AllianceBernstein®

Annual Letter from President & CEO Seth Bernstein

2023

Letter from the CEO

Financial markets rallied strongly to end 2023, as investors anticipated a shift in U.S. Federal Reserve policy towards lower interest rates this year.

In 2023, AB was among the early beneficiaries of a wave of fixed income re-allocations, with two of our three distribution channels (Retail and Private Wealth) growing organically.

We experienced continued market share gains in US Retail, led by Municipal separately managed accounts, which grew organically for the 11th straight year. We also saw strong cross-border fixed income flows driven by healthy net inflows from Asia.

Still, the operating environment for global asset managers continues to reflect a confluence of dynamic cyclical and secular factors. AB's ability to adapt and grow against this backdrop begins with a balanced, geographically diverse, and scaled platform. This enables us to invest for growth while prudently managing costs, with the goal of providing high quality, value-add investment services to our clients.

Importantly, in 2023 we made strong progress against these key strategic growth initiatives:

- Launching 10 new active Exchange-Traded Funds ("ETF's") – now 12 in total with over US$2 billion in AUM;
- Receiving approval for our wholly-owned China fund management company license;
- Growing our relationship with Equitable, in support of our Private Markets platform, through a second US$10 billion commitment;
- Executing towards the planned Joint Venture between Bernstein Research Services, our sell-side equity research business, and partner Société Générale.

These accomplishments are all made possible through our talented teams, supported by a robust and resilient culture which remains the bedrock of our firm. Every colleague plays a role in keeping what makes AB special front and center. We view our culture as highly inclusive and team oriented, which drives intellectual growth and a feeling of professional fulfillment, all anchored to the goal of serving our clients.

Looking ahead, U.S money market funds entered 2024 at a record US$6 trillion in AUM, some of which we expect will migrate to higher-return opportunities as the interest rate cycle turns over later this year. AB is well positioned to respond to our clients' changing needs and preferences, by delivering high quality investment services across regions and asset classes.

2023 Market Overview

After struggling with higher inflation for two years, the global economy made broad progress toward a more normalized environment in 2023. While price pressures have not returned all the way to pre-pandemic levels, inflation has come down meaningfully, providing welcome relief to households suffering under the burden of increasing costs. Most impressively, the progress on inflation came without significant disruption to economic growth.

The combination of disinflationary progress and solid growth was most evident in the US, where inflation ended the year within one percentage point of the Federal Reserve's 2.0% target and the economy expanded by more than 3.0%, supported by a strong labor market. Encouragingly, the Federal Reserve appears poised to lower borrowing costs this year, which would play an important role in keeping the economy on track. Central banks around the world are also likely to lower borrowing costs in 2024, which should allow for economic growth to continue. That combination has been positive for financial market performance historically and so far this cycle.

The main risk to financial markets is if the improvement in inflation proves ephemeral, which could drive higher yields along with financial market volatility and increase the odds of a harder economic landing. To be sure, geopolitical risks remain elevated with several conflicts and significant elections in many major economies, not least the United States.

Executing Our Strategy

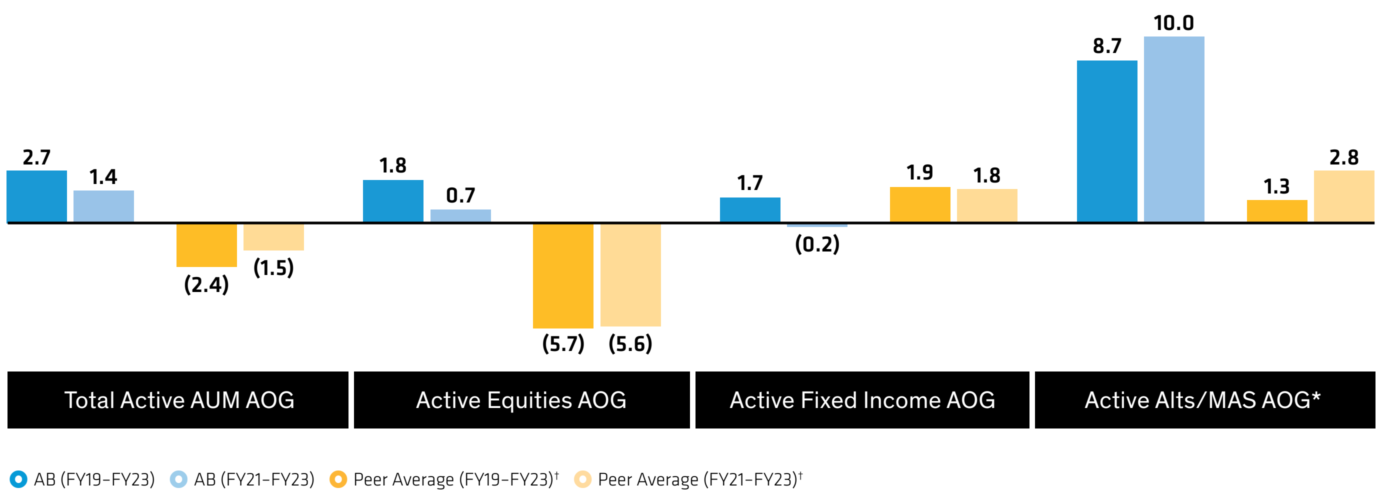
We continue to execute on our strategy "**Deliver**, **Diversify** and **Expand Responsibly**, with **Equitable**."

