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PRESENTATION

Operator

Thank you for standing by, and welcome to the AllianceBernstein Second Quarter 2019 Earnings Review. (Operator Instructions) As a reminder, this conference is being recorded and will be available for replay for 1 week.

I would now like to turn the conference over to the host for this call, the Head of Investor Relations for AB, Ms. Hallie Elsner. Please go ahead.

Hallie Elsner - *AllianceBernstein Holding L.P. - Head of IR*

Thank you, Carol. Good morning, everyone, and welcome to our second quarter 2019 earnings review. This conference call is being webcast and accompanied by a slide presentation that's posted in the Investor Relations section of our website www.alliancebernstein.com.

Seth Bernstein, our President and CEO; John Weisenseel, our CFO; and Jim Gingrich, our COO, will present our results and take questions after our prepared remarks.

Some of the information we present today is forward looking and subject to certain SEC rules and regulations regarding disclosure. So I'd like to point out the safe harbor language on Slide 2 of our presentation.

You can also find our safe harbor language in the MD&A of our second quarter 2019 10-Q, which we filed this morning. Under regulation FD, management may only address questions of a material nature from the investment community in a public forum. So please ask all such questions during this call.

Now I'll turn it over to Seth.

Seth Perry Bernstein - *AllianceBernstein Holding L.P. - President, CEO & Director of AllianceBernstein Corporation*

Good morning. Thank you for joining us today. Our second quarter results reflect momentum in several areas of our business. Firm-wide active flows were positive $10.2 billion in the second quarter, bringing year-to-date active net inflows to $12.3 billion, which translates to a 5.4% active annualized organic growth rate. Flows were driven by the continuing rebound in fixed income, particularly in Asia ex Japan region and ongoing success of our revitalized active equity platform, which attracted another $1 billion in net inflows during the quarter. And in an environment of declining fee rates, AB's second quarter average fee rate was stable year-on-year and increased slightly sequentially.

Now let's get into the specifics. Starting with the firm-wide overview on Slide 4. Second quarter gross sales of $27.3 billion increased 44% year-on-year and 18% sequentially. Total firm-wide net flows were positive $9.5 billion versus net outflows in the prior year period and net inflows of $1.1 billion in the first quarter.

Total assets under management of $580.8 billion at quarter end increased 8% year-on-year and 5% sequentially. And average AUM was up 4% versus the prior year period and 5% sequentially.

Slide 5 shows our quarterly flow trend by a channel. Firm-wide net inflows were driven by retail and institutional, while private wealth flows turned negative. In retail, gross sales of $18.8 billion increased versus both prior periods and net inflows of $5.9 billion compared to outflows in the year ago period and were higher sequentially.

In the bottom left chart, you can see the institutional gross sales of $5.5 billion also increased versus both periods and redemptions improved following an elevated first quarter that was the result of a variety of factors in the aftermath of the late 2018 market dislocation. This resulted in an institutional net inflows of $4.2 billion.

In private wealth, gross sales of $3 billion were flat versus the prior year period, excluding $500 million of sales related to Option Advantage launch. Redemptions increased versus both prior periods due to a single large institutional-like outflow and heightened outflows related to tax season, leading to net outflows of $600 million.

Now let's turn to investment performance beginning on Slide 6. Our near-term fixed income performance has been challenged, though we saw some improvement in the 1-year number this quarter. Our percentage of assets outperforming for the 3-year period declined to 63% as 2 large funds, Global High Yield and Global Bond, underperformed their category averages for the period.

Our global diversified high income approach worked against us this quarter as many of our peers in the category invested in high yield corporates, especially U.S. high yield and have been performing well.

Despite the pullback in the percentage of assets outperforming, we continue to have high conviction that being well diversified produces the best risk-adjusted results over time, which you can see in our 5-year track record with 91% of our assets outperforming. In equities, our investment performance was solid with 67% of our assets outperforming for the 1 year, 61% for the 3-year and 83% for the 5-year.

Slide 7 and 8 provide more insight on retail fixed income and equity investment performance. The fixed income table on Slide 7 reflects some of the near-term performance challenges I mentioned, but also shows that long-term track records remain compelling.

Performance in our income portfolios has been particularly strong. American Income is top quartile for the 1- and 5-year periods. European Income is top decile for the 1- and 5-year periods and top quartile for the 3-year period. Mortgage Income remains top quartile for the 3- and 5-year periods. And AB Income remains top decile for the 3- and 5-year periods.

