UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended September 30,2020

OR

☐ **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 ☒ **No** ☐

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 ☒ **No** ☐

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	☒	**Accelerated filer**	☐
Non-accelerated filer	☐	**Smaller reporting company**	☐
		Emerging growth company	☐

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. ☐

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

Yes ☐ **No** ☒

Securities registered pursuant to Section 12(b) of the Act:

Title of Each Class	Trading Symbol	Name of Each Exchange on Which Registered
Units Rep. Assignments of Beneficial Ownership of LP Interests in AB Holding ("Units")	**AB**	**New York Stock Exchange**

The number of units representing assignments of beneficial ownership of limited partnership interests outstanding as of September 30, 2020 was 96,174,568.*

*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.

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Part I

FINANCIAL INFORMATION

Item 1. Financial Statements

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

	September 30, 2020	December 31, 2019
ASSETS		
Investment in AB	$ 1,496,263	$ 1,554,203
Other assets	121	61
Total assets	**$ 1,496,384**	**$ 1,554,264**
LIABILITIES AND PARTNERS' CAPITAL		
Liabilities:		
Other liabilities	$ 392	$ 1,726
Total liabilities	**392**	**1,726**
Commitments and contingencies (*See Note 8*)		
Partners' capital:		
General Partner: 100,000 general partnership units issued and outstanding	1,384	1,402
Limited partners: 96,074,568 and 98,092,098 limited partnership units issued and outstanding	1,556,501	1,619,200
AB Holding Units held by AB to fund long-term incentive compensation plans	(22,691)	(27,436)
Accumulated other comprehensive loss	(39,202)	(40,628)
Total partners' capital	**1,495,992**	**1,552,538**
Total liabilities and partners' capital	**$ 1,496,384**	**$ 1,554,264**

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 September 30,		Nine Months Ended September 30,	
	2020	**2019**	**2020**	**2019**
Equity in net income attributable to AB Unitholders	$ 73,874	$ 66,722	$ 206,989	$ 178,383
Income taxes	6,875	6,894	20,805	19,842
Net income	**$ 66,999**	**$ 59,828**	**$ 186,184**	**$ 158,541**
Net income per unit:				
Basic	**$ 0.70**	**$ 0.62**	**$ 1.95**	**$ 1.65**
Diluted	**$ 0.70**	**$ 0.62**	**$ 1.95**	**$ 1.65**

See Accompanying Notes to Condensed Financial Statements.

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2020	**2019**	**2020**	**2019**
Net income	$ 66,999	$ 59,828	$ 186,184	$ 158,541
Other comprehensive income:				
Foreign currency translation adjustments, before tax	5,872	(4,470)	718	(4,303)
Income tax benefit	38	77	116	24
Foreign currency translation adjustments, net of tax	5,910	(4,393)	834	(4,279)
Changes in employee benefit related items:				
Amortization of prior service cost	3	3	10	8
Recognized actuarial gain	149	174	613	374
Changes in employee benefit related items	152	177	623	382
Income tax (expense) benefit	(1)	90	(31)	102
Employee benefit related items, net of tax	151	267	592	484
Other comprehensive income (loss)	6,061	(4,126)	1,426	(3,795)
Comprehensive income	**$ 73,060**	**$ 55,702**	**$ 187,610**	**$ 154,746**

See Accompanying Notes to Condensed Financial Statements.

ALLIANCEBERNSTEIN HOLDING L.P.
Condensed Statements of Changes in Partners' Capital
(in thousands)
(unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2020	**2019**	**2020**	**2019**
General Partner's Capital				
Balance, beginning of period	**$ 1,374**	**$ 1,375**	**$ 1,402**	**$ 1,385**
Net income	71	63	192	166
Cash distributions to Unitholders	(61)	(56)	(210)	(169)
Balance, end of period	**1,384**	**1,382**	**1,384**	**1,382**
Limited Partners' Capital				
Balance, beginning of period	**1,556,813**	**1,542,918**	**1,619,200**	**1,555,892**
Net income	66,928	59,765	185,992	158,375
Cash distributions to Unitholders	(58,877)	(53,971)	(204,258)	(162,026)
Retirement of AB Holding Units	(8,645)	(19,029)	(54,823)	(92,412)
Issuance of AB Holding Units to fund long-term incentive compensation plan awards	282	18	10,243	60,921
Exercise of compensatory options to buy AB Holding Units	—	691	147	9,642
Balance, end of period	**1,556,501**	**1,530,392**	**1,556,501**	**1,530,392**
AB Holding Units held by AB to fund long-term incentive compensation plans				
Balance, beginning of period	**(26,202)**	**(35,746)**	**(27,436)**	**(27,759)**
Change in AB Holding Units held by AB to fund long-term incentive compensation plans	3,511	1,830	4,745	(6,157)
Balance, end of period	**(22,691)**	**(33,916)**	**(22,691)**	**(33,916)**
Accumulated Other Comprehensive (Loss) Income				
Balance, beginning of period	**(45,263)**	**(39,130)**	**(40,628)**	**(39,461)**
Foreign currency translation adjustment, net of tax	5,910	(4,393)	834	(4,279)
Changes in employee benefit related items, net of tax	151	267	592	484
Balance, end of period	**(39,202)**	**(43,256)**	**(39,202)**	**(43,256)**
Total Partners' Capital	**$ 1,495,992**	**$ 1,454,602**	**$ 1,495,992**	**$ 1,454,602**

See Accompanying Notes to Condensed Financial Statements.

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

	Nine Months Ended September 30,	
	2020	**2019**
Cash flows from operating activities:		
Net income	**$ 186,184**	**$ 158,541**
Adjustments to reconcile net income to net cash provided by operating activities:		
Equity in net income attributable to AB Unitholders	(206,989)	(178,383)
Cash distributions received from AB	225,802	182,475
Changes in assets and liabilities:		
(Increase) in other assets	(60)	(61)
(Decrease) increase in other liabilities	(1,334)	93
Net cash provided by operating activities	**203,603**	**162,665**
Cash flows from investing activities:		
Investments in AB with proceeds from exercise of compensatory options to buy AB Holding Units	(147)	(9,642)
Net cash used in investing activities	**(147)**	**(9,642)**
Cash flows from financing activities:		
Cash distributions to Unitholders	(204,468)	(162,195)
Capital contributions from (to) AB	865	(470)
Proceeds from exercise of compensatory options to buy AB Holding Units	147	9,642
Net cash used in financing activities	**(203,456)**	**(153,023)**
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
September 30, 2020
(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, 2019.

AB provides diversified investment management, research 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 Equitable Holdings, Inc. ("EQH") and its 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, direct lending and private equity; 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 the second quarter of 2018, AXA S.A. ("AXA") completed the sale of a minority stake in EQH through an initial public offering ("IPO"). Since then, AXA has completed additional offerings and taken other steps, most recently during the fourth quarter of 2019. As a result, AXA owned less than 10% of the outstanding common stock of EQH as of September 30, 2020.

As of September 30, 2020, EQH owned 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 September 30, 2020, the ownership structure of AB, expressed as a percentage of general and limited partnership interests, was as follows:

EQH and its subsidiaries	63.8 %
AB Holding	35.5
Unaffiliated holders	0.7
	100.0 %

Including both the general partnership and limited partnership interests in AB Holding and AB, EQH and its subsidiaries had an approximate 65.3% economic interest in AB as of September 30, 2020.

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, 2019 was derived from audited financial statements, but it 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 October 22, 2020, the General Partner declared a distribution of $0.69 per unit, representing a distribution of Available Cash Flow for the three months ended September 30, 2020. 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 November 12, 2020 to holders of record at the close of business on November 2, 2020.

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 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.

Repurchases of AB Holding Units for the three and nine months ended September 30, 2020 and 2019 consisted of the following:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2020	2019	2020	2019
	(in millions)			
Total amount of AB Holding Units Purchased [1]	0.3	0.9	2.5	2.9
Total Cash Paid for AB Holding Units Purchased[1]	$ 6.8	$ 25.1	$ 54.4	$ 83.7
Open Market Purchases of AB Holding Units Purchased [2]	0.2	0.6	2.4	2.5
Total Cash Paid for Open Market Purchases of AB Holding Units [2]	$ 6.7	$ 15.3	$ 51.8	$ 70.6

(1) Purchased on a trade date basis.
(2) The remainder related to purchases of AB Holding Units from employees to fulfill statutory tax withholding requirements at the time of delivery of long-term incentive compensation awards.

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. 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 third quarter of 2020 expired at the close of business on October 21, 2020. 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 nine months of 2020 and 2019, AB granted to employees and Eligible Directors 0.5 million and 1.9 million restricted AB Holding Unit awards, respectively. AB used AB Holding Units repurchased during the applicable period and newly-issued AB Holding Units to fund these restricted AB Holding Unit awards.

During the first nine months of 2020 and 2019, AB Holding issued 5,182 and 0.4 million AB Holding Units, respectively, upon exercise of options to buy AB Holding Units. AB Holding used the proceeds of $0.1 million and $9.6 million, respectively, received from award recipients 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 September 30,		Nine Months Ended September 30,	
	2020	2019	2020	2019
	(in thousands, except per unit amounts)			
Net income – basic	$ 66,999	$ 59,828	$ 186,184	$ 158,541
Additional allocation of equity in net income attributable to AB resulting from assumed dilutive effect of compensatory options	14	17	32	62
Net income – diluted	$ 67,013	$ 59,845	$ 186,216	$ 158,603
Weighted average units outstanding – basic	96,350	96,376	95,415	95,939
Dilutive effect of compensatory options	27	36	23	52
Weighted average units outstanding – diluted	96,377	96,412	95,438	95,991
Basic net income per unit	**$ 0.70**	**$ 0.62**	**$ 1.95**	**$ 1.65**
Diluted net income per unit	**$ 0.70**	**$ 0.62**	**$ 1.95**	**$ 1.65**

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2020	2019	2020	2019
	(amounts as shown)			
Anti-dilutive options excluded from diluted net income	29,056	29,056	29,056	29,056

5. Investment in AB

Changes in AB Holding's investment in AB during the nine-month period ended September 30, 2020 are as follows (in thousands):

Investment in AB as of December 31, 2019	$ 1,554,203
Equity in net income attributable to AB Unitholders	206,989
Changes in accumulated other comprehensive income	1,426
Cash distributions received from AB	(225,802)
Additional investments with proceeds from exercise of compensatory options to buy AB Holding Units	147
Capital contributions (from) AB	(865)
AB Holding Units retired	(54,823)
AB Holding Units issued to fund long-term incentive compensation plans	10,243
Change in AB Holding Units held by AB for long-term incentive compensation plans	4,745
Investment in AB as of September 30, 2020	**$ 1,496,263**

6. Units Outstanding

Changes in AB Holding Units outstanding during the nine-month period ended September 30, 2020 are as follows:

Outstanding as of December 31, 2019	98,192,098
Options exercised	5,182
Units issued	422,703
Units retired	(2,445,415)
Outstanding as of September 30, 2020	**96,174,568**

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, research payments 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 September 30,			Nine Months Ended September 30,		
	2020	**2019**	**% Change**	**2020**	**2019**	**% Change**
				(in thousands)		
Net income attributable to AB Unitholders	$ 207,976	$ 187,811	10.7 %	$ 579,617	$ 503,177	15.2 %
Multiplied by: weighted average equity ownership interest	35.5 %	35.5 %		35.7 %	35.5 %	
Equity in net income attributable to AB Unitholders	$ 73,874	$ 66,722	10.7	$ 206,989	$ 178,383	16.0
AB qualifying revenues	$ 642,303	$ 656,173	(2.1)	$ 1,931,252	$ 1,886,176	2.4
Multiplied by: weighted average equity ownership interest for calculating tax	30.0 %	29.4 %		30.2 %	29.5 %	
Multiplied by: federal tax	3.5 %	3.5 %		3.5 %	3.5 %	
Federal income taxes	6,738	6,759		20,432	19,459	
State income taxes	137	135		373	383	
Total income taxes	**$ 6,875**	**$ 6,894**	**(0.3)**	**$ 20,805**	**$ 19,842**	**4.9**
Effective tax rate	**9.3 %**	**10.3 %**		**10.1 %**	**11.1 %**	

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) engage in 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 can 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 the 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, 2019.

Results of Operations

	Three Months Ended September 30,			Nine Months Ended September 30,		
	2020	2019	% Change	2020	2019	% Change
	(in thousands, except per unit amounts)					
Net income attributable to AB Unitholders	$ 207,976	$ 187,811	10.7 %	$ 579,617	$ 503,177	15.2 %
Weighted average equity ownership interest	35.5 %	35.5 %		35.7 %	35.5 %	
Equity in net income attributable to AB Unitholders	73,874	66,722	10.7	206,989	178,383	16.0
Income taxes	6,875	6,894	(0.3)	20,805	19,842	4.9
Net income of AB Holding	$ 66,999	$ 59,828	12.0	$ 186,184	$ 158,541	17.4
Diluted net income per AB Holding Unit	$ 0.70	$ 0.62	12.9	$ 1.95	$ 1.65	18.2
Distribution per AB Holding Unit[(1)]	$ 0.69	$ 0.63	9.5	$ 1.94	$ 1.68	15.5

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

AB Holding's net income for the three and nine months ended September 30, 2020 increased $7.2 million and $27.6 million, respectively, primarily due to higher net income attributable to AB Unitholders.

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, research payments 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 9.3% during the three months ended September 30, 2020, compared to 10.3% during the three months ended September 30, 2019. AB Holding's effective tax rate during the nine months ended September 30, 2020 was 10.1% compared to 11.1% during the nine months ended September 30, 2019. *See Note 7 to the condensed financial statements 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 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 September 30,		Nine Months Ended September 30,	
	2020	2019	2020	2019
	(in thousands, except per Unit amounts)			
AB non-GAAP adjustments, before taxes	$ (840)	$ 1,290	$ 7,262	$ 5,334
AB income tax benefit (expense) on non-GAAP adjustments	29	151	(584)	882
AB non-GAAP adjustments, after taxes	(811)	1,441	6,678	6,216
AB Holding's weighted average equity ownership interest in AB	35.5 %	35.5 %	35.7 %	35.5 %
Impact on AB Holding's net income of AB non-GAAP adjustments	$ (289)	$ 512	$ 2,385	$ 2,204
Net income – diluted, GAAP basis	$ 67,013	$ 59,845	$ 186,216	$ 158,603
Impact on AB Holding's net income of AB non-GAAP adjustments	(289)	512	2,385	2,204
Adjusted net income – diluted	$ 66,724	$ 60,357	$ 188,601	$ 160,807
Diluted net income per AB Holding Unit, GAAP basis	**$ 0.70**	**$ 0.62**	**$ 1.95**	**$ 1.65**
Impact of AB non-GAAP adjustments	(0.01)	0.01	0.03	0.03
Adjusted diluted net income per AB Holding Unit	**$ 0.69**	**$ 0.63**	**$ 1.98**	**$ 1.68**

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.

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 concurrence of the Board of Directors, that one or more adjustments made to adjusted net income should not be made with respect to the Available Cash Flow calculation. *See Note 2 to the condensed financial statements in Item 1* for a description of Available Cash Flow.

