UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

FORM 10-Q

(Mark One)

x **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended March 31, 2019

OR

o **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from to

Commission File No. 001-09818

ALLIANCEBERNSTEIN HOLDING L.P.

(Exact name of registrant as specified in its charter)

Delaware	**13-3434400**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

1345 Avenue of the Americas, New York, NY 10105
(Address of principal executive offices)
(Zip Code)

(212) 969-1000
(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes x **No** o

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files).

Yes x **No** o

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company, or an emerging growth company. See definition of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer x	**Accelerated filer** o
Non-accelerated filer o	**Smaller reporting company** o
	Emerging growth company o

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. o

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes o **No** x

The number of units representing assignments of beneficial ownership of limited partnership interests outstanding as of March 31, 2019 was 94,994,404.*

*includes 100,000 units of general partnership interest having economic interests equivalent to the economic interests of the units representing assignments of beneficial ownership of limited partnership interests.

ALLIANCEBERNSTEIN HOLDING L.P.

Index to Form 10-Q

Part I

FINANCIAL INFORMATION

Item 1. Financial Statements

ALLIANCEBERNSTEIN HOLDING L.P.
Condensed Statements of Financial Condition
(in thousands, except unit amounts)
(unaudited)

	March 31, 2019	December 31, 2018
ASSETS		
Investment in AB	$ 1,428,703	$ 1,490,701
Other Assets	821	—
Total assets	**$ 1,429,524**	**$ 1,490,701**
LIABILITIES AND PARTNERS' CAPITAL		
Liabilities:		
Other liabilities	$ 55	$ 644
Total liabilities	**55**	**644**
Commitments and contingencies (*See Note 8*)		
Partners' capital:		
General Partner: 100,000 general partnership units issued and outstanding	1,370	1,385
Limited partners: 94,894,404 and 96,558,278 limited partnership units issued and outstanding	1,490,581	1,555,892
AB Holding Units held by AB to fund long-term incentive compensation plans	(24,464)	(27,759)
Accumulated other comprehensive loss	(38,018)	(39,461)
Total partners' capital	**1,429,469**	**1,490,057**
Total liabilities and partners' capital	**$ 1,429,524**	**$ 1,490,701**

See Accompanying Notes to Condensed Financial Statements.

ALLIANCEBERNSTEIN HOLDING L.P.
Condensed Statements of Income
(in thousands, except per unit amounts)
(unaudited)

	Three Months Ended March 31,	
	2019	**2018**
Equity in net income attributable to AB Unitholders	$ 52,638	$ 65,698
Income taxes	6,199	7,538
Net income	**$ 46,439**	**$ 58,160**
Net income per unit:		
Basic	**$ 0.49**	**$ 0.60**
Diluted	**$ 0.49**	**$ 0.60**

See Accompanying Notes to Condensed Financial Statements.

ALLIANCEBERNSTEIN HOLDING L.P.
Condensed Statements of Comprehensive Income
(in thousands)
(unaudited)

	Three Months Ended March 31,	
	2019	**2018**
Net income	$ 46,439	$ 58,160
Other comprehensive income:		
Foreign currency translation adjustments, before tax	1,152	3,448
Income tax expense	(2)	(20)
Foreign currency translation adjustments, net of tax	1,150	3,428
Changes in employee benefit related items:		
Amortization of prior service cost	5	—
Recognized actuarial gain (loss)	286	(38)
Changes in employee benefit related items	291	(38)
Income tax benefit (expense)	2	(41)
Employee benefit related items, net of tax	293	(79)
Other	—	(1)
Other comprehensive income	1,443	3,348
Comprehensive income	**$ 47,882**	**$ 61,508**

See Accompanying Notes to Condensed Financial Statements.

ALLIANCEBERNSTEIN HOLDING L.P.
Condensed Statements of Cash Flows
(in thousands)
(unaudited)

	Three Months Ended March 31, 2019	Three Months Ended March 31, 2018
Cash flows from operating activities:		
Net income	**$ 46,439**	**$ 58,160**
Adjustments to reconcile net income to net cash provided by operating activities:		
Equity in net income attributable to AB Unitholders	(52,638)	(65,698)
Cash distributions received from AB	67,485	88,671
Changes in assets and liabilities:		
Increase in other assets	(821)	—
Decrease in other liabilities	(589)	(1,028)
Net cash provided by operating activities	**59,876**	**80,105**
Cash flows from investing activities:		
Investments in AB with proceeds from exercise of compensatory options to buy AB Holding Units	(7,382)	(4,008)
Net cash used in investing activities	**(7,382)**	**(4,008)**
Cash flows from financing activities:		
Cash distributions to Unitholders	(60,807)	(81,801)
Capital contributions from AB	931	1,696
Proceeds from exercise of compensatory options to buy AB Holding Units	7,382	4,008
Net cash used in financing activities	**(52,494)**	**(76,097)**
Change in cash and cash equivalents	—	—
Cash and cash equivalents as of beginning of period	—	—
Cash and cash equivalents as of end of period	**$ —**	**$ —**

See Accompanying Notes to Condensed Financial Statements.

ALLIANCEBERNSTEIN HOLDING L.P.
Notes to Condensed Financial Statements
March 31, 2019
(unaudited)

The words "we" and "our" refer collectively to AllianceBernstein Holding L.P. ("AB Holding") and AllianceBernstein L.P. and its subsidiaries ("AB"), or to their officers and employees. Similarly, the word "company" refers to both AB Holding and AB. Where the context requires distinguishing between AB Holding and AB, we identify which of them is being discussed.

1. Business Description, Organization and Basis of Presentation

Business Description

AB Holding's principal source of income and cash flow is attributable to its investment in AB limited partnership interests. The condensed financial statements and notes of AB Holding should be read in conjunction with the condensed consolidated financial statements and notes of AB included as an exhibit to this quarterly report on Form 10-Q and with AB Holding's and AB's audited financial statements included in AB Holding's Form 10-K for the year ended December 31, 2018.

AB provides research, diversified investment management and related services globally to a broad range of clients. Its principal services include:

- Institutional Services – servicing its institutional clients, including private and public pension plans, foundations and endowments, insurance companies, central banks and governments worldwide, and affiliates such as AXA S.A. ("AXA"), AXA Equitable Holdings, Inc. ("EQH") and their respective subsidiaries, by means of separately-managed accounts, sub-advisory relationships, structured products, collective investment trusts, mutual funds, hedge funds and other investment vehicles.

- Retail Services – servicing its retail clients, primarily by means of retail mutual funds sponsored by AB or an affiliated company, sub-advisory relationships with mutual funds sponsored by third parties, separately-managed account programs sponsored by financial intermediaries worldwide and other investment vehicles.

- Private Wealth Management Services – servicing its private clients, including high-net-worth individuals and families, trusts and estates, charitable foundations, partnerships, private and family corporations, and other entities, by means of separately-managed accounts, hedge funds, mutual funds and other investment vehicles.

- Bernstein Research Services – servicing institutional investors, such as pension fund, hedge fund and mutual fund managers, seeking high-quality fundamental research, quantitative services and brokerage-related services in equities and listed options.

AB also provides distribution, shareholder servicing, transfer agency services and administrative services to the mutual funds it sponsors.

AB's high-quality, in-depth research is the foundation of its business. AB's research disciplines include economic, fundamental equity, fixed income and quantitative research. In addition, AB has experts focused on multi-asset strategies, wealth management and alternative investments.

AB provides a broad range of investment services with expertise in:

- Actively-managed equity strategies, with global and regional portfolios across capitalization ranges, concentration ranges and investment strategies, including value, growth and core equities;

- Actively-managed traditional and unconstrained fixed income strategies, including taxable and tax-exempt strategies;

- Passive management, including index and enhanced index strategies;

- Alternative investments, including hedge funds, fund of funds and private equity (*e.g.*, direct lending); and

- Multi-asset solutions and services, including dynamic asset allocation, customized target-date funds and target-risk funds.

AB's services span various investment disciplines, including market capitalization (*e.g.*, large-, mid- and small-cap equities), term (*e.g.*, long-, intermediate- and short-duration debt securities), and geographic location (*e.g.*, U.S., international, global, emerging markets, regional and local), in major markets around the world.

Organization

During 2017, AXA announced its intention to pursue the sale of a minority stake in EQH through an initial public offering ("IPO"). During the second quarter of 2018, AXA completed the IPO. Since then, AXA has completed two additional offerings, most recently during the first quarter of 2019. As a result, AXA owns 48.3% of the outstanding common stock of EQH as of March 31, 2019. AXA has announced its intention to sell its entire remaining interest in EQH over time, subject to market conditions and other factors. AXA is under no obligation to do so and retains the sole discretion to determine the timing of any future sales of shares of EQH common stock.

As of March 31, 2019, EQH owns approximately 4.2% of the issued and outstanding units representing assignments of beneficial ownership of limited partnership interests in AB Holding ("AB Holding Units"). AllianceBernstein Corporation (an indirect wholly-owned subsidiary of EQH, "General Partner") is the general partner of both AB Holding and AB. AllianceBernstein Corporation owns 100,000 general partnership units in AB Holding and a 1% general partnership interest in AB.

As of March 31, 2019, the ownership structure of AB, expressed as a percentage of general and limited partnership interests, is as follows:

EQH and its subsidiaries	64.0%
AB Holding	35.2
Unaffiliated holders	0.8
	100.0%

Including both the general partnership and limited partnership interests in AB Holding and AB, EQH and its subsidiaries have an approximate 65.6% economic interest in AB as of March 31, 2019.

Basis of Presentation

The interim condensed financial statements have been prepared in accordance with the instructions to Form 10-Q pursuant to the rules and regulations of the U.S. Securities and Exchange Commission ("SEC"). In the opinion of management, all adjustments, consisting only of normal recurring adjustments, necessary for a fair statement of the interim results, have been made. The preparation of the condensed financial statements requires management to make certain estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the dates of the condensed financial statements and the reported amounts of revenues and expenses during the interim reporting periods. Actual results could differ from those estimates. The condensed statement of financial condition as of December 31, 2018 was derived from audited financial statements, but does not include all disclosures required by accounting principles generally accepted in the United States of America ("GAAP").

AB Holding records its investment in AB using the equity method of accounting. AB Holding's investment is increased to reflect its proportionate share of income of AB and decreased to reflect its proportionate share of losses of AB and cash distributions made by AB to its Unitholders. In addition, AB Holding's investment is adjusted to reflect its proportionate share of certain capital transactions of AB.

2. Cash Distributions

AB Holding is required to distribute all of its Available Cash Flow, as defined in the Amended and Restated Agreement of Limited Partnership of AB Holding ("AB Holding Partnership Agreement"), to its Unitholders *pro rata* in accordance with their percentage interests in AB Holding. Available Cash Flow is defined as the cash distributions AB Holding receives from AB minus such amounts as the General Partner determines, in its sole discretion, should be retained by AB Holding for use in its business (such as the payment of taxes) or plus such amounts as the General Partner determines, in its sole discretion, should be released from previously retained cash flow.

On April 25, 2019, the General Partner declared a distribution of $0.49 per unit, representing a distribution of Available Cash Flow for the three months ended March 31, 2019. Each general partnership unit in AB Holding is entitled to receive distributions equal to those received by each AB Holding Unit. The distribution is payable on May 16, 2019 to holders of record at the close of business on May 6, 2019.

3. Long-term Incentive Compensation Plans

AB maintains several unfunded, non-qualified long-term incentive compensation plans, under which the company grants awards of restricted AB Holding Units to its employees and members of the Board of Directors, who are not employed by AB or by any of AB's affiliates ("Eligible Directors").

AB funds its restricted AB Holding Unit awards either by purchasing AB Holding Units on the open market or purchasing newly-issued AB Holding Units from AB Holding, and then keeping all of these AB Holding Units in a consolidated rabbi trust until delivering them or retiring them. In accordance with the AB Holding Partnership Agreement, when AB purchases newly-issued AB Holding Units from AB Holding, AB Holding is required to use the proceeds it receives from AB to purchase the equivalent number of newly-issued AB Units, thus increasing its percentage ownership interest in AB. AB Holding Units held in the consolidated rabbi trust are corporate assets in the name of the trust and are available to the general creditors of AB.

During the three months ended March 31, 2019 and 2018, AB purchased 2.0 million and 0.1 million AB Holding Units for $58.6 million and $2.3 million, respectively (on a trade date basis). The 2019 amounts reflect open-market purchases of 1.9 million AB Holding Units for $55.2 million, with the remainder relating to purchases of AB Holding units from employees to allow them to fulfill statutory tax withholding requirements at the time of delivery of long-term incentive compensation awards. There were no open-market purchases during the first quarter of 2018.

Each quarter, AB considers whether to implement a plan to repurchase AB Holding Units pursuant to Rules 10b5-1 and 10b-18 under the Securities Exchange Act of 1934, as amended ("Exchange Act"). A plan of this type allows a company to repurchase its shares at times when it otherwise might be prevented from doing so because of self-imposed trading blackout periods or because it possesses material non-public information. Each broker selected by AB has the authority under the terms and limitations specified in the plan to repurchase AB Holding Units on AB's behalf in accordance with the terms of the plan. Repurchases are subject to regulations promulgated by the SEC as well as certain price, market volume and timing constraints specified in the plan. The plan adopted during the fourth quarter of 2018 expired at the close of business on February 12, 2019. There was no plan adopted during the first quarter of 2019. AB may adopt additional plans in the future to engage in open-market purchases of AB Holding Units to help fund anticipated obligations under its incentive compensation award program and for other corporate purposes.

During the first three months of 2019 and 2018, AB granted to employees and Eligible Directors 0.1 million and 0.7 million restricted AB Holding Unit awards, respectively. AB used AB Holding Units repurchased during the periods and newly-issued AB Holding Units to fund these restricted AB Holding Unit awards.

During the first three months of 2019 and 2018, AB Holding issued 0.3 million and 0.2 million AB Holding Units, respectively, upon exercise of options to buy AB Holding Units. AB Holding used the proceeds of $7.4 million and $4.0 million, respectively, received from employees as payment in cash for the exercise price to purchase the equivalent number of newly-issued AB Units.

4. Net Income per Unit

Basic net income per unit is derived by dividing net income by the basic weighted average number of units outstanding for each period. Diluted net income per unit is derived by adjusting net income for the assumed dilutive effect of compensatory options ("Net income – diluted") and dividing by the diluted weighted average number of units outstanding for each period.

	Three Months Ended March 31,	
	2019	2018
	(in thousands, except per unit amounts)	
Net income – basic	$ 46,439	$ 58,160
Additional allocation of equity in net income attributable to AB resulting from assumed dilutive effect of compensatory options	26	145
Net income – diluted	$ 46,465	$ 58,305
Weighted average units outstanding – basic	95,144	96,987
Dilutive effect of compensatory options	72	336
Weighted average units outstanding – diluted	95,216	97,323
Basic net income per unit	**$ 0.49**	**$ 0.60**
Diluted net income per unit	**$ 0.49**	**$ 0.60**

For the three months ended March 31, 2019 and 2018, we excluded 29,056 options and 1,225,731 options, respectively, from the diluted net income computation due to their anti-dilutive effect.

5. Investment in AB

Changes in AB Holding's investment in AB during the three-month period ended March 31, 2019 are as follows (in thousands):

Investment in AB as of December 31, 2018	$ 1,490,701
Equity in net income attributable to AB Unitholders	52,638
Changes in accumulated other comprehensive income (loss)	1,443
Additional investments with proceeds from exercise of compensatory options to buy AB Holding Units	7,382
Cash distributions received from AB	(67,485)
Capital contributions from AB	(931)
AB Holding Units retired	(69,653)
AB Holding Units issued to fund long-term incentive compensation plans	11,313
Change in AB Holding Units held by AB for long-term incentive compensation plans	3,295
Investment in AB as of March 31, 2019	**$ 1,428,703**

6. Units Outstanding

Changes in AB Holding Units outstanding during the three-month period ended March 31, 2019 are as follows:

Outstanding as of December 31, 2018	96,658,278
Options exercised	334,616
Units issued	381,305
Units retired	(2,379,795)
Outstanding as of March 31, 2019	**94,994,404**

7. Income Taxes

AB Holding is a "grandfathered" publicly-traded partnership ("PTP") for federal tax purposes and, accordingly, is not subject to federal or state corporate income taxes. However, AB Holding is subject to the 4.0% New York City unincorporated business tax ("UBT"), net of credits for UBT paid by AB, and to a 3.5% federal tax on partnership gross income from the active conduct of a trade or business. AB Holding's partnership gross income is derived from its interest in AB.

AB Holding's federal income tax is computed by multiplying certain AB qualifying revenues (primarily U.S. investment advisory fees and brokerage commissions) by AB Holding's ownership interest in AB, multiplied by the 3.5% tax rate. AB Holding Units in AB's consolidated rabbi trust are not considered outstanding for purposes of calculating AB Holding's ownership interest in AB.

	Three Months Ended March 31,		
	2019	2018	% Change
	(in thousands)		
Net income attributable to AB Unitholders	$ 149,114	$ 184,196	(19.0)%
Multiplied by: weighted average equity ownership interest	35.3%	35.7%	
Equity in net income attributable to AB Unitholders	$ 52,638	$ 65,698	(19.9)
AB qualifying revenues	$ 586,550	$ 702,919	(16.6)
Multiplied by: weighted average equity ownership interest for calculating tax	29.6%	30.1%	
Multiplied by: federal tax	3.5%	3.5%	
Federal income taxes	6,081	7,410	
State income taxes	118	128	
Total income taxes	**$ 6,199**	**$ 7,538**	**(17.8)**
Effective tax rate	**11.8%**	**11.5%**	

In order to preserve AB Holding's status as a "grandfathered" PTP for federal income tax purposes, management ensures that AB Holding does not directly or indirectly (through AB) enter into a substantial new line of business. If AB Holding were to lose its status as a "grandfathered" PTP, it would be subject to corporate income tax, which would reduce materially AB Holding's net income and its quarterly distributions to AB Holding Unitholders.

8. Commitments and Contingencies

Legal and regulatory matters described below pertain to AB and are included here due to their potential significance to AB Holding's investment in AB.

With respect to all significant litigation matters, we consider the likelihood of a negative outcome. If we determine the likelihood of a negative outcome is probable and the amount of the loss can be reasonably estimated, we record an estimated loss for the expected outcome of the litigation. If the likelihood of a negative outcome is reasonably possible and we are able to determine an estimate of the possible loss or range of loss in excess of amounts already accrued, if any, we disclose that fact together with the estimate of the possible loss or range of loss. However, it is often difficult to predict the outcome or estimate a possible loss or range of loss because litigation is subject to inherent uncertainties, particularly when plaintiffs allege substantial or indeterminate damages. Such is also the case when the litigation is in its early stages or when the litigation is highly complex or broad in scope. In these cases, we disclose that we are unable to predict the outcome or estimate a possible loss or range of loss.

AB may be involved in various matters, including regulatory inquiries, administrative proceedings and litigation, some of which may allege significant damages. It is reasonably possible that AB could incur losses pertaining to these matters, but management cannot currently estimate any such losses.

Management, after consultation with legal counsel, currently believes that the outcome of any individual matter that is pending or threatened, or all of them combined, will not have a material adverse effect on our results of operations, financial condition or liquidity. However, any inquiry, proceeding or litigation has an element of uncertainty; management cannot determine whether further developments relating to any individual matter that is pending or threatened, or all of them combined, will have a material adverse effect on our results of operations, financial condition or liquidity in any future reporting period.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

AB Holding's principal source of income and cash flow is attributable to its investment in AB Units. AB Holding's interim condensed financial statements and notes and management's discussion and analysis of financial condition and results of operations ("MD&A") should be read in conjunction with those of AB included as an exhibit to this Form 10-Q. They also should be read in conjunction with AB's audited financial statements and notes and MD&A included in AB Holding's Form 10-K for the year ended December 31, 2018.

Results of Operations

	Three Months Ended March 31,		
	2019	2018	% Change
	(in thousands, except per unit amounts)		
Net income attributable to AB Unitholders	$ 149,114	$ 184,196	(19.0)%
Weighted average equity ownership interest	35.3%	35.7%	
Equity in net income attributable to AB Unitholders	52,638	65,698	(19.9)
Income taxes	6,199	7,538	(17.8)
Net income of AB Holding	$ 46,439	$ 58,160	(20.2)
Diluted net income per AB Holding Unit	$ 0.49	$ 0.60	(18.3)
Distribution per AB Holding Unit[1]	$ 0.49	$ 0.73	(32.9)

(1) Distributions reflect the impact of AB's non-GAAP adjustments.

Net income for the three months ended March 31, 2019 decreased $11.7 million, due to lower net income attributable to AB Unitholders and a slightly lower weighted average equity ownership interest.