Moving onto equities on Slide 8. Our concentrated growth, low vol, global core and large-cap growth strategies are notable outperformers. In fact, Concentrated Global and Global Core each is top decile across time periods.

Global Low Vol is top decile for the 1- and 5-year periods. Concentrated U.S. growth is top decile for the 1-year and top quartile for the 3-year and large-cap growth is top quartile for the 1- and 3-year and top decile for 5 years.

These are impressive rankings even as we continue to see some underperformance on our value and emerging market strategies.

Let's move on to our client channels beginning with retail on Slide 9. We're seeing the results of years we've spent investing in our retail platform to better serve clients globally with a diverse set of product offerings. The outlook for steadier, if not declining rate environment, has attracted investors in Asia ex Japan region back to the fixed income market over the last several months as they search for yield opportunities.

The top left chart shows the pickup in industry-wide retail bond fund sales in the region in 2019. This rebound in sales positively affected our overall sales, which hit an all-time record for retail and flows in the quarter.

Combined second quarter gross sales of American Income portfolio and Global High Yield amounted to $7.3 billion and brings year-to-date sales to $13 billion, more than triple versus the first half of 2018. And while the sales pickup in American Income and Global High Yield is notable, the sales only accounted for about 40% of our record quarter.

We also saw sales strengthen in other regions during the quarter, including sequential and year-on-year sales growth in EMEA, Japan and U.S. subadvisory, a year-on-year increase in U.S. retail and a sequential increase in Latin America.

What's more? The average fee rate on our gross sales in the quarter is 20% higher than the overall channel average.

Net inflows of $5.9 billion were our best in 19 years and brings year-to-date net inflows to $11.2 billion. And our sources of flows are diverse. 21 funds attracted net flows of $100 million or more year-to-date with 12 of them fixed income, 8 active equity and 1 multiasset. We hit a number of milestones during the quarter as well. AB retail assets under management of $215 billion at quarter end is at an all-time high and more than 50 retail offerings have more than $1 billion in assets under management at quarter end.

Now I'll talk about institutional on Slide 10. The years we've spent revitalizing our active equity franchise are clearly paying off. The top left chart shows sustained active equity sales success and flow momentum. Active equity gross sales of $2.4 billion represent our eighth straight $1 billion-plus equity sales quarter, and our active equity net outflows of $1.1 billion were positive for the sixth straight quarter.

Our institutional active equity platform of nearly $41 billion at quarter end has increased 23% over the past 18 months with 86% of that growth occurring organically, thanks to cumulative net inflows of $6.4 billion. Considering the industry-wide contraction, this is particularly impressive. Consultant support is also contributing to the success we're having.

Five firms, 2 global and 3 major U.S. national, upgraded 8 active equity strategies during the quarter, and we continue to see a steady stream of RFP activity. And while we're certainly experiencing an abundance of success in equities, it's important to note that we're also seeing success in other areas including multiasset, where a win for our custom alternative solutions from a top tier pension fund and CRS fundings contributed 35% of channel sales in the quarter.

Our year-end pipeline -- I'm sorry, our quarter-end pipeline of $7.1 billion declined sequentially as fundings increased following a quiet first quarter, but is flat compared to this time last year. With more than 50% of our pipeline adds in the quarter coming from active equity strategies, the average fee rate of new adds is more than double the fee rate on the overall channel. As a result, the pipeline's annual fee base exceeds $30 million for the seventh straight quarter. This bodes well for both future revenues and fee rates.

Moving to Private Wealth Management on Slide 11.

Keeping clients invested and comfortable with their diversified allocations through intra-quarter volatility continues to payoff and attract new clients. Second quarter gross sales of $3 billion brings our year-to-date sales to $6.3 billion for our best first half excluding Option Advantage in 11 years. However, flows turned negative with outflows of $600 million. I mentioned earlier that this reversal is largely due to a single large institution like outflow as well as heightened activity related to tax season.

Year-to-date, net flows are slightly negative at $100 million. Our advice model investment platform continue to resonate with a broader more affluent client base. The average size of new client relationship increased to 11% in the first half versus last year and more than 1/3 of our first half gross sales were from new client relationships.

We also added another $700 million in commitments to our suite of alternative and focused equity services during the quarter, bringing total deployed and committed assets above the $10 billion mark to $10.6 billion at quarter end. That's the bottom left chart.

Our Responsible and Impact investing portfolio offerings continue to appeal to our clients. Assets in a diverse array of responsible equity and fixed income services totaling $2.2 billion at quarter end, a 68% increase year-over-year. Growing our adviser base remains a top priority for us as well, and we remain on track for mid-single-digit growth in 2019.