Capital Resources and Liquidity

During the nine months ended September 30, 2020, net cash provided by operating activities was $203.6 million, compared to $162.7 million during the corresponding 2019 period. The increase primarily resulted from higher cash distributions received from AB of $43.3 million.

During the nine months ended September 30, 2020, net cash used in investing activities was $0.1 million, compared to $9.6 million during the corresponding 2019 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 nine months ended September 30, 2020, net cash used in financing activities was $203.5 million, compared to $153.0 million during the corresponding 2019 period. The increase primarily was due to higher cash distributions to Unitholders of $42.3 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 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, 2019 *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 27.5% during 2019, increased to 28.4% during the first nine months of 2020.

  Our AUM and, therefore, our investment advisory revenues, including performance-based fee revenues, are heavily dependent on the level and volatility of the financial markets. Based upon our current revenue and expense projections, 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 expected revenues. 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. Furthermore, our revenues may continue to be adversely affected by the severe economic impact of the novel coronavirus global pandemic ("COVID-19"). Please refer to “Risk Factors” below for additional information regarding the effect on our business COVID-19 has had and may continue to have.

- The Adverse Impact of COVID-19: The severity of the expected adverse impact on our AUM and revenues of the economic downturn caused by the COVID-19 pandemic will depend on the depth and length of the downturn and its impact on the companies in which we invest. Our conclusions about the possible continuing significant adverse impact on us is based on our assumptions that the recovery will be gradual and that there will be lasting high unemployment and economic damage. We believe that these assumptions are reasonable, but they may not be correct and economic conditions likely will differ from our assumptions.

- Our fixed income investment performance: Our fixed income performance continued to rebound in the third quarter following poor relative performance of many of our funds during the first quarter of 2020. Further, while we have not generally experienced redemptions in our fixed income strategies during the second or third quarters of 2020, we recognize that the impact on the one-, three- and five-year track records of some funds may contribute to increased redemptions in some of our fixed income strategies in future periods. Any increase in redemptions, absent an offsetting increase in sales, would adversely affect our AUM, revenues and net income.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

With the exception of the updates regarding Market Risk discussed under *Risk Factors in Part II, Item 1A*, 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, 2019.

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 third quarter of 2020 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

We are including the below risk factor language regarding the market volatility that has resulted from COVID-19. Except for the update set forth below, there have been no material changes to the risk factors from those appearing in AB Holding's Annual Report on Form 10-K ("AB 10-K") for the fiscal year ended December 31, 2019.

Market Risk

We indicated in the AB 10-K and Forms 10-Q for the quarters ended March 31, 2020 and June 30, 2020 that our revenues and results of operations depend on the market value and composition of our AUM, which can fluctuate significantly based on various factors, many of which are beyond our control. The dramatic securities market declines experienced during March 2020, which resulted from the global effects of COVID-19, caused a significant reduction in our AUM. Markets and AUM levels have since recovered, though we recognize that markets remain volatile and the risk remains of a significant reduction in our revenues and net income in 2020.

Global economies and financial markets are increasingly interconnected, which increases the probability that conditions in one country or region might adversely impact issuers in a different country or region. Conditions affecting the general economy, including political, social or economic instability at the local, regional or global level, such as the civil unrest centered around racial equality experienced across the U.S. during the second and third quarters of 2020, may also affect the market value of our AUM. Health crises, such as the COVID-19 pandemic, as well as other incidents that interrupt the expected course of events, such as natural disasters, war or civil disturbance, acts of terrorism, power outages and other unforeseeable and external events, and the public response to or fear of such diseases or events, have had and may in the future have a significant adverse effect on financial markets and our AUM, revenues and net income. Furthermore, the preventative and protective health-related actions, such as business activity suspensions and population lock-downs, that governments have taken, and may continue to take, in response to COVID-19 have resulted, and may continue to result, in periods of business interruption, inability to obtain raw materials, supplies and component parts, and reduced or disrupted operations. These circumstances have caused, and may continue to cause, significant economic disruption and high levels of unemployment, which will adversely affect the financial condition and results of operations of many of the companies in which we invest, and likely reduce the market value of their securities and thus our AUM and revenues. Furthermore, the significant market volatility and uncertainty, and reductions in the availability of margin financing, we experienced during the first quarter of 2020 severely limited the liquidity of certain asset backed and other securities, making it at times impossible to sell these securities at prices reflecting their true economic value. While liquidity conditions have improved considerably since the first quarter following the stimulus programs announced by the U.S. Federal Reserve and U.S. Treasury, we recognize the possibility that conditions could deteriorate in the future. Lack of liquidity makes it more difficult for our funds to meet redemption requests. If liquidity were to worsen, this may have a significant adverse effect on our AUM, revenues and net income in 2020.

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 third quarter of 2020 expired at the close of business on October 21, 2020. 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 third quarter of 2020 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
7/1/20 - 7/31/20[1]	1,520	$ 27.43	—	—
8/1/20 - 8/31/20[2]	9,052	27.90	—	—
9/1/20 - 9/30/20[1][2]	239,704	27.17	—	—
Total	**250,276**	**$ 27.20**	**—**	**—**

(1) During the third quarter of 2020, AB purchased from employees 1,922 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 third quarter of 2020, AB purchased 248,354 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 third quarter of 2020 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
7/1/20 - 7/31/20	—	$ —	—	—
8/1/20 - 8/31/20	—	—	—	—
9/1/20 - 9/30/20[1]	700	28.26	—	—
Total	**700**	**$ 28.26**	**—**	**—**

(1) During September 2020, AB purchased 700 AB Units in private transactions.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

None.

Item 5. Other Information

None.

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 September 30, 2020.
101.INS	XBRL Instance Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL 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.
104	The cover page from the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2020, formatted in Inline XBRL (included in Exhibit 101).

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: October 22, 2020

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: October 22, 2020

/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: October 22, 2020

/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 September 30, 2020 to be filed with the Securities and Exchange Commission on or about October 22, 2020 (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: October 22, 2020

/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 September 30, 2020 to be filed with the Securities and Exchange Commission on or about October 22, 2020 (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: October 22, 2020

/s/ John C. Weisenseel

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

Exhibit 99.1

Part I

FINANCIAL INFORMATION

Item 1. Financial Statements

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

	September 30, 2020	December 31, 2019
ASSETS		
Cash and cash equivalents	$ 1,013,811	$ 679,738
Cash and securities segregated, at fair value (cost: $1,865,268 and $1,090,443)	1,869,313	1,094,866
Receivables, net:		
Brokers and dealers	123,695	97,966
Brokerage clients	1,511,036	1,536,674
AB funds fees	224,101	261,588
Other fees	135,668	148,744
Investments:		
Long-term incentive compensation-related	55,061	50,902
Other	198,631	215,892
Assets of consolidated company-sponsored investment funds:		
Cash and cash equivalents	29,207	11,433
Investments	228,176	581,004
Other assets	13,726	19,810
Furniture, equipment and leasehold improvements, net	128,081	145,251
Goodwill	3,082,778	3,076,926
Intangible assets, net	47,989	55,366
Deferred sales commissions, net	63,395	36,296
Right-of-use assets	303,240	362,693
Other assets	292,024	330,943
Total assets	**$ 9,319,932**	**$ 8,706,092**
LIABILITIES, REDEEMABLE NON-CONTROLLING INTEREST AND CAPITAL		
Liabilities:		
Payables:		
Brokers and dealers	$ 218,620	$ 201,778
Securities sold not yet purchased	13,984	30,157
Brokerage clients	3,472,228	2,531,946
AB mutual funds	58,197	71,142
Accounts payable and accrued expenses	195,930	192,110
Lease liabilities	395,697	468,451
Liabilities of consolidated company-sponsored investment funds	29,891	31,017
Accrued compensation and benefits	640,564	276,829
Debt	300,000	560,000
Total liabilities	**5,325,111**	**4,363,430**

	September 30, 2020	December 31, 2019
Commitments and contingencies (*See Note 12*)		
Redeemable non-controlling interest	56,990	325,561
Capital:		
General Partner	40,279	41,225
Limited partners: 268,362,084 and 270,380,314 units issued and outstanding	4,081,265	4,174,201
Receivables from affiliates	(8,706)	(9,011)
AB Holding Units held for long-term incentive compensation plans	(64,319)	(76,310)
Accumulated other comprehensive loss	(110,688)	(113,004)
Partners' capital attributable to AB Unitholders	**3,937,831**	**4,017,101**
Total liabilities, redeemable non-controlling interest and capital	**$ 9,319,932**	**$ 8,706,092**

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 September 30,		Nine Months Ended September 30,	
	2020	**2019**	**2020**	**2019**
Revenues:				
Investment advisory and services fees	$ 630,539	$ 616,384	$ 1,830,467	$ 1,769,342
Bernstein research services	98,514	102,014	341,346	298,240
Distribution revenues	135,693	118,635	386,649	327,491
Dividend and interest income	9,070	24,882	42,227	79,882
Investment gains (losses)	1,106	4,433	(19,011)	31,117
Other revenues	26,583	24,497	78,186	71,499
Total revenues	901,505	890,845	2,659,864	2,577,571
Less: Interest expense	1,467	12,978	14,221	46,443
Net revenues	900,038	877,867	2,645,643	2,531,128
Expenses:				
Employee compensation and benefits	357,821	361,822	1,069,731	1,064,833
Promotion and servicing:				
Distribution-related payments	148,380	127,726	414,203	349,973
Amortization of deferred sales commissions	7,434	3,605	19,582	10,348
Trade execution, marketing, T&E and other	41,220	53,814	141,118	161,012
General and administrative:				
General and administrative	119,318	117,056	363,009	355,084
Real estate charges	—	153	5,526	701
Contingent payment arrangements	813	829	2,413	1,712
Interest on borrowings	1,073	2,802	5,003	10,775
Amortization of intangible assets	6,833	7,277	20,042	21,536
Total expenses	682,892	675,084	2,040,627	1,975,974
Operating income	**217,146**	**202,783**	**605,016**	**555,154**
Income taxes	9,089	10,827	29,949	29,959
Net income	**208,057**	**191,956**	**575,067**	**525,195**
Net income (loss) of consolidated entities attributable to non-controlling interests	81	4,145	(4,550)	22,018
Net income attributable to AB Unitholders	**$ 207,976**	**$ 187,811**	**$ 579,617**	**$ 503,177**
Net income per AB Unit:				
Basic	**$ 0.77**	**$ 0.69**	**$ 2.13**	**$ 1.86**
Diluted	**$ 0.77**	**$ 0.69**	**$ 2.13**	**$ 1.86**

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 September 30,		Nine Months Ended September 30,	
	2020	**2019**	**2020**	**2019**
Net income	$ 208,057	$ 191,956	$ 575,067	$ 525,195
Other comprehensive income (loss):				
Foreign currency translation adjustments, before tax	16,440	(12,694)	1,361	(12,242)
Income tax (expense) benefit	(98)	189	42	39
Foreign currency translation adjustments, net of tax	16,342	(12,505)	1,403	(12,203)
Changes in employee benefit related items:				
Amortization of prior service cost	6	6	18	18
Recognized actuarial gain	325	288	975	840
Changes in employee benefit related items	331	294	993	858
Income tax (expense) benefit	(2)	253	(80)	288
Employee benefit related items, net of tax	329	547	913	1,146
Other comprehensive income (loss)	16,671	(11,958)	2,316	(11,057)
Less: Comprehensive income (loss) in consolidated entities attributable to non-controlling interests	81	4,295	(4,550)	22,165
Comprehensive income attributable to AB Unitholders	**$ 224,647**	**$ 175,703**	**$ 581,933**	**$ 491,973**

See Accompanying Notes to Condensed Consolidated Financial Statements.

ALLIANCEBERNSTEIN L.P.
AND SUBSIDIARIES
Condensed Consolidated Statements of Changes in Partners' Capital
(in thousands)
(unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2020	**2019**	**2020**	**2019**
General Partner's Capital				
Balance, beginning of period	**$ 38,647**	**$ 40,016**	**$ 41,225**	**$ 40,240**
Net income	2,079	1,877	5,796	5,031
Cash distributions to General Partner	(378)	(1,710)	(6,316)	(5,148)
Long-term incentive compensation plans activity	15	4	20	189
(Retirement) issuance of AB Units, net	(84)	(190)	(446)	(315)
Balance, end of period	**40,279**	**39,997**	**40,279**	**39,997**
Limited Partners' Capital				
Balance, beginning of period	**4,066,211**	**4,053,360**	**4,174,201**	**4,075,306**
Net income	205,897	185,934	573,821	498,146
Cash distributions to Unitholders	(183,880)	(169,118)	(624,566)	(509,151)
Long-term incentive compensation plans activity	1,335	397	1,963	18,652
(Retirement) issuance of AB Units, net	(8,298)	(18,836)	(44,154)	(31,216)
Balance, end of period	**4,081,265**	**4,052,581**	**4,081,265**	**4,052,581**
Receivables from Affiliates				
Balance, beginning of period	**(9,167)**	**(9,839)**	**(9,011)**	**(11,430)**
Long-term incentive compensation awards expense	205	216	598	908
Capital contributions from AB Holding	256	319	(293)	1,218
Balance, end of period	**(8,706)**	**(9,304)**	**(8,706)**	**(9,304)**
AB Holding Units held for Long-term Incentive Compensation Plans				
Balance, beginning of period	**(73,726)**	**(100,453)**	**(76,310)**	**(77,990)**
Purchases of AB Holding Units to fund long-term compensation plans, net	(6,043)	(23,432)	(53,458)	(81,790)
Retirement (issuance) of AB Units, net	8,629	19,011	44,847	31,491
Long-term incentive compensation awards expense	8,321	9,214	22,996	35,829
Re-valuation of AB Holding Units held in rabbi trust	(1,500)	(53)	(2,409)	(9,945)
Other	—	—	15	6,692
Balance, end of period	**(64,319)**	**(95,713)**	**(64,319)**	**(95,713)**
Accumulated Other Comprehensive Income (Loss)				
Balance, beginning of period	**(127,359)**	**(109,963)**	**(113,004)**	**(110,866)**
Foreign currency translation adjustment, net of tax	16,342	(12,654)	1,403	(12,350)
Changes in employee benefit related items, net of tax	329	547	913	1,146
Balance, end of period	**(110,688)**	**(122,070)**	**(110,688)**	**(122,070)**
Total Partners' Capital attributable to AB Unitholders	**3,937,831**	**3,865,491**	**3,937,831**	**3,865,491**
Non-redeemable Non-controlling Interests in Consolidated Entities				
Balance, beginning of period	**—**	**1,020**	**—**	**949**
Net income	—	17	—	91
Foreign currency translation adjustment	—	150	—	147
Purchase of non-controlling interest	—	(1,187)	—	(1,187)
Balance, end of period	**—**	**—**	**—**	**—**
Total Capital	**$ 3,937,831**	**$ 3,865,491**	**$ 3,937,831**	**$ 3,865,491**

See Accompanying Notes to Condensed Consolidated Financial Statements.