AB Holding's partnership gross income is derived from its interest in AB. AB Holding's income taxes, which reflect a 3.5% federal tax on its partnership gross income from the active conduct of a trade or business, are computed by multiplying certain AB qualifying revenues (primarily U.S. investment advisory fees and brokerage commissions) by AB Holding's ownership interest in AB, multiplied by the 3.5% tax rate. AB Holding's effective tax rate was 11.8% in the first quarter of 2019 compared to 11.5% during the first quarter of 2018. *See Note 7 to the condensed financial statements contained in Item 1* for the calculation of income tax expense.

Management Operating Metrics

As supplemental information, AB provides the performance measures "adjusted net revenues," "adjusted operating income" and "adjusted operating margin," which are the principal metrics management uses in evaluating and comparing the period-to-period operating performance of AB. Management principally uses these metrics in evaluating performance because they present a clearer picture of AB's operating performance and allow management to see long-term trends without the distortion primarily caused by long-term incentive compensation-related mark-to-market adjustments, real estate consolidation charges and other adjustment items. Similarly, management believes that these management operating metrics help investors better understand the underlying trends in AB's results and, accordingly, provide a valuable perspective for investors. Such measures are not based on generally accepted accounting principles ("non-GAAP measures"). These non-GAAP measures are provided in addition to, and not as substitutes for, net revenues, operating income and operating margin, and they may not be comparable to non-GAAP measures presented by other companies. Management uses both GAAP and non-GAAP measures in evaluating the company's financial performance. The non-GAAP measures alone may pose limitations because they do not include all of AB's revenues and expenses. Further, adjusted diluted net income per AB Holding Unit is not a liquidity measure and should not be used in place of cash flow measures. *See AB's MD&A contained in Exhibit 99.1.*

The impact of these adjustments on AB Holding's net income and diluted net income per AB Holding Unit is as follows:

	Three Months Ended March 31,	
	2019	**2018**
	(in thousands, except per Unit amounts)	
AB non-GAAP adjustments, before taxes	$ 822	$ 35,309
AB income tax benefit (expense) on non-GAAP adjustments	486	(907)
AB non-GAAP adjustments, after taxes	1,308	34,402
AB Holding's weighted average equity ownership interest in AB	35.3%	35.7%
Impact on AB Holding's net income of AB non-GAAP adjustments	$ 462	$ 12,271
Net income – diluted, GAAP basis	$ 46,465	$ 58,305
Impact on AB Holding's net income of AB non-GAAP adjustments	462	12,271
Adjusted net income – diluted	$ 46,927	$ 70,576
Diluted net income per AB Holding Unit, GAAP basis	**$ 0.49**	**$ 0.60**
Impact of AB non-GAAP adjustments	—	0.13
Adjusted diluted net income per AB Holding Unit	**$ 0.49**	**$ 0.73**

The degree to which AB's non-GAAP adjustments impact AB Holding's net income fluctuates based on AB Holding's ownership percentage in AB. The impact of AB non-GAAP adjustments in the first quarter of 2018 of $0.13 was primarily driven by the impact of AB's adoption of revenue recognition standard ASC 606.

Cash Distributions

AB Holding is required to distribute all of its Available Cash Flow, as defined in the AB Holding Partnership Agreement, to its Unitholders (including the General Partner). Available Cash Flow typically is the adjusted diluted net income per unit for the quarter multiplied by the number of units outstanding at the end of the quarter. Management anticipates that Available Cash Flow will continue to be based on adjusted diluted net income per unit, unless management determines, with the concurrence of the Board of Directors, that one or more adjustments that are made for adjusted net income should not be made with respect to the Available Cash Flow calculation. *See Note 2 to the condensed financial statements contained in Item 1* for a description of Available Cash Flow.

Capital Resources and Liquidity

During the three months ended March 31, 2019, net cash provided by operating activities was $59.9 million, compared to $80.1 million during the corresponding 2018 period. The decrease primarily resulted from lower cash distributions received from AB of $21.2 million.

During the three months ended March 31, 2019, net cash used in investing activities was $7.4 million, compared to $4.0 million during the corresponding 2018 period. The activity in both periods reflects the investments in AB with proceeds from exercises of compensatory options to buy AB Holding Units.

During the three months ended March 31, 2019, net cash used in financing activities was $52.5 million, compared to $76.1 million during the corresponding 2018 period. The decrease primarily was due to lower cash distributions to Unitholders of $21.0 million and higher proceeds from exercise of compensatory options to buy AB Holding units of $3.4 million.

Management believes that AB Holding will have the resources it needs to meet its financial obligations as a result of the cash flow AB Holding realizes from its investment in AB.

Commitments and Contingencies

See Note 8 to the condensed financial statements contained in Item 1.

CAUTIONS REGARDING FORWARD-LOOKING STATEMENTS

Certain statements provided by management in this report and in the portion of AB's Form 10-Q attached hereto as Exhibit 99.1 are "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. Such forward-looking statements are subject to risks, uncertainties and other factors that could cause actual results to differ materially from future results expressed or implied by such forward-looking statements. The most significant of these factors include, but are not limited to, the following: the performance of financial markets, the investment performance of sponsored investment products and separately-managed accounts, general economic conditions, industry trends, future acquisitions, integration of acquired companies, competitive conditions and government regulations, including changes in tax regulations and rates and the manner in which the earnings of publicly-traded partnerships are taxed. We caution readers to carefully consider such factors. Further, these forward-looking statements speak only as of the date on which such statements are made; we undertake no obligation to update any forward-looking statements to reflect events or circumstances after the date of such statements. For further information regarding these forward-looking statements and the factors that could cause actual results to differ, *see "Risk Factors" in Part I, Item 1A* of our Form 10-K for the year ended December 31, 2018 *and Part II, Item 1A* in this Form 10-Q. Any or all of the forward-looking statements that we make in our Form 10-K, this Form 10-Q, other documents we file with or furnish to the SEC, and any other public statements we issue, may turn out to be wrong. It is important to remember that other factors besides *those listed in "Risk Factors" and those listed below* could also adversely impact our revenues, financial condition, results of operations and business prospects.

The forward-looking statements referred to in *the preceding paragraph*, most of which directly affect AB but also affect AB Holding because AB Holding's principal source of income and cash flow is attributable to its investment in AB, include statements regarding:

- Our belief that the cash flow AB Holding realizes from its investment in AB will provide AB Holding with the resources it needs to meet its financial obligations: AB Holding's cash flow is dependent on the quarterly cash distributions it receives from AB. Accordingly, AB Holding's ability to meet its financial obligations is dependent on AB's cash flow from its operations, which is subject to the performance of the capital markets and other factors beyond our control.

- Our financial condition and ability to access the public and private capital markets providing adequate liquidity for our general business needs: Our financial condition is dependent on our cash flow from operations, which is subject to the performance of the capital markets, our ability to maintain and grow client assets under management and other factors beyond our control. Our ability to access public and private capital markets on reasonable terms may be limited by adverse market conditions, our firm's credit ratings, our profitability and changes in government regulations, including tax rates and interest rates.

- The outcome of litigation: Litigation is inherently unpredictable, and excessive damage awards do occur. Though we have stated that we do not expect any pending legal proceedings to have a material adverse effect on our results of operations, financial condition or liquidity, any settlement or judgment with respect to a legal proceeding could be significant, and could have such an effect.

- The possibility that we will engage in open market purchases of AB Holding Units to help fund anticipated obligations under our incentive compensation award program: The number of AB Holding Units AB may decide to buy in future periods, if any, to help fund incentive compensation awards depends on various factors, some of which are beyond our control, including the fluctuation in the price of an AB Holding Unit (NYSE: AB) and the availability of cash to make these purchases.

- Our determination that adjusted employee compensation expense should not exceed 50% of our adjusted net revenues: Aggregate employee compensation reflects employee performance and competitive compensation levels. Fluctuations in our revenues and/or changes in competitive compensation levels could result in adjusted employee compensation expense exceeding 50% of our adjusted net revenues.

- Our Relocation Strategy: While the expenses, expense savings and EPU impact we expect will result from our Relocation Strategy are presented with numerical specificity, and we believe these figures to be reasonable as of the date of this report, the uncertainties surrounding the assumptions on which our estimates are based create a significant risk that our current estimates may not be realized. These assumptions include:

  - the amount and timing of employee relocation costs, severance and overlapping compensation and occupancy costs we experience; and
  - the timing for execution of each phase of our relocation implementation plan.

- Our 2020 Margin Target: We previously adopted a goal of increasing our adjusted operating margin to a target of 30% by 2020, subject to the assumptions, factors and contingencies described as part of the initial disclosure of this target. Our adjusted operating margin, which was 29.1% during 2018, declined to 24.1% during the first quarter of 2019.

  Our AUM and, therefore, our investment advisory revenues, including performance-based fee revenues, are heavily dependent upon the level and volatility of the financial markets. Based upon our current outlook for the financial markets, which has changed since we initially forecast when establishing the 2020 Margin Target, presently we do not believe that achieving the 2020 Margin Target is likely. However, we are taking additional actions to better align our expenses with our lower expected AUM and revenue amounts. We remain committed to achieving an adjusted operating margin of 30% in years subsequent to 2020 and will take continued actions in this regard, subject to prevailing market conditions and the evolution of our business mix.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

There have been no material changes in AB Holding’s market risk from the information provided under *“Quantitative and Qualitative Disclosures About Market Risk”* in Part II, Item 7A of AB Holding's Form 10-K for the year ended December 31, 2018.

Item 4. Controls and Procedures

Disclosure Controls and Procedures

Each of AB Holding and AB maintains a system of disclosure controls and procedures that is designed to ensure that information required to be disclosed in our reports under the Exchange Act is (i) recorded, processed, summarized and reported in a timely manner, and (ii) accumulated and communicated to management, including the Chief Executive Officer ("CEO") and the Chief Financial Officer ("CFO"), to permit timely decisions regarding our disclosure.

As of the end of the period covered by this report, management carried out an evaluation, under the supervision and with the participation of the CEO and the CFO, of the effectiveness of the design and operation of the disclosure controls and procedures. Based on this evaluation, the CEO and the CFO concluded that the disclosure controls and procedures are effective.

Changes in Internal Control over Financial Reporting

No change in our internal control over financial reporting occurred during the first quarter of 2019 that materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

Part II

OTHER INFORMATION

Item 1. Legal Proceedings

See Note 8 to the condensed financial statements contained in Part I, Item 1.

Item 1A. Risk Factors

There have been no material changes in our risk factors from those disclosed in AB Holding's Form 10-K for the year ended December 31, 2018.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

There were no AB Holding Units sold by AB Holding in the period covered by this report that were not registered under the Securities Act.

Each quarter, since the third quarter of 2011, AB has implemented plans to repurchase AB Holding Units pursuant to Rules 10b5-1 and 10b-18 under the Exchange Act. The plan adopted during the fourth quarter of 2018 expired at the close of business on February 12, 2019. There was no plan adopted during the first quarter of 2019. AB may adopt additional plans in the future to engage in open-market purchases of AB Holding Units to help fund anticipated obligations under the firm's incentive compensation award program and for other corporate purposes. *See Note 3 to the condensed financial statements contained in Part 1, Item 1.*

AB Holding Units bought by us or one of our affiliates during the first quarter of 2019 are as follows:

ISSUER PURCHASES OF EQUITY SECURITIES

Period	Total Number of AB Holding Units Purchased	Average Price Paid Per AB Holding Unit, net of Commissions	Total Number of AB Holding Units Purchased as Part of Publicly Announced Plans or Programs	Maximum Number (or Approximate Dollar Value) of AB Holding Units that May Yet Be Purchased Under the Plans or Programs
1/1/19 - 1/31/19 [(1)(2)]	1,756,557	$ 28.74	—	—
2/1/19 - 2/28/19 [(1)(2)]	266,027	30.36	—	—
3/1/19 - 3/31/19	—	—	—	—
Total	**2,022,584**	**$ 28.95**	—	—

(1) During the first quarter of 2019, AB purchased from employees 109,687 AB Holding Units to allow them to fulfill statutory withholding tax requirements at the time of distribution of long-term incentive compensation awards.

(2) During the first quarter of 2019, AB purchased 1,912,897 AB Holding Units on the open market pursuant to a Rule 10b5-1 plan to help fund anticipated obligations under our incentive compensation award program.

AB Units bought by us or one of our affiliates during the first quarter of 2019 are as follows:

ISSUER PURCHASES OF EQUITY SECURITIES

Period	Total Number of AB Units Purchased	Average Price Paid Per AB Unit, net of Commissions	Total Number of AB Units Purchased as Part of Publicly Announced Plans or Programs	Maximum Number (or Approximate Dollar Value) of AB Units that May Yet Be Purchased Under the Plans or Programs
1/1/19 - 1/31/19	—	$ —	—	—
2/1/19 - 2/28/19	—	—	—	—
3/1/19 - 3/31/19 [1]	300	29.33	—	—
Total	**300**	**$ 29.33**	—	—

[1] During the March 2019, AB purchased 300 AB Units in private transactions.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

None.

Item 5. Other Information

Iran Threat Reduction and Syria Human Rights Act

AB, AB Holding and their global subsidiaries had no transactions or activities requiring disclosure under the Iran Threat Reduction and Syria Human Rights Act, nor were they involved in the AXA Group matters *described immediately below*.

The non-U.S. based subsidiaries of AXA operate in compliance with applicable laws and regulations of the various jurisdictions in which they operate, including applicable international (United Nations and European Union) laws and regulations. While AXA Group companies based and operating outside the United States generally are not subject to U.S. law, as an international group, AXA has in place policies and standards (including the AXA Group International Sanctions Policy) that apply to all AXA Group companies worldwide and often impose requirements that go well beyond local law. For additional information regarding AXA, *see Note 1 to the condensed financial statements in Part 1, Item 1 of this Form 10-Q.*

AXA has informed us that AXA Konzern AG, an AXA insurance subsidiary organized under the laws of Germany, provides car, accident and health insurance to diplomats based at the Iranian Embassy in Berlin, Germany. The total annual premium of these policies is approximately $139,700 and the annual net profit arising from these policies, which is difficult to calculate with precision, is estimated to be $24,272.

AXA also has informed us that AXA Belgium, an AXA insurance subsidiary organized under the laws of Belgium, has two policies providing for car insurance for Global Trading NV, which was designated on May 17, 2018 under (E.O.) 13224 and subsequently changed its name to Energy Engineers & Construction on August 20, 2018. The total annual premium of these policies is approximately $6,559 before tax and the annual net profit arising from these policies, which is difficult to calculate with precision, is estimated to be $983.

In addition, AXA has informed us that AXA Insurance Ireland, an AXA insurance subsidiary, provides statutorily required car insurance under four separate policies to the Iranian Embassy in Dublin, Ireland. AXA has informed us that compliance with the Declined Cases Agreement of the Irish Government prohibits the cancellation of these policies unless another insurer is willing to assume the coverage. The total annual premium for these policies is approximately $7,115 and the annual net profit arising from these policies, which is difficult to calculate with precision, is estimated to be $853.

Also, AXA has informed us that AXA Sigorta, a subsidiary of AXA organized under the laws of the Republic of Turkey, provides car insurance coverage for vehicle pools of the Iranian General Consulate and the Iranian Embassy in Istanbul, Turkey. Motor liability insurance coverage is compulsory in Turkey and cannot be canceled unilaterally. The total annual premium in respect of these policies is approximately $3,150 and the annual net profit, which is difficult to calculate with precision, is estimated to be $473.

Additionally, AXA has informed us that AXA Winterthur, an AXA insurance subsidiary organized under the laws of Switzerland, provides Naftiran Intertrade, a wholly-owned subsidiary of the Iranian state-owned National Iranian Oil Company, with life, disability and accident coverage for its employees. In addition, AXA Winterthur also provides car and property insurance coverage for the Iranian Embassy in Bern. The provision of these forms of coverage is mandatory in Switzerland. The total annual premium of these policies is approximately $396,597 and the annual net profit arising from these policies, which is difficult to calculate with precision, is estimated to be $59,489.

Also, AXA has informed us that AXA Egypt, an AXA insurance subsidiary organized under the laws of Egypt, provides the Iranian state-owned Iran Development Bank, two life insurance contracts, covering individuals who have loans with the bank. The total annual premium of these policies is approximately $19,839 and annual net profit arising from these policies, which is difficult to calculate with precision, is estimated to be $2,000.

Lastly, AXA has informed us that AXA XL, which AXA acquired during the third quarter of 2018, through various non-U.S. subsidiaries, provides insurance to marine policyholders located outside of the U.S. or reinsurance coverage to non-U.S. insurers of marine risks as well as mutual associations of ship owners that provide their members with protection and liability coverage. The provision of these coverages may involve entities or activities related to Iran, including transporting crude oil, petrochemicals and refined petroleum products. AXA XL's non-U.S. subsidiaries insure or reinsure multiple voyages and fleets containing multiple ships, so they are unable to attribute gross revenues and net profits from such marine policies to activities with Iran. As the activities of these insureds and re-insureds are permitted under applicable laws and regulations, AXA XL intends for its non-U.S. subsidiaries to continue providing such coverage to its insureds and re-insureds to the extent permitted by applicable law.

The aggregate annual premium for the above-referenced insurance policies is approximately $572,960, representing approximately 0.0007% of AXA's 2018 consolidated revenues, which exceed $100 billion. The related net profit, which is difficult to calculate with precision, is estimated to be $88,070, representing approximately 0.002% of AXA's 2018 aggregate net profit.

Item 6. **Exhibits**

31.1	Certification of Mr. Bernstein furnished pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification of Mr. Weisenseel furnished pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Certification of Mr. Bernstein furnished for the purpose of complying with Rule 13a-14(b) or Rule 15d-14(b) of the Securities Exchange Act of 1934 and 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2	Certification of Mr. Weisenseel furnished for the purpose of complying with Rule 13a-14(b) or Rule 15d-14(b) of the Securities Exchange Act of 1934 and 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
99.1	Part I, Items 1 through 4 of the AllianceBernstein L.P. Quarterly Report on Form 10-Q for the quarter ended March 31, 2019.
101.INS	XBRL Instance Document.
101.SCH	XBRL Taxonomy Extension Schema.
101.CAL	XBRL Taxonomy Extension Calculation Linkbase.
101.LAB	XBRL Taxonomy Extension Label Linkbase.
101.PRE	XBRL Taxonomy Extension Presentation Linkbase.
101.DEF	XBRL Taxonomy Extension Definition Linkbase.

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Date: April 25, 2019	**ALLIANCEBERNSTEIN HOLDING L.P.**	
	By:	/s/ John C. Weisenseel
		John C. Weisenseel
		Chief Financial Officer
	By:	/s/ William R. Siemers
		William R. Siemers
		Chief Accounting Officer

Exhibit 31.1

I, Seth P. Bernstein, certify that:

1. I have reviewed this quarterly report on Form 10-Q of AllianceBernstein Holding L.P.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: April 25, 2019

/s/ Seth P. Bernstein

Seth P. Bernstein
Chief Executive Officer
AllianceBernstein Holding L.P.

Exhibit 31.2

I, John C. Weisenseel, certify that:

1. I have reviewed this quarterly report on Form 10-Q of AllianceBernstein Holding L.P.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: April 25, 2019

/s/ John C. Weisenseel

John C. Weisenseel
Chief Financial Officer
AllianceBernstein Holding L.P.

Exhibit 32.1

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of AllianceBernstein Holding L.P. (the “Company”) on Form 10-Q for the period ending March 31, 2019 to be filed with the Securities and Exchange Commission on or about April 25, 2019 (the “Report”), I, Seth P. Bernstein, Chief Executive Officer of the Company, certify, for the purpose of complying with Rule 13a-14(b) or Rule 15d-14(b) of the Securities Exchange Act of 1934 (the “Exchange Act”) and 18 U.S.C. § 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Exchange Act; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: April 25, 2019

/s/ Seth P. Bernstein
Seth P. Bernstein
Chief Executive Officer
AllianceBernstein Holding L.P.

Exhibit 32.2

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of AllianceBernstein Holding L.P. (the “Company”) on Form 10-Q for the period ending March 31, 2019 to be filed with the Securities and Exchange Commission on or about April 25, 2019 (the “Report”), I, John C. Weisenseel, Chief Financial Officer of the Company, certify, for the purpose of complying with Rule 13a-14(b) or 15d-14(b) of the Securities Exchange Act of 1934 (the “Exchange Act”) and 18 U.S.C. § 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Exchange Act; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: April 25, 2019

/s/ John C. Weisenseel
John C. Weisenseel
Chief Financial Officer
AllianceBernstein Holding L.P.

