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AllianceBernstein Holding L.P.

Second Quarter 2023 Earnings

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PRESENTATION:

Operator^ Thank you for standing by. And welcome to the AllianceBernstein Second Quarter 2023 Earnings Review. (Operator Instructions)

As a reminder, this conference is being recorded and will be available for replay on our website shortly after the conclusion of this call.

I would now like to turn the conference over to the host for this call, Head of Investor Relations for AB, Mr. Mark Griffin.

Please go ahead.

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Mark Griffin^ Thank you, Operator. Good morning, everyone. And welcome to our second quarter 2023 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.

With us today to discuss the company's results for the quarter are Seth Bernstein, our President and CEO; and Bill Siemers, Interim CFO, Controller and Chief Accounting Officer. Karl Sprules, Chief Operating Officer; and Onur Erzan, Head of Global Client Group and Private Wealth, will join us for questions after our prepared remarks.

Some of the information we'll 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 10-Q, which we filed yesterday.

Under Regulation FD, management may only address questions of 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 Bernstein^ Good morning. And thank you for joining us today.

In the second quarter, equity markets continued to rebound with the bulk of the gains in June, led by a small number of large U.S. technology companies. Government bond yields rose amidst generally higher rates and a significant drop in market volatility.

We generated net inflows 2 of 3 months in the quarter, led by U.S. retail and our global fixed income platform, both growing at 9% annualized organically. Our municipal SMA platform continued to gain market share, growing for the 11th of the last 12 quarters.

Our institutional pipeline grew to $14.4 billion, up 10% sequentially, reflecting several active equity wins, and our private market AUM ended the quarter at $61 billion, up 13% year-over-year apples-to-apples assuming CarVal had been owned last June 30 and up 5% sequentially. During the quarter, Equitable Holdings made its second $10 billion commitment to grow this platform in the coming years.

Let's get into the specifics, starting with a firm-wide overview on Slide 4. Gross sales were $22.4 billion, down $1.5 billion or 6% from the year ago period. Firm-wide active net outflows were $4 billion, reflecting $6 billion of preannounced low fee redemptions early in the quarter.

Net flows were positive in both May and June. Quarter end assets under management of $692 billion increased by 7% year-over-year and were up 2% sequentially. And average assets under management of $678 billion was down 1% year-over-year and up 2% sequentially.

Slide 5 shows our quarterly flow trend by channel.

Firm-wide second quarter net outflows were $4 billion or a positive $2.2 billion, excluding preannounced low fee redemptions of $6.2 billion. Retail gross sales of $16.5 billion declined 5% year-over-year and slightly sequentially. Net outflows were $700 million despite strong demand for taxable and municipal fixed income, up 9% and 13% annualized organically, respectively.

Our institutional channel had gross sales of $1.5 billion, declining from prior quarters. Net outflows were $3.2 billion, reflecting the preannounced low-fee redemptions. In Private Wealth, gross sales were resilient at $4.4 billion, driven by money market funds and private alternatives. Net flows were flat in a seasonally slower quarter.

Investment performance is shown on Slide 6. Starting with fixed income. Developed market government bond yields rose in all major markets as most major central banks hiked interest rates given persistent core inflation. Global developed market treasury returns were essentially flat.

AB's fixed income performance showed meaningful improvement in the 1-year period, improving the 73% of assets outperforming as both American Income and Global high-yield funds outperformed. The 3- and 5-year periods remained strong at 76% and 75%, respectively.

Investors are showing greater comfort with durations the Fed appears to near the end of its rate hiking cycle. American income net inflows in the quarter were positive $1.5 billion or $4 billion year-to-date. We secured our first systematic U.S. investment-grade fixed income client with a $100 million win, a validation of the strategy we discussed last quarter, which marries our fixed income technology with our quantitative research. We are initiating a number of other active conversations where there's a preference for higher-quality bonds.

