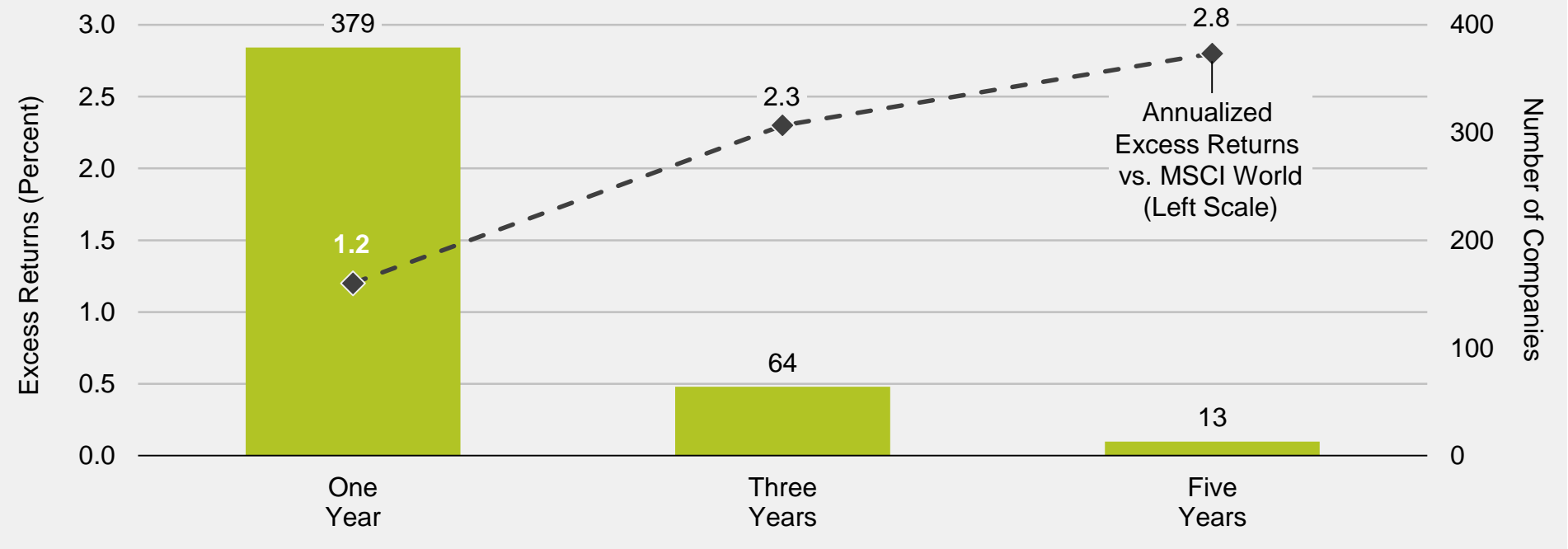
Source: Bloomberg Barclays, Credit Suisse, Morningstar Direct, S&P and AB



Growth Investing: Identify Companies with High and Enduring Earnings

Key to Successful Growth Investing: Beating the Fade

Companies Persisting with $\geq 10\%$ YoY Earnings Growth Rates: Top 1,000 Global Companies (1979–2018)



Historical analysis does not guarantee future results.

Universe consists of the top 1,000 companies by market cap each year through 2018 with annual rebalancing.