Part I
FINANCIAL INFORMATION

Exhibit 99.1

ALLIANCEBERNSTEIN L.P.
AND SUBSIDIARIES
Condensed Consolidated Statements of Financial Condition
(in thousands, except unit amounts)
(unaudited)

	March 31, 2019	December 31, 2018
ASSETS		
Cash and cash equivalents	$ 754,455	$ 640,206
Cash and securities segregated, at fair value (cost: $1,253,200 and $1,164,375)	1,262,178	1,169,554
Receivables, net:		
Brokers and dealers	207,437	197,048
Brokerage clients	1,617,628	1,718,629
AB funds fees	216,239	217,470
Other fees	122,065	127,462
Investments:		
Long-term incentive compensation-related	49,717	52,429
Other	225,476	661,915
Assets of consolidated company-sponsored investment funds:		
Cash and cash equivalents	7,767	13,118
Investments	385,309	351,696
Other assets	26,190	22,840
Furniture, equipment and leasehold improvements, net	149,847	155,519
Goodwill	3,066,700	3,066,700
Intangible assets, net	72,014	79,424
Deferred sales commissions, net	16,821	17,148
Right-of-use assets	421,277	—
Other assets	257,718	297,940
Total assets	**$ 8,858,838**	**$ 8,789,098**

	March 31, 2019	December 31, 2018
LIABILITIES, REDEEMABLE NON-CONTROLLING INTEREST AND CAPITAL		
Liabilities:		
Payables:		
Brokers and dealers	$ 187,233	$ 290,960
Securities sold not yet purchased	5,343	8,623
Brokerage clients	3,000,596	3,095,458
AB mutual funds	57,057	74,599
Accounts payable and accrued expenses	181,377	412,313
Lease liabilities	541,170	—
Liabilities of consolidated company-sponsored investment funds	29,648	22,610
Accrued compensation and benefits	313,526	273,250
Debt	540,258	546,267
Total liabilities	**4,856,208**	**4,724,080**
Commitments and contingencies (*See Note 12*)		
Redeemable non-controlling interest	158,873	148,809
Capital:		
General Partner	39,403	40,240
Limited partners: 267,186,102 and 268,850,276 units issued and outstanding	3,992,590	4,075,306
Receivables from affiliates	(11,666)	(11,430)
AB Holding Units held for long-term incentive compensation plans	(69,503)	(77,990)
Accumulated other comprehensive loss	(108,012)	(110,866)
Partners' capital attributable to AB Unitholders	**3,842,812**	**3,915,260**
Non-redeemable non-controlling interests in consolidated entities	945	949
Total capital	**3,843,757**	**3,916,209**
Total liabilities, redeemable non-controlling interest and capital	**$ 8,858,838**	**$ 8,789,098**

See Accompanying Notes to Condensed Consolidated Financial Statements.

ALLIANCEBERNSTEIN L.P.
AND SUBSIDIARIES
Condensed Consolidated Statements of Income
(in thousands, except per unit amounts)
(unaudited)

	Three Months Ended March 31,	
	2019	**2018**
Revenues:		
Investment advisory and services fees	$ 556,594	$ 574,116
Bernstein research services	90,235	114,400
Distribution revenues	100,509	108,004
Dividend and interest income	27,346	28,215
Investment gains (losses)	15,735	26,082
Other revenues	22,206	26,510
Total revenues	812,625	877,327
Less: Interest expense	17,163	9,540
Net revenues	795,462	867,787
Expenses:		
Employee compensation and benefits	339,309	343,825
Promotion and servicing:		
Distribution-related payments	105,993	110,154
Amortization of deferred sales commissions	3,502	6,598
Trade execution, marketing, T&E and other	49,648	54,043
General and administrative:		
General and administrative	117,848	121,234
Real estate (credit) charges	—	(264)
Contingent payment arrangements	54	53
Interest on borrowings	3,983	2,612
Amortization of intangible assets	6,974	6,861
Total expenses	627,311	645,116
Operating income	**168,151**	**222,671**
Income taxes	8,921	15,825
Net income	**159,230**	**206,846**
Net income of consolidated entities attributable to non-controlling interests	10,116	22,650
Net income attributable to AB Unitholders	**$ 149,114**	**$ 184,196**
Net income per AB Unit:		
Basic	**$ 0.55**	**$ 0.68**
Diluted	**$ 0.55**	**$ 0.68**

See Accompanying Notes to Condensed Consolidated Financial Statements.

ALLIANCEBERNSTEIN L.P.
AND SUBSIDIARIES
Condensed Consolidated Statements of Comprehensive Income
(in thousands)
(unaudited)

	Three Months Ended March 31,	
	2019	**2018**
Net income	$ 159,230	$ 206,846
Other comprehensive income (loss):		
Foreign currency translation adjustment, before tax	2,630	9,921
Income tax expense	(77)	—
Foreign currency translation adjustments, net of tax	2,553	9,921
Changes in employee benefit related items:		
Amortization of prior service cost	6	6
Recognized actuarial gain	267	282
Changes in employee benefit related items	273	288
Income tax benefit (expense)	10	(118)
Employee benefit related items, net of tax	283	170
Other comprehensive income	2,836	10,091
Less: Comprehensive income in consolidated entities attributable to non-controlling interests	10,096	22,667
Comprehensive income attributable to AB Unitholders	**$ 151,970**	**$ 194,270**

See Accompanying Notes to Condensed Consolidated Financial Statements.

ALLIANCEBERNSTEIN L.P. AND SUBSIDIARIES
Condensed Consolidated Statements of Cash Flows
(in thousands)
(unaudited)

	Three Months Ended March 31,	
	2019	**2018**
Cash flows from operating activities:		
Net income	**$ 159,230**	**$ 206,846**
Adjustments to reconcile net income to net cash provided by operating activities:		
Amortization of deferred sales commissions	3,502	6,598
Non-cash long-term incentive compensation expense	19,070	12,484
Depreciation and other amortization	41,892	17,737
Unrealized (gains) losses on investments	(10,543)	3,239
Unrealized (gains) on investments of consolidated company-sponsored investment funds	(21,930)	(23,393)
Other, net	6,246	(2,885)
Changes in assets and liabilities:		
(Increase) in segregated cash and securities	(92,624)	(208,179)
Decrease (increase) in receivables	97,411	(145,051)
Decrease in investments	449,556	35,028
(Increase) in investments of consolidated company-sponsored investment funds	(11,683)	(686,794)
(Increase) decrease in deferred sales commissions	(3,175)	348
(Increase) in right-of-use assets	(577,842)	—
Decrease (increase) in other assets	38,685	(62,304)
Decrease in other assets and liabilities of consolidated company-sponsored investment funds, net	3,688	515,678
(Decrease) increase in payables	(222,472)	425,449
Increase in lease liabilities	541,928	—
(Decrease) increase in accounts payable and accrued expenses	(29,114)	3,900
Increase in accrued compensation and benefits	40,644	66,012
Net cash provided by operating activities	**432,469**	**164,713**
Cash flows from investing activities:		
Purchases of furniture, equipment and leasehold improvements	(5,567)	(5,440)
Net cash used in investing activities	**(5,567)**	**(5,440)**

	Three Months Ended March 31,	
	2019	2018
Cash flows from financing activities:		
Issuance (repayment) of commercial paper, net	15,459	(3,069)
Repayment of bank loans	(25,000)	(75,000)
(Decrease) increase in overdrafts payable	(65,352)	7,410
Distributions to General Partner and Unitholders	(191,485)	(247,773)
(Redemptions) subscriptions of investments in consolidated company-sponsored investment funds, net	(36)	372,785
Capital contributions to affiliates	(932)	(1,677)
Additional investments by AB Holding with proceeds from exercise of compensatory options to buy AB Holding Units	7,382	4,009
Purchases of AB Holding Units to fund long-term incentive compensation plan awards, net	(58,452)	(2,128)
Other	(228)	16
Net cash (used in) provided by financing activities	**(318,644)**	**54,573**
Effect of exchange rate changes on cash and cash equivalents	640	8,261
Net increase in cash and cash equivalents	**108,898**	**222,107**
Cash and cash equivalents as of beginning of the period	653,324	998,448
Cash and cash equivalents as of end of the period	**$ 762,222**	**$ 1,220,555**

See Accompanying Notes to Condensed Consolidated Financial Statements.

ALLIANCEBERNSTEIN L.P.
AND SUBSIDIARIES
Notes to Condensed Consolidated Financial Statements
March 31, 2019
(unaudited)

The words "we" and "our" refer collectively to AllianceBernstein L.P. and its subsidiaries ("AB"), or to their officers and employees. Similarly, the word "company" refers to AB. These statements should be read in conjunction with AB's audited consolidated financial statements included in AB's Form 10-K for the year ended December 31, 2018.

1. Business Description Organization and Basis of Presentation

Business Description

We provide research, diversified investment management and related services globally to a broad range of clients. Our principal services include:

- Institutional Services – servicing our institutional clients, including private and public pension plans, foundations and endowments, insurance companies, central banks and governments worldwide, and affiliates such as AXA S.A. ("AXA"), AXA Equitable Holdings, Inc. ("EQH") and their respective subsidiaries, by means of separately-managed accounts, sub-advisory relationships, structured products, collective investment trusts, mutual funds, hedge funds and other investment vehicles.

- Retail Services – servicing our retail clients, primarily by means of retail mutual funds sponsored by AB or an affiliated company, sub-advisory relationships with mutual funds sponsored by third parties, separately-managed account programs sponsored by financial intermediaries worldwide and other investment vehicles.

- Private Wealth Management Services – servicing our private clients, including high-net-worth individuals and families, trusts and estates, charitable foundations, partnerships, private and family corporations, and other entities, by means of separately-managed accounts, hedge funds, mutual funds and other investment vehicles.

- Bernstein Research Services – servicing institutional investors, such as pension fund, hedge fund and mutual fund managers, seeking high-quality fundamental research, quantitative services and brokerage-related services in equities and listed options.

We also provide distribution, shareholder servicing, transfer agency services and administrative services to the mutual funds we sponsor.

Our high-quality, in-depth research is the foundation of our business. Our research disciplines include economic, fundamental equity, fixed income and quantitative research. In addition, we have experts focused on multi-asset strategies, wealth management and alternative investments.

We provide a broad range of investment services with expertise in:

- Actively-managed equity strategies, with global and regional portfolios across capitalization ranges, concentration ranges and investment strategies, including value, growth and core equities;

- Actively-managed traditional and unconstrained fixed income strategies, including taxable and tax-exempt strategies;

- Passive management, including index and enhanced index strategies;

- Alternative investments, including hedge funds, fund of funds and private equity (*e.g.*, direct lending); and

- Multi-asset solutions and services, including dynamic asset allocation, customized target-date funds and target-risk funds.

Our services span various investment disciplines, including market capitalization (*e.g.*, large-, mid- and small-cap equities), term (*e.g.*, long-, intermediate- and short-duration debt securities), and geographic location (*e.g.*, U.S., international, global, emerging markets, regional and local), in major markets around the world.

Organization

During 2017, AXA announced its intention to pursue the sale of a minority stake in EQH through an initial public offering ("IPO"). During the second quarter of 2018, AXA completed the IPO. Since then, AXA has completed two additional offerings, most recently during the first quarter of 2019. As a result, AXA owns 48.3% of the outstanding common stock of EQH as of March 31, 2019. AXA has announced its intention to sell its entire remaining interest in EQH over time, subject to market conditions and other factors. AXA is under no obligation to do so and retains the sole discretion to determine the timing of any future sales of shares of EQH common stock.

As of March 31, 2019, EQH owns approximately 4.2% of the issued and outstanding units representing assignments of beneficial ownership of limited partnership interests in AllianceBernstein Holding L.P. (“AB Holding Units”). AllianceBernstein Corporation (an indirect wholly-owned subsidiary of EQH, “General Partner”) is the general partner of both AllianceBernstein Holding L.P. (“AB Holding”) and AB. AllianceBernstein Corporation owns 100,000 general partnership units in AB Holding and a 1% general partnership interest in AB.

As of March 31, 2019, the ownership structure of AB, including limited partnership units outstanding as well as the general partner's 1% interest, is as follows:

EQH and its subsidiaries	64.0%
AB Holding	35.2
Unaffiliated holders	0.8
	100.0%

Including both the general partnership and limited partnership interests in AB Holding and AB, EQH and its subsidiaries had an approximate 65.6% economic interest in AB as of March 31, 2019.

Basis of Presentation

The interim condensed consolidated financial statements have been prepared in accordance with the instructions to Form 10-Q pursuant to the rules and regulations of the U.S. Securities and Exchange Commission (“SEC”). In the opinion of management, all adjustments, consisting only of normal recurring adjustments, necessary for a fair statement of the interim results, have been made. The preparation of the condensed consolidated financial statements requires management to make certain estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the dates of the condensed consolidated financial statements and the reported amounts of revenues and expenses during the interim reporting periods. Actual results could differ from those estimates. The condensed consolidated statement of financial condition as of December 31, 2018 was derived from audited financial statements, but does not include all disclosures required by accounting principles generally accepted in the United States of America (“GAAP”).

Principles of Consolidation

The condensed consolidated financial statements include AB and its majority-owned and/or controlled subsidiaries, and the consolidated entities that are considered to be variable interest entities (“VIEs”) and voting interest entities (“VOEs”) in which AB has a controlling financial interest. Non-controlling interests on the condensed consolidated statements of financial condition include the portion of consolidated company-sponsored investment funds in which we do not have direct equity ownership. All significant inter-company transactions and balances among the consolidated entities have been eliminated.

Reclassification

During 2019, prior period amounts for revenues related to our middle market lending business have been reclassified from other revenues to investment advisory fees in the condensed consolidated statements of income to conform to the current period's presentation.

During 2019, prior period amounts for research and miscellaneous fees related to our brokers dealers previously presented as changes in other assets are now presented as changes in receivables; and certain income taxes payable and receivable as well as deferred tax assets and liabilities previously presented as changes in payables are now presented as changes in other assets in the condensed consolidated statements of cash flows to conform to the current period's presentation.

2. Significant Accounting Policies

Recently Adopted Accounting Pronouncements

In February 2016, the Financial Accounting Standards Board ("FASB") issued ASU 2016-02, *Leases*. This pronouncement, along with subsequent ASUs issued to clarify certain provisions of ASU 2016-02 is now referred to as Accounting Standards Codification 842 ("ASC 842"). The standard requires a lessee to record most leases on its balance sheet while also disclosing key information about those lease arrangements. The classification criteria to distinguish between finance and operating leases are generally consistent with the classification criteria to distinguish between capital and operating leases under previous lease accounting guidance. We adopted this new standard on January 1, 2019 using the modified retrospective method. Prior comparable periods will not be adjusted under this method.

We applied several practical expedients offered by ASC 842 upon adoption of this standard. These included continuing to account for existing leases based on judgments made under legacy GAAP as it relates to determining classification of leases, unamortized initial direct costs and whether contracts are leases or contain leases. We also used a practical expedient to use hindsight in determining the lease terms (using knowledge and expectations as of the standard's adoption date instead of the previous assumptions under legacy GAAP) and evaluating impairment of our right-of-use assets in the transition period (using our most up-to-date information).

Adoption of this standard resulted in the recording of operating right-of-use assets and lease liabilities of $438.7 million and $574.5 million, respectively, and financing right-of-use assets and lease liabilities of $2.4 million as of January 1, 2019. The operating right-of-use assets recognized as of January 1, 2019 are net of deferred rent of $50.0 million and liabilities associated with previously recognized impairments of $85.8 million. *See Note 13, Leases*, for additional disclosures.

In February 2018, the FASB issued ASU 2018-02, *Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income,* which permits a company to reclassify the disproportionate income tax effects of the 2017 Tax Cuts and Job Act ("2017 Tax Act") on items within Accumulated Other Comprehensive Income ("AOCI") to retained earnings. The FASB refers to these amounts as "stranded tax effects." The ASU also requires certain new disclosures, some of which are applicable for all companies. The guidance is effective for all companies for fiscal years beginning after December 15, 2018, and interim periods within those fiscal years. Companies may adopt the new guidance using one of two transition methods: (1) retrospective to each period (or periods) in which the income tax effect of the 2017 Tax Act related to items remaining in AOCI are recognized, or (2) at the beginning of the period of adoption. We adopted this standard on January 1, 2019. The adoption of this standard did not have an impact on our financial condition or results of operations.

Accounting Pronouncements Not Yet Adopted in 2019

In June 2016, the FASB issued ASU 2016-03, *Financial Instruments - Credit Losses (Topic 326)*. This new guidance relates to the accounting for credit losses on financial instruments. The new guidance introduces an approach based on expected losses to estimate credit losses on certain types of financial instruments. It also modifies the impairment model for available-for-sale debt securities and provides for a simplified accounting model for purchased financial assets with credit deterioration since their origination. The new guidance is effective for financial statements issued for fiscal years beginning after December 15, 2019, with early adoption permitted. Management currently is evaluating the impact that adoption of this standard will have on our financial condition and results of operations.

In January 2017, the FASB issued ASU 2017-04, *Simplifying the Test for Goodwill Impairment*. The guidance removes Step 2 of the goodwill impairment test, which requires a hypothetical purchase price allocation. As a result of the revised guidance, a goodwill impairment will be the amount by which a reporting unit's carrying value exceeds its fair value, not to exceed the carrying amount of goodwill. The revised guidance will be applied prospectively, and is effective in 2020. The revised guidance is not expected to have a material impact on our financial condition or results of operations.

In August 2018, the FASB issued ASU 2018-13, *Fair Value Measurement (Topic 820): Disclosure Framework-Changes to the Disclosure Requirements for Fair Value Measurement*. The amendment modifies the disclosure requirements for fair value measurements by removing, modifying, or adding certain disclosures. The revised guidance is effective for all companies for fiscal years beginning after December 15, 2019, and interim periods within those years. Companies are permitted to early adopt any eliminated or modified disclosure requirements and delay adoption of the additional disclosure requirements until their effective date. The removed and modified disclosures will be adopted on a retrospective basis and the new disclosures will be adopted on a prospective basis. The revised guidance is not expected to have a material impact on our financial condition or results of operations.

In August 2018, the FASB issued ASU 2018-14, *Compensation - Retirement Benefits - Defined Benefit Plans - General (Topic 715-20)*. The amendment modifies the disclosure requirements for employers that sponsor defined benefit pension or other post-retirement plans. The revised guidance is effective for financial statements issued for fiscal years ending after December 15, 2020, with early adoption permitted. The revised guidance is not expected to have a material impact on our financial condition or results of operations.

Leases

We determine if an arrangement is a lease at inception. Both operating and finance leases are included in the right-of-use ("ROU") assets and lease liabilities in our condensed consolidated statement of financial condition.

ROU assets represent our right to use an underlying asset for the lease term and lease liabilities represent our obligation to make lease payments arising from the lease. ROU assets and liabilities are recognized at commencement date based on the present value of lease payments over the lease term. We use our incremental borrowing rate based on the information available at adoption date in determining the present value of lease payments. Our lease terms may include options to extend or terminate the lease. These options to extend or terminate are assessed on a lease-by-lease basis, and the ROU assets and lease liabilities are adjusted when it is reasonably certain that an option will be exercised.

When calculating the measurement of ROU assets and liabilities, we utilize the fixed payments associated with the lease and do not include other variable contractual obligations, such as operating expenses, real estate taxes and employee parking. These costs are accounted for as period costs and expensed as incurred.

Additionally, we exclude any intangible assets such as software licensing agreements as stated in ASC 842-10-15-1. These arrangements will continue to follow the guidance of ASC 350, *Intangibles - Goodwill and Other*.

3. Revenue Recognition

Revenues for the three months ended March 31, 2019 and 2018 consisted of the following:

	Three Months Ended March 31,	
	2019	2018
	(in thousands)	
Subject to contracts with customers:		
Investment advisory and services fees		
Base fees	$ 552,230	$ 567,856
Performance-based fees	4,364	6,260
Bernstein research services	90,235	114,400
Distribution revenues		
All-in-management fees	61,773	66,748
12b-1 fees	19,586	22,534
Other	19,150	18,722
Other revenues		
Shareholder servicing fees	17,830	19,530
Other	4,018	5,753
	769,186	821,803
Not subject to contracts with customers:		
Dividend and interest income, net of interest expense	10,183	18,675
Investment gains (losses)	15,735	26,082
Other revenues	358	1,227
	26,276	45,984
Total net revenues	**$ 795,462**	**$ 867,787**

4. Long-term Incentive Compensation Plans

We maintain several unfunded, non-qualified long-term incentive compensation plans, under which we grant annual awards to employees, generally in the fourth quarter, and to members of the Board of Directors of the General Partner, who are not employed by our company or by any of our affiliates ("Eligible Directors").