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

	Nine Months Ended September 30,	
	2020	**2019**
Cash flows from operating activities:		
Net income	**$ 575,067**	**$ 525,195**
Adjustments to reconcile net income to net cash provided by operating activities:		
Amortization of deferred sales commissions	19,582	10,348
Non-cash long-term incentive compensation expense	23,594	36,737
Depreciation and other amortization	107,910	125,729
Unrealized losses (gains) on investments	20,593	(17,386)
Unrealized losses (gains) on investments of consolidated company-sponsored investment funds	8,254	(29,522)
Other, net	(1,072)	3,652
Changes in assets and liabilities:		
(Increase) decrease in securities, segregated	(774,447)	211,405
(Increase) decrease in receivables	(1,555)	214,522
(Increase) decrease in investments	(8,037)	407,616
Decrease (increase) in investments of consolidated company-sponsored investment funds	344,574	(155,064)
(Increase) in deferred sales commissions	(46,681)	(20,559)
Decrease (increase) in right-of-use assets	1,845	(8,336)
Decrease in other assets	40,130	20,361
Increase in other assets and liabilities of consolidated company-sponsored investment funds, net	4,958	1,903
Increase (decrease) in payables	982,957	(733,097)
(Decrease) in lease liabilities	(71,431)	(83,161)
(Decrease) in accounts payable and accrued expenses	(5,988)	(39,225)
Increase in accrued compensation and benefits	361,251	334,900
Net cash provided by operating activities	**1,581,504**	**806,018**
Cash flows from investing activities:		
Purchases of furniture, equipment and leasehold improvements	(12,357)	(24,311)
Acquisition of businesses, net of cash acquired	(13,552)	5,255
Net cash used in investing activities	**(25,909)**	**(19,056)**

	Nine Months Ended September 30,	
	2020	**2019**
Cash flows from financing activities:		
(Repayment) of commercial paper, net	—	(227,528)
(Repayment) of EQH Facility	(260,000)	—
Borrowings of bank loans	—	55,000
Increase (decrease) in overdrafts payable	2,640	(72,878)
Distributions to General Partner and Unitholders	(630,882)	(514,299)
(Redemptions) subscriptions of non-controlling interest in consolidated company-sponsored investment funds, net	(264,021)	123,677
Capital contributions (to) from affiliates	(865)	470
Additional investments by AB Holding with proceeds from exercise of compensatory options to buy AB Holding Units	147	9,642
Purchases of AB Holding Units to fund long-term incentive compensation plan awards, net	(53,458)	(81,790)
Other	1,276	(2,460)
Net cash (used in) financing activities	**(1,205,163)**	**(710,166)**
Effect of exchange rate changes on cash and cash equivalents	1,415	(8,090)
Net increase in cash and cash equivalents	**351,847**	**68,706**
Cash and cash equivalents as of beginning of the period	691,171	653,324
Cash and cash equivalents as of end of the period	**$ 1,043,018**	**$ 722,030**
Non-cash investing activities:		
Fair value of assets acquired (excluding cash acquired of $0.6 million and $11.8 million, respectively)	$ 18,389	$ 28,966
Fair value of liabilities assumed	$ 437	$ 16,837
Non-cash financing activities:		
Payables recorded under contingent payment arrangements	$ 4,400	$ 17,384

See Accompanying Notes to Condensed Consolidated Financial Statements.

ALLIANCEBERNSTEIN L.P.
AND SUBSIDIARIES
Notes to Condensed Consolidated Financial Statements
September 30, 2020
(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, 2019.

1. Business Description Organization and Basis of Presentation

Business Description

We provide diversified investment management, research 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 Equitable Holdings, Inc. ("EQH") and its 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, direct lending and private equity; 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 the second quarter of 2018, AXA S.A. ("AXA") completed the sale of a minority stake in EQH through an initial public offering ("IPO"). Since then, AXA has completed additional offerings and taken other steps, most recently during the fourth quarter of 2019. As a result, AXA owned less than 10% of the outstanding common stock of EQH as of September 30, 2020.

As of September 30, 2020, EQH owned 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 September 30, 2020, the ownership structure of AB, including limited partnership units outstanding as well as the general partner's 1% interest, was as follows:

EQH and its subsidiaries	63.8 %
AB Holding	35.5
Unaffiliated holders	0.7
	100.0 %

Including both the general partnership and limited partnership interests in AB Holding and AB, EQH and its subsidiaries had an approximate 65.3% economic interest in AB as of September 30, 2020.

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, 2019 was derived from audited financial statements, but it 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.

2. Significant Accounting Policies

Recently Adopted Accounting Pronouncements

In June 2016, the FASB issued ASU 2016-13, *Financial Instruments - Credit Losses (Topic 326)*. This new guidance relates to the accounting for credit losses on financial instruments and 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. We adopted this standard prospectively on January 1, 2020. The adoption of this standard did not have a material impact on our financial condition or 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 had required 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. We adopted this standard prospectively on January 1, 2020. The adoption of this standard did not 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. We adopted this standard prospectively on January 1, 2020. The adoption of this standard did not have a material impact on our financial condition or results of operations.

In August 2018, the FASB issued ASU 2018-15, *Intangibles-Goodwill and Other-Internal-Use Software (Subtopic 350-40): Customer's Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement That is a Service Contract.* The amendment aligns the requirements for capitalizing implementation costs incurred in a hosting arrangement that is a service contract with the requirements that currently exist in GAAP for capitalizing implementation costs incurred to develop or obtain internal-use software. Implementation costs would either be capitalized or expensed as incurred depending on the project stage. All costs in the preliminary and post-implementation project stages are expensed as incurred, while certain costs within the application development stage are capitalized. We adopted this standard prospectively on January 1, 2020. The adoption of this standard did not have a material impact on our financial condition or results of operations.

Accounting Pronouncements Not Yet Adopted in 2020

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 beginning after December 15, 2020, with early adoption permitted. The revised guidance will not have a material impact on our financial condition or results of operations.

In December 2019, the FASB issued ASU 2019-12, *Income Taxes (Topic 740): Simplifying the Accounting for Income Taxes*. The amendments simplify the accounting for income taxes by removing certain exceptions to the general principles in Topic 740. The amendments also improve consistent application of and simplify US GAAP for other areas of Topic 740 by clarifying and amending the existing guidance. The revised guidance is effective for financial statements issued for fiscal years beginning after December 15, 2020, with early adoption permitted. The revised guidance will not have a material impact on our financial condition or results of operations.

Goodwill

Goodwill is tested annually, as of September 30, for impairment utilizing the Market Approach where the fair value of the reporting unit is based on its unadjusted market valuation (AB Holding Units outstanding multiplied by AB Holding's Unit price). Throughout the year, the carrying value of goodwill is also reviewed for impairment if certain events or changes in circumstances occur, and trigger whether an interim impairment test may be required. Such changes in circumstances may include, but are not limited to, a sustained decrease in the price of an AB Holding Unit or declines in AB Holding’s market capitalization that would suggest that the fair value of the reporting unit is less than the carrying amount; significant and unanticipated declines in AB’s assets under management or revenues; and/or lower than expected earnings per unit. Any of these changes in circumstances could suggest the possibility that goodwill is impaired, but none of these events or

circumstances by itself would indicate that it is more likely than not that goodwill is impaired. Instead, they are merely recognized as triggering events for the consideration of impairment and must be viewed in combination with any mitigating or positive factors. A holistic evaluation of all events since the most recent quantitative impairment test must be done to determine whether it is more likely than not that the reporting unit is impaired. We have determined that AB has only one reporting segment and reporting unit. As of September 30, 2020, the impairment test indicated that goodwill was not impaired.

As of January 1, 2020, we adopted ASU 2017-04, *Simplifying the Test for Goodwill Impairment*. The guidance removes Step 2 of the goodwill impairment test, which had required 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. Under this guidance, the goodwill impairment test no longer includes a determination by management of whether a decline in fair value is temporary; however, it is important to consider how the severity and anticipated duration of the current market conditions is reflected in management's determination of fair value.

3. Revenue Recognition

Revenues for the three and nine months ended September 30, 2020 and 2019 consisted of the following:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2020	2019	2020	2019
	(in thousands)			
Subject to contracts with customers:				
Investment advisory and services fees				
Base fees	$ 623,593	$ 608,765	$ 1,806,476	$ 1,746,072
Performance-based fees	6,946	7,619	23,991	23,270
Bernstein research services	98,514	102,014	341,346	298,240
Distribution revenues				
All-in-management fees	83,466	77,110	245,651	207,377
12b-1 fees	19,068	20,287	56,351	60,055
Other	33,159	21,238	84,647	60,059
Other revenues				
Shareholder servicing fees	20,753	20,020	61,290	57,413
Other	5,477	4,095	15,939	12,609
	890,976	861,148	2,635,691	2,465,095
Not subject to contracts with customers:				
Dividend and interest income, net of interest expense	7,603	11,904	28,006	33,439
Investment (losses) gains	1,106	4,433	(19,011)	31,117
Other revenues	353	382	957	1,477
	9,062	16,719	9,952	66,033
Total net revenues	**$ 900,038**	**$ 877,867**	**$ 2,645,643**	**$ 2,531,128**

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 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.

Repurchases of AB Holding Units for the three and nine months ended September 30, 2020 and 2019 consisted of the following:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2020	2019	2020	2019
	(in millions)			
Total amount of AB Holding Units Purchased [1]	0.3	0.9	2.5	2.9
Total Cash Paid for AB Holding Units Purchased [1]	$ 6.8	$ 25.1	$ 54.4	$ 83.7
Open Market Purchases of AB Holding Units Purchased [2]	0.2	0.6	2.4	2.5
Total Cash Paid for Open Market Purchases of AB Holding Units [2]	$ 6.7	$ 15.3	$ 51.8	$ 70.6

(1) Purchased on a trade date basis.
(2) The remainder related to purchases of AB Holding Units from employees to fulfill statutory tax withholding requirements at the time of delivery of long-term incentive compensation award.
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 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 we select has the authority under the terms and limitations specified in the plan to repurchase AB Holding Units on our behalf. 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 third quarter of 2020 expired at the close of business on October 21, 2020. 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 nine months of 2020 and 2019, we granted to employees and Eligible Directors 0.5 million and 1.9 million restricted AB Holding Unit awards, respectively. We used AB Holding Units repurchased during the applicable period and newly-issued AB Holding Units to fund these awards.

During the first nine months of 2020 and 2019, AB Holding issued 5,182 and 0.4 million AB Holding Units, respectively, upon exercise of options to buy AB Holding Units. AB Holding used the proceeds of $0.1 million and $9.6 million, respectively, received from award recipients 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 September 30,		Nine Months Ended September 30,	
	2020	2019	2020	2019
	(in thousands, except per unit amounts)			
Net income attributable to AB Unitholders	$ 207,976	$ 187,811	$ 579,617	$ 503,177
Weighted average limited partnership units outstanding – basic	268,538	268,567	269,369	268,131
Dilutive effect of compensatory options to buy AB Holding Units	27	36	23	52
Weighted average limited partnership units outstanding – diluted	268,565	268,603	269,392	268,183
Basic net income per AB Unit	**$ 0.77**	**$ 0.69**	**$ 2.13**	**$ 1.86**
Diluted net income per AB Unit	**$ 0.77**	**$ 0.69**	**$ 2.13**	**$ 1.86**

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2020	2019	2020	2019
	(amounts as shown)			
Anti-dilutive options excluded from diluted net income	29,056	29,056	29,056	29,056

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 October 22, 2020, the General Partner declared a distribution of $0.76 per AB Unit, representing a distribution of Available Cash Flow for the three months ended September 30, 2020. 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 November 12, 2020 to holders of record on November 2, 2020.

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

As of September 30, 2020 and December 31, 2019, $1.9 billion and $1.1 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:

	September 30, 2020	December 31, 2019
	(in thousands)	
Equity securities:		
Long-term incentive compensation-related	$ 30,911	$ 36,665
Seed capital	75,079	70,464
Other	60,147	73,202
Exchange-traded options	12,153	6,931
Investments in limited partnership hedge funds:		
Long-term incentive compensation-related	24,150	14,237
Seed capital	17,309	33,124
Time deposits	19,900	18,281
Other	14,043	13,890
Total investments	**$ 253,692**	**$ 266,794**

Total investments related to long-term incentive compensation obligations of $55.1 million and $50.9 million as of September 30, 2020 and December 31, 2019, 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. Regarding 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 September 30, 2020 and December 31, 2019, our total seed capital investments were $276.2 million and $358.1 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 (losses) gains related to equity securities, as defined by ASC 321-10, held as of September 30, 2020 and 2019 were as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2020	2019	2020	2019
	(in thousands)			
Net gains recognized during the period	$ 12,904	$ 2,382	$ 5,304	$ 23,962
Less: net gains recognized during the period on equity securities sold during the period	18,929	1,716	25,005	6,257
Unrealized (losses) gains recognized during the period on equity securities held	**$ (6,025)**	**$ 666**	**$ (19,701)**	**$ 17,705**

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 implement 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 September 30, 2020 and December 31, 2019 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	Derivative Assets	Derivative Liabilities
		(in thousands)	
September 30, 2020:			
Exchange-traded futures	$ 131,895	$ 317	$ 223
Currency forwards	68,643	8,271	7,709
Interest rate swaps	71,469	2,226	3,067
Credit default swaps	282,347	14,770	14,075
Total return swaps	50,863	427	656
Option swaps	2,466	659	2,500
Total derivatives	**$ 607,683**	**$ 26,670**	**$ 28,230**
December 31, 2019:			
Exchange-traded futures	$ 171,112	$ 939	$ 871
Currency forwards	60,809	8,545	8,633
Interest rate swaps	92,756	1,746	2,254
Credit default swaps	168,303	2,151	5,611
Total return swaps	91,201	110	1,764
Option swaps	354	—	126
Total derivatives	**$ 584,535**	**$ 13,491**	**$ 19,259**

As of September 30, 2020 and December 31, 2019, 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 and nine months ended September 30, 2020 and 2019 recognized in investment (losses) gains in the condensed consolidated statements of income were as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2020	**2019**	**2020**	**2019**
Exchange-traded futures	$ (2,753)	$ (1,352)	$ (7,565)	$ (9,903)
Currency forwards	(1,031)	1,453	(585)	1,338
Interest rate swaps	15	(81)	(372)	(726)
Credit default swaps	(2,298)	(449)	5,492	(4,254)
Total return swaps	(6,840)	314	(10,691)	(15,452)
Option swaps	(1,183)	—	(1,716)	—
Net (losses) on derivative instruments	**$ (14,090)**	**$ (115)**	**$ (15,437)**	**$ (28,997)**

We may be exposed to credit-related losses in the event of non-performance 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 September 30, 2020 and December 31, 2019, we held $1.0 million and $0.3 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, a termination event permitting us or 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 September 30, 2020 and December 31, 2019, we delivered $3.6 million and $4.3 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 September 30, 2020 and December 31, 2019, we held $12.2 million and $6.9 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 September 30, 2020 and December 31, 2019, we held $11.1 million and $12.3 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 and nine months ended September 30, 2020, we recognized losses of $4.4 million and $4.5 million, respectively, on equity option activity. For the three and nine months ended September 30, 2019, we recognized losses of $3.6 million and $14.7 million, respectively, on equity option activity. These gains and 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 September 30, 2020 and December 31, 2019 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)			
September 30, 2020:						
Securities borrowed	$ 13,303	$ —	$ 13,303	$ (11,567)	$ —	$ 1,736
Derivatives	$ 26,670	$ —	$ 26,670	$ —	$ (980)	$ 25,690
Long exchange-traded options	$ 12,153	$ —	$ 12,153	$ —	$ —	$ 12,153
December 31, 2019:						
Securities borrowed	$ 38,993	$ —	$ 38,993	$ (38,993)	$ —	$ —
Derivatives	$ 13,491	$ —	$ 13,491	$ —	$ (251)	$ 13,240
Long exchange-traded options	$ 6,931	$ —	$ 6,931	$ —	$ —	$ 6,931

