

Capital Markets Outlook

Distinguishing Signal from
Noise

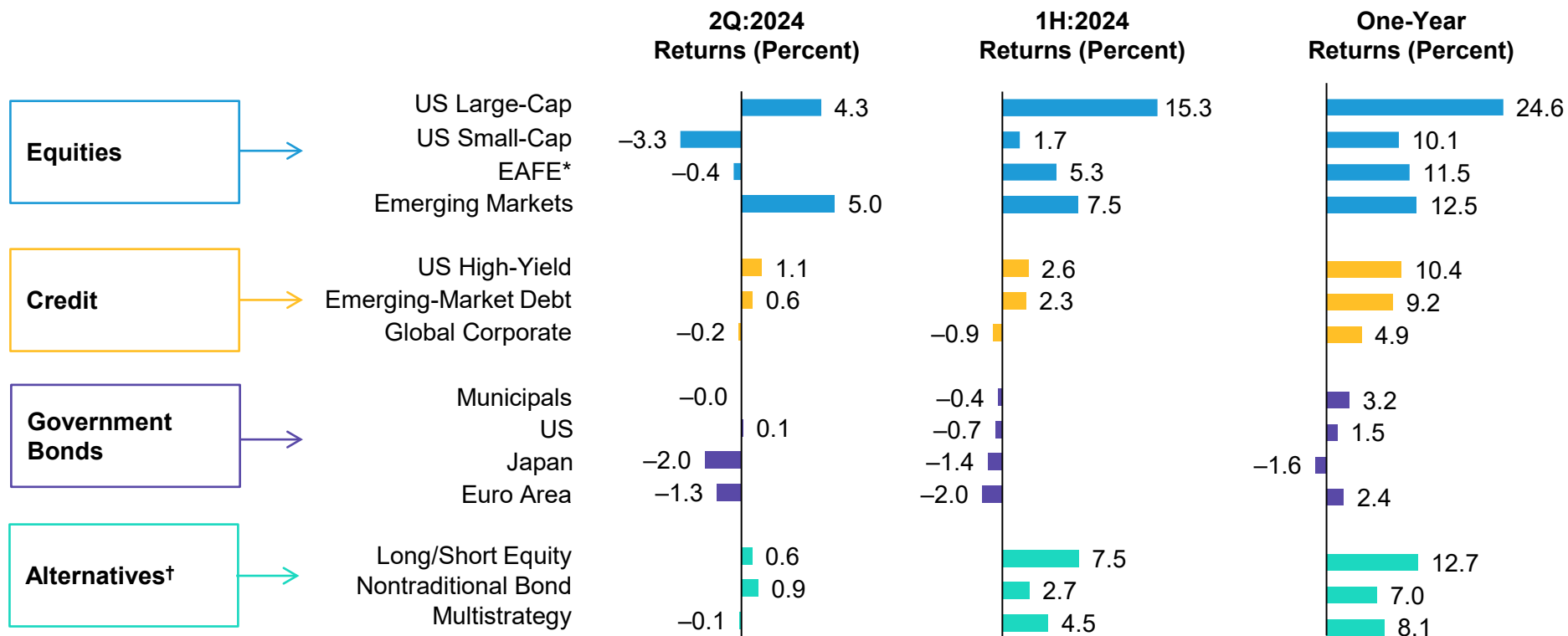
Third Quarter 2024

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.

Investment Products Offered:

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

View from 30,000 Feet: Second Quarter Appeared Largely Uneventful, with a Select Few Winners



Past performance does not guarantee future results.

Returns in US dollars. EAFE and emerging-market returns are net returns; all other returns are total returns. Japan government bonds in hedged USD terms. All other non-US returns in unhedged USD terms. US large-cap represented by S&P 500. US small-cap represented by Russell 2000. An investor cannot invest directly in an index, and its performance does not reflect the performance of any AB portfolio. The unmanaged index does not reflect the fees and expenses associated with the active management of a portfolio.

*Europe, Australasia and the Far East. †Returns reflect Morningstar US open-end fund category averages.

As of June 30, 2024

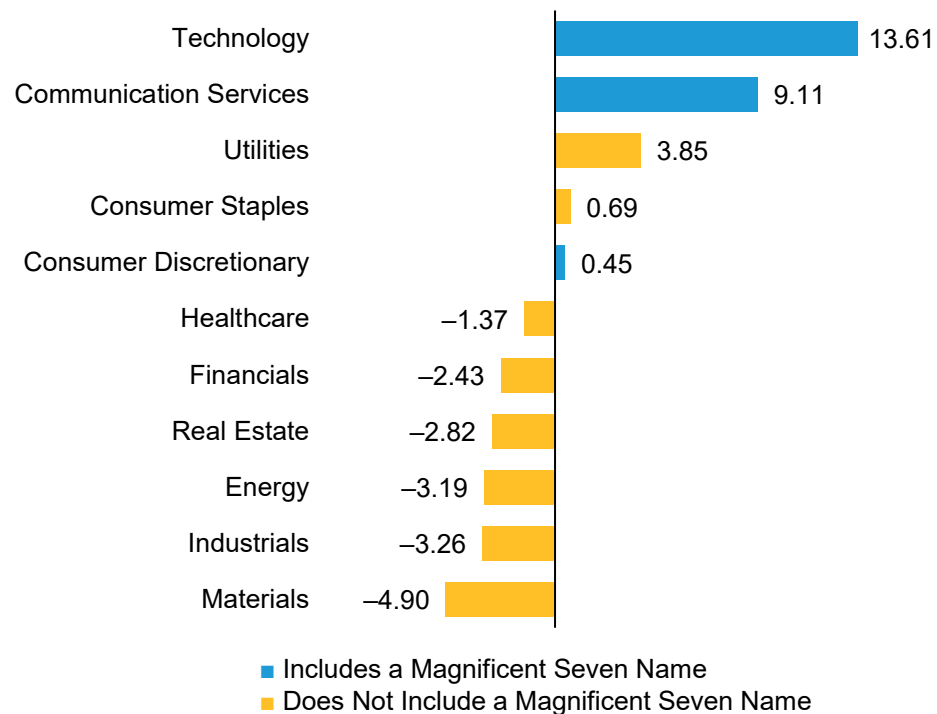
Source: Bloomberg, FTSE Russell, Morningstar Direct, S&P and AB



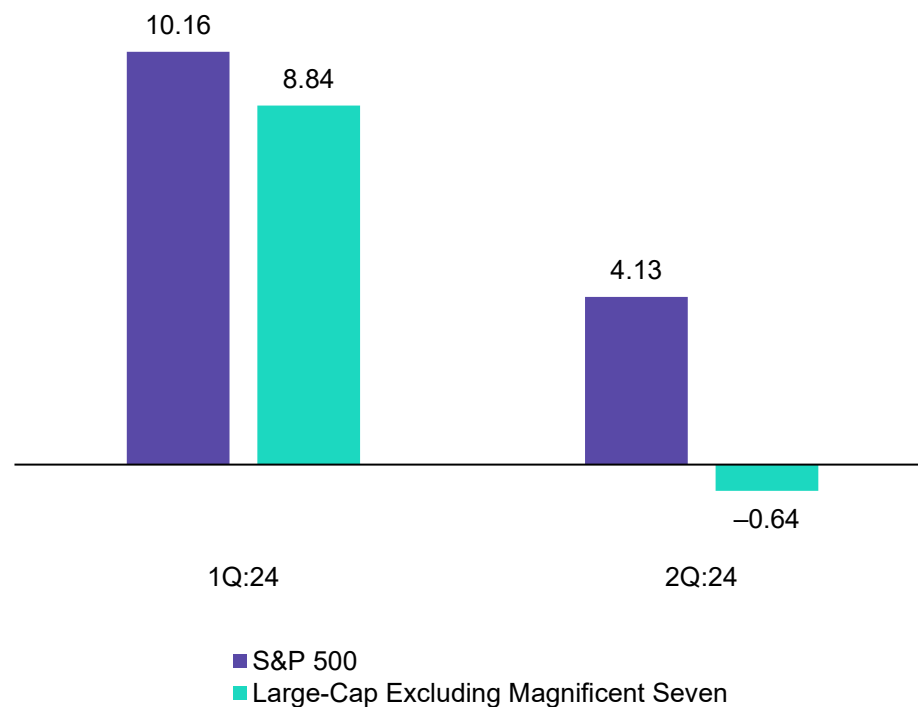
Looking Deeper: It's a Magnificent Club, and You Ain't in It

S&P 500 Sector Performance Breakdown

Sectors with a Magnificent Seven constituent vs. all others (percent)



1Q24: AI Trade Lifted All Boats; 2Q24: The Magnificent Seven Masked an Otherwise Negative Quarter (Percent)



Past performance does not guarantee future results.

AI: artificial intelligence

All returns are price returns.

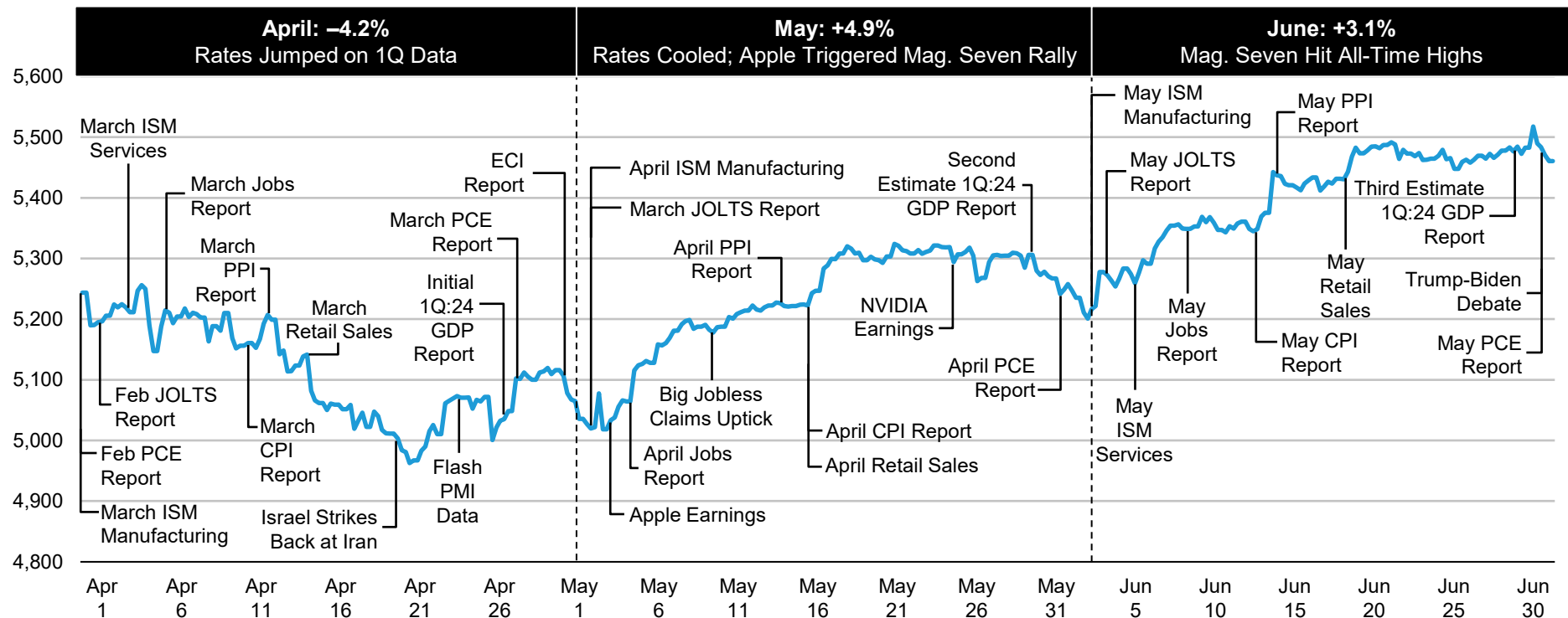
As of June 30, 2024

Source: Bloomberg, S&P and AB



Artificial Intelligence Beneficiaries Propelled the Index Higher—Again—on the Back of a Growing Drumbeat of Investment

S&P 500 Price Chart (in US Dollars)



Past performance does not guarantee future results.

CPI: Consumer Price Index; ECI: Employment Cost Index; GDP: gross domestic product; ISM: Institute for Supply Management; JOLTS: Job Openings and Labor Turnover Survey; PCE: Personal Consumption Expenditures Price Index; PMI: Purchasing Managers' Index; PPI: Producer Price Index

Returns are price returns; event dates are approximate.

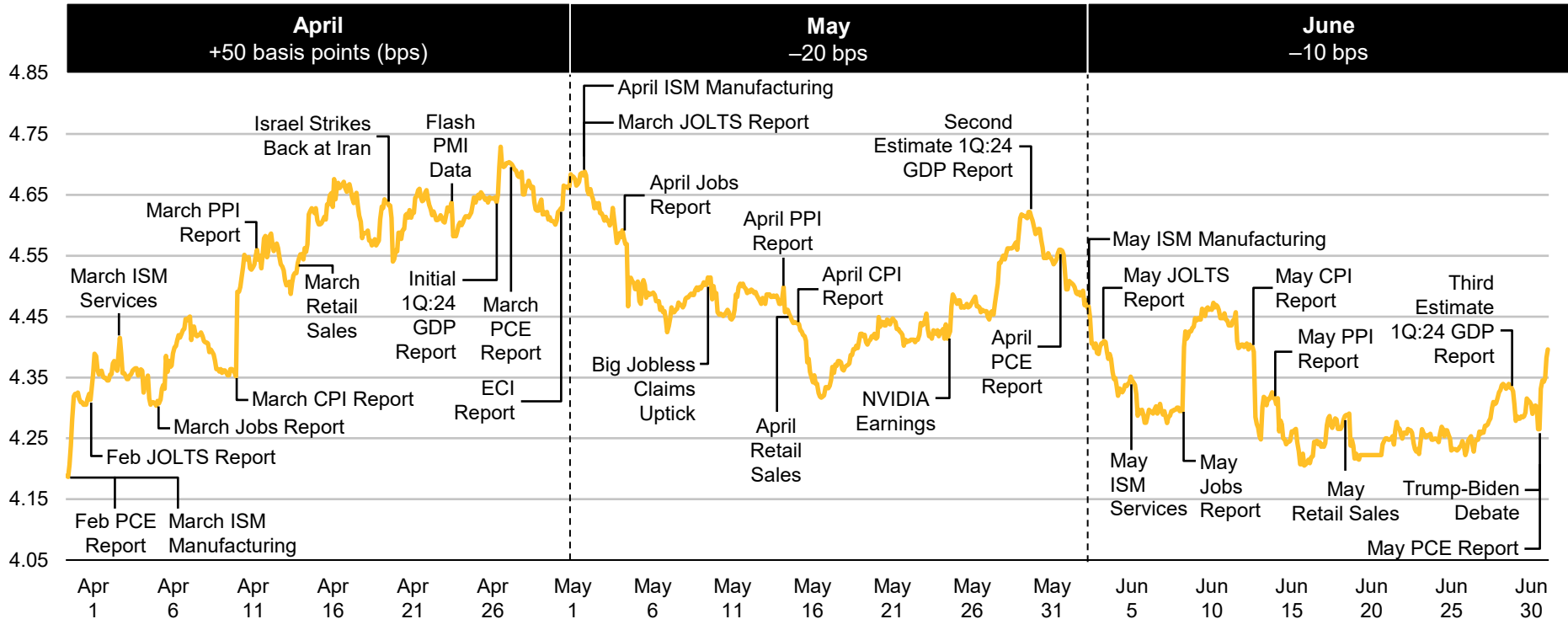
Through June 30, 2024

Source: Bloomberg, S&P and AB



Rates Were Largely Unchanged but Saw Heightened Intra-Quarter Volatility Due to a *Deluge* of Macro Variables

US 10-Year Treasury (Percent)



Past performance does not guarantee future results.

CPI: Consumer Price Index; ECI: Employment Cost Index; GDP: gross domestic product; ISM: Institute for Supply Management; JOLTS: Job Openings and Labor Turnover Survey; PCE: Personal Consumption Expenditures Price Index; PMI: Purchasing Managers' Index; PPI: Producer Price Index

Returns are price returns; event dates are approximate.

Through June 30, 2024

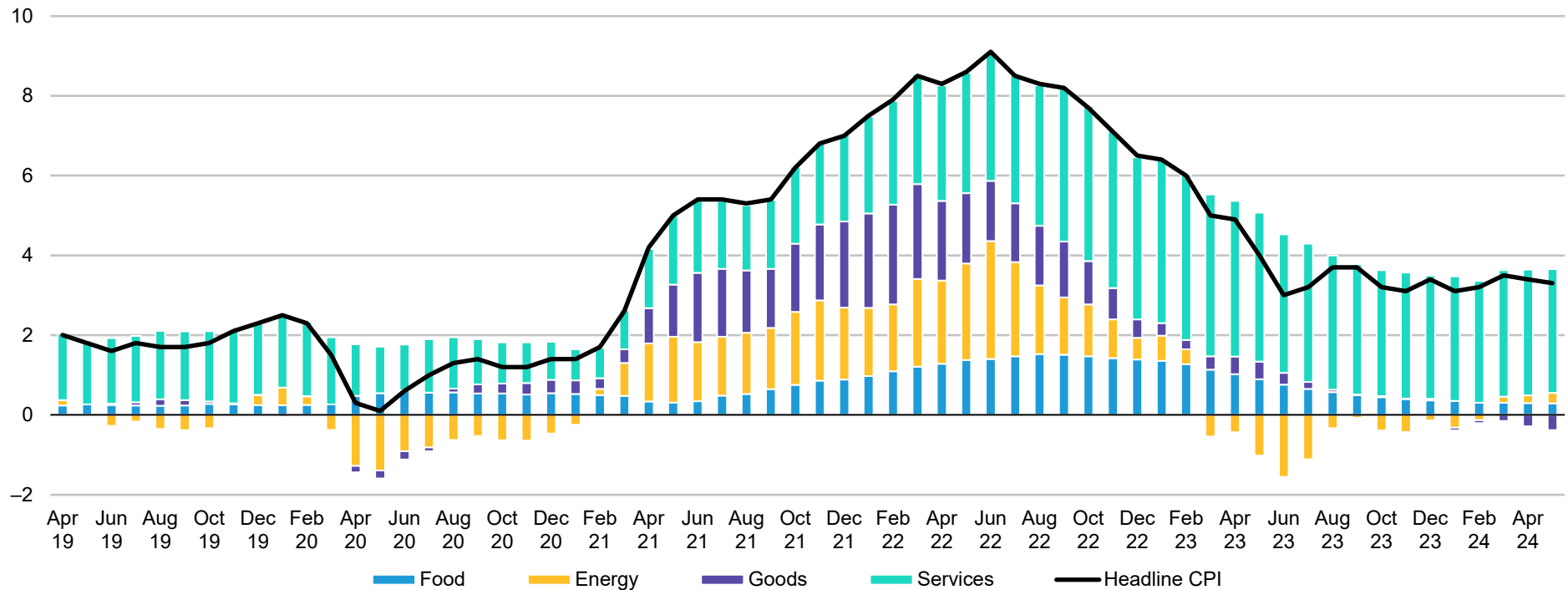
Source: Bloomberg, S&P and AB



Primary Source of Macro Noise: Inflation

Headline CPI has remained above 3% for over a year

Contribution to CPI by Category (Percent)



Current analysis does not guarantee future results.

CPI: Consumer Price Index

Through May 31, 2024

Source: Bloomberg and AB





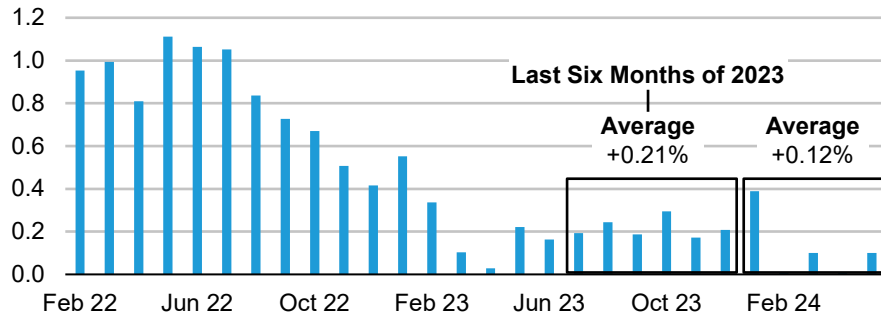
We had **really, really good** inflation data in the second half of last year [2023], then kind of a pause in progress in the first quarter.”