We fund our restricted AB Holding Unit awards either by purchasing AB Holding Units on the open market or purchasing newly-issued AB Holding Units from AB Holding, and then keeping all of these AB Holding Units in a consolidated rabbi trust until delivering them or retiring them. In accordance with the Amended and Restated Agreement of Limited Partnership of AB ("AB Partnership Agreement"), when AB purchases newly-issued AB Holding Units from AB Holding, AB Holding is required to use the proceeds it receives from AB to purchase the equivalent number of newly-issued AB Units, thus increasing its percentage ownership interest in AB. AB Holding Units held in the consolidated rabbi trust are corporate assets in the name of the trust and are available to the general creditors of AB.

During the three months ended March 31, 2019 and 2018, we purchased 2.0 million and 0.1 million AB Holding Units for $58.6 million and $2.3 million, respectively (on a trade date basis). The 2019 amounts reflect open-market purchases of 1.9 million AB Holding Units for $55.2 million, with the remainder relating to purchases of AB Holding Units from employees to allow them to fulfill statutory tax withholding requirements at the time of delivery of long-term incentive compensation awards. There were no open-market purchases during the first quarter of 2018. Purchases of AB Holding Units reflected on the condensed consolidated statements of cash flows are net of AB Holding Unit purchases by employees as part of a distribution reinvestment election.

Each quarter, we consider whether to implement a plan to repurchase AB Holding Units pursuant to Rules 10b5-1 and 10b-18 under the Exchange Act. A plan of this type allows a company to repurchase its shares at times when it otherwise might be prevented from doing so because of self-imposed trading blackout periods or because it possesses material non-public information. Each broker we select has the authority under the terms and limitations specified in the plan to repurchase AB Holding Units on our behalf in accordance with the terms of the plan. Repurchases are subject to regulations promulgated by the SEC as well as certain price, market volume and timing constraints specified in the plan. The plan adopted during the fourth quarter of 2018 expired at the close of business on February 12, 2019. There was no plan adopted during the first quarter of 2019. We may adopt additional plans in the future to engage in open-market purchases of AB Holding Units to help fund anticipated obligations under our incentive compensation award program and for other corporate purposes.

During the first three months of 2019 and 2018, we granted to employees and Eligible Directors 0.1 million and 0.7 million restricted AB Holding Unit awards, respectively. We used AB Holding Units repurchased during the periods and newly-issued AB Holding Units to fund these awards.

During the first three months of 2019 and 2018, AB Holding issued 0.3 million and 0.2 million AB Holding Units, respectively, upon exercise of options to buy AB Holding Units. AB Holding used the proceeds of $7.4 million and $4.0 million, respectively, received from employees as payment in cash for the exercise price to purchase the equivalent number of newly-issued AB Units.

5. Net Income per Unit

Basic net income per unit is derived by reducing net income for the 1% general partnership interest and dividing the remaining 99% by the basic weighted average number of limited partnership units outstanding for each period. Diluted net income per unit is derived by reducing net income for the 1% general partnership interest and dividing the remaining 99% by the total of the diluted weighted average number of limited partnership units outstanding for each period.

	Three Months Ended March 31,	
	2019	**2018**
	(in thousands, except per unit amounts)	
Net income attributable to AB Unitholders	$ 149,114	$ 184,196
Weighted average limited partnership units outstanding – basic	267,336	269,184
Dilutive effect of compensatory options to buy AB Holding Units	72	336
Weighted average limited partnership units outstanding – diluted	267,408	269,520
Basic net income per AB Unit	**$ 0.55**	**$ 0.68**
Diluted net income per AB Unit	**$ 0.55**	**$ 0.68**

For the three months ended March 31, 2019 and 2018, we excluded 29,056 and 1,225,731 options, respectively, from the diluted net income computation due to their anti-dilutive effect.

6. Cash Distributions

AB is required to distribute all of its Available Cash Flow, as defined in the AB Partnership Agreement, to its Unitholders and to the General Partner. Available Cash Flow can be summarized as the cash flow received by AB from operations minus such amounts as the General Partner determines, in its sole discretion, should be retained by AB for use in its business, or plus such amounts as the General Partner determines, in its sole discretion, should be released from previously retained cash flow.

Typically, Available Cash Flow has been the adjusted diluted net income per unit for the quarter multiplied by the number of general and limited partnership interests at the end of the quarter. In future periods, management anticipates that Available Cash Flow will be based on adjusted diluted net income per unit, unless management determines, with the concurrence of the Board of Directors, that one or more adjustments that are made for adjusted net income should not be made with respect to the Available Cash Flow calculation.

On April 25, 2019, the General Partner declared a distribution of $0.56 per AB Unit, representing a distribution of Available Cash Flow for the three months ended March 31, 2019. The General Partner, as a result of its 1% general partnership interest, is entitled to receive 1% of each distribution. The distribution is payable on May 16, 2019 to holders of record on May 6, 2019.

7. Cash and Securities Segregated Under Federal Regulations and Other Requirements

As of March 31, 2019 and December 31, 2018, $1.3 billion and $1.2 billion, respectively, of U.S. Treasury Bills were segregated in a special reserve bank custody account for the exclusive benefit of our brokerage customers under Rule 15c3-3 of the Exchange Act.

8. Investments

Investments consist of:

	March 31, 2019	December 31, 2018
	(in thousands)	
U.S. Treasury Bills	$ —	$ 392,424
Equity securities:		
Long-term incentive compensation-related	36,137	38,883
Seed capital	84,697	105,951
Other	53,193	73,409
Exchange-traded options	3,046	2,568
Investments in limited partnership hedge funds:		
Long-term incentive compensation-related	13,580	13,546
Seed capital	63,723	67,153
Time deposits	8,634	8,783
Other	12,183	11,627
Total investments	**$ 275,193**	**$ 714,344**

Total investments related to long-term incentive compensation obligations of $49.7 million and $52.4 million as of March 31, 2019 and December 31, 2018, respectively, consist of company-sponsored mutual funds and hedge funds. For long-term incentive compensation awards granted before 2009, we typically made investments in company-sponsored mutual funds and hedge funds that were notionally elected by plan participants and maintained them (and continue to maintain them) in a consolidated rabbi trust or separate custodial account. The rabbi trust and custodial account enable us to hold such investments separate from our other assets for the purpose of settling our obligations to participants. The investments held in the rabbi trust and custodial account remain available to the general creditors of AB.

The underlying investments of the hedge funds in which we invest include long and short positions in equity securities, fixed income securities (including various agency and non-agency asset-based securities), currencies, commodities and derivatives (including various swaps and forward contracts). These investments are valued at quoted market prices or, where quoted market prices are not available, are fair valued based on the pricing policies and procedures of the underlying funds.

We allocate seed capital to our investment teams to help develop new products and services for our clients. A portion of our seed capital investments are equity and fixed income products, primarily in the form of separately-managed account portfolios, U.S. mutual funds, Luxembourg funds, Japanese investment trust management funds or Delaware business trusts. We also may allocate seed capital to investments in private equity funds. In regard to our seed capital investments, the amounts above reflect those funds in which we are not the primary beneficiary of a VIE or hold a controlling financial interest in a VOE. *See Note 14, Consolidated Company-Sponsored Investment Funds*, for a description of the seed capital investments that we consolidate. As of March 31, 2019 and December 31, 2018, our total seed capital investments were $381.4 million and $391.6 million, respectively. Seed capital investments in unconsolidated company-sponsored investment funds are valued using published net asset values or non-published net asset values if they are not listed on an active exchange but have net asset values that are comparable to funds with published net asset values and have no redemption restrictions.

In addition, we also have long positions in corporate equities and long exchange-traded options traded through our options desk.

The portion of unrealized gains (losses) related to equity securities, as defined by ASC 321-10, held as of March 31, 2019 and 2018 were as follows:

	Three Months Ended March 31, 2019	Three Months Ended March 31, 2018
	(in thousands)	
Net gains (losses) recognized during the period	$ 13,994	$ (442)
Less: net gains recognized during the period on equity securities sold during the period	3,132	2,895
Unrealized gains (losses) recognized during the period on equity securities held	**$ 10,862**	**$ (3,337)**

9. Derivative Instruments

See Note 14, Consolidated Company-Sponsored Investment Funds, for disclosure of derivative instruments held by our consolidated company-sponsored investment funds.

We enter into various futures, forwards, options and swaps to economically hedge certain seed capital investments. Also, we have currency forwards that help us to economically hedge certain balance sheet exposures. In addition, our options desk trades long and short exchange-traded equity options. We do not hold any derivatives designated in a formal hedge relationship under ASC 815-10, *Derivatives and Hedging*.

The notional value and fair value as of March 31, 2019 and December 31, 2018 for derivative instruments (excluding derivative instruments relating to our options desk trading activities *discussed below*) not designated as hedging instruments were as follows:

		Fair Value	
	Notional Value	Asset Derivatives	Liability Derivatives
		(in thousands)	
March 31, 2019:			
Exchange-traded futures	$ 168,743	$ 231	$ 1,672
Currency forwards	57,539	7,044	6,960
Interest rate swaps	99,922	1,391	1,815
Credit default swaps	96,504	1,347	3,481
Total return swaps	92,706	41	462
Total derivatives	**$ 515,414**	**$ 10,054**	**$ 14,390**
December 31, 2018:			
Exchange-traded futures	$ 218,657	$ 1,594	$ 2,534
Currency forwards	87,019	7,647	7,582
Interest rate swaps	112,658	1,649	1,959
Credit default swaps	94,657	2,888	2,685
Total return swaps	99,038	3,301	62
Total derivatives	**$ 612,029**	**$ 17,079**	**$ 14,822**

As of March 31, 2019 and December 31, 2018, the derivative assets and liabilities are included in both receivables and payables to brokers and dealers on our condensed consolidated statements of financial condition.

The gains and losses for derivative instruments (excluding our options desk trading activities *discussed below*) for the three months ended March 31, 2019 and 2018 recognized in investment gains (losses) in the condensed consolidated statements of income were as follows:

	Three Months Ended March 31,	
	2019	2018
	(in thousands)	
Exchange-traded futures	$ (5,115)	$ 825
Currency forwards	(40)	17
Interest rate swaps	(314)	274
Credit default swaps	(2,340)	74
Total return swaps	(11,956)	1,177
Net (losses) gains on derivative instruments	**$ (19,765)**	**$ 2,367**

We may be exposed to credit-related losses in the event of nonperformance by counterparties to derivative financial instruments. We minimize our counterparty exposure through a credit review and approval process. In addition, we have executed various collateral arrangements with counterparties to the over-the-counter derivative transactions that require both pledging and accepting collateral in the form of cash. As of March 31, 2019 and December 31, 2018, we held $1.1 million and $4.8 million, respectively, of cash collateral payable to trade counterparties. This obligation to return cash is reported in payables to brokers and dealers in our condensed consolidated statements of financial condition.

Although notional amount is the most commonly used measure of volume in the derivative market, it is not used as a measure of credit risk. Generally, the current credit exposure of our derivative contracts is limited to the net positive estimated fair value of derivative contracts at the reporting date after taking into consideration the existence of netting agreements and any collateral received. A derivative with positive value (a derivative asset) indicates existence of credit risk because the counterparty would owe us if the contract were closed. Alternatively, a derivative contract with negative value (a derivative liability) indicates we would owe money to the counterparty if the contract were closed. Generally, if there is more than one derivative transaction with a single counterparty, a master netting arrangement exists with respect to derivative transactions with that counterparty to provide for aggregate net settlement.

Certain of our standardized contracts for over-the-counter derivative transactions ("ISDA Master Agreements") contain credit risk related contingent provisions pertaining to each counterparty's credit rating. In some ISDA Master Agreements, if the counterparty's credit rating, or in some agreements, our assets under management ("AUM"), falls below a specified threshold, either a default or a termination event permitting the counterparty to terminate the ISDA Master Agreement would be triggered. In all agreements that provide for collateralization, various levels of collateralization of net liability positions are applicable, depending on the credit rating of the counterparty. As of March 31, 2019 and December 31, 2018, we delivered $3.7 million and $4.5 million, respectively, of cash collateral into brokerage accounts. We report this cash collateral in cash and cash equivalents in our condensed consolidated statements of financial condition.

As of March 31, 2019 and December 31, 2018, we held $3.0 million and $2.6 million, respectively, of long exchange-traded equity options, which are included in other investments on our condensed consolidated statements of financial condition. In addition, as of March 31, 2019 and December 31, 2018, we held $2.9 million and $3.8 million, respectively, of short exchange-traded equity options, which are included in securities sold not yet purchased on our condensed consolidated statements of financial condition. Our options desk provides our clients with equity derivative strategies and execution for exchange-traded options on single stocks, exchange-traded funds and indices. While predominately agency-based, the options desk may commit capital to facilitate a client's transaction. Our options desk hedges the risks associated with this activity by taking offsetting positions in equities. For the three months ended March 31, 2019 and 2018, we recognized $7.6 million and $4.2 million, respectively, of losses on equity options activity. These losses are recognized in investment gains (losses) in the condensed consolidated statements of income.

10. Offsetting Assets and Liabilities

See Note 14, Consolidated Company-Sponsored Investment Funds, for disclosure of offsetting assets and liabilities of our consolidated company-sponsored investment funds.

Offsetting of assets as of March 31, 2019 and December 31, 2018 was as follows:

	Gross Amounts of Recognized Assets	Gross Amounts Offset in the Statement of Financial Condition	Net Amounts of Assets Presented in the Statement of Financial Condition	Financial Instruments	Cash Collateral Received	Net Amount
	(in thousands)					
March 31, 2019:						
Securities borrowed	$ 55,031	$ —	$ 55,031	$ (54,249)	$ —	$ 782
Derivatives	$ 10,054	$ —	$ 10,054	$ —	$ (1,141)	$ 8,913
Long exchange-traded options	$ 3,046	$ —	$ 3,046	$ —	$ —	$ 3,046
December 31, 2018:						
Securities borrowed	$ 64,856	$ —	$ 64,856	$ (64,217)	$ —	$ 639
Derivatives	$ 17,079	$ —	$ 17,079	$ —	$ (4,831)	$ 12,248
Long exchange-traded options	$ 2,568	$ —	$ 2,568	$ —	$ —	$ 2,568

Offsetting of liabilities as of March 31, 2019 and December 31, 2018 was as follows:

	Gross Amounts of Recognized Liabilities	Gross Amounts Offset in the Statement of Financial Condition	Net Amounts of Liabilities Presented in the Statement of Financial Condition	Financial Instruments	Cash Collateral Pledged	Net Amount
	(in thousands)					
March 31, 2019:						
Securities loaned	$ —	$ —	$ —	$ —	$ —	$ —
Derivatives	$ 14,390	$ —	$ 14,390	$ —	$ (3,655)	$ 10,735
Short exchange-traded options	$ 2,878	$ —	$ 2,878	$ —	$ —	$ 2,878
December 31, 2018:						
Securities loaned	$ 59,526	$ —	$ 59,526	$ (59,526)	$ —	$ —
Derivatives	$ 14,822	$ —	$ 14,822	$ —	$ (4,458)	$ 10,364
Short exchange-traded options	$ 3,782	$ —	$ 3,782	$ —	$ —	$ 3,782

Cash collateral, whether pledged or received on derivative instruments, is not considered material and, accordingly, is not disclosed by counterparty.

11. Fair Value

See Note 14, Consolidated Company-Sponsored Investment Funds, for disclosure of fair value of our consolidated company-sponsored investment funds.

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability (*i.e.*, the "exit price") in an orderly transaction between market participants at the measurement date. The three broad levels of fair value hierarchy are as follows:

- Level 1 – Quoted prices in active markets are available for identical assets or liabilities as of the reported date.
- Level 2 – Quoted prices in markets that are not active or other pricing inputs that are either directly or indirectly observable as of the reported date.
- Level 3 – Prices or valuation techniques that are both significant to the fair value measurement and unobservable as of the reported date. These financial instruments do not have two-way markets and are measured using management's best estimate of fair value, where the inputs into the determination of fair value require significant management judgment or estimation.

Assets and Liabilities Measured at Fair Value on a Recurring Basis

Valuation of our financial instruments by pricing observability levels as of March 31, 2019 and December 31, 2018 was as follows (in thousands):

	Level 1	Level 2	Level 3	NAV Expedient(1)	Other	Total
March 31, 2019:						
Money markets	$ 93,286	$ —	$ —	$ —	$ —	$ 93,286
Securities segregated (U.S. Treasury Bills)	—	1,262,178	—	—	—	1,262,178
Derivatives	231	9,823	—	—	—	10,054
Investments						
U.S. Treasury Bills	—	—	—	—	—	—
Equity securities	167,346	6,248	115	318	—	174,027
Long exchange-traded options	3,046	—	—	—	—	3,046
Limited partnership hedge funds(2)	—	—	—	—	77,303	77,303
Time deposits(3)	—	—	—	—	8,634	8,634
Other investments	5,028	—	—	—	7,155	12,183
Total investments	175,420	6,248	115	318	93,092	275,193
Total assets measured at fair value	**$ 268,937**	**$ 1,278,249**	**$ 115**	**$ 318**	**$ 93,092**	**$ 1,640,711**
Securities sold not yet purchased						
Short equities – corporate	$ 2,465	$ —	$ —	$ —	$ —	$ 2,465
Short exchange-traded options	2,878	—	—	—	—	2,878
Derivatives	1,672	12,718	—	—	—	14,390
Contingent payment arrangements	—	—	7,390	—	—	7,390
Total liabilities measured at fair value	**$ 7,015**	**$ 12,718**	**$ 7,390**	**$ —**	**$ —**	**$ 27,123**

	Level 1	Level 2	Level 3	NAV Expedient[1]	Other	Total
December 31, 2018:						
Money markets	$ 102,888	$ —	$ —	$ —	$ —	$ 102,888
Securities segregated (U.S. Treasury Bills)	—	1,169,554	—	—	—	1,169,554
Derivatives	1,594	15,485	—	—	—	17,079
Investments						
U.S. Treasury Bills	—	392,424	—	—	—	392,424
Equity securities	209,414	8,372	142	315	—	218,243
Long exchange-traded options	2,568	—	—	—	—	2,568
Limited partnership hedge funds[2]	—	—	—	—	80,699	80,699
Time deposits[3]	—	—	—	—	8,783	8,783
Other investments	4,269	—	—	—	7,358	11,627
Total investments	216,251	400,796	142	315	96,840	714,344
Total assets measured at fair value	**$ 320,733**	**$ 1,585,835**	**$ 142**	**$ 315**	**$ 96,840**	**$ 2,003,865**
Securities sold not yet purchased						
Short equities – corporate	$ 4,841	$ —	$ —	$ —	$ —	$ 4,841
Short exchange-traded options	3,782	—	—	—	—	3,782
Derivatives	2,534	12,288	—	—	—	14,822
Contingent payment arrangements	—	—	7,336	—	—	7,336
Total liabilities measured at fair value	**$ 11,157**	**$ 12,288**	**$ 7,336**	**$ —**	**$ —**	**$ 30,781**

(1) Investments measured at fair value using NAV (or its equivalent) as a practical expedient.
(2) Investments in equity method investees that are not measured at fair value in accordance with GAAP.
(3) Investments carried at amortized cost that are not measured at fair value in accordance with GAAP.

Other investments include (i) an investment in a start-up company that does not have a readily available fair value ($0.9 million as of March 31, 2019 and December 31, 2018), (ii) an investment in an equity method investee that is not measured at fair value in accordance with GAAP ($2.9 million as of March 31, 2019 and $3.4 million as of December 31, 2018), and (iii) broker dealer exchange memberships that are not measured at fair value in accordance with GAAP ($3.3 million as of March 31, 2019 and $3.1 million as of December 31, 2018).

We *provide below* a description of the fair value methodologies used for instruments measured at fair value, as well as the general classification of such instruments pursuant to the valuation hierarchy:

- Money markets: We invest excess cash in various money market funds that are valued based on quoted prices in active markets; these are included in Level 1 of the valuation hierarchy.

- Treasury Bills: We hold U.S. Treasury Bills, which are primarily segregated in a special reserve bank custody account as required by Rule 15c3-3 of the Exchange Act. These securities are valued based on quoted yields in secondary markets and are included in Level 2 of the valuation hierarchy.

- Equity securities: Our equity securities consist principally of company-sponsored mutual funds with NAVs and various separately-managed portfolios consisting primarily of equity and fixed income mutual funds with quoted prices in active markets, which are included in Level 1 of the valuation hierarchy. In addition, some securities are valued based on observable inputs from recognized pricing vendors, which are included in Level 2 of the valuation hierarchy.

- Derivatives: We hold exchange-traded futures with counterparties that are included in Level 1 of the valuation hierarchy. In addition, we also hold currency forward contracts, interest rate swaps, credit default swaps, option swaps and total return swaps with counterparties that are valued based on observable inputs from recognized pricing vendors, which are included in Level 2 of the valuation hierarchy.