Offsetting of liabilities as of September 30, 2020 and December 31, 2019 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)			
September 30, 2020:						
Securities loaned	$ 15,150	$ —	$ 15,150	$ —	$ (14,254)	$ 896
Derivatives	$ 28,230	$ —	$ 28,230	$ —	$ (3,553)	$ 24,677
Short exchange-traded options	$ 11,091	$ —	$ 11,091	$ —	$ —	$ 11,091
December 31, 2019:						
Derivatives	$ 19,259	$ —	$ 19,259	$ —	$ (4,276)	$ 14,983
Short exchange-traded options	$ 12,348	$ —	$ 12,348	$ —	$ —	$ 12,348

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 September 30, 2020 and December 31, 2019 was as follows (in thousands):

	Level 1	Level 2	Level 3	NAV Expedient[1]	Other	Total
September 30, 2020:						
Money markets	$ 131,614	$ —	$ —	$ —	$ —	$ 131,614
Securities segregated (U.S. Treasury Bills)	—	1,868,891	—	—	—	1,868,891
Derivatives	317	26,353	—	—	—	26,670
Investments:						
Equity securities	143,749	22,096	121	171	—	166,137
Long exchange-traded options	12,153	—	—	—	—	12,153
Limited partnership hedge funds[2]	—	—	—	—	41,459	41,459
Time deposits[3]	—	—	—	—	19,900	19,900
Other investments	6,257	—	—	—	7,786	14,043
Total investments	162,159	22,096	121	171	69,145	253,692
Total assets measured at fair value	**$ 294,090**	**$ 1,917,340**	**$ 121**	**$ 171**	**$ 69,145**	**$ 2,280,867**
Securities sold not yet purchased:						
Short equities – corporate	$ 2,892	$ —	$ —	$ —	$ —	$ 2,892
Short exchange-traded options	11,091	—	—	—	—	11,091
Derivatives	223	28,007	—	—	—	28,230
Contingent payment arrangements	—	—	29,723	—	—	29,723
Total liabilities measured at fair value	**$ 14,206**	**$ 28,007**	**$ 29,723**	**$ —**	**$ —**	**$ 71,936**

	Level 1	Level 2	Level 3	NAV Expedient[1]	Other	Total
December 31, 2019:						
Money markets	$ 126,401	$ —	$ —	$ —	$ —	$ 126,401
Securities segregated (U.S. Treasury Bills)	—	1,094,866	—	—	—	1,094,866
Derivatives	939	12,552	—	—	—	13,491
Investments:						
Equity securities	170,946	8,952	119	314	—	180,331
Long exchange-traded options	6,931	—	—	—	—	6,931
Limited partnership hedge funds[2]	—	—	—	—	47,361	47,361
Time deposits[3]	—	—	—	—	18,281	18,281
Other investments	5,883	—	—	—	8,007	13,890
Total investments	183,760	8,952	119	314	73,649	266,794
Total assets measured at fair value	**$ 311,100**	**$ 1,116,370**	**$ 119**	**$ 314**	**$ 73,649**	**$ 1,501,552**
Securities sold not yet purchased:						
Short equities – corporate	$ 17,809	$ —	$ —	$ —	$ —	$ 17,809
Short exchange-traded options	12,348	—	—	—	—	12,348
Derivatives	871	18,388	—	—	—	19,259
Contingent payment arrangements	—	—	22,911	—	—	22,911
Total liabilities measured at fair value	**$ 31,028**	**$ 18,388**	**$ 22,911**	**$ —**	**$ —**	**$ 72,327**

[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 software publishing company that does not have a readily available fair value ($2.0 million as of September 30, 2020 and $1.0 million as of December 31, 2019), (ii) an investment in a start-up company that does not have a readily available fair value (this investment was zero as of September 30, 2020 and was $0.9 million as of December 31, 2019), (iii) an investment in an equity method investee that is not measured at fair value in accordance with GAAP ($2.5 million as of September 30, 2020 and $2.9 million as of December 31, 2019), and (iv) broker dealer exchange memberships that are not measured at fair value in accordance with GAAP ($3.3 million as of September 30, 2020 and $3.2 million as of December 31, 2019).

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 nine months ended September 30, 2020 there were no transfers 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 September 30,		Nine Months Ended September 30,	
	2020	2019	2020	2019
	(in thousands)			
Balance as of beginning of period	$ 114	$ 117	$ 119	$ 142
Purchases	—	—	—	—
Sales	—	—	—	—
Realized gains (losses), net	—	—	—	—
Unrealized gains (losses), net	7	1	2	(24)
Balance as of end of period	**$ 121**	**$ 118**	**$ 121**	**$ 118**

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 part of acquisitions made by the Company, we may enter into 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 September 30,		Nine Months Ended September 30,	
	2020	2019	2020	2019
	(in thousands)			
Balance as of beginning of period	$ 28,910	$ 25,603	$ 22,911	$ 7,336
Addition	—	—	4,400	17,384
Accretion	813	829	2,412	1,712
Payments	—	—	—	—
Balance as of end of period	**$ 29,723**	**$ 26,432**	**$ 29,723**	**$ 26,432**

As of September 30, 2020 and December 31, 2019, we have acquisition-related contingent liabilities remaining with a fair value of $29.7 million and $22.9 million, respectively.

The liabilities were valued using expected revenue growth rates and discount rates. The expected revenue growth rates range from 0.7% to 50.0%, with a weighted average of 4.9%, calculated using cumulative revenues and range of revenue growth rates (excluding revenue growth from additional AUM contributed from existing clients). The discount rates ranged from 1.9% to 10.4%, with a weighted average of 8.0%, calculated using total contingent liabilities and range of discount rates.

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 nine months ended September 30, 2020 or during the year ended December 31, 2019.

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 can 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 one year to 10 years, some of which include options to extend the leases for up to five years, and some of which include options to terminate the leases within one year.

Since 2010, we have sub-leased over one million square feet of office space. On January 1, 2019, the previously recorded liability relating to our global space consolidation initiatives of $85.8 million was offset as a reduction to our operating right-of-use assets.

Leases included in the condensed consolidated statement of financial condition as of September 30, 2020 and December 31, 2019 were as follows:

	Classification	September 30, 2020	December 31, 2019
		(in thousands)	
Operating Leases			
Operating lease right-of-use assets	Right-of-use assets	$ 300,366	$ 360,185
Operating lease liabilities	Lease liabilities	392,875	465,907
Finance Leases			
Property and equipment, gross	Right-of-use assets	5,167	3,825
Amortization of right-of-use assets	Right-of-use assets	(2,293)	(1,317)
Property and equipment, net		2,874	2,508
Finance lease liabilities	Lease liabilities	2,822	2,544

The components of lease expense included in the condensed consolidated statement of income as of September 30, 2020 and September 30, 2019 were as follows:

		Three Months Ended September 30,		Nine Months Ended September 30,	
	Classification	**2020**	**2019**	**2020**	**2019**
		(in thousands)			
Operating lease cost	General and administrative	$ 22,104	$ 26,181	$ 67,519	$ 79,829
Financing lease cost:					
Amortization of right-of-use assets	General and administrative	426	355	1,329	932
Interest on lease liabilities	Interest expense	20	20	69	52
Total finance lease cost		446	375	1,398	984
Variable lease cost [1]	General and administrative	9,342	10,588	28,652	30,337
Sublease income	General and administrative	(9,579)	(14,021)	(28,820)	(42,472)
Net lease cost		$ 22,313	$ 23,123	$ 68,749	$ 68,678

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

The sub-lease income represents all revenues received from sub-tenants. It is primarily fixed base rental payments combined with variable reimbursements such as operating expenses, real estate taxes and employee parking. We derive most of our sub-tenant income from our New York metro sub-tenant agreements. Sub-tenant 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)		
2020 (excluding the nine months ended September 30, 2020)	$ 23,969	$ 464	$ 24,433
2021	105,599	1,141	106,740
2022	90,515	757	91,272
2023	83,095	526	83,621
2024	80,057	23	80,080
Thereafter	43,295	—	43,295
Total lease payments	426,530	2,911	429,441
Less interest	(33,655)	(89)	
Present value of lease liabilities	$ 392,875	$ 2,822	

During October 2018, we signed a lease, which is scheduled to commence in the fourth quarter of 2020, relating to 218,976 square feet of space at our newly constructed Nashville headquarters. Our estimated total base rent obligation (excluding taxes, operating expenses and utilities) over the 15-year initial lease term is $134 million. During April 2019, we signed a lease, which commences in 2024, relating to approximately 190,000 square feet of space at a newly constructed site 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	4.74
Finance leases	2.56
Weighted average discount rate	
Operating leases	3.51 %
Finance leases	2.67 %

Supplemental cash flow information related to leases was as follows:

	Nine Months Ended September 30,	
	2020	**2019**
	(in thousands)	
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows used for operating leases	$ 86,452	$ 99,490
Operating cash flows used for financing leases	69	52
Financing cash flows from finance leases	1,418	901
Right-of-use assets obtained in exchange for lease obligations[1]:		
Operating leases [2]	2,369	10,565
Finance leases	1,695	1,080

[1] Represents non-cash activity and, accordingly, is not reflected in the condensed consolidated statements of cash flows.

[2] Represents net non-cash activity of extensions and reductions of lease obligations.

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 regarding 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:

	September 30, 2020			December 31, 2019		
	(in thousands)					
	VIEs	**VOEs**	**Total**	**VIEs**	**VOEs**	**Total**
Cash and cash equivalents	$ 27,379	$ 1,828	$ 29,207	$ 9,623	$ 1,810	$ 11,433
Investments	137,727	90,449	228,176	404,624	176,380	581,004
Other assets	3,951	9,775	13,726	9,618	10,192	19,810
Total assets	**$ 169,057**	**$ 102,052**	**$ 271,109**	**$ 423,865**	**$ 188,382**	**$ 612,247**
Liabilities	$ 6,521	$ 23,370	$ 29,891	$ 12,147	$ 18,870	$ 31,017
Redeemable non-controlling interest	38,733	18,257	56,990	273,219	52,342	325,561
Partners' capital attributable to AB Unitholders	123,803	60,425	184,228	138,499	117,170	255,669
Total liabilities, redeemable non-controlling interest and partners' capital	**$ 169,057**	**$ 102,052**	**$ 271,109**	**$ 423,865**	**$ 188,382**	**$ 612,247**

During the second quarter of 2020, we deconsolidated three funds in which we had a seed investment of approximately $59.0 million due to no longer having a controlling financial interest. These VIEs had significant consolidated assets and liabilities as of December 31, 2019.

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 September 30, 2020 and December 31, 2019 was as follows (in thousands):

	Level 1	Level 2	Level 3	Total
September 30, 2020:				
Investments - VIEs	$ 17,386	$ 119,822	$ 519	$ 137,727
Investments - VOEs	1,791	88,580	78	90,449
Derivatives - VIEs	199	1,100	—	1,299
Derivatives - VOEs	11	3,563	—	3,574
Total assets measured at fair value	**$ 19,387**	**$ 213,065**	**$ 597**	**$ 233,049**
Derivatives - VIEs	284	4,107	—	4,391
Derivatives - VOEs	16	1,139	—	1,155
Total liabilities measured at fair value	**$ 300**	**$ 5,246**	**$ —**	**$ 5,546**
December 31, 2019:				
Investments - VIEs	$ 28,270	$ 375,559	$ 795	$ 404,624
Investments - VOEs	104,069	72,252	59	176,380
Derivatives - VIEs	139	4,694	—	4,833
Derivatives - VOEs	76	4,263	—	4,339
Total assets measured at fair value	**$ 132,554**	**$ 456,768**	**$ 854**	**$ 590,176**
Derivatives - VIEs	$ 835	$ 3,724	$ —	$ 4,559
Derivatives - VOEs	101	4,982	—	5,083
Total liabilities measured at fair value	**$ 936**	**$ 8,706**	**$ —**	**$ 9,642**

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 September 30,		Nine Months Ended September 30,	
	2020	2019	2020	2019
	(in thousands)			
Balance as of beginning of period	$ 517	$ 11,834	$ 854	$ 8,373
Deconsolidated funds	—	—	(135)	—
Transfers (out) in	(6)	(3,602)	565	(3,788)
Purchases	61	1,187	107	8,978
Sales	(7)	(2,996)	(451)	(7,345)
Realized gains (losses), net	(7)	12	(21)	35
Unrealized gains (losses), net	39	(40)	(323)	129
Accrued discounts	—	6	1	19
Balance as of end of period	**$ 597**	**$ 6,401**	**$ 597**	**$ 6,401**

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 September 30, 2020 and December 31, 2019, the VIEs held $3.1 million and $0.3 million, respectively, (net) of futures, forwards and swaps within their portfolios. For the three and nine months ended September 30, 2020, we recognized $0.6 million of gains and $0.1 million of losses, respectively, on these derivatives. For the three and nine months ended September 30, 2019, we recognized $0.6 million and $3.3 million of gains, respectively, on these derivatives. These losses and gains are recognized in investment gains (losses) in the condensed consolidated statements of income.

As of September 30, 2020 and December 31, 2019, the VIEs held $0.3 million and $1.6 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 September 30, 2020 and December 31, 2019, the VIEs delivered $3.7 million and $3.2 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 September 30, 2020 and December 31, 2019, the VOEs held $2.4 million and $0.7 million, respectively, (net) of futures, forwards, options and swaps within their portfolios. For the three and nine months ended September 30, 2020, we recognized $1.3 million and $2.2 million of losses, respectively, on these derivatives. For the three and nine months ended September 30, 2019, we recognized $1.0 million and $0.5 million of gains, respectively, on these derivatives. These gains and losses are recognized in investment gains (losses) in the condensed consolidated statements of income.

As of September 30, 2020 and December 31, 2019, the VOEs held $1.0 million and $0.5 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 September 30, 2020 and December 31, 2019, the VOEs delivered $1.5 million and $1.2 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 September 30, 2020 and December 31, 2019 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)					
September 30, 2020:						
Derivatives - VIEs	$ 1,299	$ —	$ 1,299	$ —	$ (301)	$ 998
Derivatives - VOEs	$ 3,574	$ —	$ 3,574	$ —	$ (985)	$ 2,589
December 31, 2019:						
Derivatives - VIEs	$ 4,833	$ —	$ 4,833	$ —	$ (1,631)	$ 3,202
Derivatives - VOEs	$ 4,339	$ —	$ 4,339	$ —	$ (534)	$ 3,805

Offsetting of derivative liabilities of consolidated company-sponsored investment funds as of September 30, 2020 and December 31, 2019 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)			
September 30, 2020:						
Derivatives - VIEs	$ 4,391	$ —	$ 4,391	$ —	$ (3,697)	$ 694
Derivatives - VOEs	$ 1,155	$ —	$ 1,155	$ —	$ (1,155)	$ —
December 31, 2019:						
Derivatives - VIEs	$ 4,559	$ —	$ 4,559	$ —	$ (3,155)	$ 1,404
Derivatives - VOEs	$ 5,083	$ —	$ 5,083	$ —	$ (1,201)	$ 3,882

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 September 30, 2020, the net assets of company-sponsored investment products that are non-consolidated VIEs are approximately $68.9 billion, and our maximum risk of loss is our investment of $6.7 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 nine-month period ended September 30, 2020 were as follows:

Outstanding as of December 31, 2019	270,380,314
Options exercised	5,182
Units issued	422,703
Units retired[(1)]	(2,446,115)
Outstanding as of September 30, 2020	**268,362,084**

[(1)] During the nine-months ended September 30, 2020, we purchased 700 AB Units in private transactions and retired them.