I'll finish with our overview with the sell side on Slide 12. Bernstein Research continues to face challenges along with many of our peers in the equity trading business as industry volumes remain depressed and the shift towards lower fee electronic trading persists. Revenues of $106 million were flat year-on-year and up 18% sequentially. However, excluding our April 1 acquisition of Autonomous Research, revenues declined 9% year-on-year, driven by lower trading volumes and lower volatility in the U.S. year-on-year. That's the bottom left chart.

While disappointing, we continue to believe that a differentiated offering will ultimately drive client activity. We have another strong showing in a recent annual independent survey for both U.S. research and trading. Bernstein Research ranked #1 for the 17th straight year in Quality of Analyst Service and had #1 rankings in several key -- other key areas.

Our 35th Strategic Decisions Conference was attended by more than 1,100 clients and client meetings increased 4% versus last year, a testament to the value clients see in our differentiated research.

We continued building at our offering in Asia with launches in Asia-Pacific healthcare, Indian IT services and emerging China semiconductors. And new coverage for Asia coal, power and renewables expected soon. While year-to-date trends in this business are below our expectations, we're thoughtfully navigating a tough environment.

So I'll close by highlighting some of our second quarter accomplishments on Slide 13. We continued delivering differentiated returns for clients with our diverse products, and we further scaled and commercialized our offerings with momentum in active equities, a pickup in fixed income and wins across a diverse client base. We remain focused on expense management and executing our relocation to Nashville. I'm proud of what we've achieved during the quarter despite the presence of some headwinds.

Now I'll turn it over to John to review our financials.

John Charles Weisenseel - *AllianceBernstein Holding L.P. - CFO & Senior VP of AllianceBernstein Corporation*

Thank you, Seth. Let's start with a GAAP income statement on Slide 15. Second quarter GAAP net revenues of $858 million increased 2% from the prior year period. Operating income of $184 million decreased 3% and the 20.6% operating margin decreased by 180 basis points. GAAP EPU of $0.54 compared to $0.59 in the second quarter of 2018.

As always, I'll focus my remarks from here on our adjusted results, which remove the effects of certain items that are not considered part of our core operating business.

We base our distribution to unitholders upon our adjusted results, which we provide in addition to, and not as substitutes for, our GAAP results. Our standard GAAP reporting and a reconciliation of GAAP to adjusted results are in our presentation's appendix, press release and 10-Q.

Our adjusted financial highlights are included on Slide 16. Second quarter revenues of $715 million, operating income of $180 million and our margin of 25.1% all decreased year-on-year. We earned and will distribute to our unitholders $0.56 per unit compared to $0.62 for last year's second quarter. Lower performance fees combined with higher compensation and G&A expenses primarily drove the weaker results. Revenues, operating income and margin all increased from the first quarter, primarily due to higher base, performance fees, Bernstein Research services revenues, which were partially offset by higher compensation and promotion and servicing expenses.

We delve into these items in more detail on our adjusted income statement on Slide 17. Beginning with revenues. Second quarter net revenues of $715 million decreased 1% year-on-year. Second quarter base fees increased 3% from the same prior period due to higher average AUM across the retail and private wealth distribution channels.

Compared to the second quarter of 2018, total average AUM increased 4.4%. The portfolio fee rate of 41.4 basis points has been relatively stable both year-on-year and sequentially. Second quarter performance fees of $11 million compared to $35 million in the same prior year period. Of the $24 million decrease, $14 million is attributed to performance fees earned from our Financial Services Opportunity Fund 1 or FSOF1 in the second quarter 2018 and has since been liquidated with almost all of the remaining decrease attributed to lower fees earned on our Select Absolute Alpha equity long-short fund.

As a reminder, last year's third quarter performance fees included $35 million related to FSOF1 and Real Estate Equity Fund 1, which has since been mostly liquidated. Therefore, we expect this year's third quarter performance fees to be slightly lower -- could be significantly lower than the third quarter of 2018.

Second quarter revenues of $106 million for Bernstein Research services were flat year-on-year and include revenues from the Autonomous acquisition, which closed on April 1. Excluding Autonomous, Bernstein Research revenues decreased 9% year-on-year due to lower market volatility and client trading volumes but increased 7% sequentially from the first quarter due to higher client activity in the U.S., Europe and Asia.