- Options: We hold long exchange-traded options that are included in Level 1 of the valuation hierarchy.
- Securities sold not yet purchased: Securities sold not yet purchased, primarily reflecting short positions in equities and exchange-traded options, are included in Level 1 of the valuation hierarchy.
- Contingent payment arrangements: Contingent payment arrangements relate to contingent payment liabilities associated with various acquisitions. At each reporting date, we estimate the fair values of the contingent consideration expected to be paid based upon probability-weighted AUM and revenue projections, using unobservable market data inputs, which are included in Level 3 of the valuation hierarchy.

During the three months ended March 31, 2019, we had a transfer of $3.2 million from Level 2 to Level 1; there was no transfer between Level 2 and Level 3 securities.

The change in carrying value associated with Level 3 financial instruments carried at fair value, classified as private equity and equity securities, is as follows:

	Three Months Ended March 31,	
	2019	2018
	(in thousands)	
Balance as of beginning of period	$ 142	$ 1,071
Purchases	—	—
Sales	—	—
Realized gains (losses), net	—	—
Unrealized gains (losses), net	(27)	—
Balance as of end of period	**$ 115**	**$ 1,071**

Transfers into and out of all levels of the fair value hierarchy are reflected at end-of-period fair values. Realized and unrealized gains and losses on Level 3 financial instruments are recorded in investment gains and losses in the condensed consolidated statements of income.

As of March 31, 2018, we had an investment in a private equity fund focused exclusively on the energy sector (fair value of $1.0 million) that was classified as Level 3 and written off during the second quarter of 2018.This investment's valuation was based on a market approach, considering recent transactions in the fund and the industry.

We acquired Ramius Alternative Solutions LLC in 2016, which included contingent consideration arrangements as part of the purchase price. The change in carrying value associated with Level 3 financial instruments carried at fair value, classified as contingent payment arrangements, is as follows:

	Three Months Ended March 31,	
	2019	2018
	(in thousands)	
Balance as of beginning of period	$ 7,336	$ 10,855
Accretion	54	53
Payments	—	—
Balance as of end of period	**$ 7,390**	**$ 10,908**

During 2018, we amended the contingent payment relating to our 2016 acquisition by modifying the earnout structure and extending it one year. As part of this amendment, we recorded a change in estimate and wrote off $2.4 million related to the contingent consideration in the fourth quarter. As of March 31, 2019 and December 31, 2018, the acquisition-related contingent liability with a fair value of $7.4 million and $7.3 million, respectively, remains relating to our 2016 acquisition, which was valued using a revenue growth rate of 18% and a discount rate ranging from 3.2% to 3.7%.

Assets and Liabilities Measured at Fair Value on a Nonrecurring Basis

We did not have any material assets or liabilities that were measured at fair value for impairment on a nonrecurring basis during the three months ended March 31, 2019 or during the year ended December 31, 2018.

12. Commitments and Contingencies

Legal Proceedings

With respect to all significant litigation matters, we consider the likelihood of a negative outcome. If we determine the likelihood of a negative outcome is probable and the amount of the loss can be reasonably estimated, we record an estimated loss for the expected outcome of the litigation. If the likelihood of a negative outcome is reasonably possible and we are able to determine an estimate of the possible loss or range of loss in excess of amounts already accrued, if any, we disclose that fact together with the estimate of the possible loss or range of loss. However, it is often difficult to predict the outcome or estimate a possible loss or range of loss because litigation is subject to inherent uncertainties, particularly when plaintiffs allege substantial or indeterminate damages. Such is also the case when the litigation is in its early stages or when the litigation is highly complex or broad in scope. In these cases, we disclose that we are unable to predict the outcome or estimate a possible loss or range of loss.

AB may be involved in various matters, including regulatory inquiries, administrative proceedings and litigation, some of which may allege significant damages. It is reasonably possible that we could incur losses pertaining to these matters, but we cannot currently estimate any such losses.

Management, after consultation with legal counsel, currently believes that the outcome of any individual matter that is pending or threatened, or all of them combined, will not have a material adverse effect on our results of operations, financial condition or liquidity. However, any inquiry, proceeding or litigation has an element of uncertainty; management cannot determine whether further developments relating to any individual matter that is pending or threatened, or all of them combined, will have a material adverse effect on our results of operation, financial condition or liquidity in any future reporting period.

13. Leases

We lease office space, furniture and office equipment under various operating and financing leases. Our current leases have remaining lease terms of 1 year to 11 years, some of which include options to extend the leases for up to 5 years, and some of which include options to terminate the leases within 1 year.

Since 2010, we have sub-leased over one million square feet of office space. The liability relating to our global space consolidation initiatives was $85.8 million as of December 31, 2018 ("Liability"). Upon adoption of ASC 842 on January 1, 2019, we recorded the Liability as a reduction to our operating right-of-use assets.

Leases included in the condensed consolidated statement of financial condition as of March 31, 2019 were as follows:

	Classification	March 31, 2019
		(in thousands)
Operating Leases		
Operating lease right-of-use assets	Right-of-use assets	$ 419,247
Operating lease liabilities	Lease liabilities	539,096
Finance Leases		
Property and equipment, gross	Right-of-use assets	2,356
Accumulated depreciation	Right-of-use assets	(286)
Property and equipment, net		2,070
Finance lease liabilities	Lease liabilities	2,074

The components of lease expense included in the condensed consolidated statement of income as of March 31, 2019 were as follows:

	Classification	Three Months Ended March 31, 2019
		(in thousands)
Operating lease cost	General and administrative	$ 27,141
Financing lease cost:		
Amortization of right-of-use assets	General and administrative	286
Interest on lease liabilities	Interest expense	17
Total finance lease cost		303
Variable lease cost [(1)]	General and administrative	9,873
Sublease income	General and administrative	(14,463)
Net lease cost		$ 22,854

[(1)] Variable lease expense includes operating expenses, real estate taxes and employee parking.

The sublease income represents all revenues received from subtenants. It is primarily fixed base rental payments combined with variable reimbursements such as operating expenses, real estate taxes and employee parking. The vast majority of subtenant income is derived from our New York metro subtenant agreements. Subtenant income related to base rent is recorded on a straight-line basis.

Maturities of lease liabilities were as follows:

	Operating Leases	Financing Leases	Total
Year ending December 31,		(in thousands)	
2019 (excluding the three months ended March 31, 2019)	$ 93,535	$ 898	$ 94,433
2020	110,711	941	111,652
2021	101,977	297	102,274
2022	88,107	—	88,107
2023	81,356	—	81,356
Thereafter	120,326	—	120,326
Total lease payments	596,012	2,136	598,148
Less interest	(56,916)	(62)	
Present value of lease liabilities	$ 539,096	$ 2,074	

During October 2018, we signed a lease, which commences in mid-2020, relating to 205,000 square feet of space at our new Nashville headquarters. Our estimated total base rent obligation (excluding taxes, operating expenses and utilities) over the 15 year initial lease term is $126 million. During April 2019, we signed a lease, which commences in 2024, relating to approximately 190,000 square feet of space in New York City. Our estimated total base rent obligation (excluding taxes, operating expenses and utilities) over the 20 year lease term is approximately $448 million.

Lease term and discount rate:	
Weighted average remaining lease term (years)	
Operating leases	5.69
Finance leases	1.97
Weighted average discount rate	
Operating leases	3.49%
Finance leases	3.14%

Supplemental cash flow information related to leases was as follows:

	Three Months Ended March 31, 2019
	(in thousands)
Cash paid for amounts included in the measurement of lease liabilities:	
Operating cash flows from operating leases	$ 35,728
Operating cash flows from financing leases	17
Financing cash flows from finance leases	282
Right-of-use assets obtained in exchange for lease obligations:	
Operating leases	2,289
Finance leases	—

14. Consolidated Company-Sponsored Investment Funds

We regularly provide seed capital to new company-sponsored investment funds. As such, we may consolidate or de-consolidate a variety of company-sponsored investment funds each quarter. Due to the similarity of risks related to our involvement with each company-sponsored investment fund, disclosures required under the VIE model are aggregated, such as disclosures regarding the carrying amount and classification of assets.

We are not required to provide financial support to company-sponsored investment funds and only the assets of such funds are available to settle each fund's own liabilities. Our exposure to loss in regard to consolidated company-sponsored investment funds is limited to our investment in, and our management fee earned from, such funds. Equity and debt holders of such funds have no recourse to AB’s assets or to the general credit of AB.

The balances of consolidated VIEs and VOEs included in our condensed consolidated statements of financial condition were as follows:

	March 31, 2019			December 31, 2018		
	(in thousands)					
	VIEs	VOEs	Total	VIEs	VOEs	Total
Cash and cash equivalents	$ 5,948	$ 1,819	$ 7,767	$ 11,880	$ 1,238	$ 13,118
Investments	230,755	154,554	385,309	217,840	133,856	351,696
Other assets	12,668	13,522	26,190	6,024	16,816	22,840
Total assets	**$ 249,371**	**$ 169,895**	**$ 419,266**	**$ 235,744**	**$ 151,910**	**$ 387,654**
Liabilities	$ 14,050	$ 15,598	$ 29,648	$ 5,215	$ 17,395	$ 22,610
Redeemable non-controlling interest	116,343	39,642	155,985	117,523	28,398	145,921
Partners' capital attributable to AB Unitholders	118,978	114,655	233,633	113,006	106,117	219,123
Total liabilities, redeemable non-controlling interest and partners' capital	**$ 249,371**	**$ 169,895**	**$ 419,266**	**$ 235,744**	**$ 151,910**	**$ 387,654**

Fair Value

Cash and cash equivalents include cash on hand, demand deposits, overnight commercial paper and highly liquid investments with original maturities of three months or less. Due to the short-term nature of these instruments, the recorded value has been determined to approximate fair value.

Valuation of consolidated company-sponsored investment funds' financial instruments by pricing observability levels as of March 31, 2019 and December 31, 2018 was as follows (in thousands):

	Level 1	Level 2	Level 3	NAV Expedient	Total
March 31, 2019:					
Investments - VIEs	$ 25,109	$ 196,275	$ 9,371	$ —	$ 230,755
Investments - VOEs	86,036	67,628	890	—	154,554
Derivatives - VIEs	837	1,787	—	—	2,624
Derivatives - VOEs	123	4,237	—	—	4,360
Total assets measured at fair value	**$ 112,105**	**$ 269,927**	**$ 10,261**	**$ —**	**$ 392,293**
Derivatives - VIEs	151	2,629	—	—	2,780
Derivatives - VOEs	343	3,595	—	—	3,938
Total liabilities measured at fair value	**$ 494**	**$ 6,224**	**$ —**	**$ —**	**$ 6,718**
December 31, 2018:					
Investments - VIEs	$ 22,149	$ 187,626	$ 8,065	$ —	$ 217,840
Investments - VOEs	68,063	65,485	308	—	133,856
Derivatives - VIEs	1,486	1,924	—	—	3,410
Derivatives - VOEs	124	3,692	—	—	3,816
Total assets measured at fair value	**$ 91,822**	**$ 258,727**	**$ 8,373**	**$ —**	**$ 358,922**
Derivatives - VIEs	$ 72	$ 3,819	$ —	$ —	$ 3,891
Derivatives - VOEs	197	3,633	—	—	3,830
Total liabilities measured at fair value	**$ 269**	**$ 7,452**	**$ —**	**$ —**	**$ 7,721**

See Note 11 for a description of the fair value methodologies used for instruments measured at fair value, as well as the general classification of such instruments pursuant to the valuation hierarchy.

The change in carrying value associated with Level 3 financial instruments carried at fair value within consolidated company-sponsored investment funds was as follows:

	Three Months Ended March 31,	
	2019	2018
	(in thousands)	
Balance as of beginning of period	$ 8,373	$ 2,264
Transfers (out) in	(97)	(13)
Purchases	2,111	4,034
Sales	(284)	(333)
Realized gains (losses), net	2	5
Unrealized gains (losses), net	149	(58)
Accrued discounts	7	2
Balance as of end of period	**$ 10,261**	**$ 5,901**

The Level 3 securities primarily consist of corporate bonds that are vendor priced with no ratings available, bank loans, non-agency collateralized mortgage obligations and asset-backed securities.

Transfers into and out of all levels of the fair value hierarchy are reflected at end-of-period fair values. Realized and unrealized gains and losses on Level 3 financial instruments are recorded in investment gains and losses in the condensed consolidated statements of income.

Derivative Instruments

As of March 31, 2019 and December 31, 2018, the VIEs held $0.2 million and $0.5 million (net), respectively, of futures, forwards and swaps within their portfolios. For the three months ended March 31, 2019 and 2018, we recognized $1.1 million and $14.9 million of gains and losses, respectively, on these derivatives. These gains and losses are recognized in investment gains (losses) in the condensed consolidated statements of income. As of March 31, 2019 and December 31, 2018, the VIEs held $1.0 million and $0.9 million, respectively, of cash collateral payable to trade counterparties. This obligation to return cash is reported in the liabilities of consolidated company-sponsored investment funds in our condensed consolidated statements of financial condition. As of March 31, 2019 and December 31, 2018, the VIEs delivered $2.1 million and $0.8 million, respectively, of cash collateral into brokerage accounts. The VIEs report this cash collateral in the consolidated company-sponsored investment funds cash and cash equivalents in our condensed consolidated statements of financial condition.

As of March 31, 2019 and December 31, 2018, the VOEs held $0.4 million and $14.0 thousand, respectively, (net) of futures, forwards, options and swaps within their portfolios. For the three months ended March 31, 2019 and 2018, we recognized $0.1 million and $0.5 million of gains and losses, respectively, on these derivatives. These gains and losses are recognized in investment gains (losses) in the condensed consolidated statements of income. As of both March 31, 2019 and December 31, 2018, the VOEs held $0.2 million of cash collateral payable to trade counterparties. This obligation to return cash is reported in the liabilities of consolidated company-sponsored investment funds in our condensed consolidated statements of financial condition. As of March 31, 2019 and December 31, 2018, the VOEs delivered $0.9 million and $0.5 million, respectively, of cash collateral in brokerage accounts. The VOEs report this cash collateral in the consolidated company-sponsored investment funds cash and cash equivalents in our condensed consolidated statements of financial condition.

Offsetting Assets and Liabilities

Offsetting of derivative assets of consolidated company-sponsored investment funds as of March 31, 2019 and December 31, 2018 was as follows:

	Gross Amounts of Recognized Assets	Gross Amounts Offset in the Statement of Financial Condition	Net Amounts of Assets Presented in the Statement of Financial Condition	Financial Instruments	Cash Collateral Received	Net Amount
	(in thousands)					
March 31, 2019:						
Derivatives - VIEs	$ 2,624	$ —	$ 2,624	$ —	$ (958)	$ 1,666
Derivatives - VOEs	$ 4,360	$ —	$ 4,360	$ —	$ (241)	$ 4,119
December 31, 2018:						
Derivatives - VIEs	$ 3,410	$ —	$ 3,410	$ —	$ (856)	$ 2,554
Derivatives - VOEs	$ 3,816	$ —	$ 3,816	$ —	$ (225)	$ 3,591

Offsetting of derivative liabilities of consolidated company-sponsored investment funds as of March 31, 2019 and December 31, 2018 was as follows:

	Gross Amounts of Recognized Liabilities		Gross Amounts Offset in the Statement of Financial Condition		Net Amounts of Liabilities Presented in the Statement of Financial Condition		Financial Instruments		Cash Collateral Pledged		Net Amount	
	(in thousands)											
March 31, 2019:												
Derivatives - VIEs	$	2,780	$	—	$	2,780	$	—	$	(2,089)	$	691
Derivatives - VOEs	$	3,938	$	—	$	3,938	$	—	$	(913)	$	3,025
December 31, 2018:												
Derivatives - VIEs	$	3,891	$	—	$	3,891	$	—	$	(829)	$	3,062
Derivatives - VOEs	$	3,830	$	—	$	3,830	$	—	$	(547)	$	3,283

Cash collateral, whether pledged or received on derivative instruments, is not considered material and, accordingly, is not disclosed by counterparty.

Non-Consolidated VIEs

As of March 31, 2019, the net assets of company-sponsored investment products that are non-consolidated VIEs are approximately $53.5 billion, and our maximum risk of loss is our investment of $6.4 million in these VIEs and our advisory fee receivables from these VIEs, which are not material.

15. Units Outstanding

Changes in AB Units outstanding during the three-month period ended March 31, 2019 were as follows:

Outstanding as of December 31, 2018	268,850,276
Options exercised	334,616
Units issued	381,305
Units retired [1]	(2,380,095)
Balance as of March 31, 2019	**267,186,102**

[1] Includes 300 AB Units purchased in private transactions and retired during the first three months of 2019.

16. Debt

As of March 31, 2019 and December 31, 2018, AB had $542.1 million and $523.2 million, respectively, in commercial paper outstanding with weighted average interest rates of approximately 2.7% for both periods. Debt included in the statement of financial condition is presented net of issuance costs of $1.8 million and $1.9 million as of March 31, 2019 and December 31, 2018, respectively. The commercial paper is short term in nature, and as such, recorded value is estimated to approximate fair value (and considered a Level 2 security in the fair value hierarchy). Average daily borrowings of commercial paper during the first three months of 2019 and the full year 2018 were $518.7 million and $350.3 million, respectively, with weighted average interest rates of approximately 2.7% and 2.0%, respectively.

AB has a $200.0 million committed, unsecured senior revolving credit facility (the "Revolver") with a leading international bank, which matures on November 16, 2021. The Revolver is available for AB's and SCB LLC's business purposes, including the provision of additional liquidity to meet funding requirements primarily related to SCB LLC's operations. Both AB and SCB LLC can draw directly under the Revolver and management expects to draw on the Revolver from time to time. AB has agreed to guarantee the obligations of SCB LLC under the Revolver. The Revolver contains affirmative, negative and financial covenants which are identical to those of AB's $800.0 million committed, unsecured senior revolving credit facility. As of

March 31, 2019, we had no amounts outstanding under the Revolver. As of December 31, 2018, we had $25.0 million outstanding under the Revolver with an interest rate of 3.4%. Average daily borrowing under the Revolver during the first three months of 2019 and full year 2018 were $26.2 million and $19.4 million, respectively, with weighted average interest rates of approximately 3.4% and 2.8%, respectively.

17. Changes in Capital

Changes in capital during the three-month period ended March 31, 2019 were as follows:

	Partners' Capital Attributable to AB Unitholders	Non-Redeemable Non-Controlling Interests In Consolidated Entities	Total Capital
		(in thousands)	
Balance as of December 31, 2018	$ 3,915,260	$ 949	$ 3,916,209
Comprehensive income:			
Net income	149,114	16	149,130
Other comprehensive income, net of tax:			
Foreign currency translation adjustments	2,573	(20)	2,553
Changes in employee benefit related items	283	—	283
Comprehensive income	**151,970**	**(4)**	**151,966**
Distributions to General Partner and unitholders	(191,485)	—	(191,485)
Compensation-related transactions	(32,001)	—	(32,001)
Capital contributions to affiliates	(932)	—	(932)
Balance as of March 31, 2019	**$ 3,842,812**	**$ 945**	**$ 3,843,757**

Changes in capital during the three-month period ended March 31, 2018 were as follows:

	Partners' Capital Attributable to AB Unitholders	Non-redeemable Non-Controlling Interests In Consolidated Entities	Total Capital
		(in thousands)	
Balance as of December 31, 2017	$ 4,061,740	$ 1,564	$ 4,063,304
Comprehensive income:			
Net income	184,196	54	184,250
Other comprehensive income, net of tax:			
Foreign currency translation adjustments	9,904	17	9,921
Changes in employee benefit related items	170	—	170
Comprehensive income	**194,270**	**71**	**194,341**
Distributions to General Partner and unitholders	(247,773)	—	(247,773)
Compensation-related transactions	14,334	—	14,334
Capital contributions from affiliates	(1,677)	—	(1,677)
Distributions to non-controlling interests of our consolidated venture capital fund	—	(5)	(5)
Impact of adoption of revenue recognition standard ASC 606	34,951	—	34,951
Balance as of March 31, 2018	**$ 4,055,845**	**$ 1,630**	**$ 4,057,475**

18. Non-controlling Interests

Non-controlling interest in net income for the three months ended March 31, 2019 and 2018 consisted of the following:

	Three Months Ended March 31,	
	2019	2018
	(in thousands)	
Non-redeemable non-controlling interests:		
Consolidated company-sponsored investment funds	$ —	$ (42)
Other	16	98
Total non-redeemable non-controlling interests	16	56
Redeemable non-controlling interests:		
Consolidated company-sponsored investment funds	10,100	22,594
Total non-controlling interest in net income	**$ 10,116**	**$ 22,650**

Non-redeemable non-controlling interest as of March 31, 2019 and December 31, 2018 consisted of the following:

	March 31, 2019	December 31, 2018
	(in thousands)	
Consolidated company-sponsored investment funds	$ —	$ —
CPH	945	949
Total non-redeemable non-controlling interest	**$ 945**	**$ 949**

Redeemable non-controlling interest as of March 31, 2019 and December 31, 2018 consisted of the following:

	March 31, 2019	December 31, 2018
	(in thousands)	
Consolidated company-sponsored investment funds	$ 155,985	$ 145,921
CPH	2,888	2,888
Total redeemable non-controlling interest	**$ 158,873**	**$ 148,809**

19. Acquisition

On April 1, 2019, we acquired a 100% interest in Autonomous Research ("Autonomous"), an institutional research firm, for initial cash purchase price consideration of approximately $6 million as well as contingent consideration payable in five years based upon meeting certain revenue targets. Also, in accordance with GAAP additional cash payments made to the owners of Autonomous on acquisition date are considered compensation expense to be amortized over a two year period, not purchase price consideration, due to service conditions at the time of acquisition. The valuation of the fair value of assets acquired and liabilities assumed, as well as the contingent consideration payable, will be completed during the second quarter of 2019. The Autonomous acquisition is not expected to have a material impact on our financial condition or results of operations.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

Executive Overview

Our total assets under management ("AUM") as of March 31, 2019 were $554.7 billion, up $38.3 billion, or 7.4%, compared to December 31, 2018, and up $5.2 billion, or 0.9%, compared to March 31, 2018. During the first quarter of 2019, AUM increased as a result of market appreciation of $37.2 billion and net inflows of $1.1 billion (Retail net inflows of $5.3 billion and $0.5 billion for Private Wealth Management, offset by net outflows of $4.7 billion for Institutions). During the twelve months ended March 31, 2019, AUM increased as a result of market appreciation of $9.8 billion, offset by net outflows of $4.6 billion (Institutional net outflows of $11.9 billion, offset by net inflows of $6.6 billion for Retail and $0.7 billion for Private Wealth Management).