16. Debt

AB has an $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 September 30, 2020, 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 automatically would 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 a 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 indices: London Interbank Offered Rate; a floating base rate; or the Federal Funds rate.

As of September 30, 2020 and December 31, 2019, we had no amounts outstanding under the Credit Facility. During the first nine months of 2020 and the full year 2019, we did not draw upon the Credit Facility.

AB also has a $900.0 million committed, unsecured senior credit facility (“EQH Facility”) with EQH. The EQH Facility matures on November 4, 2024 and is available for AB's general business purposes. Borrowings under the EQH Facility generally bear interest at a rate per annum based on prevailing overnight commercial paper rates.

The EQH Facility contains affirmative, negative and financial covenants which are substantially similar to those in AB’s committed bank facilities. The EQH Facility also includes customary events of default substantially similar to those in AB’s committed bank facilities, including provisions under which, upon the occurrence of an event of default, all outstanding loans may be accelerated and/or the lender’s commitment may be terminated.

Amounts under the EQH Facility may be borrowed, repaid and re-borrowed by us from time to time until the maturity of the facility. AB or EQH may reduce or terminate the commitment at any time without penalty upon proper notice. EQH also may terminate the facility immediately upon a change of control of our general partner.

As of September 30, 2020 and December 31, 2019, AB had $300.0 million and $560.0 million outstanding under the EQH Facility with interest rates of approximately 0.2% and 1.6%, respectively. Average daily borrowings on the EQH Facility for the first nine months of 2020 and for the 57 days it was available in 2019 were $503.4 million and $358.6 million, respectively, with weighted average interest rates of approximately 0.6% and 1.6%, respectively.

In addition to the EQH Facility, on September 1, 2020, AB established a new $300.0 million uncommitted, unsecured senior credit facility (“EQH Uncommitted Facility”) with EQH. The EQH Uncommitted Facility matures on September 1, 2024 and is available for AB's general business purposes. Borrowings under the EQH Unsecured Facility generally bear interest at a rate per annum based on prevailing overnight commercial paper rates. The EQH Uncommitted Facility contains affirmative, negative and financial covenants which are substantially similar to those in the EQH Facility. As of September 30, 2020, we had no amounts outstanding on the EQH Uncommitted Facility and have not drawn on it since its inception.

As of September 30, 2020 and December 31, 2019, we had no commercial paper outstanding. 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 nine months of 2020 and the 317 days commercial paper was outstanding in 2019 were $85.2 million and $438.6 million, respectively, with weighted average interest rates of approximately 0.5% and 2.6%, 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 that are identical to those of the Credit Facility. As of both September 30, 2020 and December 31, 2019, we had no amounts outstanding under the Revolver. Average daily borrowings under the Revolver during the first nine months of 2020 and full year 2019 were $14.0 million and $23.5 million, respectively, with weighted average interest rates of approximately 1.5% and 3.2%, 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 September 30, 2020 and December 31, 2019, SCB LLC had no outstanding balance on these lines of credit. Average daily borrowings on the lines of credit during the first nine months of 2020 and full year 2019 were $1.2 million and $1.9 million, respectively, with weighted average interest rates of approximately 1.3% and 1.9%, respectively.

17. Non-controlling Interests

Non-controlling interest in net income for the three and nine months ended September 30, 2020 and 2019 consisted of the following:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2020	2019	2020	2019
	(in thousands)			
Non-redeemable non-controlling interests:				
Consolidated company-sponsored investment funds	$ —	$ —	$ —	$ —
Other	—	18	—	92
Total non-redeemable non-controlling interests	—	18	—	92
Redeemable non-controlling interests:				
Consolidated company-sponsored investment funds	81	4,127	(4,550)	21,926
Total non-controlling interest in net income	**$ 81**	**$ 4,145**	**$ (4,550)**	**$ 22,018**

Redeemable non-controlling interest as of September 30, 2020 and December 31, 2019 consisted of the following:

	September 30, 2020	December 31, 2019
	(in thousands)	
Consolidated company-sponsored investment funds	$ 56,990	$ 325,561
Total redeemable non-controlling interest	**$ 56,990**	**$ 325,561**

18. Related Party Master Repurchase Agreement

During April 2020, we provided a $125 million credit facility, through a Master Repurchase Agreement (“MRA”), to one of our sponsored private investment funds, of which $30 million was drawn upon as of April 28, 2020 and repaid in full in May 2020. No additional amounts were drawn during the third quarter of 2020. The amounts drawn upon the MRA, which are payable on demand, are collateralized by assets of the fund, can be repaid at any time prior to maturity and bear interest based upon the interest rate established at the time of each borrowing.

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

Impact of COVID-19

General Economic Conditions

During the first quarter of 2020, the novel coronavirus global pandemic ("COVID-19") significantly impacted the global economy. The impact has been profound, has continued through the third quarter of 2020 and is likely to persist for months to come. While many businesses have re-opened and leading economic indicators are showing signs of improvement, the overall extent and duration of COVID-19's impact on businesses and economic activity generally remains unclear. A recession in the near term remains possible. Economic effects from COVID-19, which have impacted virtually all countries and industries, include:

- Many small and large businesses being forced to interrupt their operations and as a result, lay off employees or even close;
- The re-opening and subsequent shuttering again of certain businesses in various states across the country;
- Temporary large-scale population lock-downs, domestic and international travel restrictions and social-distancing measures were implemented, driving sharp declines in consumer and business spending during the first quarter. Further, while many businesses have re-opened, some are only allowing limited capacity, imposing social distancing restrictions and providing limited hours of operation, and while consumer spending increased, uncertainty remains;
- Schools, many of which were shuttered during the first quarter, have started to allow students to return to in-person instruction, but the constant concern and uncertainty of whether an outbreak may occur, and can force a school to re-implement remote instruction, creates significant strain and uncertainty for working parents, which may slow or reverse the economic recovery;
- Significant declines and increased volatility impacted global financial markets during the first quarter, including 23.2% and 20.0% declines in the Dow Jones Industrial Average (“Dow”) and S&P 500 Index (“S&P”), respectively. Although the financial markets recovered most of the first quarter losses in the months since, the prospect of continued volatility remains, especially given the uncertainty surrounding the upcoming presidential election and the continued economic effects of the virus (please see "Market Environment" below for additional details).

Governments around the world have responded to COVID-19 with economic stimulus measures, including a $2 trillion emergency relief bill passed in the U.S during the first quarter of 2020. Although additional stimulus was expected during the second and third quarter, the amount and timing of such stimulus is still being considered. These measures are intended to steady businesses and consumers until economic activity meaningfully recovers. The timing and magnitude of any such recovery, however, remains uncertain.

A number of states have continued to experience surges in the rates of COVID-19 infections which are likely the result of greatly increased social interactions, including at colleges and universities, after these states re-opened their economies. As a result, several states have paused the continued progression of their re-openings or re-imposed closing mandates on certain business, such as bars, restaurants and entertainment venues. These circumstances may adversely affect consumer sentiment and the pace of business re-openings, and they also may delay any economic recovery.

AB Impact

At the initial onset of COVID-19 during the first quarter of 2020, we quickly responded in the various jurisdictions where we operate, including the U.S., the U.K., Hong Kong, Shanghai, Singapore and Taiwan. We implemented business continuity measures, including travel restrictions and a work-from-home requirement for almost all personnel (other than a relatively small number of employees whose physical presence in our offices was considered critical), which has remained in place (except in our Asia offices, most of which have reopened) throughout the second and third quarters, to ensure operating continuity for all critical functions. We also instituted a notification process for any employee who tests positive for COVID-19 or has been exposed to someone else who has tested positive. As the COVID-19 crisis has continued to evolve since the lockdown in the first quarter, certain key functions of the business, such as Risk Management, Business Continuity, Finance and Human Capital, have maintained constant communication and monitored the evolution of the pandemic to keep our employees safe and advise of key developments. Additionally, we have continued to communicate with the World Health Organization and the U.S. Centers for Disease Control and Prevention to ensure we have current information.

We have continued to enhance our technology, which has increased the success of our remote work force. We have continued to enhance our virtual programs to support business functions, such as training on cybersecurity and enhancements to our existing technology platforms. There has been a heightened focus on the emotional well-being of our employees, and we have provided regular touch points with employees through virtual town halls and management communications. Additionally, we

have maintained regular communications and updates on the virus and the Company's response, which are posted in the Company's internal website to ensure transparent communication with our employees. If any of our employees test positive for COVID-19 or interact with someone who has the virus, they are required to contact AB immediately for support.

We continue to consider, and in some cases methodically implement, return to the office programs for our U.S. and European offices. However, we continue to monitor the daily evolution of the crisis in order to ensure the health and safety of our employees remains our top priority. We will modify our return to office plans, as needed, to ensure the safety of our employees and to ensure that the highest safety and cleanliness protocols are followed. We believe that our business continuity plan and technology platform will continue to support the effectiveness of our employees working remotely.

Asset managers, such as AB, rely heavily on the performance of the financial markets to largely determine assets under management (“AUM”) and revenues. Our results during the first quarter of 2020 remained strong, which was primarily a reflection of financial market conditions during January and February, which were not adversely affected by COVID-19. Market conditions deteriorated dramatically during March, which negatively impacted our performance in that month. Financial markets, and hence our performance, rebounded during the ensuing months, primarily due to a U.S. Federal Government stimulus package and U.S. Treasury programs, which were instituted during March 2020 and throughout the second quarter. These programs renewed confidence in the financial markets by introducing liquidity through government purchasing of financial instruments. As various states eased restrictions on business and lockdown protocols during the second quarter and increasingly throughout the third quarter, increases in consumer spending, decreases in the unemployment rate and improvement in other leading economic indicators have stimulated financial market performance. As a result of these developments, our AUM has increased in both the second and third quarters. However, as states have continued to ease restrictions, there has been a resurgence in the spread of the virus, causing certain states to, among other things, shutter some businesses again or impose new social distancing restrictions. As a result, market volatility continues.

The economic impact of COVID-19 and any additional declines in the financial markets could have a significant adverse effect on our AUM and revenues, particularly if economic activity does not continue to recover. Although countries throughout the world continue to grapple with re-opening their economies, this will continue to be a gradual process, and there is a significant risk that the opening process may be further interrupted if infection rates increase. Also, although unemployment rates have declined, they are still considered high and any reluctance of consumers to resume spending will do long-term damage to the global economy, which would have an adverse effect on our business. Additionally, as most of our workforce is working remotely, we are mindful of increased risk related to cybersecurity, which could significantly disrupt our business functions.

Ultimately, the return to normal business and economic activity will likely require the development and broad application of an effective vaccine. Although several companies have made encouraging progress in this regard, there is no certainty that they will be successful. Also, even if an effective vaccine is developed, it could be many months before it becomes broadly available and generally accepted by the public.

Executive Overview

Our total assets under management (“AUM”) as of September 30, 2020 were $630.8 billion, up $30.8 billion, or 5.1%, compared to June 30, 2020, and up $38.4 billion, or 6.5%, compared to September 30, 2019. During the third quarter of 2020, AUM increased as a result of market appreciation of $27.7 billion and net inflows of $3.1 billion (Institutional net inflows of $2.1 billion, Retail net inflows of $0.7 billion and Private Wealth Management net inflows of $0.3 billion). Excluding AXA redemptions of low-fee fixed income mandates of $2.2 billion in the third quarter, the firm generated net inflows of $5.3 billion in the third quarter (*see discussion below*). During the twelve months ended September 30, 2020, AUM increased primarily as a result of market appreciation of $37.4 billion and net inflows of $0.8 billion (Retail net inflows of $4.3 billion were partially offset by Institutional net outflows of $2.5 billion and Private Wealth Management net outflows of $1.0 billion). Excluding AXA's redemption of low-fee fixed income mandates of $11.1 billion in the first nine months of 2020, the firm generated net inflows of $11.9 billion during the twelve months ended September 30, 2020.

Institutional AUM increased $13.3 billion, or 4.8%, to $289.5 billion during the third quarter of 2020, primarily due to market appreciation of $10.6 billion and net inflows of $2.1 billion. Excluding AXA's redemption of low-fee fixed income mandates of $2.2 billion, institutional net inflows were $4.3 billion in the third quarter. Gross sales decreased sequentially from $8.8 billion during the second quarter of 2020 to $8.3 billion during the third quarter of 2020. Redemptions and terminations decreased sequentially from $12.7 billion to $5.7 billion.

Retail AUM increased $13.4 billion, or 5.8%, to $242.9 billion during the third quarter of 2020, due to market appreciation of $12.7 billion and net inflows of $0.7 billion. Gross sales decreased sequentially from $19.6 billion during the second quarter of 2020 to $17.5 billion during the third quarter of 2020. Redemptions and terminations decreased sequentially from $14.5 billion to $14.3 billion.

Private Wealth Management AUM increased $4.1 billion, or 4.3%, to $98.4 billion during the third quarter of 2020, primarily due to market appreciation of $4.4 billion and net inflows of $0.3 billion. Gross sales increased sequentially from $3.4 billion during the second quarter of 2020 to $3.5 billion during the third quarter of 2020. Redemptions and terminations decreased sequentially from $4.2 billion to $3.2 billion.

Bernstein Research Services revenue for the third quarter of 2020 was $98.5 million, down $3.5 million, or 3.4%, compared to the third quarter of 2019 due to reduced customer trading volumes in the U.S. and Europe, partially offset by growth in Asia.

Net revenues for the third quarter of 2020 increased $22.2 million, or 2.5%, to $900.0 million from $877.9 million in the third quarter of 2019. The increase was primarily due to higher distribution revenues of $17.1 million and higher investment advisory base fees of $14.8 million, partially offset by lower dividend and interest income (net of interest expense) of $4.3 million, lower Bernstein Research Services revenue of $3.5 million and lower investment gains of $3.3 million. Operating expenses for the third quarter of 2020 increased $7.8 million, or 1.2%, to $682.9 million from $675.1 million in the third quarter of 2019. The increase was primarily due to higher promotion and servicing expense of $11.9 million and higher general and administrative expenses (including real estate charges) of $2.1 million, partially offset by lower employee compensation and benefits expenses of $4.0 million and lower interest on borrowings of $1.7 million. Our operating income increased $14.4 million, or 7.1%, to $217.1 million from $202.8 million and our operating margin increased to 24.1% in the third quarter of 2020 from 22.6% in the third quarter of 2019.

