



ALLIANCEBERNSTEIN®

August 2020

2020 Election: Politics Don't Matter?

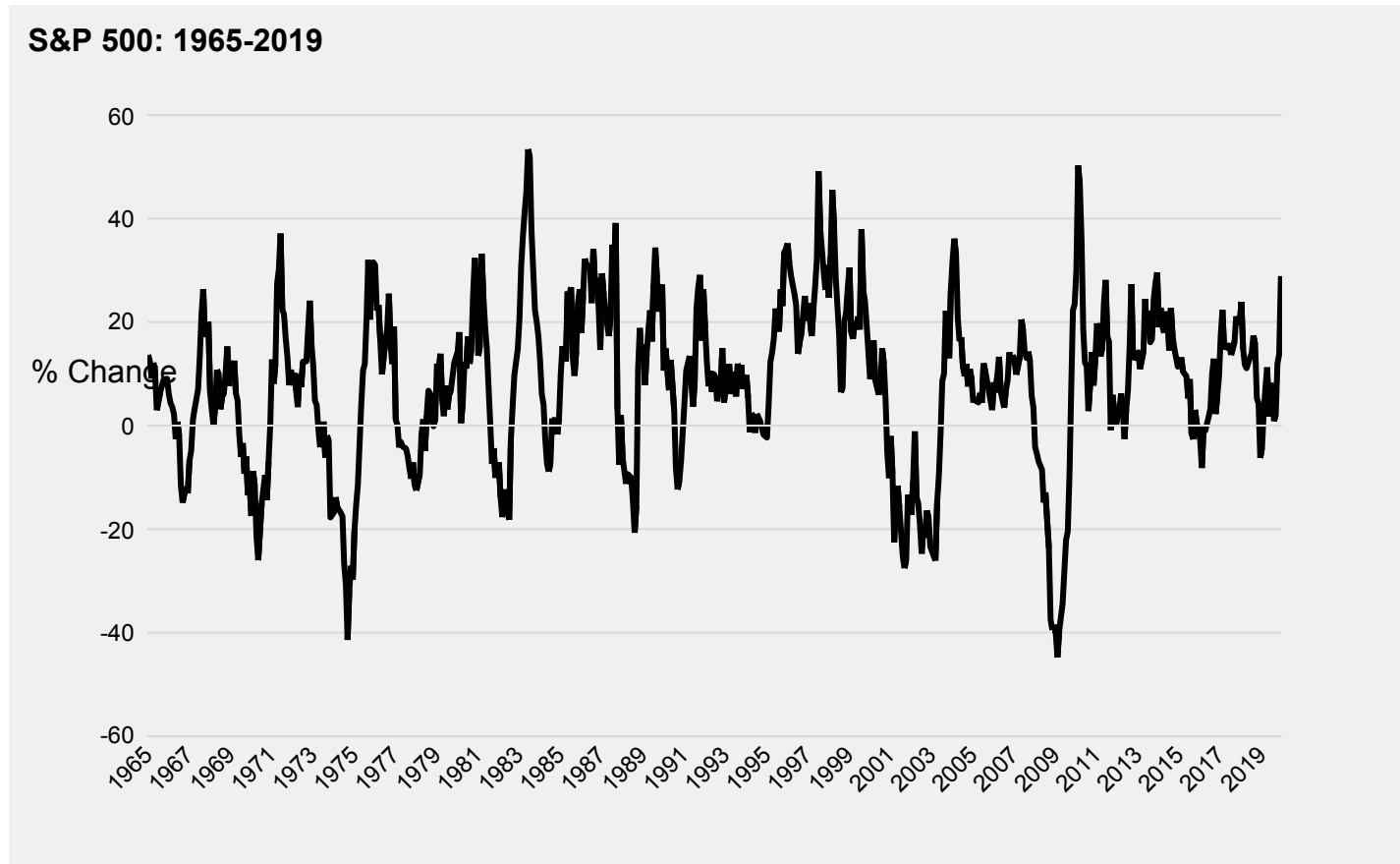
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● Are Not FDIC Insured ● May Lose Value ● Are Not Bank Guaranteed



Historically Politics Haven't Mattered

US Politics and Equity Markets: Quick! Label the Presidential Parties...

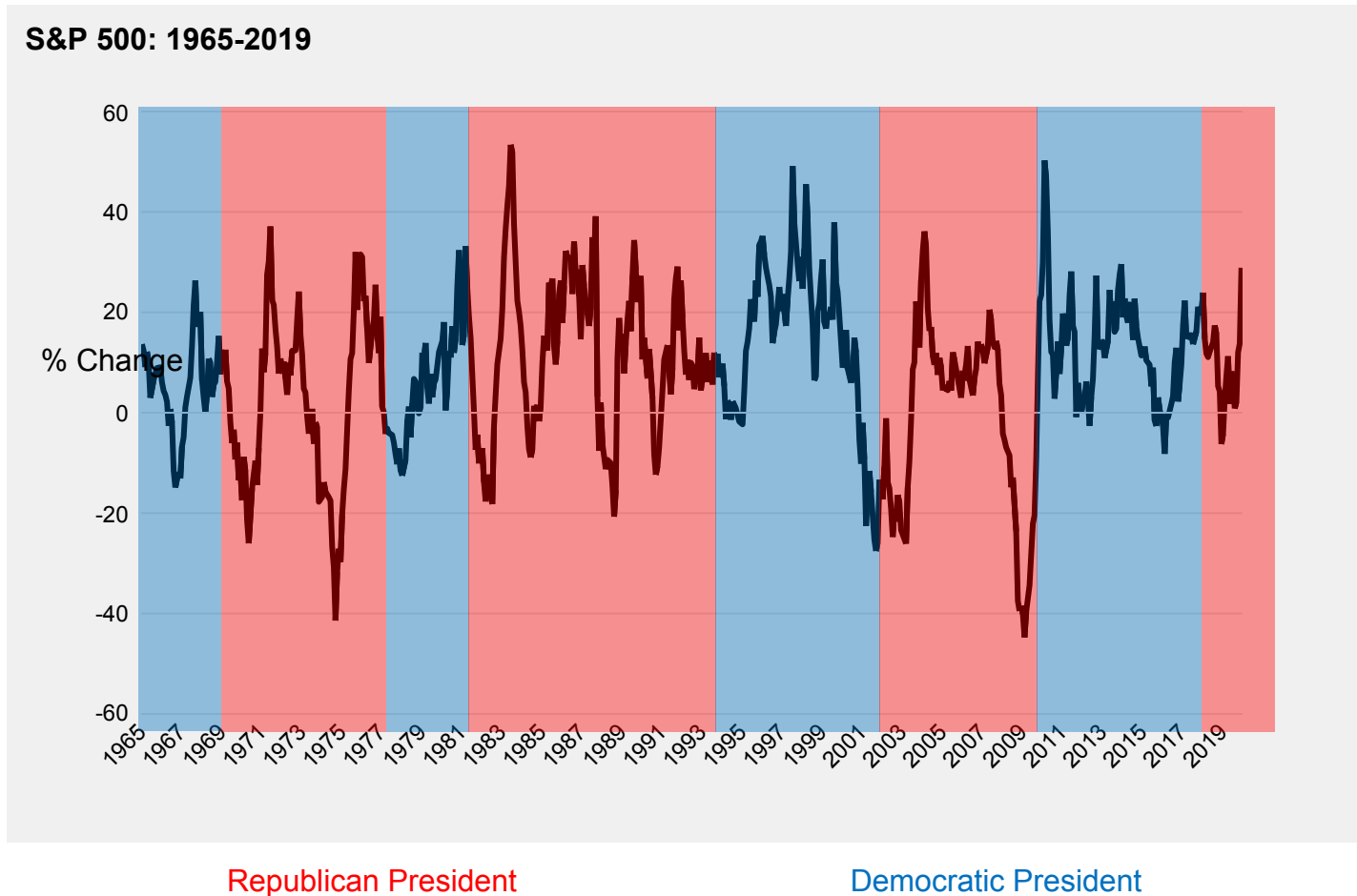


Past performance does not guarantee future results. An investor cannot invest in an index.

As of December 31, 2019

Source: Thomson Reuters and AB

Do Politics Really Matter Anyway?



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

As of December 31, 2019

Source: Thomson Reuters and AB

Politics Don't Matter: Historically Neither Political Party Has an Edge

Democratic President

9.2%



Republican President

9.1%



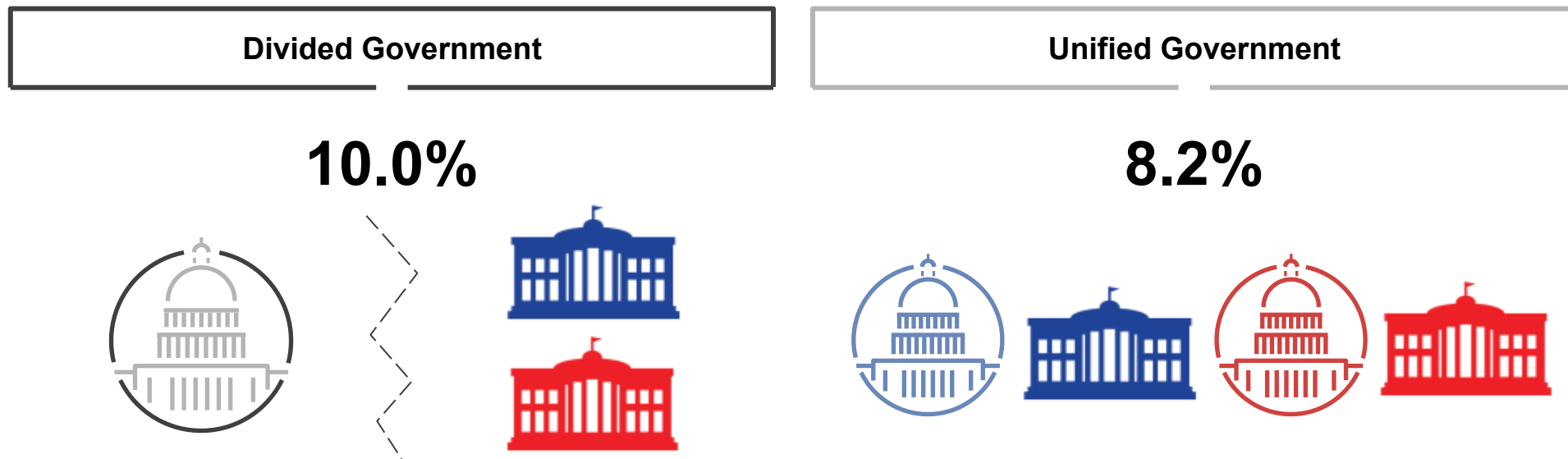
Past performance does not guarantee future results.

Returns reflect annualized returns for each Presidential Term dating back to 1937, based off the Dow Jones Industrial Average.

As of December 31, 2019.

Source: Bloomberg and AB

Politics Don't Matter: Historically a Divided vs. Unified Government Both Perform Well



Past performance does not guarantee future results.

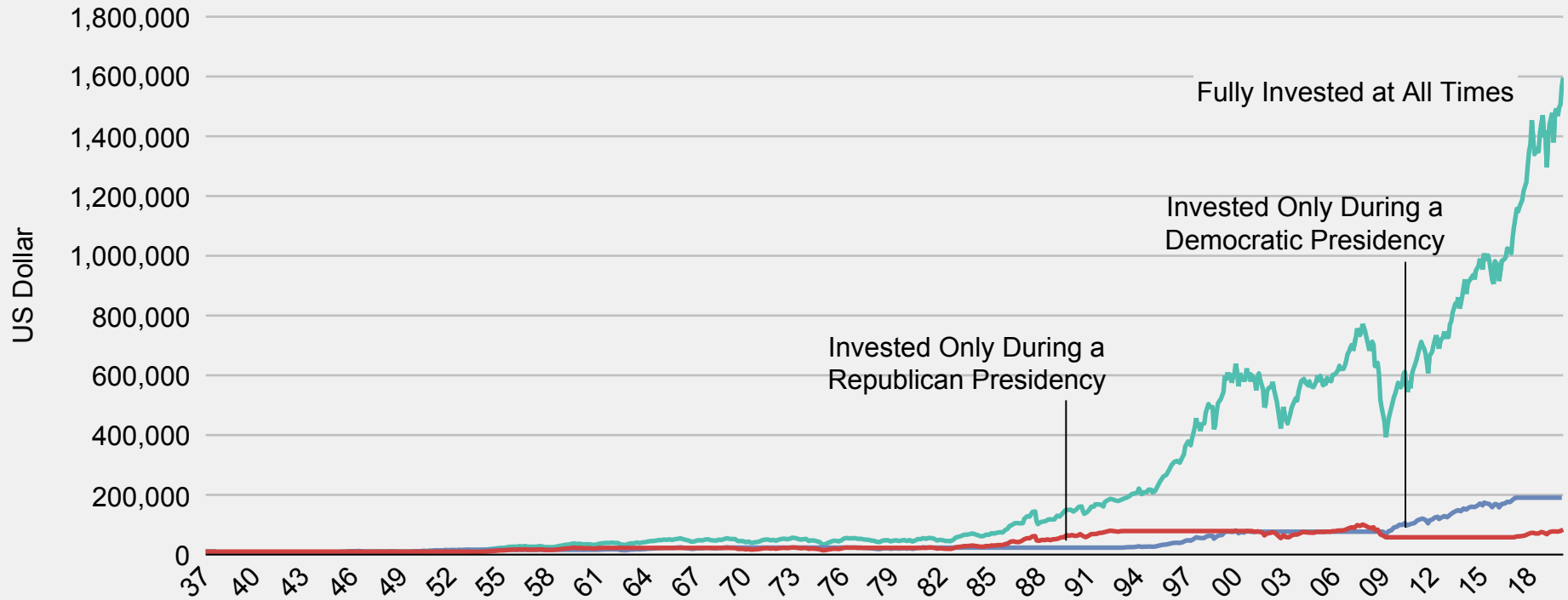
Returns reflect annualized returns for each Congressional Term from 1937–2019, based off the Dow Jones Industrial Average.

As of December 31, 2019

Source: Bloomberg and AB

Politics Don't Matter: Stay Fully Invested

Growth of US\$10,000: Dow Jones Industrial Average



Past performance does not guarantee future results.

As of December 31, 2019

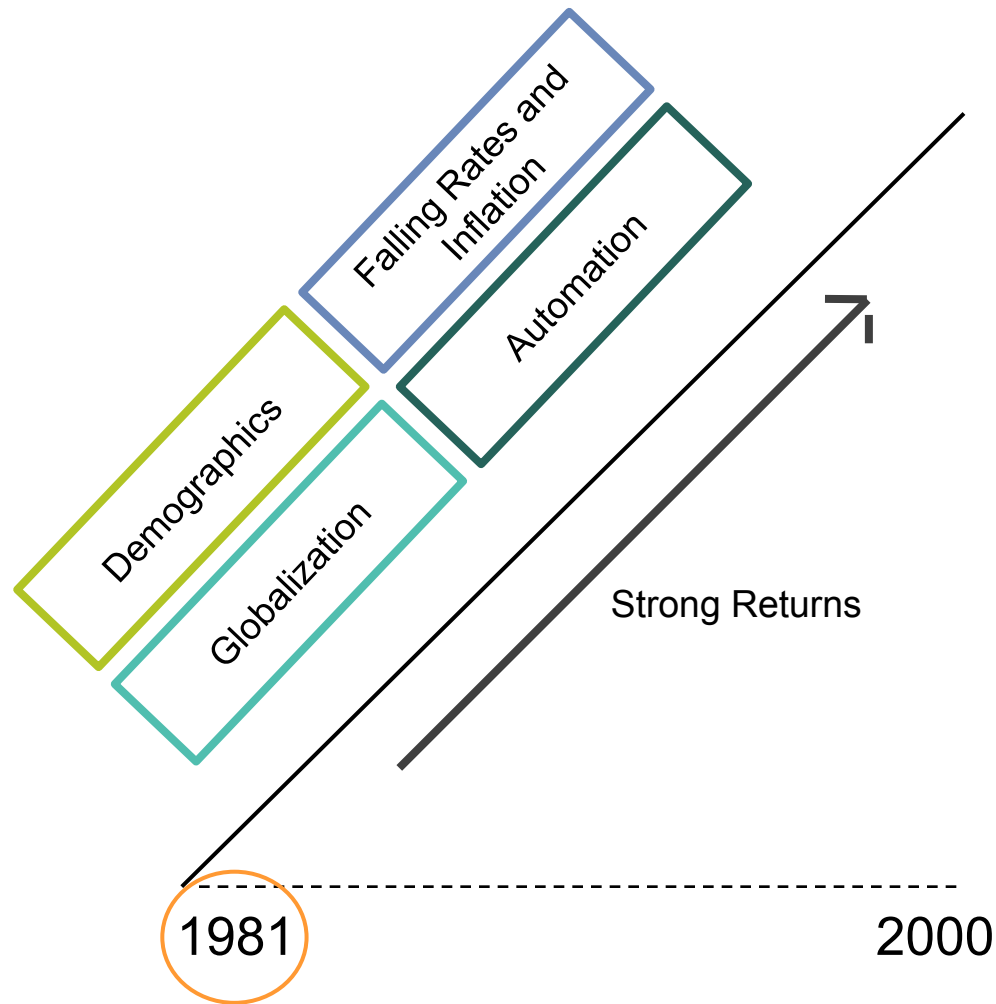
Monthly performance of the Dow Jones Industrial Average, dating back to 1937.