Now turning to equities. Global Equities advanced in the second quarter, led by a narrow group of stocks seen as big winners from the artificial intelligence revolution. During the first half of 2023, just 10 U.S. stocks accounted for 79% of the S&P 500's gain and 54% of MSCI all Country World Indexes gain. Over this time, medium forward P/E ratio of the 10 largest capitalization stocks in the S&P 500 surged by nearly 50% to 28.2 x at the end of June compared to a median increase of just 7% for the rest of the market.

While we own many of these companies, we're wary of the concentration risk of the high benchmark weightings in mega cap tech, a risk highlighted earlier this week when a major benchmark provider carried out a special balance of its technology index to reduce the weightings of its 7 largest constituents. Near-term equity performance was challenged. With just 23% of equity assets outperforming over the 1-year period.

Our 3-year performance improved 48%, while 5-year declined 52% of assets outperforming.

Importantly, we continue to outperform our peer group with 65% and 71% of our equity assets outperforming the Morningstar peer groups over the 3- and 5-year periods, respectively. At quarter end, 62% and 65% of our equity assets under management in U.S. and Lux funds respectively, were in funds ranked 4 and 5 stars.

Now I'll review our client channels, beginning with retail on Slide 7. Gross sales of $16.5 billion in our retail channel declined 4% from a year ago and were down 2% sequentially. The redemption rate was slightly higher at 27% versus 25% last quarter, resulting in net outflows of $700 million.

We continue to see strong growth in U.S. retail, which posted 9% annualized organic growth, driven by taxable fixed income, equities and munis.

Last quarter we highlighted our belief that we're in the initial innings of a fixed income reallocation.

Our Asia business continued to grow, bolstered by American Income, which grew sales at 5x year-over-year, driving taxable fixed income net inflows of $1.3 billion or 9% annualized organic growth. Muni sales and flows also continue to be robust, with net inflows of $1 billion or 13% annualized organic growth, positive for 11 of the last 12 quarters. Active equity sales were $8 billion, the highest level in 4 quarters, reflecting strong momentum in U.S. retail for our key strategies. Increased global redemptions resulted in net equity outflows.

As shown on the bottom right, we ranked in the top 2% for cross-border flows for fixed income, substantiated by Broadridge, which ranked AB first in Asia for year-to-date fixed income sales and net inflows. We're experiencing a strong start for our ETF launches for which assets under management reached $800 million, having raised approximately $500 million year-to-date. Balance between retail and private wealth channels with sales from well over 100 distributors.

Turning to Institutional on Slide 8. Second quarter gross sales were $1.5 billion, down from both comparable prior periods. Net outflows were $3.2 billion, reflecting previously announced low fee redemptions split between our custom targeted and fixed income businesses, driven by rebalancing.

Our pipeline grew to $14.4 billion at quarter end, up 10% sequentially. Additions included a $1.3 billion U.S. large cap growth mandate, which funded earlier in July and for which annualized fees exceed those of the pre-announced redemptions. We saw over $300 million of CarVal additions and a number of additional active equity wins.

We're pleased that at the imminent close of its latest clean energy fund, AB CarVal will have raised approximately $1.5 billion, which is triple the size of its first Clean Energy fund. Notably, Equitable announced at its May Investor Day, a second $10 billion multiyear commitment to AB's private markets platform.

The initial $10 billion program announced in mid-2021 is now 75% deployed. Moving to Private Wealth on Slide 9. Second quarter gross sales were resilient at $4.4 billion, up 35% year-over-year, while down 23% from a seasonally strong first quarter. We continue to experience strong sales and money market funds and private alts.

While second quarter net flows were essentially flat on a year-to-date basis, they've grown at a 3.4% annualized organically, double the rate of the prior year period. Our AUM growth from business sales well outpaced the industry as measured by M&A volumes, and the pre-transaction planning pipeline remains solid.

We continue to see sustained growth in the ultra high net worth $20 million in over category. Year-to-date alternative raises of $1.3 billion were well diversified across strategies, including secondaries, private credit, real estate equity and Clean Energy. And our proprietary direct indexing strategy grew to $3 billion, posting strong annualized organic growth of 35%.