—Jerome Powell (June 12, 2024)

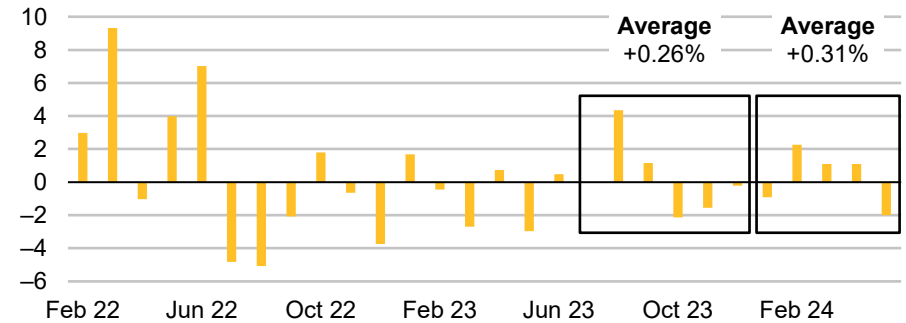
Main CPI Categories Continue to Signal a Return to Trend...

...although services price growth has remained troublesome

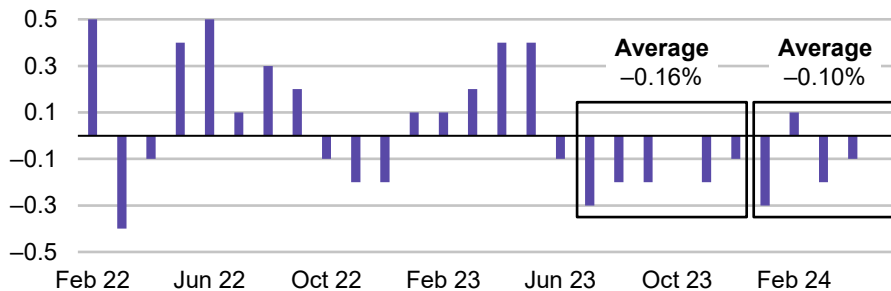
Food Prices MoM (Percent)



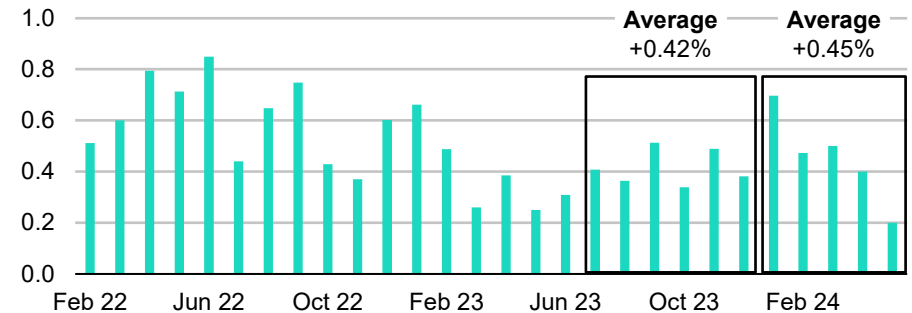
Energy Prices MoM (Percent)



Goods Prices MoM (Percent)



Services Prices MoM (Percent)



Current analysis does not guarantee future results.

CPI: Consumer Price Index; MoM: month over month

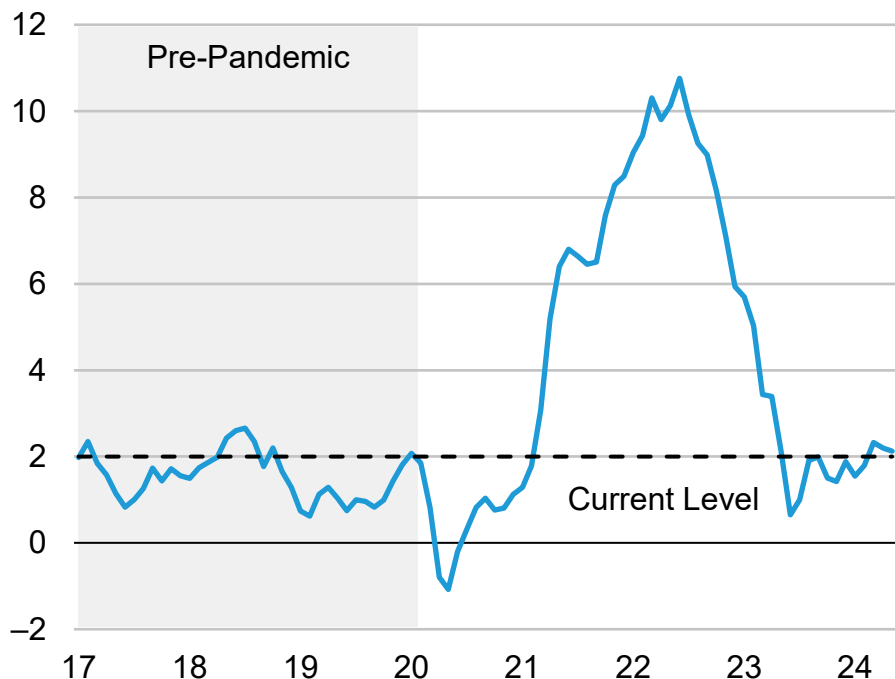
As of June 30, 2024

Source: Bloomberg, US Bureau of Labor Statistics (BLS) and AB

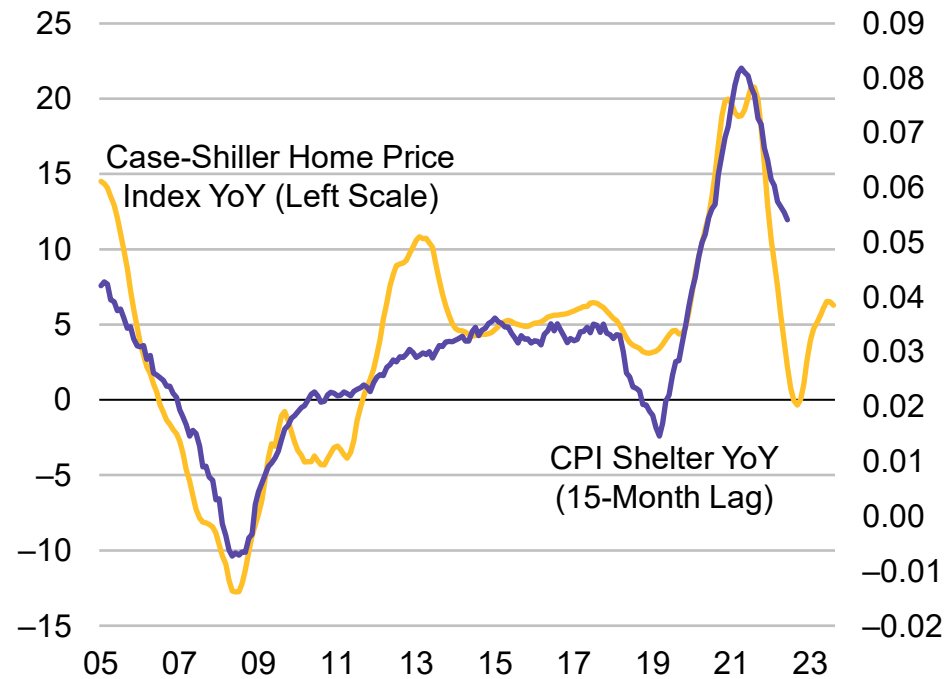


Fortunately, After Accounting for the Lagged Effects of Shelter, We Can See a Clearer Inflation Picture

CPI ex Shelter: When We Remove the Cost of Shelter Due to the Lagged Nature of CPI's Measurement, We See Pre-Pandemic Levels of Inflation for the Last Year (Percent)



Case-Shiller Home Prices vs. CPI Shelter Prices
 "Real-time" data vs. a *lagging* measurement (percent)



Current analysis does not guarantee future results.

CPI: Consumer Price Index; YoY: year over year

As of June 30, 2024

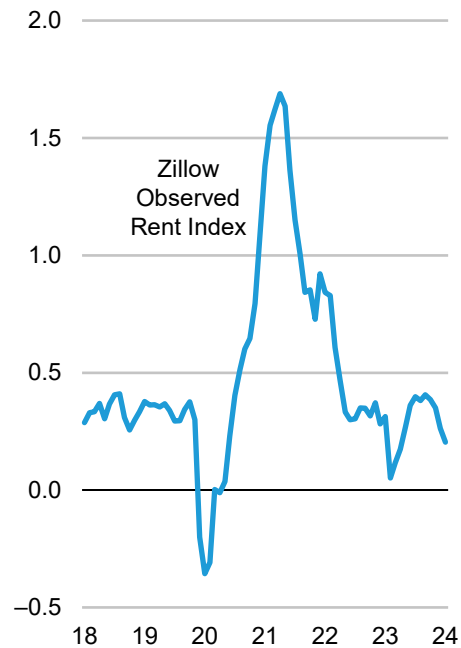
Source: Bloomberg, S&P/Case-Shiller Home Price Index and AB



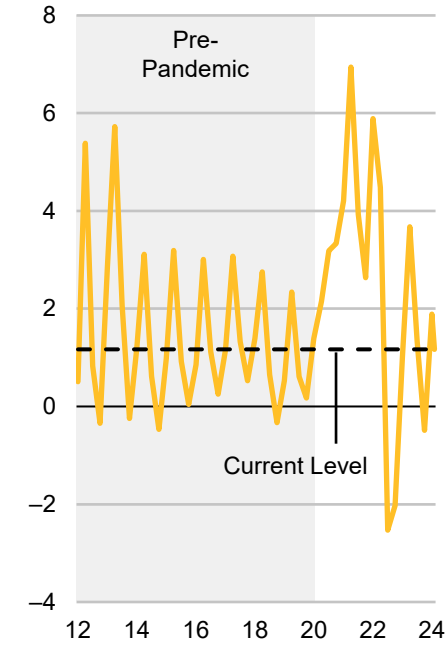
Isolating Shelter Prices: Real-Time Data Suggest Progress Ahead

Higher rates have impacted the housing market

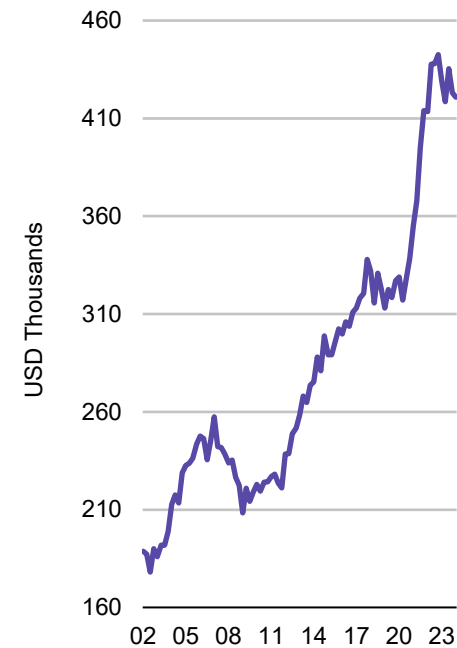
MoM Rent Prices Are Trending Lower Across the US
Percent



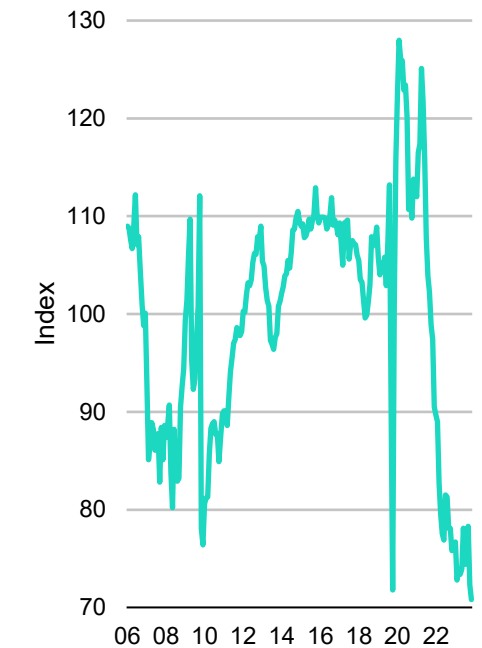
MoM S&P/Case-Shiller Home Prices Are Normalizing...
Percent



...While the Median Home Sale Price Hit a Ceiling After Its Meteoric Rise...



...with Pending Home Sales at All-Time Lows—Notably Even Below 08–09 and COVID-19



Current analysis does not guarantee future results.

MoM: month-over-month

Through June 30, 2024

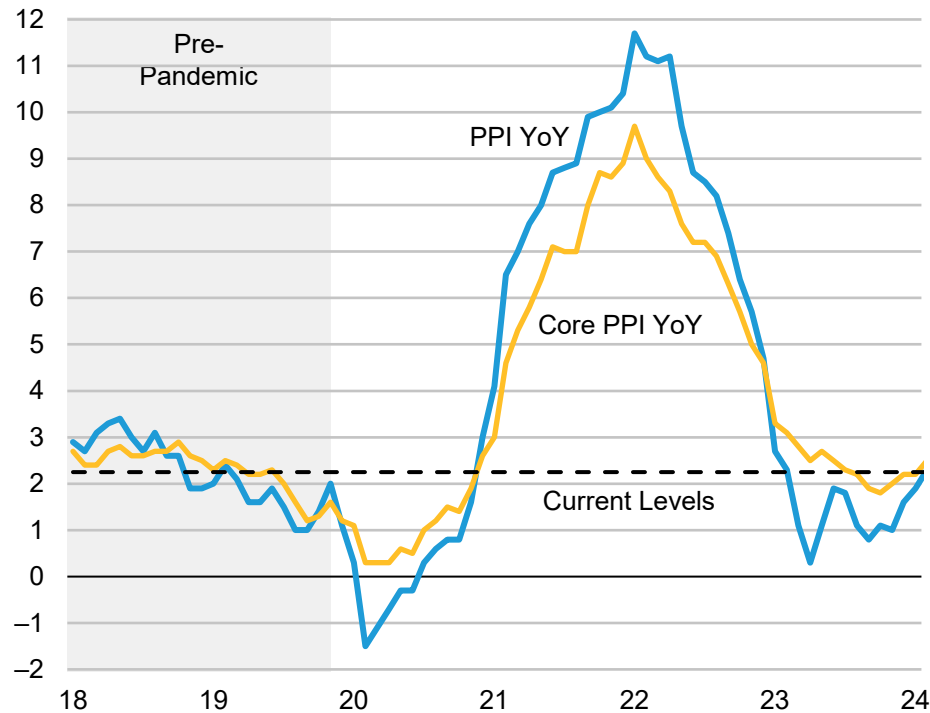
Source: Bloomberg, Federal Reserve Bank of St. Louis (FRED), S&P/Case-Shiller Home Price Index, Zillow and AB



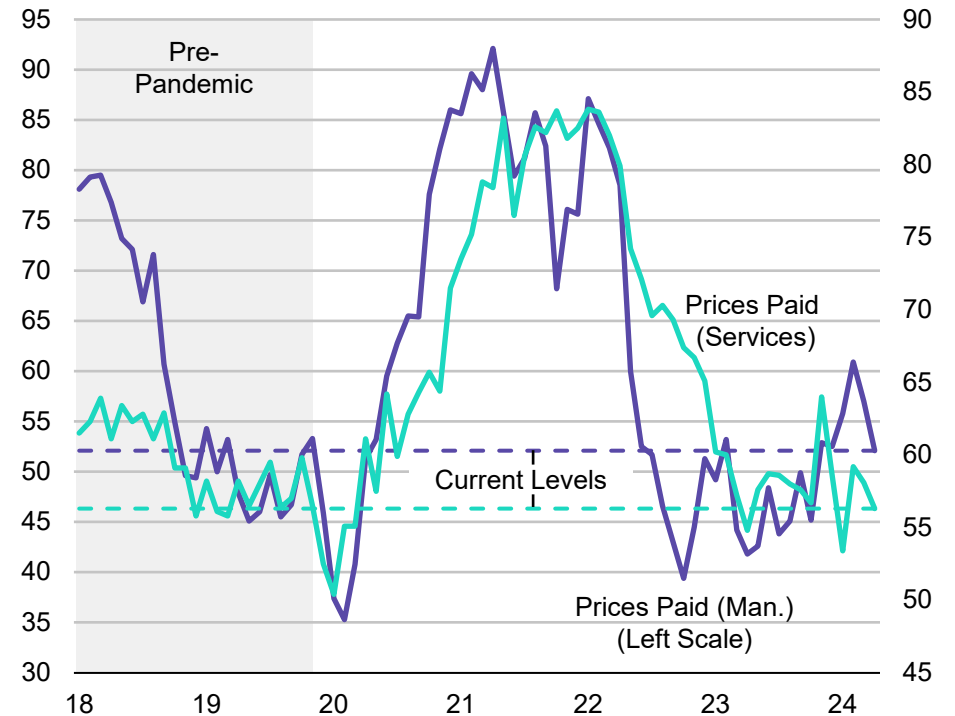
Other Inflation Measures to Watch

No signs of a reacceleration here

Leading Indicator #1: PPI (Percent)



Leading Indicator #2: ISM Prices Paid (Index)



Current analysis does not guarantee future results.

ISM: Institute for Supply Management; Man.: manufacturing; PPI: Producer Price Index; YoY: year over year

Through June 30, 2024

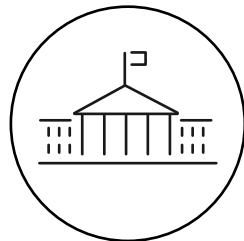
Source: Bloomberg, BLS and AB



One Final Inflation Variable: The Elephant in the Room

How the outcome of the 2024 presidential election could affect markets for years to come

Potential Trump Presidency and/or Red Wave Implications



Higher Yields

Higher Yield Premium

Lower Tax Revenues

Less Fed Independence

Higher Inflation

Deportation/Fewer Immigrants

10% Universal Tariffs
(60% on Chinese Imports)

Onshoring/Increased Deglobalization

Current analysis does not guarantee future results.

As of June 30, 2024

Source: AB



The Other Critical Rate Variable: Labor Market

Jerome Powell on the Past, Present and Potential Future of the Labor Market

1
Past/
Present

“Overall, we’re looking at what is still a very strong labor market, but not the superheated labor market of two years ago, or even one.”

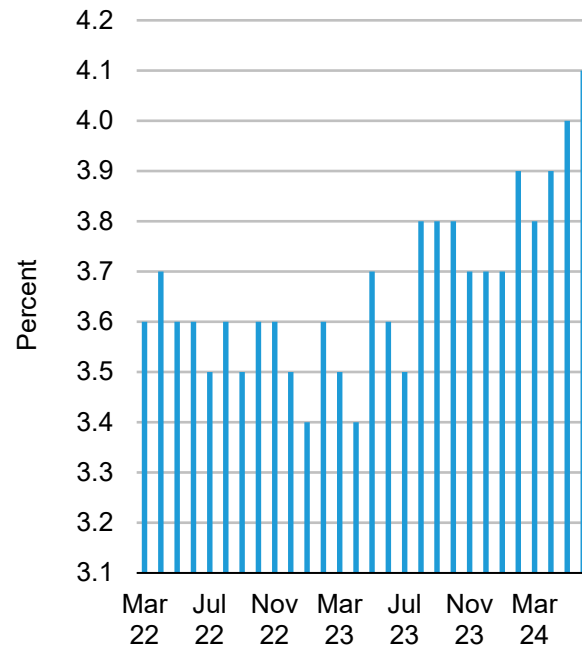
2
Context

“[However,] if the labor market were to weaken unexpectedly or if inflation were to fall more quickly than anticipated, we’re prepared to respond.”

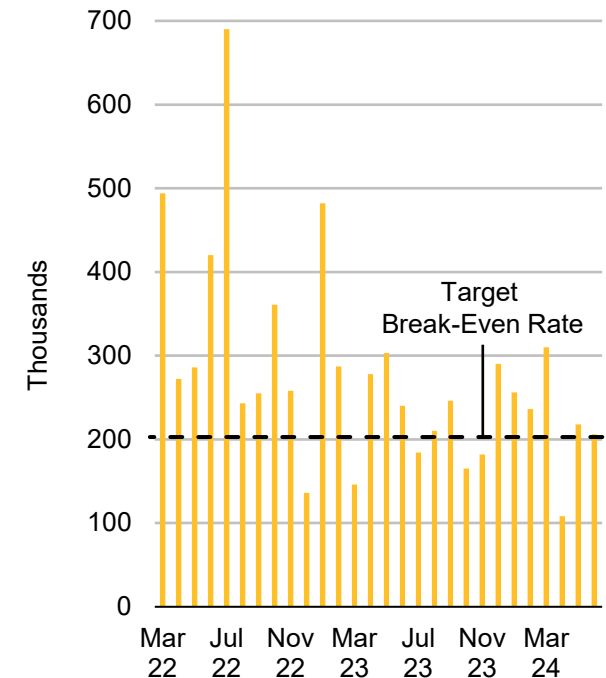
3
Future
Action?