Source: Bloomberg and AB



A POLITICAL BACKDROP 40 YEARS IN THE MAKING

1981: The Most Powerful Fundamental Cocktail in Modern Financial History



Jan 1, 1981–Dec 31, 1999: The Great Moderation

	Returns	St Dev
US Stocks	17.2	14.8
US Bonds	10.4	5.8
60/40*	14.7	9.9

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

*60% S&P 500/40% Bloomberg Barclays US Agg Bond

As of December 31, 2019

Source: Bloomberg, Morningstar Direct and AB

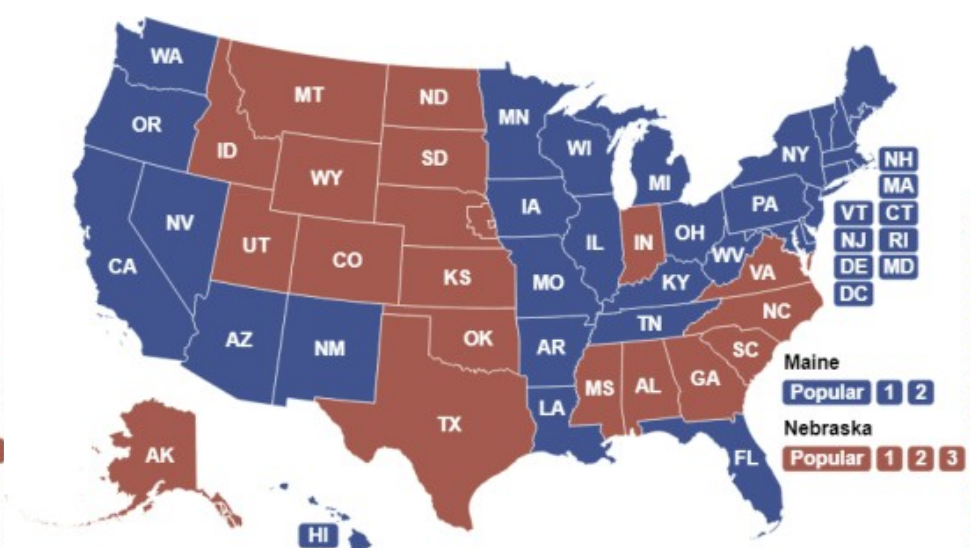
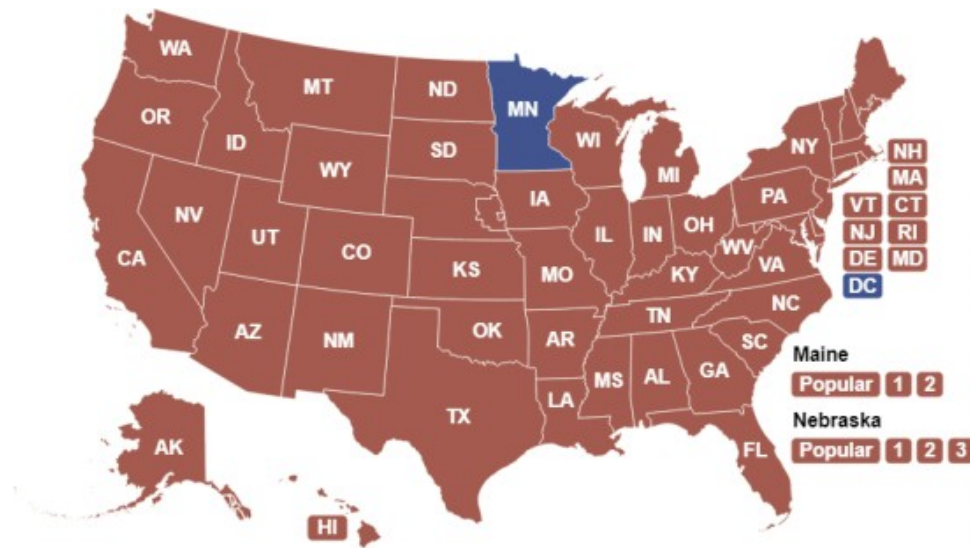
Landslide Victories: 1984 and 1996 Election

Walter Mondale
13

Ronald Reagan
525

Bill Clinton
379

Bob Dole
159



As of December 31, 2019
270 Electoral Votes are needed to win the US Election.
Source: Electoral Ventures, Electoral Vote Map/Taegan Goddard and AB

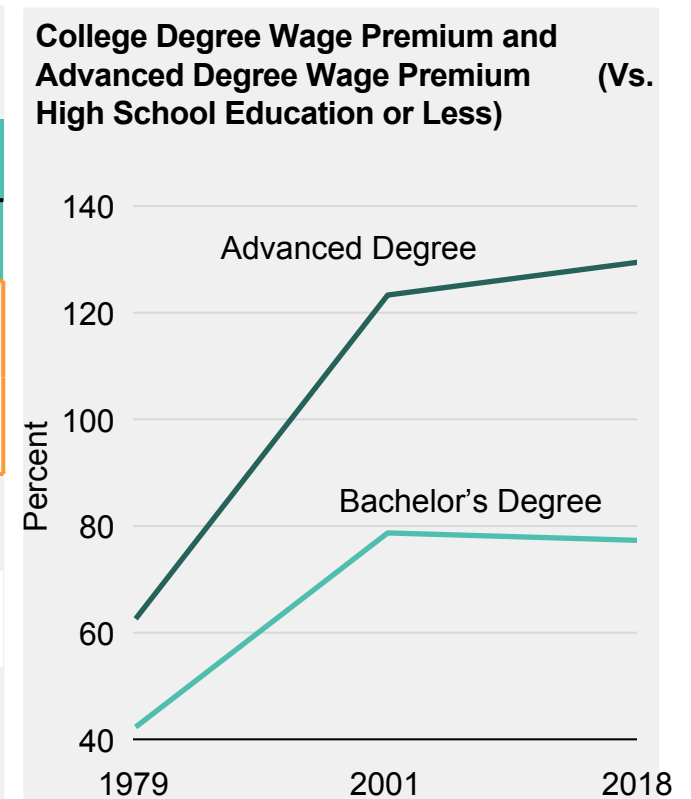


Causes of Shift to Populism: Income Inequality & Education



Growth in National Income in the US (Post-War Period)

Real Income Growth		
Income Group	1946-1980	1980-2014
Bottom 50%	102%	1%
Middle 40%	105%	42%
Top 10%	79%	121%
Top 1%	47%	205%
Top 0.1%	54%	321%



Past performance does not guarantee future results.

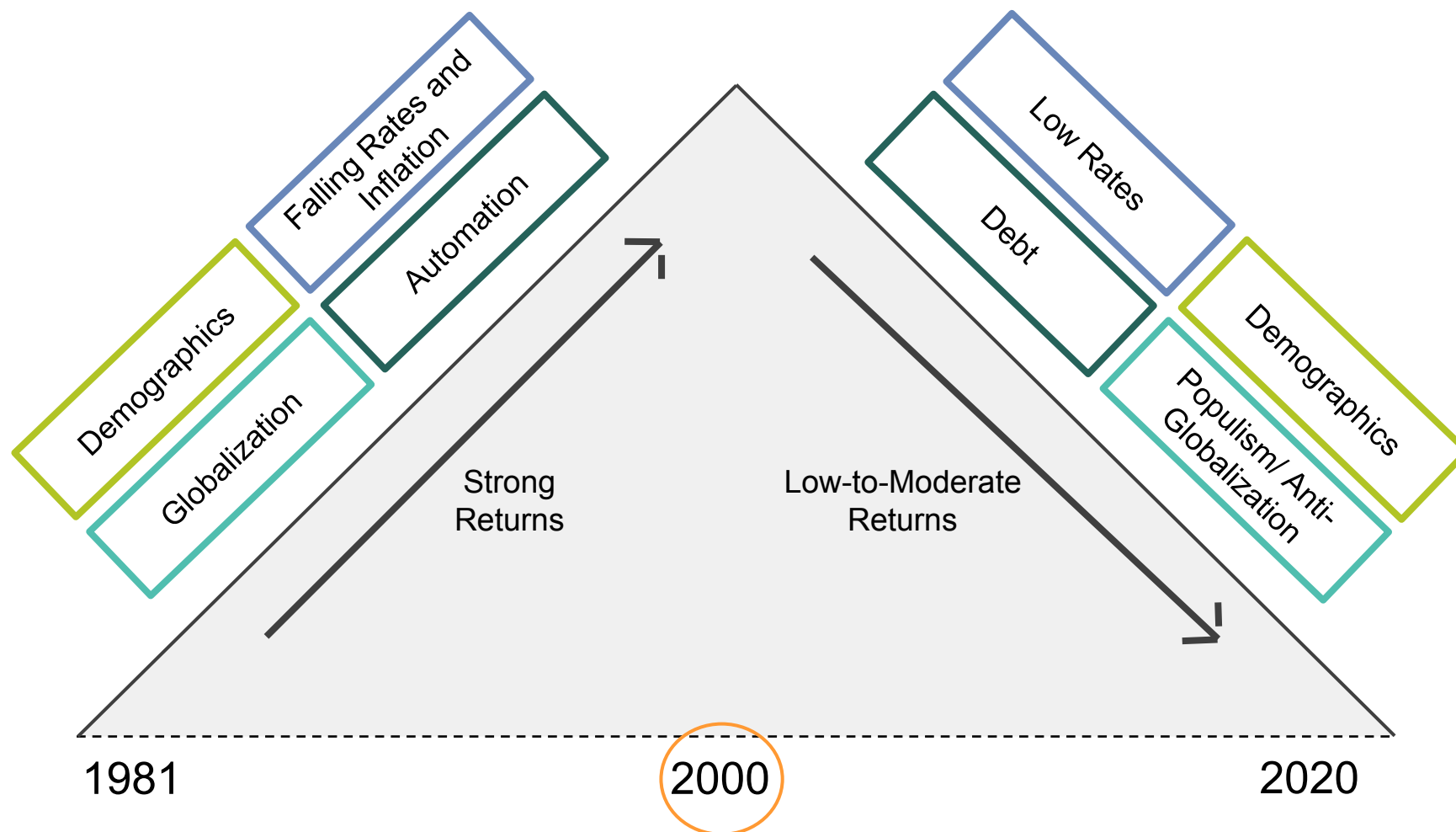
Middle table: Displays the cumulative real growth rates of pre-tax national income per adult over two 34 years period: 1946 to 1980 and 1980 to 2014. The unit is the adult individual (aged 20 or above). Fractiles are defined relative to the total number of adults in the population. Income is split equally among spouses. Pre-tax national income fractiles are ranked by pre-tax national income while post-tax national income fractiles are ranked by post-tax national income.

Right display: The Higher Education Premium shows the percent difference between median wages received by workers with a Bachelor's Degree and Advanced degree versus workers with a High School degree or less. Sample comprises nonfarm wage and salary workers who are 25–64 years old and provide sufficient information to compute an hourly wage.

As of June 30, 2019

Source: Piketty, Refinitiv Datastream, Saez and Zucman, “*Distributional National Accounts: Methods and Estimates For the United States*”, NBER WP22945, CRS estimates using Current Population Survey Outgoing Rotation Group data for 1979–2018

2000: Secular Trends Turn from a Tailwind to a Headwind



For illustrative purposes only.
Source: AB

Historically Close Races: 2000 and 2004 Elections

2000 Election	George W. Bush	Al Gore	2004 Election	George W. Bush	John Kerry
Electoral Vote	271	266	Electoral Vote	286	251
Popular Vote	50,456,002	50,999,897	Popular Vote	62,040,610	59,028,444
Crucial Swing State	Florida (25 Electoral Votes)		Crucial Swing State	Ohio (20 Electoral Votes)	

As of December 31, 2019
 270 Electoral Votes are needed to win the US Election.
 Source: Electoral Ventures and AB



Sense a Theme?: Door Opened for Non-Establishment Candidates



“Hope and Change”

- 1. Non-Insider/Non-Establishment Candidate**
- 2. Income Inequality: For those Washington Left Behind**
 - Middle Class Tax Cuts
 - Others Pay Their Fair Share
 - The 1% vs the 99%
- 3. Campaign Result**
 - Flipped multiple swing states, including FL
 - Invest in the Middle Class



“Make America Great Again”

- 1. Outsider Candidate**
- 2. Income Inequality: Bring Back Manufacturing Jobs**
 - Renegotiate/Withdraw from NAFTA & TPP
 - Tariffs
 - U.S. vs the Rest of the World
- 3. Campaign Result**
 - Flipped key Rust Belt States & FL
 - Populist Message to Blue Collar Workers

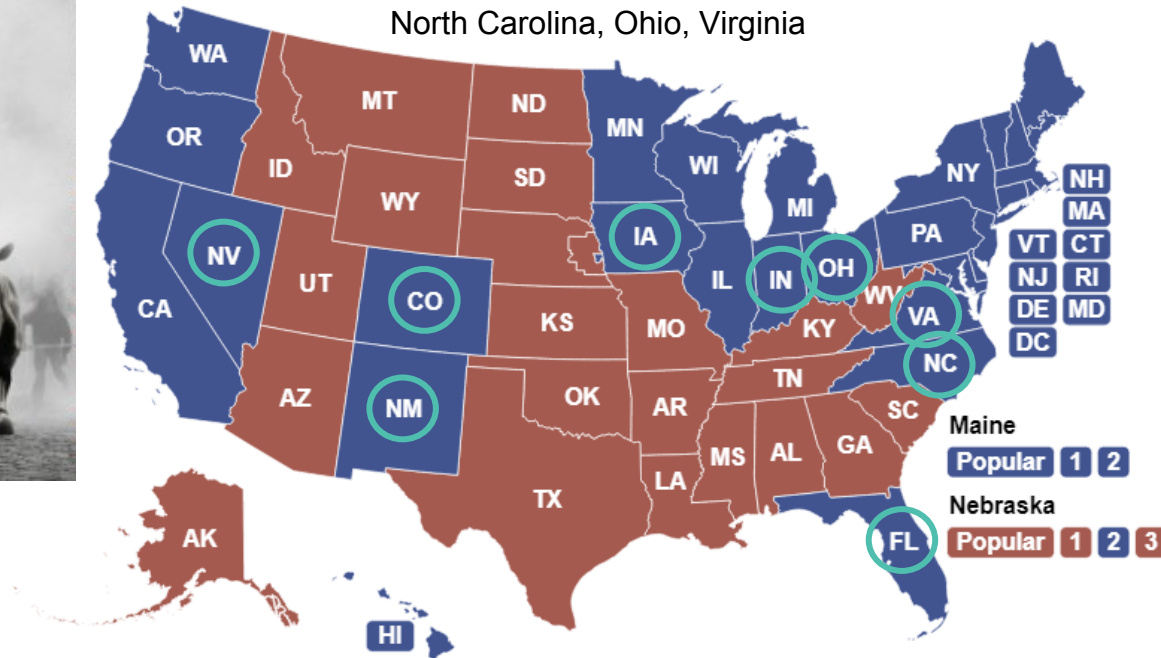
Outsider Candidate #1: Democrats Flip Key Swing States in 2008 Election

Barack Obama
365

John McCain
173

States Flipped from 2004 Election:

Colorado, Florida, Indiana, Iowa, Nevada, New Mexico,
North Carolina, Ohio, Virginia



As of December 31, 2019

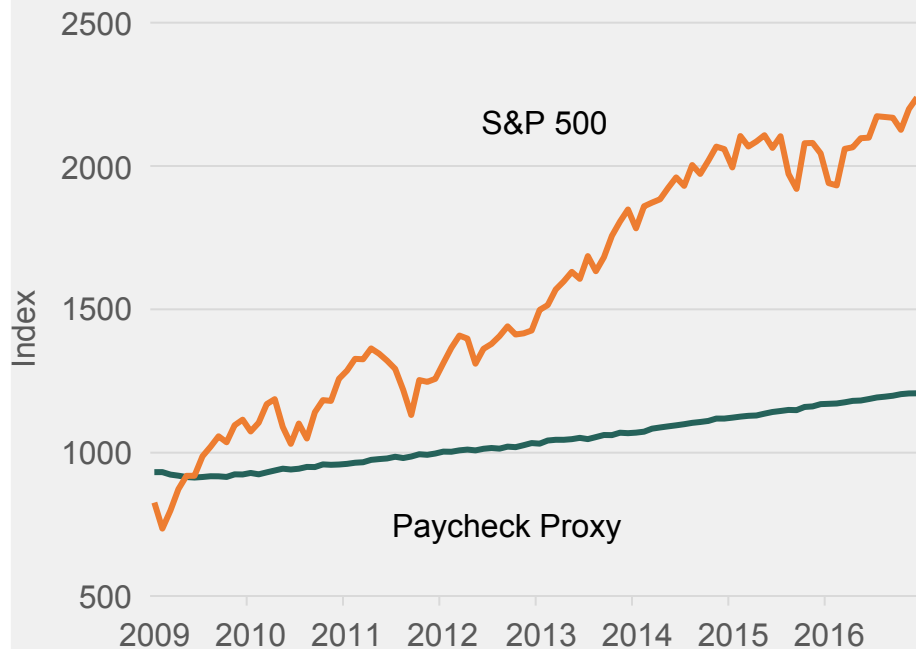
270 Electoral Votes are needed to win the US Election.

Source: Electoral Ventures, Electoral Vote Map/Taegan Goddard and AB



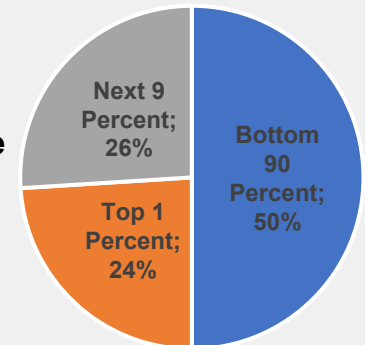
Hope and Change? The Wealth Gap Continued to Grow...

Market Returns and Household Paycheck

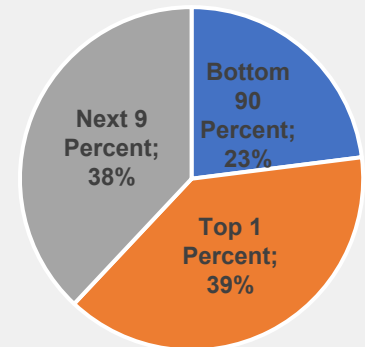


Wealth Is Even More Concentrated than Income

Distribution of Before-Tax Income
2016



Distribution of Wealth
2016



Past performance does not guarantee future results.

