



ALLIANCEBERNSTEIN®

Third Quarter 2020

GLOBAL CAPITAL MARKETS OUTLOOK

THE CRITICAL QUESTION: WILL THE BRIDGE TO THE OTHER SIDE OF THE VIRUS HOLD?

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.

2Q 2020 Returns Recap: S&P Posts Biggest Quarterly Gain Since 1998

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 Index Definitions in the Appendix).

As of 30 June 2020

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



Redux: The Initial COVID-19 Game Plan

**Flatten the Curve Part 1:
Slow the Spread & Arm the Frontlines**

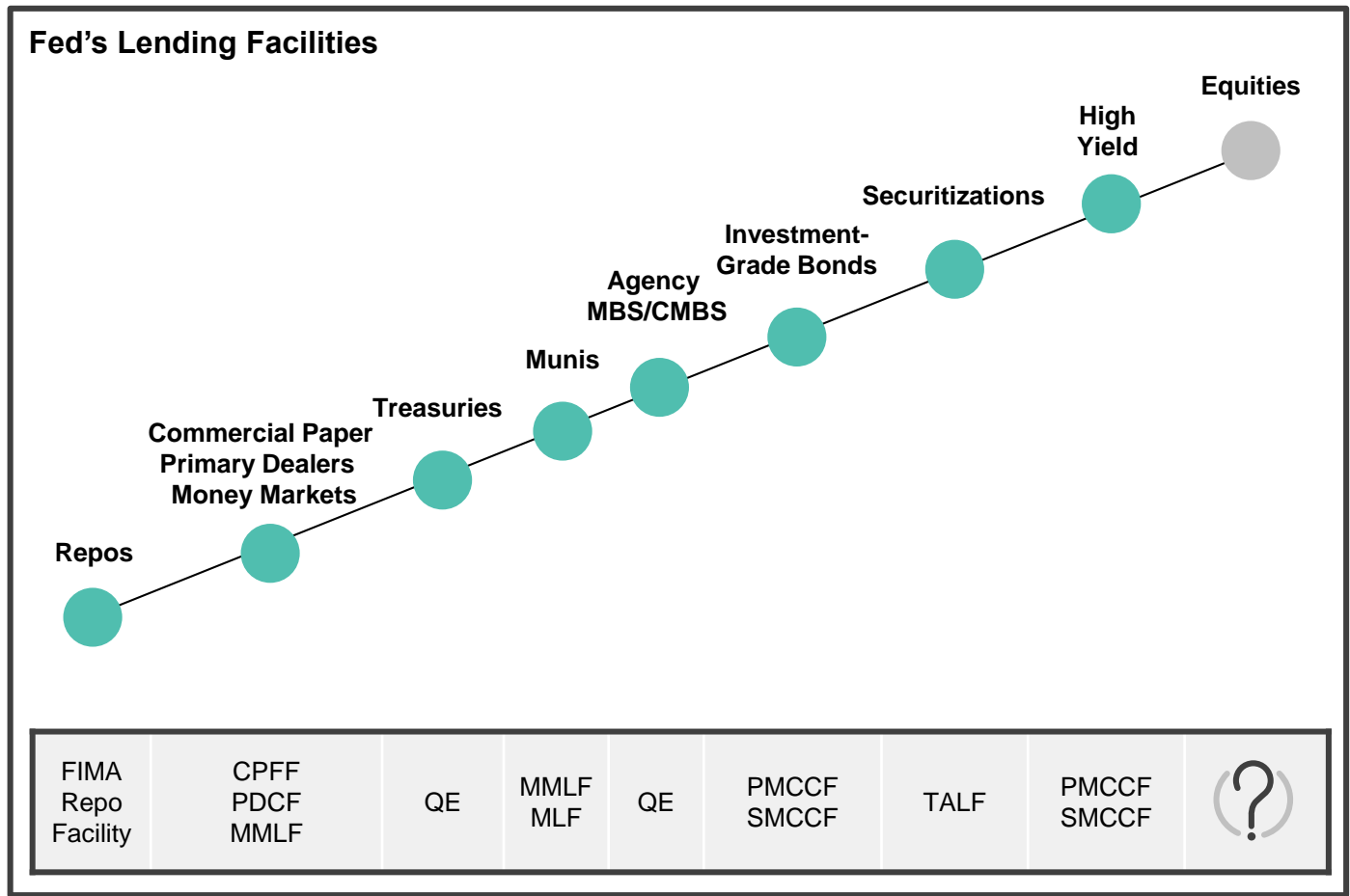
- + Social Distancing
- + Fiscal Policy Support + Medical
- + Private Sector Support + Medical
- + Trials for Vaccines & Treatments

**Flatten the Curve Part 2:
Backstop “Victims” of Social Distancing**

- + Backstop Businesses
- + Backstop Incomes
- + Employee Benefits

**Flatten the Curve Part 3:
Dust Off '08 Playbook + Provide Liquidity**

- + Rates to Remain at Zero Bound
- + Quantitative Easing
- + Fed’s Lending Facilities



Analysis provided for illustrative purposes only and is subject to revision.

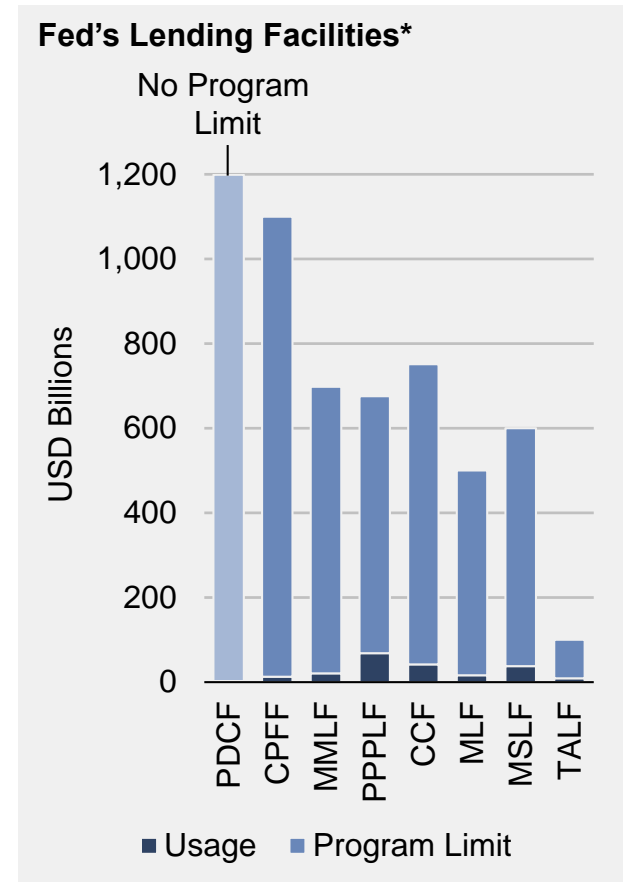
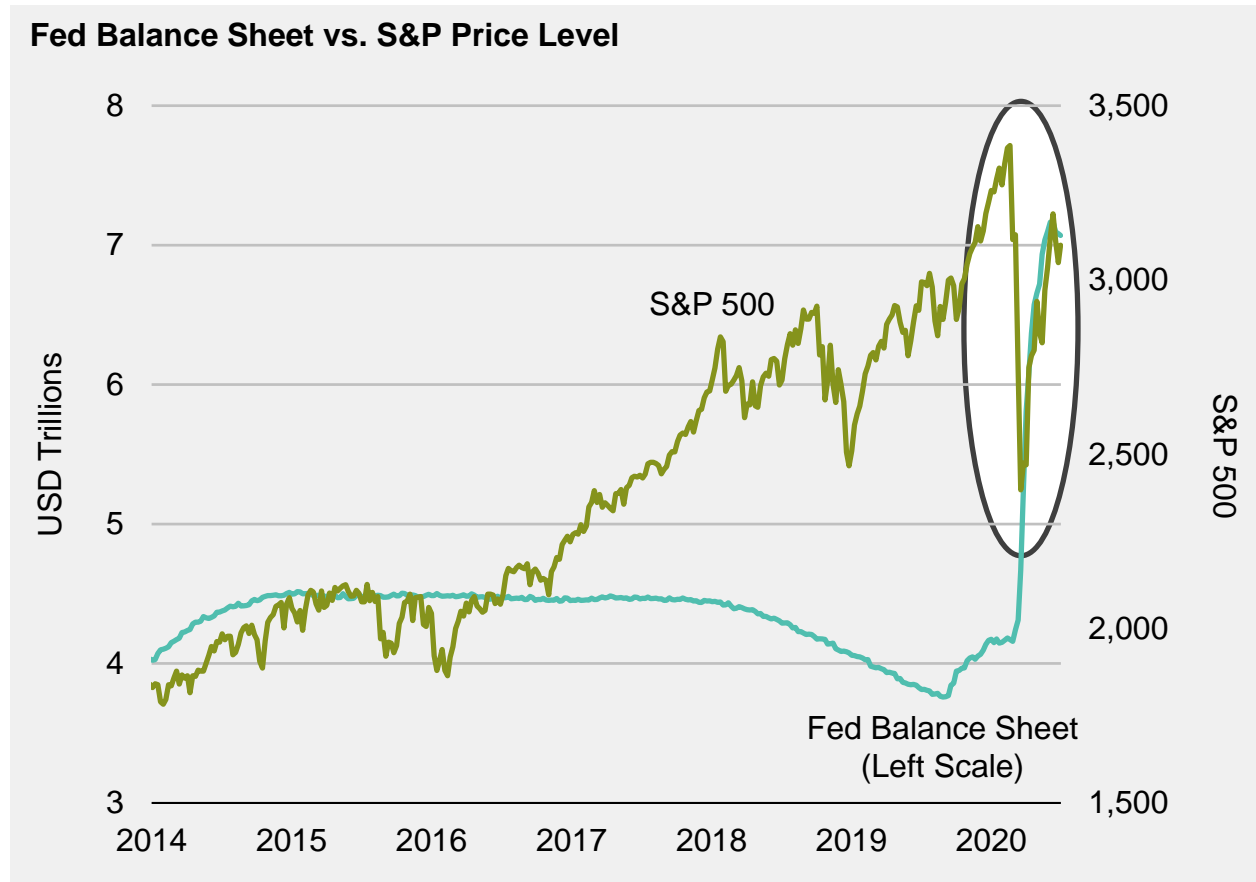
MBS/CMBS: mortgage-backed securities/commercial mortgage-backed securities; Commercial Paper Funding Facility (CPFF); Primary Dealer Credit Facility (PDCF); Money Market Mutual Fund Liquidity Facility (MMLF); Quantitative Easing (QE); Municipal Liquidity Facility (MLF); Primary Market Corporate Credit Facility (PMCCF); Secondary Market Corporate Credit Facility (SMCCF); Term Asset-Backed Securities Loan Facility (TALF)

As of 30 June 2020

Source: US Federal Reserve and AB



The Federal Reserve's Massive (and Fast) Reaction...



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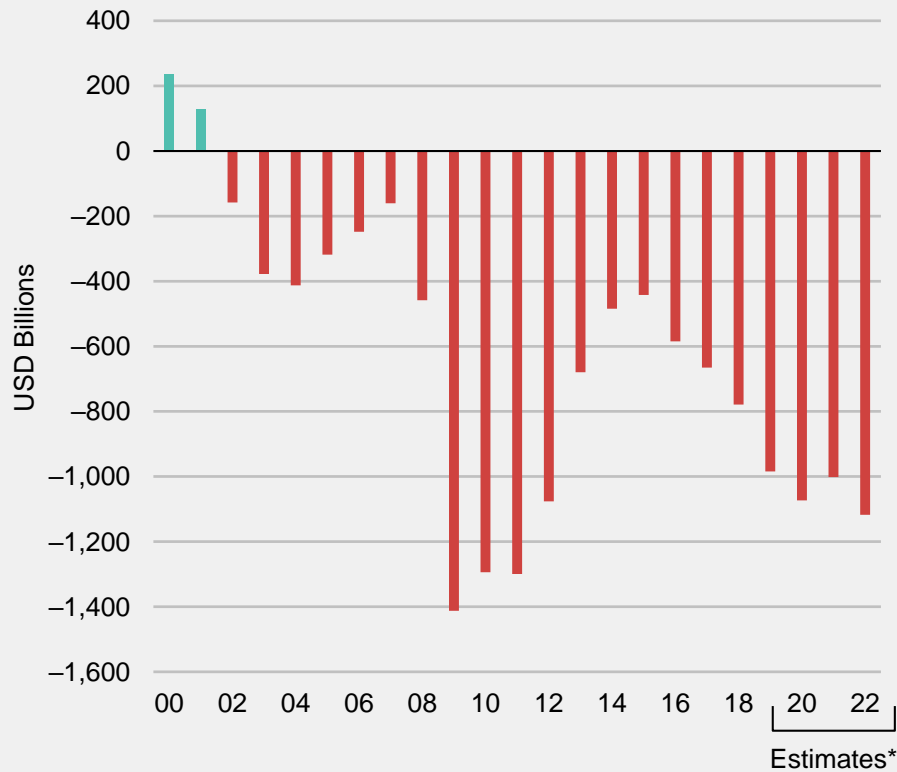
*The Fed's reported figures for certain usage of facilities include cash infusions from the US Department of Treasury that are earmarked to help set up the facilities.

Paycheck Protection Program Liquidity Facility (PPPLF), Corporate Credit Facilities (CCF: Includes Primary Market Corporate Credit Facility [PMCCF] and Secondary Market Corporate Credit Facility [SMCCF]), Municipal Liquidity Facility (MLF), Main Street Facilities (MSLF: Includes Main Street New Loan Facility [MSNLF], Main Street Priority Loan Facility [MSPLF], and Main Street Expanded Loan Facility [MSELF])

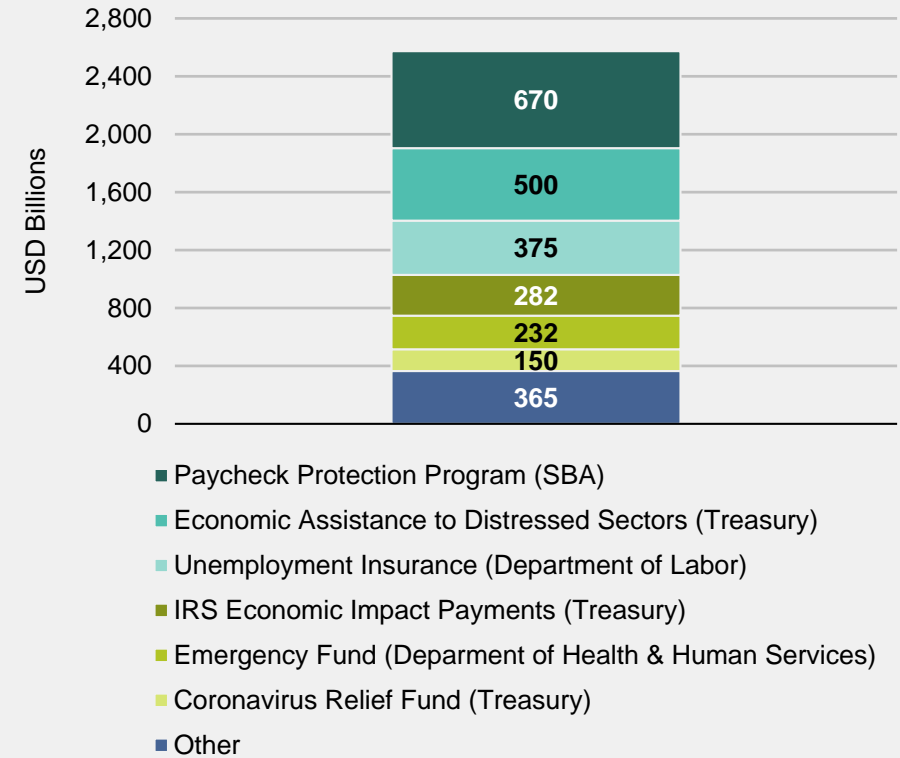
As of 30 June 2020. Source: Bloomberg, Federal Reserve Bank of St. Louis, S&P, US Federal Reserve and AB

...Was Joined at the Hip to a Historically Large Fiscal Response

US Deficit/Surplus



Fiscal Response to COVID-19 Totalling over \$2.5 Trillion



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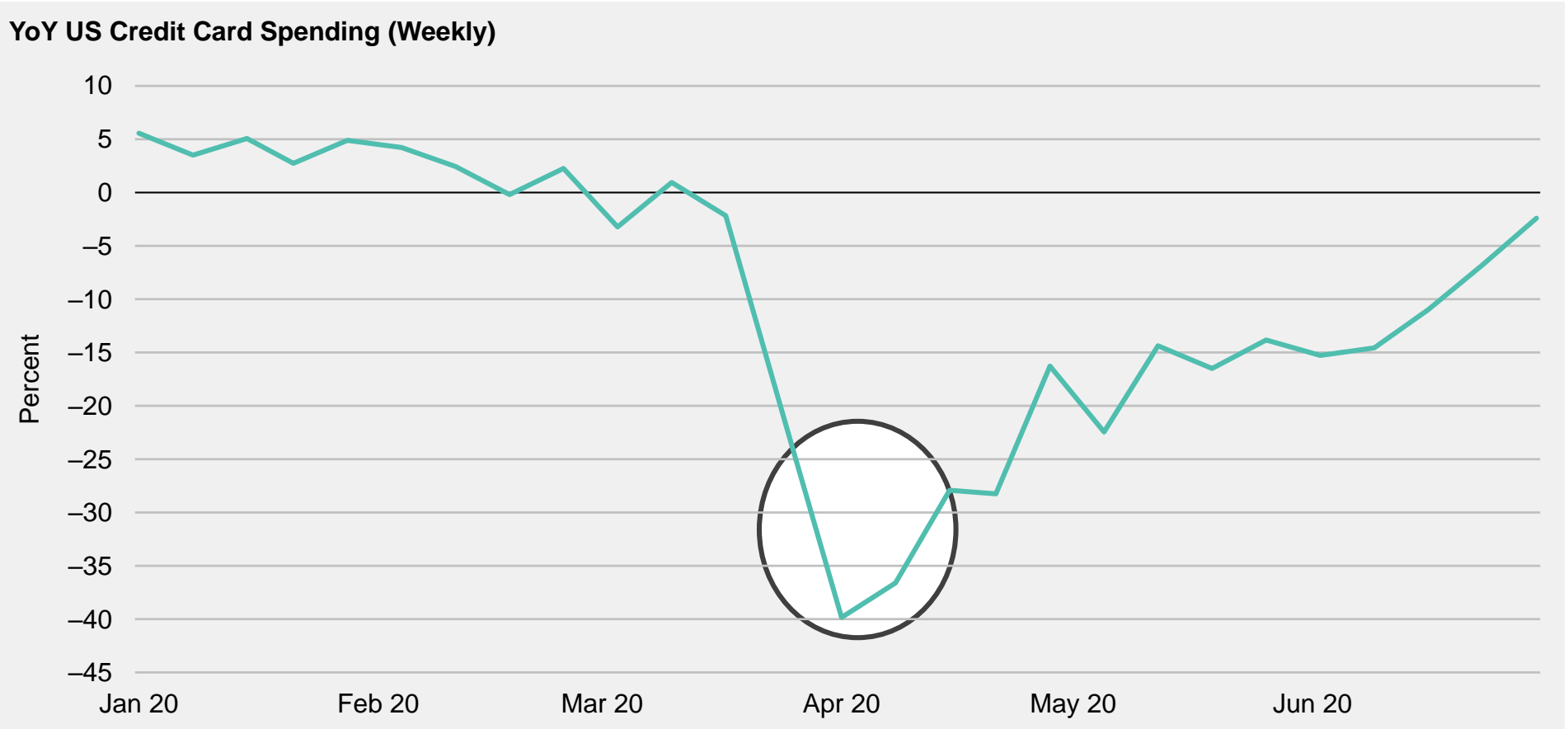
Budget estimates/projections as of 31 March 2020

Left display as of 30 June 2020; right display as of 31 May 2020

Source: Bloomberg, Congressional Budget Office, US Department of the Treasury, US Government Accountability Office and AB



Fiscal Support Provided Consumption Boost to a Largely Shut-Down Economy



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As of 30 June 2020

Source: MScience and AB

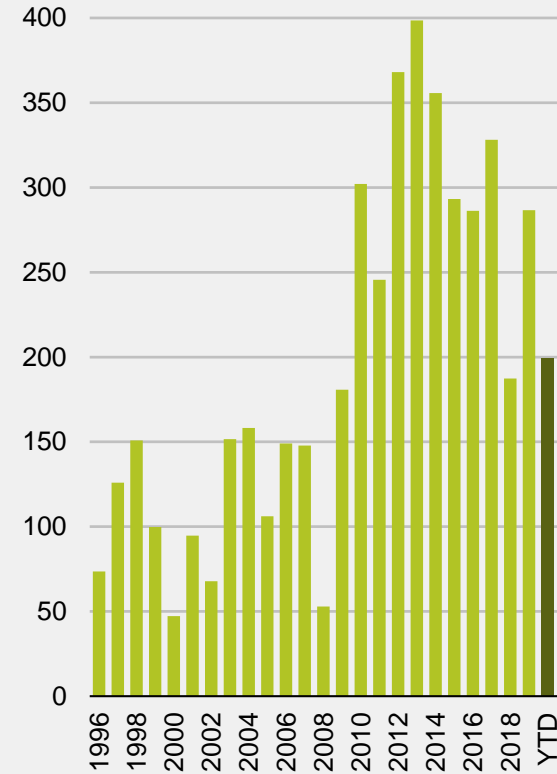


The Joint Response Stabilized Markets and Powered a Rapid Recovery...