“The labor market has the tendency sometimes to weaken quickly. So, waiting for that to happen is not what we’re doing.”

Unemployment Rate (U-3) Has Risen but Is Closer to Fed’s Long-Run “Target”



Payroll Data* Suggest Labor Market Is Still Adding Jobs at a Strong Pace



Current analysis does not guarantee future results.

*Establishment survey

As of June 30, 2024

Source: Bloomberg, US Federal Reserve and AB



While Resilient, the Incremental Change Has Been Toward Less Strength...

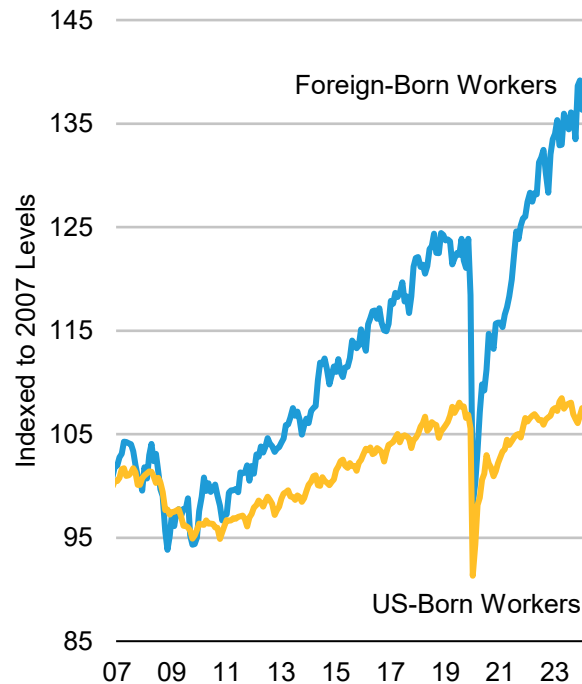
Payrolls Have Been a Noisy Metric for Much of the Pandemic Recovery Period



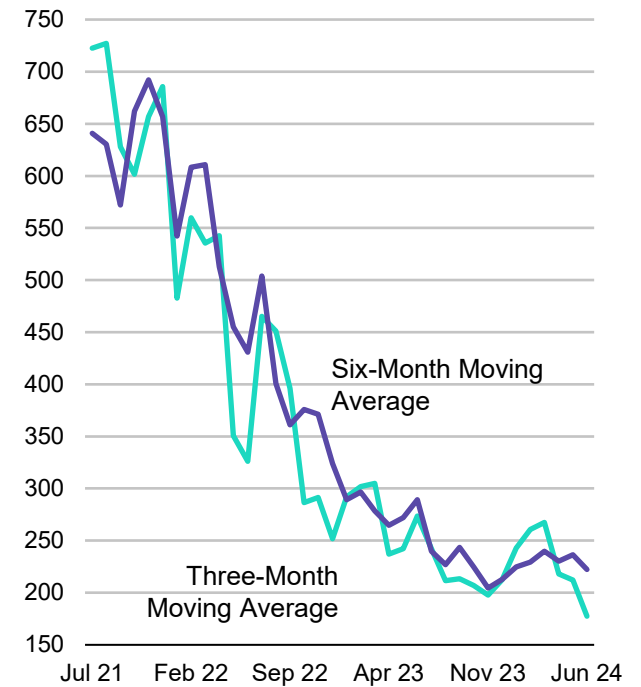
You have payroll jobs still coming in strong, even though, you know, there's an argument that they may be a bit *overstated.*"

—Jerome Powell (June 12, 2024)

Foreign-Born Workers Account for All of the Job Growth Post-COVID



Established Trends Are Progressing
Payrolls suggest a return to normal



Current analysis does not guarantee future results.

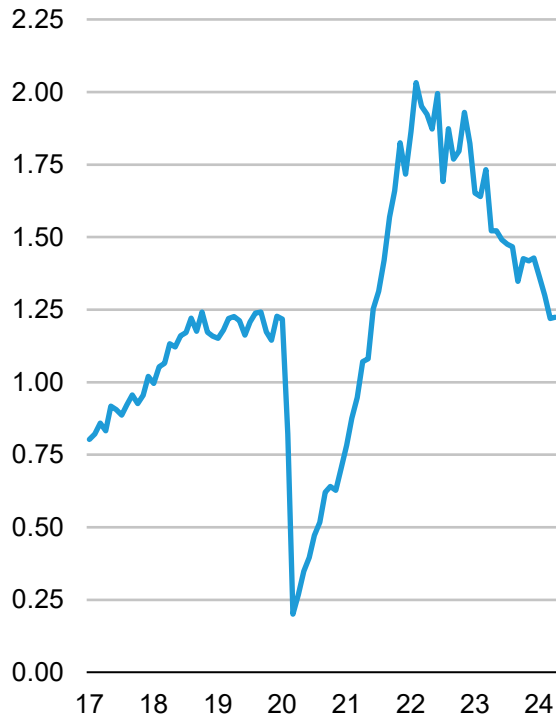
As of June 30, 2024

Source: Bloomberg, LSEG Datastream and AB

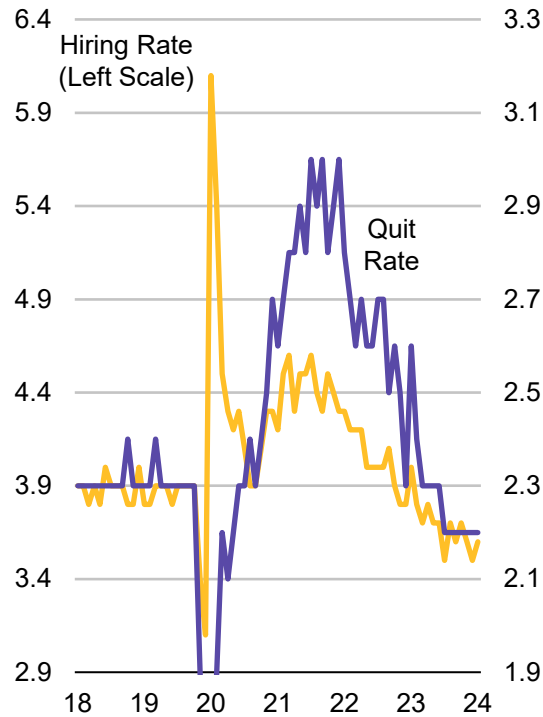


...with Virtually All Labor Market Indicators Returning to Pre-Pandemic Levels of Equilibrium

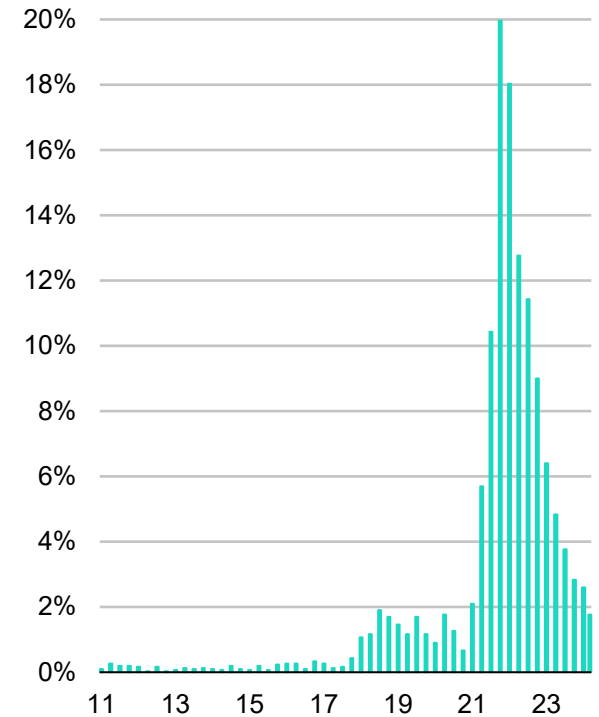
Fewer Job Openings per Unemployed Individuals (Percent)



Quit Rate and Hiring Rate Are Below Pre-Pandemic Levels (Percent)



Shortage of Workers Survey Points to a Better Balance



Current analysis does not guarantee future results.

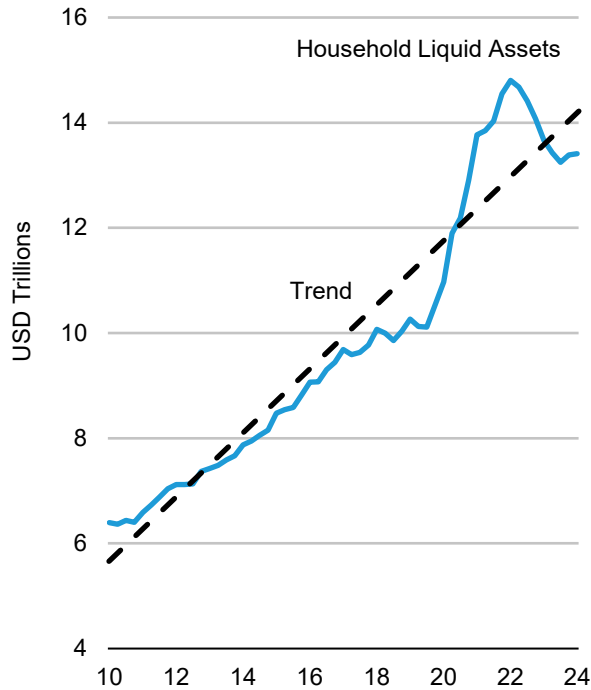
Through June 30, 2024

Source: AlphaSense (searches based on above terms across Russell 3000 earnings transcripts), Bloomberg, FRED and AB

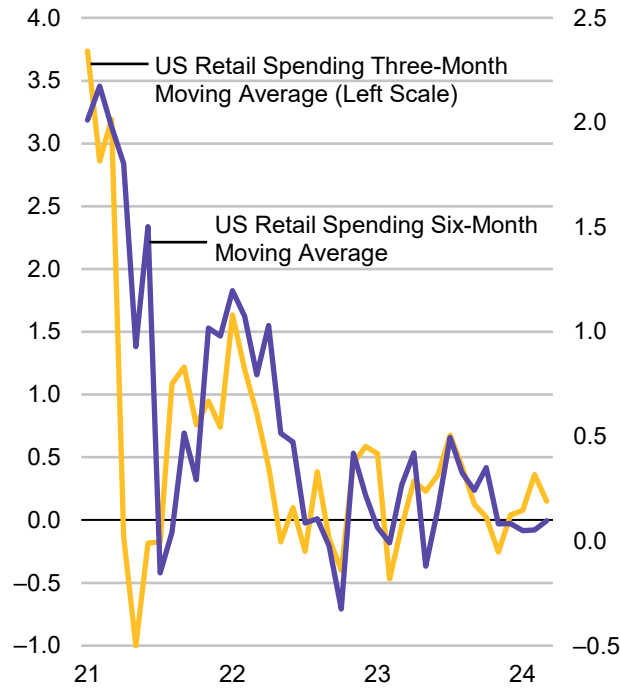


Let's Not Forget About Growth

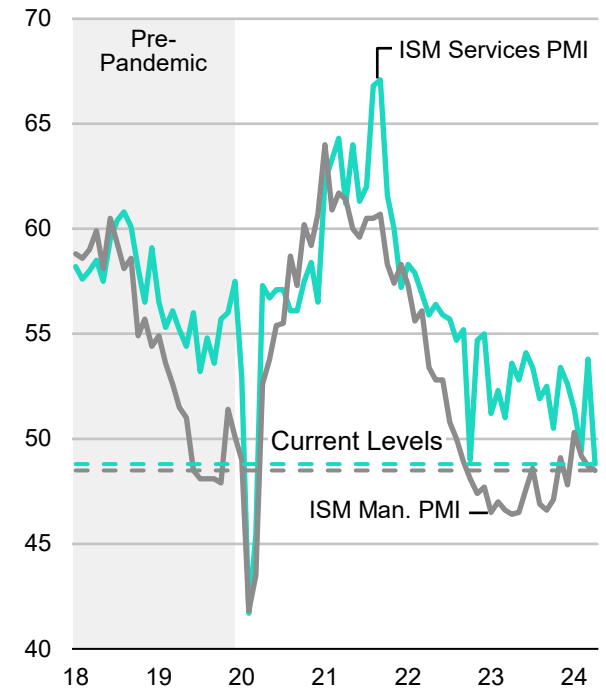
Pandemic Excess Savings Have Been Depleted: Above the Trend Line Is “Excess”



A More Cautious Consumer: Lower Savings Have Been Reflected in Softer Retail Spending Data...(Percent)



...and PMIs, Which Increasingly Suggest Lower Levels of Demand



Current analysis does not guarantee future results.

ISM: Institute for Supply Management; Man.: manufacturing; PMI: Purchasing Managers' Index

Through June 30, 2024

Source: Bloomberg and AB



The Fed's Path Forward

The Fed Is Projecting One Rate Cut This Year, but Critically Remains Data-Dependent: Dot Plot (Percent)

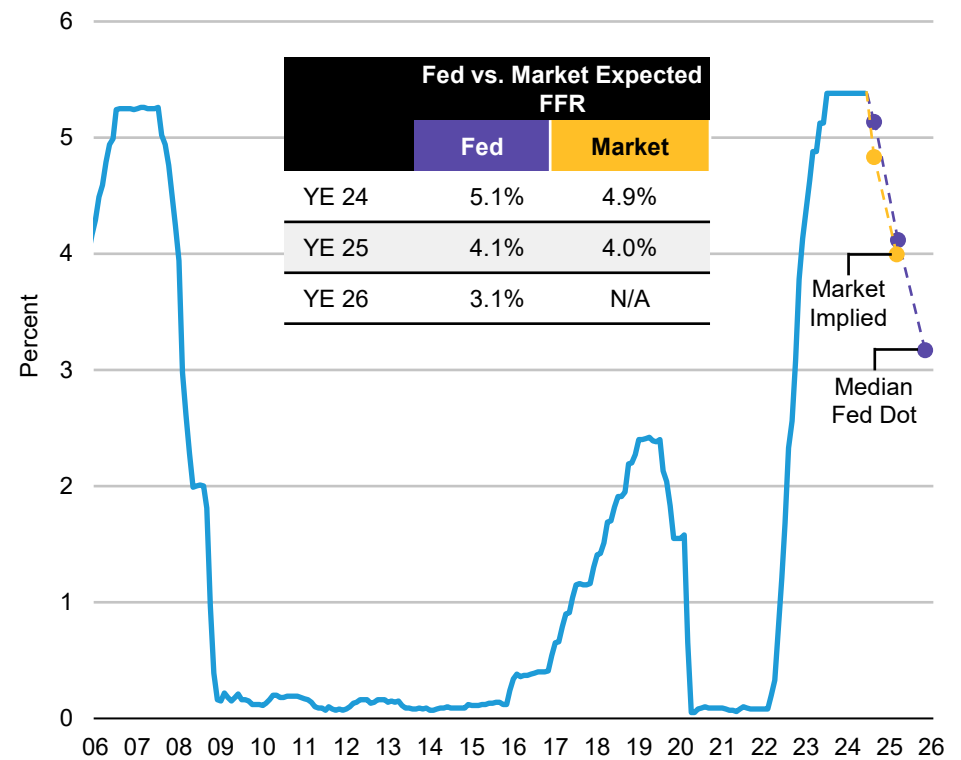
	2024	2025	2026	Longer Run
5.75	—	—	—	—
5.50	••••	•	—	—
5.25	•••••••	—	—	—
5.00	••••••••	•	•	—
4.75	—	—	—	—
4.50	—	••••	—	—
4.25	—	••••••••	•	—
4.00	—	••	—	—
3.75	—	•	•••	••
3.50	—	—	•••	••
3.25	—	—	•••••••	•
3.00	—	•	••	••••
2.75	—	—	•	••••
2.50	—	—	•	••••••
2.25	—	—	—	—
2.00	—	—	—	—
1.75	—	—	—	—

“What we’ve been getting is good progress on inflation, with growth at a good level, and with a strong labor market. Now, ultimately, we think rates will have to come down to continue to support that.”

—Jerome Powell (June 12, 2024)

Current analysis does not guarantee future results.
 FFR: federal funds rate; FOMC: Federal Open Market Committee; YE: year-end
 As of June 30, 2024
 Source: US Federal Reserve and AB

Noise Incarnate: Dot Plot and Fed Projections from June’s FOMC Meeting Look Increasingly Stale



Macro Summary Recap and Outlook

Reviewing the “holy trinity” for markets

Inflation

- Disinflation was slower at the start of the year than we initially anticipated, but it appeared to regain some momentum in the second quarter
 - Food prices have continued to cool
 - Energy prices remain volatile, but not outside historical norms
 - Goods prices are falling in outright terms
 - Services prices should slow their rate of gain as the year progresses
- Year-over-year inflation should fall in the third quarter before base effects push it up by year-end

Labor Market

- The labor market remains a notable source of strength. Strong inward migration flows have boosted labor supply and allowed hiring to remain robust even as wage growth has slowed
- While we expect hiring to slow somewhat, we think that the jobs market is rebalancing rather than truly weakening at this stage
- We’re keeping a particular eye on jobless claims and nonfarm payrolls—including revisions—for potential signs of further softness

Growth

- Growth has slowed from last year’s heady pace, and we expect additional slowing in the second half of this year as the impact of persistently tight monetary policy flows through the economy
- Recently, GDPNow—an Atlanta Fed model for predicting GDP—has seen a material slowdown in its 2Q:24 estimate from 3.2% to 1.5%
- Within GDP, personal consumption is the key metric to focus on, as consumer demand appears to be decelerating

Historical analysis and current forecasts do not guarantee future results.

As of June 30, 2024

Source: Federal Reserve Bank of Atlanta and AB



Macro Summary

AB Global Economic Forecast

	Real Growth (Percent)		Inflation (Percent)		Official Rates (Percent)		Long Rates (Percent)	
	24F	25F	24F	25F	24F	25F	24F	25F
Global ex Russia	2.5	2.3	4.1	3.1	5.20	3.89	3.77	3.76
Industrial Countries	1.4	1.1	2.6	2.1	4.06	3.14	3.22	3.20
Emerging Countries	4.0	4.0	6.4	4.7	7.36	5.25	4.35	4.36
US	1.5	1.2	2.8	2.3	5.13	4.13	4.00	4.00
Euro Area	0.4	0.8	2.3	1.9	3.25	2.00	2.20	2.10
UK	0.5	0.7	2.5	1.9	4.5	3.25	3.90	3.50
Japan	0.5	1.3	2.4	1.8	0.25	0.50	1.25	1.25
China	4.7	4.5	0.7	1.5	1.50	1.50	2.00	2.36

Past performance and current analysis do not guarantee future results.

Inflation is a core Consumer Price Index estimate. 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.

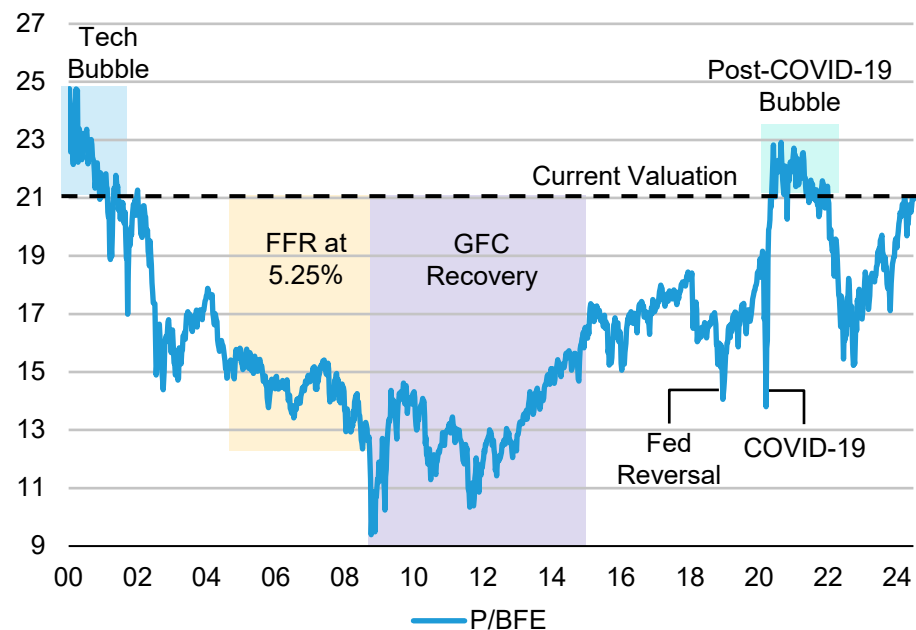
As of June 30, 2024

Source: AB



S&P 500 Valuations: Trees Don't Grow to the Sky

S&P 500 Multiples



Time Period	P/E	P/BFE	P/FE ₁
June 30, 2024	24.0	21.0	22.3
December 31, 2023	21.9	19.6	19.6
December 31, 2022	17.2	16.8	16.8
Pre-Pandemic*	20.3	18.9	20.4
10-Year Average	19.6	18.0	19.2
Pre-Pandemic Five-Year Average	18.3	16.9	17.9
January 2014–November 2016	17.0	16.2	17.0
Average Multiple When Rates Are Increasing†	19.2	16.1	17.1
Average Since 2000	18.6	16.4	17.6

Current analysis does not guarantee future results.