As of June 30, 2019

Source: Piketty, Refinitiv Datastream, Saez and Zucman, "Distributional National Accounts: Methods and Estimates For the United States", Survey of Consumer Finances (2017)



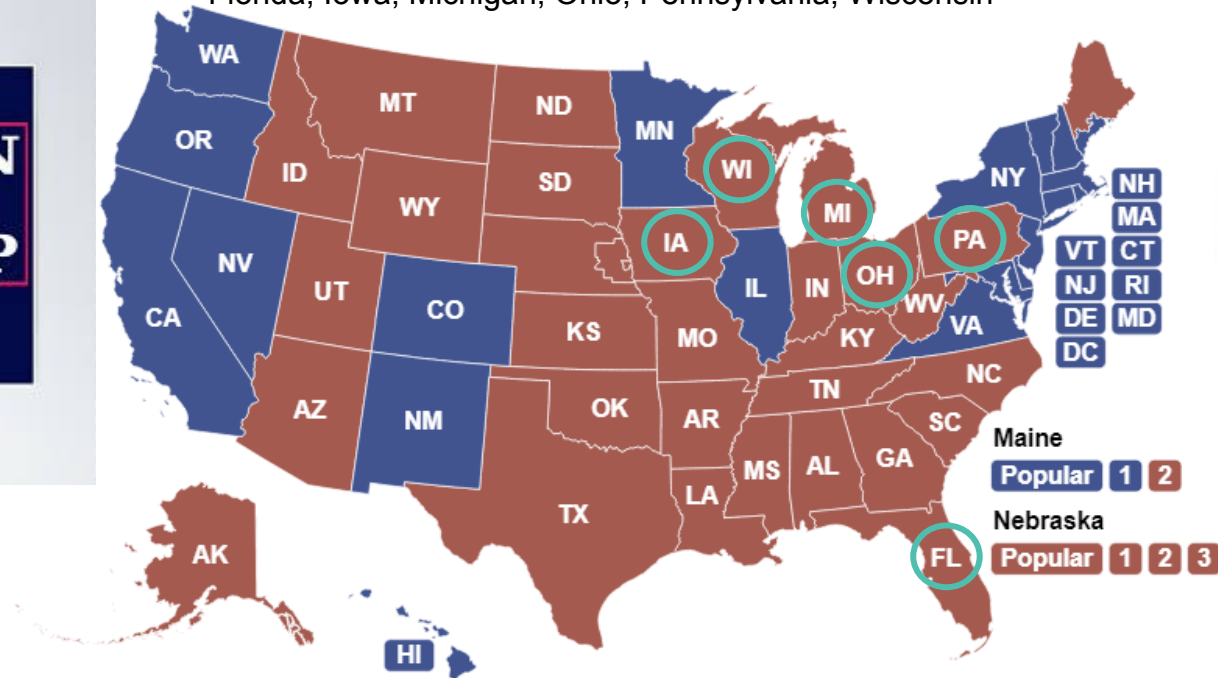
Bring On Outsider Candidate #2: Republicans Flip the Rust Belt in 2016

Hillary Clinton
227

Donald Trump
304

States Flipped from 2012 Election:

Florida, Iowa, Michigan, Ohio, Pennsylvania, Wisconsin



**DRAIN
THE
SWAMP**

**MAKE AMERICA
GREAT AGAIN**

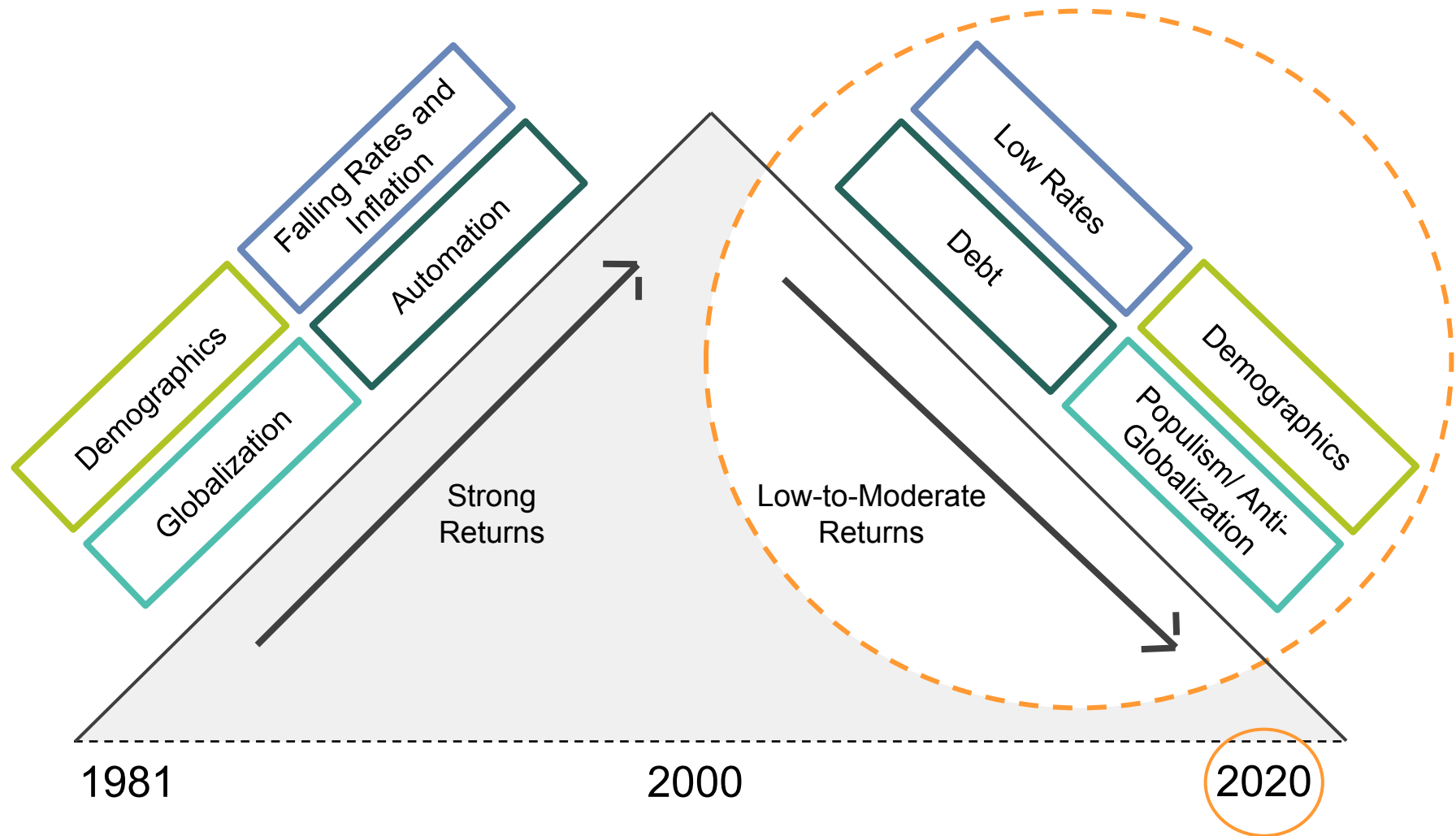
As of December 31, 2019

270 Electoral Votes are needed to win the US Election.

Source: Electoral Ventures, Electoral Vote Map/Taegan Goddard and AB



Will Politics Matter in 2020? Secular Trends Suggest a Clear “Yes”



For illustrative purposes only.
Source: AB

Fear of Automation Impacted the 2018 Midterm Elections

Top 50 Congressional Districts
Most Exposed to Automation

46 Republicans

4 Democrats

Top 50 Congressional Districts
Least Exposed to Automation

0 Republicans

50 Democrats

As of December 31, 2019
Source: Brookings analysis of BLS and AB

The 2020 Secular Battlefield

Elizabeth Warren

“ The result is a huge student loan debt burden that’s crushing millions of families and acting as an anchor on our economy...It’s reducing home ownership rates. It’s forcing students to drop out of school...It’s a problem for all of us. ”

Joe Biden

“ We should be increasing, not decreasing, Social Security. It’s within our capacity to do so. ”

Bernie Sanders

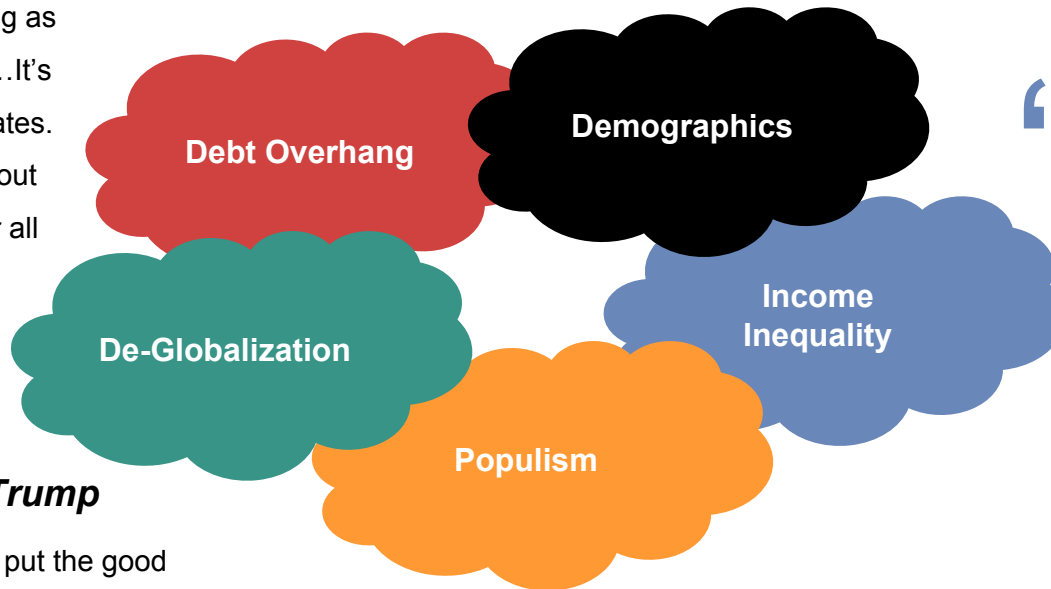
“ This campaign is about transforming this country and creating a government and an economy that works for all of us, not just the top 1%. This campaign is about ending the grotesque level of income and wealth inequality that exists in this country. ”

President Trump

“ Wise leaders always put the good of their own people and their own country first. The future does not belong to globalists. ”

Vice President Pence

“ America’s economy is growing stronger by the day, and China’s economy is paying the price. The President’s strategy is correct. He’s fighting for the American people, for American jobs and American workers like no one has before. ”





2020 ELECTION OUTLOOK:

THE CLASSIC WAY TO BE A ONE-TERM PRESIDENT...

AND WHY IT MIGHT NOT MATTER

Incumbent Presidents: Ways to Lose Re-Election?



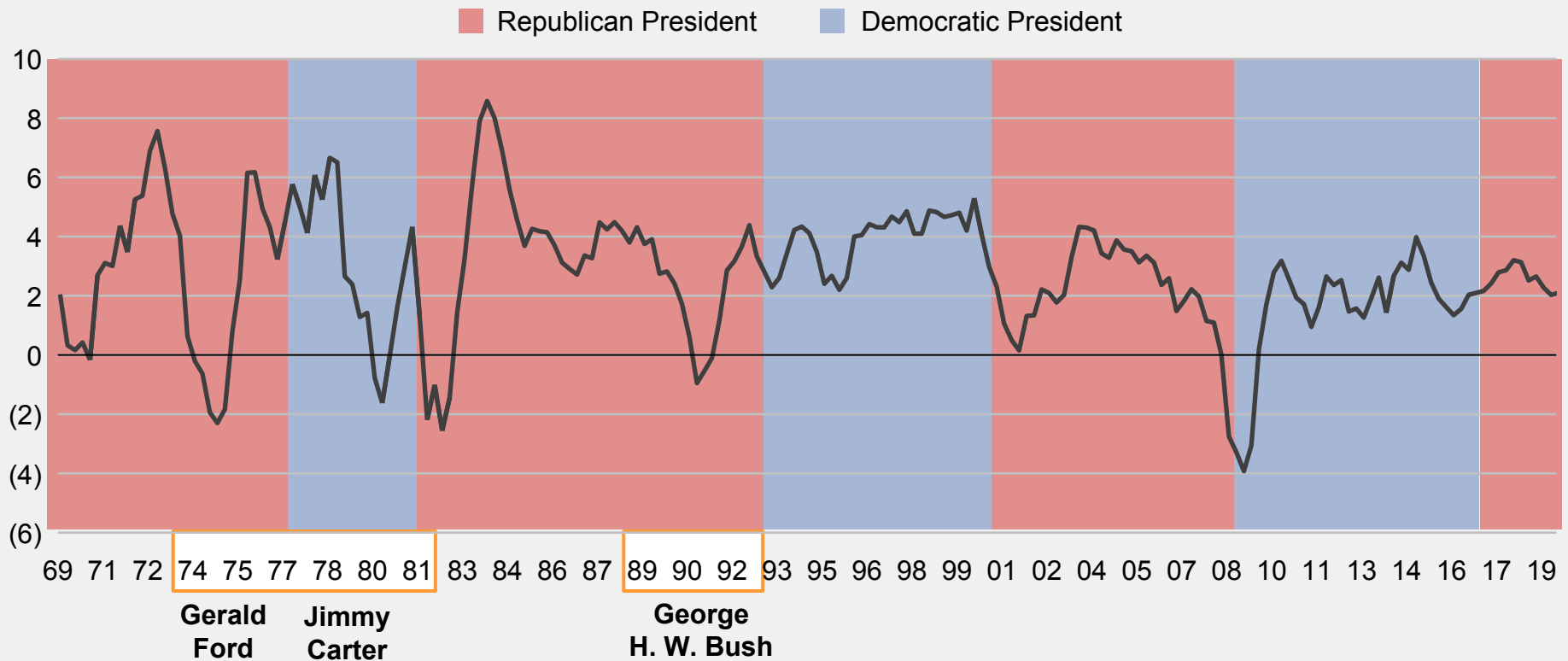
Have a Recession
in an Election Year

Source: AB



The Tail Wags the Dog: Presidents Don't Cause Recessions - Recessions End Presidents

US GDP: YoY Percentile Change








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As of December 31, 2019

Source: Thomson Reuters and AB

Incumbent US Presidents to Lose Re-Election (Since Great Depression)

A Recession or Depression is a Surefire Way to Lose an Election

					
President	Herbert Hoover	Gerald Ford	Jimmy Carter	George H. W. Bush	Donald Trump
Years in Office	1929–1933	1974–1977	1977–1981	1989–1993	2017–Present
Lost Election (Successor)	1932 (FDR)	1976 (Jimmy Carter)	1980 (Ronald Reagan)	1992 (Bill Clinton)	?
Unemployment Rate	23.6%*	7.8%*	7.5%*	7.4%*	10.2%
Recession or Depression?	Yes	Yes	Yes	Yes	Yes
Annualized Return	(35.6%)	14.4%	5.7%	13.5%	11.2%

Past performance does not guarantee future results.

As of July 31, 2020

*Unemployment Rate at time of Election.

Annualized Return of Dow Jones Industrial Average during Presidential Term.

Source: Bloomberg and AB

What's on the Mind of Voters: Then vs. Now?

Voter Priorities: Gallup Poll (January 2020)

Q: What do you Think is the Most Important Problem Facing the Country today?

28%

**The Government/
Poor Leadership**

10%

Economy

6%

Immigration

6%

Healthcare

Voter Priorities: Gallup Poll (July 2020)

Q: What do you Think is the Most Important Problem Facing the Country today?

30%

Coronavirus

23%

**The Government/
Poor Leadership**

16%

**Race Relations/
Racism**

9%

Economy

Past performance does not guarantee future results.

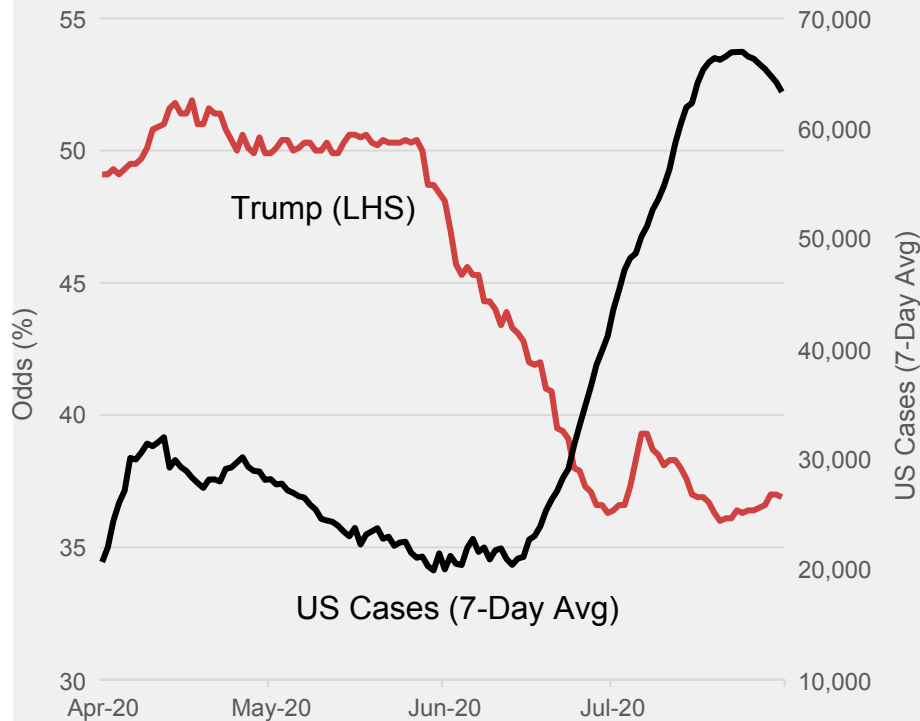
As of July 31, 2020

Source: Gallup and AB

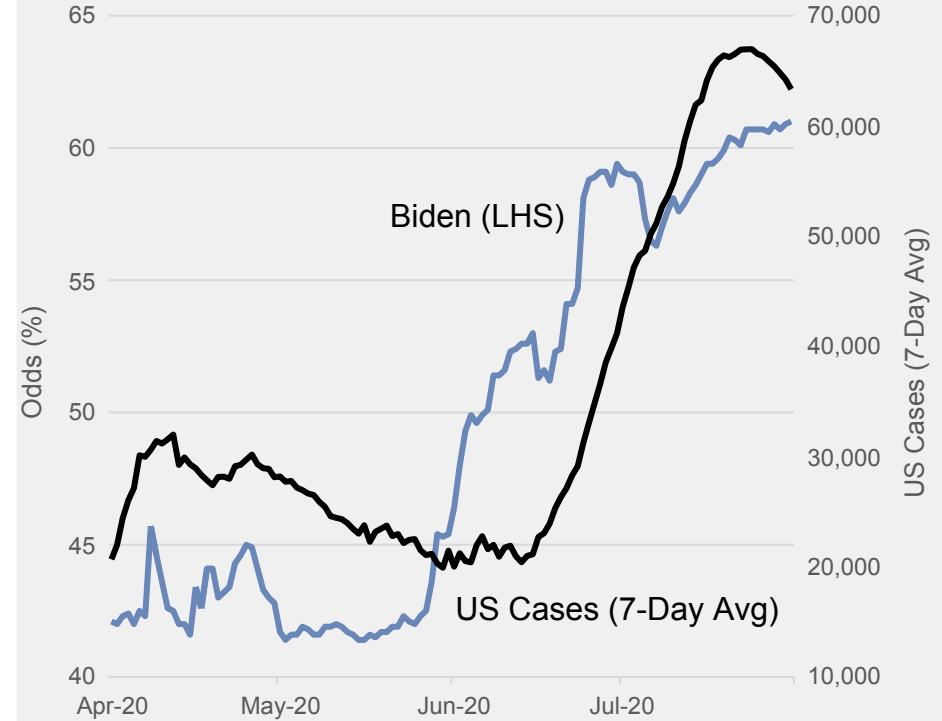


Changing Fortunes: Presidential Odds vs. US COVID-19 Cases

Donald Trump's Betting Odds of Winning US Presidential Election vs. US Daily New COVID-19 Cases (7-day Avg)



Joe Biden's Betting Odds of Winning US Presidential Election vs. US Daily New COVID-19 Cases (7-day Avg)



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

As of July 31, 2020

Betting Odds aggregated by RealClearPolitics

Source: CDC, RealClearPolitics and AB

Bad Medicine: Current Polling Indicates Trump Administration's Handling of COVID-19 Is Damaging Re-election Chances...