Market Environment

The economic recovery continued to gain momentum through the third quarter, as a COVID-19 vaccine showed promise, social distancing restrictions eased, allowing for expanded business re-openings and consumer confidence gained momentum. Despite a seasonal slowdown in September, the S&P 500, Dow Jones Industrial Average and Nasdaq each rallied for most of the third quarter, finishing in positive territory. In the U.S., the unemployment rate continued to decline from its double-digit highs experienced in the second quarter. Despite positive stock market performance and lower unemployment, the U.S. economy remains unsteady as we continue to see spikes in COVID-19 infection rates, continued civil unrest across the U.S. centered around racial inequality and growing uncertainty over the upcoming U.S. presidential election. The U.S Federal Reserve shifted to average inflation targeting, allowing inflation to exceed target temporarily to compensate for periods of below-target inflation, making it likely that interest rates will remain exceptionally low longer than initially anticipated. Although further fiscal stimulus was expected during the third quarter aimed at mitigating the long-term effects of the pandemic, the amount and timing of such stimulus remains uncertain.

In the U.K., uncertainty surrounding Brexit continues to dominate the market outlook. Although negotiations are at a stalemate, a trade deal between the European Union and the U.K. may be implemented by the end of 2020. In China, tensions with the U.S. have escalated with U.S. restrictions on multiple Chinese companies. However, the Chinese economy has seen significant improvement since the onset of the COVID-19 pandemic, with growth this year seeming likely.

MiFID II

MiFID II, which became effective on January 3, 2018, has made significant modifications to how 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 increasingly 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 is yet uncertain.

Relationship with Equitable Holdings and AXA

During the second quarter of 2018, AXA S.A. ("AXA") completed the sale of a minority stake in Equitable Holdings, Inc. (“EQH”) through an initial public offering ("IPO"). Since then, AXA has completed additional offerings and taken other steps, most recently during the fourth quarter of 2019. As a result, AXA owned less than 10% of the outstanding common stock of EQH as of September 30, 2020.

While we cannot at this time predict the full impact on AB of this transaction, such impact has included a reduction in the support AXA provided to AB in the past with respect to AB's investment management business, resulting in a modest decrease in our revenues and ability to initiate new investment services. Also, AB relies on AXA, including its subsidiary, AXA Business Services, for several 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.

Our ending AUM at September 30, 2020 reflects $11.1 billion in outflows resulting from AXA's redemption of certain low-fee fixed income mandates, of which $2.2 billion was redeemed during the third quarter. We expect these redemptions to total approximately $14 billion, with the remaining redemptions expected to be completed by the end of the first quarter of 2021. The revenue we earn from the management of these assets is not significant.

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. Subsequently, on January 14, 2020, we announced our plans to relocate an additional 200 jobs to Nashville, thereby increasing the total relocated jobs to 1,250. The decision to add the additional jobs was the result of the growth in our business, select investments we are making, and the insourcing of roles typically performed by consultants. Our Nashville headquarters will house Finance, IT, Operations, Legal, Compliance, Internal Audit, Human Capital, and Sales and Marketing. We have been actively relocating jobs (although COVID-19 has slowed our pace) 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 $185 million to $195 million, an amount greater than the total transition costs. Through the end of the second quarter of 2020, we incurred $58 million of cumulative transition costs compared to $29 million of cumulative savings, resulting in an overall net cost of $29 million for the 2018 through the second quarter of 2020 periods. In addition, we incurred $6 million of transition costs for the three months ended September 30, 2020 compared to $7 million of expense savings resulting in an overall net savings of $1 million for the period. We currently anticipate an EPU reduction in 2020 of approximately $0.01 resulting from our relocation strategy, which compares to the $0.06 EPU reduction that occurred in 2019. We also 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 $75 million to $80 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 on 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 and magnitude 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 is scheduled to commence in the fourth quarter of 2020, relating to 218,976 square feet of space at our newly constructed Nashville headquarters. Our estimated total base rent obligation (excluding taxes, operating expenses and utilities) over the 15-year initial lease term is $134 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 this 10-Q and our 2019 10-K. We strongly caution investors not to place undue reliance on any of these assumptions or our cost and expense 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 27.5% during 2019, increased to 28.4% during the first nine months of 2020.

Our AUM and, therefore, our investment advisory revenues, including performance-based fee revenues, are heavily dependent on the level and volatility of the financial markets. Based upon our current revenue and expense projections, 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 expected revenues. 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. Furthermore, our revenues may continue to be affected by the economic impact of COVID-19. Please refer to "Impact of COVID-19" above and "Risk Factors" below for additional information regarding the effect on our business COVID-19 has had and may continue to have.

Assets Under Management

Assets under management by distribution channel are as follows:

	As of September 30,			
	2020	**2019**	**$ Change**	**% Change**
	(in billions)			
Institutions	$ 289.5	$ 272.9	$ 16.6	6.1 %
Retail	242.9	222.5	20.4	9.2
Private Wealth Management	98.4	97.0	1.4	1.5
Total	**$ 630.8**	**$ 592.4**	**$ 38.4**	**6.5**

Assets under management by investment service are as follows:

	As of September 30,			
	2020	**2019**	**$ Change**	**% Change**
	(in billions)			
Equity				
Actively Managed	$ 188.8	$ 159.9	$ 28.9	18.2 %
Passively Managed[1]	57.5	56.8	0.7	1.2
Total Equity	**246.3**	**216.7**	**29.6**	**13.7**
Fixed Income				
Actively Managed				
Taxable	253.3	252.9	0.4	0.2
Tax–exempt	48.7	45.8	2.9	6.3
	302.0	298.7	3.3	1.1
Passively Managed[1]	9.0	9.4	(0.4)	(4.7)
Total Fixed Income	**311.0**	**308.1**	**2.9**	**0.9**
Other[2]				
Actively Managed	71.5	66.2	5.3	7.9
Passively Managed[1]	2.0	1.4	0.6	48.6
Total Other	**73.5**	**67.6**	**5.9**	**8.7**
Total	**$ 630.8**	**$ 592.4**	**$ 38.4**	**6.5**

(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, nine-month and twelve-month periods ended September 30, 2020 are as follows:

	Distribution Channel			
	Institutions	Retail	Private Wealth Management	Total
	(in billions)			
Balance as of June 30, 2020	$ 276.2	$ 229.5	$ 94.3	$ 600.0
Long-term flows:				
Sales/new accounts	8.3	17.5	3.5	29.3
Redemptions/terminations	(5.7)	(14.3)	(3.2)	(23.2)
Cash flow/unreinvested dividends	(0.5)	(2.5)	—	(3.0)
Net long-term inflows	2.1	0.7	0.3	3.1
Transfers	0.6	—	(0.6)	—
Market appreciation	10.6	12.7	4.4	27.7
Net change	13.3	13.4	4.1	30.8
Balance as of September 30, 2020	**$ 289.5**	**$ 242.9**	**$ 98.4**	**$ 630.8**
Balance as of December 31, 2019	$ 282.7	$ 239.2	$ 101.0	$ 622.9
Long-term flows:				
Sales/new accounts	21.0	61.3	10.5	92.8
Redemptions/terminations	(21.2)	(54.4)	(11.7)	(87.3)
Cash flow/unreinvested dividends	(3.7)	(7.8)	0.2	(11.3)
Net long-term outflows	(3.9)	(0.9)	(1.0)	(5.8)
Acquisition	—	0.2	—	0.2
Transfers	0.7	0.1	(0.8)	—
Market appreciation (depreciation)	10.0	4.3	(0.8)	13.5
Net change	6.8	3.7	(2.6)	7.9
Balance as of September 30, 2020	**$ 289.5**	**$ 242.9**	**$ 98.4**	**$ 630.8**
Balance as of September 30, 2019	$ 272.9	$ 222.5	$ 97.0	$ 592.4
Long-term flows:				
Sales/new accounts	26.3	80.2	13.3	119.8
Redemptions/terminations	(22.5)	(66.0)	(14.4)	(102.9)
Cash flow/unreinvested dividends	(6.3)	(9.9)	0.1	(16.1)
Net long-term (outflows) inflows	(2.5)	4.3	(1.0)	0.8
Transfers	0.7	0.1	(0.8)	—
Acquisition	—	0.2	—	0.2
Market appreciation	18.4	15.8	3.2	37.4
Net change	16.6	20.4	1.4	38.4
Balance as of September 30, 2020	**$ 289.5**	**$ 242.9**	**$ 98.4**	**$ 630.8**

	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 June 30, 2020	$ 173.1	$ 54.3	$ 247.9	$ 47.1	$ 9.9	$ 67.7	$ 600.0
Long-term flows:							
Sales/new accounts	12.0	1.2	11.0	2.2	—	2.9	29.3
Redemptions/terminations	(8.8)	(1.7)	(10.4)	(1.6)	(0.1)	(0.6)	(23.2)
Cash flow/unreinvested dividends	(1.0)	(0.5)	(0.8)	0.2	(1.0)	0.1	(3.0)
Net long-term inflows (outflows)	2.2	(1.0)	(0.2)	0.8	(1.1)	2.4	3.1
Market appreciation	13.5	4.2	5.6	0.8	0.2	3.4	27.7
Net change	15.7	3.2	5.4	1.6	(0.9)	5.8	30.8
Balance as of September 30, 2020	**$ 188.8**	**$ 57.5**	**$ 253.3**	**$ 48.7**	**$ 9.0**	**$ 73.5**	**$ 630.8**
Balance as of December 31, 2019	$ 177.2	$ 60.1	$ 258.3	$ 47.1	$ 9.3	$ 70.9	$ 622.9
Long-term flows:							
Sales/new accounts	37.9	1.6	40.7	7.5	—	5.1	92.8
Redemptions/terminations	(27.2)	(1.8)	(49.0)	(7.1)	(0.2)	(2.0)	(87.3)
Cash flow/unreinvested dividends	(4.3)	(3.6)	(3.4)	0.1	(0.8)	0.7	(11.3)
Net long-term inflows (outflows)	6.4	(3.8)	(11.7)	0.5	(1.0)	3.8	(5.8)
Acquisition	—	—	—	—	—	0.2	0.2
Market appreciation (depreciation)	5.2	1.2	6.7	1.1	0.7	(1.4)	13.5
Net change	11.6	(2.6)	(5.0)	1.6	(0.3)	2.6	7.9
Balance as of September 30, 2020	**$ 188.8**	**$ 57.5**	**$ 253.3**	**$ 48.7**	**$ 9.0**	**$ 73.5**	**$ 630.8**
Balance as of September 30, 2019	$ 159.9	$ 56.8	$ 252.9	$ 45.8	$ 9.4	$ 67.6	$ 592.4
Long-term flows:							
Sales/new accounts	48.8	1.9	52.9	9.9	—	6.3	119.8
Redemptions/terminations	(33.5)	(2.0)	(56.0)	(8.5)	(0.3)	(2.6)	(102.9)
Cash flow/unreinvested dividends	(5.6)	(5.3)	(5.4)	0.1	(0.8)	0.9	(16.1)
Net long-term inflows (outflows)	9.7	(5.4)	(8.5)	1.5	(1.1)	4.6	0.8
Acquisition	—	—	—	—	—	0.2	0.2
Market appreciation	19.2	6.1	8.9	1.4	0.7	1.1	37.4
Net change	28.9	0.7	0.4	2.9	(0.4)	5.9	38.4
Balance as of September 30, 2020	**$ 188.8**	**$ 57.5**	**$ 253.3**	**$ 48.7**	**$ 9.0**	**$ 73.5**	**$ 630.8**

(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, nine-month and twelve-month periods ended September 30, 2020 are as follows:

	Periods Ended September 30, 2020		
	Three-months	Nine-months	Twelve-months
	(in billions)		
Actively Managed			
Equity	$ 2.2	$ 6.4	$ 9.7
Fixed Income	0.6	(11.2)	(7.0)
Other	2.3	3.5	4.1
	5.1	**(1.3)**	**6.8**
Passively Managed			
Equity	(1.0)	(3.8)	(5.4)
Fixed Income	(1.1)	(1.0)	(1.1)
Other	0.1	0.3	0.5
	(2.0)	**(4.5)**	**(6.0)**
Total net long-term inflows (outflows)	**$ 3.1**	**$ (5.8)**	**$ 0.8**

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

	Three Months Ended September 30,				Nine Months Ended September 30,			
	2020	2019	$ Change	% Change	2020	2019	$ Change	% Change
	(in billions)				(in billions)			
Distribution Channel:								
Institutions	$ 287.4	$ 270.7	$ 16.7	6.2 %	$ 280.9	$ 261.4	$ 19.5	7.5 %
Retail	239.8	218.5	21.3	9.8	231.1	206.1	25.0	12.1
Private Wealth Management	97.1	97.1	—	—	95.8	95.5	0.3	0.3
Total	**$ 624.3**	**$ 586.3**	**$ 38.0**	**6.5**	**$ 607.8**	**$ 563.0**	**$ 44.8**	**8.0**
Investment Service:								
Equity Actively Managed	$ 184.4	$ 160.3	$ 24.1	15.0 %	$ 172.4	$ 154.8	$ 17.6	11.4 %
Equity Passively Managed[1]	58.0	57.1	0.9	1.6	55.9	55.6	0.3	0.7
Fixed Income Actively Managed – Taxable	253.0	246.9	6.1	2.5	253.5	234.7	18.8	8.0
Fixed Income Actively Managed – Tax-exempt	48.1	45.3	2.8	6.2	47.5	44.0	3.5	8.0
Fixed Income Passively Managed[1]	9.3	9.5	(0.2)	(1.8)	9.6	9.4	0.2	2.1
Other [2]	71.5	67.2	4.3	6.5	68.9	64.5	4.4	6.7
Total	**$ 624.3**	**$ 586.3**	**$ 38.0**	**6.5**	**$ 607.8**	**$ 563.0**	**$ 44.8**	**8.0**

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

Our Institutional channel third quarter average AUM of $287.4 billion increased $16.7 billion, or 6.2%, compared to the third quarter of 2019, primarily due to this AUM increasing $16.6 billion, or 6.1%, to $289.5 billion over the last twelve months. The $16.6 billion increase primarily resulted from market appreciation of $18.4 billion, partially offset by net outflows of $2.5 billion.

Our Retail channel third quarter average AUM of $239.8 billion increased $21.3 billion, or 9.8%, compared to the third quarter of 2019, primarily due to this AUM increasing $20.4 billion, or 9.2%, to $242.9 billion over the last twelve months. The $20.4 billion increase primarily resulted from market appreciation of $15.8 billion and net inflows of $4.3 billion.

Our Private Wealth Management channel third quarter average AUM of $97.1 billion were flat compared to the third quarter of 2019, primarily due to this AUM remaining relatively flat, with a slight increase of $1.4 billion, or 1.5%, to $98.4 billion over the last twelve months. The $1.4 billion increase primarily resulted from market appreciation of $3.2 billion, partially offset by net outflows of $1.0 billion.