Institutional AUM increased $10.3 billion, or 4.2%, to $256.6 billion during the first quarter of 2019, due to market appreciation of $14.9 billion, offset by net outflows of $4.7 billion. Gross sales decreased sequentially from $3.6 billion during the fourth quarter of 2018 to $3.4 billion during the first quarter of 2019. Redemptions and terminations increased sequentially from $4.1 billion to $5.2 billion.

Retail AUM increased $21.1 billion, or 11.7%, to $201.9 billion during the first quarter of 2019, due to market appreciation of $15.8 billion and net inflows of $5.3 billion. Gross sales increased sequentially from $15.0 billion during the fourth quarter of 2018 to $16.4 billion during the first quarter of 2019. Redemptions and terminations decreased sequentially from $12.2 billion to $10.1 billion.

Private Wealth Management AUM increased $6.9 billion, or 7.7%, to $96.2 billion during the first quarter of 2019, due to market appreciation of $6.5 billion and net inflows of $0.5 billion. Gross sales increased sequentially from $2.6 billion during the fourth quarter of 2018 to $3.3 billion during the first quarter of 2019. Redemptions and terminations decreased sequentially from $3.4 billion to $2.9 billion.

Bernstein Research Services revenue for the first quarter of 2019 was $90.2 million, down $24.2 million, or 21.1%, compared to the first quarter of 2018 due to declining revenues in all regions. Revenues declined as a result of lower trading volumes reflecting lower volatility and changes in the timing and size of research payments.

Net revenues for the first quarter of 2019 decreased $72.3 million, or 8.3%, to $795.5 million from $867.8 million in the first quarter of 2018. The most significant contributors to the decrease were lower Bernstein Research Services revenue of $24.2 million, lower investment advisory base fees of $15.6 million, lower investment gains of $10.3 million and lower distribution revenues of $7.5 million. Operating expenses for the first quarter of 2019 decreased $17.8 million, or 2.8%, to $627.3 million from $645.1 million in the first quarter of 2018. The decrease primarily was due to lower promotion and servicing expenses of $11.7 million and lower employee compensation and benefits expenses of $4.5 million. Our operating income decreased $54.5 million, or 24.5%, to $168.2 million from $222.7 million and our operating margin declined to 19.9% in the first quarter of 2019 from 23.0% in the first quarter of 2018.

Market Environment

After a disappointing finish to 2018, global equity and fixed income markets rallied in the first quarter of 2019. Strength in the markets was broad as equity returns were higher across markets and geographical regions, while fixed income returns were positive for both credit and less risky government bonds. Despite the rally, the global economy continues to face headwinds as the U.S. and global business cycles mature, global trade tensions remain unresolved and geopolitical situations in jurisdictions including Italy and the United Kingdom lead to investor uncertainty. Expectations for growth in 2019 are muted, given slower global growth, a stronger U.S. dollar and the fading effects from the last year's tax benefits. Central Bank policy is increasingly becoming the most significant driver of valuation expansion and banks are shifting away from tightening. In the U.S., the Federal Reserve is not likely to increase rates for the rest of 2019, balance sheet reductions are expected to end in September and there is speculation that a rate cut could take place in 2020. The European Central Bank is expected to hold rates steady throughout 2019 and launched new stimulus measures to provide cheap loans to banks. Meanwhile, China adopted new growth tactics, including tax cuts, spending initiatives and lower reserve requirements to stimulate bank lending.

MiFID II

In Europe, MiFID II, which became effective on January 3, 2018, has made significant modifications to the manner in which European broker-dealers can be compensated for research. These modifications are believed to have significantly reduced, the overall research spend by European buy-side firms, which has decreased the revenues we derive from our European clients. Our European clients may continue to reduce their research budgets, which could result in a significant decline in our sell-side revenues.

Also, while MiFID II is not applicable to firms operating outside of Europe, competitive and client pressures may force buy-side firms operating outside of Europe to pay for research from their own resources instead of through bundled trading commissions. If that occurs, we would expect that research budgets from those clients will decrease further, which could result in an additional significant decline in our sell-side revenues. Additionally, these competitive and client pressures may result in our buy-side operation paying for research out of our own resources instead of through bundled trading commissions, which could increase our firm's expenses and decrease our operating income.

The ultimate impact of MiFID II on payments for research globally currently is uncertain.

AXA Equitable Holdings IPO

During 2017, AXA S.A. ("AXA") announced its intention to pursue the sale of a minority stake in AXA Equitable Holdings, Inc. ("EQH"), the holding company for a diversified financial services organization, through an initial public offering ("IPO"). During the second quarter of 2018, AXA completed the IPO. Since then, AXA has completed two additional offerings, most recently during the first quarter of 2019. As a result, AXA owns 48.3% of the outstanding common stock of EQH as of March 31, 2019. EQH and its subsidiaries have an approximate 65.6% economic interest in AB as of March 31, 2019. AXA has announced its intention to sell its entire remaining interest in EQH over time, subject to market conditions and other factors. AXA is under no obligation to do so and retains the sole discretion to determine the timing of any future sales of shares of EQH common stock.

While to date we have not experienced adverse effects from the IPO and we cannot at this time predict the eventual impact, if any, on AB of this transaction, such impact could include a reduction in the support AXA has provided to AB in the past with respect to AB's investment management business, resulting in a decrease in our revenues and ability to initiate new investment services. Also, AB relies on AXA, including its subsidiary, AXA Business Services, for a number of significant services and AB has benefited from its affiliation with AXA in certain common vendor relationships. Some of these arrangements are expected to change with possible negative financial implications for AB.

By letter dated March 31, 2018, AXA advised us of their current intention to continue using AB for the foreseeable future as a preferred provider of asset management services and to continue making commercial and seed investments that suit AXA from an investment perspective, in each case (i) consistent with past practice, (ii) subject to investment performance/returns and (iii) subject to applicable fiduciary duties.

Relocation Strategy

On May 2, 2018, we announced that we would establish our corporate headquarters in, and relocate approximately 1,050 jobs located in the New York metro area to, Nashville, TN. Our Nashville headquarters will house Finance, IT, Operations, Legal, Compliance, Internal Audit, Human Capital, and Sales and Marketing. We have begun relocating jobs and expect this transition to take several years. We will continue to maintain a principal location in New York City, which will house our Portfolio Management, Sell-Side Research and Trading, and New York-based Private Wealth Management businesses.

We believe relocating our corporate headquarters to Nashville will afford us the opportunity to provide an improved quality of life alternative for our employees and enable us to attract and recruit new talented employees to a highly desirable location while improving the long-term cost structure of the firm.

During the transition period, which began in 2018 and is expected to continue through 2024, we currently estimate that we will incur transition costs of approximately $155 million to $165 million. These costs include employee relocation, severance, recruitment, and overlapping compensation and occupancy costs. Over this same period, we expect to realize total expense savings of approximately $190 million to $200 million, an amount greater than the total transition costs. However, we will incur some transition costs before we begin to realize expense savings. We incurred approximately $10 million of transition costs in 2018 and approximately $7 million in the first quarter of 2019. We currently anticipate that the largest reduction in net income per unit ("EPU") during the transition period will be approximately $0.07 in 2019. We expect to achieve a slight accretion in EPU in 2021 and then achieve EPU accretion in each year thereafter. Beginning in 2025, once the transition period has been completed, we estimate ongoing annual expense savings of approximately $70 to $75 million, which will result from a combination of occupancy and compensation-related savings. Our estimates for both the transition costs and the corresponding expense savings are based upon our current assumptions of employee relocation costs, severance and overlapping compensation and occupancy costs. In addition, our estimates for both the timing of when we incur transition costs and realize the related expense savings are based on our current relocation implementation plan and the timing for execution of each phase. The actual total charges we eventually record, the related expense savings we realize and timing of EPU impact are expected to differ from our current estimates as we implement each phase of our headquarters relocation.

During October 2018, we signed a lease, which commences in mid-2020, relating to 205,000 square feet of space at our new Nashville headquarters. Our estimated total base rent obligation (excluding taxes, operating expenses and utilities) over the 15 year initial lease term is $126 million.

Although we have presented our transition costs and annual expense savings with numerical specificity, and we believe these targets to be reasonable as of the date of this report, the uncertainties surrounding the assumptions we discuss above create a significant risk that these targets may not be achieved. Accordingly, the expenses we actually incur and the savings we actually realize may differ from our targets, particularly if actual events adversely differ from one or more of our key assumptions. The transition costs and expense savings, together with their underlying assumptions, are Forward-Looking Statements and can be affected by any of the factors discussed in "Risk Factors" and "Cautions Regarding Forward-Looking Statements" in our 2018 10-K. We strongly caution investors not to place undue reliance on any of these assumptions or our cost and expenses targets. Except as may be required by applicable securities laws, we are not under any obligation, and we expressly disclaim any obligation, to update or alter any assumptions, estimates, financial goals, targets, projections or other related statements that we may make.

Adjusted Operating Margin Target

We previously adopted a goal of increasing our adjusted operating margin to a target of 30% by 2020 (the "2020 Margin Target"), subject to the assumptions, factors and contingencies described as part of the initial disclosure of this target. Our adjusted operating margin, which was 29.1% during 2018, declined to 24.1% during the first quarter of 2019.

Our AUM and, therefore, our investment advisory revenues, including performance-based fee revenues, are heavily dependent upon the level and volatility of the financial markets. Based upon our current outlook for the financial markets, which has changed since we initially forecast when establishing the 2020 Margin Target, presently we do not believe that achieving the 2020 Margin Target is likely. However, we are taking additional actions to better align our expenses with our lower expected AUM and revenue amounts. We remain committed to achieving an adjusted operating margin of 30% in years subsequent to 2020 and will take continued actions in this regard, subject to prevailing market conditions and the evolution of our business mix.

Assets Under Management

Assets under management by distribution channel are as follows:

	As of March 31,			
	2019	**2018**	**$ Change**	**% Change**
	(in billions)			
Institutions	$ 256.6	$ 265.0	$ (8.4)	(3.2)%
Retail	201.9	191.0	10.9	5.7
Private Wealth Management	96.2	93.5	2.7	2.9
Total	**$ 554.7**	**$ 549.5**	**$ 5.2**	**0.9**

Assets under management by investment service are as follows:

	As of March 31, 2019	As of March 31, 2018	$ Change	% Change
	(in billions)			
Equity				
Actively Managed	$ 155.1	$ 142.5	$ 12.6	8.9 %
Passively Managed[1]	55.8	52.2	3.6	7.0
Total Equity	**210.9**	**194.7**	**16.2**	**8.3**
Fixed Income				
Actively Managed				
Taxable	227.2	237.0	(9.8)	(4.1)
Tax–exempt	43.8	40.9	2.9	6.9
	271.0	277.9	(6.9)	(2.5)
Passively Managed[1]	9.3	10.0	(0.7)	(6.7)
Total Fixed Income	**280.3**	**287.9**	**(7.6)**	**(2.6)**
Other[2]				
Actively Managed	62.4	66.2	(3.8)	(5.8)
Passively Managed[1]	1.1	0.7	0.4	45.9
Total Other	**63.5**	**66.9**	**(3.4)**	**(5.3)**
Total	**$ 554.7**	**$ 549.5**	**$ 5.2**	**0.9**

(1) Includes index and enhanced index services.

(2) Includes certain multi-asset solutions and services and certain alternative investments.

Changes in assets under management for the three-month and twelve-month periods ended March 31, 2019 are as follows:

	Distribution Channel			
	Institutions	Retail	Private Wealth Management	Total
	(in billions)			
Balance as of December 31, 2018	$ 246.3	$ 180.8	$ 89.3	$ 516.4
Long-term flows:				
Sales/new accounts	3.4	16.4	3.3	23.1
Redemptions/terminations	(5.2)	(10.1)	(2.9)	(18.2)
Cash flow/unreinvested dividends	(2.9)	(1.0)	0.1	(3.8)
Net long-term (outflows) inflows	(4.7)	5.3	0.5	1.1
Transfers	0.1	—	(0.1)	—
Market appreciation	14.9	15.8	6.5	37.2
Net change	10.3	21.1	6.9	38.3
Balance as of March 31, 2019	**$ 256.6**	**$ 201.9**	**$ 96.2**	**$ 554.7**
Balance as of March 31, 2018	$ 265.0	$ 191.0	$ 93.5	$ 549.5
Long-term flows:				
Sales/new accounts	14.6	55.7	12.3	82.6
Redemptions/terminations	(20.8)	(42.4)	(11.4)	(74.6)
Cash flow/unreinvested dividends	(5.7)	(6.7)	(0.2)	(12.6)
Net long-term (outflows) inflows	(11.9)	6.6	0.7	(4.6)
Transfers	0.2	0.2	(0.4)	—
Market appreciation	3.3	4.1	2.4	9.8
Net change	(8.4)	10.9	2.7	5.2
Balance as of March 31, 2019	**$ 256.6**	**$ 201.9**	**$ 96.2**	**$ 554.7**

	Investment Service						
	Equity Actively Managed	Equity Passively Managed[1]	Fixed Income Actively Managed - Taxable	Fixed Income Actively Managed - Tax-Exempt	Fixed Income Passively Managed[1]	Other[2]	Total
	(in billions)						
Balance as of December 31, 2018	$ 136.2	$ 50.2	$ 219.7	$ 41.7	$ 9.4	$ 59.2	$ 516.4
Long-term flows:							
Sales/new accounts	7.9	—	11.5	2.6	—	1.1	23.1
Redemptions/terminations	(6.2)	(0.1)	(9.2)	(1.6)	(0.1)	(1.0)	(18.2)
Cash flow/unreinvested dividends	(0.7)	(0.7)	(3.0)	(0.1)	(0.3)	1.0	(3.8)
Net long-term inflows (outflows)	1.0	(0.8)	(0.7)	0.9	(0.4)	1.1	1.1
Market appreciation	17.9	6.4	8.2	1.2	0.3	3.2	37.2
Net change	18.9	5.6	7.5	2.1	(0.1)	4.3	38.3
Balance as of March 31, 2019	**$ 155.1**	**$ 55.8**	**$ 227.2**	**$ 43.8**	**$ 9.3**	**$ 63.5**	**$ 554.7**

Balance as of March 31, 2018	$ 142.5	$ 52.2	$ 237.0	$ 40.9	$ 10.0	$ 66.9	$ 549.5
Long-term flows:							
Sales/new accounts	33.7	4.0	30.6	8.1	—	6.2	82.6
Redemptions/terminations	(21.7)	(0.6)	(34.9)	(6.7)	(0.6)	(10.1)	(74.6)
Cash flow/unreinvested dividends	(3.0)	(2.9)	(6.3)	(0.5)	(0.2)	0.3	(12.6)
Net long-term inflows (outflows)	9.0	0.5	(10.6)	0.9	(0.8)	(3.6)	(4.6)
Market appreciation	3.6	3.1	0.8	2.0	0.1	0.2	9.8
Net change	12.6	3.6	(9.8)	2.9	(0.7)	(3.4)	5.2
Balance as of March 31, 2019	**$ 155.1**	**$ 55.8**	**$ 227.2**	**$ 43.8**	**$ 9.3**	**$ 63.5**	**$ 554.7**

(1) Includes index and enhanced index services.

(2) Includes certain multi-asset solutions and services and certain alternative investments.

Net long-term inflows (outflows) for actively managed investment services as compared to passively managed investment services for the three-month and twelve-month periods ended March 31, 2019 are as follows:

	Periods Ended March 31, 2019	
	Three-months	Twelve-months
	(in billions)	
Actively Managed		
Equity	$ 1.0	$ 9.0
Fixed Income	0.2	(9.7)
Other	1.0	(4.0)
	2.2	**(4.7)**
Passively Managed		
Equity	(0.8)	0.5
Fixed Income	(0.4)	(0.8)
Other	0.1	0.4
	(1.1)	**0.1**
Total net long-term inflows (outflows)	**$ 1.1**	**$ (4.6)**

Average assets under management by distribution channel and investment service are as follows:

	Three Months Ended March 31,			
	2019	2018	$ Change	% Change
	(in billions)			
Distribution Channel:				
Institutions	$ 252.2	$ 269.3	$ (17.1)	(6.4)%
Retail	193.4	194.0	(0.6)	(0.3)
Private Wealth Management	93.6	93.8	(0.2)	(0.2)
Total	**$ 539.2**	**$ 557.1**	**$ (17.9)**	**(3.2)**
Investment Service:				
Equity Actively Managed	$ 148.5	$ 142.9	$ 5.6	3.9 %
Equity Passively Managed(1)	53.9	54.3	(0.4)	(0.7)
Fixed Income Actively Managed – Taxable	223.4	243.3	(19.9)	(8.2)
Fixed Income Actively Managed – Tax-exempt	42.6	40.6	2.0	4.9
Fixed Income Passively Managed(1)	9.4	10.0	(0.6)	(5.8)
Other (2)	61.4	66.0	(4.6)	(6.9)
Total	**$ 539.2**	**$ 557.1**	**$ (17.9)**	**(3.2)**

(1) Includes index and enhanced index services.

(2) Includes certain multi-asset solutions and services and certain alternative investments.

Our Institutional channel first quarter average AUM of $252.2 billion decreased $17.1 billion, or 6.4%, compared to the first quarter of 2018. Our Institutional AUM decreased $8.4 billion, or 3.2%, to $256.6 billion over the last twelve months. The $8.4 billion decrease in AUM primarily resulted from net outflows of $11.9 billion, offset by market appreciation of $3.3 billion.

Our Retail channel first quarter average AUM of $193.4 billion remained flat with a slight decrease of $0.6 billion, or 0.3%, compared to the first quarter of 2018. However, ending Retail AUM increased $10.9 billion, or 5.7%, to $201.9 billion over the last twelve months. The $10.9 billion increase resulted from net inflows of $6.6 billion (with $5.3 billion of the net inflows occurring in the first quarter of 2019) and market appreciation of $4.1 billion (with $15.8 billion of market appreciation occurring in the first quarter of 2019).

Our Private Wealth Management channel first quarter average AUM of $93.6 billion remained flat with a slight decrease of $0.2 billion, or 0.2%, compared to the first quarter of 2018. However, ending Private Wealth Management AUM increased $2.7 billion, or 2.9%, to $96.2 billion over the last twelve months. The $2.7 billion increase resulted from market appreciation of $2.4 billion (with $6.5 billion of market appreciation occurring in the first quarter of 2019) and net inflows of $0.7 billion (with $0.5 billion of the inflows occurring during the first quarter of 2019).