I'll finish our business overview with the sell side on Slide 10. Second quarter Bernstein Research revenues of $92 million decreased by 14% year-over-year and 8% sequentially. Industry-wide, global institutional equity trading volumes remain constrained with investors reluctant to turn over portfolios in the face of continuing market and economic uncertainty. Research checks were up at autonomous for the quarter. We launched coverage from 4 global sectors this past quarter -- 3 in the EU and 1 in Japan.

Our 39th Annual Strategic Decisions Conference was a resounding success with over 1,200 clients and nearly 150 companies attending. Our joint venture with Societe Generale announced last November is proceeding. The time frame for closing has been extended into the first half of 2024, and we remain highly confident that we will obtain necessary regulatory approvals. The economics are essentially unchanged, and we anticipate disclosing further financial details closer to that time.

I'll conclude by reviewing the status of our strategic initiatives on Slide 11.

Performance in fixed income improved while equities near-term performance lagged versus capitalization-weighted benchmarks. The second quarter was led by a 9% annualized organic growth in fixed income, and we gained market share across retail, taxable and municipal categories, including muni SMA. We had several active equity wins, which grew the institutional pipeline. In private markets, we progressed toward the imminent close of AB CarVal's latest Clean Energy fund at $1.5 billion, 3x its predecessor fund. We were pleased to participate in Equitable's May Investor Day, at which Equitable announced its second $10 billion permanent capital commitment to growth of our private markets platform.

Additionally, we outlined at that meeting that at current market levels, we have visibility to 350 to 500 basis points of margin expansion through the 2027 horizon period. This reflects the margin benefit of the Bernstein Research deconsolidation about 200 to 250 basis points, the completion of the Nashville relocation about 100 to 150 basis points in addition to savings already realized and the growth of private markets and other investments, about 50 to 100 basis points.

Second quarter financial comparisons reflected lower assets under management versus the prior year period. Adjusted operating income declined by 3%, adjusted operating margin was 27%, and adjusted earnings and unitholder distributions were $0.61 per unit, down 14% versus the prior year.

Now I'll turn the call over to Bill Siemers to discuss the financials.

Bill?

Bill Siemers^ Thanks, Seth.

Let's start with the GAAP income statement on Slide 13. The second quarter GAAP net revenues of $1 billion increased 4% from the prior year period. Operating income of $189 million decreased 2% and operating margin of 18.4% decreased by 420 basis points. GAAP EPU of $0.53 in the quarter decreased by 23% year-over-year.

I'll focus my remarks from here on our adjusted results, which remove the effect of certain items that are not considered part of our core operating business. Our adjusted results now reflect interest expense below the operating income line, whereas previously, interest expense was above the operating income line. This was done to improve the comparability of our adjusted operating margins with us.

Given current market conditions, we continue to see full year 2023 performance fees, roughly in line with the prior year level. Second quarter revenues for Bernstein Research

Services decreased 14% from the prior year period, driven by a decline in customer trading activity in the U.S., Europe and Asia as investors remain cautious given the macroeconomic backdrop. This quarter, we are breaking out dividend and interest revenue, which at $46 million increased by $34 million year-over-year, reflecting the higher interest rate environment and higher average balances.

Netting against this is broker-dealer related interest expense associated with our private wealth brokerage clients. Interest expense of $26 million increased by $17 million year-over-year due to higher interest rates and was down $2 million sequentially. Moving to adjusted expenses. All in, our total second quarter operating expenses of $601 million increased by 2% year-over-year and were up 1% sequentially. Total comp and benefit expense increased by 4% from the prior year period, reflecting a higher compensation ratio of 49.5% of adjusted net revenues as compared with 48.0% in the prior year period and a 1% increase in revenues.