FFR: federal funds rate; GFC: global financial crisis; price/earnings (P/E) is for the trailing 12 months; price/blended forward earnings (P/BFE) is for the next 12 months; price/forward earnings one (P/FE₁) is for calendar year 2024.

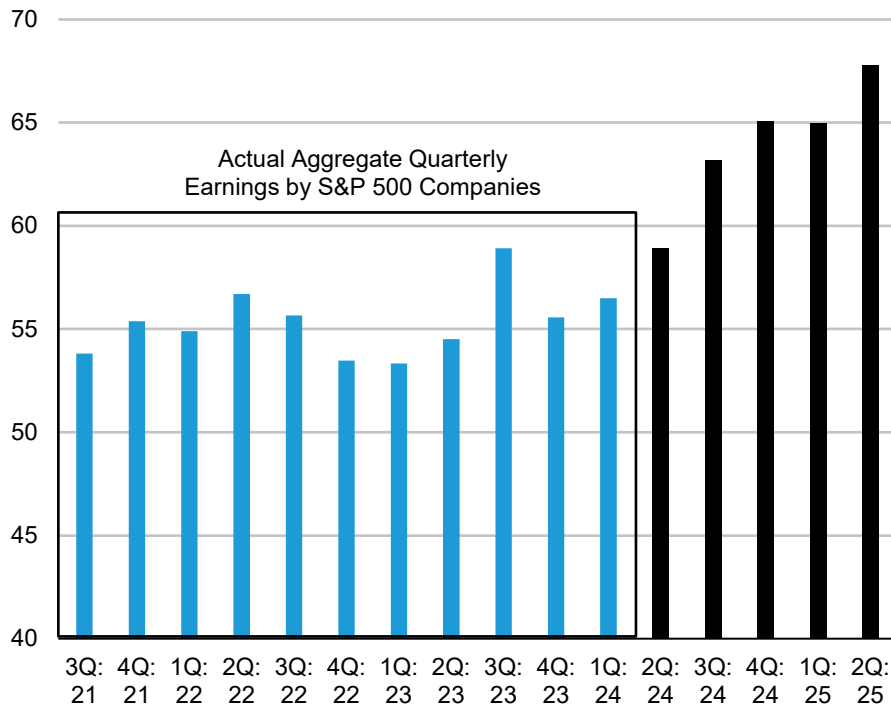
*February 21, 2020; †Last two Fed cycle hikes, excluding the most recent

As of June 30, 2024

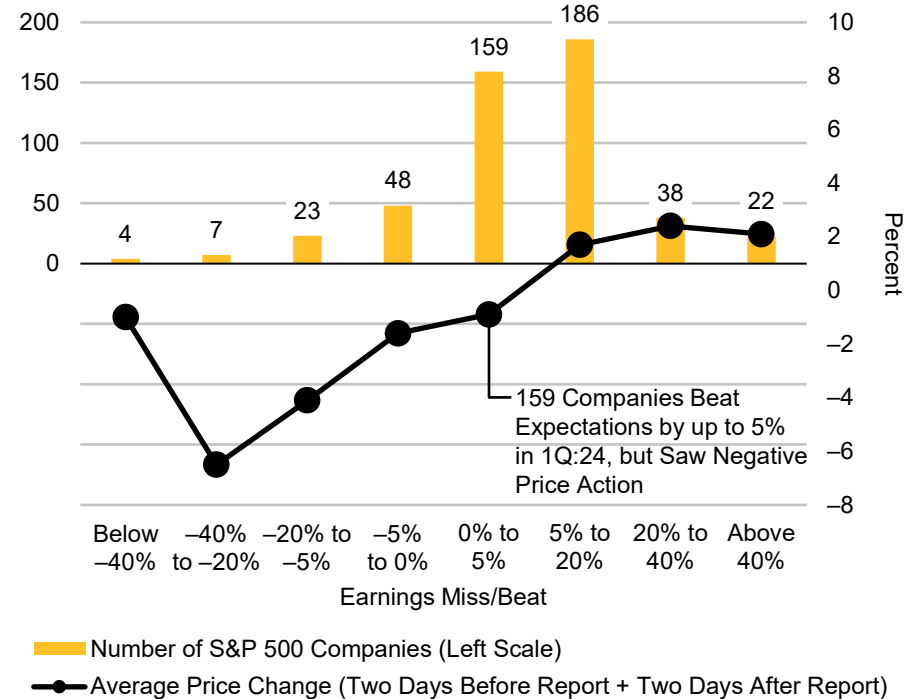
Source: Bloomberg, S&P and AB

S&P 500 Earnings: The Bar Has Never Been Higher as Investors Price in Breakout Quarters Ahead

After Range-Bound Earnings for over Two Years, Markets Have Priced in a Material Uptick Going Forward



You Have to *Really* Earn it: Positive Price Performance Is Often About More than Just Meeting These Expectations



Historical analysis and current forecasts do not guarantee future results.

As of June 30, 2024

Source: FactSet and AB



S&P 500 Scenario Chart: Bringing It All Together

Choose Your Own Adventure

2024										S&P Price Level	2024 Price Return*
	16	17	18	19	20	21	22	23	24		
220	3,520	3,740	3,960	4,180	4,400	4,620	4,840	5,060	5,280	4,700	-13.9%
225	3,600	3,825	4,050	4,275	4,500	4,725	4,950	5,175	5,400	4,900	-10.3
230	3,680	3,910	4,140	4,370	4,600	4,830	5,060	5,290	5,520	5,040	-7.7
235	3,760	3,995	4,230	4,465	4,700	4,935	5,170	5,405	5,640	5,145	-5.8
240	3,840	4,080	4,320	4,560	4,800	5,040	5,280	5,520	5,760	5,250	-3.8
245	3,920	4,165	4,410	4,655	4,900	5,145	5,460	5,635	5,880	5,320	-2.6
250	4,000	4,250	4,500	4,750	5,000	5,250	5,500	5,750	6,000	5,460	0.0
255	4,080	4,335	4,590	4,845	5,100	5,355	5,610	5,865	6,120	5,635	3.2
260	4,160	4,420	4,680	4,940	5,200	5,460	5,720	5,980	6,240	5,750	5.3

2025										S&P Price Level	2024-25 Price Return†
	14	15	16	17	18	19	20	21	22		
245	3,430	3,675	3,920	4,165	4,410	4,655	4,900	5,145	5,390	4,770	-8.7%
250	3,500	3,750	4,000	4,250	4,500	4,750	5,000	5,250	5,500	4,950	-6.4
255	3,570	3,825	4,080	4,335	4,590	4,845	5,100	5,355	5,610	5,035	-5.3
260	3,640	3,900	4,160	4,420	4,680	4,940	5,200	5,460	5,720	5,130	-4.1
265	3,710	3,975	4,240	4,505	4,770	5,035	5,300	5,565	5,830	5,225	-2.9
270	3,780	4,050	4,320	4,590	4,860	5,130	5,400	5,670	5,940	5,320	-1.7
275	3,850	4,125	4,400	4,675	4,950	5,225	5,460	5,775	6,050	5,460	0.0
280	3,920	4,200	4,480	4,760	5,040	5,320	5,600	5,880	6,160	5,775	3.8
285	3,990	4,275	4,560	4,845	5,130	5,415	5,700	5,985	6,270	5,880	5.1

■ June 30, 2024

Historical analysis and current forecasts do not guarantee future results.

*Based on S&P 500's 2Q:24 closing price of 5,460; horizontal axis contains forward P/E multiples; vertical axis contains forward earnings; numbers may not sum due to rounding.

†Annualized return from June 30, 2024, to the end of 2025

As of June 30, 2024

Source: Bloomberg, S&P and AB

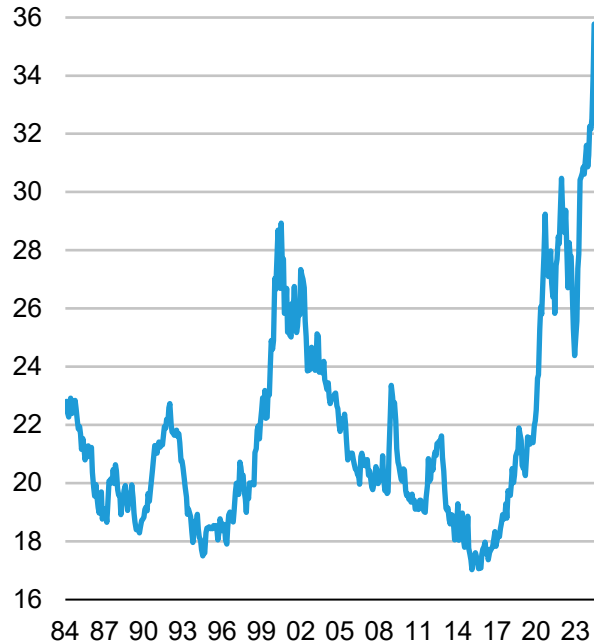


Persistent Index Concentration Presents a Strong Opportunity to Be Active

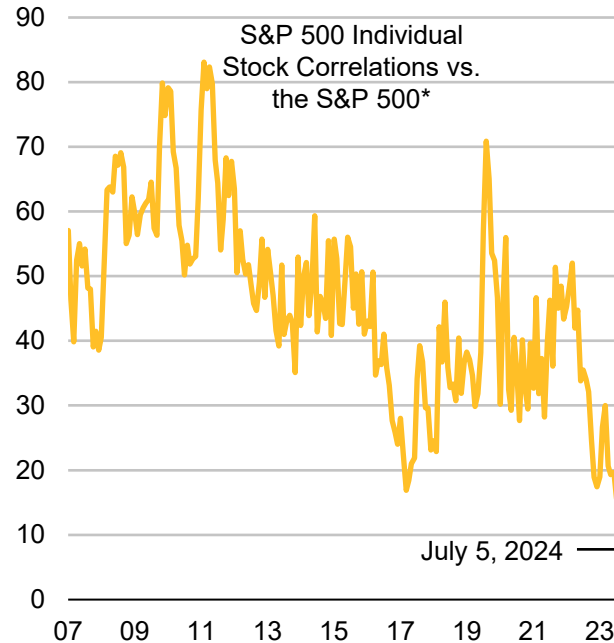
The market is only representing a few stocks in the S&P 500

S&P 500 Remains Historically Concentrated...

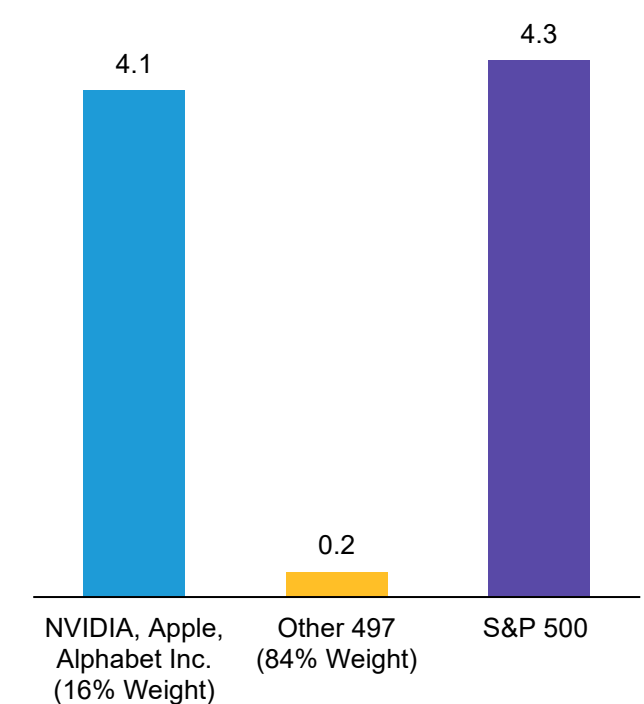
Top 10 combined weights (percent)



...and the Average S&P 500 Stock Has Grown Very Uncorrelated to the Index (Percent)



Now, Only Three Names Are Driving Returns (Percent)



Past performance does not guarantee future results. Analysis provided for illustrative purposes only and is subject to revision.

*Cboe S&P 500 3-Month Implied Correlation Index

Left and right displays as of June 30, 2024; middle display as of July 5, 2024

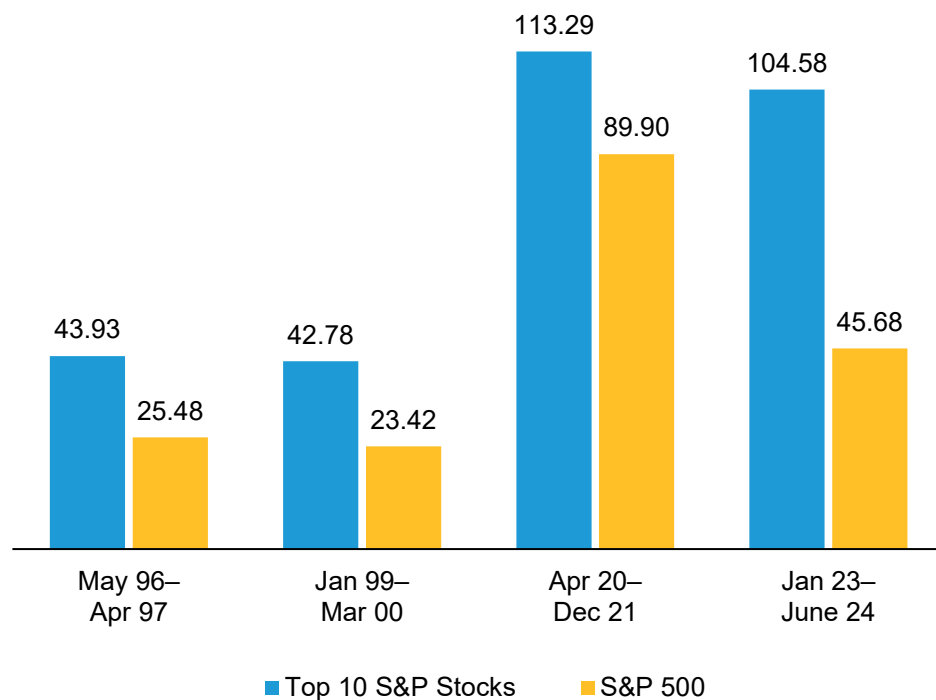
Source: Bloomberg, Cboe Global Markets, FactSet, Piper Sandler, S&P and AB; see Disclosures and Important Information.



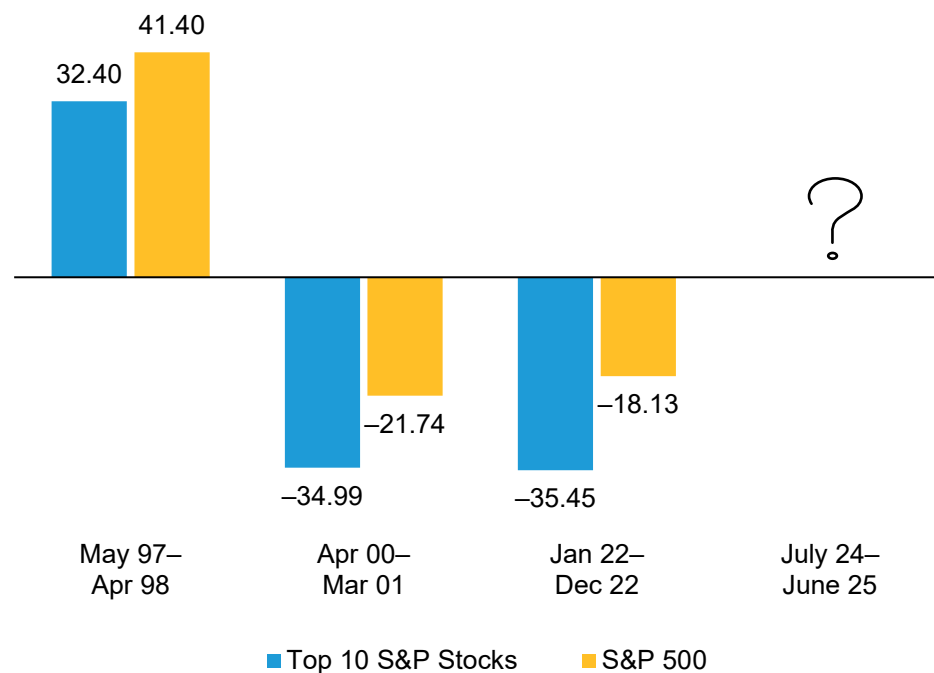
What Happens After Mega-Caps Outperform?

While no one knows that day and hour, we expect that history will again rhyme

When Were the Largest Examples of Outperformance?
Percent



Now Consider the Subsequent 12-Month Performance
Percent



Past performance does not guarantee future results.

Performance periods show cumulative returns.

As of June 30, 2024

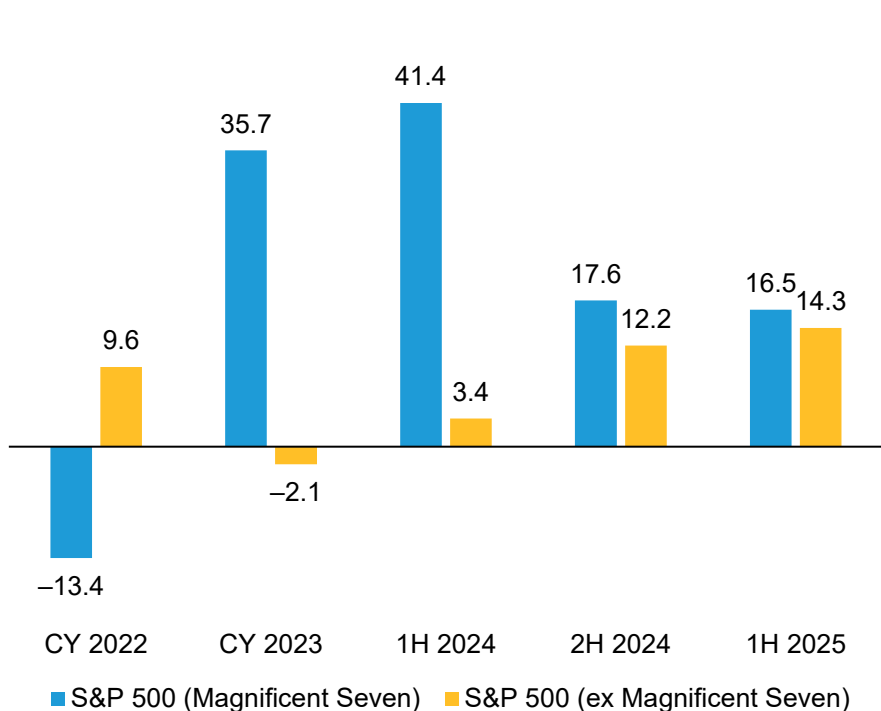
Source: Bloomberg, S&P and AB



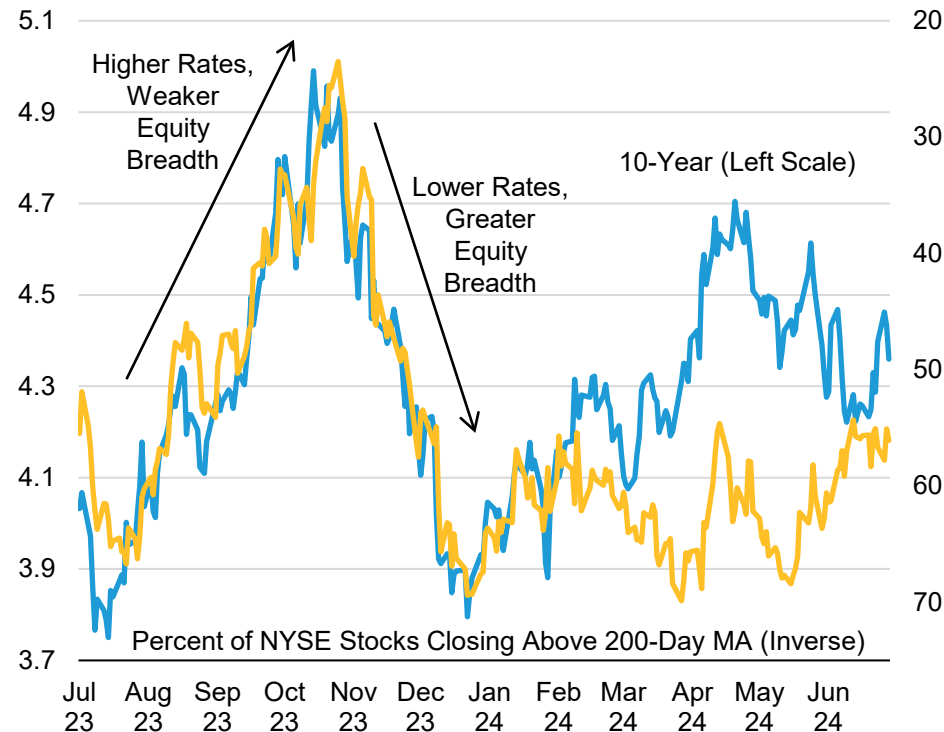
Broadening Green Shoots? Earnings Converging and Low Rates May Help

There are many Magnificent Others providing earnings growth potential

Closing the Gap?: S&P 500 Year-over-Year Earnings Growth Consensus Estimates (Percent)



We Expect Lower Rates Ahead: This Has Historically Led to Stronger Equity Breadth (Percent)



Past performance does not guarantee future results. Analysis provided for illustrative purposes only and is subject to revision.