Second quarter net distribution expenses increased $4 million year-on-year as a result of higher Asia retail fund sales and U.S. municipal fund sales.

Other revenues increased $5 million compared to the same prior period because of higher dividends and interest earned on our broker-dealer investments.

Interest expense increased $4 million year-on-year due to higher interest paid on broker-dealer customer balances resulting from higher interest rates.

Moving to adjusted expenses. All-in, our total second quarter operating expenses of $535 million increased 2% year-on-year. For the second quarter, transition costs related to our Nashville corporate headquarters relocation totaled $9 million compared to estimated expense savings of $4 million, resulting in a net $5 million reduction in operating income and about a net $0.02 reduction in EPU.

Of the net $5 million, approximately $4 million is compensation related and included in the comp ratio calculation, with the remaining $1 million representing increased occupancy costs.

For the 2019 6-month year-to-date period, transition costs totaled $16 million compared to estimated expense savings of $7 million, resulting in a net $9 million reduction in operating income. Of the net $9 million, approximately $6 million is compensation related and included in the comp ratio calculation, with the remaining $3 million representing increased occupancy costs.

Total compensation and benefits expense increased 1% year-on-year on higher base salaries, severance and fringe benefits, which were partially offset by lower incentive compensation. We accrued compensation at a 49.5% of adjusted net revenues for the second quarter of this year, the same as the first quarter and versus 48.5% for the second quarter of last year.

If our current revenue trend continues, we may accrue compensation at a 48.5% ratio for the second half of this year with the option to adjust accordingly throughout the remainder of the year if market conditions change as we gain further clarity regarding the compensation requirements for our business and the transition costs related to the corporate headquarters relocation.

Second quarter promotion and servicing decreased 2% versus the prior -- same prior period due to lower marketing expenses, and the 17% sequential increase came from higher expected seasonal T&E and marketing spend for the annual Bernstein Research Strategic Decisions Conference and Asia Investment Forum.

Higher trade execution expenses related to the higher Bernstein Research revenues also contributed to the sequential increase.

Second quarter G&A increased 7% year-on-year due to higher occupancy, technology expense and lower foreign exchange translation gains, which were partially offset by lower portfolio servicing fees.

Second quarter operating income of $180 million decreased 9% from the prior year as revenues declined slightly while expenses increased moderately. The 13% sequential increase from the first quarter is due primarily to higher base and performance fees.

If we exclude the approximately $7 million of operating income contributed in the second quarter by last year by FSOF1, the fund since liquidated, and $5 million of net relocation expenses discussed earlier, then the operating income would have decreased by only 2% versus the second quarter of 2018.

Second quarter operating margin of 25.1% decreased 220 basis points year-on-year and increased 100 basis points sequentially. Of the 220 basis point year-on-year decline, 80 basis points is attributed to the net relocation expenses, 40 basis points to the FSOF performance fees and the remaining 100 basis points to the higher comp ratio.

You may have noticed that our second quarter adjusted EPU was $0.02 higher than our GAAP EPU, while our adjusted operating income was $4 million lower than our GAAP operating income. This is due primarily to the exclusion of the following 2 items from our adjusted results, which are not part of our core business operations.

First, we excluded $3 million in acquisition expenses related to Autonomous Research. Second, we deconsolidated certain seed investments in our adjusted results that we had consolidated for GAAP reporting. Consolidating these investments increased operating income by $7 million, but did not affect income -- net income or EPU.

The second quarter effective tax rate for AllianceBernstein LP was 5.5%, about as expected.

Finally, our Nashville corporate headquarters relocation continues to proceed according to plan. We currently anticipate that the largest reduction in EPU during the transition period could be approximately $0.08 in 2019, which is $0.01 higher than our previous estimate.

However, we still expect to achieve breakeven or possibly a slight increase in EPU by 2021. In addition, all other components of our guidance remain unchanged and are currently estimated within the ranges previously reported for transition costs, expected savings over the transition period and the ongoing annual cost savings once the transition period is completed in 2024.

And with that, Seth, Jim, and I are pleased to answer your questions.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) Our first question this morning comes from Alex Blostein from Goldman Sachs.

Alexander Blostein - *Goldman Sachs Group Inc., Research Division - Lead Capital Markets Analyst*

First question just maybe to start with the dynamic around fee rates in the quarter. Obviously, you guys are seeing a significant traction on flows and these are all higher fee flows, but the base fee felt a little bit lighter. And I'm not sure whether it's just the average in dynamic or something else going on. So maybe flush that out for us a little bit more. And as you think on a go-forward basis, given the mix of business and the flows you guys are seeing, how should we think about the blended fee rate over the coming quarters?