Delivering strong investment performance is a key priority. In 2023, our fixed-income performance strengthened, with over 70% of fixed income AUM outperforming in each of the 1-, 3-, and 5-year periods. Concurrently, equity performance lagged, with 26%, 45% and 42% of equity AUM outperforming over the 1-, 3-, and 5-year periods, respectively. This was driven by stock selection, combined with a disproportionate share of large cap index returns concentrated within the "Magnificent Seven" companies.[1]

ACTIVE NET INFLOWS

Annualized Organic Growth Rates for Active Net Inflows

Organic Growth Averages: (FY19-FY23) & (FY21-FY23) (percent)



Note: Total Active AUM and Active Fixed Income Average Annualized Growth excludes $11.8 billion in low-fee AXA terminated mandates during 2020, $1.3 billion in 2021 and $2.3 billion in 2022

*Includes peers with continuous Alts/MAS exposure over each corresponding period

†Peers: AMG, BEN, BLK, IVZ, JHG & TROW

1 "Magnificant Seven" includes Apple, Amazon, Alphabet, Meta Platforms, Microsoft, NVIDIA and Tesla, perceived as the main beneficiaries of the Artificial Intelligence revolution.

While we are not immune to industrywide headwinds, AB posted strong active fixed income organic growth of 5% in 2023, outperforming the peer average by 400 basis points. AB's overall active organic attrition of (0.9%) compared favorably to the peer group average of (2.3%). Over the last five years, AB's average active organic growth has outperformed the peers by an average of 500 basis points, at 2.7% as compared with the peer average of (2.4%).

Importantly, we continued to **diversify** our offerings by maintaining a focus on product innovation, with new investment strategy launches, including: Security of the Future, US High Dividend ETF, Disruptors ETF, and several taxable and municipal fixed income ETFs.

Additionally, we launched multiple new vehicles for existing investment strategies in response to customer demand, across several geographies.

Our **responsible** investing offerings continued to grow, with our goals-based Portfolios with Purpose platform totaling US$27.8 billion of AUM at year-end, up 17% versus the prior year. Organic growth was led by AB CarVal's innovative Clean Energy offering.

AB's Private Markets platform increased to US$61 billion, up 9% year-over-year, reflecting a diverse and relevant suite of services for Institutional, Retail and Private Wealth clients. 2023 net inflows were led by Renewable Energy, Residential Mortgage Loans and European Commercial Real Estate Debt. We announced a new Net Asset Value ("NAV") lending strategy in our Private Credit business, supported by a commitment from Equitable Holdings.

This is another example of our strong partnership with **Equitable**, which continues to bear fruit, with Equitable having deployed 90% of its initial US$10 billion allocation of permanent capital to our private alternatives and private placements platform by year-end.