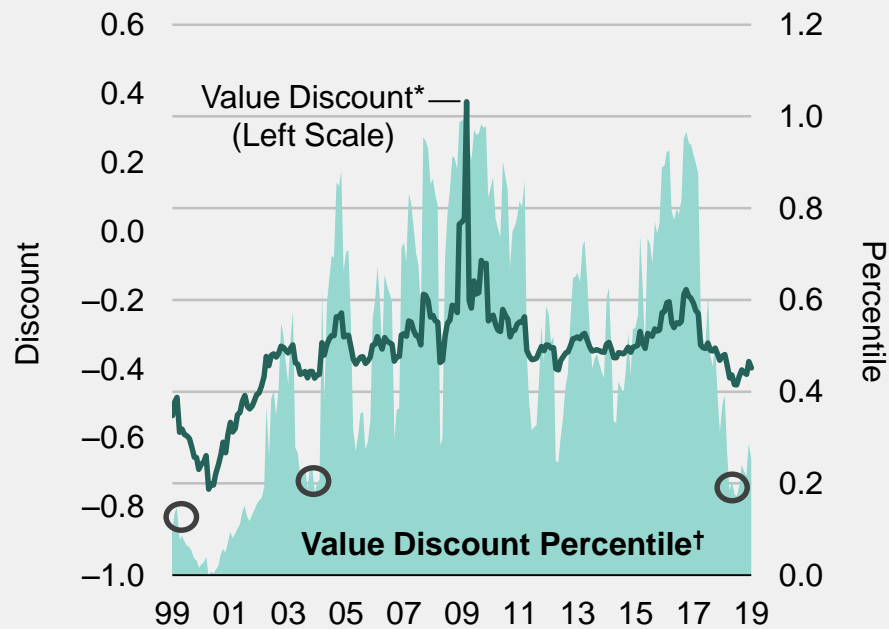
As of 31 December 2018

Source: CRSP, FactSet, MSCI, S&P Compustat and AB

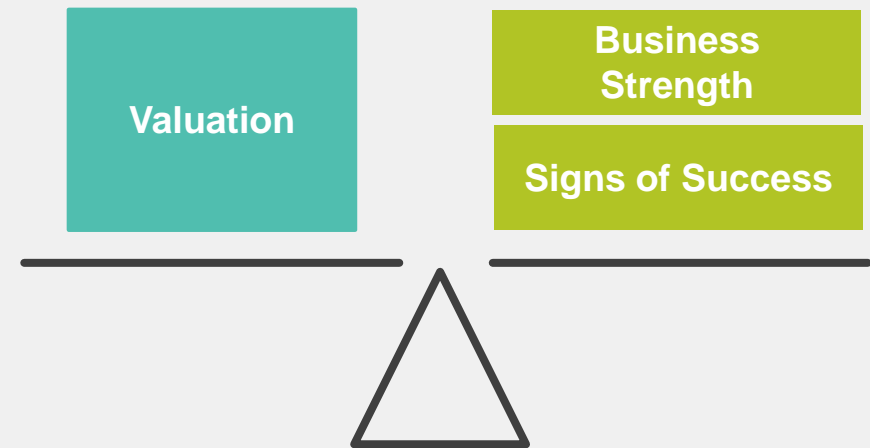


Value Stocks at Provocative Lows; Focus on Strong Business Models

Russell 1000 Value vs. Russell 1000 Growth
Value Discount



Companies in Control of Their Own Destinies Through Management Actions, Not Economic Cycles



- + Attractively valued: e.g., high free-cash-flow yield
- + Financially strong: ability to endure unexpected headwinds
- + Signs of success: e.g., improving sales and earnings

Historical analysis does not guarantee future results.

*Based on the equal-weighted average of price/forward earnings, price/sales and price/cash flow

†Historical percentile ranks based on data from January 1, 1999, through 31 January 2019