High-Yield Spreads (Percent)



US High Yield: New Issuance Up ~80% YTD (USD Billions)



S&P 500 and Nasdaq



Historical analysis and current forecasts do not guarantee future results.

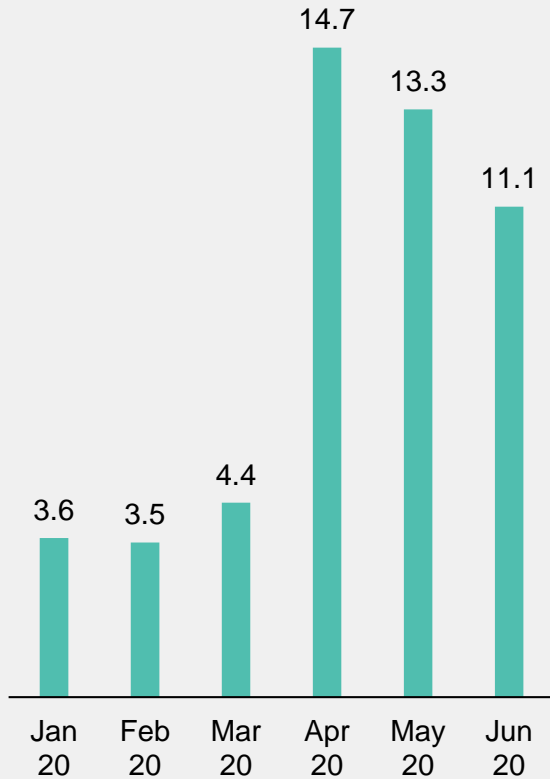
Through 30 June 2020

Source: Bloomberg, Federal Reserve Bank of St. Louis, J.P. Morgan, S&P Global Marketplace Intelligence and AB

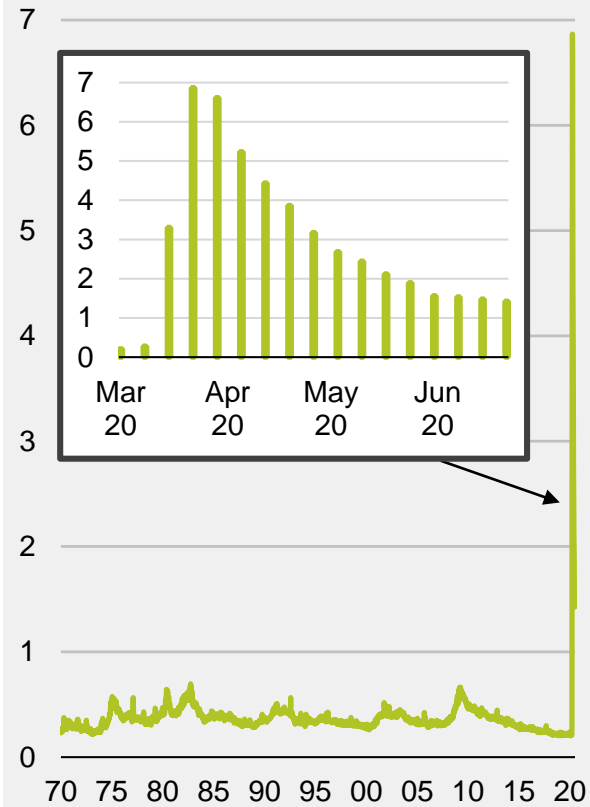


...as Well as Stemming the Labor Collapse

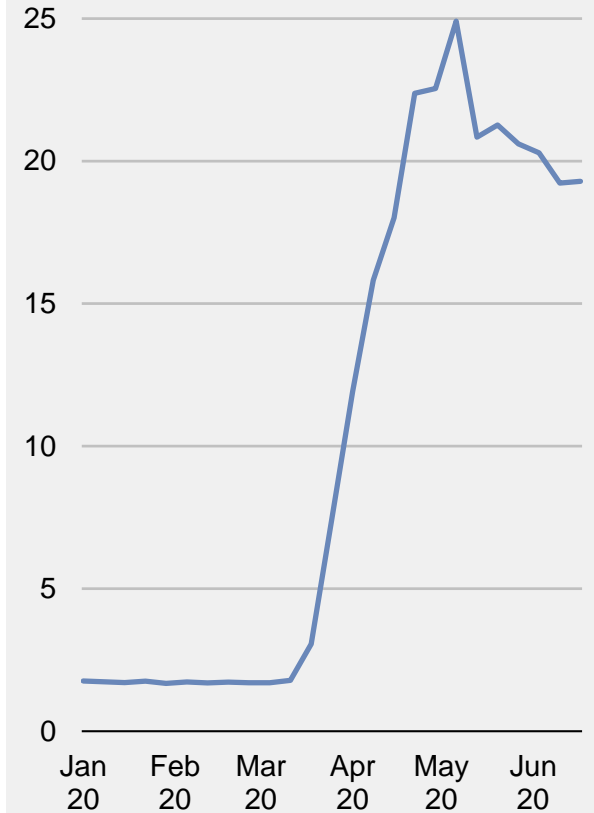
US Unemployment Rate (Percent)



Weekly Jobless Claims (Millions)



US Continuing Claims (Millions)



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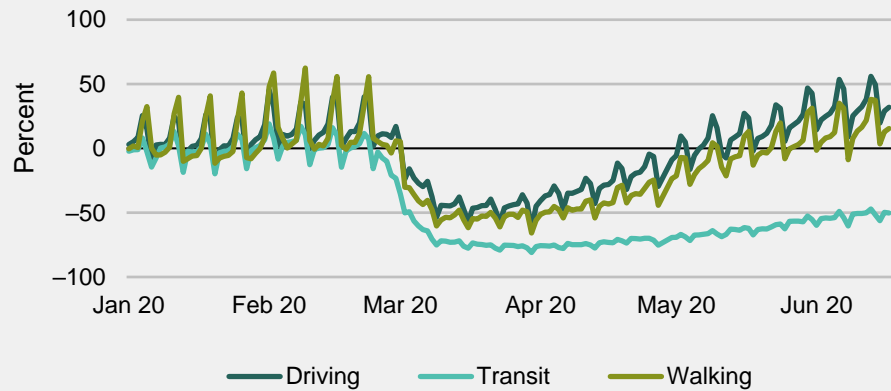
As of 30 June 2020

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

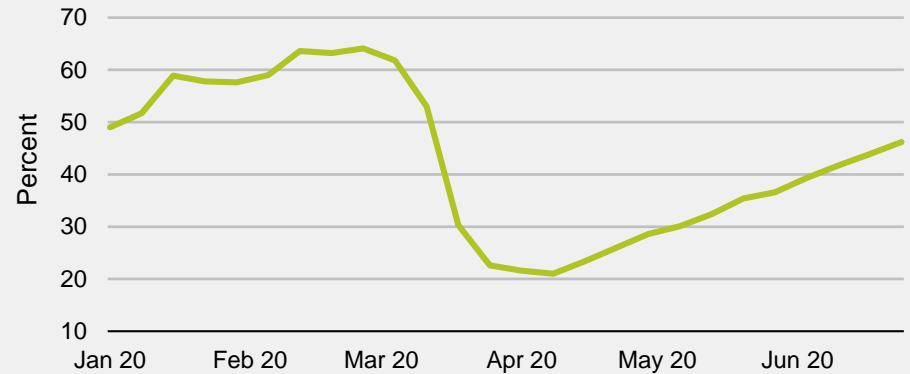


High-Frequency Data Captured the Economic Greenshoots of Reopenings

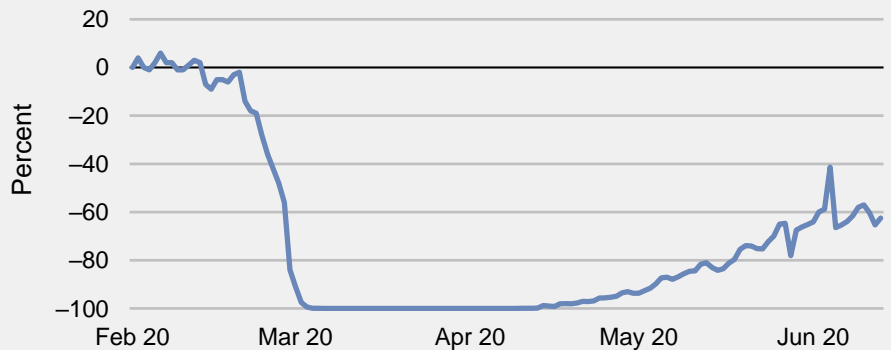
Change in Requests for Apple Map Directions (vs. 13/1/20)



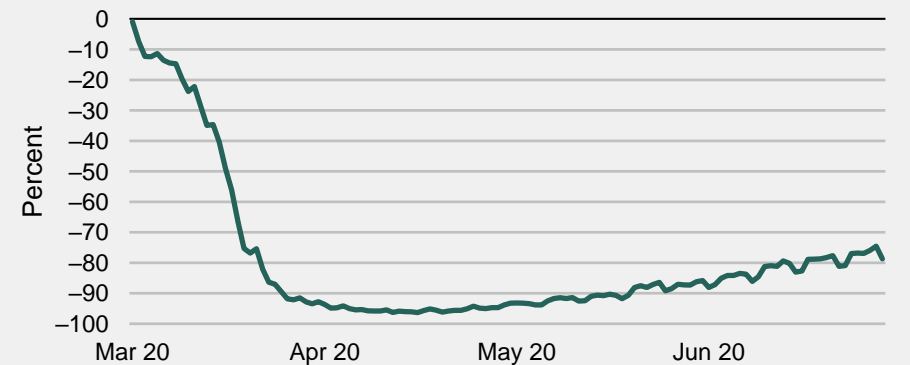
US Hotel Occupancy Rate (Weekly)



YoY Change in Seated Diners at US Restaurants (via OpenTable)



YoY Change in Daily Travelers Through TSA



Analysis provided for illustrative purposes only and is subject to revision.

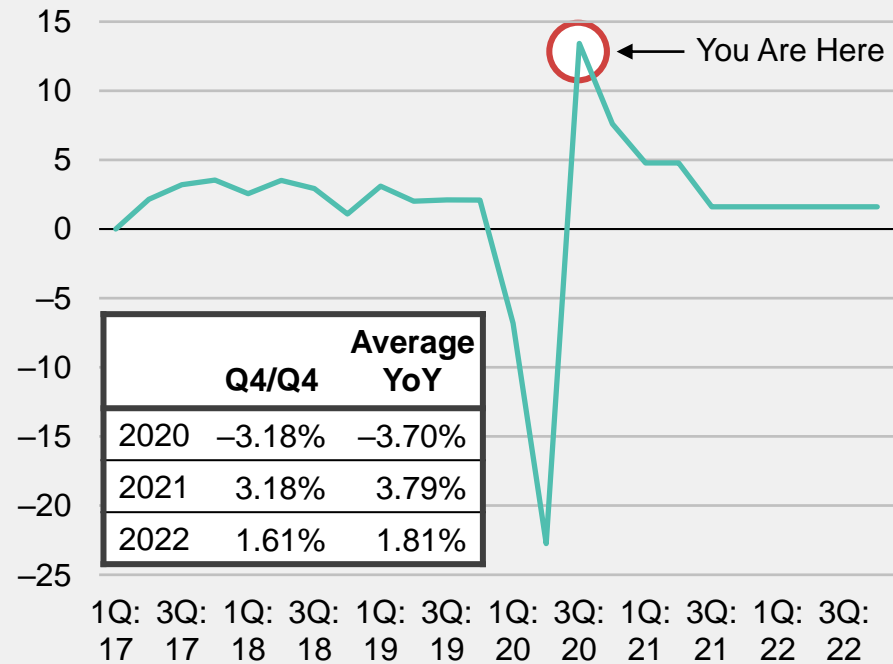
As of 30 June 2020

Source: Apple, CNBC, OpenTable, STR, Transportation Security Administration and AB

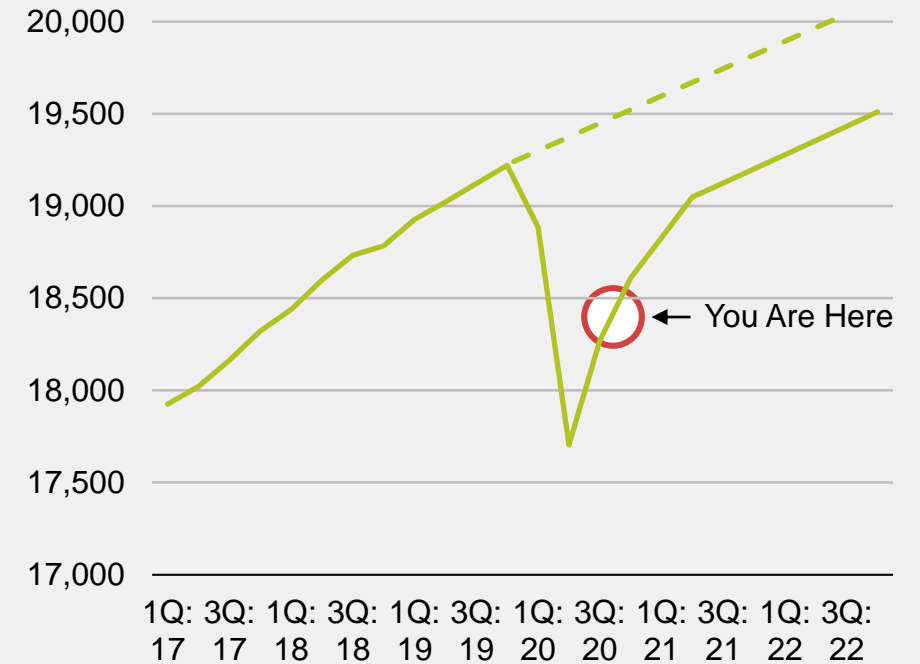


And Along with Monetary/Fiscal Policy, Reduced the Expected Economic Hit

US GDP (QoQ Annualized)



US GDP (USD Billions)



Historical analysis and current forecasts do not guarantee future results.

As of 30 June 2020

Source: AB



Macro Summary

Global Growth Sharply Lower, but Better than Initial Estimates

AB Global Economic Forecast: July 2020

	Real Growth (Percent)		Inflation (Percent)		Official Rates (Percent)		Long Rates (Percent)	
	20F	21F	20F	21F	20F	21F	20F	21F
Global	-4.7	5.0	1.7	2.6	1.51	1.43	1.53	1.81
Industrial Countries	-6.3	4.1	0.5	1.8	-0.07	-0.07	0.14	0.49
Emerging Countries	-2.1	6.4	3.6	3.7	3.97	3.73	3.74	3.88
US	-4.3	4.0	0.5	2.5	0.13	0.13	0.50	1.00
Euro Area	-10.0	5.0	0.5	1.2	-0.50	-0.50	-0.50	-0.25
UK	-10.0	3.5	0.8	1.8	0.10	0.10	0.15	0.50
Japan	-4.0	2.5	0.0	0.7	-0.10	-0.10	0.00	0.00
China	1.1	8.8	2.8	3.0	4.35	4.10	2.30	2.50

Historical analysis and current forecasts do not guarantee future results.

Growth and inflation forecasts are calendar-year averages. Interest rates are year-end forecasts. Real growth aggregates represent 48 country forecasts, not all of which are shown. Long rates are 10-year yields.

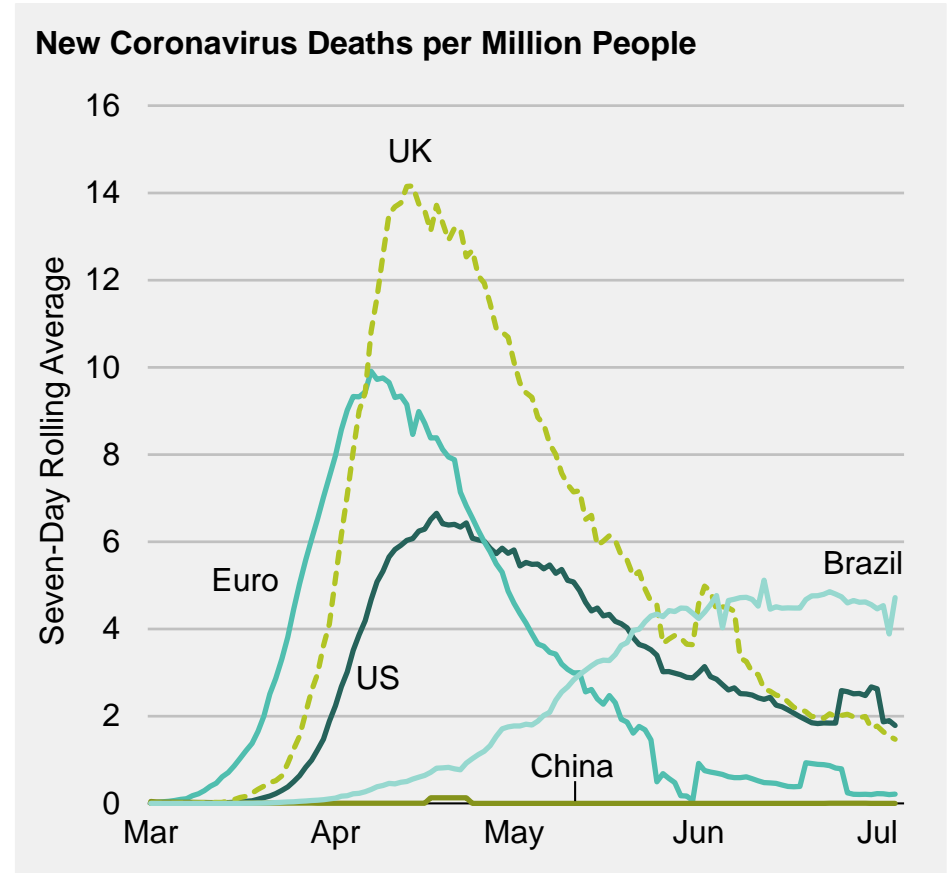
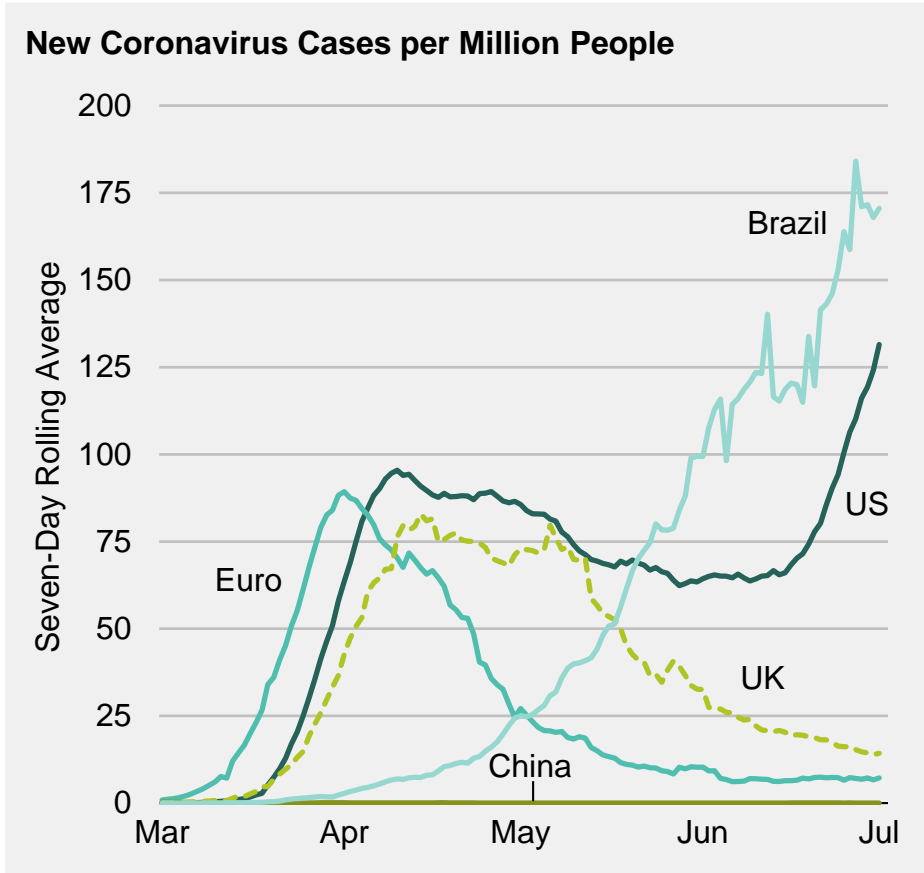
As of 1 July 2020

Source: AB



The Flipside of Rapid Reopenings

Will Rapidly Rising Cases Threaten the Recovery and the Medical System?