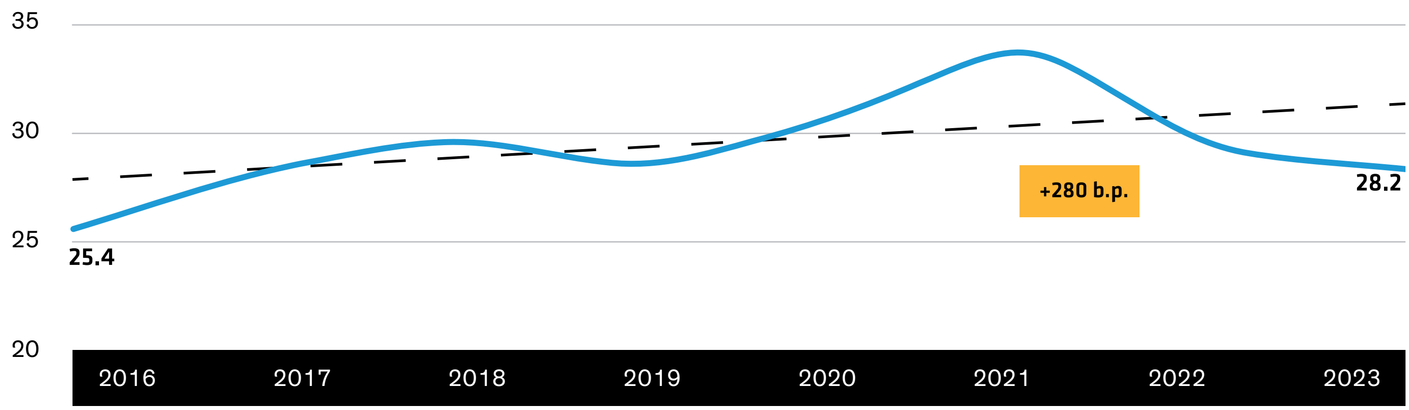
Importantly, Equitable committed to a **second** US$10 billion permanent capital commitment at its May 2023 Investor Day. This mutually beneficial program increases the higher-yielding element in their General Account, accelerating the growth of our higher-fee, longer-dated private alternatives platform.

In the Retail channel, annual sales of US$71 billion rose by 8% versus the prior year. Net inflows of US$3.7 billion were driven by strength in taxable fixed income (9% organic growth) and municipals (19% organic growth). US Retail grew organically for the 5th consecutive year, a testament to the strength of deep client relationships built through the focused efforts of our talented salesforce.

In our Institutional channel, 2023 sales were US$12 billion, down from strong 2022 levels which reflected US$16 billion in custom target-date fundings. Reflecting our investment towards growing our third-party insurance platform, our Insurance asset management team was awarded its second straight Investment Team of the Year award by Insurance Asset Risk, and we were also recognized as the inaugural Alternatives Manager of the Year by the same publication.

ADJUSTED ANNUAL OPERATING MARGIN

% Percentages



Our Institutional channel pipeline was US$12 billion at year-end, with a fee rate more than three times the channel average, driven by private alternatives, which comprise more than 80% of the annualized fee rate.

In Private Wealth, gross sales of US$18.6 billion increased 6% year over year. Net inflows were positive for the third straight year. Alternative capital raises remained healthy at US$1.9 billion, led by secondaries, real estate equity and private credit.

Managing Profitability

For the full year, our adjusted operating margin was 28.2%, down 70 basis points from the prior year, with adjusted earnings and unitholder distributions down 9% versus the prior year. Financial comparisons to the prior year improved in the second half of 2023, reflecting higher average AUM levels driven by the market recovery. We continue to identify and manage expenses diligently that are in our control as we seek to improve our margin profile.

To that end, our Nashville relocation once again contributed to AB's earnings in 2023 and is forecast to do so again in 2024, growing to an expected annual contribution of approximately US$75 million by 2025. Combined with execution of the Bernstein Research Services Joint Venture, anticipated in the first half of 2024, and growth in our Private Alternatives segment, we foresee a possible 350-500 basis point improvement in our annual adjusted operating margin through 2027, assuming stable markets.

As a partnership, we continue to benefit from a low tax rate of approximately 12%, attractive relative to corporate peers. And we continue to pay out 100% of our adjusted operating income, or US$2.69 per unit in 2023, a robust yield of 8%.

Over the last five years, AB has generated a total shareholder return of 72%, versus the peer group average of 64% and the S&P 500 of 107%.[2] Our reinvested distribution has comprised well over half of AB's total shareholder return over this period.

2 Peer group includes Affiliated Managers Group, Franklin Resources, BlackRock, Janus Henderson Investors, Invesco and T. Rowe Price.