Regarding headcount, excluding the 284 previously outsourced India staff, whom we onboarded in the first quarter and the CarVal acquisition, headcount declined year-over-year, reflecting the previously announced 4% reduction in February 2023.

Taking a step back, global equity markets continue to rally throughout the second quarter, which is encouraging. That said, there is a lag effect as average AUM and revenues catch up, particularly when comparing on a year-over-year basis.

As well, we continue to manage the business with a balanced perspective, recognizing uncertainty remains in the current environment. We continue to believe that our full year 2023 compensation to revenue ratio will be towards the higher end of the historical 47% to 50% range. We plan to accrue at a 49.5% compensation ratio in the third quarter. And as we typically do, we'll true-up the full year ratio in the fourth quarter as full year revenues crystallize. We plan to pay competitively based on performance, giving our people are the most important asset.

Promotion and servicing costs decreased by 10% from the prior year period due to lower trade execution, marketing, advertising and transfer fees.

Promotion and servicing costs increased 11% sequentially, driven by higher T&E seasonal firm meetings, including the Bernstein Strategic Decisions Conference in early June.

For the full year, we continue to target promotion and servicing spend to be up lower single digits. G&A expenses increased 3% in the second quarter versus the prior year period due to higher office-related expenses and professional fees, which were partially offset by a favorable foreign exchange impact.

Sequentially, G&A expenses increased 5% due to an unfavorable foreign exchange impact, higher portfolio services related expenses, office-related expenses, technology-related expenses and professional fees.

For the full year, we continue to target G&A growth below inflation levels, up low single digits. Second quarter adjusted operating income of $222 million decreased by 3% versus the prior year period and was down 7% sequentially. Second quarter operating margin of 27.0% was down 100 basis points year-on-year.

As shown in Footnote 2 on this slide, interest expense, which is now below the adjusted operating margin line, increased by $12 million from the prior year period, reflecting higher interest rates and higher average debt balance and increased $1 million sequentially, reflecting higher interest rates. As outlined in the appendix of our presentation, second quarter earnings exclude certain items, which are not part of our core business operations. In the second quarter, adjusted operating earnings were $33 million above GAAP operating earnings due to acquisition-related expenses, including CarVal intangible amortization and due to interest expense. Non-GAAP EPU was $0.08 above GAAP EPU, primarily reflecting acquisition-related expenses.

The second quarter effective tax rate for AB L.P was 5.3%.

Our guidance for effective tax rate in 2023 remains approximately 5.5% to 6%.

We continue to expect Nashville relocation will be accretive for the full year 2023, with compensation-related savings more than offsetting increased occupancy costs.

With that update, we are pleased to answer your questions.

Operator?

QUESTION & ANSWER:

Operator^ (Operator Instructions) Our first question comes from the line of Daniel Fannon with Jefferies.

Daniel Fannon^ I wanted to follow up on the longer-term margin outlook, as you highlighted at the Investor Day, and maybe if you could bifurcate the segments that are going to contribute to that. And as I think about the time frame, given the quarter push out of Bernstein as well as I believe most of the Nashville savings should be done by next year, shouldn't we really see this kind of transition closer to 24 and 25 as we just think about the natural evolution of those things flowing through your income statement.

Bill Siemers^ Dan, it's Bill. Yes. Just -- there's definitely a timing difference there, and that's what -- when we said that in the Investor Day, that these are end targets by 2027.

But yes, the Bernstein pickup of 200 to 250 basis points. Now that's not going to be fully realized next year. So there'll only be a piece of that next year according to when we close. But then going forward in 2025 and beyond, that would take effect. As to the relocation of 100 to 150 basis points, most of the Nashville is done. We're still fitting that out. But primarily, the big pickup there is all predicated on the New York move when we get out of 1345 and go to Hudson Yard. And so that's going to happen in the fourth quarter of 2024. So again, same thing. It's going to be 2025 forward. And then the private alts and growth investments, I mean, should start slowly taking effect as soon as we can this year into next year and all that, but we can't really say when exactly that's going to be fully realized.