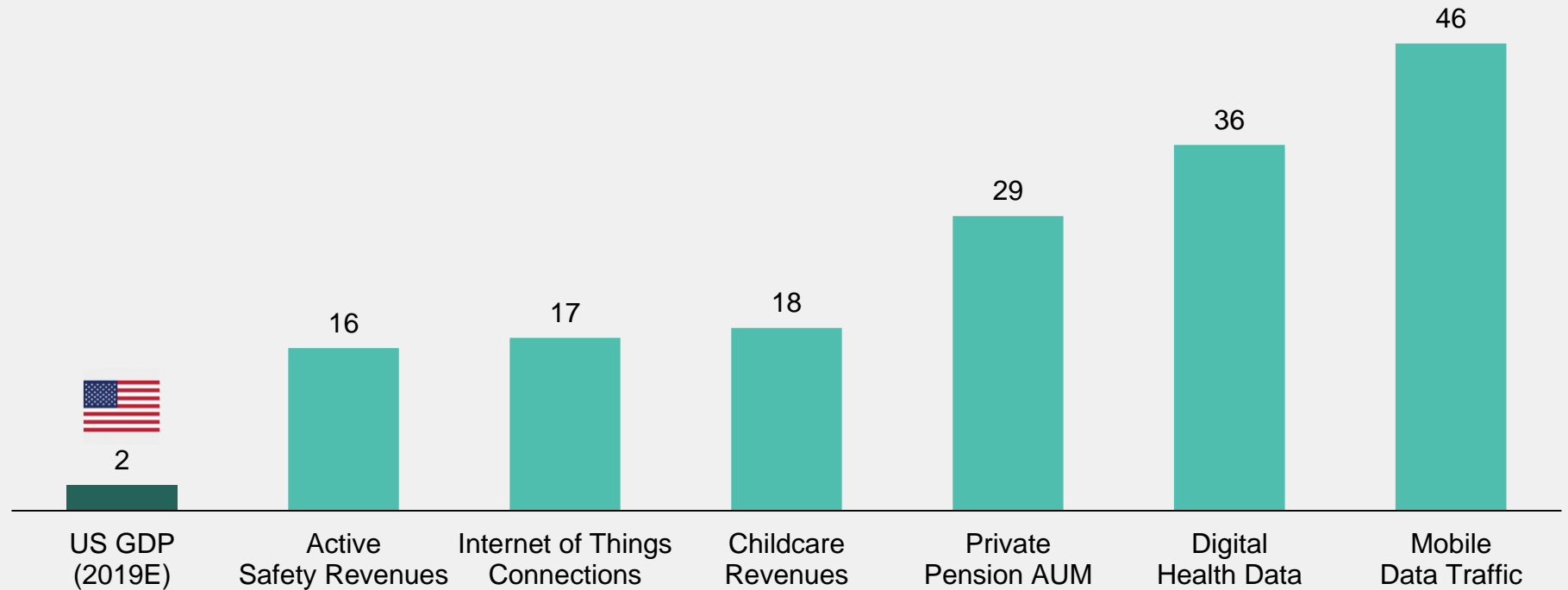
As of 31 January 2019

Source: CRSP, FactSet, Russell Investments, S&P Compustat and AB



Growth Isn't Always About the Economy

A Thematic Approach Can Uncover Compelling Opportunities Compounded Annual Growth Rates (Percent)



Historical analysis does not guarantee future results.

US GDP estimate from AB economists as of 31 December 2018. Theme growth uses a representative holding. Active safety revenues 2017–2025, Internet of Things connections 2018–2024, childcare revenues 2018–2022, private pension AUM 2017–2025, digital health data 2018–2025 and mobile data traffic 2017–2025