Net Approval Rating Greater than +10%	+ 1984 Ronald Reagan (525 electoral votes) + 1996 Bill Clinton (379 electoral votes)	Swing State/ National	RealClearPolitics Average Poll: Mar 1	RealClearPolitics Average Poll: Aug 10	Change
		National	Biden +5.4%	Biden +6.9%	1.5%
		Arizona	Trump +0.6%	Biden +2.2%	2.8%
		Florida	Biden +1.7%	Biden +4.0%	2.3%
		North Carolina	Biden +3.0%	Biden +2.0%	(1.0%)
		Georgia	Trump +2.1%	Trump +1.0%	(1.1%)
		Texas	Trump +2.6%	Trump +2.0%	(0.6%)
		Wisconsin	Trump +1.7%	Biden +6.0%	7.7%
		Pennsylvania	Biden +3.0%	Biden +5.7%	2.7%
		Michigan	Biden +4.7%	Biden +6.3%	1.6%
Net Approval Rating Between -10% and +10%	+ 2004 George W. Bush (286 electoral votes) + 2012 Barack Obama (332 electoral votes)				
Net Approval Rating Less than -10%	+ 1980 Jimmy Carter (49 electoral votes) + 1992 George H.W. Bush (168 electoral votes) + 2020 Donald Trump (?)				

Current analysis does not guarantee future results.

"Net Approval Rating" is approval rating – disapproval rating. Each net approval rating is taken on day 1,290 of the first Presidential term. 270 electoral votes are needed to win the Presidency.

As of August 10, 2020

Source: RealClearPolitics and AB

Incumbent Presidents: Ways to Lose Re-Election?



Have a Recession
in an Election Year

Political Polarization
(aka, the “Us vs Them”
Doctrine)

Source: AB

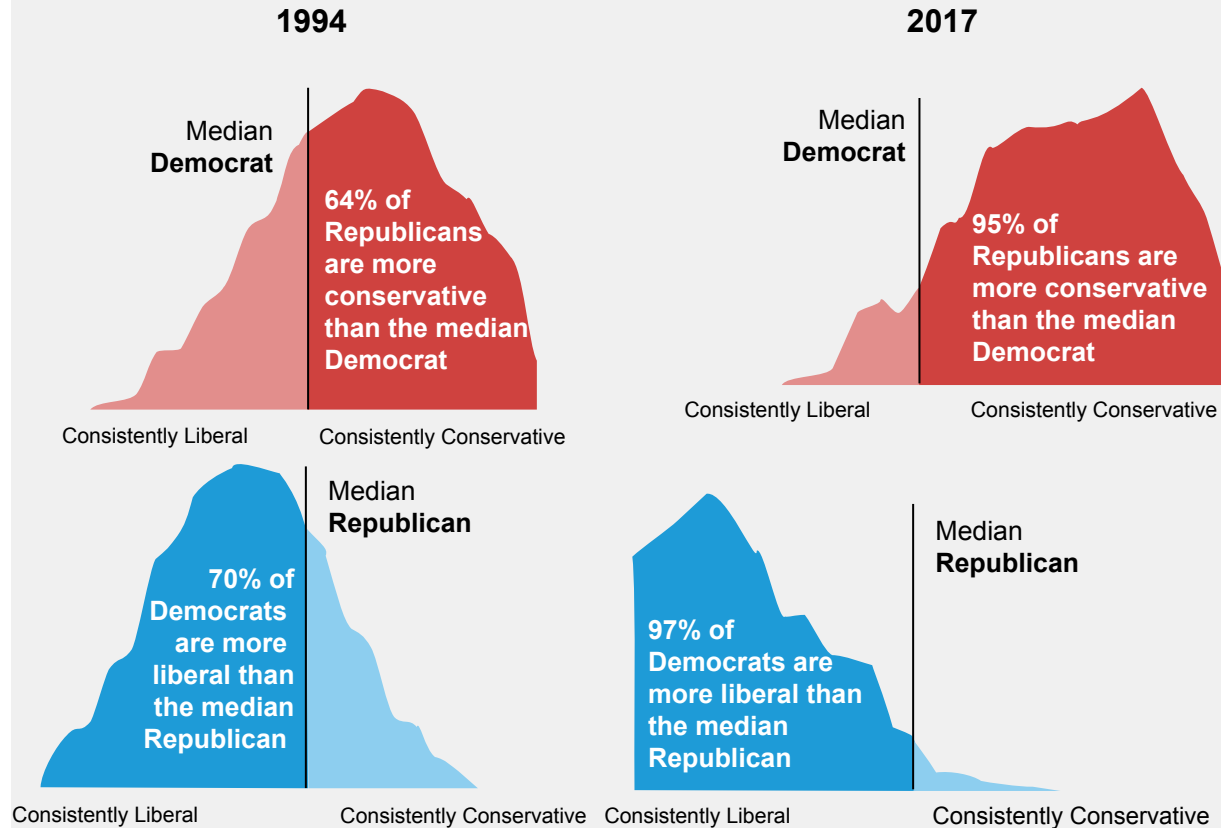


Strong Partisan Divide Means Voters Are Less Swayed by the Economy

“It’s Not Just the Economy Anymore, Stupid”

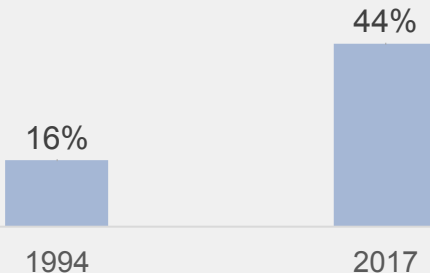
Less Overlap in the Political Values of Republicans and Democrats

Distribution of Republicans and Democrats on a 10-Item Scale of Political Values

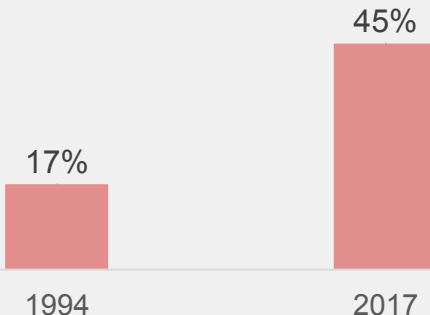


Democrat & Republican Parties Continue to View Each Other “Very Unfavorably”

% of Democrats who have a Very Unfavorable Opinion of the Republican Party



% of Republicans who have a Very Unfavorable Opinion of the Democratic Party



Past performance does not guarantee future results.

As of December 31, 2017

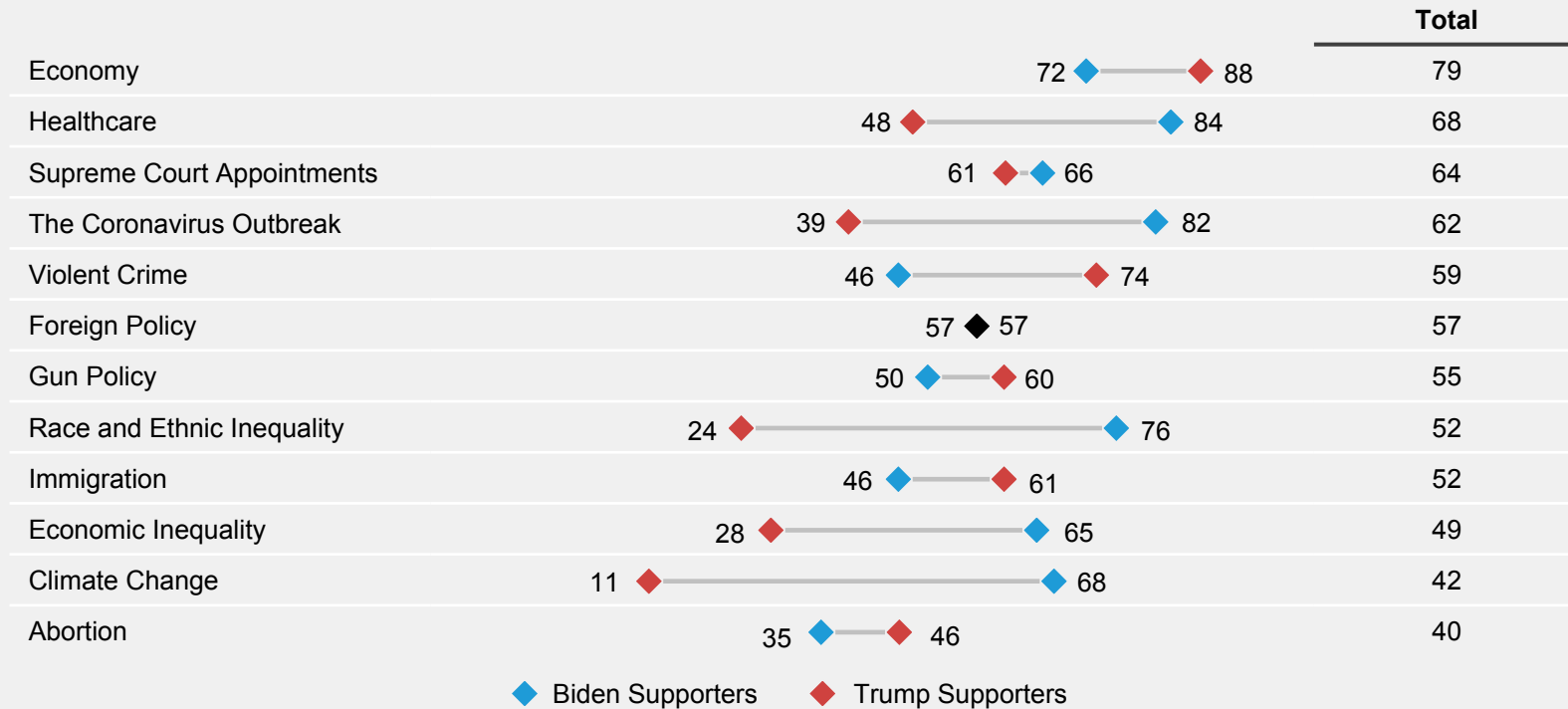
Surveys conducted on June 8-18, 2017

Left display: Ideological consistency based on a scale of 10 political value questions. Republicans include Republican-leaning independents, and Democrats include Democratic-leaning independents.

Source: Pew Research Center and AB

Partisan Priorities: The Growing Ideological Divide

Percent of Registered Voters Saying Each Is “Very Important” to Their Vote in the 2020 Presidential Election



Past performance does not guarantee future results.

Based on registered voters. Survey of US adults conducted from July 27, 2020, through August 2, 2020

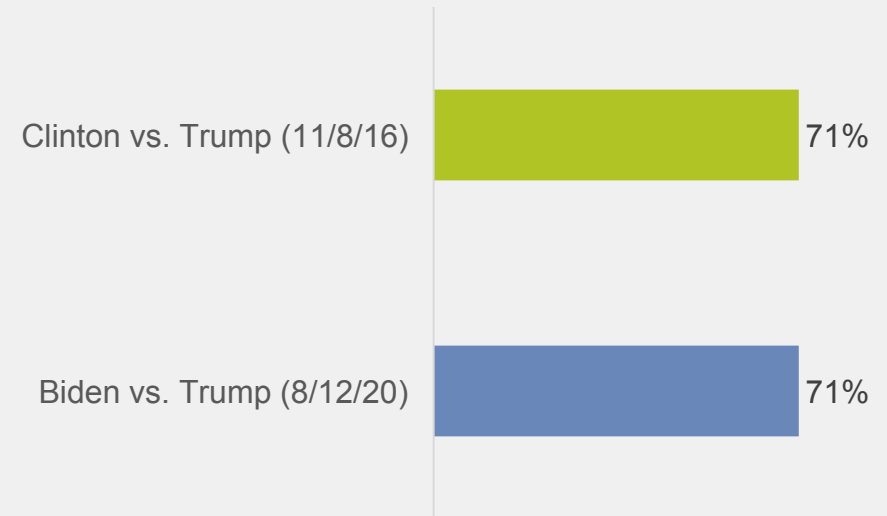
As of August 2, 2020

Source: Pew Research Center and AB

Remember 2016? Biden Leads in the Polls...Almost Exactly as Someone Else Once Did

RealClearPolitics Average Poll	Trump vs. Biden (Aug 2020)	Trump vs. Clinton (Aug 2016)
National	Biden +6.9%	Clinton +7.3%
Michigan	Biden +6.3%	Clinton +6.6%
Wisconsin	Biden +6.0%	Clinton +9.4%
Pennsylvania	Biden +5.7%	Clinton +9.2%
Florida	Biden +4.0%	Clinton +2.2%
North Carolina	Biden +2.0%	Clinton +1.3%
Arizona	Biden +2.2%	Trump +0.3%

**FiveThirtyEight: Chances of Winning the US Presidency
(Nov 2016 vs. August 2020)**
 Biden has the Same Chance of Winning the Presidency as
 Hillary Clinton



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

As of August 10, 2020

RealClearPolitics calculated the chances of Hillary Clinton winning the 2016 election on 11/8/16 and Biden winning the 2020 election on 8/12/20.

Source: RealClearPolitics, FiveThirtyEight and AB



“Highly Favorable” and “Highly Unfavorable” Ratings of Major-Party Presidential Nominees (1956-2016)

	Date	Nominee	Highly Favorable	Highly Unfavorable
Highest “Highly Unfavorable” Rating	Nov 2-5, 2016	Donald Trump	14%	42%
	Nov 2-5, 2016	Hillary Clinton	21%	39%
	Oct 8-13, 1964	Barry Goldwater	17%	26%
Median “Highly Unfavorable” Rating				
	Oct 23-25, 1992	George H.W. Bush	20%	16%
Lowest “Highly Unfavorable” Rating	Oct 18-23, 1960	JFK	43%	5%
	Oct 8-13, 1964	Lyndon Johnson	49%	5%
	Oct 18-23, 1956	Dwight Eisenhower	57%	4%

Past performance does not guarantee future results.

As of July 31, 2020

Dates for all years are final pre-election

Source: Gallup and AB

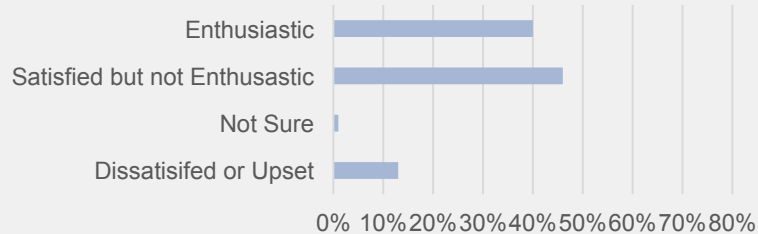


Trump Supporters More “Enthusiastic” About their Candidate

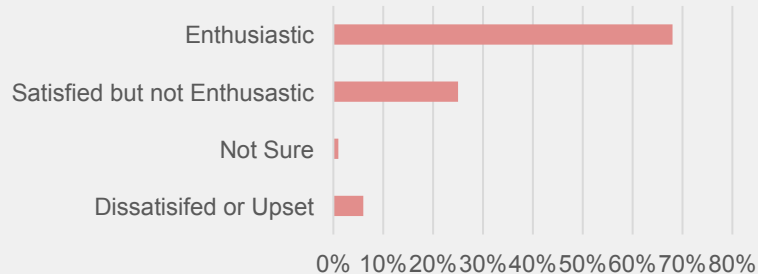
“It’s Not Just the Economy Anymore, Stupid”

Q: How do you feel about the Presidential Candidates?

Biden Supporters Rating Joe Biden



Trump Supporters Rating Donald Trump



Largest Party Differences in Presidential Approval Ratings (Gallup Poll)

President	Poll Date	Republicans %	Independents %	Democrats %	Rep-Dem Gap %
Trump	Jun 8-30, 2020	91	33	2	+89
Trump	Feb 3-16, 2020	93	43	6	+87
Trump	Jan 16-29, 2020	94	42	7	+87
Trump	Apr 1-14, 2020	93	39	7	+86
Trump	Nov 1-14, 2019	90	38	4	+86

Past performance does not guarantee future results.