Analysis provided for illustrative purposes only and is subject to revision.

As of 30 June 2020

Source: Bloomberg and AB



The Critical Question

Dust Off '08
Playbook +
Provide Liquidity

Backstop
"Victims" of
Social Distancing

Slow the Spread
& Arm the
Frontlines



Will the Fiscal and Monetary Bridge Be Long Enough and Strong Enough to Get to the Other Side of the Virus?

Monetary: Rates Pinned at Zero and Significant Program Ammunition Remains

✓ Dust Off '08 Playbook + Provide Liquidity

Backstop "Victims" of Social Distancing

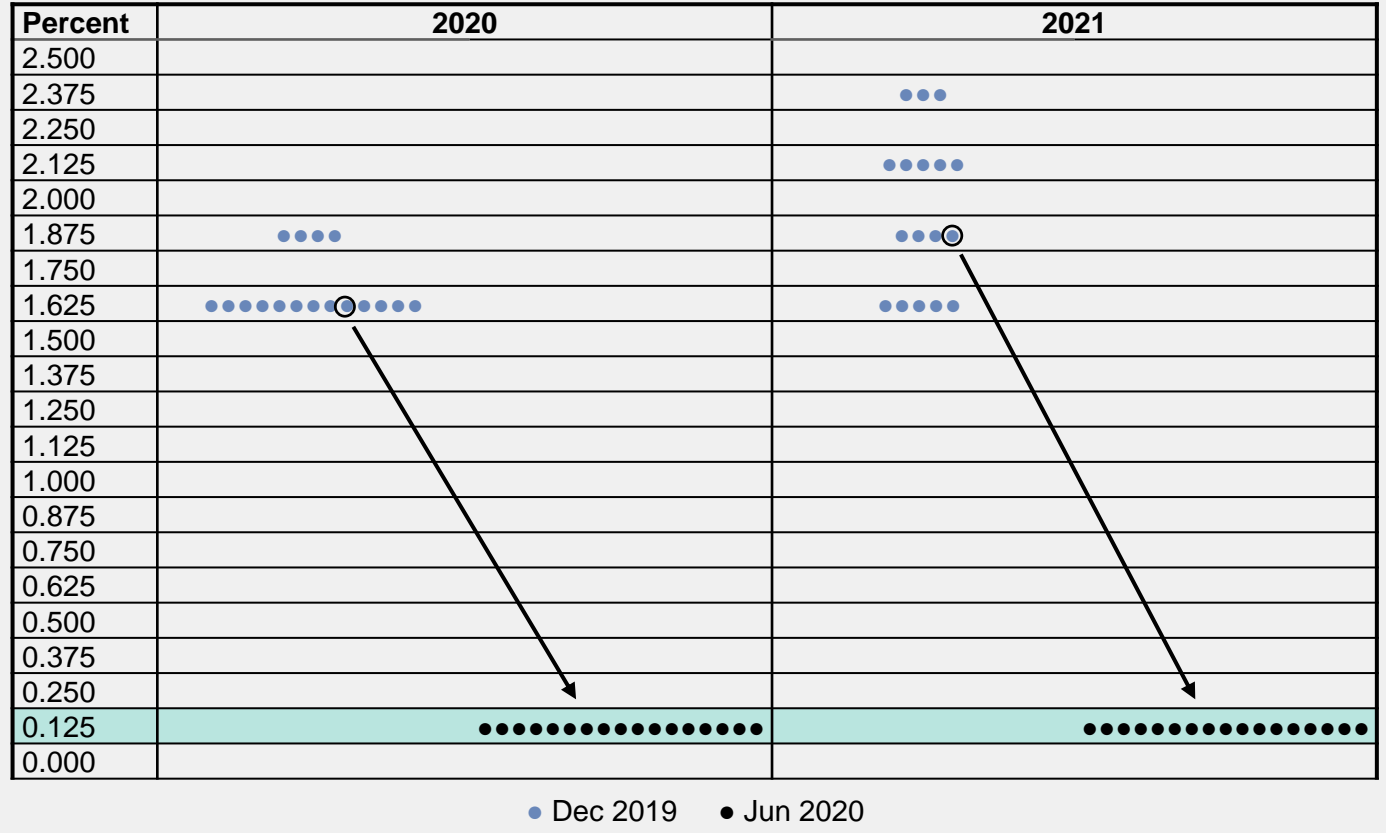
Slow the Spread & Arm the Frontlines



We're not thinking about raising rates. We're not even thinking about thinking about raising rates."

- Fed Chairman Powell

Fed Dot Plot*



Current analysis does not guarantee future results.

*Each 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. Projections are from the 11 December 2019 and 10 June 2020 meetings.

As of 30 June 2020
Source: US Federal Reserve and AB



Fiscal: Early Speed Becomes Murky with Stabilization and the Approaching Election

✓ Dust Off '08
Playbook +
Provide Liquidity

? Backstop
"Victims" of
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Slow the Spread
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Frontlines



Deal Reached on Largest Stimulus
Bill in US History"

– *LA Times*
(25 Mar 2020)

**Republican White House/
Republican Senate**

Risk Asset Impact:
Short-Term Positive
Medium-Term Positive

Fiscal: Expansionary
Fed: Potential Shift in Fed Chair

**Democratic White House/
Republican Senate**

Risk Asset Impact:
Short-Term Negative
Medium-Term Negative

Fiscal: Rediscovered Austerity
Fed: Easy Policy



More Coronavirus Relief Hits a Snag
Over Partisan Demands"

– *U.S. News & World Report*
(11 May 2020)

**Republican White House/
Democratic Senate**

Risk Asset Impact:
Short-Term Negative
Medium-Term Negative

Fiscal: Stagnation
Fed: Easy Policy

**Democratic White House/
Democratic Senate**

Risk Asset Impact:
Short-Term Negative
Medium-Term Positive

Fiscal: Expansionary, but with
Corporate Tax Hikes
Fed: Easy Policy

Current analysis does not guarantee future results.

Assumes Democrats retain control of the House of Representatives

As of 30 June 2020

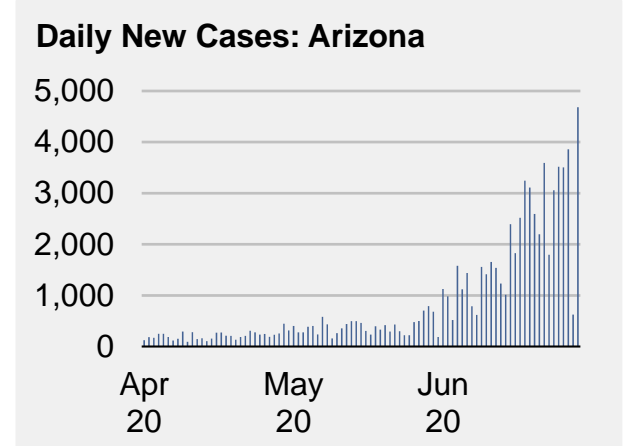
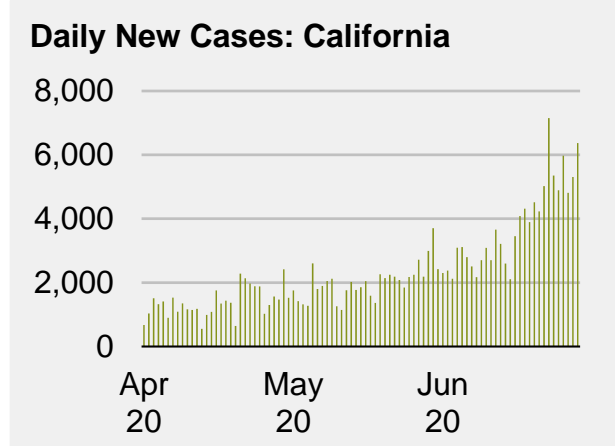
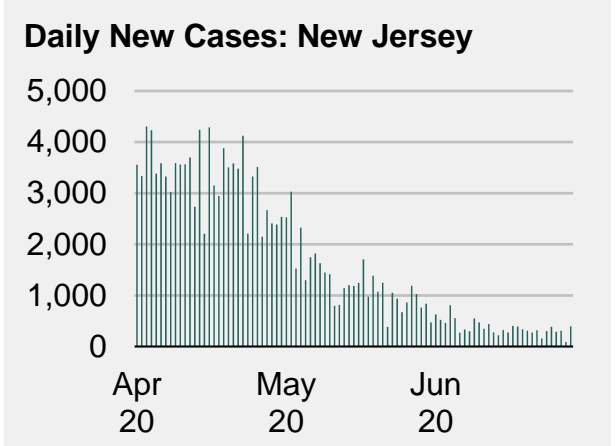
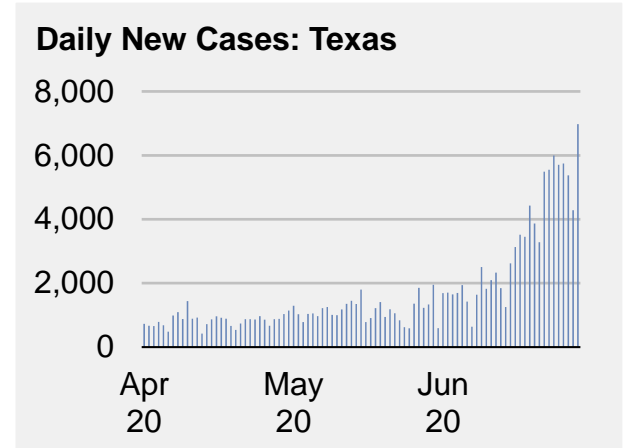
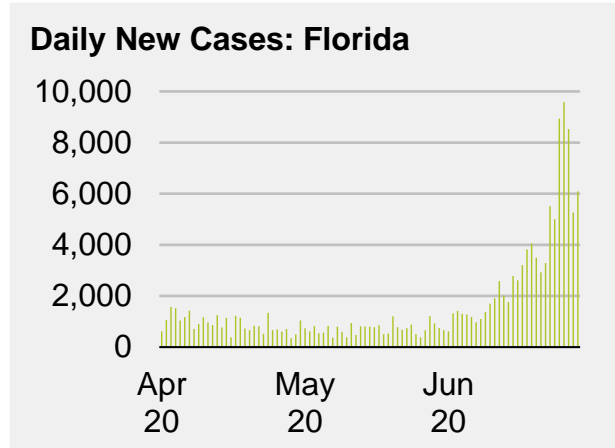
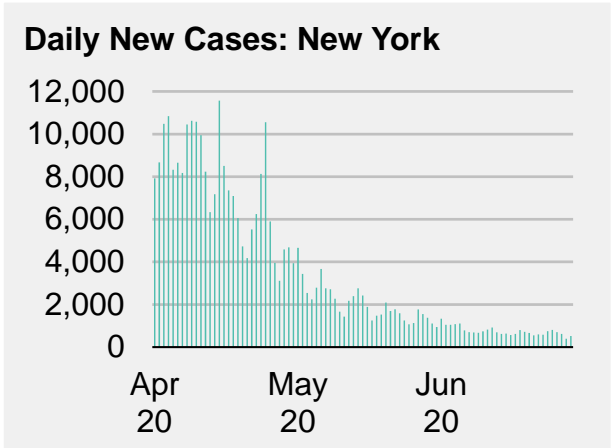
Source: *LA Times*, US Federal Reserve, *U.S. News & World Report* and AB

Daily New Cases Rise in Key States...

✓ Dust Off '08
Playbook +
Provide Liquidity

? Backstop
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? Slow the Spread
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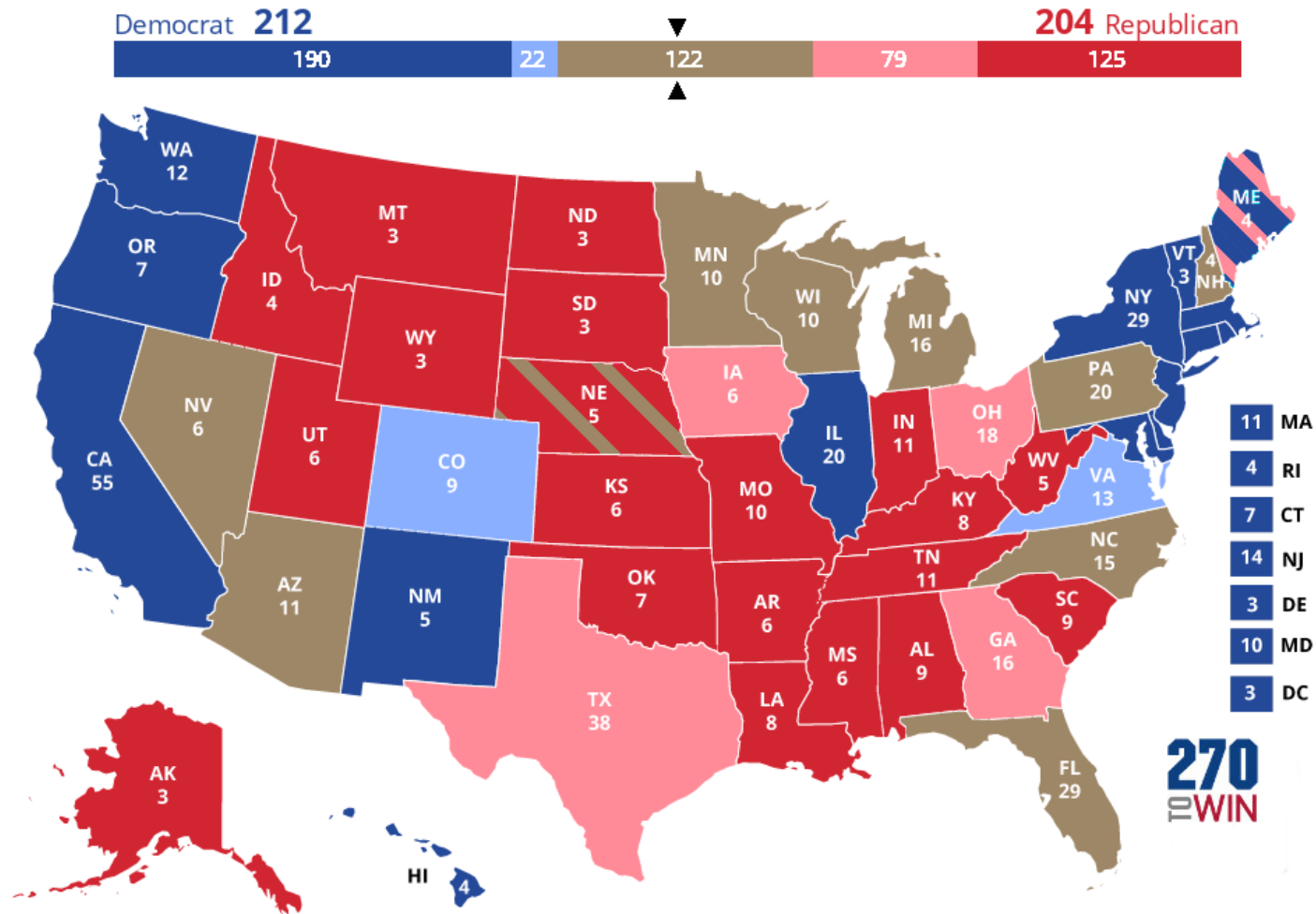
Analysis provided for illustrative purposes only and is subject to revision.

As of 30 June 2020

Source: The COVID Tracking Project and AB



...Including Critical Battleground States: 2020 Electoral Map



Current analysis does not guarantee future results.

Battleground states are defined as states with less than a 4% margin of victory in 2016 election. 270 electoral votes are needed to win the US election. Maine and Nebraska allow electoral votes to be split.

As of 30 June 2020

Source: Electoral Ventures and AB



Bad Medicine: Current Polling Indicates Public Perception of Trump Administration’s Handling of COVID-19 Is Damaging Re-election Chances

Net Approval Rating Greater than +10%	<ul style="list-style-type: none"> + 1984 Ronald Reagan (525 electoral votes) + 1996 Bill Clinton (379 electoral votes)
--	---

Net Approval Rating Between -10% and +10%	<ul style="list-style-type: none"> + 2004 George W. Bush (286 electoral votes) + 2012 Barack Obama (332 electoral votes)
--	--

Net Approval Rating Less than -10%	<ul style="list-style-type: none"> + 1980 Jimmy Carter (49 electoral votes) + 1992 George H.W. Bush (168 electoral votes) + 2020 Donald Trump (?)
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Swing State	FiveThirtyEight Average Poll: March 1	FiveThirtyEight Average Poll: July 1	Change
Arizona	Trump +3.8%	Biden +3.3%	7.1%
Florida	Biden +1.8%	Biden +7.2%	5.4%
North Carolina	Biden +2.4%	Biden +3.3%	0.9%
Georgia	Trump +2.1%	Biden +1.8%	3.9%
Texas	Trump +3.9%	Trump +0.3%	3.6%
Wisconsin	Trump +1.0%	Biden +8.1%	9.1%
Pennsylvania	Biden +2.6%	Biden +8.0%	5.4%
Michigan	Biden +2.8%	Biden +9.8%	7.0%

Current analysis does not guarantee future results.

FiveThirtyEight provides an updated average of 2020 presidential general election polls, accounting for each poll’s quality, sample size and recency.

“Net Approval Rating” is approval rating – disapproval rating. Each net approval rating is taken on day 1,265 of the first Presidential term. 270 electoral votes are needed to win the Presidency.