1H: first half; 2H: second half; CY: calendar year; MA: moving average

Left display as of May 31, 2024; right display as of June 30, 2024

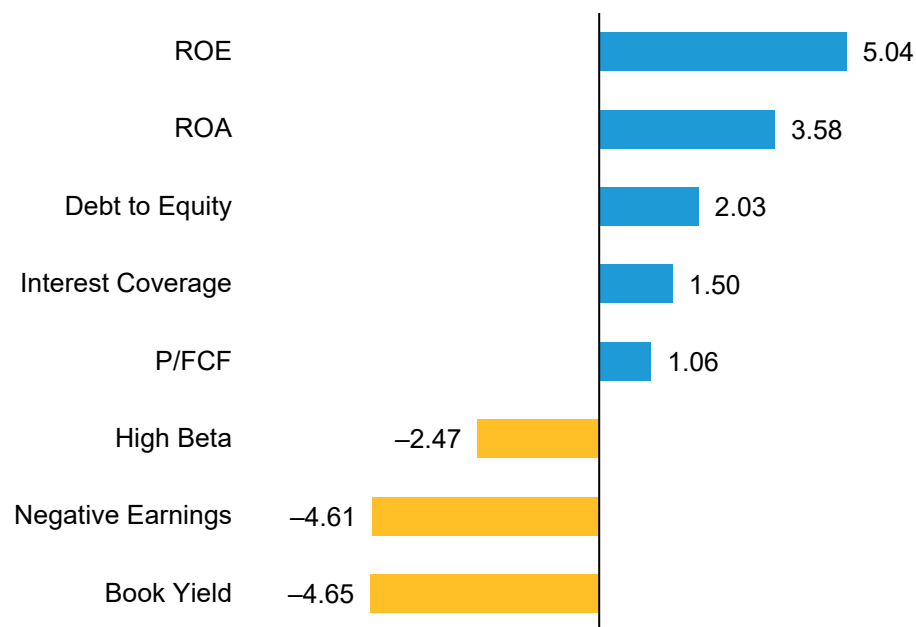
Source: Bloomberg, FactSet, Piper Sandler, S&P and AB



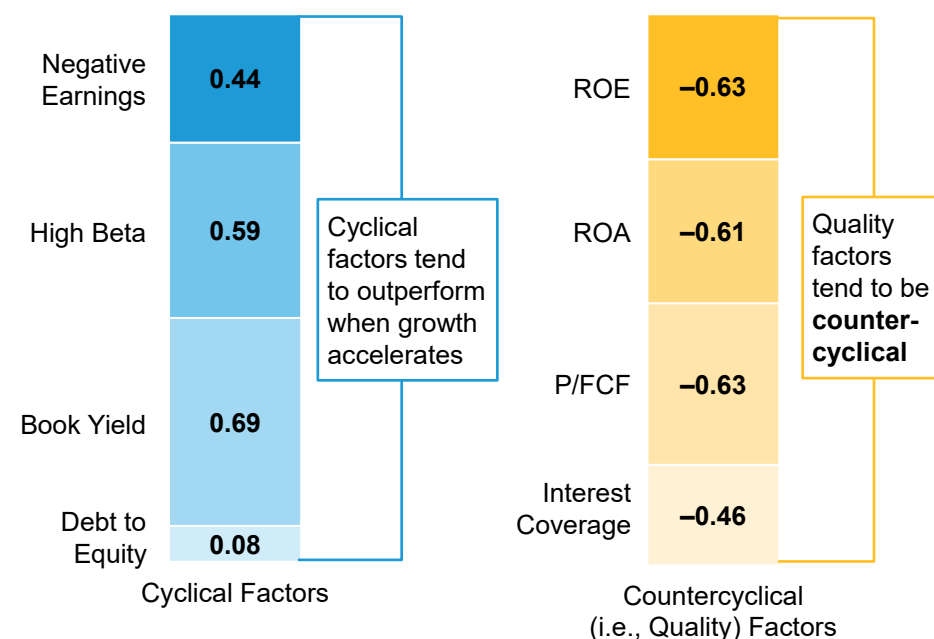
Quality Exposures: A Friendly Neighborhood Where Staying Put Is Advised

A trend we expect to endure as the economy continues to normalize

Year to Date, Our Preferred Factors Have Performed Well Relative to Lower-Quality Exposures* (Percent)



Stick with Them as Things Continue to Moderate Five-year factor correlations to retail sales



Past performance does not guarantee future results. Return on equity (ROE): Last 12 months (LTM) net income divided by LTM average shareholder's equity. Return on assets (ROA): LTM net income divided by LTM average total assets. Debt to equity: Total debt divided by total shareholder equity. Interest coverage: LTM earnings before interest and taxes divided by LTM interest expense on debt plus interest capitalized. Price to free cash flow (P/FCF): Current share price divided by LTM free cash flow per share. High beta: The regression between the monthly stock return and the monthly market return over the last five years. Negative earnings: Performance of stocks with negative earnings. Book yield: Book value per share divided by current share price.

*Factor returns are calculated by the relative performance of the top-quintile cohort versus the bottom-quintile cohort within the S&P 500.

Left display as of June 30, 2024; right display as of May 31, 2024

Source: Piper Sandler, S&P and AB

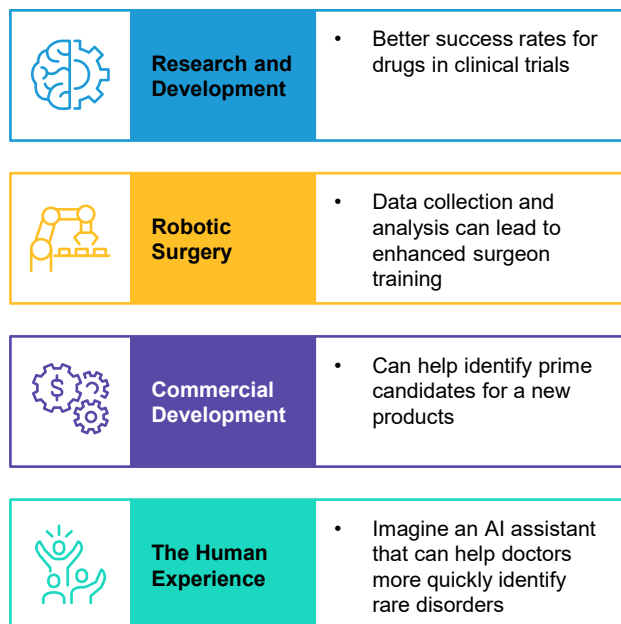


Quality Growth: Healthcare Is an Underappreciated AI Beneficiary

A wide range of opportunities, including robotic surgery

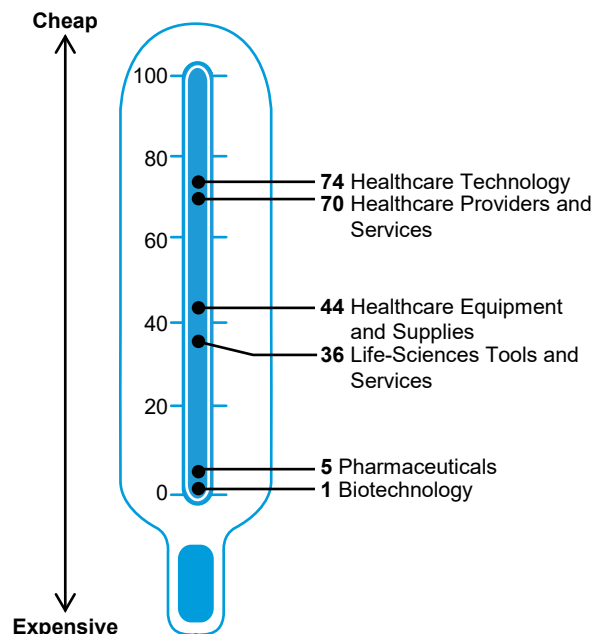
How Is AI Impacting Healthcare?

Market seems yet to appreciate how much the sector could benefit

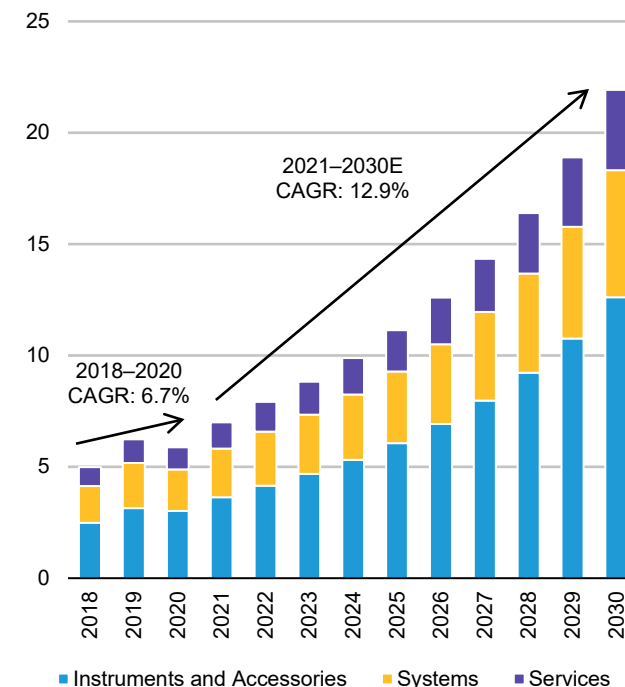


Industry Percentile Rank of Price to Earnings vs. History*

March 2014–March 2024



Global Robot-Assisted Surgery Market Size (USD Billions)



Past performance does not guarantee future results.

CAGR: compound annual growth rate

*Industries within MSCI World Healthcare. Percentile ranking of monthly observations of the price-to-earnings ratio, based on earnings for the next 12 months, for each industry group.

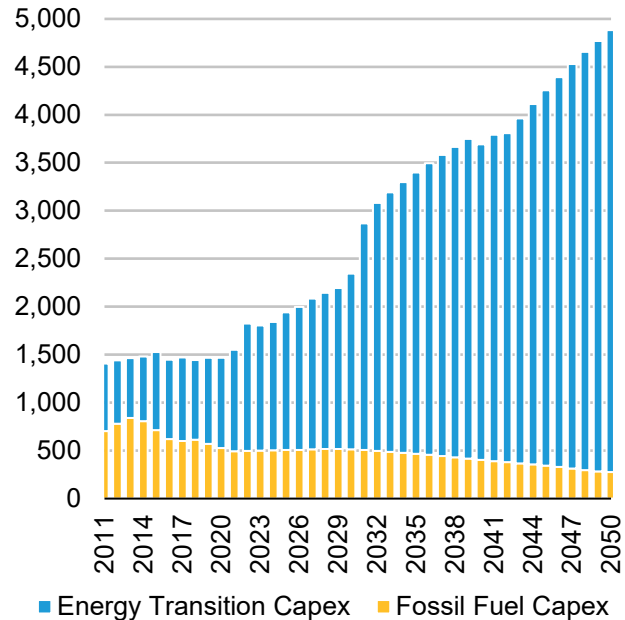
Middle display as of March 31, 2024; right display as of September 2021

Source: Alira Health and AB

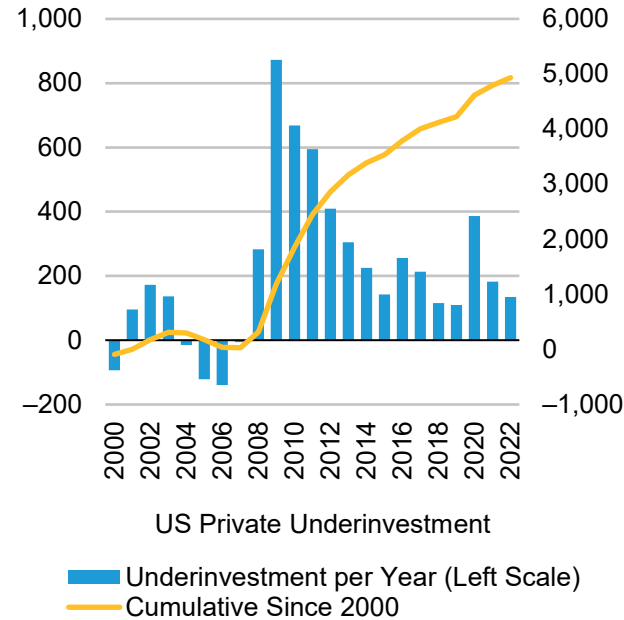
Value Equities: Compelling Opportunities at a Discount

From increased energy needs to a new trading landscape, investable trends have emerged

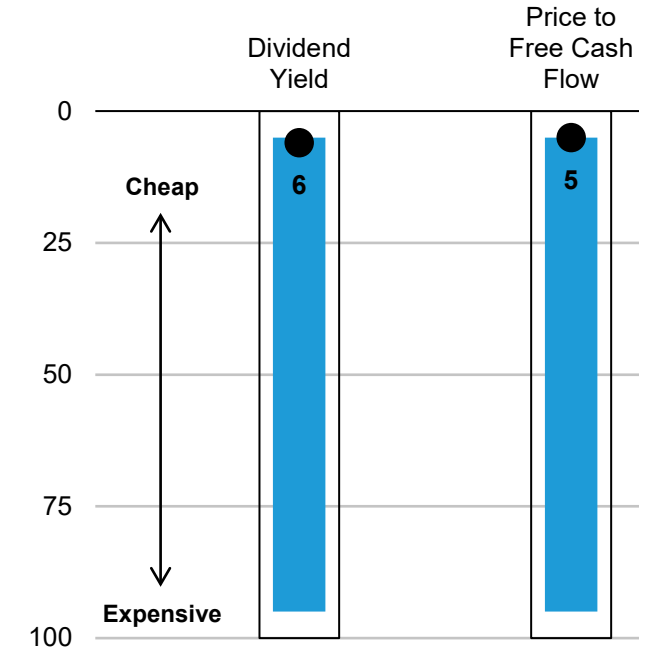
A Global Push Is on to Replace 150-Year-Old Energy Systems (USD Billions)



Globalization Is Reversing, Exposing Supply Chain Vulnerabilities (USD Millions)



Finding Growth Within Value: Key Factors Remain Attractively Priced*



Past performance does not guarantee future results.

*Percentile rankings are based on monthly valuations (i.e., relative price to earnings of 1Q for each factor vs. Russell 1000) from 1990. Dividend yield: Last 12 months (LTM) dividends per share divided by current share price. Price to free cash flow: Current share price divided by LTM free cash flow per share.

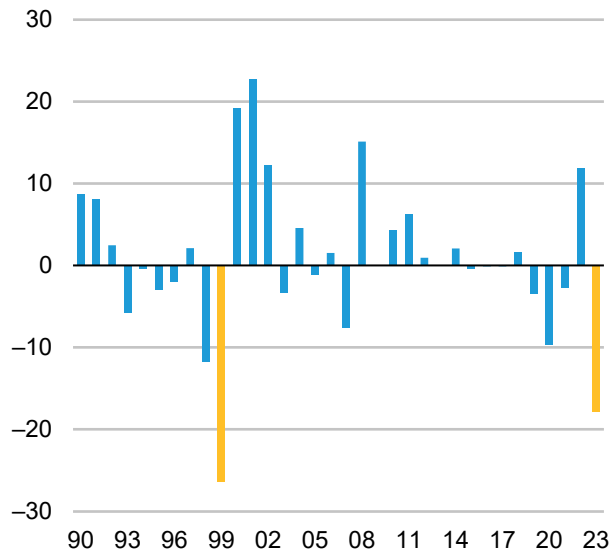
Left and middle displays as of November 30, 2023; right display as of June 30, 2024

Source: Antoni Estevadeordal, Brian Frantz and Alan M. Taylor, "The Rise and Fall of World Trade, 1870–1939," *The Quarterly Journal of Economics* 118, no. 2 (May 2003): 359–407; Bernstein Research; Federal Reserve Bank of St. Louis; Mariko J. Klasing and Petros Milionis, "Quantifying the Evolution of World Trade, 1870–1949," *Journal of International Economics* 92, no. 1 (January 2014): 185–197; Strategas Research Partners; UBS and AB

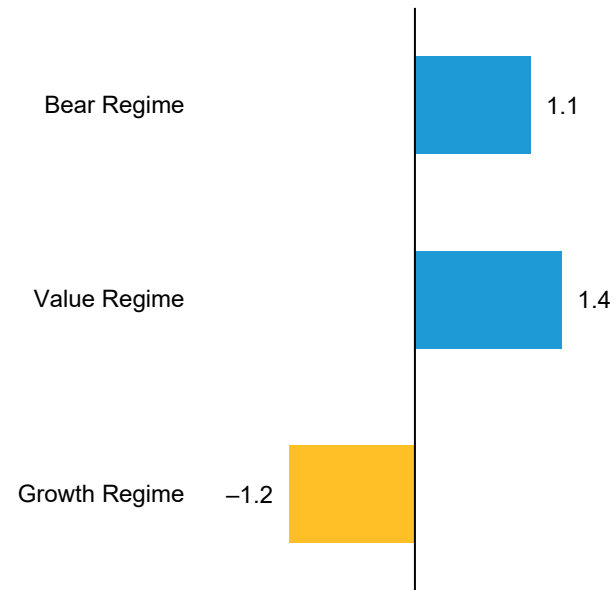
Dividend Equities: A Versatile Equity Exposure

Rising income growth potential could prove timely when the Fed ultimately lowers rates

S&P 500 Dividend Aristocrats vs. S&P 500 (Percent)

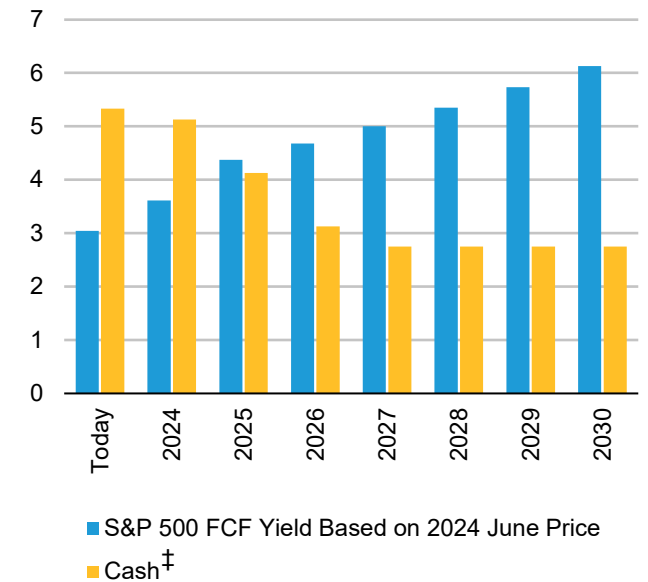


High-Dividend Payers Excess Monthly Return vs. S&P 500 1980–2024 (percent)**



Bond Yields Don't Grow, but Equity "Yield" Does

Growing stream over time vs. the prospect of lower cash rates† (percent)



Current analysis does not guarantee future results.

FCF: free cash flow. Bear regime is defined as months in which both Russell 1000 Value and Russell 1000 Growth decline. Value regime is defined as months when Russell 1000 Value outperforms Russell 1000 Growth (outside of bear regimes). Growth regime is defined as months when Russell 1000 Growth outperforms Russell 1000 Value (outside of bear regimes). *Top tercile of dividend payers, cap weighted, recalculated monthly. †Using consensus free-cash-flow forecast for 2024 and 2025, while assuming free cash flow grows at 7% annually afterward. Data extend out to 2030, as the average maturity year of the Bloomberg US Aggregate Index is eight years. ‡Using fed funds rate as proxy; future cash rates are based on Fed dot-plot (2024, 2025, 2026 and long-run) forecasts.