Absolute investment composite returns, gross of fees, and relative performance as of March 31, 2019 compared to benchmarks for certain representative Institutional equity and fixed income services are as follows:

	1-Year	3-Year	5-Year
Global High Income - Hedged (fixed income)			
Absolute return	1.8%	7.6%	4.6%
Relative return (vs. Bloomberg Barclays Global High Yield Index - Hedged)	(2.7)	(0.3)	(0.6)
U.S. High Yield (fixed income)			
Absolute return	5.3	8.0	4.6
Relative return (vs. Bloomberg Barclays U.S. Corp. High Yield Index)	(0.6)	(0.6)	(0.1)
Global Plus - Hedged (fixed income)			
Absolute return	4.8	3.7	4.1
Relative return (vs. Bloomberg Barclays Global Aggregate Index - Hedged)	(0.1)	0.9	0.5
Intermediate Municipal Bonds (fixed income)			
Absolute return	4.7	2.1	2.7
Relative return (vs. Lipper Short/Int. Blended Muni Fund Avg)	1.1	0.5	0.8
U.S. Strategic Core Plus (fixed income)			
Absolute return	4.6	3.1	3.6
Relative return (vs. Bloomberg Barclays U.S. Aggregate Index)	0.1	1.1	0.9
Emerging Market Debt (fixed income)			
Absolute return	1.8	6.4	4.8
Relative return (vs. JPM EMBI Global/JPM EMBI)	(1.8)	1.2	—
Emerging Markets Value			
Absolute return	(9.0)	9.2	3.5
Relative return (vs. MSCI EM Index)	(1.6)	(1.5)	(0.2)
Global Strategic Value			
Absolute return	(8.4)	6.1	3.7
Relative return (vs. MSCI ACWI Index)	(11.0)	(4.6)	(2.7)
U.S. Small & Mid Cap Value			
Absolute return	(1.8)	9.7	7.0
Relative return (vs. Russell 2500 Value Index)	(3.6)	(0.1)	1.0
U.S. Strategic Value			
Absolute return	(0.7)	6.9	4.6
Relative return (vs. Russell 1000 Value Index)	(6.3)	(3.6)	(3.1)
U.S. Small Cap Growth			
Absolute return	16.0	24.7	11.9
Relative return (vs. Russell 2000 Growth Index)	12.2	9.8	3.5
U.S. Large Cap Growth			
Absolute return	16.8	18.5	16.4
Relative return (vs. Russell 1000 Growth Index)	4.1	2.0	2.9
U.S. Small & Mid Cap Growth			
Absolute return	11.1	20.4	11.3
Relative return (vs. Russell 2500 Growth Index)	3.5	4.8	1.6
Concentrated U.S. Growth			
Absolute return	19.0	18.3	14.1
Relative return (vs. S&P 500 Index)	9.5	4.8	3.2

	1-Year	3-Year	5-Year
Select U.S. Equity			
Absolute return	7.1	13.6	11.0
Relative return (vs. S&P 500 Index)	(2.4)	0.1	0.1
Strategic Equities			
Absolute return	10.1	12.5	10.9
Relative return (vs. Russell 3000 Index)	1.3	(1.0)	0.6
Global Core Equity			
Absolute return	6.1	13.5	8.2
Relative return (vs. MSCI ACWI Index)	3.5	2.8	1.8

Consolidated Results of Operations

	Three Months Ended March 31,			
	2019	2018	$ Change	% Change
	(in thousands, except per unit amounts)			
Net revenues	$ 795,462	$ 867,787	$ (72,325)	(8.3)%
Expenses	627,311	645,116	(17,805)	(2.8)
Operating income	168,151	222,671	(54,520)	(24.5)
Income taxes	8,921	15,825	(6,904)	(43.6)
Net income	159,230	206,846	(47,616)	(23.0)
Net income of consolidated entities attributable to non-controlling interests	10,116	22,650	(12,534)	(55.3)
Net income attributable to AB Unitholders	$ 149,114	$ 184,196	$ (35,082)	(19.0)
Diluted net income per AB Unit	$ 0.55	$ 0.68	$ (0.13)	(19.1)
Distributions per AB Unit	$ 0.56	$ 0.80	$ (0.24)	(30.0)
Operating margin [(1)]	19.9%	23.0%		

(1) Operating income excluding net income (loss) attributable to non-controlling interests as a percentage of net revenues.

Net income attributable to AB Unitholders for the three months ended March 31, 2019 decreased $35.1 million, or 19.0%, from the three months ended March 31, 2018. The decrease primarily is due to (in millions):

Lower Bernstein Research Services revenue	$ (24.2)
Lower base advisory fees	(15.6)
Lower investment gains	(10.3)
Lower dividend and interest income, net of interest expense	(8.5)
Lower distribution revenues	(7.5)
Lower net income of consolidated entities attributable to non-controlling interest	12.5
Lower promotion and servicing expense	11.7
Lower income tax expense	6.9
Other	(0.1)
	$ (35.1)

Units Outstanding

Each quarter, we consider whether to implement a plan to repurchase AB Holding Units pursuant to Rules 10b5-1 and 10b-18 under the Exchange Act. A plan of this type allows a company to repurchase its shares at times when it otherwise might be prevented from doing so because of self-imposed trading blackout periods or because it possesses material non-public information. Each broker we select has the authority under the terms and limitations specified in the plan to repurchase AB Holding Units on our behalf in accordance with the terms of the plan. Repurchases are subject to regulations promulgated by the SEC as well as certain price, market volume and timing constraints specified in the plan. The plan adopted during the fourth quarter of 2018 expired at the close of business on February 12, 2019. There was no plan adopted during the first quarter 2019. We may adopt additional plans in the future to engage in open-market purchases of AB Holding Units to help fund anticipated obligations under our incentive compensation award program and for other corporate purposes.

Cash Distributions

We are required to distribute all of our Available Cash Flow, as defined in the AB Partnership Agreement, to our Unitholders and the General Partner. Available Cash Flow typically is the adjusted diluted net income per unit for the quarter multiplied by the number of general and limited partnership interests at the end of the quarter. In future periods, management anticipates that Available Cash Flow will continue to be based on adjusted diluted net income per unit, unless management determines, with concurrence of the Board of Directors, that one or more adjustments that are made for adjusted net income should not be made with respect to the Available Cash Flow calculation. *See Note 6 to the condensed consolidated financial statements contained in Item 1* for a description of Available Cash Flow.

Management Operating Metrics

We are providing the non-GAAP measures “adjusted net revenues,” “adjusted operating income” and “adjusted operating margin” because they are the principal operating metrics management uses in evaluating and comparing period-to-period operating performance. Management principally uses these metrics in evaluating performance because they present a clearer picture of our operating performance and allow management to see long-term trends without the distortion primarily caused by long-term incentive compensation-related mark-to-market adjustments, real estate consolidation charges and other adjustment items. Similarly, we believe that these management operating metrics help investors better understand the underlying trends in our results and, accordingly, provide a valuable perspective for investors.

These non-GAAP measures are provided in addition to, and not as substitutes for, net revenues, operating income and operating margin, and they may not be comparable to non-GAAP measures presented by other companies. Management uses both accounting principles generally accepted in the United States of America (“US GAAP”) and non-GAAP measures in evaluating our financial performance. The non-GAAP measures alone may pose limitations because they do not include all of our revenues and expenses.

	Three Months Ended March 31,	
	2019	**2018**
	(in thousands, except per unit amounts)	
Net revenues, US GAAP basis	**$ 795,462**	**$ 867,787**
Adjustments:		
Impact of adoption of revenue recognition standard ASC 606	—	77,844
Distribution-related payments	(105,993)	(110,154)
Amortization of deferred sales commissions	(3,502)	(6,598)
Pass-through fees and expenses	(12,481)	(10,609)
Impact of consolidated company-sponsored funds	(10,959)	(36,037)
Long-term incentive compensation-related investment gains and dividend and interest	(4,643)	116
Adjusted net revenues	**$ 657,884**	**$ 782,349**

	Three Months Ended March 31,	
	2019	2018
Operating income, US GAAP basis	**$ 168,151**	**$ 222,671**
Adjustments:		
Impact of adoption of revenue recognition standard ASC 606	—	35,156
Real estate (credits) charges	—	(264)
Long-term incentive compensation-related items	357	417
CEO's EQH award compensation	465	—
Sub-total of non-GAAP adjustments	822	35,309
Less: Net income of consolidated entities attributable to non-controlling interests	10,116	22,650
Adjusted operating income	**158,857**	**235,330**
Adjusted income taxes	8,435	16,732
Adjusted net income	**150,422**	**218,598**
Diluted net income per AB Unit, GAAP basis	**$ 0.55**	**$ 0.68**
Impact of non-GAAP adjustments	0.01	0.12
Adjusted diluted net income per AB Unit	**$ 0.56**	**$ 0.80**
Adjusted operating margin	**24.1%**	**30.1%**

Adjusted operating income for the three months ended March 31, 2019 decreased $76.5 million, or 32.5%, from the three months ended March 31, 2018, primarily due to lower performance-based fees of $80.4 million, lower Bernstein Research Services Revenue of $24.2 million, lower investment advisory base fees of $20.2 million and higher general and administrative expenses of $5.6 million, offset by lower employee compensation and benefits expense (excluding the impact of long-term incentive compensation-related items) of $52.4 million.

On January 1, 2018, as a result of our adoption of ASC 606, we recorded a cumulative effect adjustment, net of tax, of $35.0 million to partners' capital in the condensed consolidated statement of financial condition. This amount represents carried interest distributions of $77.9 million previously received, net of revenue sharing payments to investment team members, of $42.7 million, with respect to which it is probable that significant reversal will not occur. These amounts were included in adjusted net revenues and adjusted operating income in the first quarter of 2018.

Adjusted Net Revenues

Adjusted net revenues offset distribution-related payments to third parties as well as amortization of deferred sales commissions against distribution revenues. We believe offsetting net revenues by distribution-related payments is useful for our investors and other users of our financial statements because such presentation appropriately reflects the nature of these costs as pass-through payments to third parties who perform functions on behalf of our sponsored mutual funds and/or shareholders of these funds. We offset amortization of deferred sales commissions against net revenues because such costs, over time, essentially offset our distribution revenues. We also exclude additional pass-through expenses we incur (primarily through our transfer agency) that are reimbursed and recorded as fees in revenues. These fees do not affect operating income, but they do affect our operating margin. As such, we exclude these fees from adjusted net revenues.

We adjust for the revenue impact of consolidating company-sponsored investment funds by eliminating the consolidated company-sponsored investment funds' revenues and including AB's fees from such consolidated company-sponsored investment funds and AB's investment gains and losses on its investments in such consolidated company-sponsored investment funds that were eliminated in consolidation.

Adjusted net revenues exclude investment gains and losses and dividends and interest on employee long-term incentive compensation-related investments.

Adjusted net revenues include the impact of adoption of revenue recognition standard ASC 606 during the first quarter of 2018, *discussed above*.

Adjusted Operating Income

Adjusted operating income represents operating income on a US GAAP basis excluding (1) real estate charges (credits), (2) the impact on net revenues and compensation expense of the investment gains and losses (as well as the dividends and interest) associated with employee long-term incentive compensation-related investments, (3) our CEO's EQH award compensation, *as discussed below*, and (4) the impact of consolidated company-sponsored investment funds; provided, however, that adjusted operating income includes the revenues and expenses associated with the implementation of ASC 606 during the first quarter of 2018 *discussed above*.

Real estate charges (credits) have been excluded because they are not considered part of our core operating results when comparing financial results from period to period and to industry peers.

Prior to 2009, a significant portion of employee compensation was in the form of long-term incentive compensation awards that were notionally invested in AB investment services and generally vested over a period of four years. AB economically hedged the exposure to market movements by purchasing and holding these investments on its balance sheet. All such investments had vested as of year-end 2012 and the investments have been delivered to the participants, except for those investments with respect to which the participant elected a long-term deferral. Fluctuation in the value of these investments is recorded within investment gains and losses on the income statement and also impacts compensation expense. Management believes it is useful to reflect the offset achieved from economically hedging the market exposure of these investments in the calculation of adjusted operating income and adjusted operating margin. The non-GAAP measures exclude gains and losses and dividends and interest on employee long-term incentive compensation-related investments included in revenues and compensation expense.

The board of directors of EQH granted to Seth P. Bernstein ("CEO") equity awards in connection with EQH's IPO and Mr. Bernstein's membership on the EQH Management Committee. Mr. Bernstein may receive additional equity or cash compensation from EQH in the future related to his service on the Management Committee. Any awards granted to Mr. Bernstein by EQH are recorded as compensation expense in AB's condensed consolidated statement of income. The compensation expense associated with these awards has been excluded because they are non-cash and are based upon EQH's, and not AB's, financial performance.

We adjusted for the operating income impact of consolidating certain company-sponsored investment funds by eliminating the consolidated company-sponsored funds' revenues and expenses and including AB's revenues and expenses that were eliminated in consolidation. We also excluded the limited partner interests we do not own.

Adjusted Net Income and Adjusted Diluted Net Income per AB Unit

As previously discussed, our quarterly distribution is typically our adjusted diluted net income per unit (which is derived from adjusted net income) for the quarter multiplied by the number of general and limited partnership interests at the end of the quarter. Adjusted income taxes, used in calculating adjusted net income, are calculated using the GAAP effective tax rate adjusted for non-GAAP income tax adjustments.

Adjusted Operating Margin

Adjusted operating margin allows us to monitor our financial performance and efficiency from period to period without the volatility *noted above in our discussion of adjusted operating income* and to compare our performance to industry peers on a basis that better reflects our performance in our core business. Adjusted operating margin is derived by dividing adjusted operating income by adjusted net revenues.

Net Revenues

The components of net revenues are as follows:

	Three Months Ended March 31, 2019	2018	$ Change	% Change
	(in thousands)			
Investment advisory and services fees:				
Institutions:				
Base fees	$ 110,080	$ 115,608	$ (5,528)	(4.8)%
Performance-based fees	1,197	1,188	9	0.8
	111,277	116,796	(5,519)	(4.7)
Retail:				
Base fees	241,985	250,606	(8,621)	(3.4)
Performance-based fees	155	1,511	(1,356)	(89.7)
	242,140	252,117	(9,977)	(4.0)
Private Wealth Management:				
Base fees	200,165	201,642	(1,477)	(0.7)
Performance-based fees	3,012	3,561	(549)	(15.4)
	203,177	205,203	(2,026)	(1.0)
Total:				
Base fees	552,230	567,856	(15,626)	(2.8)
Performance-based fees	4,364	6,260	(1,896)	(30.3)
	556,594	574,116	(17,522)	(3.1)
Bernstein Research Services	90,235	114,400	(24,165)	(21.1)
Distribution revenues	100,509	108,004	(7,495)	(6.9)
Dividend and interest income	27,346	28,215	(869)	(3.1)
Investment gains (losses)	15,735	26,082	(10,347)	(39.7)
Other revenues	22,206	26,510	(4,304)	(16.2)
Total revenues	812,625	877,327	(64,702)	(7.4)
Less: Interest expense	17,163	9,540	7,623	79.9
Net revenues	**$ 795,462**	**$ 867,787**	**$ (72,325)**	**(8.3)**

Investment Advisory and Services Fees

Investment advisory and services fees are the largest component of our revenues. These fees generally are calculated as a percentage of the value of AUM as of a specified date, or as a percentage of the value of average AUM for the applicable billing period, and vary with the type of investment service, the size of the account and the total amount of assets we manage for a particular client. Accordingly, fee income generally increases or decreases as AUM increases or decreases and is affected by market appreciation or depreciation, the addition of new client accounts or client contributions of additional assets to existing accounts, withdrawals of assets from and termination of client accounts, purchases and redemptions of mutual fund shares, shifts of assets between accounts or products with different fee structures, and acquisitions. Our average basis points realized (investment advisory and services fees divided by average AUM) generally approximate 40 to 110 basis points for actively-managed equity services, 10 to 75 basis points for actively-managed fixed income services and 2 to 20 basis points for passively-managed services. Average basis points realized for other services could range from 5 basis points for certain Institutional asset allocation services to over 100 basis points for certain Retail and Private Wealth Management alternative services. These ranges include all-inclusive fee arrangements (covering investment management, trade execution and other services) for our Private Wealth Management clients.

We calculate AUM using established market-based valuation methods and fair valuation (non-observable market) methods. Market-based valuation methods include: last sale/settle prices from an exchange for actively-traded listed equities, options and futures;

evaluated bid prices from recognized pricing vendors for fixed income, asset-backed or mortgage-backed issues; mid prices from recognized pricing vendors and brokers for credit default swaps; and quoted bids or spreads from pricing vendors and brokers for other derivative products. Fair valuation methods include: discounted cash flow models, evaluation of assets versus liabilities or any other methodology that is validated and approved by our Valuation Committee (*see paragraph immediately below* for more information regarding our Valuation Committee). Fair valuation methods are used only where AUM cannot be valued using market-based valuation methods, such as in the case of private equity or illiquid securities.

The Valuation Committee, which consists of senior officers and employees, is responsible for overseeing the pricing and valuation of all investments held in client and AB portfolios. The Valuation Committee has adopted a Statement of Pricing Policies describing principles and policies that apply to pricing and valuing investments held in these portfolios. We also have a Pricing Group, which reports to the Valuation Committee and is responsible for overseeing the pricing process for all investments.

We sometimes charge our clients performance-based fees. In these situations, we charge a base advisory fee and are eligible to earn an additional performance-based fee or incentive allocation that is calculated as either a percentage of absolute investment results or a percentage of investment results in excess of a stated benchmark over a specified period of time. Some performance-based fees include a high-watermark provision, which generally provides that if a client account underperforms relative to its performance target (whether absolute or relative to a specified benchmark), it must gain back such underperformance before we can collect future performance-based fees. Therefore, if we fail to achieve our performance target for a particular period, we will not earn a performance-based fee for that period and, for accounts with a high-watermark provision, our ability to earn future performance-based fees will be impaired. We are eligible to earn performance-based fees on 7.7%, 9.2% and 0.9% of the assets we manage for institutional clients, private wealth clients and retail clients, respectively (in total, 5.5% of our AUM).

For the three months ended March 31, 2019, our investment advisory and services fees decreased by $17.5 million, or 3.1%, from the three months ended March 31, 2018, primarily due to a $15.6 million, or 2.8%, decrease in base fees, which primarily resulted from a 3.2% decrease in average AUM. Additionally, performance-based fees decreased $1.9 million.

Institutional investment advisory and services fees for the three months ended March 31, 2019 decreased by $5.5 million, or 4.7%, from the three months ended March 31, 2018, primarily due to a decrease in base fees resulting from a 6.4% decrease in average AUM.

Retail investment advisory and services fees for the three months ended March 31, 2019 decreased by $10.0 million, or 4.0%, from the three months ended March 31, 2018, due to a decrease in base fees of $8.6 million, or 3.4%, resulting primarily from net asset outflows from global fixed income mutual funds, which generally have higher fees. Additionally, performance-based fees decreased by $1.4 million.

Private Wealth Management investment advisory and services fees for the three months ended March 31, 2019 decreased by $2.0 million, or 1.0%, from the three months ended March 31, 2018, due to a decrease in base fees $1.5 million, or 0.7%, primarily resulting from a 0.2% decrease in average AUM.

Bernstein Research Services

We earn revenues for providing investment research to, and executing brokerage transactions for, institutional clients. These clients compensate us principally by directing us to execute brokerage transactions on their behalf, for which we earn commissions, and to a lesser extent by paying us directly for research through commission sharing agreements or cash payments.

Revenues from Bernstein Research Services for the three months ended March 31, 2019 decreased $24.2 million, or 21.1%, compared to the corresponding period in 2018, due to declining revenues in all regions. Revenues declined as a result of lower trading volumes reflecting lower volatility and changes in the timing and size of research payments.

Distribution Revenues

Two of our subsidiaries act as distributors and/or placing agents of company-sponsored mutual funds and receive distribution services fees from certain of those funds as partial reimbursement of the distribution expenses they incur. Period-over-period fluctuations of distribution revenues typically are in line with fluctuations of the corresponding average AUM of these mutual funds.

Distribution revenues for the three months ended March 31, 2019 decreased $7.5 million, or 6.9%, primarily due to the corresponding average AUM of these mutual funds decreasing 4.9%, in addition to the impact of a shift in product mix. During 2019, average AUM of B-share and C-share mutual funds (which have higher distribution rates than A-share mutual funds, as well as other funds not domiciled in the U.S. or Luxembourg) decreased 24.5%, while average AUM for Japan and Taiwan domiciled funds increased 15.1%.