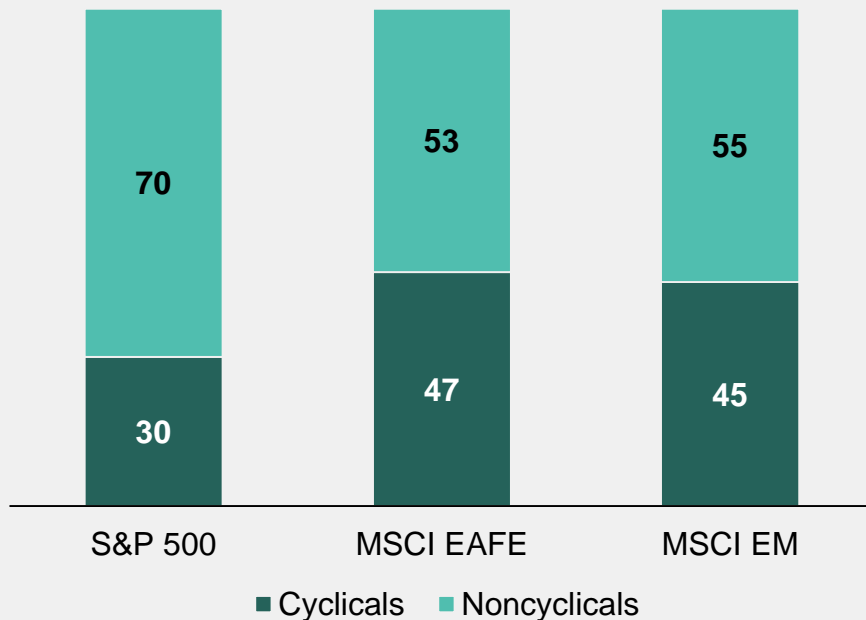
As of 31 December 2018

Source: Cisco Systems, Citigroup, Ericsson, IDC, OECD, Roland Berger, Statista and AB

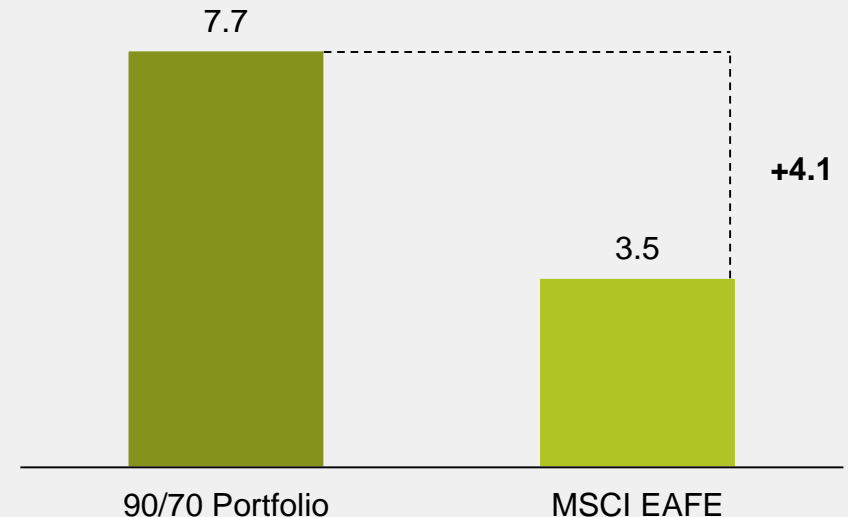
International Equities More Cyclical: Seek a Favorable Up/Down Capture

Non-US Indices

Higher Cyclical Content (Percent)



A Portfolio Targeting 90/70 Up/Down Capture Has Historically Outperformed the Market over the Long Term
20-Year Returns (Annualized, Percent)*



Historical analysis does not guarantee future results.

*For illustrative purposes only. Data are from 1 January 1999, through 31 December 2018. The 90/70 portfolio returns were calculated from monthly returns of the MSCI EAFE. For months where the MSCI EAFE had positive returns, 90% of the return was captured. For months where the MSCI EAFE had negative returns, 70% of the return was captured. Performance does not represent an actual account or portfolio, and as such, the performance is hypothetical. This illustration is not intended to provide a complete analysis regarding any or all of the variables that could affect any particular portfolio. There can be no assurance that an actual portfolio based on the hypothetical portfolio underlying the above illustration could be created or, if created, that it would achieve the results implied above or be profitable.