Daniel Fannon^ Understood. Okay. That's helpful. And then following up on your comments on the fee rate outlook. I think you said near term, some improvement and clearly, beta is going to help the flow-through of end of period versus average. But as you look at the backlog, you look at kind of investor trends with fixed income potentially being a bigger source of flows with higher rates even as your kind of private markets business picks up, do you -- is there -- as those trends change in investor dynamics shift, do you still see kind of a longer-term fee rate backdrop being constructive if we see more of that fixed income demand pickup?

Bill Siemers^ I mean, currently, we're seeing -- we think will modestly improve throughout the year. I mean that's based on the pipeline split between higher fee active equities and alternatives. Right now, the pipeline is at 59 bps, which is about 3x higher than the normal fee rate in the institutional channel. I mean -- but at the same time, you have to worry about -- it's all on timing of the fundings. There could be a funding in there of low fee custom target date mandate, which definitely has lower fees. I mean, so there is risk in there that it's not all perfect of active equities and alternatives. Anybody want to add anything further that?

Onur Erzan^ Yes. Thanks, Bill. It's Onur. I'll add that 2 minor points. Number one, in fixed income, obviously, we have a strong Asia taxable fixed income franchise in retail. That tends to be pretty high fee in the above 50 basis points level for American Income and definitely even higher for global high yields. Within fixed income, we participate in high fee categories, particularly in Asia. So that should be a factor. Then number one. Number two, as you might have followed, our U.S. retail continues to grow at a very high organic rate. So even though we might be adding at times lower fee assets like munis SMAs, on an overall basis, it lifts the overall revenue. So we are very pleased with the net revenue additions in U.S. retail, which comes through very high organic growth rate. So that's the other overlay I would add.

Operator^ Your next question will come from the line of Craig Siegenthaler with Bank of America.

Craig Siegenthaler^ Good morning, Seth, you and the team are doing well.

Seth Bernstein^ Thank you Craig.

Craig Siegenthaler^ I got a bond question for you. The Fed is still raising rates, and this looks like it's partially delaying the recovery in bond flows, although yours have been improving. So if the Fed needs to keep raising rates, how do you then think about the bond reallocation trend in the second half? And any commentary across channels or products, including taxable, munis and vehicle would be helpful, too.

Seth Bernstein^ Okay. Thank you, Craig, for the question. In my view, we're much closer to the end than to the beginning of course, stating the obvious in the Fed's cycle. And as Wednesday's comments from Chair Powell, I think, indicated. And so I do think people are increasingly confident. We're seeing interest not just from Asian investors, Asian retail investors, to begin to reallocate back and it's been pretty consistent for us for a while now. But we're also seeing, interestingly, public institutional demand as well, and we're seeing it even in the insurance space where we see opportunities for them to extend duration and credit.

But that being said, Craig, to your point, if we should have a nasty surprise with subsequent inflation readings and the Fed needs to continue raising that will put off that bonds are back by 1 or more quarters. But actually, just given the trends in the economic reporting that we've seen of late, it seems less likely that, that's the risk we're facing. I guess one final point I'd raise, and I may turn it over to Onur to add if you had some comments. We continue to see muni interest by U.S. retail, not as strong as it was in the first quarter but continues positive and strong for us and performance is quite good there. And remember, we really haven't seen as an industry, strong muni demand for a long time. And I do think that continues because the thirst for income is really unquenchable.

Onur Erzan^ Yes. Thanks, Seth. It's Onur again. I will just add, obviously, market share gains matter. As Seth pointed out, we continue to gain market share in segments of fixed income, particularly tax-exempt in U.S. retail and our expansion of vehicles should only help that both on the different flavors of SMAs, particularly the customized SMAs in tax exempt that has strong distribution followership as well as the growing range of ETFs, which are off to a very good start, as Seth mentioned in his remarks. So for instance, in fixed income, we expect to end the year with a larger number of fixed income ETFs even greater than the three fixed some income ETFs we have today. So that will help with the vehicle expansion as well.