As of 7 July 2020

Source: FiveThirtyEight and AB

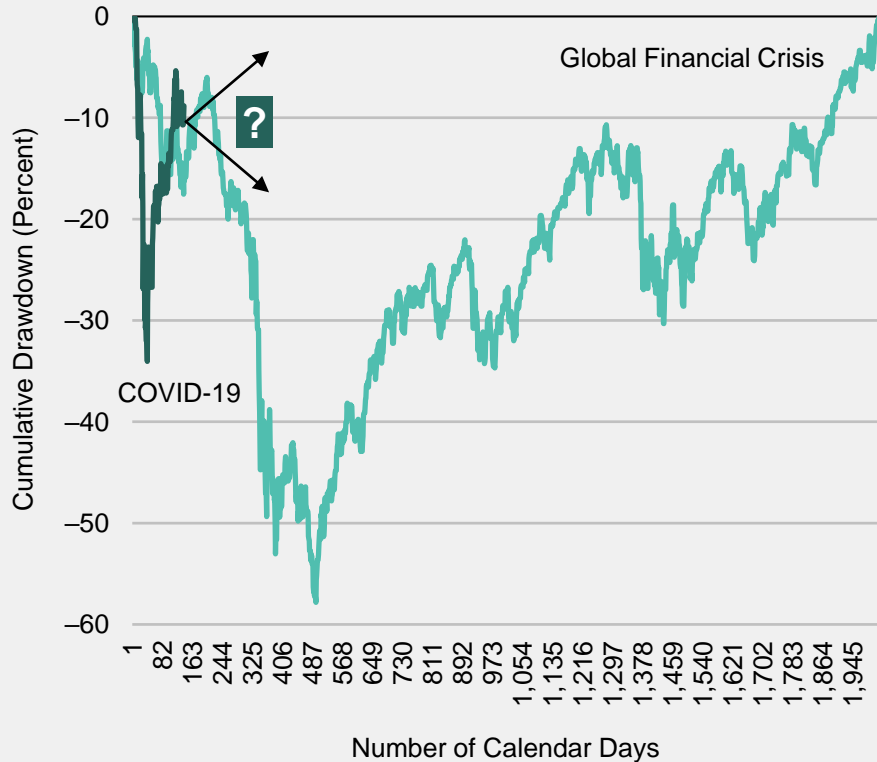


The Ongoing Prescription: Participate and Defend (for COVID and Beyond)

- + Initial steps to “flatten the curve” through the Three Pillars were designed to:
 - + 1. Prevent the overwhelming of medical resources pre-COVID
 - + 2. Mitigate second-order effects in the economy and markets (companies, consumers, liquidity/lending)
- + In effect, this would allow the recovery to just be about the virus itself; efforts could be focused on spread mitigation, testing, tracing and eventually a vaccine/herd immunity
- + This “bridge to the other side of the virus” has thus far been very successful, stemming labor losses, supporting consumption, reducing the expected economic loss, and restoring capital markets functioning and boosting market performance
- + However, there is still a ways to go, and rising COVID-19 cases plus political hesitancy to continue to fill in the “economic hole” that remains from still historically elevated unemployment rates and reduced business activity will cause ongoing volatility and downside risk
- + Investors still have an opportunity to generate well above average returns, particularly within credit sectors and selective equity positioning—but a focus on downside protection is critical...
- + ...and investors should not miss this intermediate term opportunity—in the period beginning “one day after the virus,” we believe returns will be very moderate, impacted by reduced economic growth levels, debt and reduced return of capital activity (buybacks/dividend growth rates)
- + Target portfolio construction that allows for meaningful upside participation, but with a focus on factors/market segments that are persistently more effective at principal protection than broad markets

COVID-19 Market Recovery Has Followed the Reopening of Global Economies

COVID-19 Snapback vs. Prior Peak: Faster than the GFC



Recovery Began as Lockdown Measures Eased



Historical analysis does not guarantee future results.

Right display shows easing vs. tightening of lockdown measures based on stringency index published by University of Oxford. Global equities represented by MSCI World (USD) As of 30 June 2020

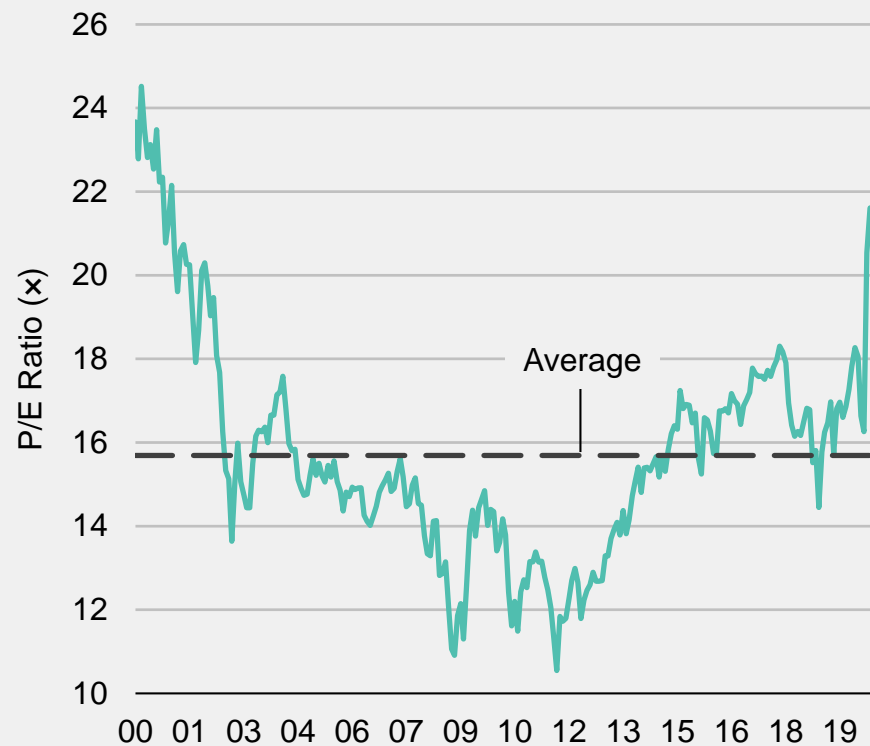
Source: Bloomberg, Morningstar, MSCI, University of Oxford and AB



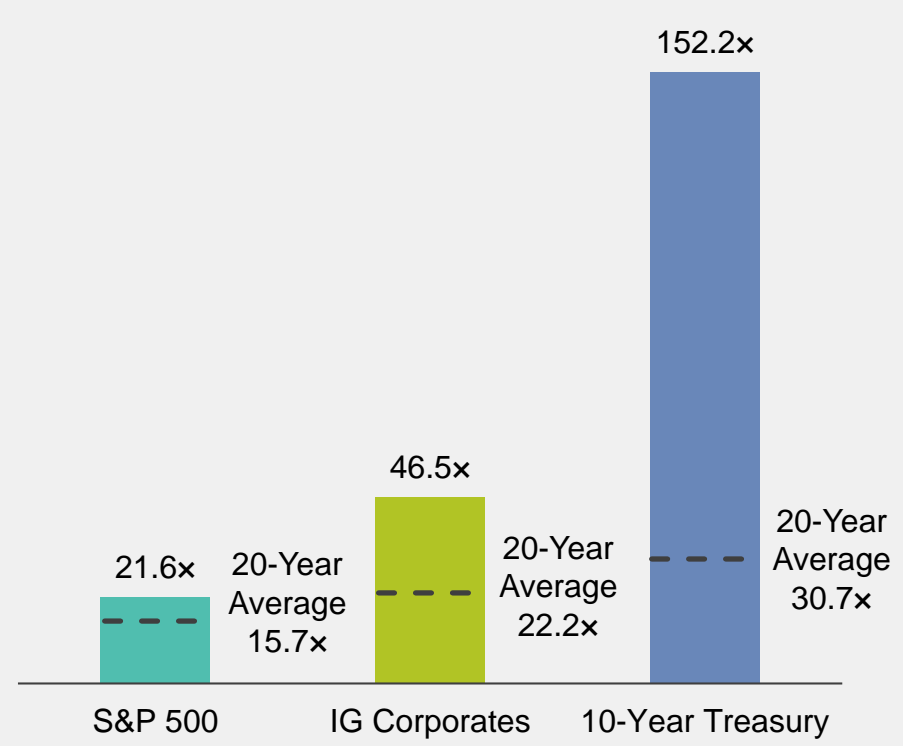
Valuations Are Elevated, but Low Rates Are Supportive

S&P 500 Price to Earnings*

Well Above the Long-Term Average



S&P 500 Price/Earnings Ratio vs. Investment-Grade Credit and 10-Year Treasury Valuations†



Historical analysis and current forecasts do not guarantee future results.

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

†Treasury valuation is calculated as the inverse of the current yield, which estimates the price an investor pays for the income on the government bond.

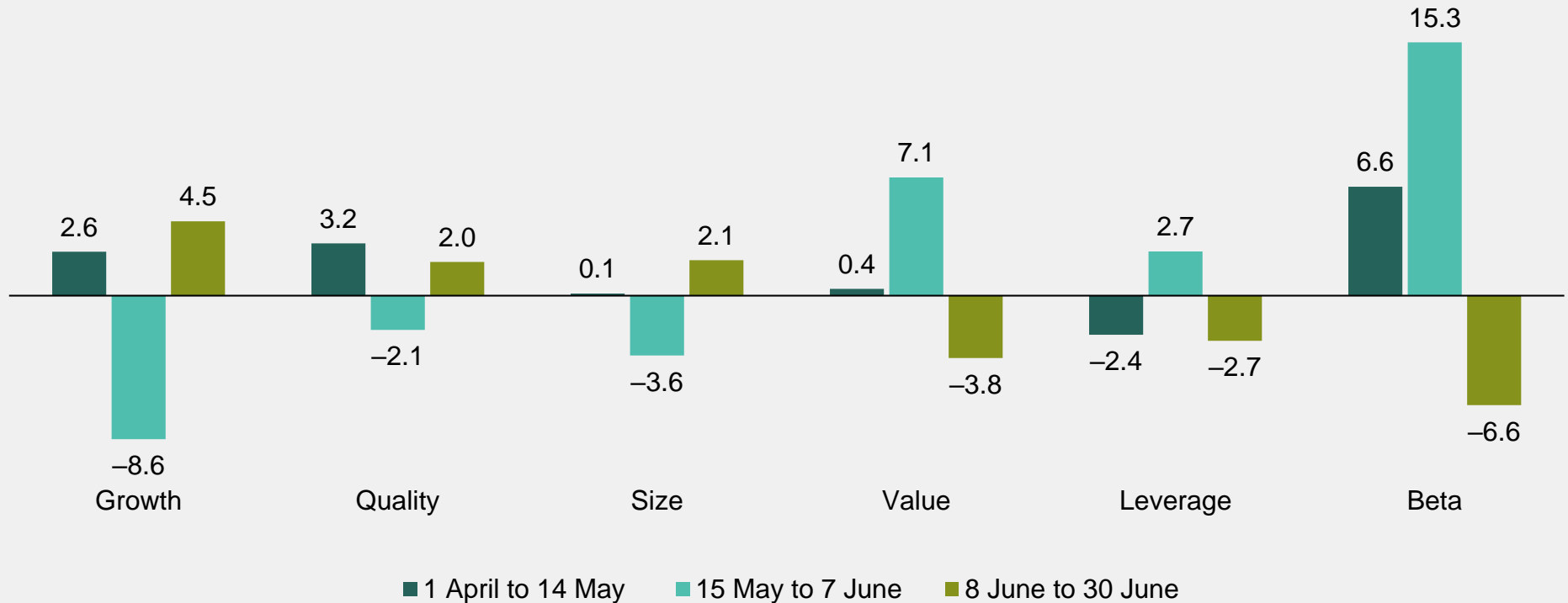
As of 30 June 2020

Source: Bloomberg, S&P and AB



Factor Volatility Persists, and Reflects Investor Uncertainty

Intra-Quarter Volley Between Risk-Off, Risk-On...and then Risk-Off
Global Factor Returns



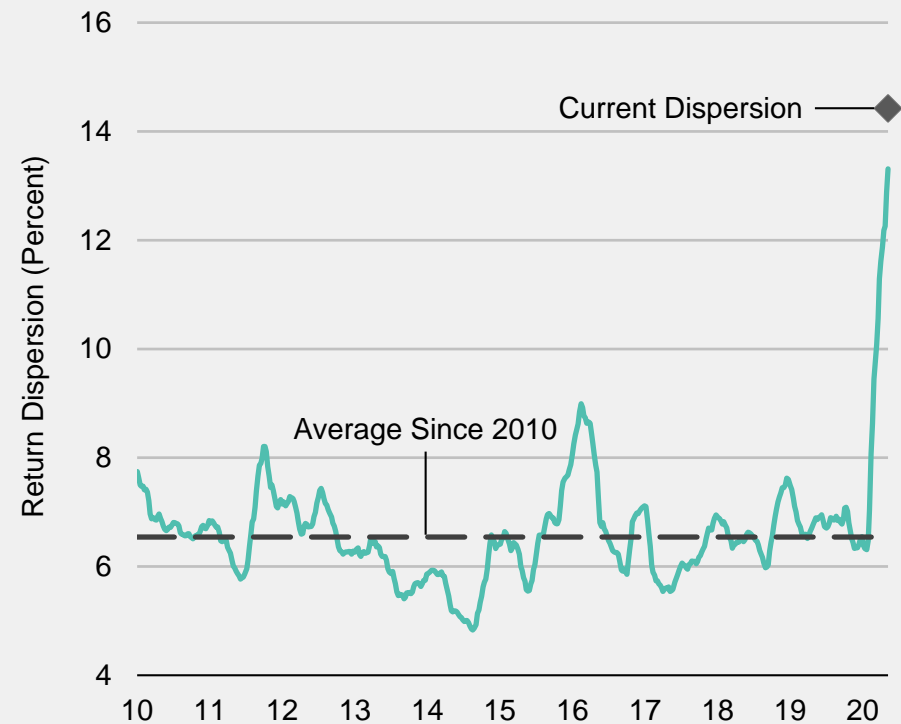
Historical analysis and current forecasts do not guarantee future results.

Global factor returns from GEMLT risk model. Factor returns represent a one-standard-deviation exposure to the factor in hedged equity returns.
Source: MSCI Barra and AB

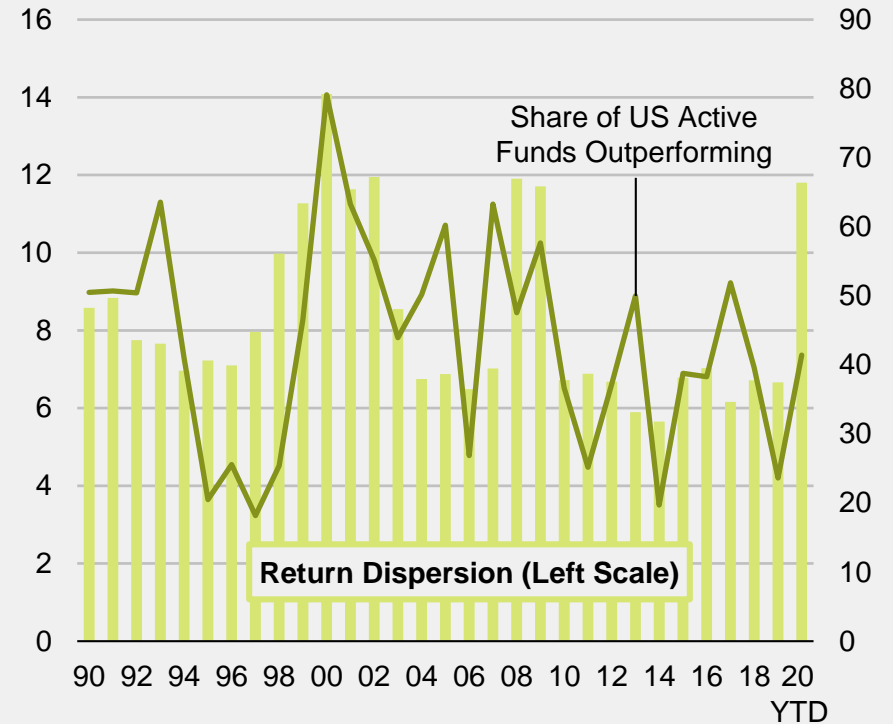
Rising Dispersion Creates Enhanced Security Selection Opportunities

US Market Return Dispersion over Time

Three-Month Trailing Average Historical Monthly Return Dispersion*



Percent of Active US Large-Cap Funds Outperforming Benchmarks vs. US Market Dispersion (Percent)



Historical analysis and current forecasts do not guarantee future results.

*S&P 500 stock universe

Left display through 13 May 2020; right display through 31 May 2020

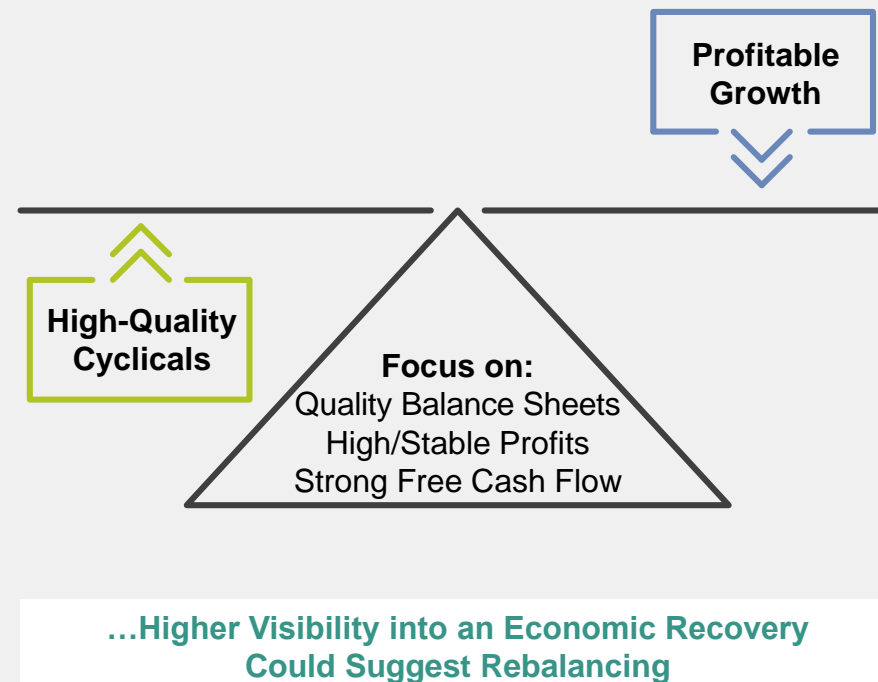
Source: Center for Research in Security Prices, eVestment, FactSet, Morningstar and Bernstein Analysis



Quality Is a Durable Factor, That Can Be Found in Both Value and Growth

Crisis	Period	S&P 500 Quality Relative Returns	S&P 500	Down-Market Capture
Asian Crisis/Russian Currency Devaluations	1998	3.6%	-15.4%	77%
Tech Sector Crash	2000–2002	30.9	-43.8	29
Global Financial Crisis	2007–2009	6.5	-51.0	87
European Debt Crisis	2011	7.8	-16.3	52
Coronavirus Pandemic	2020	2.0	-3.0	86
Index Returns	1995–2020	3.2	9.9	78

Low Economic and Earnings Certainty Suggests Overexposure to Strong Business Models, While...



Historical analysis and current forecasts do not guarantee future results.

The S&P Quality Index was launched in 2014. Data shown reflect back-calculated retroactive data by S&P, using its index methodology, since 1994. Table based on downturns of more than 10% in the S&P 500. Asian crisis/Russian currency devaluation from 1 July 1998, through 31 August 1998; tech sector crash from 1 April 2000, through 30 September 2002; global financial crisis from 1 November 2007, through 28 February 2009; European debt crisis from 1 May 2011, through 30 September 2011; Coronavirus pandemic from 1 February 2020, through 30 June 2020

As of 30 June 2020

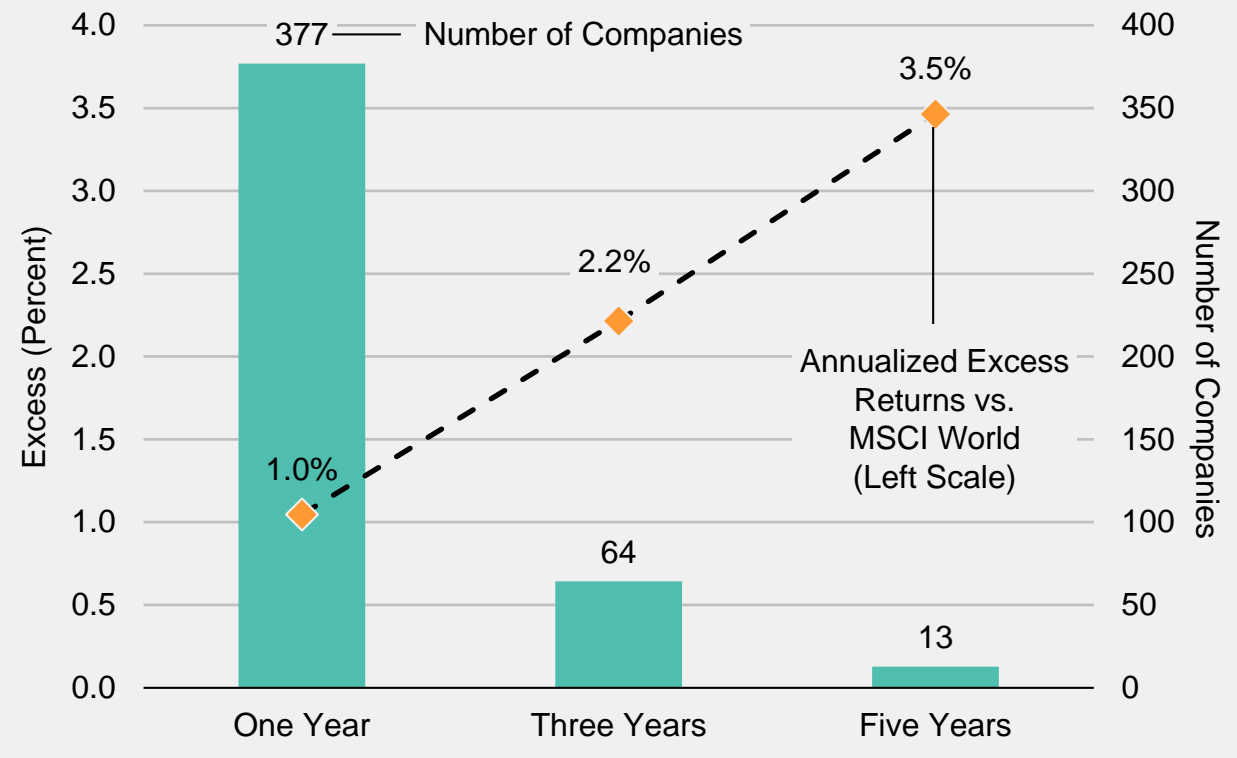
Source: FactSet, S&P and AB

Persistent Earnings Growth Is Often a Scarcity Premium Worth Paying

Not Everything Highly Valued Is Expensive

Companies Persisting with $\geq 10\%$ YoY Earnings Growth

Top 1,000 Global Companies (1989–2019)



Growth is difficult to maintain...but those companies that can consistently grow are rewarded.