As of July 31, 2020

*The Economist/YouGov Poll conducted on June 26-July 21, 2020

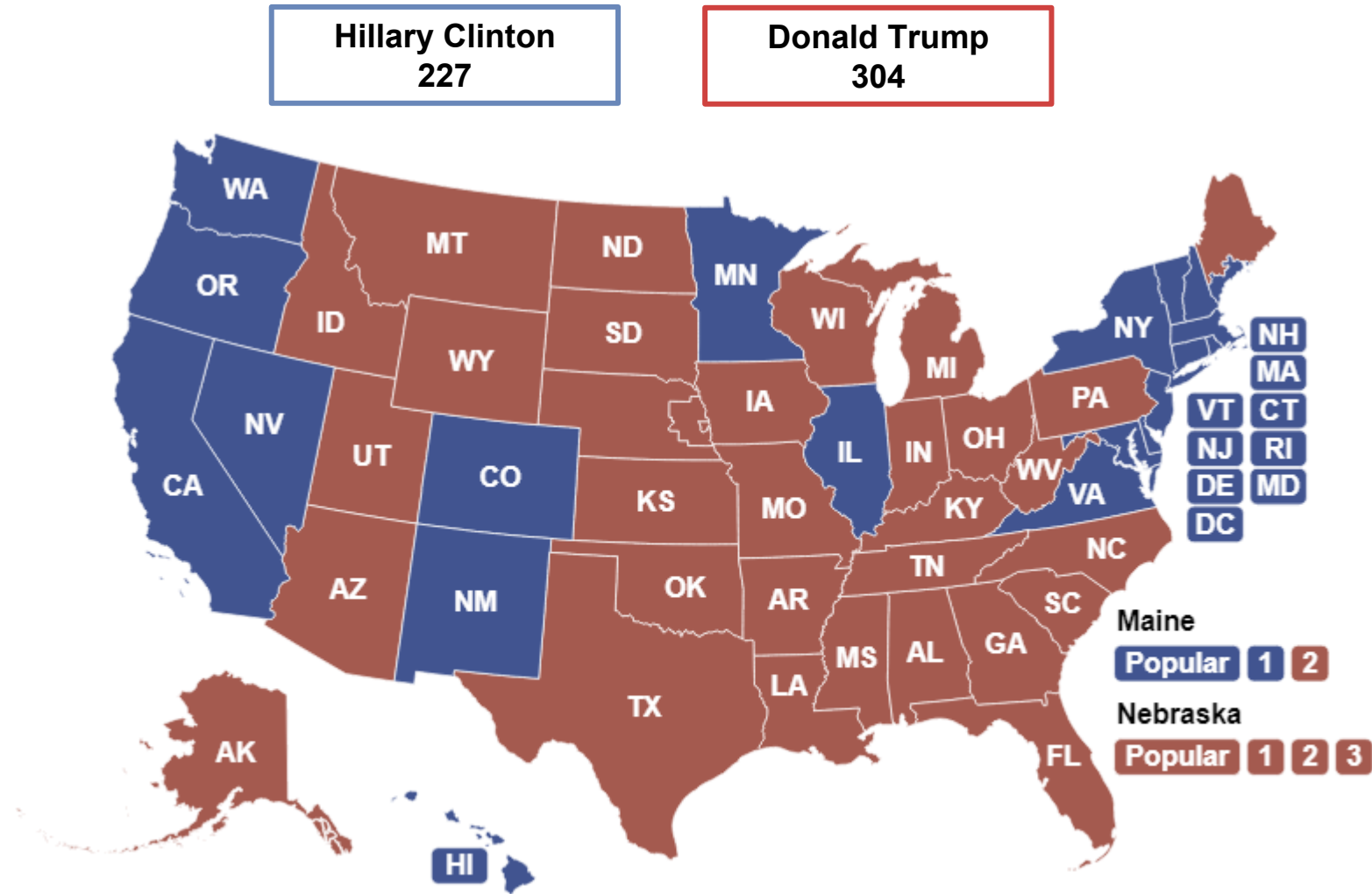
Source: The Economist/YouGov, Gallup and AB



2020 ELECTION OUTLOOK:

THE CRITICAL DETERMINANT OF THE NEXT PRESIDENT

2016 Election Recap: While Trump Won the Electoral Vote...

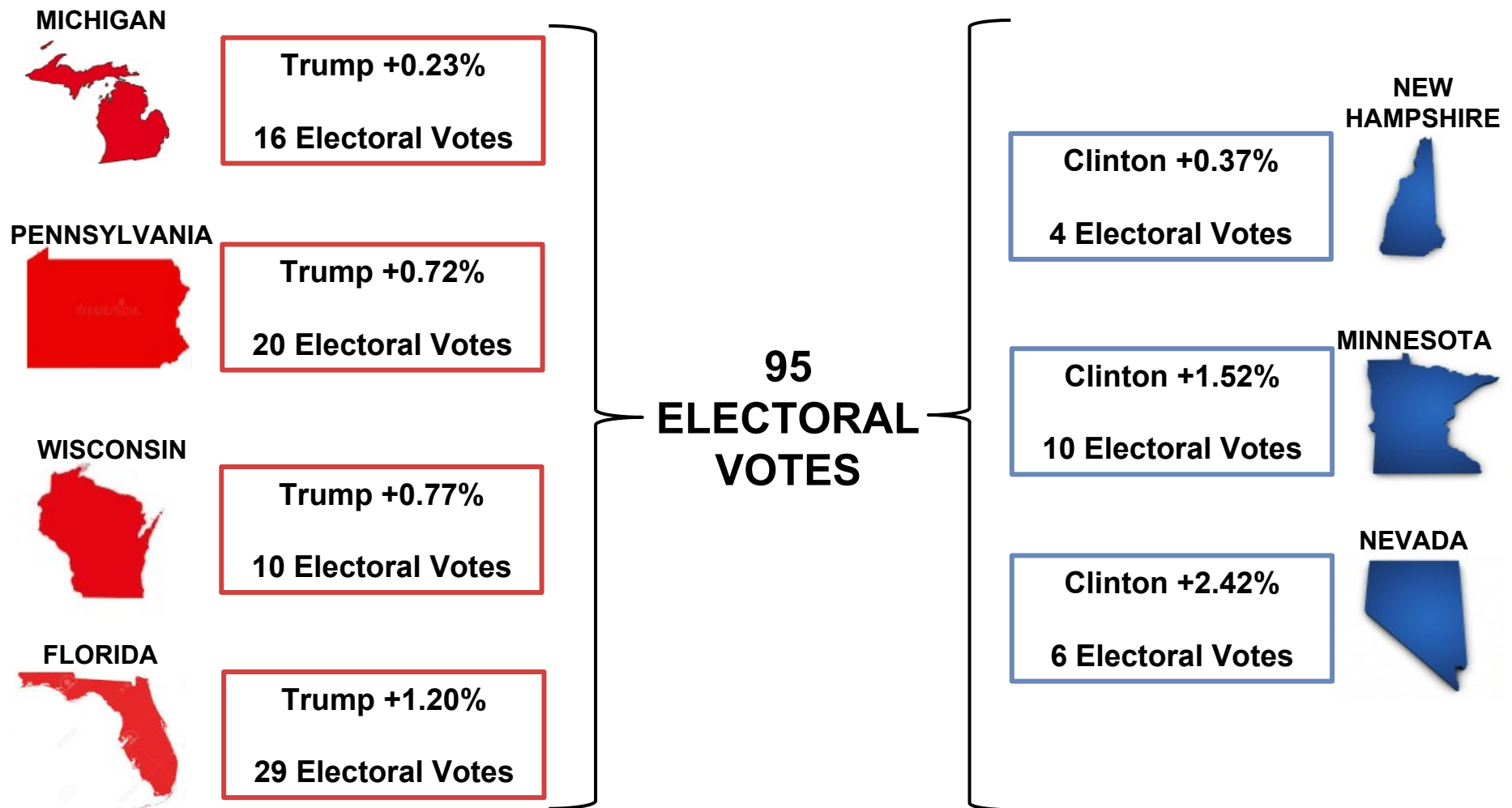


As of December 31, 2019

270 Electoral Votes are needed to win the US Election.

Source: Electoral Ventures, Electoral Vote Map/Taegan Goddard and AB

...The Margin of Victory in Key Swing States was <2.5%



As of December 31, 2019
270 Electoral Votes are needed to win the US Election.
Source: Electoral Ventures and AB

High Voter Turnout will be Critical for Each Party in 2020

Democrats Hurt in 2016 by Lower Voter Turnout in Key Swing States

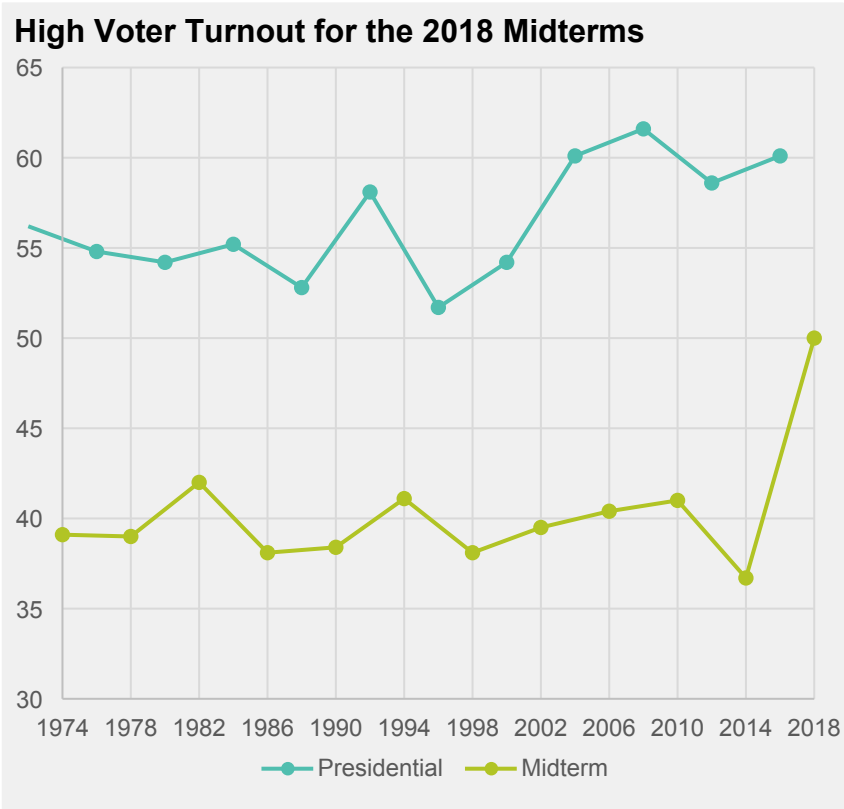
	Romney, 2012 (Votes)	Trump, 2016 (Votes)	Difference
Florida	4,163,447	4,617,886	+454,439
Pennsylvania	2,680,434	2,970,733	+290,299
Michigan	2,115,256	2,279,543	+164,287
Wisconsin	1,407,996	1,405,284	(2,712)

	Obama, 2012 (Votes)	Clinton, 2016 (Votes)	Difference
Florida	4,237,756	4,504,975	+267,219
Pennsylvania	2,990,274	2,926,441	(63,833)
Michigan	2,564,569	2,268,839	(295,730)
Wisconsin	1,620,985	1,382,536	(238,449)

As of December 31, 2019
Source: US Government and AB

The Canary in the Coalmine?

Big Spike in Voter Turnout in 2018 Midterm Elections

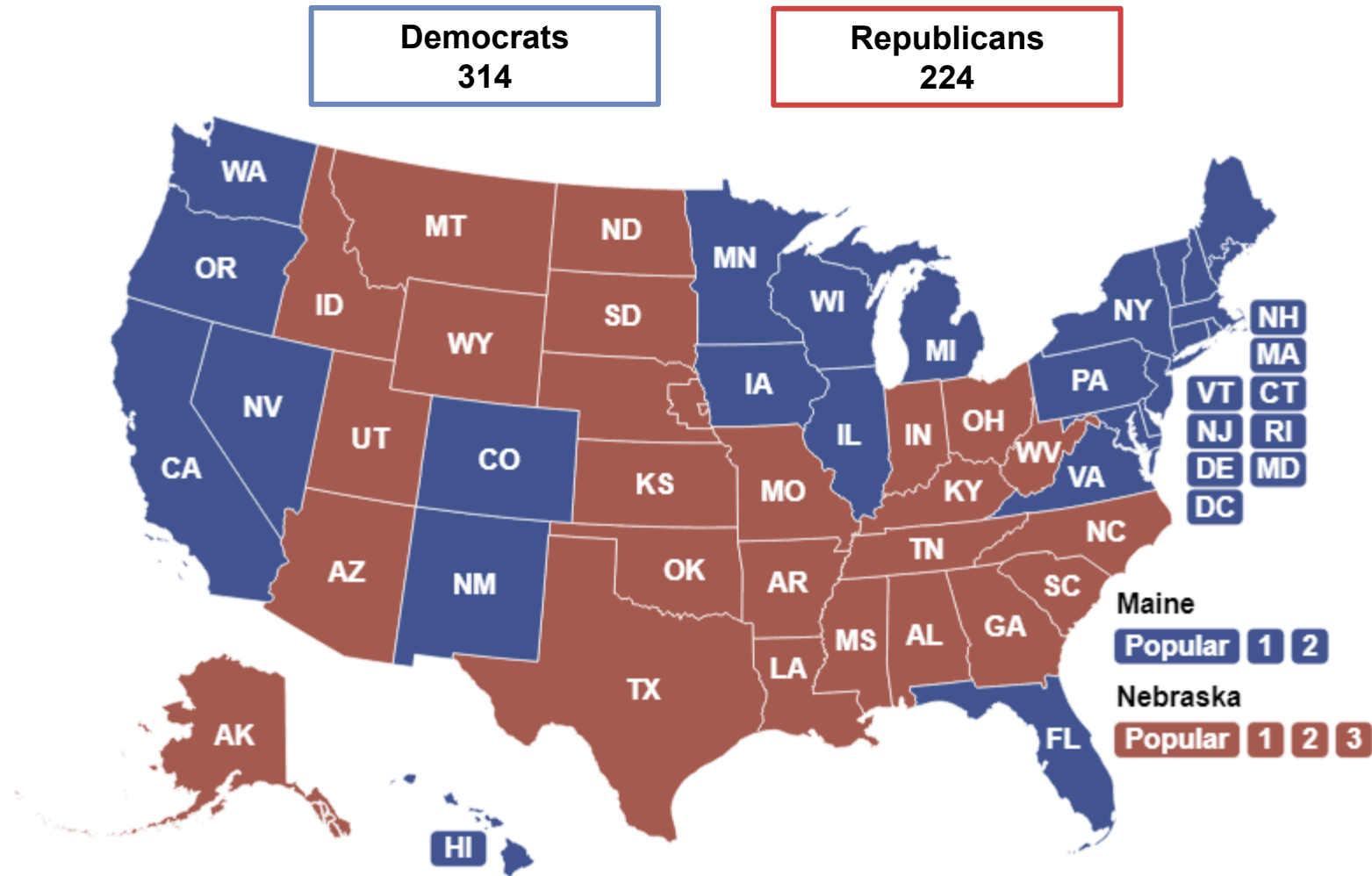


	2014 Midterms	2016 Presidential	2018 Midterms
Florida	42.8%	64.5%	53.6%
Pennsylvania	36.1%	63.6%	51.4%
Michigan	42.7%	64.7%	56.5%
Wisconsin	56.6%	69.5%	61.4%

As of December 31, 2019.
Source: FiveThirtyEight, US Elections Project and AB



2020 Electoral Map Based off the 2018 Midterm Elections



As of December 31, 2019

270 Electoral Votes are needed to win the US Election.

Electoral map created by adding up the popular vote in all House races for the 2018 Midterms.

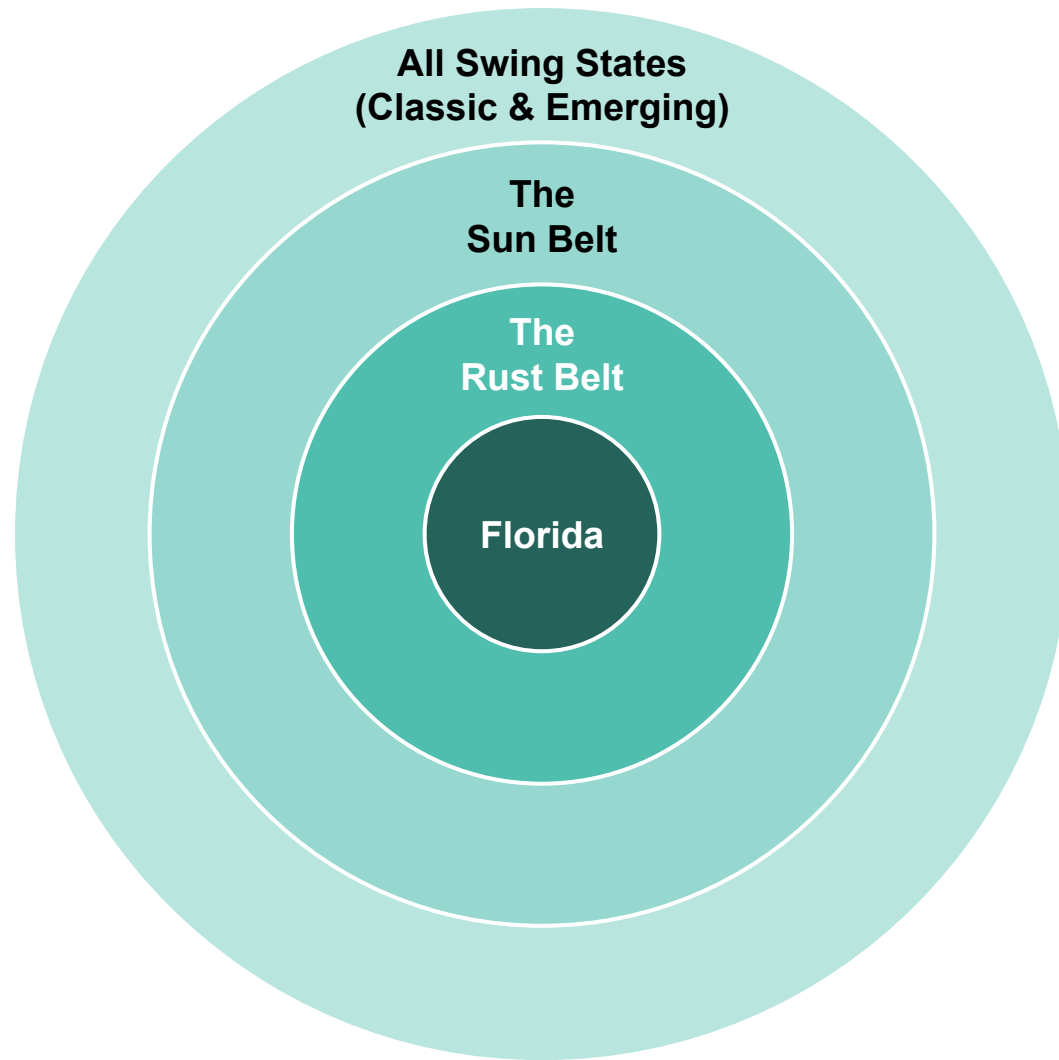
Source: FiveThirtyEight, Taegan Goddard and AB