Craig Siegenthaler^ For my follow-up, I just want to go a little deeper on the muni side because you are gaining a lot of share there. And the industry flows are still a little negative, but you're putting up really impressive organic growth. So what factors are really driving that delta? And how sustainable do you think these share gains are into 2024?

Onur Erzan^ Absolutely. So we believe we have structural strengths and advantages. This is supported by a number of factors. Number one, we invested significantly in our fixed income technology all the way from trading on to the back-end portfolio construction. So as a result, we believe we have a differentiated set of technologies that make our SMA platform very competitive. On back of those technical capabilities and strength that's recognized by the market, we have been expanding our distribution relationships, not only in our traditional distribution partners in the national wires as well as regional broker-dealers, but there is definitely a growing uptake from RAAs, which is definitely a high-growth channel for us. And as I mentioned, adding more vehicles like ETFs will only accelerate that opening new doors in channels like RIA. So feeling quite good about our structural strengths and expanding capabilities to continue to drive market share. Again, it's hard to be very precise in terms of a quarter or two. I'm very bullish on the long-term prospects. I don't have any reasons to believe the next 2 quarters will be weaker, but hard to be very precise on the exact quarter dynamics.

Seth Bernstein^ I think I would also add, Craig, that maybe turning weakness into strength. While our investment performance in munis is superb, nearly all of it is 4 or 5-star rated. The fact is we were quite underpenetrated in the muni mutual fund space, and it's there where you're seeing structurally much less interest with the advent of ETFs. And I think, frankly, more importantly, as wealthier people tend to be the buyers, the advent and growth -- widespread growth of separately managed accounts, which we manage in a predominantly automated fashion. And I think it's really provided a competitive edge for us.

Operator^ (Operator Instructions) Our next question will come from the line of John Dunn with Evercore ISI.

John Dunn^ You talked about in the retail channel, U.S. equity is doing well. Can you kind of frame maybe if there's any difference between overseas redemptions? Is that going to continue going forward? Or was that kind of one time?

Onur Erzan^ I can take on that. Onur, again. In terms of the retail equity strength, it goes back to some of the investments we are making across different vehicles. I touched on already SMAs and ETFs. But another structural strength category for us has been CITs where we increasingly deploy comingled investment trust kind of structures with our retail partners, which is a very persistent business with typically low redemption rates given the high duration of defined contribution assets in retail. So that is definitely contributing to some of the momentum in retail. Overseas, again, very broad. It's hard to generalize I think the one geography that lost a little bit of momentum, partially in the first quarter was Japan.

We picked up more sales momentum in the second quarter. So like it will depend on a lot of different factors, what happens with the currency. Obviously, it matters as well as some of the broader equity market outlook. But definitely structural strength in U.S. retail with the vehicles. And if you look at the institutional pipeline, as we talked about, institutional pipeline has a healthy equity composition and then pre-pipeline, we are definitely having a lot of good dialogue on the institutional side with a wide range of equity strategies as well. So that's, I think, how I would summarize the outlook.

John Dunn^ And then just thinking about the second half for private wealth, you talked about muni -- can you kind of frame what other products do you think are going to potentially drive positive growth in the back half of the year?

Onur Erzan^ Sure. We had a very good first half in terms of alternatives in our private wealth channel. As you know, we have been using alternatives, particularly private credit, private equity secondaries, real estate in our client portfolios for a long time. So we will have new strategies that we launched in our private wealth channel. For instance, our new interval fund that we will launch out of the CarVal platform will be available in the second quarter [half]. So that will be one example. And we will continue to see flows into our evergreen vehicles as well, whether it's our real estate REIT product or the private credit BDC. Those are a few examples. We saw continued interest in our direct indexing platform. We call it PATH.