Past performance does not guarantee future results.

Universe consists of the top 1,000 companies by market cap each year through 2016 with annual rebalancing.

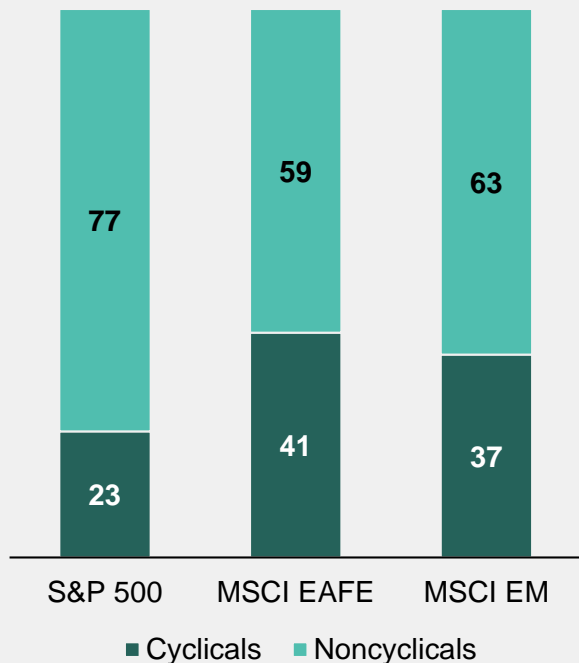
As of 31 December 2019

Source: Center for Research in Security Prices, FactSet, S&P Compustat and AB

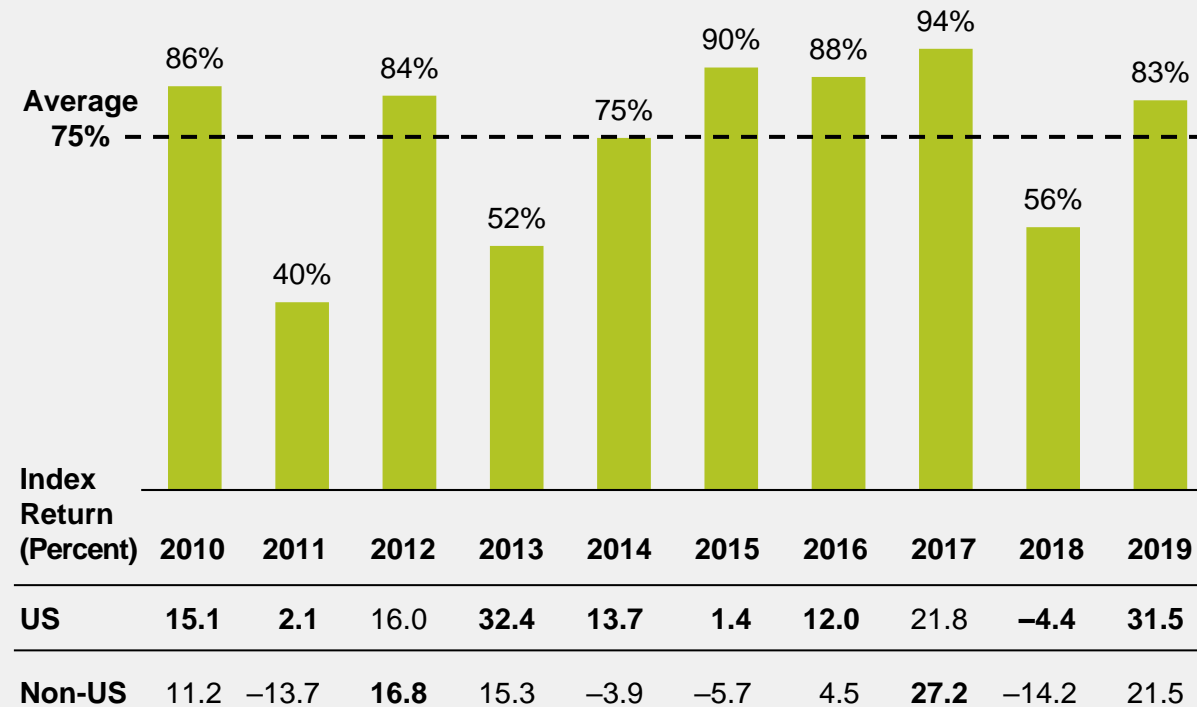
International Equities More Cyclical, but Exceptional Performers Exist

Non-US Indices

Higher Cyclical Content (Percent)*



Annual Percentage of the Top 50 Stocks That Were Non-US†



Historical analysis and current forecasts do not guarantee future results.

*Cyclicals includes energy, financials, industrials and materials. Noncyclicals includes communication services, consumer discretionary, consumer staples, healthcare, technology, real estate and utilities.

†Top 50 stocks are the companies with the highest total returns in the MSCI ACWI each year. Returns table uses S&P 500 and MSCI ACWI ex US in USD for US and Non-US, respectively.

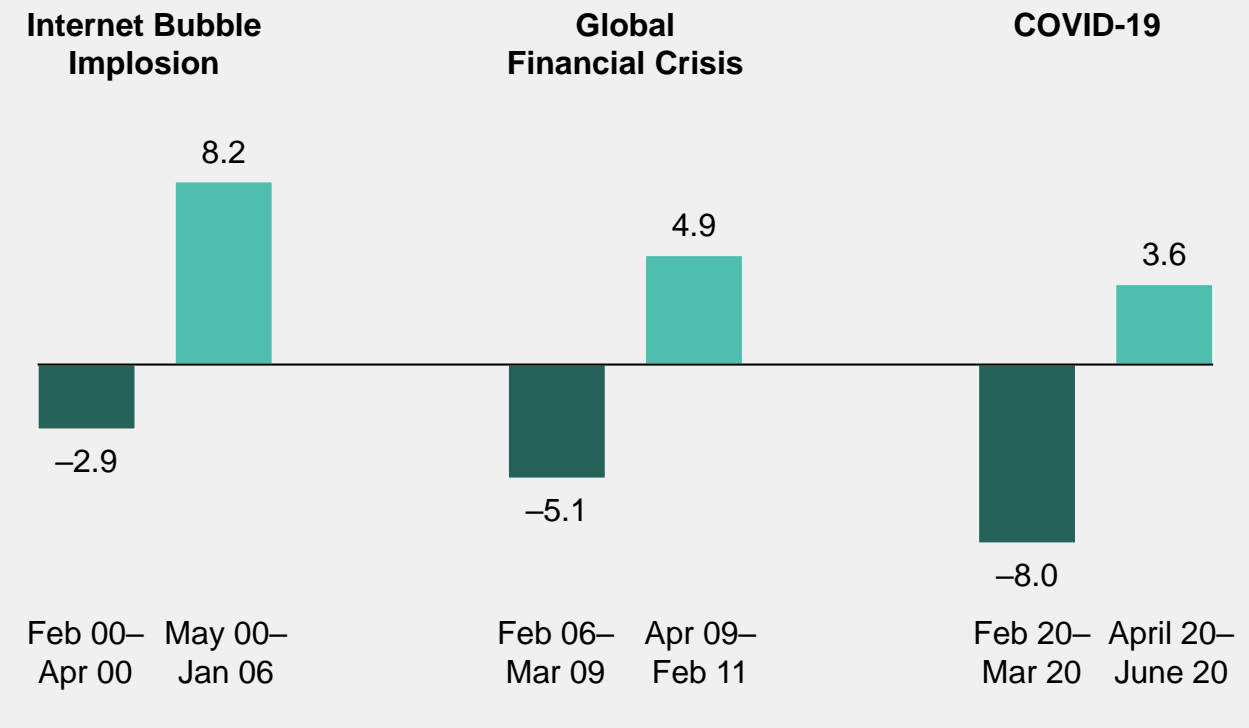
Left display as of 30 June 2020; right display through 31 December 2019

Source: Bloomberg, MSCI, S&P and AB

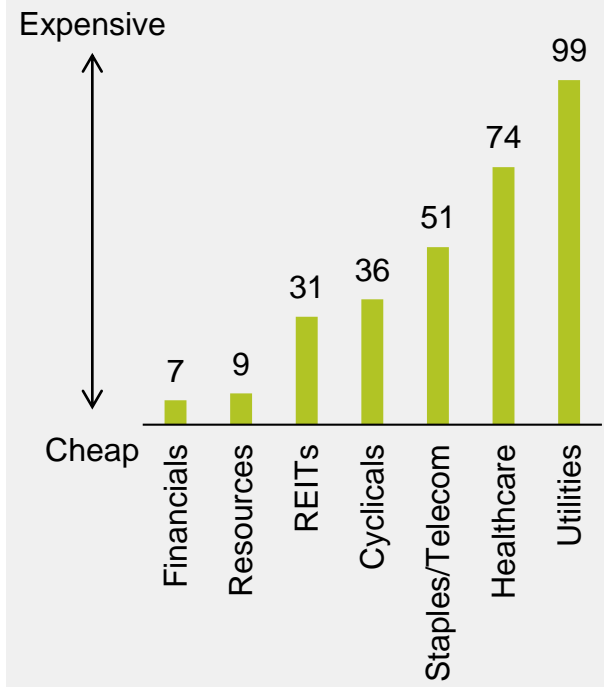


Small-Cap Stocks Do Well in Recoveries and Selectivity Is Key

Russell 2000 vs. Russell 1000 Relative Performance
Monthly Returns (Percent)



Valuation Percentile Relative to Russell 2000*
Historical Percentiles: Jan 90–Mar 20



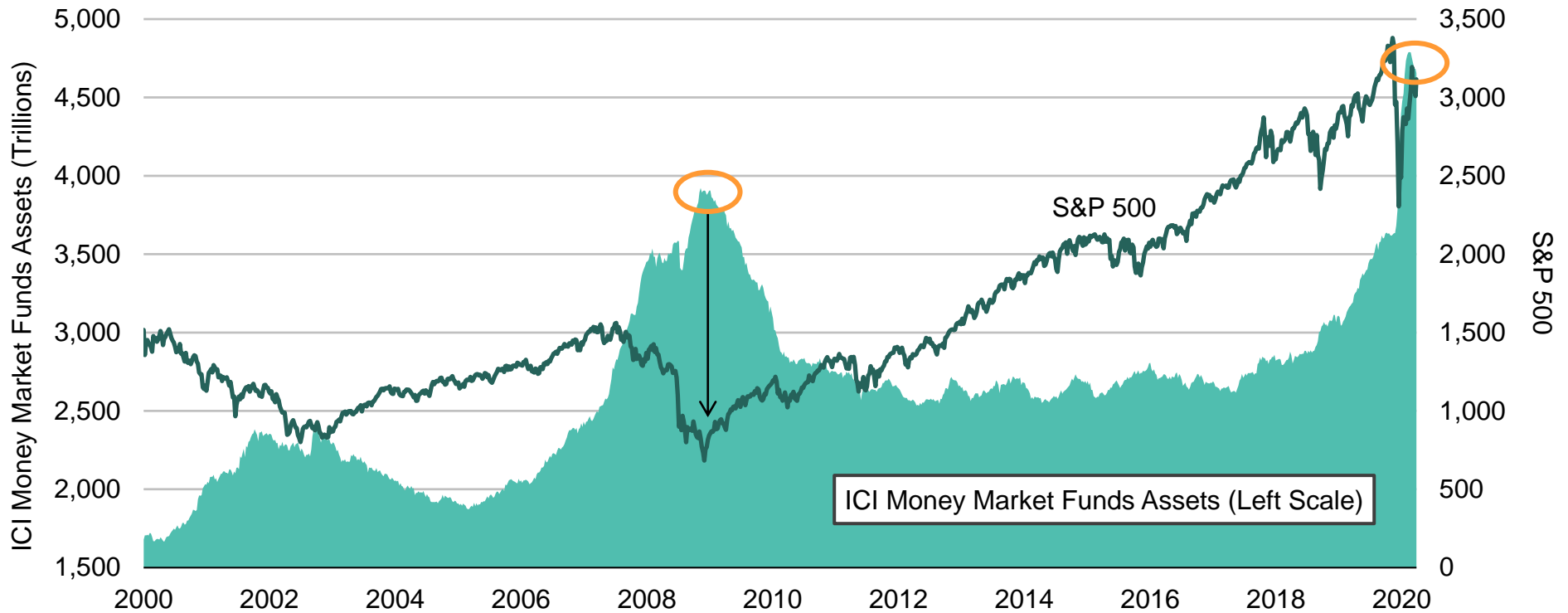
Past performance and historical analysis do not guarantee future results. *Indices are used for purposes of comparison only. An investor generally cannot invest in an index. Real estate sector adjusted for mortgage REITs post-GICS sector reconstitution to make it comparable with historical data. Financials consists of financials; resources consists of energy and materials; REITs consist of real estate investment trusts; cyclicals consists of technology, consumer discretionary and industrials; staples/telecom consists of staples and telecom; healthcare consists of healthcare; utilities consists of utilities. Valuation percentiles for utilities and REITs are based on 50% weighting on price to book and 50% weighting on price to FY1 relative to benchmark and relative to their own history. For all other sectors, valuation percentiles are based on 50% weighting on price to free cash flow and 50% weighting on price to FY1 relative to benchmark and relative to their own history.

Left display as of 30 June 2020; right display as of 31 March 2020. Source: Russell Investments and AB



Cash in Money Market Funds Remains at a Modern-Day Highs

Added Buying Power when Confidence Returns



Historical analysis and current forecasts do not guarantee future results.

ICI Money Market Funds Assets (MMFA): total assets in money market funds for the week. Figure is a total of taxable and tax-exempt funds that report to Investment Company Institute.

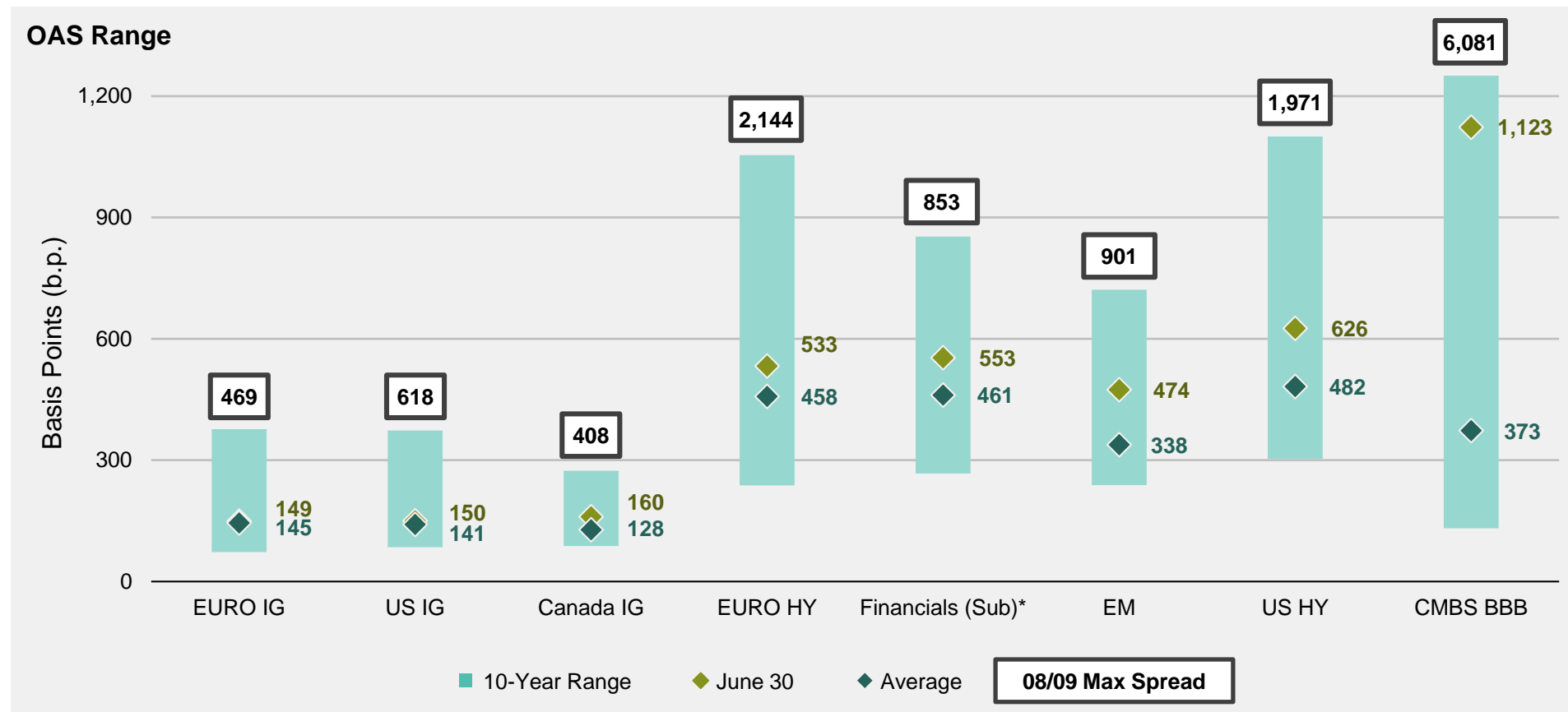
As of 1 July 2020

Source: Bloomberg and AB



Investment-Grade Spreads Have Tightened as Other Sectors Remain Wider

Spreads Attractive in Most Credit-Sensitive Sectors, but Tighter than March Wides



Current analysis and forecasts do not guarantee future results.