2020 ELECTION OUTLOOK:

THE PATHS TO VICTORY

Paths to the Presidency: Electoral Map

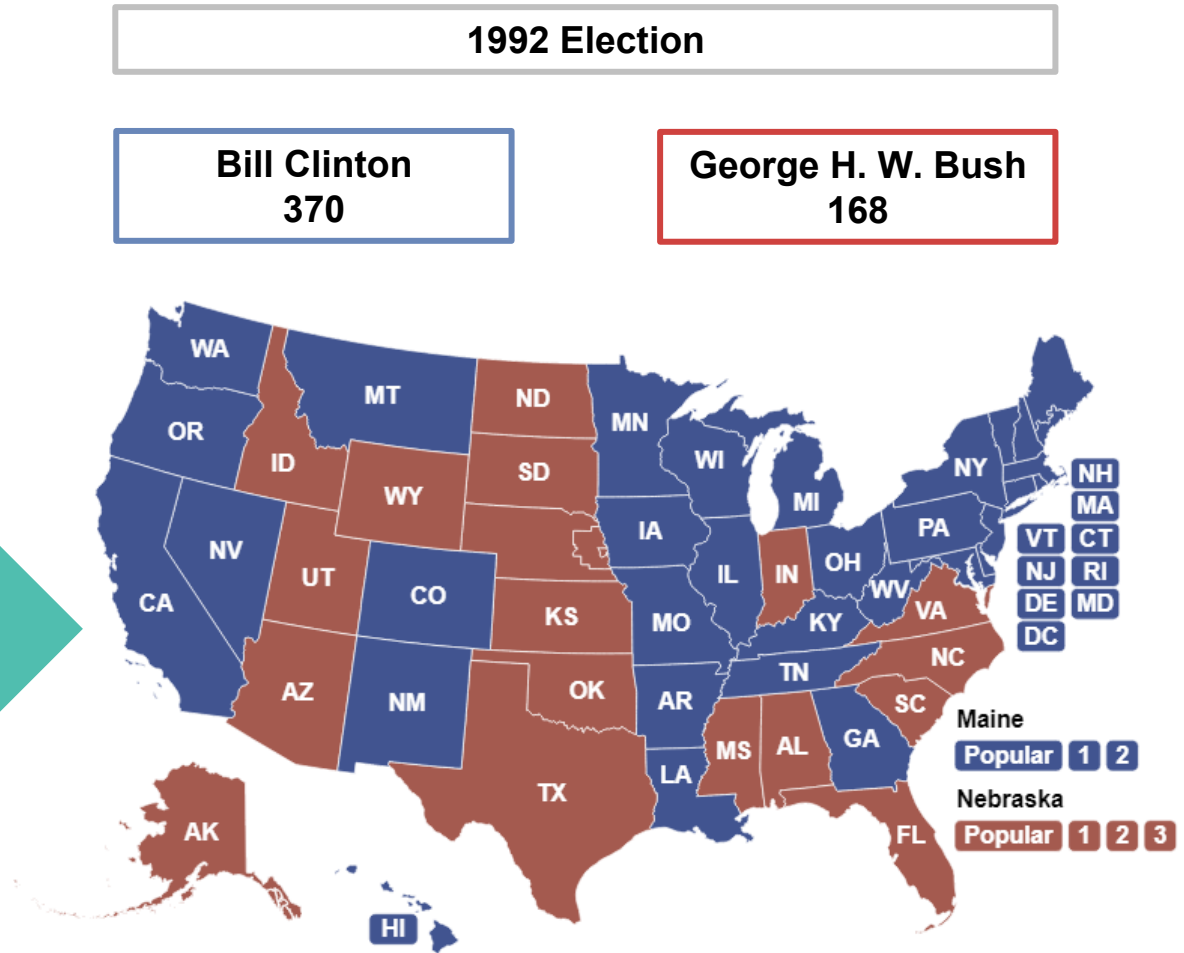


Source: AB

Takeaway #1: Florida has Been the Road to the Presidency

Florida:
29
Electoral
Votes

- The 1992 election was the last time a candidate won the US Election without winning Florida.
- Florida will continue to be a crucial swing state, with a growing and diverse electorate.



As of June 30, 2020

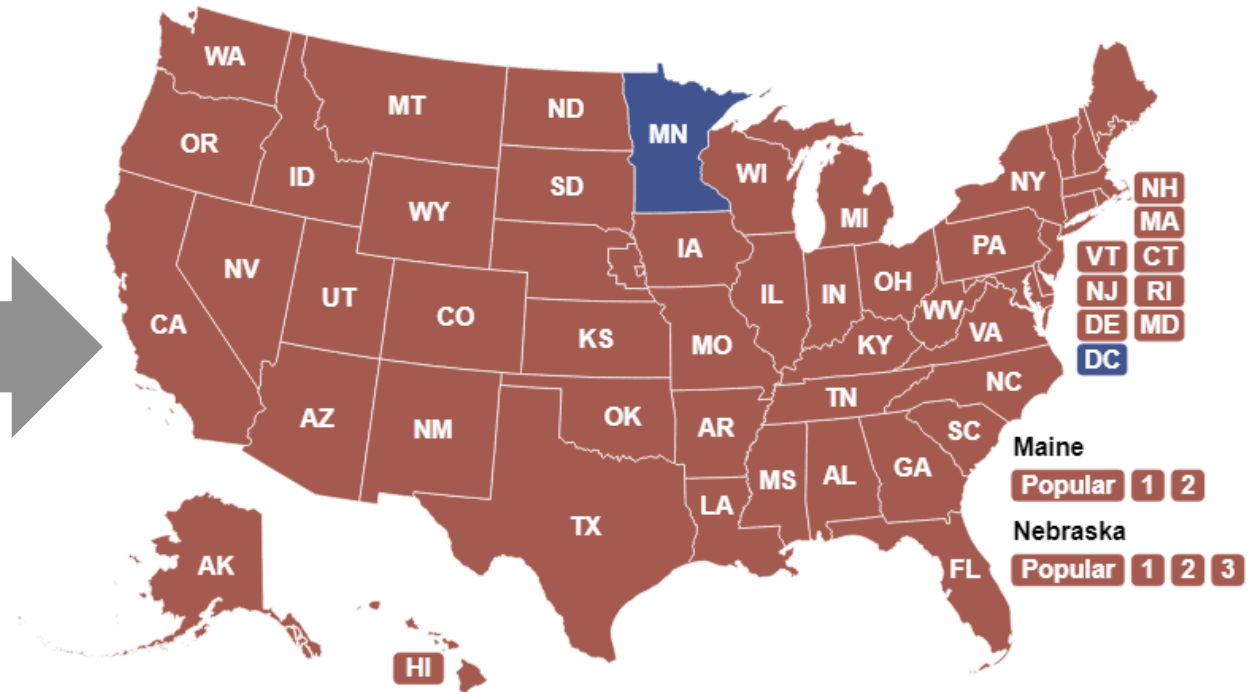
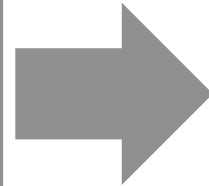
270 Electoral Votes are needed to win the US Election.

Source: Electoral Ventures, Electoral Vote Map/Taegan Goddard and AB

Takeaway #2: The Rust Belt Historically has Voted Democrat

Rust Belt:
80
Electoral
Votes

- Before the 2016 election, the last time Wisconsin, Michigan, and Pennsylvania all went Republican was in 1984.
- Electoral Votes (2020):
 - Pennsylvania: 20
 - Ohio: 18
 - Michigan: 16
 - Wisconsin: 10
 - Minnesota: 10
 - Iowa: 6



As of June 30, 2020

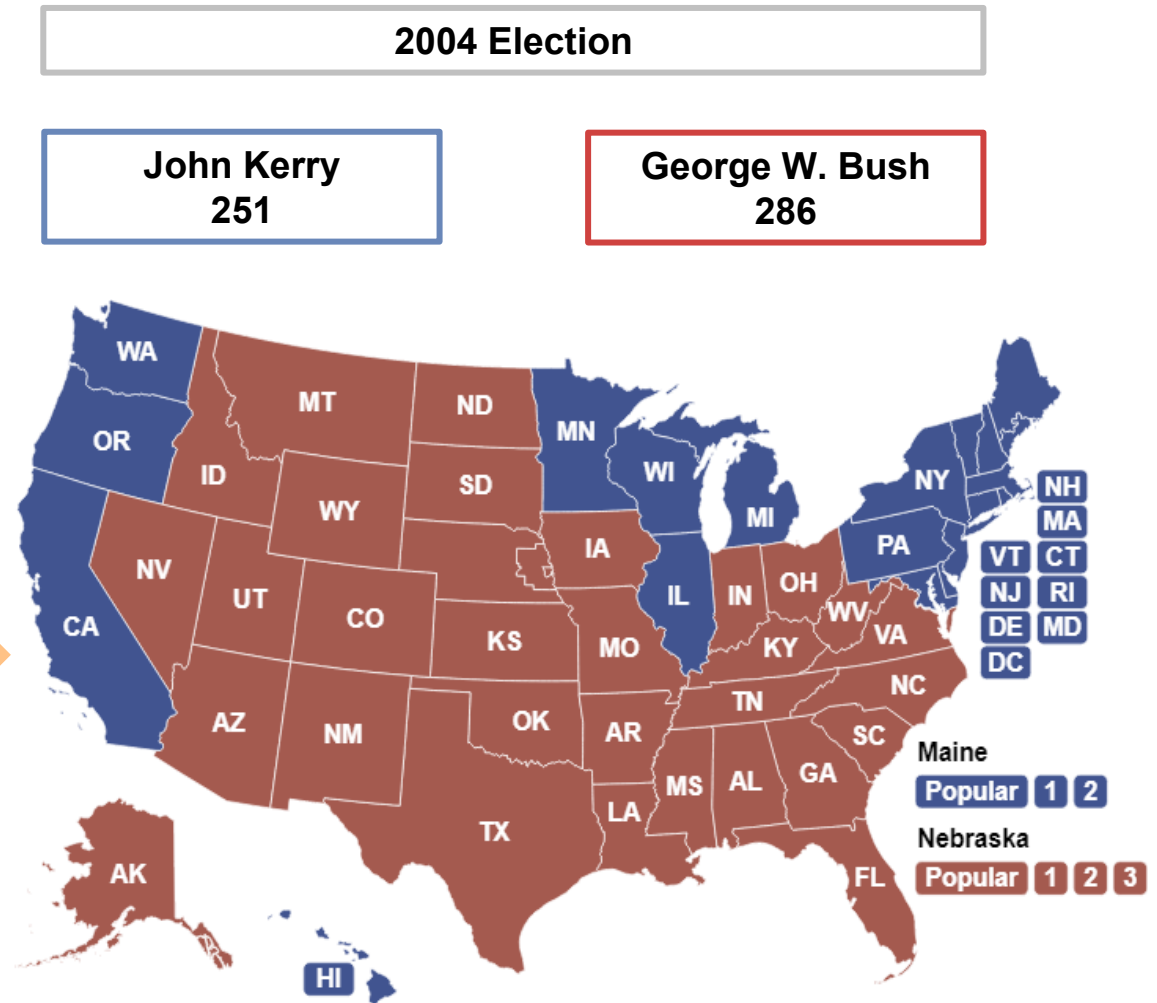
270 Electoral Votes are needed to win the US Election.

Source: Electoral Ventures, Electoral Vote Map/Taegan Goddard and AB

Takeaway #3: The Sun Belt Continues to See a Growing and Diverse Electorate

Sun Belt:
32
Electoral
Votes

- The 2004 Election was the last time a candidate swept the Sun Belt.
- Electoral Map (2020):
 - North Carolina: 15
 - Arizona: 11
 - Nevada: 6
- Future battleground states could include Georgia and Texas.



As of June 30, 2020

270 Electoral Votes are needed to win the US Election.

Source: Electoral Ventures, Electoral Vote Map/Taegan Goddard and AB



2019 Census: The Shift to Warmer Weather States Could Introduce New Battleground States in the Sun Belt

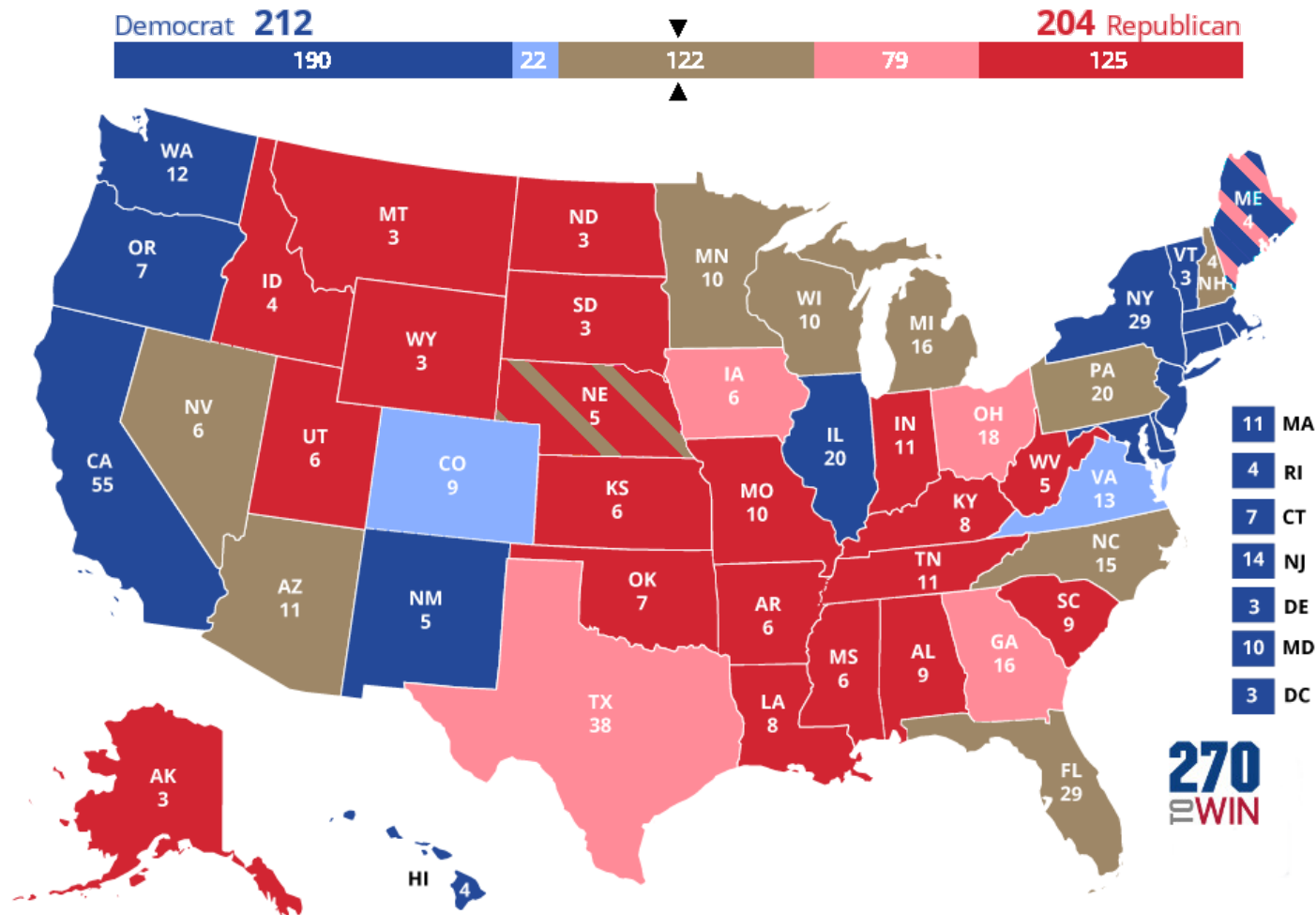
Top 10 States that Lost Population (2018 to 2019)	
New York	(76,790)
Illinois	(51,250)
West Virginia	(12,144)
Louisiana	(10,896)
Connecticut	(6,233)
Mississippi	(4,871)
Hawaii	(4,721)
New Jersey	(3,835)
Alaska	(3,594)
Vermont	(369)

Top 10 States that Gained Population (2018 to 2019)	
Texas	367,215
Florida	233,420
Arizona	120,693
North Carolina	106,469
Georgia	106,292
Washington	91,024
Colorado	67,449
South Carolina	64,558
Tennessee	57,543
Nevada	52,815