John Charles Weisenseel - *AllianceBernstein Holding L.P. - CFO & Senior VP of AllianceBernstein Corporation*

Alex, it's John. The fee rate for the quarter was actually 41.4 basis points, which was up 0.2 basis points from the first quarter, and I think it was essentially almost flat versus the prior year. So I think we're very pleased it's hung in the way it has been. The strength of -- in the retail sector, particularly the high yield instruments and strategies and the continued strength in the active equity is really what's keeping it either flat to slightly higher. I think longer term, when we think out -- I mean, for the rest of this year, I would expect it to remain somewhat around at the level it's currently at. And as we look forward into future years, as we continue to build out our Autonomous platform, those are higher fee rate products. I think we're positioned to see potentially increases going forward in future years.

Alexander Blostein - *Goldman Sachs Group Inc., Research Division - Lead Capital Markets Analyst*

Got it. And I guess on the business side of things, clearly, significant turnaround in fixed income flows for you guys over the last couple of quarters, this quarter in particular. Can you talk a little bit about sustainability of that? I know Asia ex Japan could be fairly lumpy. So as you think about the macro conditions today and kind of the appetite on the ground for consistency of these flows going forward, I guess how should we think about that over the near term?

Seth Perry Bernstein - *AllianceBernstein Holding L.P. - President, CEO & Director of AllianceBernstein Corporation*

Alex...

John Charles Weisenseel - *AllianceBernstein Holding L.P. - CFO & Senior VP of AllianceBernstein Corporation*

Alex...

Seth Perry Bernstein - *AllianceBernstein Holding L.P. - President, CEO & Director of AllianceBernstein Corporation*

Alex, I think you're right. It's that fixed income business is exposed to Asia. And while that is a very positive story over the long haul, it does tend to be -- it does tend to have its ups and downs. I mean for the time being, we continue to see that momentum continue, and we'll just have to see how that plays out over time. I think the other thing though that is interesting is that we've had some nice results in both the U.S. with AB Income and then Europe with things like European Income, all of which are quite positive.

Operator

Our next question comes from Mike Carrier from BAML.

Michael Roger Carrier - *BofA Merrill Lynch, Research Division - Director*

And the first question is, just given the strength and diversification in the flows, and then particularly as you guys mentioned, I think it was 52 products that are over $1 billion, that you have scaled. So how should we be thinking about the operating leverage and margins ahead? John, I know you mentioned the comp ratio in the second half heading a bit lower, so that's going to help. And then I know this year has the Nashville cost. But even as we think beyond this, given the momentum that you're seeing and I think in the past, you guys have said if the flows and the revenues are there, then we should expect some margin improvement over time.

John Charles Weisenseel - *AllianceBernstein Holding L.P. - CFO & Senior VP of AllianceBernstein Corporation*

Mike, it's John. Why don't I start off and I think Jim may add some comments as well. But again, regarding the margin targets, we still are targeting 30%, and we think we definitely believe it's achievable. There's couple of headwinds currently that we have, for example, for this year, so we're dealing with the relocation to Nashville and that's going to continue for a couple more years. We also are dealing with the performance fees where last year we had $195 million of performance fees, $130 million of them were from the 2 funds that had been liquidated or in the process of being liquidated because that I mentioned earlier.

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And then, of course, we have the sell side, which is -- the revenues are down year-on-year. I think in fact, year-to-date, excluding Autonomous, they are down about 15%. So we're dealing with these items in the short run. And then of course, we're -- we have the markets that we're very much dependent upon as well. So this all factors into, obviously, what -- when we get to that 30%. We definitely believe we're going to get there. It's just a question of when.

James Andrew Gingrich - *AllianceBernstein Holding L.P. - COO of AllianceBernstein Corporation*

I would just add that we've always talked about the operating leverage. The incremental margin in this business being 45% to 50%, and there is no reason that, that doesn't continue on a go-forward basis.

Michael Roger Carrier - *BofA Merrill Lynch, Research Division - Director*

Okay. And maybe the second question. Just given the strength in the flows, particularly on the active side and particularly in retail relative to what we're seeing in the industry, what do you, like, attribute driving the strength given the initially backdrop? And I get the performance in some of the products and also having the fixed income strength and seeing that demand, but is it more product differentiation, the distribution? Is it some challenge, competition out there? It just seems the magnitude is much different than what we're seeing across the industry.