Absolute investment composite returns, gross of fees, and relative performance as of September 30, 2020 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	(1.1)%	2.2 %	5.8 %
Relative return (vs. Bloomberg Barclays Global High Yield Index - Hedged)	(3.1)	(1.0)	(0.6)
Global Fixed Income - Unhedged (fixed income)			
Absolute return	5.8	4.0	3.7
Relative return (vs. Bloomberg Barclays Global Treasury Index)	(0.1)	(0.2)	(0.1)
Global Plus - Hedged (fixed income)			
Absolute return	3.6	4.8	4.7
Relative return (vs. Bloomberg Barclays Global Aggregate Index - Hedged)	(0.6)	(0.4)	0.3
Intermediate Municipal Bonds (fixed income)			
Absolute return	3.1	3.2	2.9
Relative return (vs. Lipper Short/Int. Blended Muni Fund Avg)	0.4	0.5	0.6
U.S. Strategic Core Plus (fixed income)			
Absolute return	7.1	5.5	4.9
Relative return (vs. Bloomberg Barclays U.S. Aggregate Index)	0.1	0.3	0.7
Emerging Market Debt (fixed income)			
Absolute return	3.8	2.8	6.9
Relative return (vs. JPM EMBI Global/JPM EMBI)	1.3	(0.5)	0.9
U.S. Relative Value			
Absolute return	(6.0)	3.3	8.2
Relative return (vs. Russell 1000 Value Index)	(1.0)	0.6	0.6
International Strategic Core Equity			
Absolute return	2.5	3.7	7.4
Relative return (vs. MSCI EAFE Index)	2.0	3.1	2.1
U.S. Small & Mid Cap Value			
Absolute return	(13.9)	(3.8)	4.2
Relative return (vs. Russell 2500 Value Index)	(1.2)	(1.1)	(0.5)
U.S. Strategic Value			
Absolute return	(8.1)	(1.2)	3.6
Relative return (vs. Russell 1000 Value Index)	(3.1)	(3.9)	(4.1)
U.S. Small Cap Growth			
Absolute return	38.3	22.0	21.1
Relative return (vs. Russell 2000 Growth Index)	22.6	13.8	9.7
U.S. Large Cap Growth			
Absolute return	34.4	22.0	20.3
Relative return (vs. Russell 1000 Growth Index)	(3.2)	0.3	0.2

	1-Year	3-Year	5-Year
U.S. Small & Mid Cap Growth			
Absolute return	38.7	20.4	18.6
Relative return (vs. Russell 2500 Growth Index)	15.4	7.0	4.4
Concentrated U.S. Growth			
Absolute return	17.7	17.4	16.5
Relative return (vs. S&P 500 Index)	2.5	5.1	2.4
Select U.S. Equity			
Absolute return	14.3	12.1	13.6
Relative return (vs. S&P 500 Index)	(0.8)	(0.1)	(0.6)
Strategic Equities			
Absolute return	11.9	11.2	12.5
Relative return (vs. Russell 3000 Index)	(3.1)	(0.4)	(1.2)
Global Core Equity			
Absolute return	6.5	8.6	11.7
Relative return (vs. MSCI ACWI Index)	(4.0)	1.5	1.4
U.S. Strategic Core Equity			
Absolute return	6.6	11.2	12.3
Relative return (vs. S&P 500 Index)	(8.6)	(1.1)	(1.9)
Select U.S. Equity Long/Short			
Absolute return	10.8	9.4	9.4
Relative return (vs. S&P 500 Index)	(4.3)	(2.9)	(4.7)

Our fixed income investment performance continued to improve in the third quarter of 2020 as compared to performance in the first quarter, as several credit sectors to which our fixed income strategies have allocations continued to rebound from lows experienced in March. While we continue to believe that performance will continue to improve over time as liquidity pressures abate, we may experience heightened redemptions in some of our fixed income strategies as a result of lagging performance in some strategies in the first quarter of 2020 impacting one-three- and five-year performance track records going forward.

Consolidated Results of Operations

	Three Months Ended September 30,				Nine Months Ended September 30,			
	2020	2019	$ Change	% Change	2020	2019	$ Change	% Change
	(in thousands, except per unit amounts)							
Net revenues	$ 900,038	$ 877,867	$ 22,171	2.5 %	$ 2,645,643	$ 2,531,128	$ 114,515	4.5 %
Expenses	682,892	675,084	7,808	1.2	2,040,627	1,975,974	64,653	3.3
Operating income	217,146	202,783	14,363	7.1	605,016	555,154	49,862	9.0
Income taxes	9,089	10,827	(1,738)	(16.1)	29,949	29,959	(10)	—
Net income	208,057	191,956	16,101	8.4	575,067	525,195	49,872	9.5
Net income (loss) of consolidated entities attributable to non-controlling interests	81	4,145	(4,064)	(98.0)	(4,550)	22,018	(26,568)	n/m
Net income attributable to AB Unitholders	$ 207,976	$ 187,811	$ 20,165	10.7	$ 579,617	$ 503,177	$ 76,440	15.2
Diluted net income per AB Unit	$ 0.77	$ 0.69	$ 0.08	11.6	$ 2.13	$ 1.86	$ 0.27	14.5
Distributions per AB Unit	$ 0.76	$ 0.70	$ 0.06	8.6	$ 2.15	$ 1.89	$ 0.26	13.8
Operating margin [1]	24.1 %	22.6 %			23.0 %	21.1 %		

(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 September 30, 2020 increased $20.2 million, or 10.7%, from the three months ended September 30, 2019. The increase primarily is due to (in millions):

Higher distribution revenues	$ 17.1
Higher base advisory fees	14.8
Lower net income of consolidated entities attributable to non-controlling interest	4.1
Lower employee compensation and benefits expense	4.0
Higher promotion and servicing expense	(11.9)
Lower Bernstein Research Services revenue	(3.5)
Lower investment gains	(3.3)
Higher general and administrative expenses (including real estate charges)	(2.1)
Other	1.0
	$ 20.2

Net income attributable to AB Unitholders for the nine months ended September 30, 2020 increased $76.4 million, or 15.2%, from the nine months ended September 30, 2019. The increase primarily is due to (in millions):

Higher base advisory fees	$	60.4
Higher distribution revenues		59.2
Higher Bernstein Research Services revenue		43.1
Higher net loss of consolidated entities attributable to non-controlling interest		26.6
Lower interest on borrowings		5.8
Higher promotion and servicing expense		(53.6)
Higher investment losses		(50.1)
Higher general and administrative expenses (including real estate charges)		(12.8)
Higher employee compensation and benefits expense		(4.9)
Other		2.7
	$	**76.4**

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. 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 third quarter of 2020 expired at the close of business on October 21, 2020. 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 our 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 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 September 30,		Nine Months Ended September 30,	
	2020	2019	2020	2019
	(in thousands, except per unit amounts)			
Net revenues, US GAAP basis	**$ 900,038**	**$ 877,867**	**$ 2,645,643**	**$ 2,531,128**
Adjustments:				
Distribution-related adjustments:				
Distribution revenues	(135,693)	(118,635)	(386,649)	(327,491)
Investment advisory services fees	(20,120)	(12,696)	(47,136)	(32,830)
Pass-through adjustments:				
Investment advisory services fees	(3,888)	(5,119)	(11,599)	(13,518)
Other revenues	(9,344)	(9,571)	(31,828)	(27,169)
Impact of consolidated company-sponsored funds	(765)	(4,820)	1,818	(24,477)
Long-term incentive compensation-related investment gains and dividend and interest	(3,231)	(317)	(1,583)	(6,485)
Write-down of investment	—	—	859	—
Adjusted net revenues	**$ 726,997**	**$ 726,709**	**$ 2,169,525**	**$ 2,099,158**
Operating income, US GAAP basis	**$ 217,146**	**$ 202,783**	**$ 605,016**	**$ 555,154**
Adjustments:				
Real estate	(985)	—	3,865	—
Long-term incentive compensation-related items	(416)	517	253	1,151
CEO's EQH award compensation	205	217	598	908
Acquisition-related expenses	356	556	1,687	3,275
Write-down of investment	—	—	859	—
Sub-total of non-GAAP adjustments	(840)	1,290	7,262	5,334
Less: Net income (loss) of consolidated entities attributable to non-controlling interests	81	4,145	(4,550)	22,018
Adjusted operating income	**216,225**	**199,928**	**616,828**	**538,470**
Adjusted income taxes	9,060	10,676	30,533	29,077
Adjusted net income	**$ 207,165**	**$ 189,252**	**$ 586,295**	**$ 509,393**
Diluted net income per AB Unit, GAAP basis	**$ 0.77**	**$ 0.69**	**$ 2.13**	**$ 1.86**
Impact of non-GAAP adjustments	(0.01)	0.01	0.02	0.02
Adjusted diluted net income per AB Unit	**$ 0.76**	**$ 0.70**	**$ 2.15**	**$ 1.88**
Adjusted operating margin	**29.7 %**	**27.5 %**	**28.4 %**	**25.7 %**

Adjusted operating income for the three months ended September 30, 2020 increased $16.3 million, or 8.2%, from the three months ended September 30, 2019, primarily due to lower promotion and servicing expenses of $12.4 million, higher investment advisory base fees of $8.5 million, lower employee compensation and benefits expense (excluding the impact of long-term incentive compensation-related items) of $5.6 million and lower interest on borrowings of $1.7 million, partially offset by higher net investment losses of $4.8 million, higher general and administrative expenses of $4.1 million and lower Bernstein Research Services revenues of $3.5 million.

Adjusted operating income for the nine months ended September 30, 2020 increased $78.4 million, or 14.6%, from the nine months ended September 30, 2019, primarily due to higher investment advisory base fees of $48.4 million, higher Bernstein Research Services revenue of $43.1 million, lower promotion and servicing expenses of $22.5 million and lower interest on borrowings of $5.8 million, partially offset by higher net investment losses of $19.3 million, higher employee compensation expense (excluding the impact of long-term incentive compensation-related items) of $11.6 million *(see discussion below*) and higher general and administrative expenses of $9.6 million.

Adjusted Net Revenues

Net Revenue, as adjusted, is reduced to exclude all of the company's distribution revenues, which are recorded as a separate line item on the consolidated statement of income, as well as a portion of investment advisory services fees received that is used to pay distribution and servicing costs. For certain products, based on the distinct arrangements, certain distribution fees are collected by us and passed through to third-party client intermediaries, while for certain other products, we collect investment advisory services fees and a portion is passed through to third-party client intermediaries. In both arrangements, the third-party client intermediary owns the relationship with the client and is responsible for performing services and distributing the product to the client on our behalf. We believe offsetting distribution revenues and certain investment advisory services fees 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 that perform functions on behalf of our sponsored mutual funds and/or shareholders of these funds. Distribution-related adjustments fluctuate each period based on the type of investment products sold, as well as the average AUM over the period. Also, we adjust distribution revenues for the amortization of deferred sales commissions as these costs, over time, will offset such revenues.

We adjust investment advisory and services fees and other revenues for pass through costs, primarily related to our transfer agent and shareholder servicing fees. 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.

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

Lastly, during the first quarter of 2020, we wrote-off an investment that had been received in exchange for the sale of software technology, bringing the balance to zero. Previously, we had been excluding the value of this investment from adjusted net revenues.

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,* (4) acquisition-related expenses, (5) the write-down of an investment (*discussed immediately above*), and (6) the impact of consolidated company-sponsored investment funds.

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. However, beginning in the fourth quarter of 2019, real estate charges (credits), while excluded in the period in which the charges (credits) are recorded, are included ratably over the remaining applicable lease term.

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, which also impacts compensation expense, is recorded within investment gains and losses on the income statement. 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”), our President and Chief Executive Officer, 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 consolidated statement of income. The compensation expense associated with these awards has been excluded from our non-GAAP measures because they are non-cash and are based upon EQH's, and not AB's, financial performance.

Acquisition-related expenses 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.

The write-off of the investment has been excluded due to its non-recurring nature and because it is not part of our core operating results.

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 September 30,				Nine Months Ended September 30,			
	2020	2019	$ Change	% Change	2020	2019	$ Change	% Change
	(in thousands)				(in thousands)			
Investment advisory and services fees:								
Institutions:								
Base fees	$ 115,581	$ 114,314	$ 1,267	1.1 %	$ 335,225	$ 335,161	$ 64	— %
Performance-based fees	4,181	3,692	489	13.2	7,169	7,241	(72)	(1.0)
	119,762	118,006	1,756	1.5	342,394	342,402	(8)	—
Retail:								
Base fees	299,486	279,224	20,262	7.3	867,676	782,132	85,544	10.9
Performance-based fees	1,360	2,030	(670)	(33.0)	9,290	6,589	2,701	41.0
	300,846	281,254	19,592	7.0	876,966	788,721	88,245	11.2
Private Wealth Management:								
Base fees	208,526	215,227	(6,701)	(3.1)	603,575	628,779	(25,204)	(4.0)
Performance-based fees	1,405	1,897	(492)	(25.9)	7,532	9,440	(1,908)	(20.2)
	209,931	217,124	(7,193)	(3.3)	611,107	638,219	(27,112)	(4.2)
Total:								
Base fees	623,593	608,765	14,828	2.4	1,806,476	1,746,072	60,404	3.5
Performance-based fees	6,946	7,619	(673)	(8.8)	23,991	23,270	721	3.1
	630,539	616,384	14,155	2.3	1,830,467	1,769,342	61,125	3.5
Bernstein Research Services	98,514	102,014	(3,500)	(3.4)	341,346	298,240	43,106	14.5
Distribution revenues	135,693	118,635	17,058	14.4	386,649	327,491	59,158	18.1
Dividend and interest income	9,070	24,882	(15,812)	(63.5)	42,227	79,882	(37,655)	(47.1)
Investment (losses) gains	1,106	4,433	(3,327)	(75.1)	(19,011)	31,117	(50,128)	n/m
Other revenues	26,583	24,497	2,086	8.5	78,186	71,499	6,687	9.4
Total revenues	901,505	890,845	10,660	1.2	2,659,864	2,577,571	82,293	3.2
Less: Interest expense	1,467	12,978	(11,511)	(88.7)	14,221	46,443	(32,222)	(69.4)
Net revenues	**$ 900,038**	**$ 877,867**	**$ 22,171**	**2.5**	**$ 2,645,643**	**$ 2,531,128**	**$ 114,515**	**4.5**

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 account and the total amount of assets we manage for a particular client. Accordingly, fee income generally increases or decreases as AUM increase or decrease 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 35 to 105 basis points for actively-managed equity services, 10 to 70 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 4 basis points for certain Institutional third party managed 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 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 time period. 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 6.2%, 8.2% and 0.7% of the assets we manage for institutional clients, private wealth clients and retail clients, respectively (in total, 4.4% of our AUM).

For the three months ended September 30, 2020, our investment advisory and services fees increased by $14.2 million, or 2.3%, from the three months ended September 30, 2019, due to a $14.8 million, or 2.4%, increase in base fees, partially offset by a $0.7 million decrease in performance-based fees. The increase in base fees is primarily due to a 6.5% increase in average AUM, partially offset by a lower portfolio fee rate. For the nine months ended September 30, 2020, our investment advisory and services fees increased by $61.1 million, or 3.5%, from the nine months ended September 30, 2019, due to a $60.4 million, or 3.5%, increase in base fees and a $0.7 million increase in performance-based fees. The increase in base fees is primarily due to an 8.0% increase in average AUM, partially offset by a lower portfolio fee rate. The portfolio fee rate of 38.3 basis points and 38.4 basis points (calculated net of distribution fees) for the three months and nine months ended September 30, 2020 decreased 1.9 basis points from their comparative prior year periods. The portfolio fee rate was adversely affected by a decline in certain active equity and fixed income product fees.