People and Culture

In 2023, AB continued to prioritize advancing our employee experience, with a focus on wellness. We committed to delivering both programming and policies in several key areas to meet this need. For example, we launched a "Well-Being Through the Decades" webinar series to encourage a proactive management of one's own health goals. We improved our parental leave policy and we supported working mothers with meaningful new benefits.

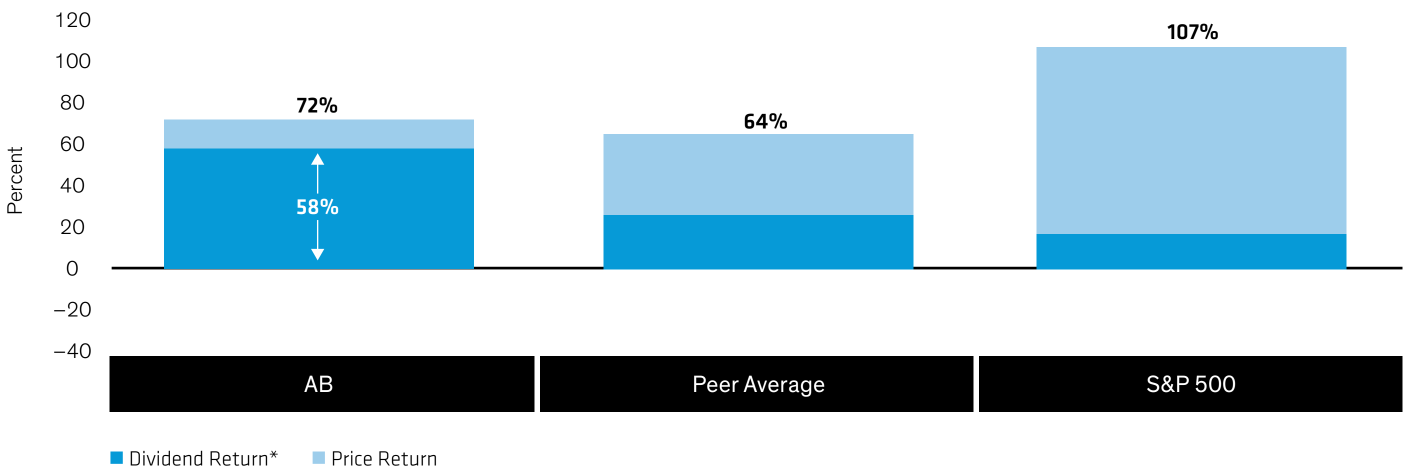
We remain invested in developing our managers, as we know the quality of the employee and manager relationship is the largest driver of engagement and retention. To meet that need, we offered traditional classroom management development training, coaching, and mentoring globally. We continued to educate our leaders on the importance of our firm leadership expectations and how they serve as a foundational guide for the way we manage the firm and drive top performance from our people.

Our commitment to Diversity, Equity and Inclusion was reflected in increasing education and support to address emerging topics, retaining and developing key diverse talent, and scaling infrastructure for a more global model.

As employee needs and expectations evolve, providing platforms for education and productive discourse becomes even more critical. We hosted an SVP Women's Leadership Summit, geographically expanded our Career Catalyst internal coaching program, and launched AB ADAPT, our newest Employee Resource Group (ERG) for those with disabilities.

TOTAL SHAREHOLDER RETURN

Total Shareholder Return* (12/31/2018 -12/31/2023)



Peer average includes: Affiliated Managers Group, Franklin Resources, Blackrock, Janus Henderson, Invesco, T. Rowe Price

*Assumes distributions reinvested during 12/31/2018 – 12/31/2023 period

Source: NasdaqIR

PARTING THOUGHTS

In 2023, the Board thanked Kristi Matus for her service. Our Board remains highly engaged, providing valuable insight based on diverse and relevant experiences and backgrounds.

Although certain segments of our industry are mature, we remain energized by the promise for those firms which can anticipate and adapt to meet global clients' changing needs. To that end, we are focused on executing well against our key growth objectives, which provide a distinct opportunity for AB.

On behalf of our employees, I thank you for your continued trust in our firm.

Sincerely,

Seth Bernstein

Seth P. Bernstein,
President and Chief Executive Officer