As of January 31, 2020.
Source: US Census and AB



2020 Electoral Map: The Sun Belt and Midwest Will Determine the Election



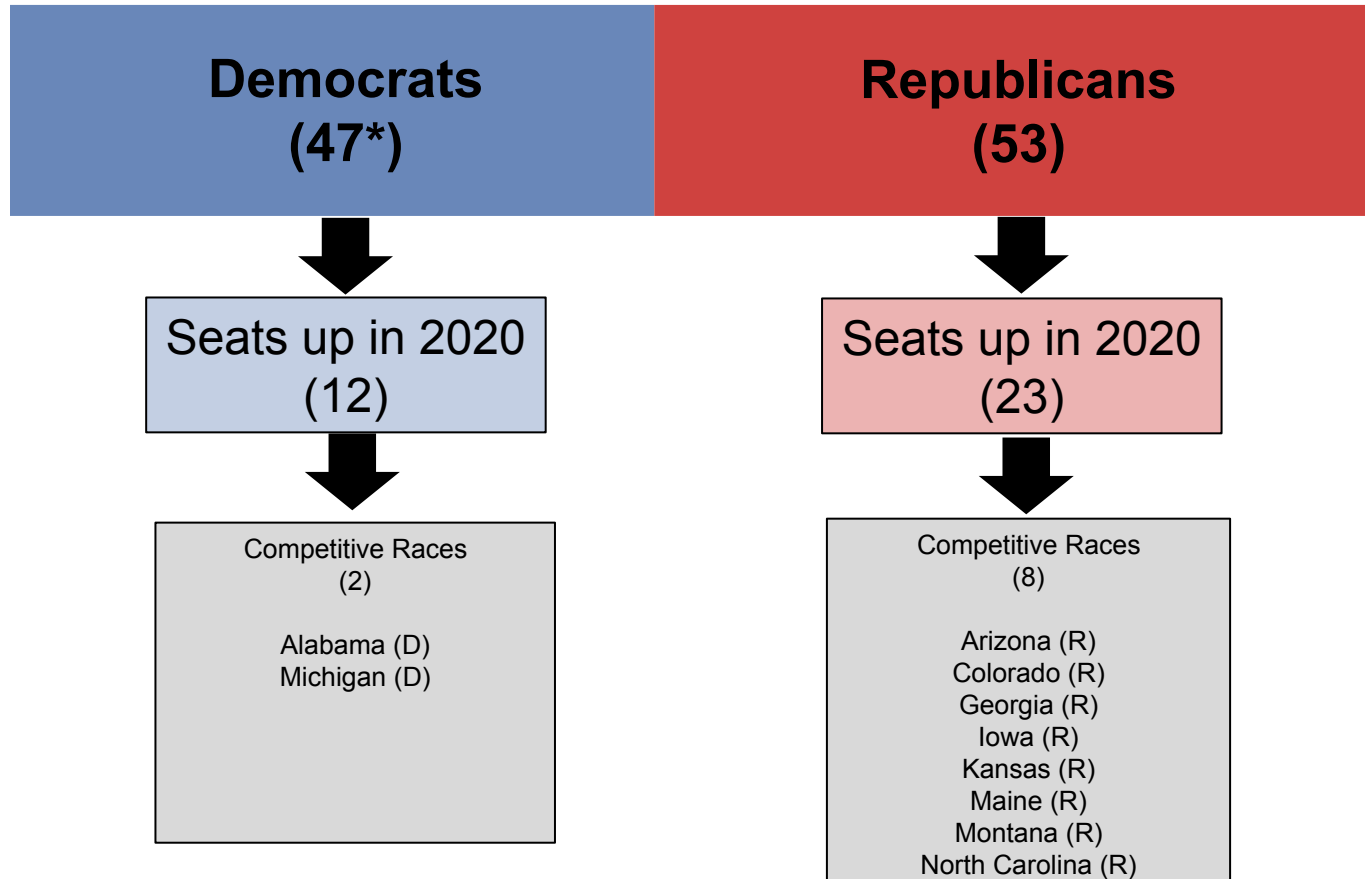
Current analysis does not guarantee future results.

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 June 30, 2020

Source: Electoral Ventures and AB

2020 Senate: Very Competitive Race, With Republican Defending More Seats



**Net +4 Seats Needed for Outright Democratic Control
Or**

Net +3 Seats and Democratic VP Needed for Democratic Control

As of July 31, 2020.

*The US Senate has 2 Independents who both caucus with the Democrats.

The Vice President breaks a 50-50 tie in the Senate.

Source: FiveThirtyEight and AB



POLICY IMPLICATIONS

The Importance of Fiscal Policy Going Forward

- + Fiscal and monetary stimulus have played a critical role in restarting the economy and remain crucial to a continued expansion.
- + Monetary stimulus is not subject to the election cycle: the Fed will be accommodative no matter who is in the White House
- + Fiscal stimulus, however, is very political and thus the path forward on fiscal policy is less certain.
- + Financial markets have benefited significantly from stimulus, which has allowed risk assets to look past the current environment.
- + If fiscal stimulus stops, however, financial markets are vulnerable
- + Therefore the short-term electoral question for financial markets is whether a given outcome is more or less likely to provide additional fiscal stimulus.

With Interest Rates at the Zero Bound, Fiscal Policy Will Continue to Play a More Prominent Role...But Election Will Determine Policy

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

Republican White House Democratic Senate

Risk Asset Impact:

Short-Term Negative
Medium-Term Negative

Fiscal: Status Quo

Fed: Easy Policy

Democratic White House Democratic Senate

Risk Asset Impact:

Short-Term Negative
Medium-Term Positive

Fiscal: Tax and Spend

Fed: Easy Policy

Current analysis does not guarantee future results.

Assumes Democrats retain control of the House of Representatives

As of June 30, 2020

Source: AB

Notable Trump Executive Orders that Could be Unwound Under a Biden Administration

Executive Order	Impact
Climate Change Policy Reversal	<ul style="list-style-type: none"> • Reversed Clean Power Plan to ensure American energy independence and jobs • Repealed Obama era Clean Water Act • Rolled back Coal industry regulations • Two orders on two pipelines to advance construction of Keystone XL and Dakota Access
Immigration and Border Security	<ul style="list-style-type: none"> • Travel Ban 2.0 – protect nation from foreign terrorist entry into the US • Build the Wall
Weaken ACA (Obamacare)	<ul style="list-style-type: none"> • Signed orders instructing federal agencies to waive, defer, grant exemptions from or delay any portions of the ACA that creates financial burdens on states, individuals or healthcare providers
Trade – America First/Made in America	<ul style="list-style-type: none"> • Withdrawal from Trans-Pacific Partnership (TPP), opting for trade escalation through tariffs instead of a multilateral approach; risk China will seek to replace itself in the deal or add TPP nations to its own free trade negotiations
Deregulation	<ul style="list-style-type: none"> • 2-for-1 order – for a new regulation to be implemented must find 2 to be repealed • Fiduciary standard – roll back Obama Era rule that requires financial advisers to serve in the best interests of their clients

Source: AB



Election 2020: Red Wave

Fiscal	<ul style="list-style-type: none"> Continued stimulus likely but not certain depending on the contours of the electoral campaign.
Monetary	<ul style="list-style-type: none"> Persistently easy policy Fed independence increasingly in question. Possibility of a new Fed Chair in 2022
Tax	<ul style="list-style-type: none"> Tax hikes off the table Tax cuts possible but challenging given Democratic House.
Trade	<ul style="list-style-type: none"> Trade War to persist—will it accelerate post-COVID?

Republican White House Republican Senate

Risk Asset Impact:

Short-Term Positive
Medium-Term Positive

Fiscal: Expansionary
Fed: Potential Shift in Fed Chair

Executive Order	<ul style="list-style-type: none"> Likely extension of first term's policy goals aimed at reversing Obama-Era policy and regulations
Legislature	<ul style="list-style-type: none"> Focus on deregulation and tax cuts, albeit split congress could be an impediment. Bipartisan infrastructure spending and drug price reform likely.
Most Impacted Sectors	(+) Energy & Basics (+) Consumer & Retail (+) Telecom (-) Pharma

Assumes Democrats retain control of the House of Representatives
As of June 30, 2020. Source: AB

Election 2020: Split Decision (Scenario #1)

Fiscal	<ul style="list-style-type: none"> Continued stimulus likely but differing priorities a challenge in design and implementation.
Monetary	<ul style="list-style-type: none"> Persistently easy policy Fed independence reinforced because Senate approval required for nominations.
Tax	<ul style="list-style-type: none"> Stagnation as divided government and vastly different priorities limit the administration's ability to push its agenda.
Trade	<ul style="list-style-type: none"> Trade War to persist—will it accelerate post-COVID?

Republican White House Democratic Senate

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

Fiscal: Status Quo
Fed: Easy Policy

Executive Order	<ul style="list-style-type: none"> Likely extension of first term's policy goals aimed at reversing Obama-Era policy and regulations
Legislature	<ul style="list-style-type: none"> Infrastructure and drug reform most tangible bipartisan policies Limited tax implications
Most Impacted Sectors	(+) Energy & Basics (+) Aerospace/Defense & Building/Construction (+) Telecom (-) Pharma

Assumes Democrats retain control of the House of Representatives
As of June 30, 2020. Source: AB

Election 2020: Blue Wave

Fiscal	<ul style="list-style-type: none"> • Net stimulus, with higher taxes overwhelmed by much higher spending. • Higher probability of infrastructure bill.
Monetary	<ul style="list-style-type: none"> • Persistently easy policy.
Tax	<ul style="list-style-type: none"> • Higher taxes on corporates • More progressive tax code.
Trade	<ul style="list-style-type: none"> • Reinvigorated relations between the US and allies • Still contentions with China but at lower volume.

Democratic White House Democratic Senate

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

Fiscal: Tax and Spend
Fed: Easy Policy

Executive Order	<ul style="list-style-type: none"> • Focus on repealing Trump-Era deregulation - predominantly around Climate, Healthcare and Immigration
Legislature	<ul style="list-style-type: none"> • Focus on tax increases, re-regulation (predominantly on clean energy) and healthcare reform (short of Medicare for All)
Most Impacted Sectors	(+) Building Materials/Construction (-) Energy & Basics (-) Retail & Restaurants (-) Telecom (-) Pharma

Assumes Democrats retain control of the House of Representatives
As of June 30, 2020. Source: AB

Election 2020: Split Decision (Scenario #2)

Fiscal	<ul style="list-style-type: none"> Stimulus likely to stop as Republicans “rediscover” fiscal discipline and push austerity. 	Democratic White House Republican Senate <u>Risk Asset Impact:</u> Short-Term Negative Medium-Term Negative Fiscal: Rediscovered Austerity Fed: Easy Policy	Executive Order	<ul style="list-style-type: none"> Focus on repealing Trump-Era deregulation - predominantly around Climate, Healthcare and Immigration
Monetary	<ul style="list-style-type: none"> Persistently easy policy Little appetite from the political side for change. 		Legislature	<ul style="list-style-type: none"> Limited to Bipartisan infrastructure and drug reform, with fiscal stimulus hampered by Republican austerity
Tax	<ul style="list-style-type: none"> Stagnation as divided government and vastly different priorities limit the administration’s ability to push its agenda. 		Most Impacted Sectors	(-) Energy & Basics (-) Telecom (-) Pharma
Trade	<ul style="list-style-type: none"> Reinvigorated relations between the US and allies Still contentions with China but at lower volume. 			

Assumes Democrats retain control of the House of Representatives
 As of June 30, 2020. Source: AB



INVESTMENT TAKEAWAYS

Notable Sector Earnings Impacts Under Different Election Outcomes

	Biden Win	Trump Win
Positive Impact	<ul style="list-style-type: none">• Building Materials/Construction	<ul style="list-style-type: none">• Energy• Consumer Staples• Consumer Discretionary• Retail & Restaurants• Telecom & Media
Negative Impact	<ul style="list-style-type: none">• Energy• Pharma• Retail & Restaurants• Telecom & Media	<ul style="list-style-type: none">• Pharma

Source: AB



2020 Candidates – Similarities in Themes

Joe Biden
Kamala Harris

Donald Trump
Mike Pence

“Big Tech”

China/Trade

Lower Drug Pricing

Infrastructure

“Made in America”

Opioid/Drug Addiction

Source: Joe Biden, Donald Trump and AB
As of August 20, 2020



2020 Investment Takeaways: Predictions Can be Difficult

THEN: 2016

Mark Cuban:

“ In the event Trump wins, I have no doubt in my mind the market tanks.”

Reuters:

“ Wall Street soars as investors see higher chance of Clinton win.”

Bloomberg (News):

“ Both Clinton and Trump [structured notes] tend to include exposure to Infrastructure companies...because both candidates have promised to push for greater investment in highways, bridges, and other projects.”

NOW: 2020

CBS News:

“ Professor who accurately predicted every election since 1984 say Biden will beat Trump”

Washington Post:

“ Wall Street doesn't care if Trump loses”

Barron's:

“ ETF's tracking infrastructure, clean energy, and parts of healthcare [hospitals and health insurers] all could gain regardless of who wins the White House.”

Source: CNBC, Barron's, Reuters, Wall Street Journal, Bloomberg, CBS News, Washington Post, Morningstar Direct and AB
As of July 31, 2020

One Approach: Don't Invest According to the Political Agendas - Invest According to the State of the World that Underpins the Agendas

Low-to-Moderate Returns – COVID Related Impacts

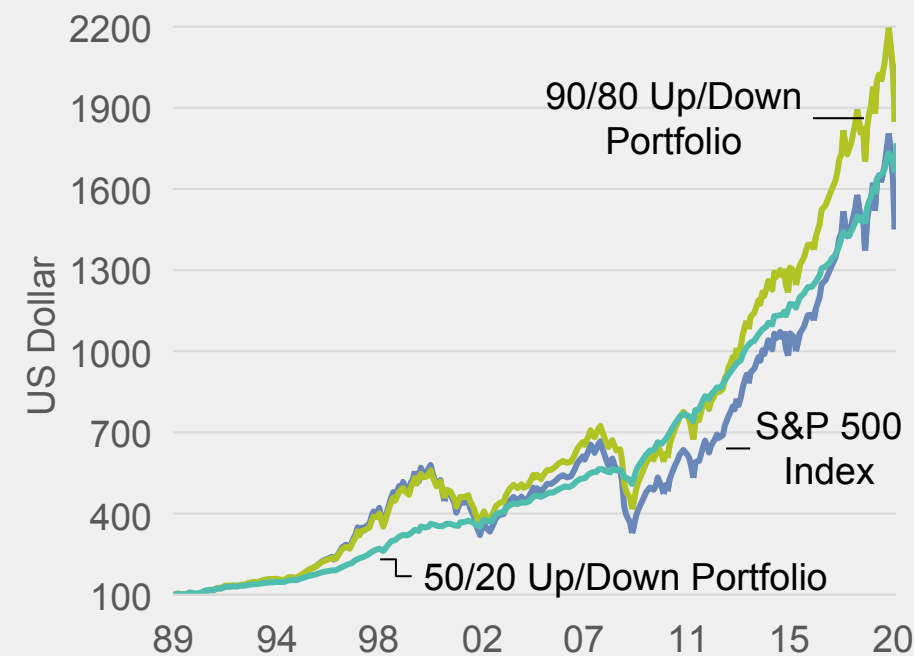
Debt

Demographics

Geopolitics/
Populism

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

Growth of US\$100



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

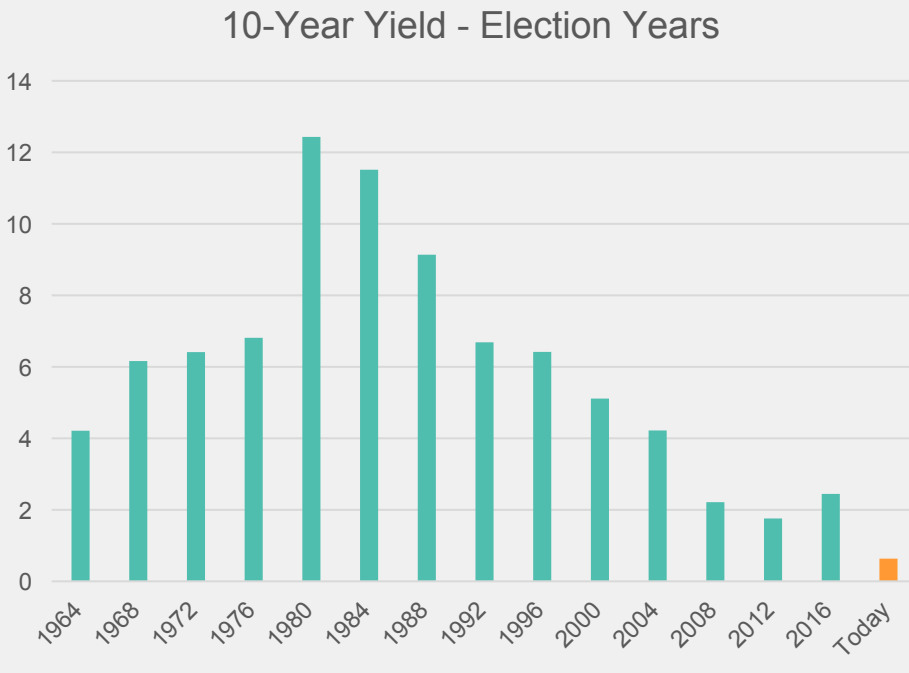
Right display from October 31, 1989, through June 30, 2020

Source: S&P, Morningstar Direct and AB

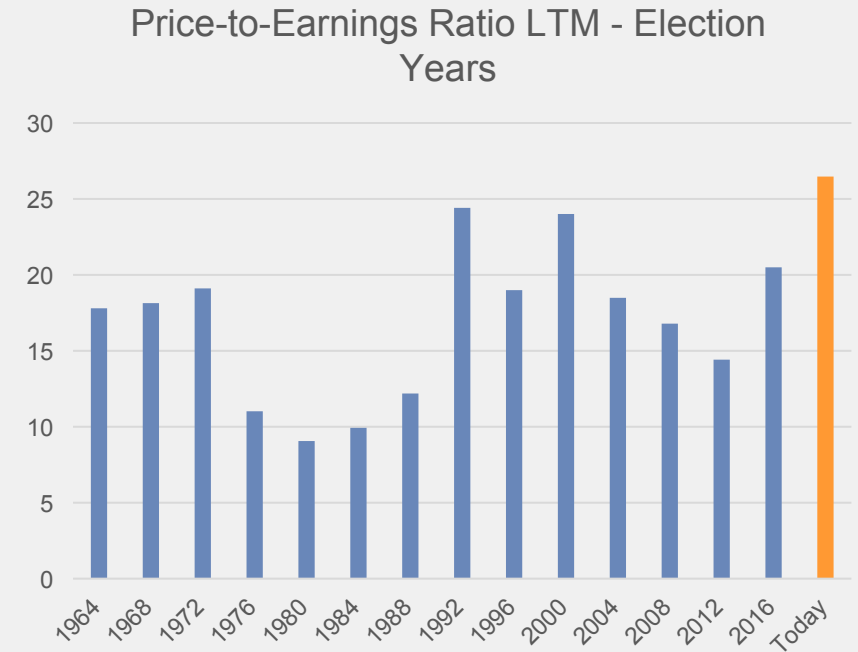
While Markets Are Dynamic, 2020 is a Standout

Tough Comps Versus Prior Election Years

Lower for Longer...