Dividend and Interest Income and Interest Expense

Dividend and interest income consists primarily of investment income and interest earned on customer margin balances and U.S. Treasury Bills as well as dividend and interest income in our consolidated company-sponsored investment funds. Interest expense principally reflects interest accrued on cash balances in customers' brokerage accounts. Dividend and interest income, net of interest expense, for the three months ended March 31, 2019 decreased $8.5 million, or 45.5%, compared to the corresponding period in 2018, primarily due to lower dividend and interest income from our consolidated company-sponsored investment funds, offset by higher broker dealer dividends and interest.

Investment Gains (Losses)

Investment gains (losses) consist primarily of realized and unrealized investment gains or losses on: (i) employee long-term incentive compensation-related investments, (ii) U.S. Treasury Bills, (iii) market-making in exchange-traded options and equities, (iv) seed capital investments, (v) derivatives and (vi) investments in our consolidated company-sponsored investment funds. Investments gains (losses) also include equity in earnings of proprietary investments in limited partnership hedge funds that we sponsor and manage.

Investment gains (losses) are as follows:

	Three Months Ended March 31,	
	2019	**2018**
	(in thousands)	
Long-term incentive compensation-related investments		
Realized gains (losses)	$ 796	$ 1,882
Unrealized gains (losses)	3,700	(2,092)
Investments held by consolidated company-sponsored funds		
Realized gains (losses)	(104)	1,682
Unrealized gains (losses)	21,930	23,393
Seed capital investments		
Realized gains (losses)		
Seed capital and other	2,630	409
Derivatives	(13,794)	(794)
Unrealized gains (losses)		
Seed capital and other	7,042	(1,383)
Derivatives	(5,952)	3,178
Brokerage-related investments		
Realized gains (losses)	(647)	462
Unrealized gains (losses)	134	(655)
	$ 15,735	**$ 26,082**

Other Revenues

Other revenues consist of fees earned for transfer agency services provided to company-sponsored mutual funds, fees earned for administration and recordkeeping services provided to company-sponsored mutual funds and the general accounts of AXA, EQH and their respective subsidiaries, and other miscellaneous revenues. Other revenues for the three months ended March 31, 2019 decreased $4.3 million, or 16.2%, compared to the corresponding period in 2018, primarily due to lower shareholder servicing fees and lower brokerage income.

Expenses

The components of expenses are as follows:

	Three Months Ended March 31, 2019	Three Months Ended March 31, 2018	$ Change	% Change
	(in thousands)			
Employee compensation and benefits	$ 339,309	$ 343,825	$ (4,516)	(1.3)%
Promotion and servicing:				
Distribution-related payments	105,993	110,154	(4,161)	(3.8)
Amortization of deferred sales commissions	3,502	6,598	(3,096)	(46.9)
Trade execution, marketing, T&E and other	49,648	54,043	(4,395)	(8.1)
	159,143	170,795	(11,652)	(6.8)
General and administrative:				
General and administrative	117,848	121,234	(3,386)	(2.8)
Real estate (credit) charges	—	(264)	264	n/m
	117,848	120,970	(3,122)	(2.6)
Contingent payment arrangements	54	53	1	1.9
Interest	3,983	2,612	1,371	52.5
Amortization of intangible assets	6,974	6,861	113	1.6
Total	**$ 627,311**	**$ 645,116**	**$ (17,805)**	**(2.8)**

Employee Compensation and Benefits

Employee compensation and benefits consist of base compensation (including salaries and severance), annual short-term incentive compensation awards (cash bonuses), annual long-term incentive compensation awards, commissions, fringe benefits and other employment costs (including recruitment, training, temporary help and meals).

Compensation expense as a percentage of net revenues was 42.7% and 39.6% for the three months ended March 31, 2019 and 2018, respectively. Compensation expense generally is determined on a discretionary basis and is primarily a function of our firm's current-year financial performance. The amounts of incentive compensation we award are designed to motivate, reward and retain top talent while aligning our executives' interests with the interests of our Unitholders. Senior management, with the approval of the Compensation and Workplace Practices Committee of the Board of Directors of AllianceBernstein Corporation ("Compensation Committee"), periodically confirms that the appropriate metric to consider in determining the amount of incentive compensation is the ratio of adjusted employee compensation and benefits expense to adjusted net revenues. Adjusted net revenues used in the adjusted compensation ratio are the same as the adjusted net revenues presented as a non-GAAP measure (*discussed earlier in this MD&A*). Adjusted employee compensation and benefits expense is total employee compensation and benefits expense minus other employment costs such as recruitment, training, temporary help and meals (which were 1.2% and 0.9%, respectively, of adjusted net revenues for the three months ended March 31, 2019 and 2018), and excludes the impact of mark-to-market vesting expense, as well as dividends and interest expense, associated with employee long-term incentive compensation-related investments and the amortization expense associated with the CEO's EQH awards. Senior management, with the approval of the Compensation Committee, has established as an objective that adjusted employee compensation and benefits expense generally should not exceed 50% of our adjusted net revenues, except in unexpected or unusual circumstances. Our ratio of adjusted compensation expense as a percentage of adjusted net revenues was 49.5% and 48.5%, respectively, for the three months ended March 31, 2019 and 2018.

For the three months ended March 31, 2019, employee compensation and benefits expense decreased $4.5 million, or 1.3%, compared to the three months ended March 31, 2018, primarily due to lower incentive compensation of $14.4 million, offset by higher base compensation of $6.2 million and higher fringes of $2.7 million.

Promotion and Servicing

Promotion and servicing expenses include distribution-related payments to financial intermediaries for distribution of AB mutual funds and amortization of deferred sales commissions paid to financial intermediaries for the sale of back-end load shares of AB mutual funds. Also included in this expense category are costs related to travel and entertainment, advertising and promotional materials.

Promotion and servicing expenses decreased $11.7 million, or 6.8%, during the three months ended March 31, 2019 compared to the three months ended March 31, 2018. The decrease primarily was due to lower distribution-related payments of $4.2 million, lower trade execution and clearing costs of $3.7 million and lower deferred sales commissions of $3.1 million.

General and Administrative

General and administrative expenses include portfolio services expenses, technology expenses, professional fees and office-related expenses (occupancy, communications and similar expenses). General and administrative expenses as a percentage of net revenues were 14.8% and 13.9% for the three months ended March 31, 2019 and 2018, respectively. General and administrative expenses decreased $3.1 million, or 2.6%, during the three months ended March 31, 2019 compared to the corresponding period in 2018, primarily due to lower expenses related to our consolidated company-sponsored investment funds of $12.6 million, offset by higher professional fees of $6.7 million and higher trading errors of $2.4 million.

Contingent Payment Arrangements

Contingent payment arrangements reflect changes in estimates of contingent payment liabilities associated with acquisitions in previous periods, as well as accretion expense of these liabilities. There were no changes in the estimates during the first three months of 2019 or 2018.

Income Taxes

AB, a private limited partnership, is not subject to federal or state corporate income taxes, but is subject to a 4.0% New York City unincorporated business tax (“UBT”). Our domestic corporate subsidiaries are subject to federal, state and local income taxes, and generally are included in the filing of a consolidated federal income tax return. Separate state and local income tax returns also are filed. Foreign corporate subsidiaries generally are subject to taxes in the foreign jurisdictions where they are located.

Income tax expense for the three months ended March 31, 2019 decreased $6.9 million, or 43.6%, compared to the three months ended March 31, 2018. The decrease is due to a lower effective tax rate in the current quarter of 5.3% compared to 7.1% in the first quarter of 2018, driven by the effect of foreign operations and a more favorable mix of earnings across the AB tax filing groups. There were no material changes to uncertain tax positions (FIN 48 reserves) or valuation allowances against deferred tax assets during the quarter.

Net Income (Loss) of Consolidated Entities Attributable to Non-Controlling Interests

Net income (loss) of consolidated entities attributable to non-controlling interests primarily consists of limited partner interests owned by other investors in our consolidated company-sponsored investment funds. During the first three months of 2019, we had $10.1 million of net gains of consolidated entities attributable to non-controlling interests compared to net gains of $22.7 million during the first three months of 2018. Fluctuations period-to-period are driven by the number of consolidated company-sponsored investment funds and their respective market performance.

CAPITAL RESOURCES AND LIQUIDITY

During the first three months of 2019 and 2018, net cash provided by operating activities was $432.5 million, compared to $164.7 million during the corresponding 2018 period. The change reflects a decrease in net purchases of seed capital and lower net purchases of broker dealer investments of $414.5 million and net activity of our consolidated funds of $162.7 million, offset by a decrease in broker-dealer related payables (net of receivables and segregated U.S. Treasury bills activity) of $279.6 million and a decrease in accounts payable and accrued expenses of $33.0 million, relating to timing of payments.

During the first three months of 2019, net cash used in investing activities was $5.6 million, compared to $5.4 million during the corresponding 2018 period. The change is due to higher purchases of furniture, equipment and leasehold improvements.

During the first three months of 2019, net cash used by financing activities was $318.6 million, compared to net cash provided by financing activities of $54.6 million during the corresponding 2018 period. The change reflects net redemptions in consolidated company-sponsored investments funds versus net subscriptions in the corresponding 2018 period (impact of $372.8 million) and a decrease in overdrafts payable of $72.8 million. These changes were partially offset by lower distributions to the General Partner and Unitholders of $56.3 million as a result of lower earnings (distributions on earnings are paid one quarter in arrears),

As of March 31, 2019, AB had $754.5 million of cash and cash equivalents (excluding cash and cash equivalents of consolidated company-sponsored investment funds), all of which are available for liquidity, but consist primarily of cash on deposit for our broker-dealers to comply with various customer clearing activities, and cash held by foreign subsidiaries of $396.0 million.

Debt and Credit Facilities

As of March 31, 2019 and December 31, 2018, AB had $542.1 million and $523.2 million, respectively, in commercial paper outstanding with weighted average interest rates of approximately 2.7% for both periods. Debt included in the statement of financial condition is presented net of issuance costs of $1.8 million and $1.9 million as of March 31, 2019 and December 31, 2018, respectively. The commercial paper is short term in nature, and as such, recorded value is estimated to approximate fair value (and considered a Level 2 security in the fair value hierarchy). Average daily borrowings of commercial paper during the first three months of 2019 and the full year 2018 were $518.7 million and $350.3 million, respectively, with weighted average interest rates of approximately 2.7% and 2.0%, respectively.

AB has a $800.0 million committed, unsecured senior revolving credit facility (the “Credit Facility”) with a group of commercial banks and other lenders, which matures on September 27, 2023. The Credit Facility provides for possible increases in the principal amount by up to an aggregate incremental amount of $200.0 million; any such increase is subject to the consent of the affected lenders. The Credit Facility is available for AB and Sanford C. Bernstein & Co., LLC ("SCB LLC") business purposes, including the support of AB’s commercial paper program. Both AB and SCB LLC can draw directly under the Credit Facility and management may draw on the Credit Facility from time to time. AB has agreed to guarantee the obligations of SCB LLC under the Credit Facility.

The Credit Facility contains affirmative, negative and financial covenants, which are customary for facilities of this type, including restrictions on dispositions of assets, restrictions on liens, a minimum interest coverage ratio and a maximum leverage ratio. As of March 31, 2019, we were in compliance with these covenants. The Credit Facility also includes customary events of default (with customary grace periods, as applicable), including provisions under which, upon the occurrence of an event of default, all outstanding loans may be accelerated and/or lender’s commitments may be terminated. Also, under such provisions, upon the occurrence of certain insolvency- or bankruptcy-related events of default, all amounts payable under the Credit Facility would automatically become immediately due and payable, and the lender’s commitments would automatically terminate.

Amounts under the Credit Facility may be borrowed, repaid and re-borrowed by us from time to time until the maturity of the facility. Voluntary prepayments and commitment reductions requested by us are permitted at any time without fee (other than customary breakage costs relating to the prepayment of any drawn loans) upon proper notice and subject to a minimum dollar requirement. Borrowings under the Credit Facility bear interest at a rate per annum, which will be, at our option, a rate equal to an applicable margin, which is subject to adjustment based on the credit ratings of AB, plus one of the following indexes: London Interbank Offered Rate; a floating base rate; or the Federal Funds rate.

As of March 31, 2019 and December 31, 2018, we had no amounts outstanding under the Credit Facility. During the first three months of 2019 and the full year 2018, we did not draw upon the Credit Facility.

AB has a $200.0 million committed, unsecured senior revolving credit facility (the "Revolver") with a leading international bank, which matures on November 16, 2021. The Revolver is available for AB's and SCB LLC's business purposes, including the provision of additional liquidity to meet funding requirements primarily related to SCB LLC's operations. Both AB and SCB LLC can draw directly under the Revolver and management expects to draw on the Revolver from time to time. AB has agreed to guarantee the obligations of SCB LLC under the Revolver. The Revolver contains affirmative, negative and financial covenants which are identical to those of the Credit Facility. As of March 31, 2019, we had no amounts outstanding under the Revolver. As of December 31, 2018, we had $25.0 million outstanding under the Revolver with an interest rate of 3.4%. Average daily borrowing under the Revolver during the first three months of 2019 and full year 2018 were $26.2 million and $19.4 million, respectively, with weighted average interest rates of approximately 3.4% and 2.8%, respectively.

In addition, SCB LLC currently has three uncommitted lines of credit with three financial institutions. Two of these lines of credit permit us to borrow up to an aggregate of approximately $175.0 million, with AB named as an additional borrower, while the other line has no stated limit. As of March 31, 2019 and December 31, 2018, SCB LLC had no bank loans outstanding. Average daily borrowings of bank loans during the first three months of 2019 and full year 2018 were $2.1 million and $2.7 million, respectively, with weighted average interest rates of approximately 1.5% and 1.6%, respectively.

Our financial condition and access to public and private debt markets should provide adequate liquidity for our general business needs. Management believes that cash flow from operations and the issuance of debt and AB Units or AB Holding Units will provide us with the resources we need to meet our financial obligations. See "*Cautions Regarding Forward-Looking Statements*".

COMMITMENTS AND CONTINGENCIES

AB's capital commitments, which consist primarily of operating leases for office space, generally are funded from future operating cash flows.

During April 2019, we signed a lease, which commences in 2024, relating to approximately 190,000 square feet of space in New York City. Our estimated total base rent obligation (excluding taxes, operating expenses and utilities) over the 20 year lease term is approximately $448 million.

During 2010, as general partner of AllianceBernstein U.S. Real Estate L.P. ("Real Estate Fund"), we committed to invest $25.0 million in the Real Estate Fund. As of March 31, 2019, we had funded $22.4 million of this commitment. During 2014, as general partner of AllianceBernstein U.S. Real Estate II L.P. ("Real Estate Fund II"), we committed to invest $28.0 million, as amended in 2015, in Real Estate Fund II. As of March 31, 2019, we had funded $17.8 million of this commitment.

See Note 12 for discussion of contingencies*.*

CRITICAL ACCOUNTING ESTIMATES

The preparation of the condensed consolidated financial statements and notes to condensed consolidated financial statements requires management to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses.

There have been no updates to our critical accounting estimates from those disclosed in "*Management's Discussion and Analysis of Financial Condition*" in our Form 10-K for the year ended December 31, 2018.

ACCOUNTING PRONOUNCEMENTS

See Note 2 to AB's condensed consolidated financial statements contained in Item 1.

CAUTIONS REGARDING FORWARD-LOOKING STATEMENTS

Certain statements provided by management in this report and in the portion of AB's Form 10-Q attached hereto as Exhibit 99.1 are "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. Such forward-looking statements are subject to risks, uncertainties and other factors that could cause actual results to differ materially from future results expressed or implied by such forward-looking statements. The most significant of these factors include, but are not limited to, the following: the performance of financial markets, the investment performance of sponsored investment products and separately-managed accounts, general economic conditions, industry trends, future acquisitions, integration of acquired companies, competitive conditions and government regulations, including changes in tax regulations and rates and the manner in which the earnings of publicly-traded partnerships are taxed. We caution readers to carefully consider such factors. Further, these forward-looking statements speak only as of the date on which such statements are made; we undertake no obligation to update any forward-looking statements to reflect events or circumstances after the date of such statements. For further information regarding these forward-looking statements and the factors that could cause actual results to differ, *see "Risk Factors" in Part I, Item 1A* of our Form 10-K for the year ended December 31, 2018 *and Part II, Item 1A* in this Form 10-Q. Any or all of the forward-looking statements that we make in our Form 10-K, this Form 10-Q, other documents we file with or furnish to the SEC, and any other public statements we issue, may turn out to be wrong. It is important to remember that other factors besides *those listed in "Risk Factors" and those listed below* could also adversely impact our revenues, financial condition, results of operations and business prospects.

The forward-looking statements referred to in *the preceding paragraph*, most of which directly affect AB but also affect AB Holding because AB Holding's principal source of income and cash flow is attributable to its investment in AB, include statements regarding:

- Our belief that the cash flow AB Holding realizes from its investment in AB will provide AB Holding with the resources it needs to meet its financial obligations: AB Holding's cash flow is dependent on the quarterly cash distributions it receives from AB. Accordingly, AB Holding's ability to meet its financial obligations is dependent on AB's cash flow from its operations, which is subject to the performance of the capital markets and other factors beyond our control.

- Our financial condition and ability to access the public and private capital markets providing adequate liquidity for our general business needs: Our financial condition is dependent on our cash flow from operations, which is subject to the performance of the capital markets, our ability to maintain and grow client assets under management and other factors beyond our control. Our ability to access public and private capital markets on reasonable terms may be limited by adverse market conditions, our firm's credit ratings, our profitability and changes in government regulations, including tax rates and interest rates.

- The outcome of litigation: Litigation is inherently unpredictable, and excessive damage awards do occur. Though we have stated that we do not expect any pending legal proceedings to have a material adverse effect on our results of operations, financial condition or liquidity, any settlement or judgment with respect to a legal proceeding could be significant, and could have such an effect.

- The possibility that we will engage in open market purchases of AB Holding Units to help fund anticipated obligations under our incentive compensation award program: The number of AB Holding Units AB may decide to buy in future periods, if any, to help fund incentive compensation awards depends on various factors, some of which are beyond our control, including the fluctuation in the price of an AB Holding Unit (NYSE: AB) and the availability of cash to make these purchases.

- Our determination that adjusted employee compensation expense should not exceed 50% of our adjusted net revenues: Aggregate employee compensation reflects employee performance and competitive compensation levels. Fluctuations in our revenues and/or changes in competitive compensation levels could result in adjusted employee compensation expense exceeding 50% of our adjusted net revenues.

- Our Relocation Strategy: While the expenses, expense savings and EPU impact we expect will result from our Relocation Strategy are presented with numerical specificity, and we believe these figures to be reasonable as of the date of this report, the uncertainties surrounding the assumptions on which our estimates are based create a significant risk that our current estimates may not be realized. These assumptions include:

  - the amount and timing of employee relocation costs, severance and overlapping compensation and occupancy costs we experience; and

  - the timing for execution of each phase of our relocation implementation plan.

- Our 2020 Margin Target: We previously adopted a goal of increasing our adjusted operating margin to a target of 30% by 2020, subject to the assumptions, factors and contingencies described as part of the initial disclosure of this target. Our adjusted operating margin, which was 29.1% during 2018, declined to 24.1% during the first quarter of 2019.

  Our AUM and, therefore, our investment advisory revenues, including performance-based fee revenues, are heavily dependent upon the level and volatility of the financial markets. Based upon our current outlook for the financial markets, which has changed since we initially forecast when establishing the 2020 Margin Target, presently we do not believe that achieving the 2020 Margin Target is likely. However, we are taking additional actions to better align our expenses with our lower expected AUM and revenue amounts. We remain committed to achieving an adjusted operating margin of 30% in years subsequent to 2020 and will take continued actions in this regard, subject to prevailing market conditions and the evolution of our business mix.

Item 3.Quantitative and Qualitative Disclosures About Market Risk

There have been no material changes in AB’s market risk from the information provided under *“Quantitative and Qualitative Disclosures About Market Risk”* in Part II, Item 7A of AB's Form 10-K for the year ended December 31, 2018.

Item 4.Controls and Procedures

Disclosure Controls and Procedures

Each of AB Holding and AB maintains a system of disclosure controls and procedures that is designed to ensure that information required to be disclosed in our reports under the Exchange Act is (i) recorded, processed, summarized and reported in a timely manner, and (ii) accumulated and communicated to management, including the Chief Executive Officer ("CEO") and the Chief Financial Officer ("CFO"), to permit timely decisions regarding our disclosure.

As of the end of the period covered by this report, management carried out an evaluation, under the supervision and with the participation of the CEO and the CFO, of the effectiveness of the design and operation of the disclosure controls and procedures. Based on this evaluation, the CEO and the CFO concluded that the disclosure controls and procedures are effective.

Changes in Internal Control over Financial Reporting

No change in our internal control over financial reporting occurred during the first quarter of 2019 that materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.