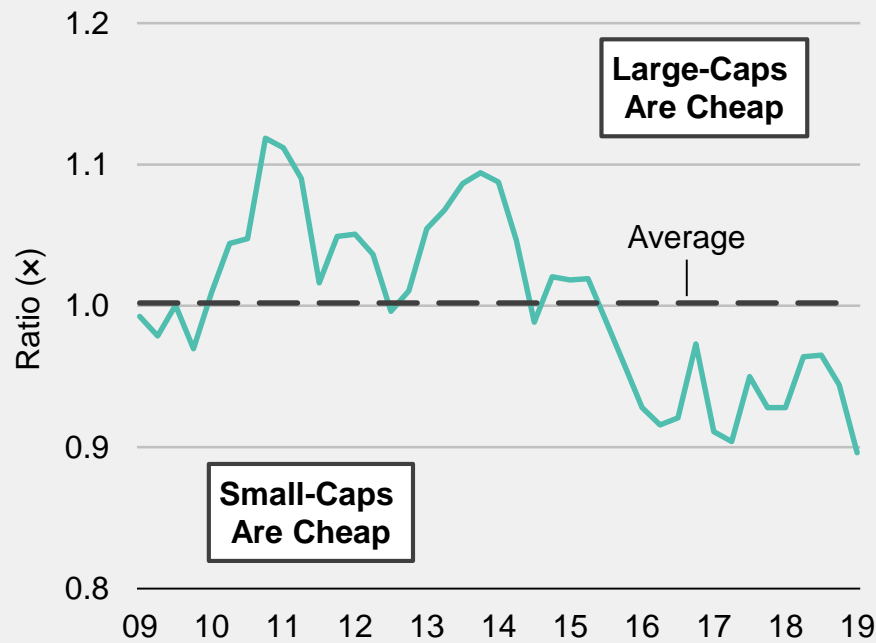
As of 31 December 2018

Source: Bloomberg, MSCI, S&P, Thomson Reuters, Worldscope and AB

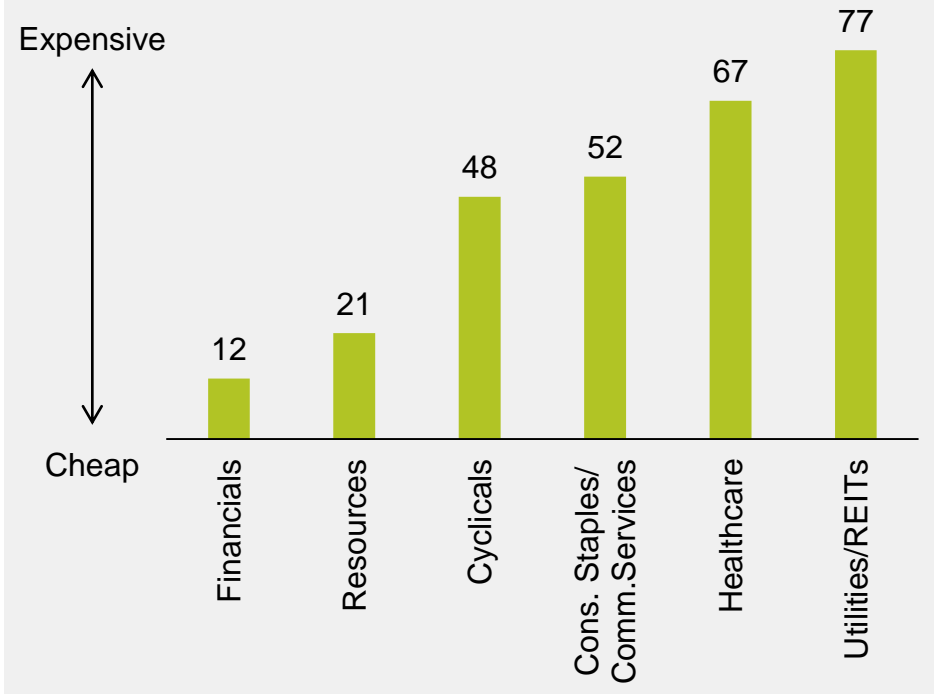


Smaller-Cap Stocks Remain Attractively Valued, but Be Selective

Smaller-Cap Stocks Are Less Expensive than Large-Caps
Relative Valuations (Russell 2000 vs. Russell 1000)*



Valuation Percentile Relative to Russell 2000
Historical Percentiles (Jan 1990–Mar 2019)



Past performance does not guarantee future results.

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.

*Valuation composite is one-third price/forward earnings, one-third price/book and one-third price/sales.