IG is investment grade; HY is high yield; CMBS is commercial mortgage-backed securities; CRT is credit risk-transfer securities; CRT spreads are based on a representative bond; EM is JPM EMBI Global Diversified Index

*The Tier 1 component of Bloomberg Barclays Global Capital Securities | May 2014 inception

As of 30 June 2020

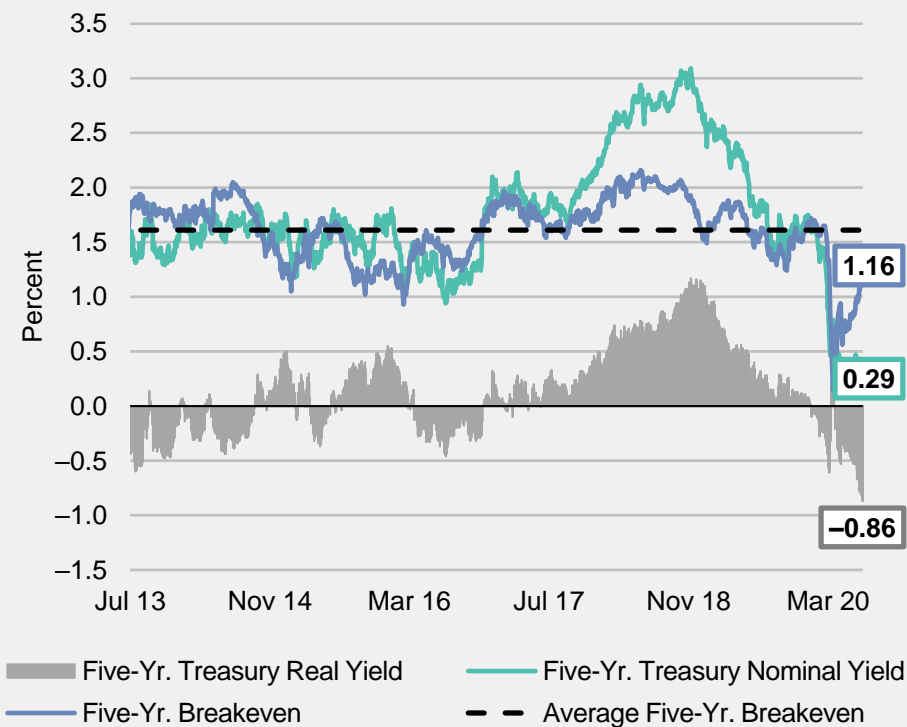
Source: Bloomberg Barclays, J.P. Morgan and AB



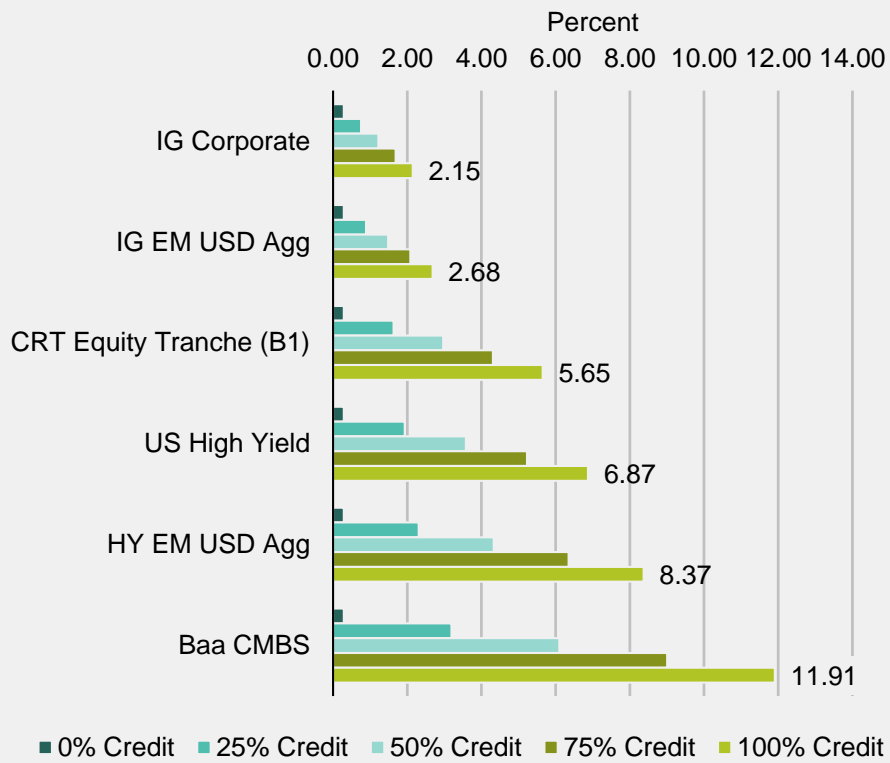
Negative Real Yields May Require Credit Exposure to Generate Attractive Income

Five-Year Treasury Yields vs. Five-Year Breakeven Inflation Rate

Jul 2013–Jun 2020



Generating Efficient Income by Pairing Credit with a Five-Year Treasury



Current analysis and forecasts do not guarantee future results.

IG is investment grade; HY is high yield; CMBS is commercial mortgage-backed securities; CRT is credit risk-transfer securities. EM is JPM EMBI Global Diversified Index

*The Tier 1 component of Bloomberg Barclays Global Capital Securities | May 2014 inception

As of 30 June 2020

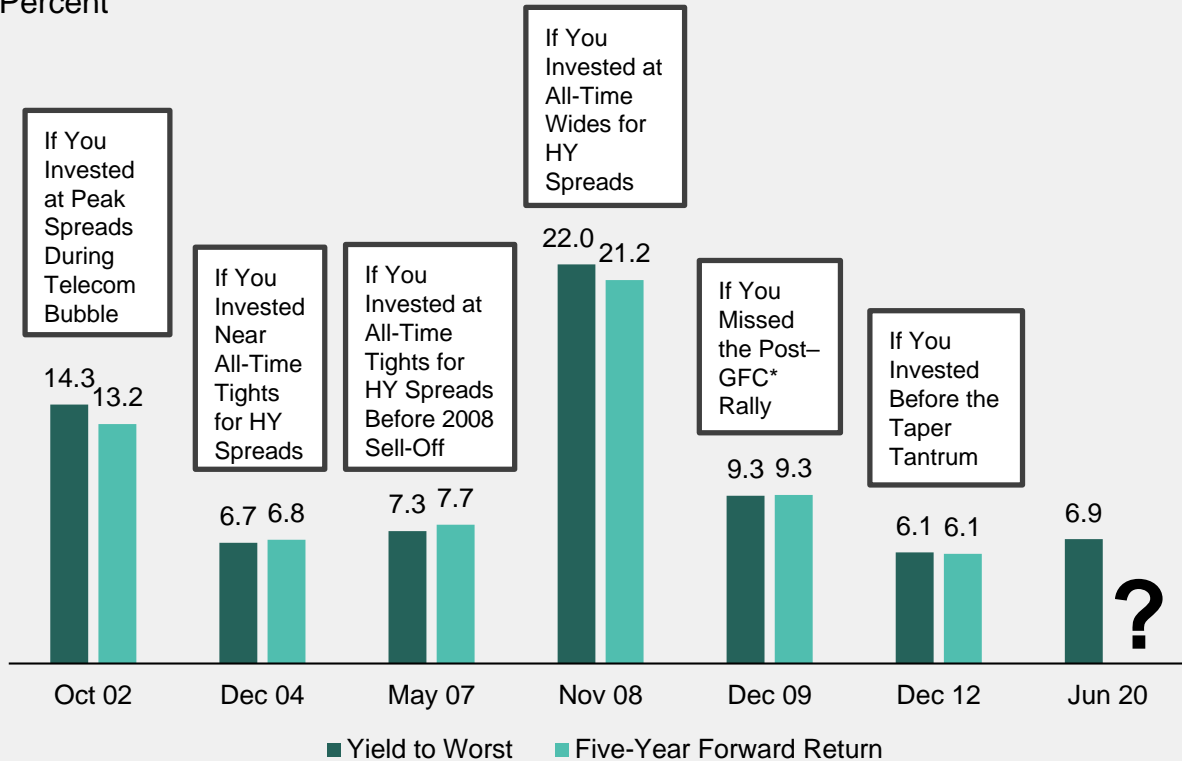
Source: Bloomberg Barclays, J.P. Morgan and AB



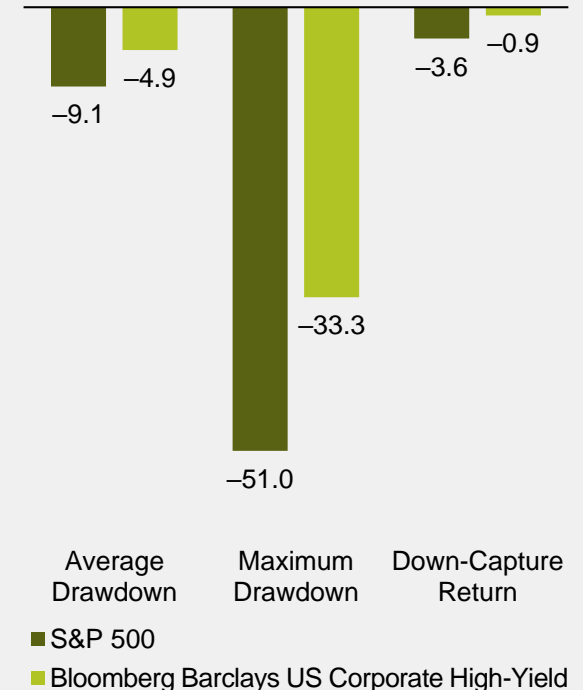
Better Beta: Using High Yield to De-risk Equities

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
Feb 1990–Dec 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. Down-capture return is shown using S&P 500 as the calculation benchmark.

*Global financial crisis

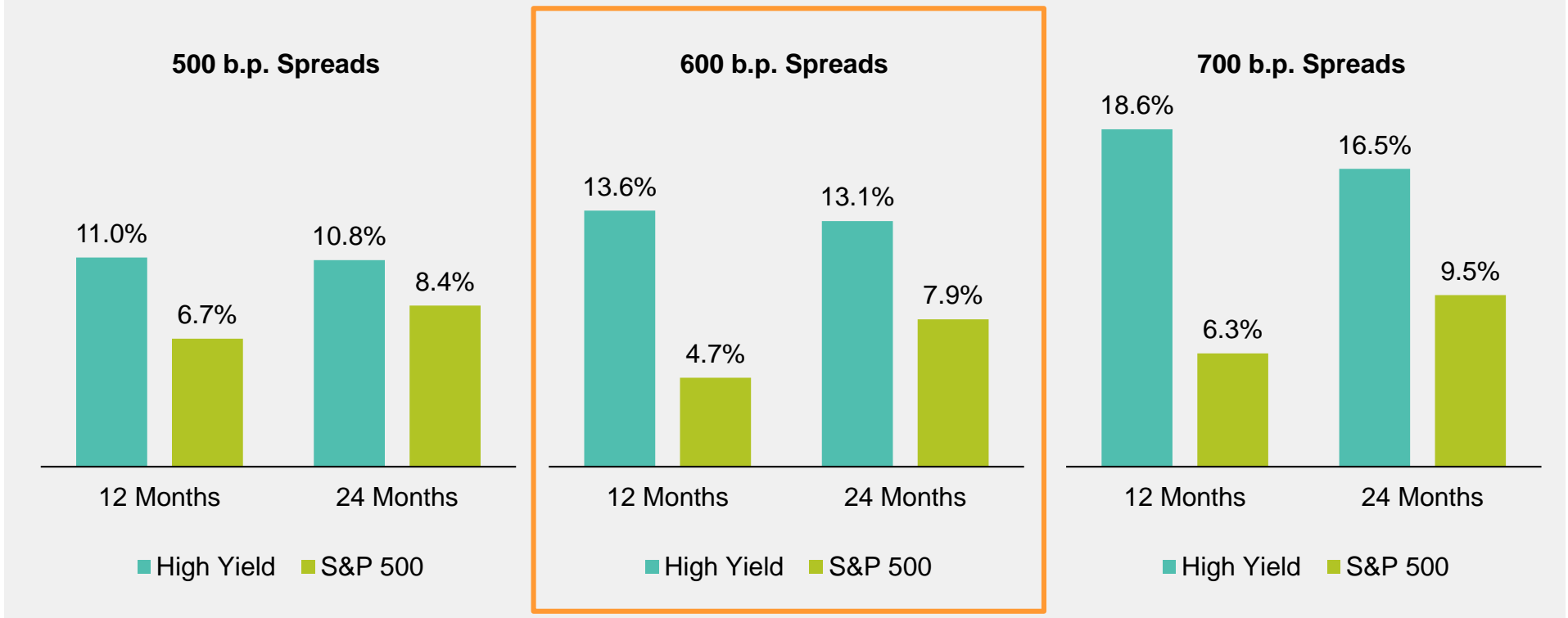
Left display as of 30 June 2020; right display through 31 December 2019

Source: Bloomberg Barclays, Morningstar and AB



Historical Returns at Current Spread Levels Favor High Yield vs. Equities

Average Forward Returns at Different Spread Levels



Past performance is not a guarantee of future results.

The above returns are calculated based on month-end option-adjusted spread levels that are equal to or greater than the levels indicated.

US high yield is represented by Bloomberg Barclays US Corporate High-Yield.

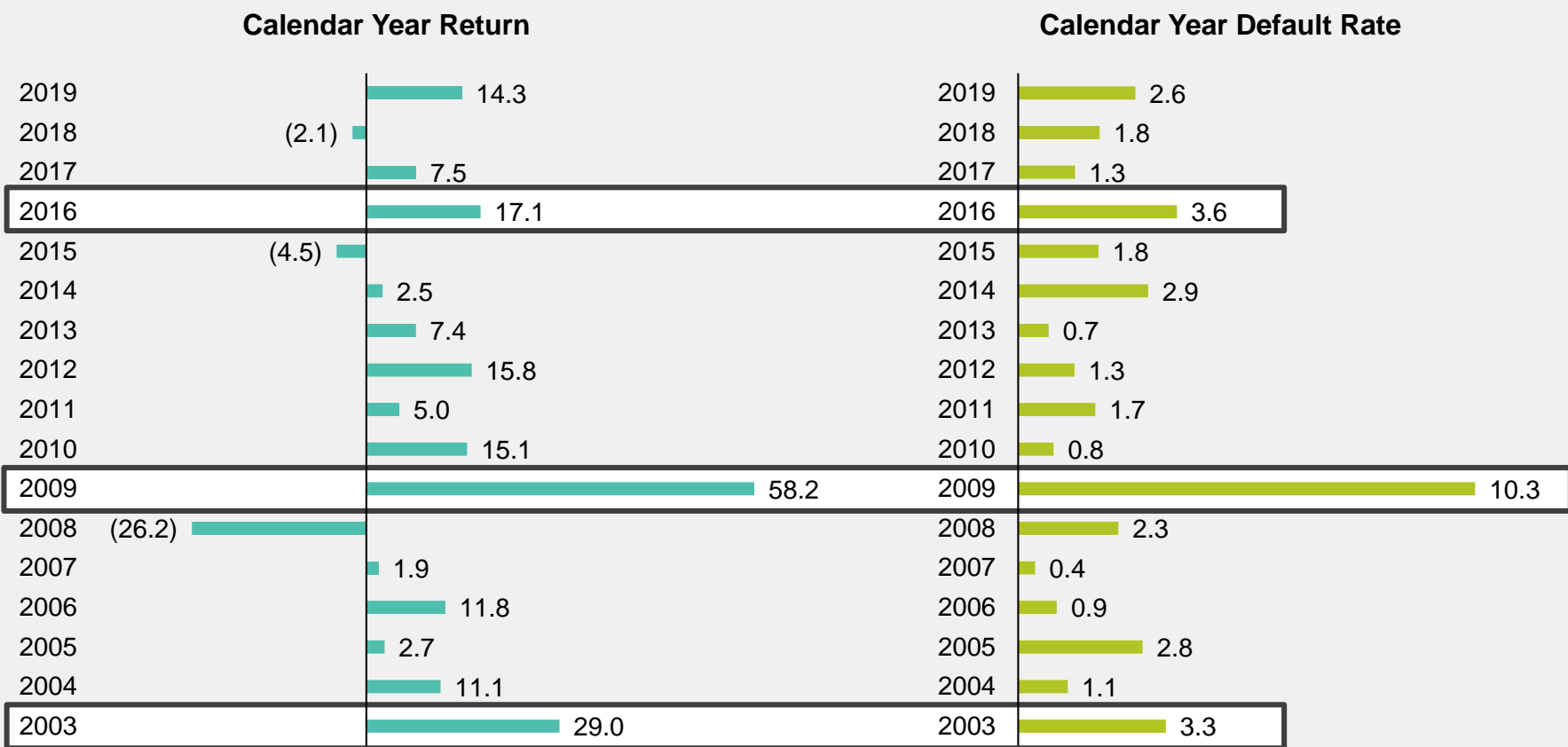
From January 1994 through June 2020

Source: Bloomberg Barclays, Morningstar Direct and AB



Higher Default Rates Don't Mean Lower Returns

US High Yield Annual Returns and Default Rate



Past performance and historical analysis do not guarantee future results.

US High Yield is represented by Bloomberg Barclays US Corporate High Yield Total Return Index Value Unhedged USD.

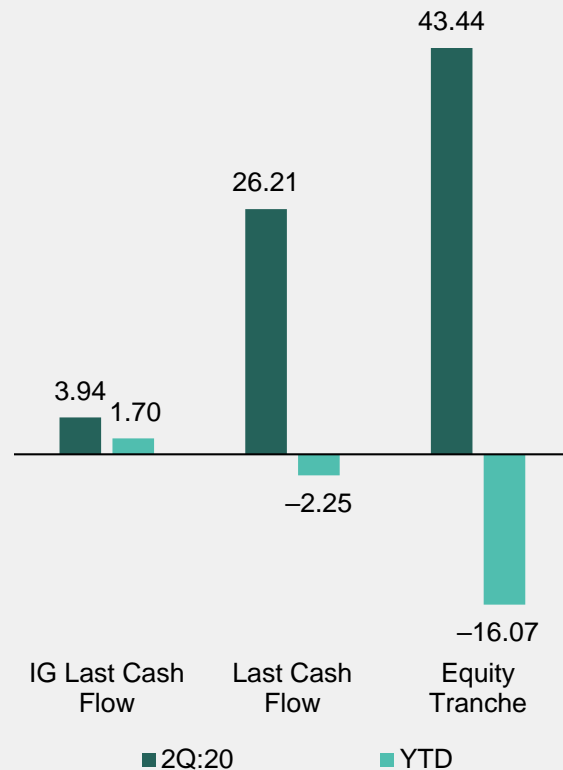
As of 31 December 2019

Source: Bloomberg Barclays

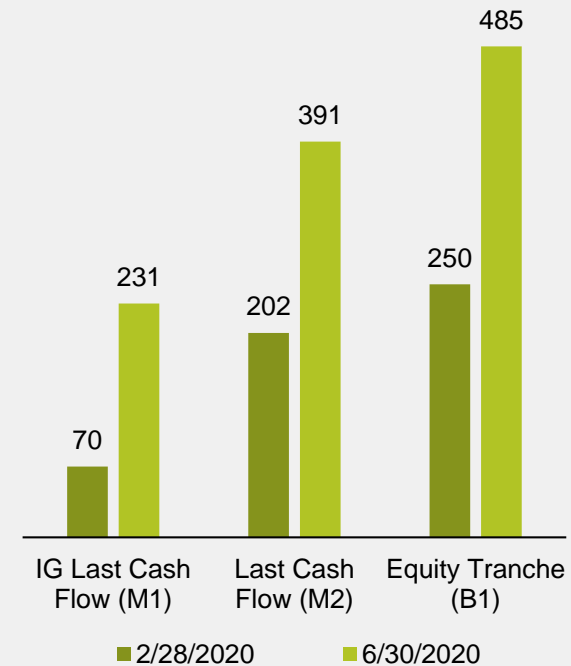


CRTs Rebounded Sharply in 2Q20; but Return Potential Remains and Valuations Are Attractive

CRTs Had a Strong 2Q20 but Are Down YTD (Percent)



CRT Spreads Remain Elevated Compared to Pre-COVID Levels
Basis Points



The Rebound Is Due to a Number of Positive Developments

- + IG CRTs became **eligible for** the Fed's Primary Dealer Credit Facility Program (**PDCF**)
- + **Borrowers in forbearance who started to make payments** will be considered current and **eligible to refinance** their mortgage after three months
- + **Many borrowers in forbearance have continued to make payments** (the numbers are likely to decline as recession continues)
- + The **forbearance** in the GSE space appears to be **flattening at 6%**

Past performance is not a guarantee of future results.

The CRT returns are represented by lower mezzanine and subordinate Mark Fontanilla indices.