Left display as of December 31, 2023; middle and right displays as of June 30, 2024

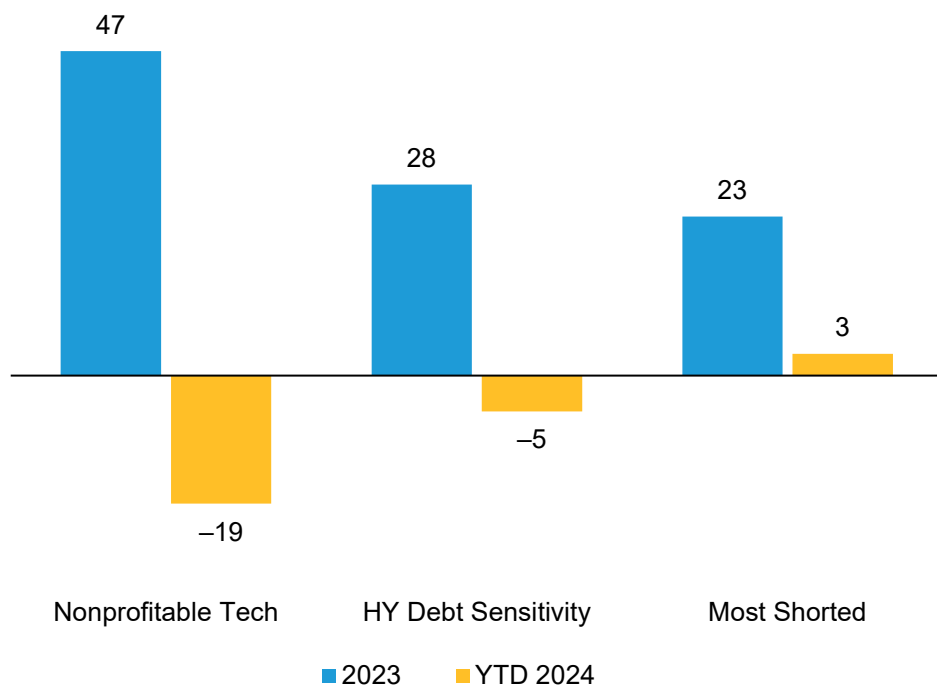
Source: Bloomberg, FTSE Russell, MSCI, S&P, Strategas Research Partners, US Federal Reserve and AB



Low-Volatility Equities: A Suitable Counter to Fickle Stocks

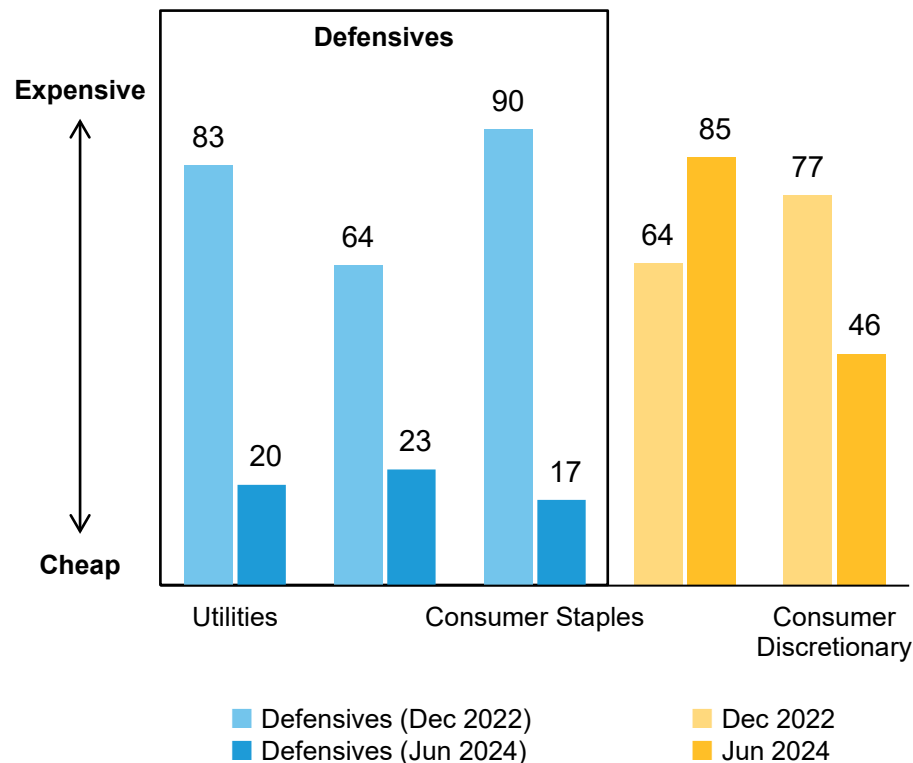
Higher-for-longer rates and the lower likelihood of Fed rate-cut rescues should heighten risk aversion

Speculative Stocks: A Reversal of Fortune (Index Returns, Percent)



In a Volatile World, the Pattern of Returns Matters More*

Relative valuation percentiles of defensive sectors are attractive



Past performance does not guarantee future results.

HY: high-yield; YTD: year to date

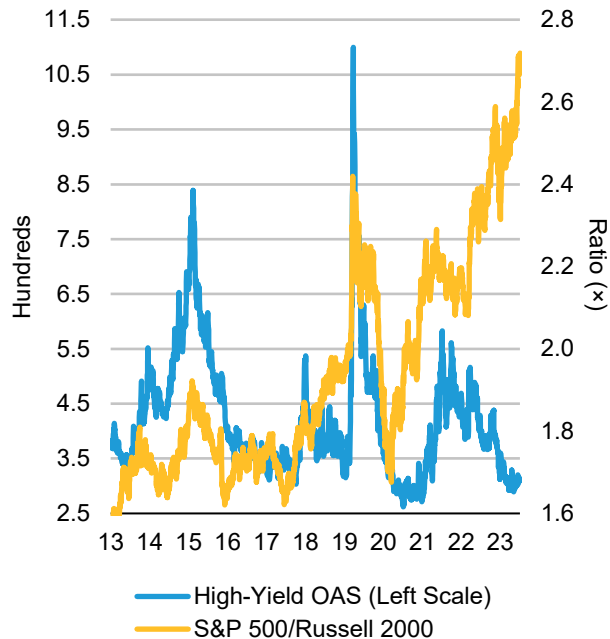
*Valuation percentiles for sectors are cap-weighted average price-to-next-12-months' earnings forecast relative to benchmark and relative to their own history. The investable benchmark is Russell 1000.

As of June 30, 2024. Source: FTSE Russell, Goldman Sachs, LSEG, MSCI, Thomson Reuters I/B/E/S and AB

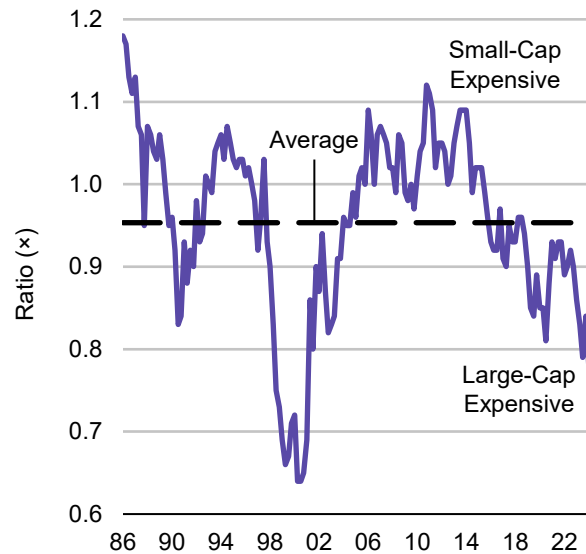
Small-Caps: A Rebalancing Opportunity Remains amid Controversy

An attractive price point, but as with all things, what you own matters

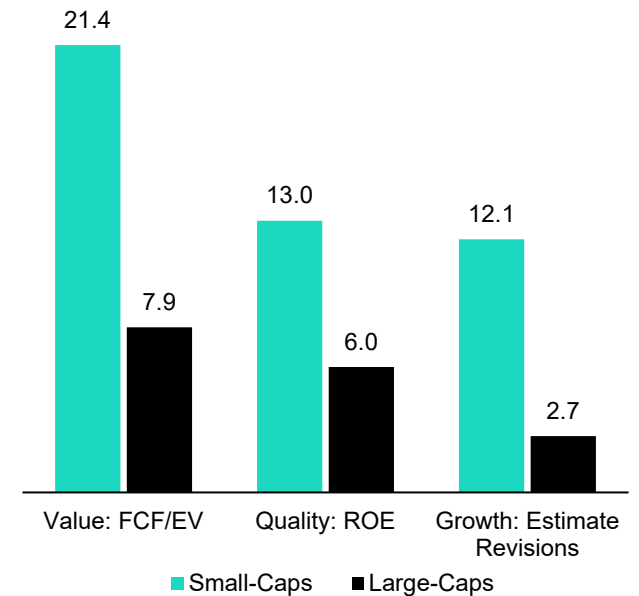
High-Yield Spreads Indicate a Tame Picture, While Laggard Small-Caps Hint at a Challenged Economy...



...a Contributor to the Russell 2000's Discount to the Russell 1000 Price/forward earnings



Reminder: More Alpha Opportunity in Quality Small-Caps vs. Large-Caps* (Percent)



Past performance does not guarantee future results.

FCF/EV: free cash flow to enterprise value; OAS: option-adjusted spread; ROE: return on equity

Estimate revisions: difference between the Institutional Brokers' Estimate System (I/B/E/S) fiscal year one earnings per share estimate divided by the absolute value of the I/B/E/S fiscal year earnings per share estimate as of three months ago.

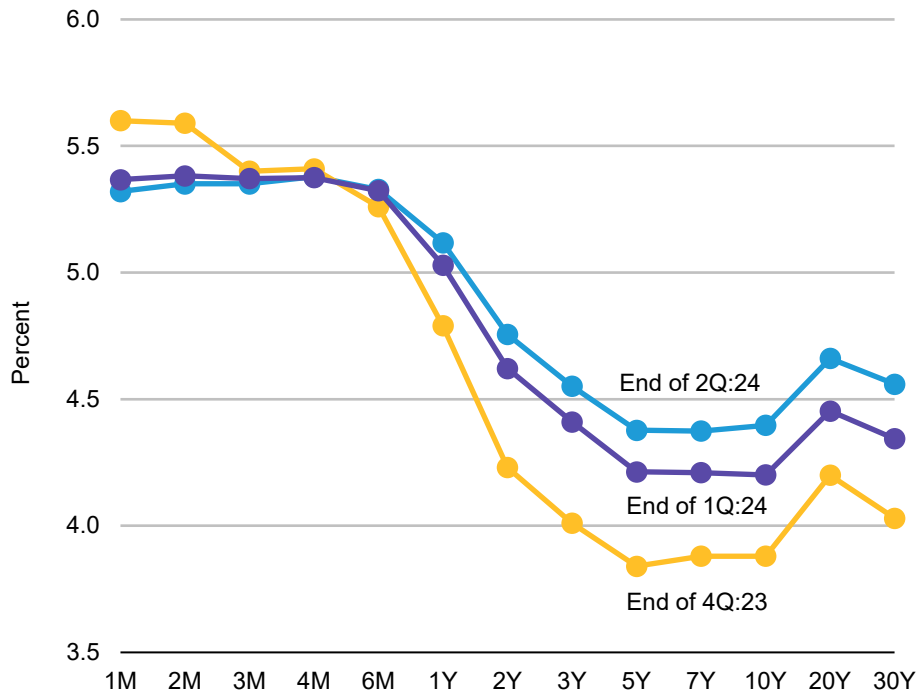
*Average annualized top-quintile minus bottom-quintile performance spreads for Russell 2000 Index (small) vs. Russell 1000 Index (large). Value, quality and growth factors from December 31, 1988, to April 30, 2024

Left and middle displays as of June 30, 2024; right display as of April 30, 2024

Source: Bloomberg, BofA Securities, FactSet, FTSE Russell, Jefferies and AB

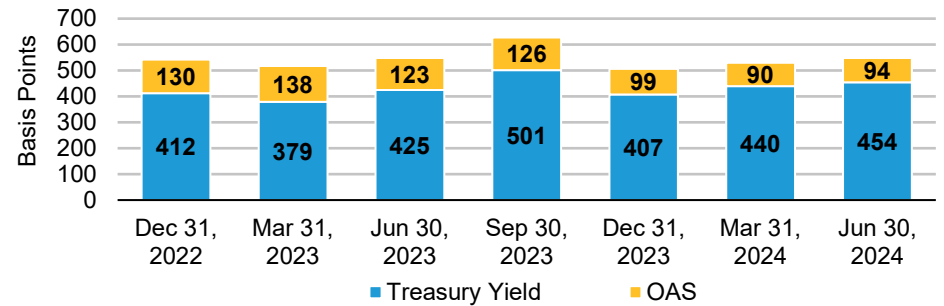
Yields Little Changed from the First Quarter as the Signal for Normalization Grows

The Long End of the Yield Curve Rose Modestly at the Very End of the Quarter Due to the “Trump Trade”

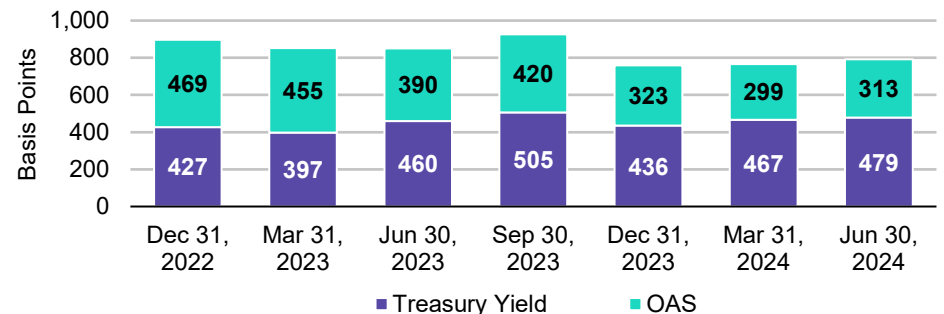


Historical analysis does not guarantee future results.
 HY: high-yield; OAS: option-adjusted spread; YTW: yield to worst
 As of June 30, 2024
 Source: Bloomberg and AB

Investment-Grade YTW: Spread and Rates Marginally Different



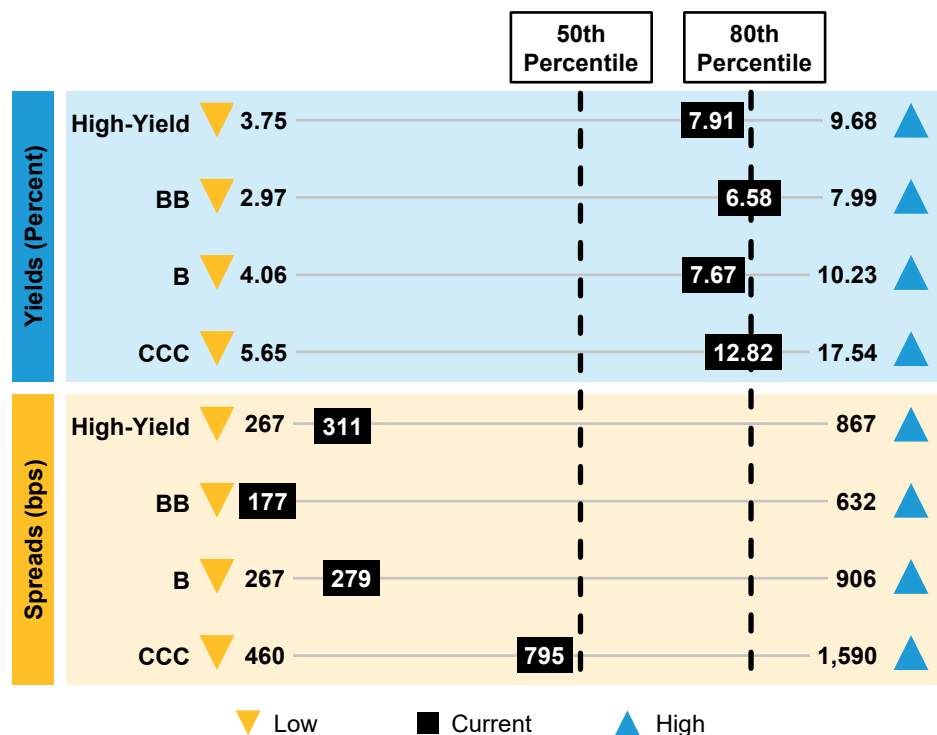
High-Yield YTW: Similar Story in HY, Spread and Rates Go Largely Unchanged



Current Yields and Low Bond Prices Could Lead to Solid Outcomes for High-Yield

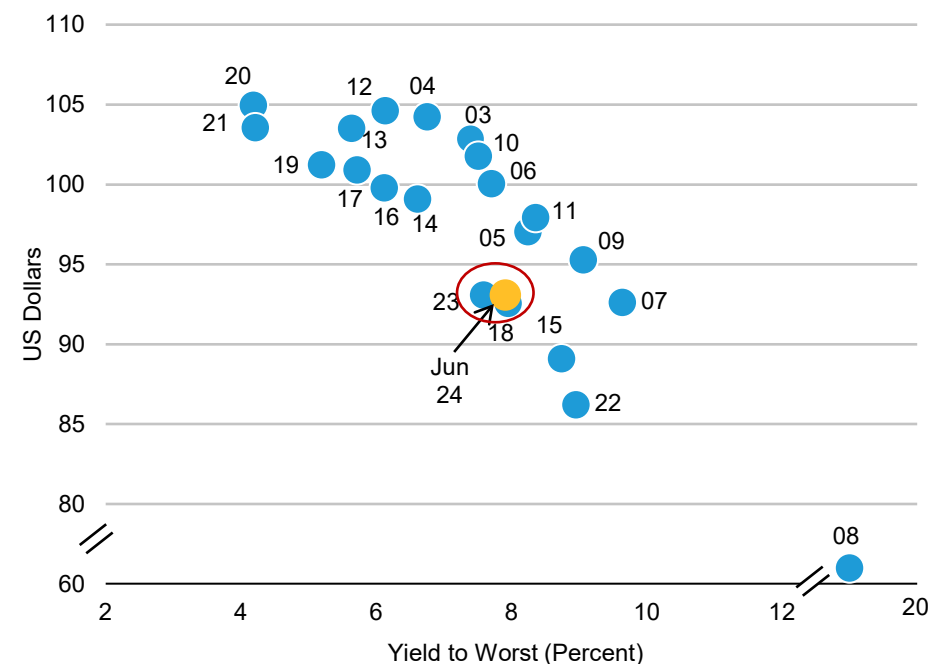
Spreads Are Tight, but Yields Are High

Yields on the high-yield index are close to the 80th percentile over the last 10 years



Low Starting Bond Prices Can Offer Strong “Pull to Par” Price Appreciation

Average bond price



Current analysis and forecasts do not guarantee future results.

bps: basis points. Both displays are represented by Bloomberg US Corporate High Yield.