We exceeded $3 billion in assets in that platform in private wealth. So that is a good tax management capability given the increase in the equity markets that will continue to be a handy and useful strategy. So I'm bullish about that in the second half of the year. And then we're continuously adding our ETFs into our platform. And definitely, that will be another kind of extension of the platforms. All in all, starting with July, we see good interest from our clients. The big -- obviously are known is how fast we can convert some of the money market fund assets to higher-yielding strategies. We have taken action on the money market pricing as well. So that's good news. But obviously, whatever you do outside money market funds is even higher yielding from a revenue perspective. So that's the other backdrop here.

Operator^ Your next question comes from the line of Alex Blostein with Goldman Sachs.

Alex Blostein^ Sorry for phone issues earlier. The institutional pipeline continues to build pretty strongly. And obviously, the fee rate has been very robust as we've seen for the last couple of quarters. With the market getting a little bit on stronger footing and kind of the rally broadening out a little bit, how are you thinking about the timing of institutions funding this pipeline? Should we expect that to accelerate a little bit over the next 12 months? And maybe some color in terms of which strategies are likely to hit first would be helpful.

Seth Bernstein^ Why don't I start, Onur, I think, is probably better positioned to give specific color on it. It was up -- the pipeline was up about $1.3 billion in the quarter, and we funded about $1.2 billion, Alex, which I think is important because we continue to see realizations there, which have been helpful. And it very much is comprised -- well, it's across the firm, but really alts predominate with -- certainly with respect to the fee rate if not the actual AUM involved in it. We continue to see fundings moving forward. While it had slowed earlier in the year, we're beginning to see people funding on a pretty consistent basis. CarVal is about to complete its clean energy, it's imminent. It's -- I think it's tripled the size of their original fund. This is their second and we're launching their flagship fund Credit Fund 6 now, and that's about a year. So those will be coming on slowly as they find opportunities to invest that money. But perhaps, Onur, you could give some additional color.

Onur Erzan^ No, absolutely. Number one, again, to be factual in July, we funded that one large kind of mandate that we had talked about. So definitely, that was deployed very quickly over a $1 billion mandate in equities. So that is a good sign to your point, Alex. In terms of the broader pipeline, I mean, in general, I think it's going to move ahead with like normal speed, I would say. I don't see anything that is particularly accelerated or slowing down. A good chunk of the pipeline is also alternatives with Equitable. Again, that's moving ahead with the commitments we have, which also Equitable made public in their Investor Day, as you are well aware. So all in all, I think we are making good progress with the pipeline. So there are no speed bumps that I can see. And July, I think, had a couple of good data points that suggest that institutional investors are moving ahead with their equity commitments and funding them.

Alex Blostein^ And then for the follow-up, you mentioned Equitable, actually I was going to go there next. So super encouraging, obviously, to get that $10 billion commitment from them for sort of the next tranche of the partnership. Can you spend a couple of minutes on maybe how they're thinking about allocating the $10 billion? And also, what time frame you realistically think that could be deployed through the AllianceBernstein franchise.

Seth Bernstein^ Yes. To be specific, and my team will correct me if I'm wrong, but I think that Equitable in its Investor Day cited through 2027, I believe, was their time frame. And that is predicated on them growing their general account as well. we have been in active conversations about new structured credit strategies, for example, and new areas of investment that pick up both CarVal as well as our middle market lending group and others, they continue to be quite supportive in our commercial real estate debt area where we see, obviously, a much more interesting buyers market to play in. And so they will be very methodical and they will roll out progressively over the next several years. So it's hard for me to gauge because it's not only the timing of getting it through their approval process and setting up the structure, but it's also the team finding opportunities to deploy it. And finally, of course, there's a private placement debt element of that, which is investment grade principally, which has always been a part of our mix and will continue to be part of what Equitable is interesting in doing given their very strong quality orientation for the GA.

Operator^ And there are no further questions at this time. Mr. Griffin, I turn the call back over to you.

Mark Griffin^ Perfect. Thank you, everyone, for joining us today. We appreciate your time. If you have any additional questions, please reach out to Investor Relations.

And have a great day.