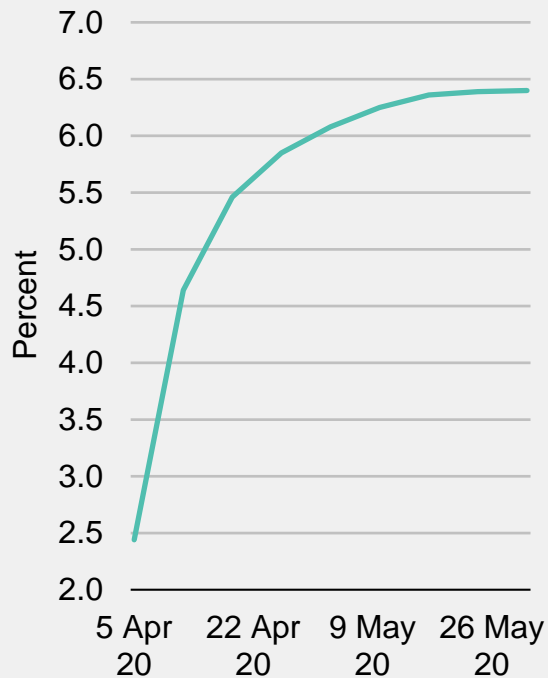
As of 30 June 2020

Source: BofA Global Research, Mark Fontanilla &Co. and AB

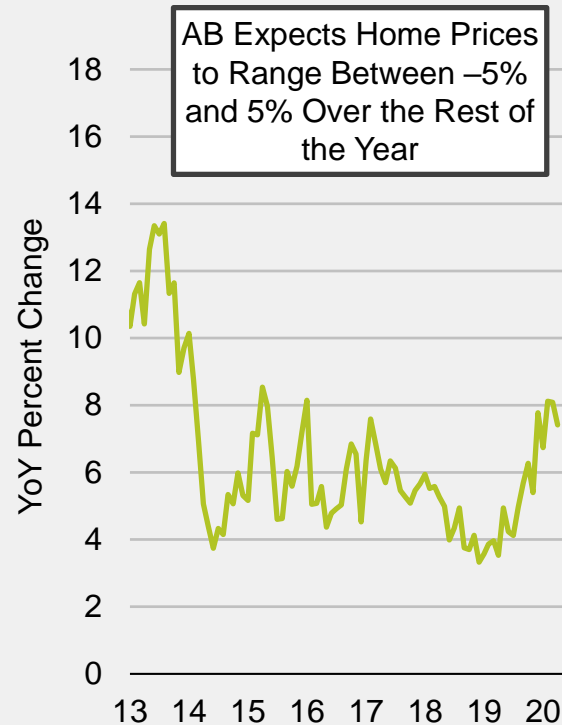


The Housing Market Has Held Up Well During the Pandemic

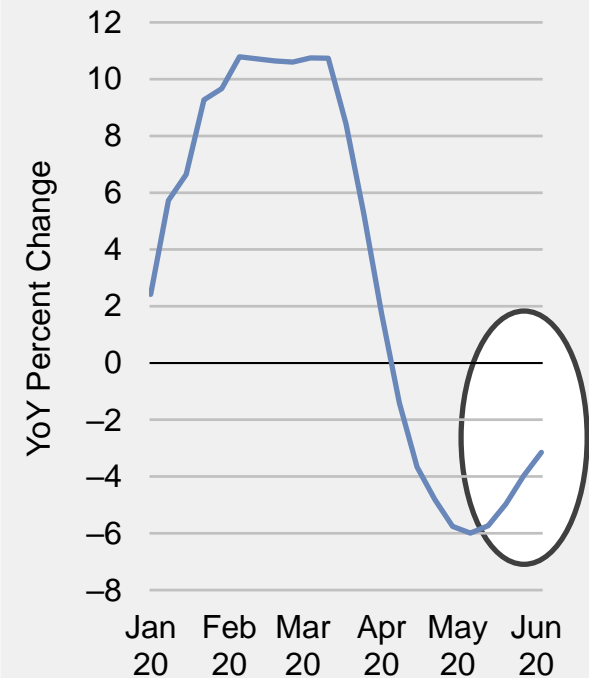
The Percentage of Loans in Forbearance Has Flattened Out
GSE Share of Loans That Received Forbearance



Home Prices Have Held Up Well During the Pandemic
Median Home Price for Existing Homes



While Still Down YoY, Home Purchase Applications Have Rebounded
Home Purchase Applications



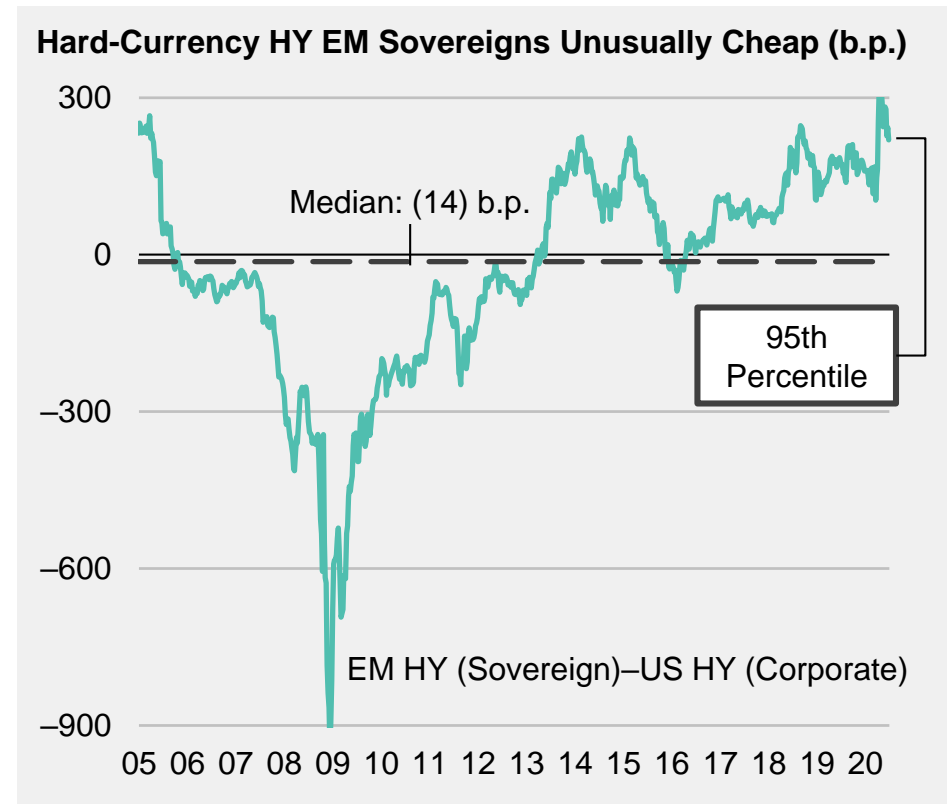
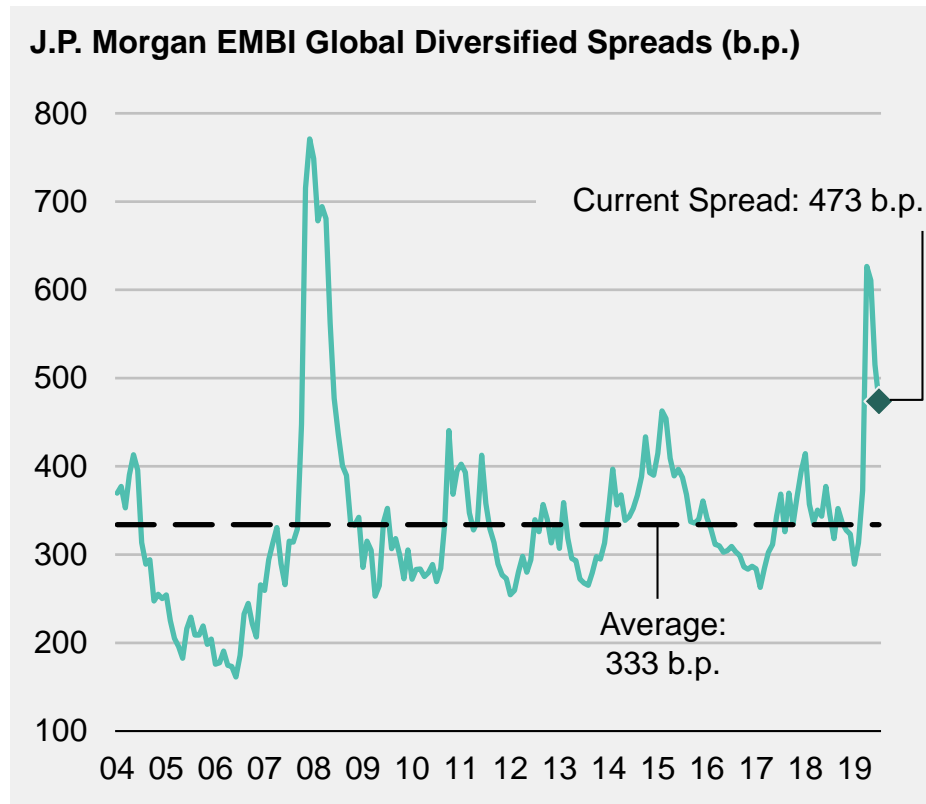
Historical analysis does not guarantee future results.

Left display as of 31 May 2020; middle display as of 30 April 2020; right display as of 5 June 2020

Source: Mortgage Bankers Association, National Association of Realtors and AB



EM Sovereigns Have Rallied, but Spreads Remain Elevated Relative to History



Historical analysis and current forecasts do not guarantee future results.

EM HY (sovereign) is represented by J.P. Morgan EMBI Global Diversified (HY), and US HY (corporate) by Bloomberg Barclays US Corporate HY; spreads are option adjusted. Through 30 June 2020

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



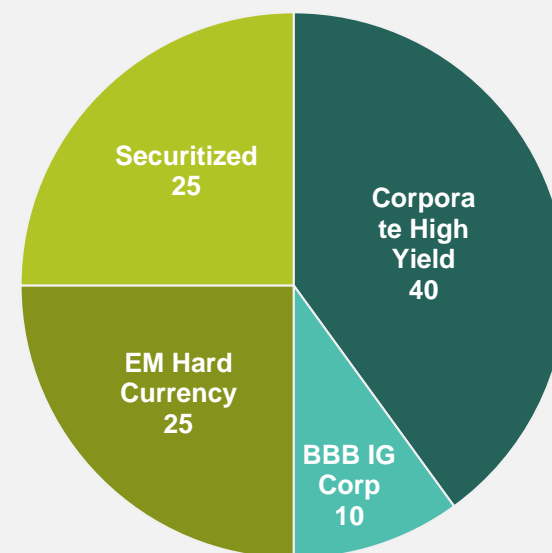
By the Numbers

A Blended Credit Portfolio Offers a Better Income to Risk Profile Today

Hypothetical Portfolio Characteristics

	Corporate Credit		Emerging-Market Hard Currency		Securitized Credit		Hypothetical Portfolio	Index
	Global High Yield	BBB IG Corp	EM USD Sovereign	EM HC Corp	CRTs	CMBS	Global High Yield Strategy	US High Yield Index
Percent Market Weight	40%	10%	20%	5%	15%	10%	100%	100%
YTW (Percent)	7.1	4.5	8.4	7.2	5.7	11.9	7.4	6.9
OAS (b.p.)	694	345	787	685	485	1,123	689	626
Credit Quality	Ba/B	BBB	B	BB	BB	BB	Ba/B	Ba/B
Duration (Years)	4.2	6.5	5.1	4.1	0.3	4.2	4.0	3.9

Sector Allocation: Market Weight Percent



Simulated or hypothetical performance results have certain inherent limitations. Unlike the results shown in an actual performance record, these results do not represent actual trading. Results include estimates of trading costs and market impact; however, because these trades have not actually been executed, results may have under- or overcompensated for these costs. Simulated or hypothetical trading programs in general are also subject to the fact that they are designed with the benefit of hindsight. No representation is being made that any account will or is likely to achieve returns or a volatility profile similar to those being shown.

BBB IG Corp: Investment-Grade Corporates; Securitized includes Agency CRTs; Commercial Mortgage-Backed Securities; EM Hard Currency includes USD denominated EM Corporate and Sovereign Debt

As of 30 June 2020

Source: Bloomberg Barclays and AB

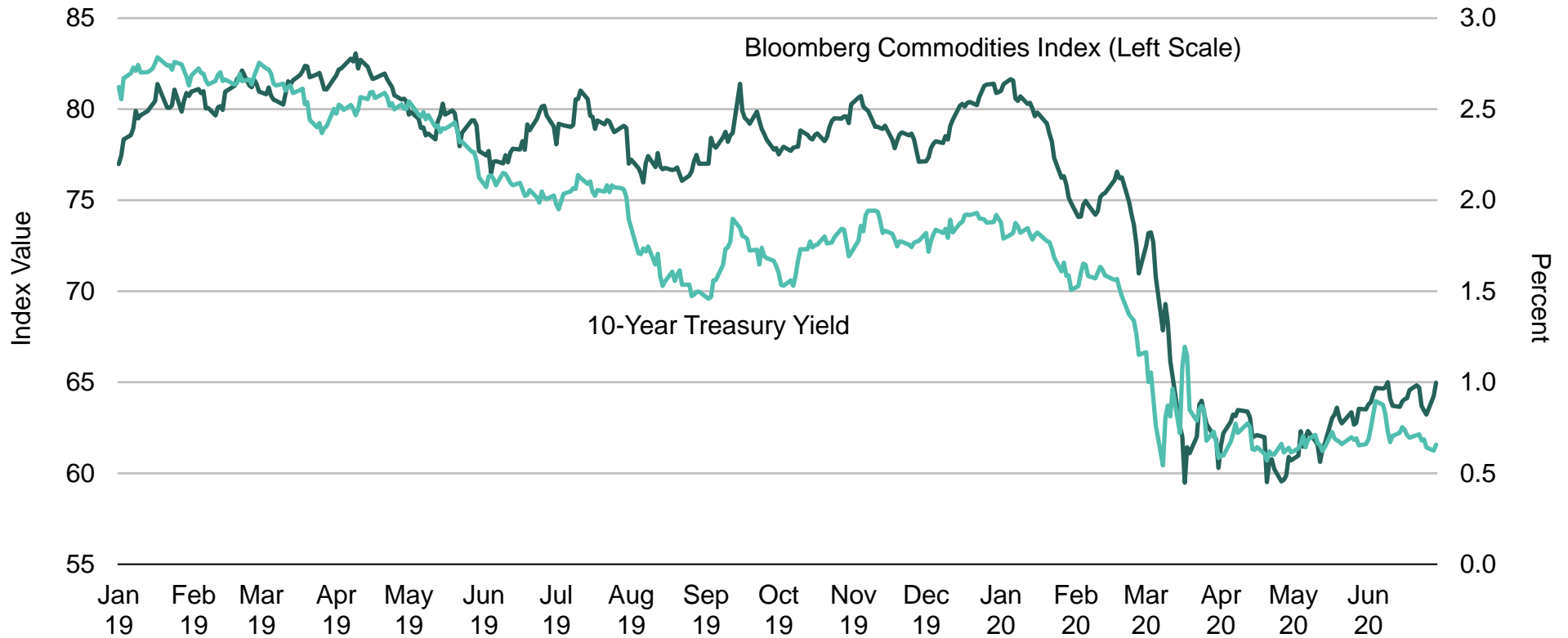




APPENDIX

Dramatic Decline in Rates and Commodity Prices Favors Quality

A Recovery Void of Rising Rates and Commodities: A Headwind for Deep Cyclical



Historical analysis and current forecasts do not guarantee future results.

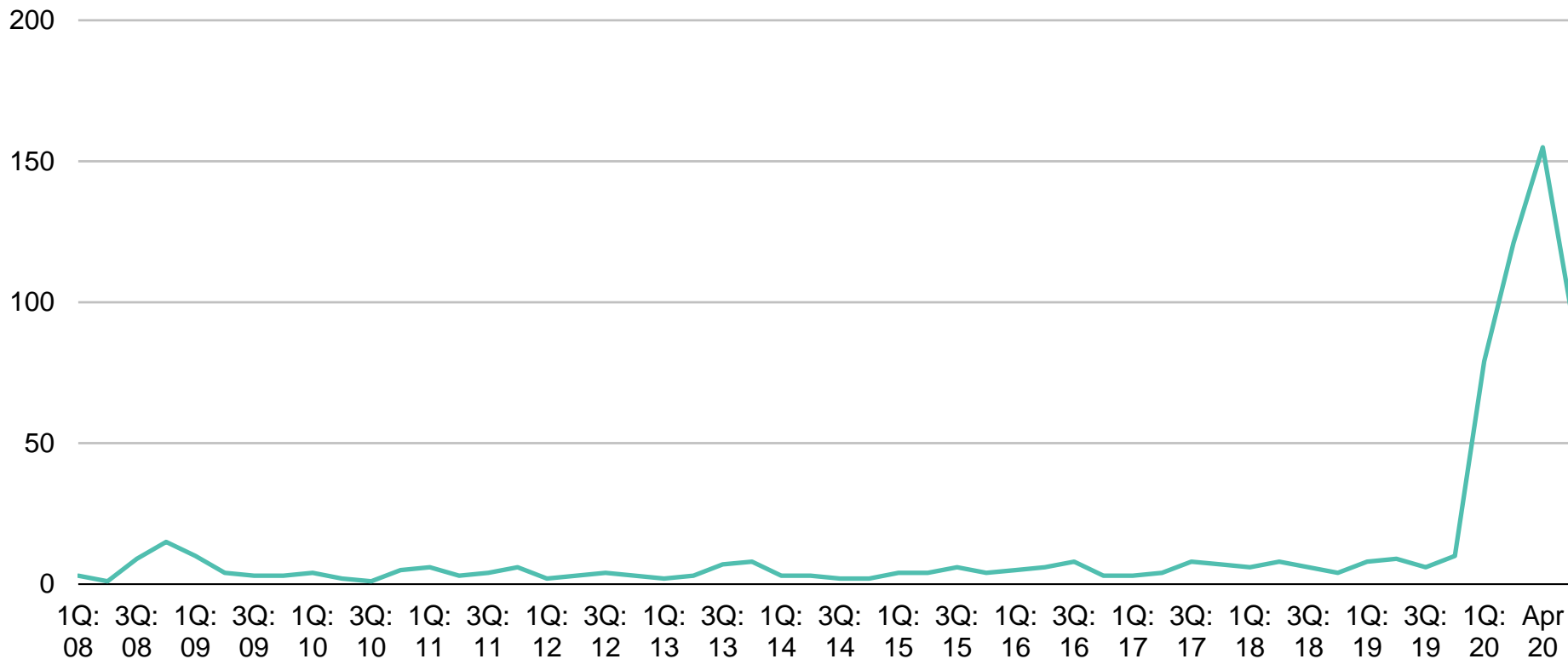
Through 30 June 2020

Source: Bloomberg and AB



US Companies Are Suspending Guidance in Unprecedented Numbers

Number of US Companies Suspending Forward-Earnings Guidance (Market Cap > US\$2 Billion)



Historical analysis and current forecasts do not guarantee future results.

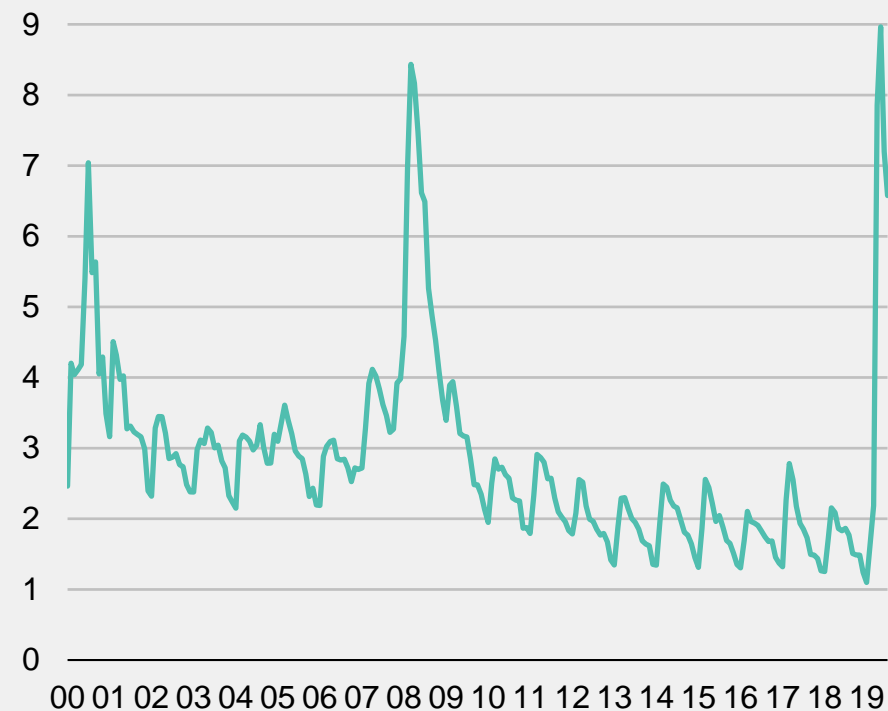
From 1 March 2008, through 4 May 2020

Source: Bloomberg, CBOE and AB

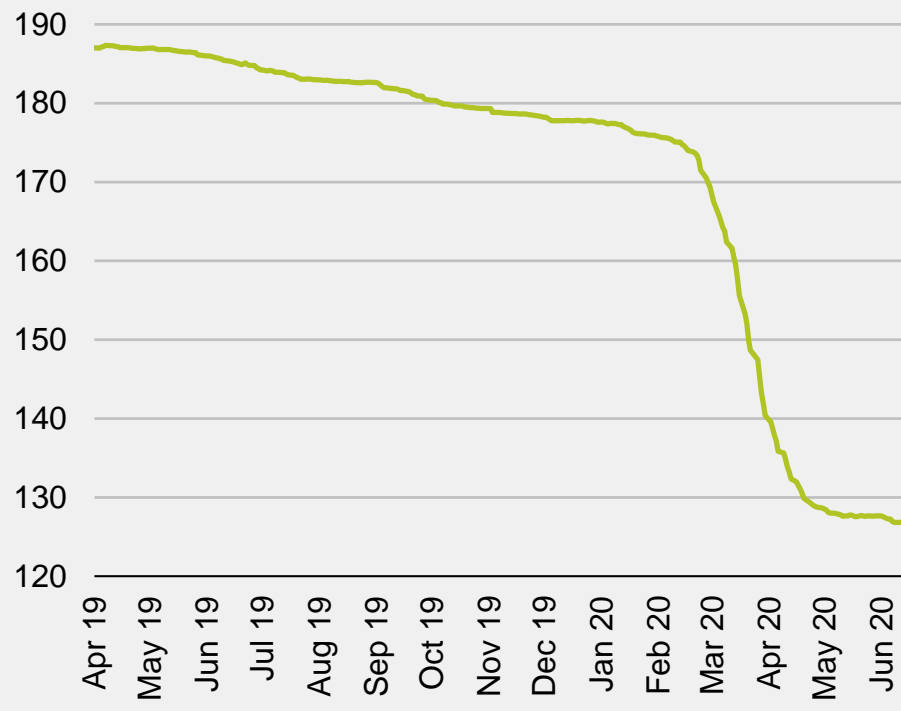


Earning Estimates: Wide Dispersion and a Short-Term Horizon

S&P 500: Earnings per Share Dispersion*



S&P 500: Earnings per Share: 2020 Estimates (US Dollars)



Historical results and current analysis do not guarantee future results.