As of June 30, 2024

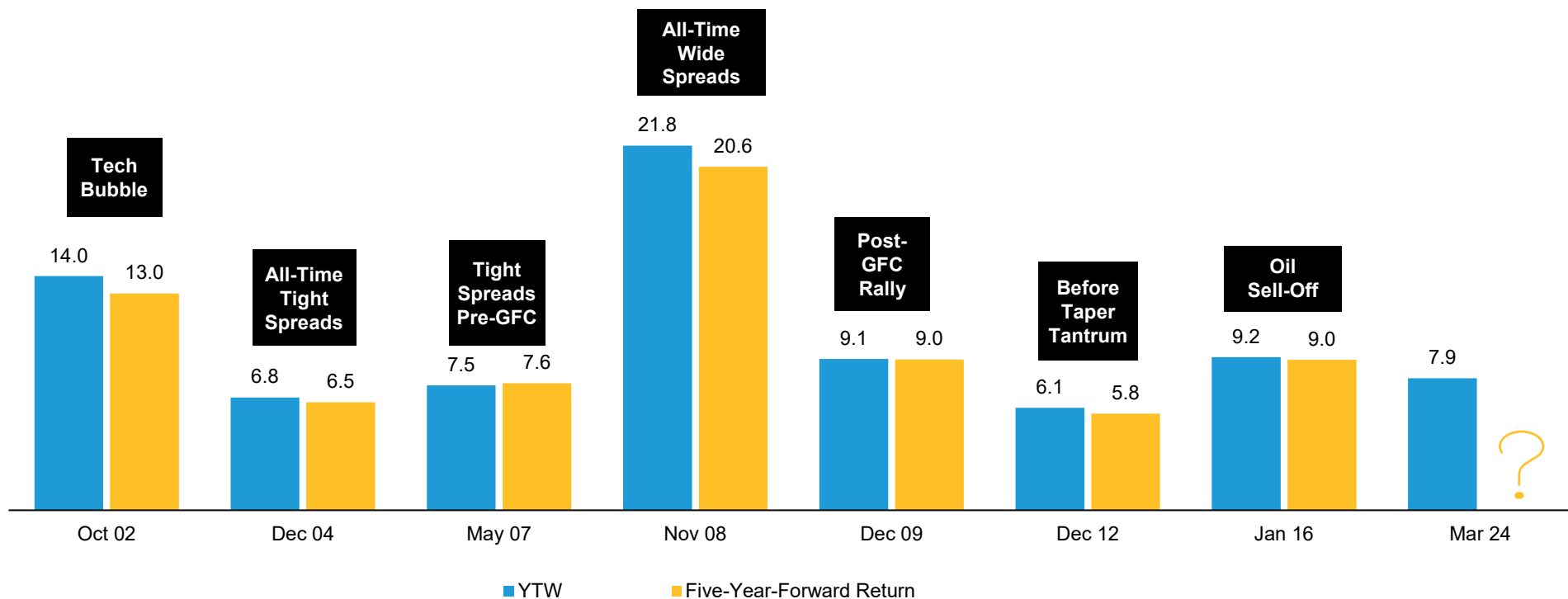
Source: Bloomberg and AB



High-Yield Continues to Look Compelling

Yield to Worst Has Historically Been a Strong Predictor of Future Returns

Yield to worst and five-year forward annualized returns (percent)



Past performance and current analysis do not guarantee future results.

YTW: yield to worst; GFC: global financial crisis. YTW and returns represent Bloomberg US Corporate High Yield.

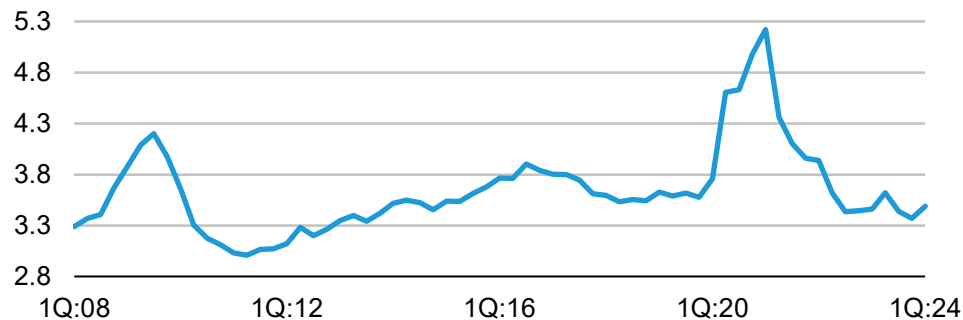
As of June 30, 2024

Source: Bloomberg, S&P and AB

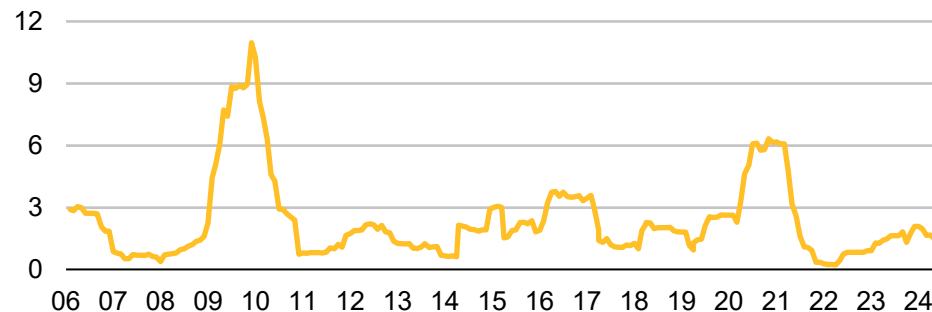


US High-Yield Fundamentals: Story Continues—Supportive and Relatively Flat

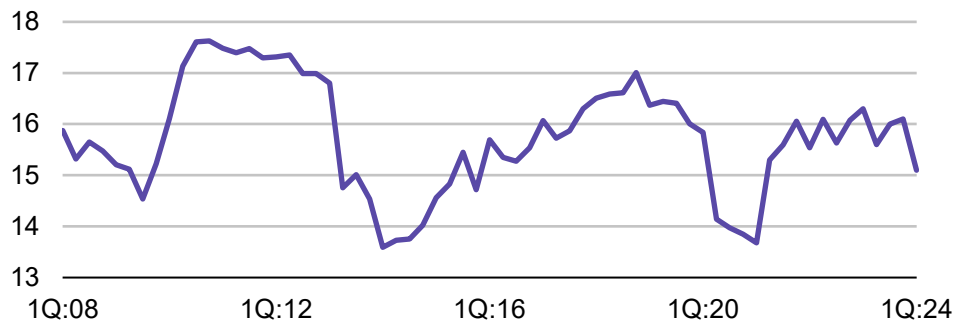
Net Leverage (Debt/EBITDA, Percent)



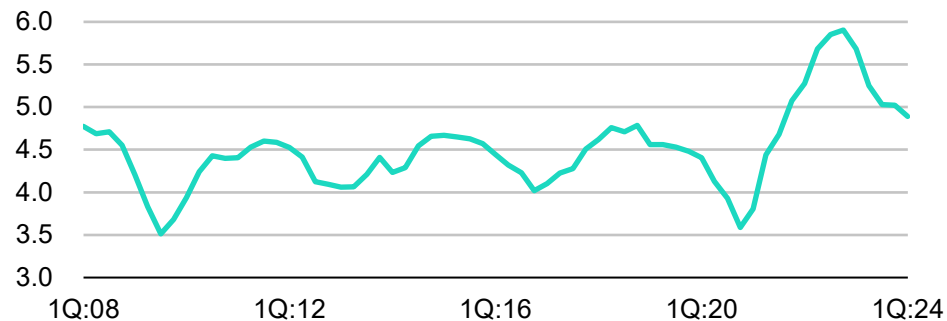
Default Rates (Percent)



EBITDA Margin (Percent)



Interest Coverage (EBITDA/Interest, Percent)



Historical and current analyses do not guarantee future results.

EBITDA: earnings before interest, taxes, depreciation and amortization

Metrics data are calculated using a weighted average.

Fundamentals as of March 31, 2024; defaults as of June 30, 2024

Source: J.P. Morgan and AB



Even If Spreads Widen over the Next Year, We Believe High-Yield Should Deliver Solid Returns

Hard Landing

Assumptions:

- Spreads widen 250 bps
- Treasury yields decline 200 bps

Price Change	-1.80%
Yield	7.91%
Total Return	6.11%

Softish Landing

Assumptions:

- Spreads widen 50 bps
- Treasury yields decline 100 bps

Price Change	1.55%
Yield	7.91%
Total Return	9.46%

Strong Growth

Assumptions:

- Spreads tighten 25 bps
- Treasury yields widen 25 bps

Price Change	0.02%
Yield	7.91%
Total Return	7.93%

Current and historical analyses do not guarantee future results.

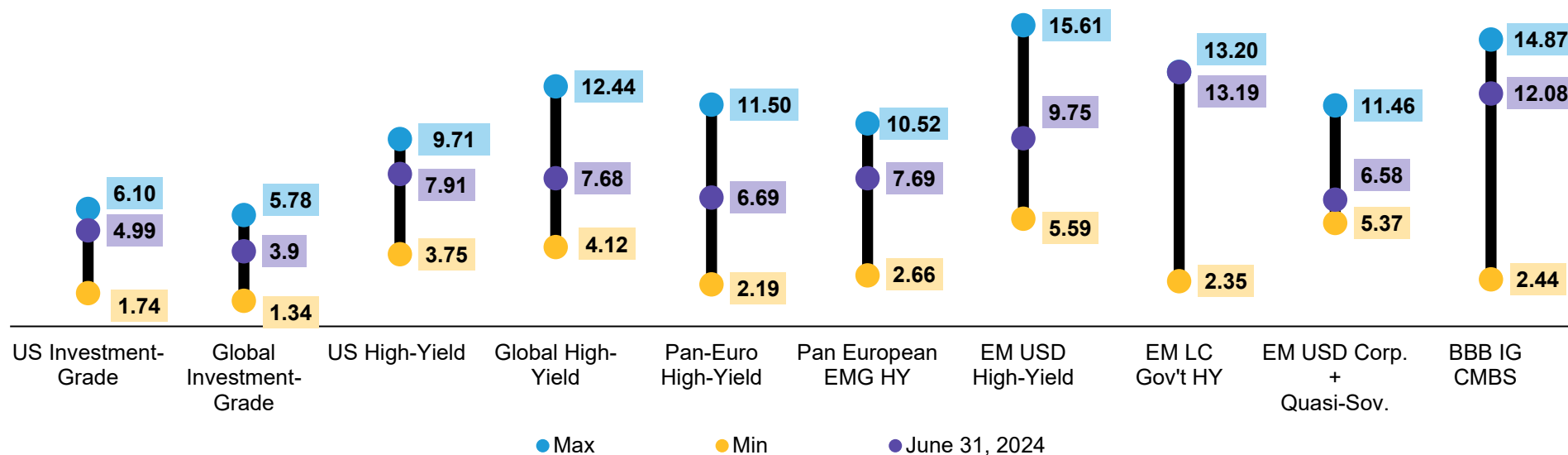
bps: basis points. High-yield is represented by Bloomberg US Corporate High Yield. The shock analysis assumes the potential impact of an instantaneous change in Treasury yields and high-yield spreads and the benefit of yield over the next 12 months. The analysis ignores correlations between Treasuries and other sectors. The actual moves in spreads and Treasury yields may differ meaningfully from the sample moves shown in the displays. Simulated or hypothetical performance results have certain inherent limitations. 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.

As of June 30, 2024

Source: Bloomberg and AB

Yields Range from Approximately Average to Historically Wide as Rates Remain Elevated but Spreads Narrow Around Much of the Globe

Yield-to-Worst Range January 2012–June 2024



Past performance does not guarantee future results.

CMBS: commercial mortgage-backed securities; EM: emerging-markets; EMG: emerging; HY: high-yield; IG: investment-grade; LC: local-currency; USD: US dollar
 Historical information provided for illustrative purposes only. US investment-grade represented by Bloomberg US Agg Corporate Index; global investment-grade by Bloomberg Global Agg Corporate; US high-yield by Bloomberg US High Yield Corporate; global high-yield by Bloomberg Global High Yield Corporate; Pan-Euro high-yield by Bloomberg Pan-European High Yield; Pan-European EMG HY by Bloomberg Pan European EMG High Yield; EM LC gov't HY by Bloomberg EM Local Currency Government High Yield; EM USD high-yield by Bloomberg EM USD Sovereign High Yield; EM USD corp. + quasi-sov. by Bloomberg EM USD Corp + Quasi Sovereign High Yield; BBB IG CMBS by Bloomberg CMBS IG BBB.

As of June 30, 2024

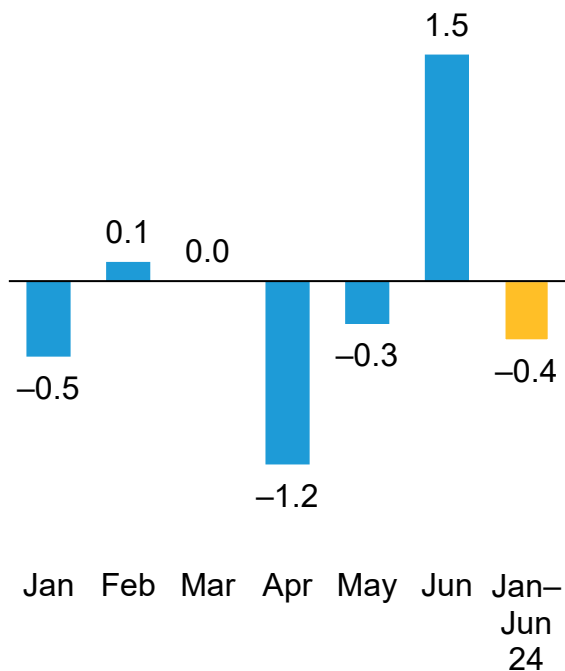
Source: Bloomberg and AB



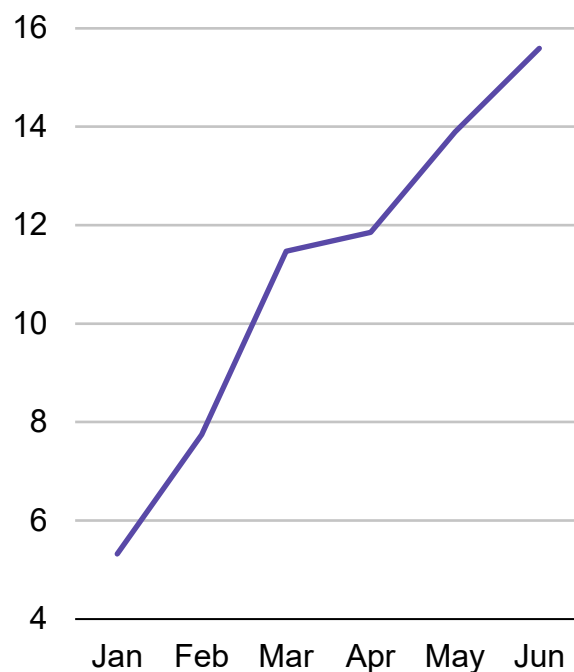
Off to a Slow Start, but Turning the Corner

Strong investor demand helped offset a record amount of new-issuance volume

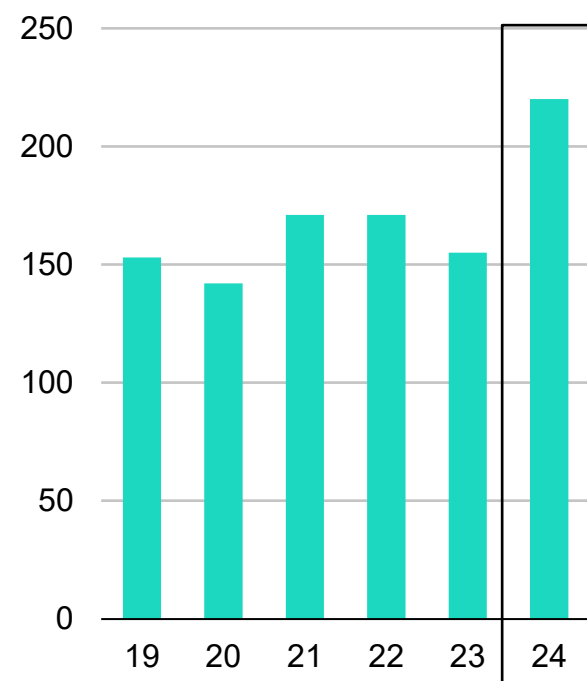
Bloomberg Municipal Bond Index Returns
Percent



Cumulative Municipal Mutual Fund and ETF Net Flows
Billions



1H 2024 Tax-Exempt New Issuance
Billions



Past performance does not guarantee future results. There is no guarantee any investment objective will be achieved.

1H: first half; ETF: exchange-traded fund

As of June 30, 2024

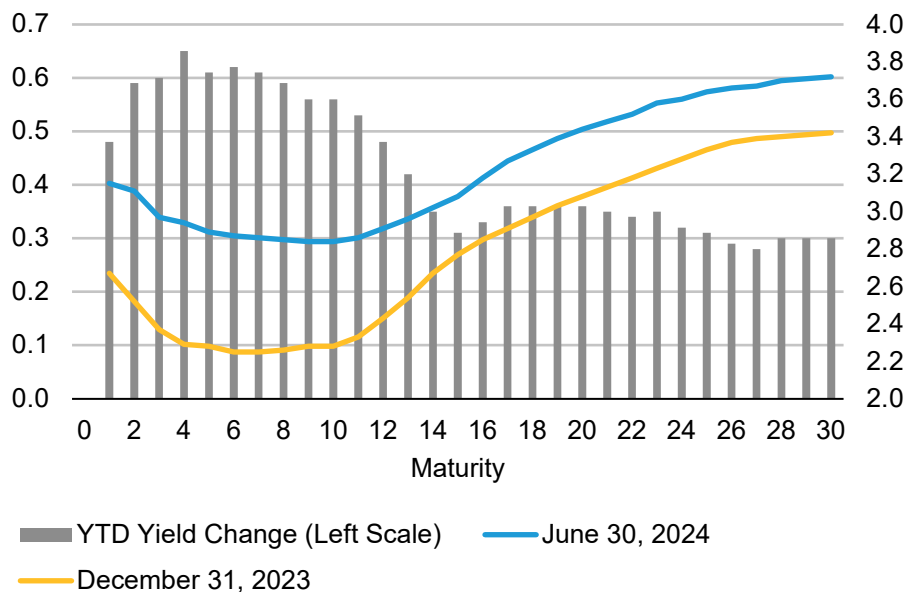
Source: Bloomberg, J.P. Morgan, Morningstar and AB



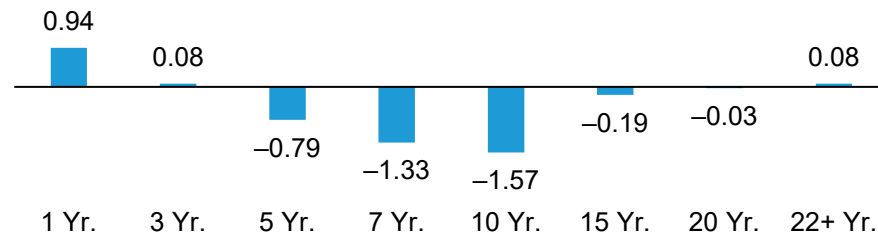
The Belly of the Curve Has Underperformed

A barbell maturity structure has better protected portfolios and provides a higher yield going forward

AAA Municipal Yield Curve (Percent)



Jan–Jun 2024 Returns by Maturity (Percent)



Hypothetical Maturity Portfolio Construction*

	Yield to Worst (Percent)	Duration (Years)	YTD Return (Percent)
Barbell	3.8	5.4	0.22
Concentrated	3.6	5.4	-1.55
Ladder	3.5	5.4	-0.46

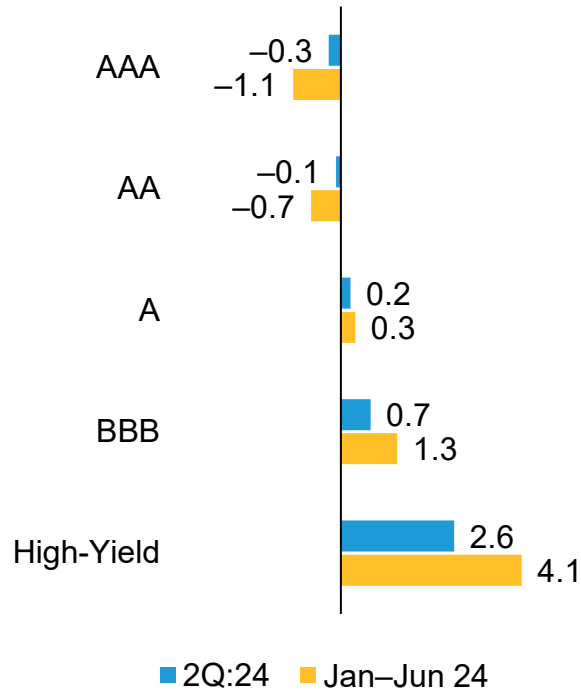
Past performance does not guarantee future results. There is no guarantee any investment objective will be achieved. An investor cannot invest in an index. Index figures do not reflect the deduction of management fees and other expenses an investor would incur when investing in a fund or separately managed portfolio. YTD: year-to-date. Data for the yield curves are from Municipal Market Data AAA Callable Curve. Return for indices by maturity are the respective Bloomberg Municipal indices in those maturity tranches. Simulated or hypothetical performance results have certain inherent limitations. 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. Characteristics are subject to change. *Data for maturity structure are calculated using Bloomberg Municipal indices. Barbell is 40% to the one- and three-year indices, and 60% in the 15-year, 20-year and 22+ year muni indices. Concentrated is 90% in the 10-year municipal index and 10% in the seven-year municipal index. Ladder is equal weights to the one-year through 22-year municipal indices.