...and P/Es Higher Than Other Years



Past performance does not guarantee future results.

Today: As of August 24, 2020

Source: Bloomberg and AB



Better Betas through a COVID Lens

Quality

- Profit Persistency
 - High ROA & Reinvestment Rates
 - High ROE
- Balance Sheet Strength
 - Self-Financing Companies
- High Free Cash Flow
 - Investment Optionality
 - Enhances Longevity of a Business

Thematic

- Secular Trends
 - Durable Business Models
- Health
 - Digital Health Data & DNA Sequencing
- Climate
 - Sustainable Transportation
- Empowerment
 - Digital Payments

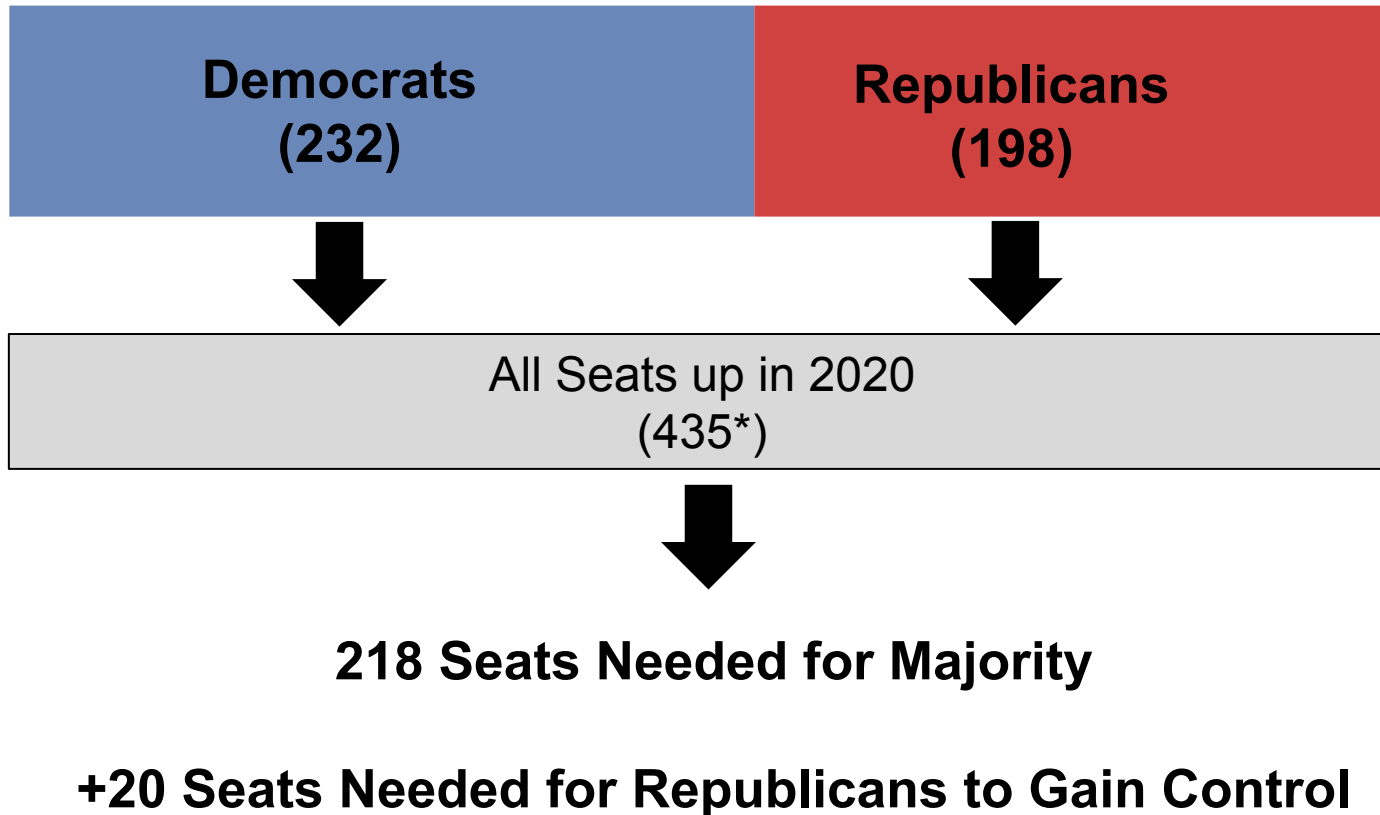
Credit

- High Yield as an Equity De-Risk
 - Starting YTW a strong predictor of 5-year forward returns
 - Lower drawdowns
- COVID Impact:
 - Elevated equity valuations + above average HY spreads imply strong up/down potential vs S&P500
 - Fallen Angels and less “supported” credit, i.e. securitized and Emerging debt, offer better risk-adjusted return potential



APPENDIX

2020 House of Representatives: Democrats Favored to Retain Control



As of July 31, 2020.

*The House of Representatives has 1 Libertarian and 4 Vacancies.

Source: US Government and AB

2020 Election Calendar: Key Dates

Feb. 3: Iowa Caucus

Feb. 11: New Hampshire Primary

Feb. 22: Nevada Caucus

Feb. 29: South Carolina Primary

Mar. 3: “Super Tuesday” Primaries

Aug. 17-20: Democratic National Convention

Aug. 24-27: Republican National Convention

Sep. 29: First Presidential Debate

Oct. 7: Vice Presidential Debate

Oct. 15: Second Presidential Debate

Oct. 22: Third Presidential Debate

Nov. 3: Presidential Election

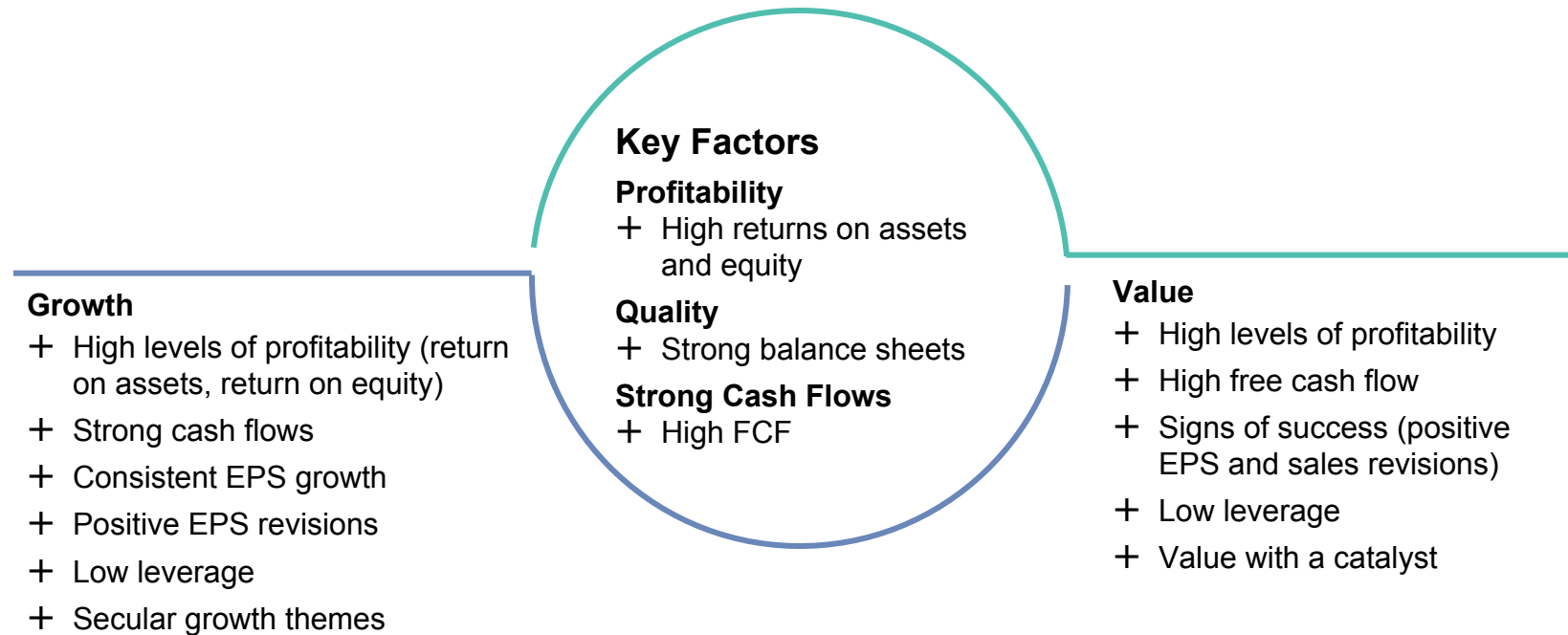
Current analysis does not guarantee future results.

As of July 31, 2020

Source: AB



Key Opportunities to Focus On in the Late-Cycle Environment



Historical analysis and current forecasts do not guarantee future results.

As of July 31, 2020

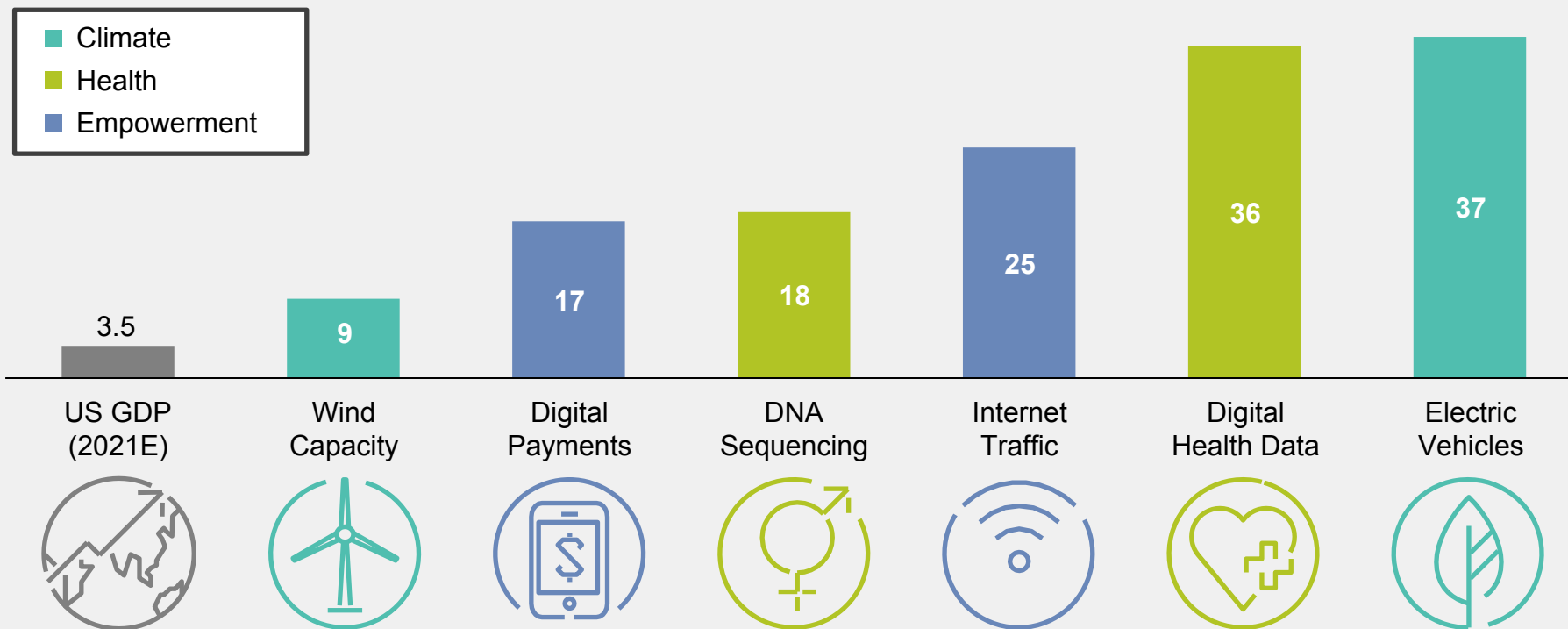
Source: AB

Some Growth Trends Will Persist Through a Downturn

A Thematic Approach can Uncover Compelling Opportunities

Representative Secular Tailwinds

Compounded Annual Growth Rates (Percent)



Current forecasts do not guarantee future results.

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

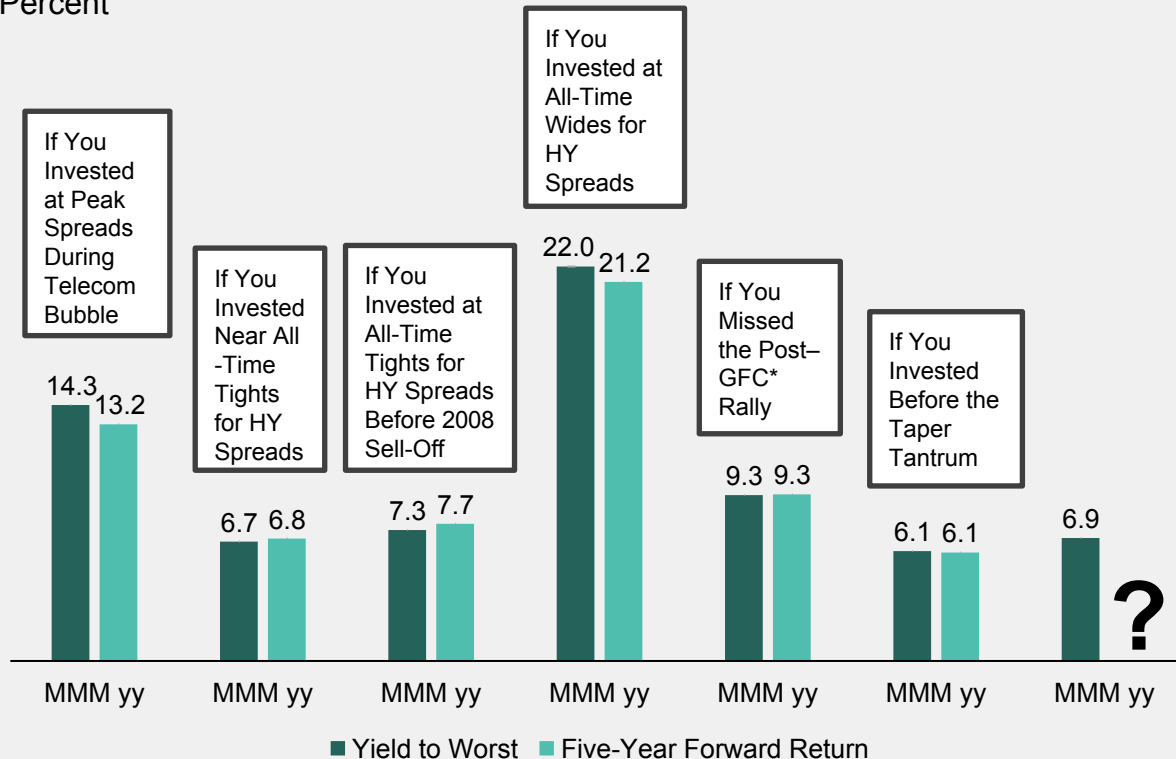
As of June 30, 2020

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

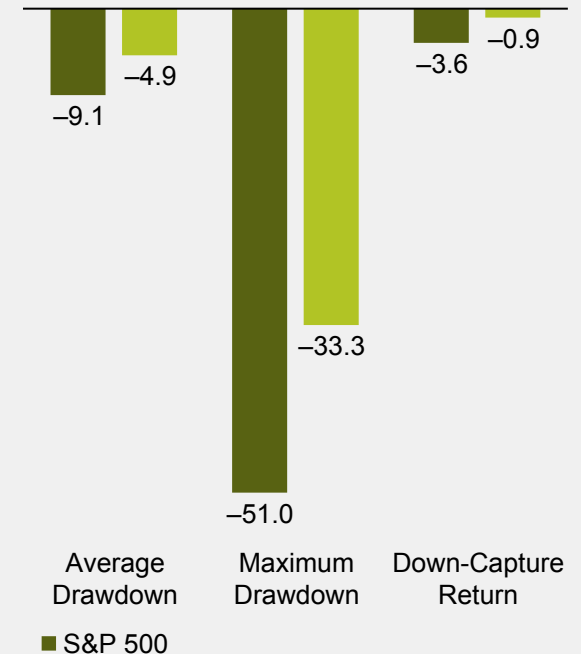
Better Beta: Using High Yield to De-risk Equities

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 June 30, 2020; right display through December 31, 2019

Source: Bloomberg Barclays, Morningstar and AB

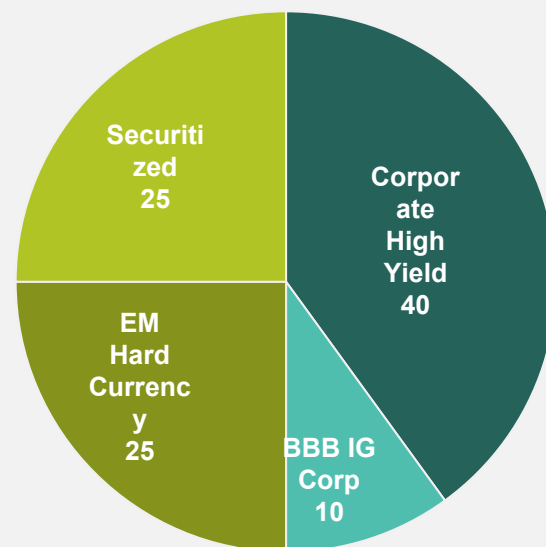
By the Numbers

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

Past performance does not guarantee future results.

As of June 30, 2020

Source: Bloomberg Barclays and AB



Key Election Takeaways

- Historically, Elections have not mattered as it relates to market performance – but we believe today is different.
- The World Outside of Politics is One of Moderate Returns and Meaningful Downside Risks
- Political Volatility is Expected to be High
- Political Volatility = Economic and Market Volatility
- Extremities in Possible Policy Proposals from Both Parties Imply Fat-Tails
- “Participation and Defense” in Portfolio Construction Becomes More Critical Against this Backdrop

Source: AB



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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.



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