As of 31 March 2019

Source: Bloomberg, FactSet, Jefferies, Morningstar Direct, Russell Investments, S&P, Thomson Reuters I/B/E/S and AB



A Word About Risk

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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; includes treasury, government-related, corporate and securitized fixed-rate bonds from both developed- and emerging-market 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 2.)
- + **Bloomberg Barclays 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 Barclays 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 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 Bond Index. (Represents euro-area government bonds on slide 2.)
- + **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 Bond Index. (Represents Japan government bonds on slide 2.)
- + **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 Bond Index:** Represents the corporate component of the Bloomberg Barclays US High-Yield Index. (Represents US high yield on slide 2.)
- + **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 2.)

Index Definitions (continued)

- + **Credit Suisse Leveraged Loan Index:** Tracks the investable market of the U.S. 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 Event Driven Index:** Investment managers who maintain 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. Security types can range from most senior in the capital structure to most junior or subordinated, and frequently involve additional derivative securities. Event Driven exposure includes a combination of sensitivities to equity markets, credit markets and idiosyncratic, company-specific developments. Investment theses are typically predicated on fundamental characteristics (as opposed to quantitative), with the realization of the thesis predicated on a specific development exogenous to the existing capital structure.
- + **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.
- + **HFRI Fund Weighted Composite Index:** A global, equal-weighted index of more than 2,000 single-manager funds that report to HFR Database. Constituent funds report monthly performance net of all fees in US dollars and have a minimum of \$50 million under management or 12-month track record of active performance.
- + **HFRI Macro:** Investment Managers which trade a broad range of strategies in which the investment process is predicated on movements in underlying economic variables and the impact these have on equity, fixed income, hard currency and commodity markets. Managers employ a variety of techniques, both discretionary and systematic analysis, combinations of top down and bottom up theses, quantitative and fundamental approaches and long and short term holding periods. Although some strategies employ RV techniques, Macro strategies are distinct from RV strategies in that the primary investment thesis is predicated on predicted or future movements in the underlying instruments, rather than realization of a valuation discrepancy between securities. In a similar way, while both Macro and equity hedge managers may hold equity securities, the overriding investment thesis is predicated on the impact movements in underlying macroeconomic variables may have on security prices, as opposed to EH, in which the fundamental characteristics on the company are the most significant are integral to investment thesis.
- + **HFRI Relative Value:** Investment Managers who maintain positions in which the investment thesis is predicated on realization of a valuation discrepancy in the relationship between multiple securities. Managers employ a variety of fundamental and quantitative techniques to establish investment theses, and security types range broadly across equity, fixed income, derivative or other security types. Fixed income strategies are typically quantitatively driven to measure the existing relationship between instruments and, in some cases, identify attractive positions in which the risk adjusted spread between these instruments represents an attractive opportunity for the investment manager. RV position may be involved in corporate transactions also, but as opposed to ED exposures, the investment thesis is predicated on realization of a pricing discrepancy between related securities, as opposed to the outcome of the corporate transaction.
- + **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.

Index Definitions (continued)

- + **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.)
- + **J.P. Morgan Emerging Markets Currency Index:** Tracks 10 EM FX spot rates versus the US dollar.
- + **J.P. Morgan Government Bond-Emerging Markets Global Diversified Index:** A comprehensive global emerging-market index of local government bond debt. To qualify, a country's gross national income (GNI) per capita must be below the GNI per capita level that is adjusted yearly by the growth rate of the world GNI per capita, provided by the World Bank, for three consecutive years.
- + **MSCI All Country World Index:** A market capitalization weighted index designed to provide a broad measure of equity-market performance throughout the world.
- + **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 Index:** Represents the performance of large and mid-cap equities across 15 developed countries in Europe. (Represents Europe on slide 2.)
- + **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. (Represents Japan on slide 2.)
- + **MSCI World Index:** A market capitalization-weighted index that measures the performance of stock markets in 24 countries. (Represents World on slide 2.)
- + **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.
- + **S&P 500 Index:** Includes a representative sample of 500 leading companies in leading industries of the US economy. (Represents US on slide 2.)

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