As of June 30, 2024. Source: Bloomberg, Municipal Market Data and AB

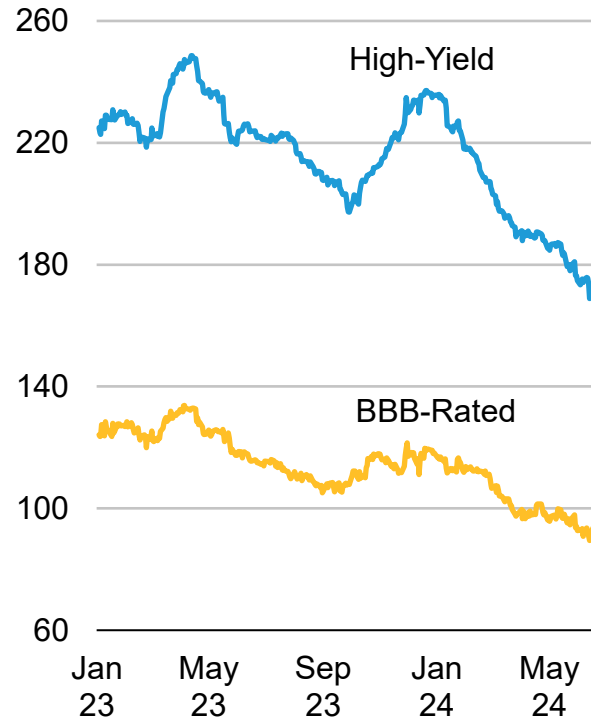
Municipal Credit Has Outperformed Due to Strong Demand

Overweight to credit has been beneficial for investors

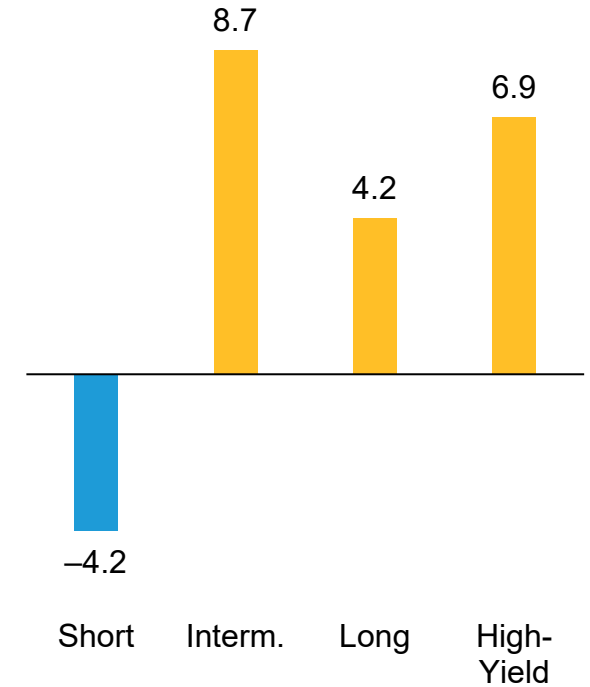
YTD Returns by Credit Quality (Percent)



Municipal Credit Spreads (Basis Points)



Muni Mutual Fund and ETF Net Flows by Category (Billions)



Past performance does not guarantee future results. There is no guarantee any investment objective will be achieved.

ETF: exchange-traded fund; YTD: year-to-date

Municipal fund is defined as or representative of Bloomberg Municipal Bond index. Net-flow data are from Morningstar Municipal Fund and exchange-traded fund categories for short-duration, intermediate-duration, long-duration and high-yield.

As of June 30, 2024. Source: Bloomberg, Morningstar and AB

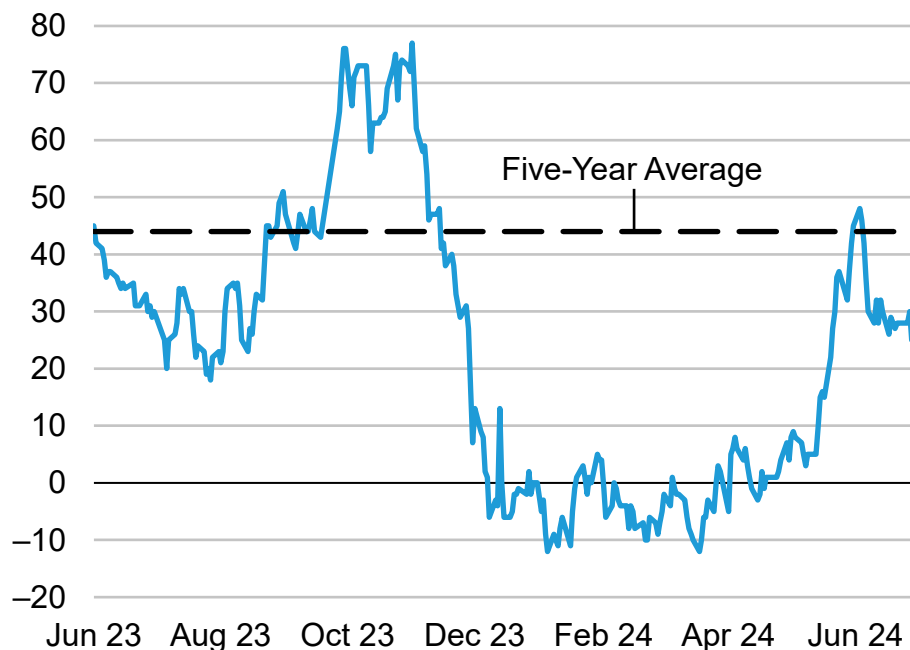


High-Grade Munis Back to Fair Value in 2Q

Maintain flexibility to rotate into Treasuries if summer technicals cause valuations to compress

10-Year AAA Muni/US Treasury After-Tax Spread

Basis points



Summer Market Technicals: Forecasted Net Reinvestment Capital June–August 2024 (Billions)

	Jun	Jul	Aug	Total
New-Issuance Supply	39	42	43	124
Bond Coupons and Redemptions	61	57	52	170
Net Capital Available for Reinvestment	22	15	9	46

Past performance does not guarantee future results. There is no guarantee any investment objective will be achieved.

AAA municipals are represented by the Municipal Market Data AAA curve. There is no guarantee that net capital available for reinvestment will actually be reinvested into the municipal market.

Tax rate used is 40.8%.

As of June 30, 2024

Source: Bloomberg, *The Bond Buyer*, Municipal Market Data, Wells Fargo and AB

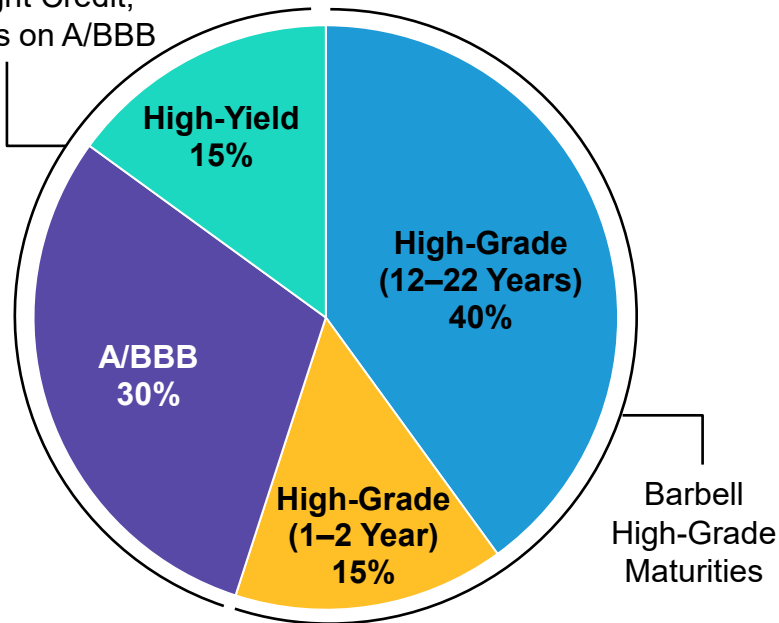


Portfolio Construction for Today's Environment

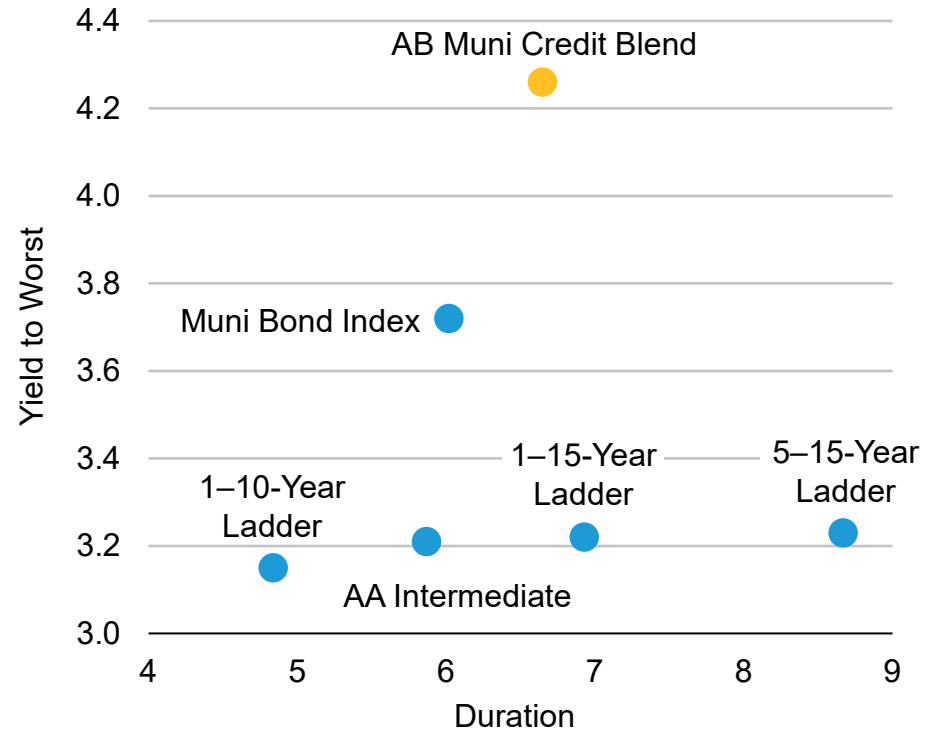
Overweight municipal credit, overweight duration and barbell maturity structure

AB Municipal Credit Blend

Overweight Credit,
Emphasis on A/BBB



Active Better Positioned than Passive (Percent)



Current analysis does not guarantee future results. An investor cannot invest in an index. Index figures do not reflect the deduction of management fees and other expenses an investor would incur when investing in a fund or separately managed portfolio.

AB Muni Credit Blend is a blend of Bloomberg muni indices: 55% high-grade, 30% A/BBB and 15% high-yield.

As of June 30, 2024

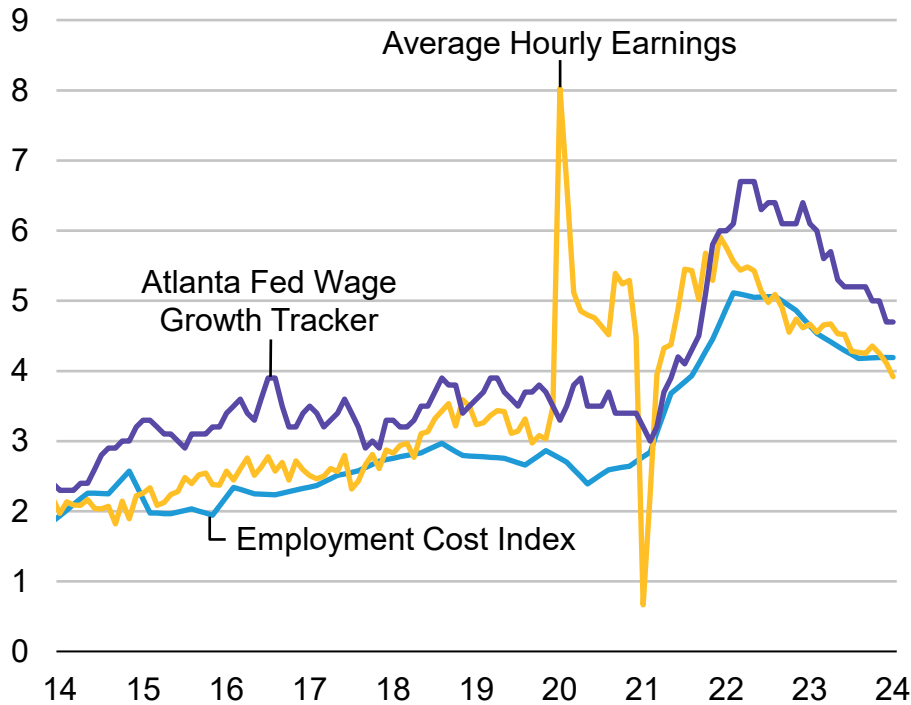
Source: Bloomberg and AB



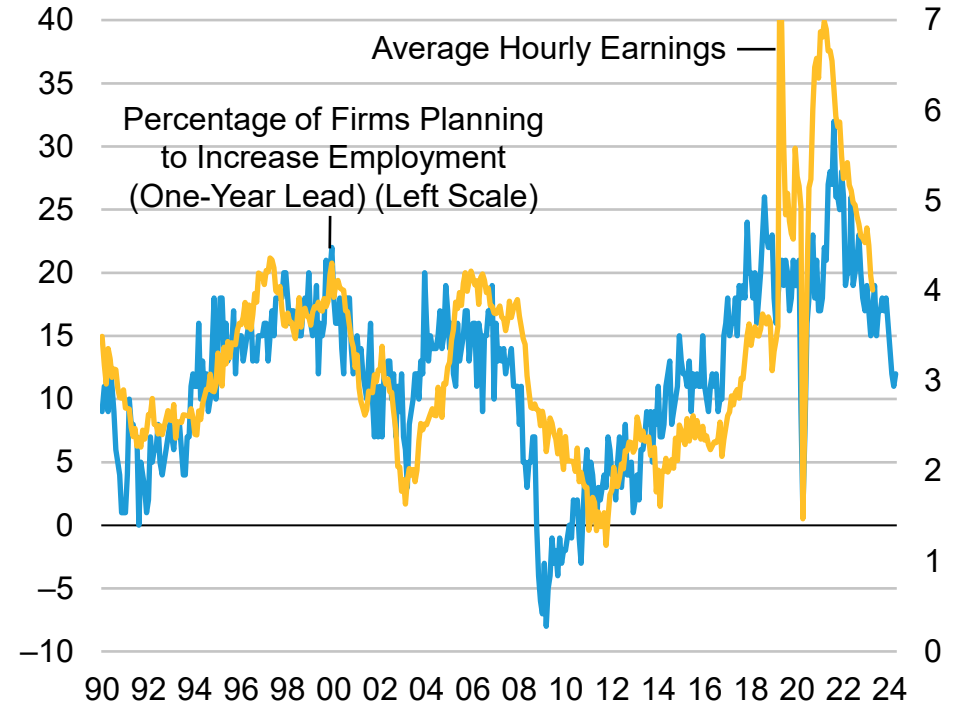
Appendix

More Workers = Less Labor Market Pressure

Wage Growth Has Moderated (Percent)



NFIB Survey Suggests This Will Continue (Percent)



Current analysis does not guarantee future results.

NFIB: National Federation of Independent Business

Through June 30, 2024

Source: Federal Reserve Bank of Atlanta, LSEG Datastream and AB



Disclosures and Important Information

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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, is 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/ASX Corporate BBB Index:** Includes all bonds in the Bloomberg/ASX Corporate Bond Index that have the minimum required BBB- rating at each monthly rebalancing
- **Bloomberg Global Aggregate Corporate Bond Index:** Tracks the performance of investment-grade corporate bonds publicly issued in the global market and found in the Global Aggregate. (Represents global corporate on slide 2)
- **Bloomberg 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 Global Treasury Index:** Tracks fixed-rate local currency government debt of investment-grade countries. The index represents the treasury sector of the Global Aggregate Bond Index.
- **Bloomberg Global Treasury: Euro Bond Index:** Includes fixed-rate, local-currency sovereign debt that makes up the euro-area treasury sector of the Global Aggregate Bond Index. (Represents euro-area government bonds on slide 2)
- **Bloomberg Global Treasury: Japan Bond Index:** Includes fixed-rate, local-currency sovereign debt that makes up the Japanese treasury sector of the Global Aggregate Bond Index. (Represents Japan government bonds on slide 2)
- **Bloomberg High Yield Corporate Bond Index:** A subindex of the Bloomberg Bond Index, seeks to measure the performance of US corporate debt issued by constituents in Bloomberg with a high-yield rating. The Bloomberg Bond Index is designed to be a corporate-bond counterpart to Bloomberg, which is widely regarded as the best single gauge of large-cap US equities
- **Bloomberg Municipal Bond Index:** A rules-based, market value-weighted index engineered for the long-term tax-exempt bond market. (Represents municipals on slide 2)
- **Bloomberg Municipal Bond BBB Rating Band Index:** Includes all bonds in the Bloomberg Municipal Bond Index that have a Bloomberg rating of between “BBB+” and “BBB-”, a Moody’s rating of between “Baa1” and “Baa3” and a Fitch rating of between “BBB+” and “BBB-”. If there are multiple ratings, the lowest rating is used
- **Bloomberg Municipal Bond High-Yield Index:** Consists of bonds in the Bloomberg Municipal Bond Index that are not rated or are rated below investment grade
- **Bloomberg 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)

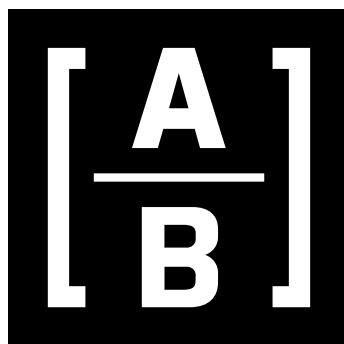
Index Definitions (cont.)

- **Bloomberg US Corporate High-Yield Bond Index:** Represents the corporate component of the Bloomberg US High-Yield Index. (Represents US high yield on slide 2)
- **Bloomberg U.S. High Yield Index:** Covers the universe of fixed-rate, non-investment grade debt. Eurobonds and debt issues from countries designated as emerging markets (sovereign rating of Baa1/BBB+/BBB+ and below using the middle of Moody's, S&P and Fitch) are excluded, but Canadian and global bonds (SEC registered) of issuers in non-EMG countries are included. Original issue zeroes, step-up coupon structures, 144-As and pay-in-kind bonds (PIKs, as of October 1, 2009) are also included
- **Bloomberg US Treasury Index:** Includes fixed-rate, local-currency sovereign debt that makes up the US Treasury sector of the Global Aggregate Index. (Represents US government bonds on slide 2)
- **Credit Suisse Leveraged Loan Index:** Tracks the investable market of the US dollar-denominated leveraged loan market. It consists of issues rated 5B or lower, meaning that the highest-rated issues included in this index are Moody's/S&P ratings of Baa1/BB+ or Ba1/BBB+. All loans are funded term loans with a tenor of at least one year and are made by issuers domiciled in developed countries
- **HFRI 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
- **J.P. Morgan Emerging Market Bond Index Global:** A benchmark index for measuring the total return performance of government bonds issued by emerging-market countries that are considered sovereign (issued in something other than local currency) and that meet specific liquidity and structural requirements. In order to qualify for index membership, the debt must be more than one year to maturity, have more than \$500 million outstanding, and meet stringent trading guidelines to ensure that pricing inefficiencies don't affect the index. (Represents emerging-market debt on slide 2)
- **MSCI EAFE Index:** A free float-adjusted, market capitalization-weighted index designed to measure developed-market equity performance, excluding the US and Canada. It consists of 22 developed-market country indices. (Represents EAFE on slide 2)
- **MSCI Emerging Markets Index:** A free float-adjusted, market capitalization-weighted index designed to measure equity market performance in the global emerging markets. It consists of 21 emerging-market country indices. (Represents emerging markets on slide 2)
- **MSCI Europe ex UK Index:** Captures large- and mid-cap representation across 14 developed markets countries in Europe. With 345 constituents, the index covers approximately 85% of the free float-adjusted market capitalization across European developed markets, excluding the UK

Index Definitions (cont.)

- **MSCI Japan Index:** Designed to measure the performance of the large- and mid-cap segments of the Japanese market. With 321 constituents, the index covers approximately 85% of the free float-adjusted market capitalization in Japan
- **MSCI United Kingdom Index:** Designed to measure the performance of the large- and mid-cap segments of the UK market. With 97 constituents, the index covers approximately 85% of the free float-adjusted market capitalization in the UK
- **MSCI World Index:** A market capitalization-weighted index that measures the performance of stock markets in 24 countries
- **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. (Represents US small-cap on slide 2)
- **S&P 500:** Includes a representative sample of 500 leading companies in leading industries of the US economy. (Represents US large-cap on slide 2)

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