*Based on FactSet annual earnings estimates. Dispersion is calculated by taking the standard deviation of earnings estimates for every stock over the last 100 days, divided by the absolute value of each stock's median earnings estimate, multiplied by 100. For every period shown, the median dispersion value is used.

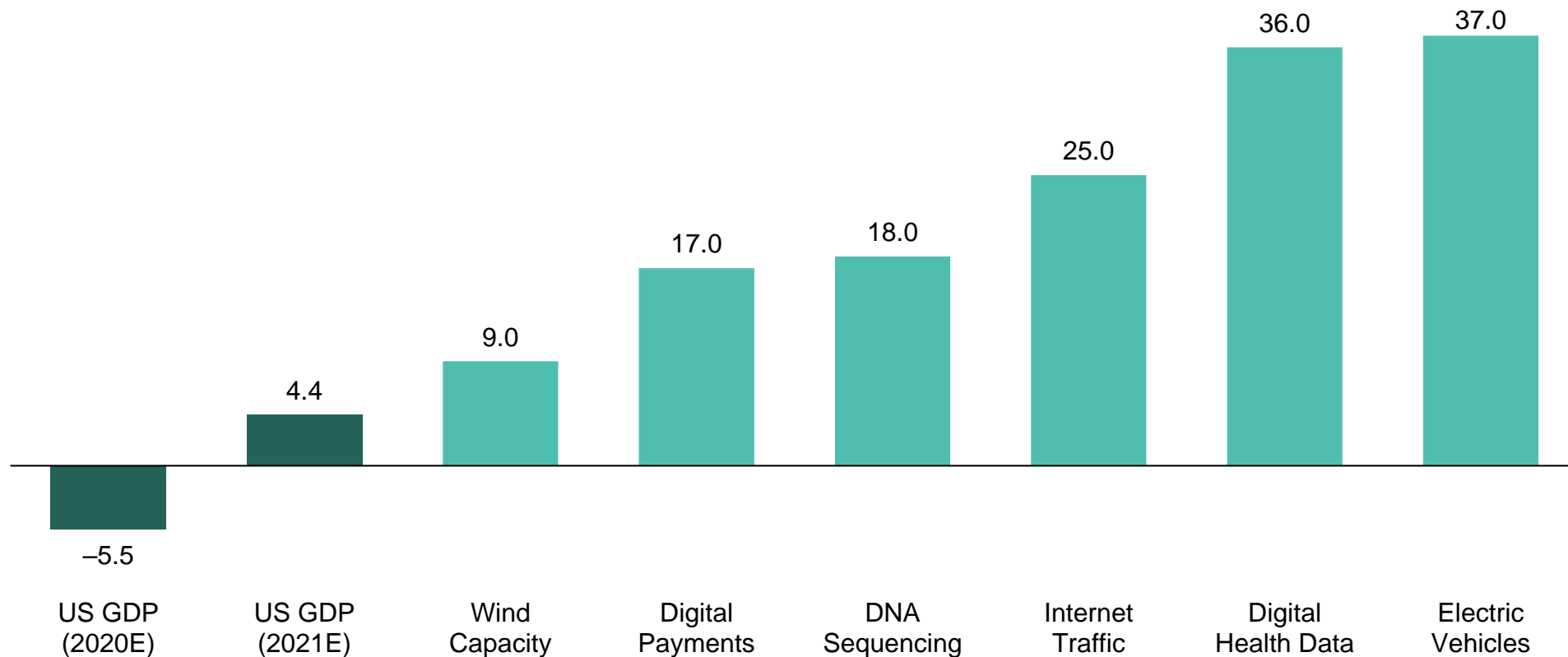
As of 30 June 2020

Source: FactSet, S&P and AB



Some Growth Trends Will Persist Through a Downturn

Projected Compound Annual Growth Rates (Percent)



Past performance does not guarantee future results.

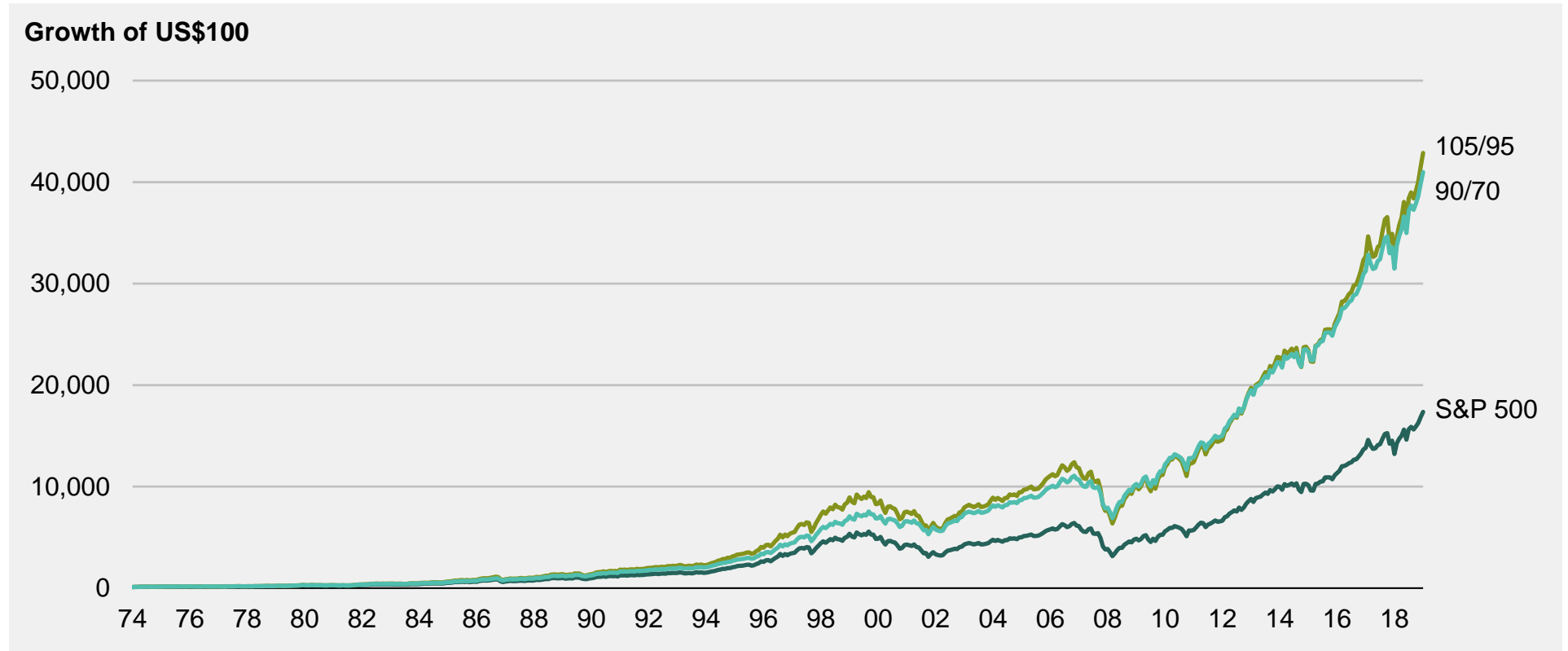
US GDP estimate from AB economists as of 31 March 2020. Wind capacity 2019–2025; digital payments 2020–2024; DNA sequencing 2020–2023; internet traffic 2015–2020; digital health data 2018–2025; and battery electric vehicle units 2020–2025

As of 31 March 2020

Source: BCC Research, Cisco Systems, Global Wind Energy Council, IDC, Morgan Stanley, Statista and AB



Quality Stocks Foster Better Upside/Downside Capture and Outperformance



Past performance does not guarantee future results.

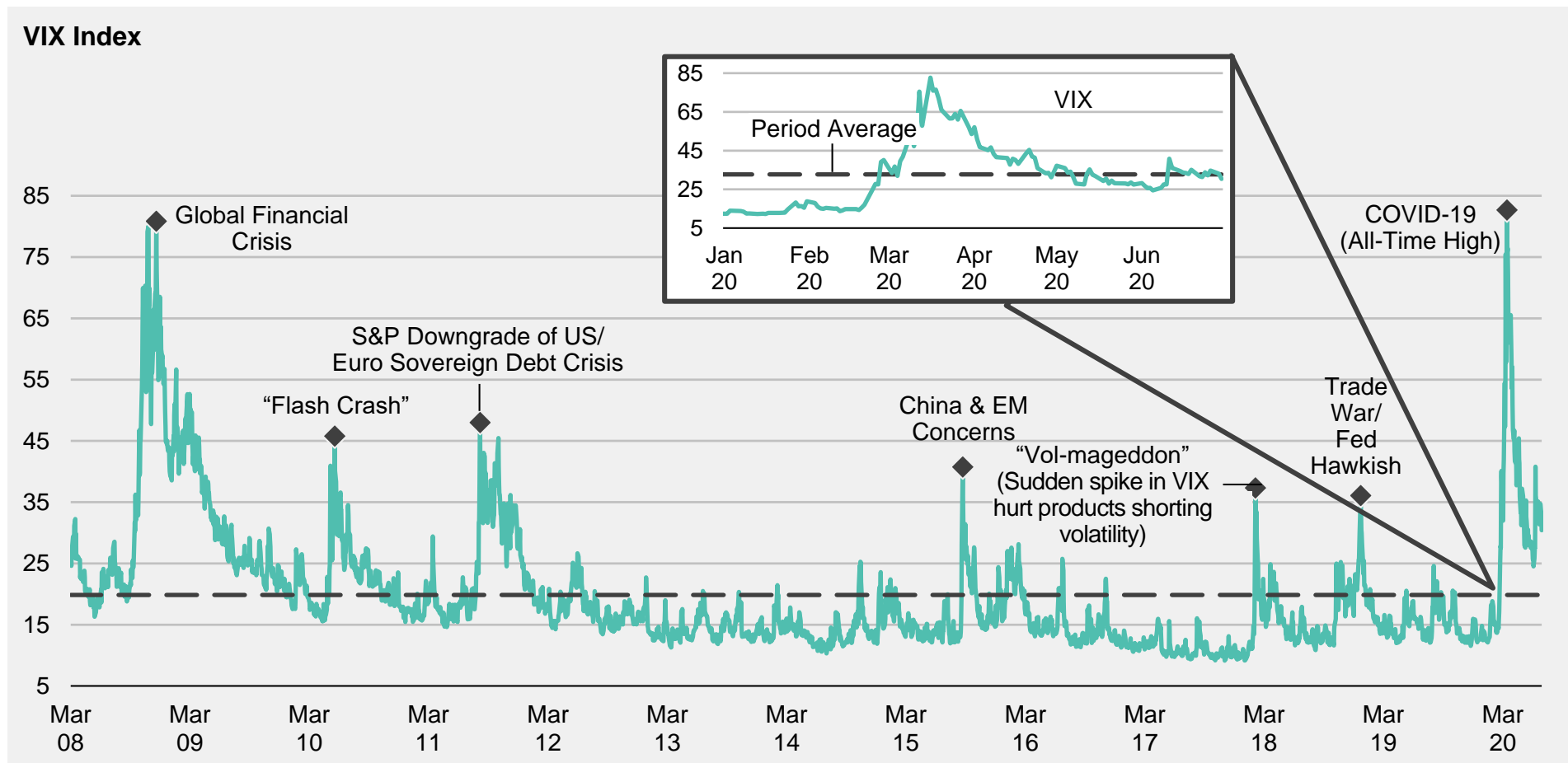
Returns shown are for illustrative purposes and not representative of any AB fund. It is not possible to invest in an index.

Performance calculated by multiplying all positive monthly returns (0% or greater) of the S&P 500 by 105% or 95% and all negative returns (less than 0%) by 95% or 70%; shown in logarithmic scale

Source: S&P and AB



The VIX Has Meaningfully Declined from Its Record High



Historical analysis and current forecasts do not guarantee future results.

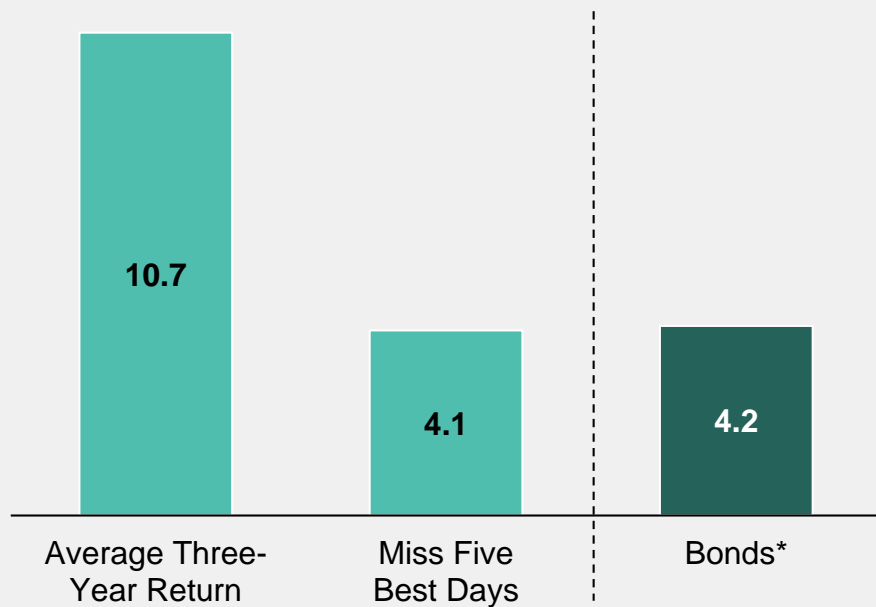
From 1 March 2008, through 30 June 2020

Source: Bloomberg, CBOE and AB



Timing the Market Means Getting Out and Getting Back In

S&P 500 Rolling Three-Year Returns
Annualized from 1988 through 2019 (Percent)



The Cost of Missing Out: S&P 500 Return in 2020
Percent



Historical analysis and current forecasts do not guarantee future results.

*Bonds represented by Lipper Short/Intermediate Municipal Bond Fund Average

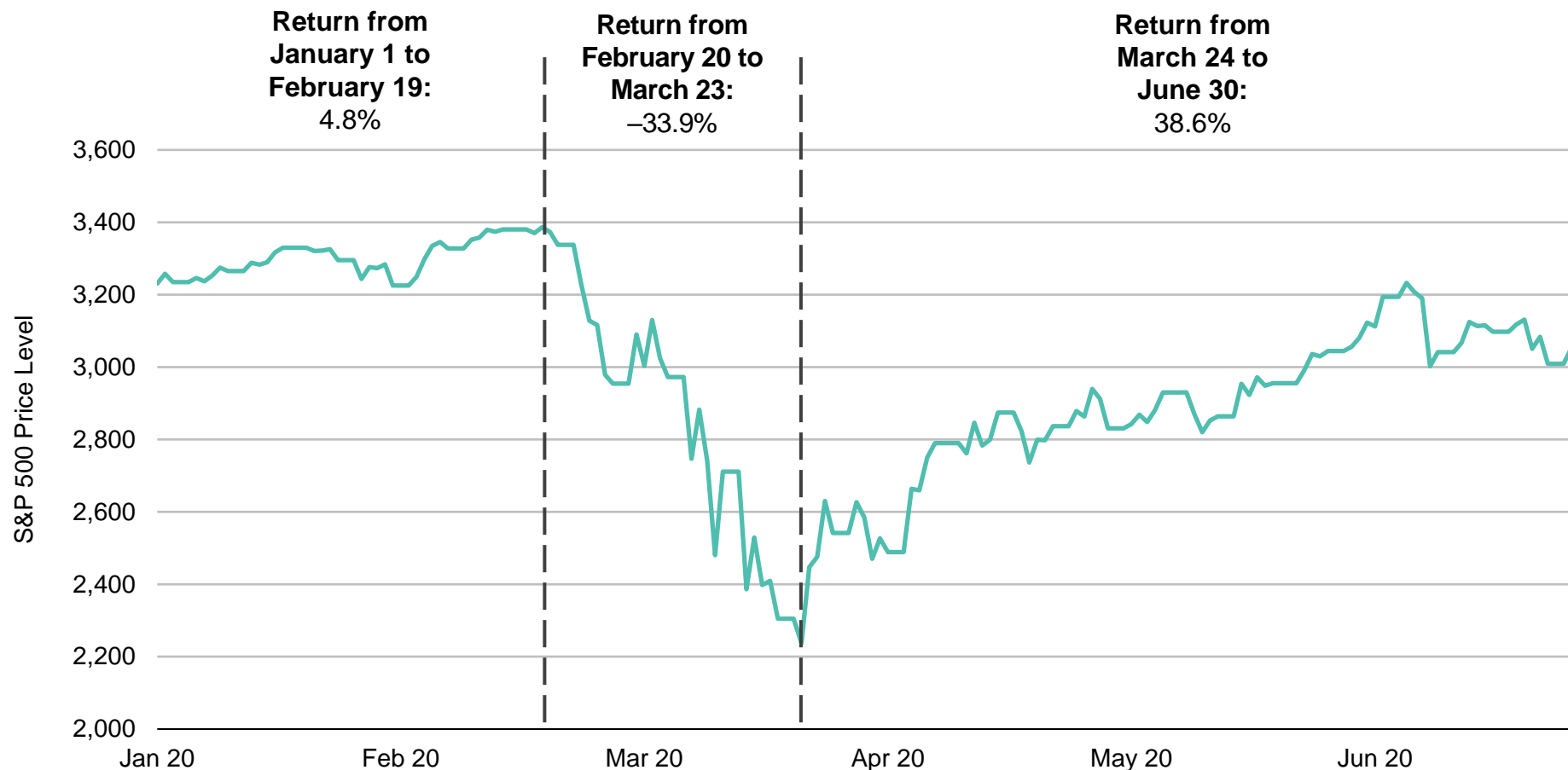
Left display through 31 December 2019; right display as of 30 June 2020

Source: Bloomberg, Lipper, Morningstar, S&P and AB



S&P 500: The Three Phases of 2020...Thus Far

Carryover from 2019, Severe Drawdown and Quick Recovery



Historical analysis and current forecasts do not guarantee future results.

S&P 500 price returns through 30 June 2020

Source: Bloomberg 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 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 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: 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 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 Bond Index. (Represents Japan government bonds 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 Bond Index:** Represents the corporate component of the Bloomberg Barclays US High-Yield Index. (Represents US high yield on slide 1.)
- + **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.)
- + **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.

Index Definitions (cont.)

- + **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 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 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 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 markets on slide 1.)

Index Definitions (cont.)

- + **MSCI World Index:** A market capitalization–weighted index that measures the performance of stock markets in 24 countries. (Represents world on slide 1.)
- + **MSCI All Country World Index (ACWI):** A market capitalization weighted index designed to provide a broad measure of equity-market performance throughout the world, comprised of stocks from 23 developed countries and 24 emerging markets.
- + **S&P 500 Index:** Includes a representative sample of 500 leading companies in leading industries of the US economy. (Represents US on slide 1.)
- + **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.

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