Seth Perry Bernstein - *AllianceBernstein Holding L.P. - President, CEO & Director of AllianceBernstein Corporation*

I think it is different, but -- Jim, why don't you go.

James Andrew Gingrich - *AllianceBernstein Holding L.P. - COO of AllianceBernstein Corporation*

Go ahead, Seth.

Seth Perry Bernstein - *AllianceBernstein Holding L.P. - President, CEO & Director of AllianceBernstein Corporation*

I think it is different. The performance that we've been generating I think is differentiated, but I also think it's the relevance of the products that we designed and have introduced that I think resonate with clients particularly in equities, where our focus -- whether it's large-cap growth or in concentrated growth have been very well received and the audiences have been broadening in both retail and in the institutional for that matter. So I think that's been there. I also think that relative to some of our competitors, we are relatively under penetrated. So I think people are interested in seeing our products and are giving us a shot and we've been delivering. So -- I don't know, Jim, do you want to add something?

James Andrew Gingrich - *AllianceBernstein Holding L.P. - COO of AllianceBernstein Corporation*

I think you're right. I mean we have -- if I look at the quarter, obviously, the strength that we saw in Asia ex Japan was a big contributor. But that said, we were positive in retail in all geographies with particular strength in the U.S. and Japan in addition to Asia ex. So as you just said, Seth, I think it is a pretty broad-based positive story that's happening.

Operator

(Operator Instructions) Our next question comes from Bill Katz from Citi.

William R. Katz - *Citigroup Inc, Research Division - MD*

And just bear with me, it might be a little bit of a busy morning. My calculations might be a little quick. But as I look at your fee rate in the institutional bucket, it looks like it came down over 1 basis point sequentially. How much of that was due to maybe some particular strength in the first quarter? And I guess I'm surprised just given your commentary about what's coming in the door versus what's going out the door. And I thought you would see a pickup rather than what looks to be a pretty substantial sequential decline.

John Charles Weisenseel - *AllianceBernstein Holding L.P. - CFO & Senior VP of AllianceBernstein Corporation*

Bill, it's John. We did lose some fixed income mandates, which would help bring that rate down somewhat. So it's really -- it's a mix of the business. There's nothing specific really we can point to or nothing specifically that we're worried about there. In our other bucket, our fee rates actually have increased, which is offsetting what you're seeing in the institutional side and keeping the fee rate on the portfolio actually up 0.2 basis points sequentially. And what's going on there is just that as we build-out the alternative platforms, that's in that other bucket there and those are higher fee rate type products.

William R. Katz - *Citigroup Inc, Research Division - MD*

So just to clarify, John, fixed income is accretive to your institutional bucket as it stands today versus equity in alternatives?

John Charles Weisenseel - *AllianceBernstein Holding L.P. - CFO & Senior VP of AllianceBernstein Corporation*

Well, it depends upon, which -- again, which products we're losing and which we're gaining.

William R. Katz - *Citigroup Inc, Research Division - MD*

Okay. Just another -- I'll come back to that. Another question on the comp ratio just in terms of your guidance. I want to make sure I'm just apples-to-apples here. When you say your comp ratio, are you including fringe and relocation charges in that? And if so, can you bifurcate between those?

John Charles Weisenseel - *AllianceBernstein Holding L.P. - CFO & Senior VP of AllianceBernstein Corporation*

Yes. They are included. And as I mentioned the part that will bifurcate is why I mentioned in the comments as far as the part that falls within the comp ratio. So I think I mentioned that in my prepared remarks.

William R. Katz - *Citigroup Inc, Research Division - MD*

Okay. And then just one last one. I think I read in the supplement that part of your expense increase was a contingent payment on Autonomous. I may have missed it in the prepared commentary. Did you quantify the size of that? If not, could you?

John Charles Weisenseel - *AllianceBernstein Holding L.P. - CFO & Senior VP of AllianceBernstein Corporation*

No. And we will because there's also -- in that bucket, there's also other acquisitions, but we do mention in terms of the 10-Q in terms of the discount rate that's being used to discount the payments. And so of course, that will be the rate that's being used to accrete it. And the rate being used for that acquisition and again, I don't have it in front of me, it's in the Q, but it is higher than some of the other acquisitions that we've done.

Operator

And we have no further questions in queue at this time.

Hallie Elsner - *AllianceBernstein Holding L.P. - Head of IR*

All right. Well, thank you, everyone, for participating in today's call. Feel free to contact Investor Relations with any further questions. Have a great day.