Institutional investment advisory and services fees for the three months ended September 30, 2020 increased by $1.8 million, or 1.5%, from the three months ended September 30, 2019, due to a $1.3 million, or 1.1%, increase in base fees and a $0.5 million increase in performance-based fees. The increase in base fees is primarily due a 6.2% increase in average AUM, partially offset by a lower portfolio fee rate. Institutional investment advisory and services fees for the nine months ended September 30, 2020 were flat compared to the nine months ended September 30, 2019, as an increase of 7.5% in average AUM was offset by a lower portfolio fee rate.

Retail investment advisory and services fees for the three months ended September 30, 2020 increased by $19.6 million, or 7.0%, from the three months ended September 30, 2019, due to an increase in base fees of $20.3 million, or 7.3%, partially offset by a decrease in performance-based fees of $0.7 million. The increase in base fees is primarily due to a 9.8% increase in average AUM, partially offset by a lower portfolio fee rate. Retail investment advisory and services fees for the nine months ended September 30, 2020 increased by $88.2 million, or 11.2%, from the nine months ended September 30, 2019, due to an increase in base fees of $85.5 million, or 10.9% and a $2.7 million increase in performance-based fees. The increase in base fees was primarily due to a 12.1% increase in average AUM, partially offset by a lower portfolio fee rate.

Private Wealth Management investment advisory and services fees for the three months ended September 30, 2020 decreased

by $7.2 million, or 3.3%, from the three months ended September 30, 2019, due to a $6.7 million, or 3.1%, decrease in base fees and a $0.5 million decrease in performance-based fees. The decrease in base fees is primarily due to the impact of a lower portfolio fee rate, as well as a product mix shift with high fee value equity strategies now representing a lower percentage of our total AUM than in the past. Private Wealth Management investment advisory and services fees for the nine months ended September 30, 2020 decreased by $27.1 million, or 4.2%, from the nine months ended September 30, 2019, due to a decrease in base fees of $25.2 million, or 4.0%, and a $1.9 million decrease in performance-based fees. The decrease in base fees is primarily due to the impact of a lower portfolio fee rate, as well as a product mix shift with high fee value equity strategies now representing a lower percentage of our total AUM than in prior periods.

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, but increasingly, by paying us directly for research through commission sharing agreements or cash payments.

Revenues from Bernstein Research Services for the three months ended September 30, 2020 decreased $3.5 million, or 3.4%, from the three months ended September 30, 2019, due to reduced customer trading volumes in the U.S. and Europe, partially offset by growth in Asia. For the nine months ended September 30, 2020, Bernstein Research Services revenue increased $43.1 million, or 14.5%, from the nine months ended September 30, 2019, due to higher market volatility in the first half of 2020, which led to higher customer activity and heightened global trading volumes. Furthermore, all of 2020 reflects the inclusion of revenues from our acquisition of Autonomous (which closed on April 1, 2019).

Distribution Revenues

Two of our subsidiaries act as distributors and/or placement 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 September 30, 2020 increased $17.1 million, or 14.4%, from the three months ended September 30, 2019, primarily due to the corresponding average AUM of these mutual funds increasing 12.1%. For the nine months ended September 30, 2020 distribution revenues increased $59.2 million, or 18.1%, from the nine months ended September 30, 2019, primarily due to the corresponding average AUM of these mutual funds increasing 14.6%.

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 for the three months ended September 30, 2020 decreased $15.8 million, or 63.5%, from the three months ended September 30, 2019, primarily due to lower interest earned on customer margin balances and U.S. Treasury Bills and lower dividend and interest income in our consolidated company-sponsored investment funds. Interest expense for the three months ended September 30, 2020 decreased $11.5 million, or 88.7%, from the three months ended September 30, 2019, due to lower interest paid on cash balances in customers' brokerage accounts. For the nine months ended September 30, 2020, dividend and interest income decreased $37.7 million, or 47.1%, from the nine months ended September 30, 2019, primarily due to lower interest earned on customer margin balances and U.S. Treasury Bills. Interest expense for the nine months ended September 30, 2020 decreased $32.2 million, or 69.4%, from the nine months ended September 30, 2019, due to lower interest paid on cash balances in customers' brokerage accounts.

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. Investment gains (losses) also include equity in earnings of proprietary investments in limited partnership hedge funds that we sponsor and manage.

Investment (losses) gains are as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2020	2019	2020	2019
	(in thousands)			
Long-term incentive compensation-related investments:				
Realized gains	$ 1,277	$ —	$ 2,685	$ 1,631
Unrealized gains (losses)	1,862	187	(1,387)	4,442
Investments held by consolidated company-sponsored investment funds:				
Realized gains (losses)	694	4,358	(707)	6,293
Unrealized gains (losses)	3,684	(2,651)	(8,254)	29,522
Seed capital investments:				
Realized gains (losses)				
Seed capital and other	17,694	1,879	22,582	5,314
Derivatives	(12,568)	(8,654)	(13,458)	(26,770)
Unrealized (losses) gains				
Seed capital and other	(8,165)	1,035	(17,505)	13,423
Derivatives	(1,518)	8,446	(1,964)	(2,269)
Brokerage-related investments:				
Realized (losses) gains	(2,355)	263	(881)	(843)
Unrealized gains (losses)	501	(430)	(122)	374
	$ 1,106	**$ 4,433**	**$ (19,011)**	**$ 31,117**

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 EQH and its subsidiaries, and other miscellaneous revenues. Other revenues for the three months ended September 30, 2020 increased $2.1 million, or 8.5%, compared to the corresponding period in 2019, primarily due to higher mutual fund reimbursements and higher shareholder servicing fees. Other revenues for the nine months ended September 30, 2020 increased $6.7 million, or 9.4%, compared to the corresponding period in 2019, primarily due to higher shareholder servicing fees and higher brokerage income.

Expenses

The components of expenses are as follows:

	Three Months Ended September 30,				Nine Months Ended September 30,			
	2020	2019	$ Change	% Change	2020	2019	$ Change	% Change
	(in thousands)				(in thousands)			
Employee compensation and benefits	$ 357,821	$ 361,822	$ (4,001)	(1.1)%	$ 1,069,731	$ 1,064,833	$ 4,898	0.5 %
Promotion and servicing:								
Distribution-related payments	148,380	127,726	20,654	16.2	414,203	349,973	64,230	18.4
Amortization of deferred sales commissions	7,434	3,605	3,829	106.2	19,582	10,348	9,234	89.2
Trade execution, marketing, T&E and other	41,220	53,814	(12,594)	(23.4)	141,118	161,012	(19,894)	(12.4)
	197,034	185,145	11,889	6.4	574,903	521,333	53,570	10.3
General and administrative:								
General and administrative	119,318	117,056	2,262	1.9	363,009	355,084	7,925	2.2
Real estate charges	—	153	(153)	(100.0)	5,526	701	4,825	n/m
	119,318	117,209	2,109	1.8	368,535	355,785	12,750	3.6
Contingent payment arrangements	813	829	(16)	(1.9)	2,413	1,712	701	40.9
Interest on borrowings	1,073	2,802	(1,729)	(61.7)	5,003	10,775	(5,772)	(53.6)
Amortization of intangible assets	6,833	7,277	(444)	(6.1)	20,042	21,536	(1,494)	(6.9)
Total	**$ 682,892**	**$ 675,084**	**$ 7,808**	**1.2**	**$ 2,040,627**	**$ 1,975,974**	**$ 64,653**	**3.3**

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 39.8% and 41.2% for the three months ended September 30, 2020 and 2019, respectively. Compensation expense as a percentage of net revenues was 40.4% and 42.1% for the nine months ended September 30, 2020 and 2019, 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 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 Item 2*). 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 0.8% and 0.9%, respectively, of adjusted net revenues for the three and nine months ended September 30, 2020 and 1.1% and 1.2%, respectively, of adjusted net revenues for the three and nine months ended September 30, 2019), 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 awards

issued by EQH to our firm's CEO relating to his role as a member of the EQH Management Committee. 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 48.0% and 48.3%, respectively, for the three and nine months ended September 30, 2020 and 48.5% and 49.2%, respectively, for the three and nine months ended September 30, 2019.

For the three months ended September 30, 2020, employee compensation and benefits expense decreased $4.0 million, or 1.1%, compared to the three months ended September 30, 2019, primarily due to lower fringes of $4.3 million, lower other employment costs of $2.5 million and lower commissions of $1.6 million, offset by higher incentive compensation of $3.0 million and higher base compensation of $1.4 million. For the nine months ended September 30, 2020, employee compensation and benefits expense increased $4.9 million, or 0.5%, compared to the nine months ended September 30, 2019, primarily due to higher incentive compensation of $14.1 million and higher base compensation of $10.6 million, offset by lower fringes of $9.9 million, lower other employment costs of $5.8 million and lower commissions of $4.1 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 increased $11.9 million, or 6.4%, during the three months ended September 30, 2020 compared to the three months ended September 30, 2019. The increase primarily was due to higher distribution-related payments of $20.6 million and higher amortization of deferred sales commissions of $3.9 million, partially offset by lower travel and entertainment expenses of $8.7 million and lower marketing and communication expenses of $3.9 million. Promotion and servicing expenses increased $53.6 million, or 10.3%, during the nine months ended September 30, 2020 compared to the nine months ended September 30, 2019. The increase primarily was due to higher distribution-related payments of $64.2 million, higher amortization of deferred sales commissions of $9.2 million, higher trade execution and clearing costs of $6.6 million and higher transfer fees of $3.7 million, offset by lower travel and entertainment expenses of $22.3 million and lower marketing and communication expenses of $7.9 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 13.3% and 13.4% (13.3% excluding real estate charges) for the three months ended September 30, 2020 and 2019, respectively. General and administrative expenses increased $2.1 million, or 1.8%, during the three months ended September 30, 2020 compared to the corresponding period in 2019, primarily due to higher other taxes of $1.9 million and higher exchange rate losses of $1.1 million, partially offset by lower office-related expenses of $1.7 million. General and administrative expenses as a percentage of net revenues were 13.9% (13.7% excluding real estate charges) and 14.1% (14.0% excluding real estate charges) for the nine months ended September 30, 2020 and 2019, respectively. General and administrative expenses increased $12.8 million, or 3.6%, during the first nine months of 2020 compared to the same period in 2019, primarily due to higher technology fees of $5.3 million, higher real estate charges of $4.8 million, higher portfolio services fees of $4.3 million, higher other taxes of $2.4 million and higher exchange rate losses of $2.4 million, partially offset by lower professional fees of $6.8 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 our estimates during the first nine months of 2020 or 2019.

Income Taxes

AB, a private limited partnership, is not subject to federal or state corporate income taxes. However, AB 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 jurisdictions where they are located.

Income tax expense for the three months ended September 30, 2020 decreased $1.7 million, or 16.1%, compared to the three months ended September 30, 2019 as a result of an increase in domestic income, which carries a lower tax rate than foreign income. Income tax expense for the nine months ended September 30, 2020 was flat compared to the nine months ended September 30, 2019 as a result of higher pre-tax income offset by a decrease in discrete tax items.

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. For the three months ended September 30, 2020, we had $0.1 million of net gains of consolidated entities attributable to non-controlling interests compared to net gains of $4.1 million for the three months ended September 30, 2019. For the nine months ended September 30, 2020, we had $4.6 million of net losses of consolidated entities attributable to non-controlling interests compared to net gains of $22.0 million for the nine months ended September 30, 2019. Fluctuations period-to-period result primarily from the number of consolidated company-sponsored investment funds and their respective market performance.

CAPITAL RESOURCES AND LIQUIDITY

During the first nine months of 2020, net cash provided by operating activities was $1.6 billion, compared to $806.0 million during the corresponding 2019 period. The change reflects net activity of our consolidated funds of $502.7 million, an increase in broker-dealer related payables (net of receivables and segregated U.S. Treasury bills activity) of $485.3 million, an increase in accounts payable and accrued expenses of $33.2 million and a decrease in fees receivable of $28.8 million, partially offset by higher net purchases of investments of $415.7 million.

During the first nine months of 2020, net cash used in investing activities was $25.9 million, compared to $19.1 million during the corresponding 2019 period. The change is primarily due to $13.6 million paid for acquisitions, net of cash acquired, partially offset by lower purchases of furniture, equipment and leasehold improvements of $12.0 million.

During the first nine months of 2020, net cash used in financing activities was $1.2 billion, compared to $710.2 million during the corresponding 2019 period. The change reflects higher redemptions of non-controlling interests of consolidated company-sponsored investment funds of $387.7 million, higher distributions to the General Partner and Unitholders of $116.6 million as a result of higher earnings (distributions on earnings are paid one quarter in arrears) and higher net repayments of debt of $87.5 million, partially offset by an increase in overdrafts payable of $75.5 million.

As of September 30, 2020, AB had $1.0 billion of cash and cash equivalents (excluding cash and cash equivalents of consolidated company-sponsored investment funds), all of which is available for liquidity but consist primarily of cash on deposit for our broker-dealers related to various customer clearing activities, and cash held by foreign subsidiaries of $537.4 million.

Debt and Credit Facilities

See Note 16 to AB's condensed consolidated financial statements contained in Item 1, for disclosures relating to our debt and credit facilities.

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 October 2018, we signed a lease, which is scheduled to commence in the fourth quarter of 2020, relating to 218,976 square feet of space at our newly constructed Nashville headquarters. Our estimated total base rent obligation (excluding taxes, operating expenses and utilities) over the 15-year initial lease term is $134 million. During April 2019, we signed a lease, which commences in 2024, relating to approximately 190,000 square feet of newly constructed 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 September 30, 2020, 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 September 30, 2020, we had funded $20.1 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.

With the exception of goodwill as *discussed in Note 2 to AB's condensed consolidated financial statements contained in Item 1*, 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, 2019.

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, 2019 *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 27.5% during 2019, increased to 28.4% during the first nine months of 2020.

  Our AUM and, therefore, our investment advisory revenues, including performance-based fee revenues, are heavily dependent on the level and volatility of the financial markets. Based upon our current revenue and expense projections, 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 expected revenues. 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. Furthermore, our revenues may continue to be adversely affected by the severe economic impact of the novel coronavirus global pandemic ("COVID-19"). Please refer to “Risk Factors” below for additional information regarding the effect on our business COVID-19 has had and may continue to have.

- The Adverse Impact of COVID-19: The severity of the expected adverse impact on our AUM and revenues of the economic downturn caused by the COVID-19 pandemic will depend on the depth and length of the downturn and its impact on the companies in which we invest. Our conclusions about the possible continuing significant adverse impact on us is based on our assumptions that the recovery will be gradual and that there will be lasting high unemployment and economic damage. We believe that these assumptions are reasonable, but they may not be correct and economic conditions likely will differ from our assumptions.

- Our fixed income investment performance: Our fixed income performance continued to rebound in the third quarter following poor relative performance of many of our funds during the first quarter of 2020. Further, while we have not generally experienced redemptions in our fixed income strategies during the second or third quarters of 2020, we recognize that the impact on the one-, three- and five-year track records of some funds may contribute to increased redemptions in some of our fixed income strategies in future periods. Any increase in redemptions, absent an offsetting increase in sales, would adversely affect our AUM, revenues and net income.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

With the exception of the updates regarding Market Risk discussed under *Risk Factors in Part II, Item 1A*, 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, 2019.

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 third quarter of 2020 that materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.