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CORPORATE PARTICIPANTS

Catherine Cooney Burke *AllianceBernstein L.P. - COO & Head of Private Wealth*

Mark C. Griffin *AllianceBernstein Holding L.P. - Head of IR*

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

William R. Siemers *AllianceBernstein Holding L.P. - Controller, CAO & Interim CFO*

CONFERENCE CALL PARTICIPANTS

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

John Joseph Dunn *Evercore ISI Institutional Equities, Research Division - Associate*

Ritwik Roy *Jefferies LLC, Research Division - Equity Associate*

PRESENTATION

Operator

Thank you for standing by, and welcome to the AllianceBernstein First Quarter 2022 Earnings Review. (Operator Instructions) As a reminder, this conference is being recorded and will be available for replay for 2 weeks.

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

Mark C. Griffin - *AllianceBernstein Holding L.P. - Head of IR*

Thank you, Rain. Good morning, everyone, and welcome to our first quarter 2022 earnings review. This conference call is being webcast and accompanied by a slide presentation as 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; Bill Siemers, Interim CFO, Controller and Chief Accounting Officer; and Kate Burke, COO and Head of Private Wealth.

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 earlier this morning. 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 Perry Bernstein - *AllianceBernstein Holding L.P. - CEO, President & Director*

Good morning, and thank you for joining us today. First quarter results highlighted the resiliency of our globally diversified and differentiated services.

Amid turbulent financial markets reflecting challenging inflationary pressures, rising interest rates and geopolitical complex, AB continued to grow and invest in our future. We gained share in both active equities, which grew organically for the ninth quarter in a row and in municipals, which grew organically for the seventh consecutive quarter, both bucking industry-wide outflows.

Offsetting these results was our taxable fixed income business, which saw higher outflows in the face of the worst quarterly fixed income returns in 40 years. In mid-March, we announced the acquisition of CarVal, which provides complementary private credit capabilities and specific strategies sought by our clients. Combined with CarVal, AB will now have an approximate $50 billion private markets platform.

Importantly, we're executing on our growth strategy and partnership with Equitable, which has committed $750 million to CarVal's strategies. we look forward to sharing more with you after the transaction closes, which is on track for the third quarter.

We grew organically for the seventh quarter in a row, realizing a 1% year-over-year fee rate increase and posted an adjusted operating margin of 31.5%. We delivered 11% year-over-year growth in both adjusted earnings per unit and distributions to unitholders.

Let's get into specifics, starting with a firm-wide overview on Slide 4. Gross sales were $40.9 billion, up $8 billion or 23% from a year ago, reflecting the funding of a previously disclosed $9.6 billion custom target mandate. Firm-wide active net inflows of $12.2 billion, a 6% annualized organic growth rate.

Quarter end assets under management of $735 billion rose 5% year-over-year while declining 6% from the prior quarter, an average AUM of $751 billion increased 9% year-over-year and declined 1% sequentially.

Slide 5 shows our quarterly flow trend by channel. Firm-wide, first quarter net inflows of $11.4 billion represented a 6% annualized organic growth. Retail generated $20 billion of sales for the fifth quarter in a row. Net inflows in active equities in munis were more than offset by outflows in taxable fixed income.

Industry-wide fixed income suffered outflows for the first time in the last 8 quarters, reflecting heightened investor risk aversion in the face of rapidly increasing interest rate expectations. Institutional sales of $14.3 billion contributed to net inflows of $10.2 billion led by the $9.6 billion custom target date mandate.

In Private Wealth, gross sales increased 12% over the prior year period with net inflows of $2.2 billion or 7% annualized as growth accelerated with ultra-high net worth clients.

Investment performance is shown on Slide 6. Starting with fixed income. In the first quarter, yields moved significantly higher and generally flattened as the market priced in higher-than-anticipated interest rate increases. Although all fixed income sectors declined, sectors of results were mixed relative to government bonds.

Overall, developed market investment grade and high-yield corporate bonds underperformed global treasuries. Our long-term fixed income performance remained strong with 72% and 71% of assets outperforming over the 3- and 5-year periods, respectively. 64% of our fixed income assets outperformed over the 1-year period as American income marginally underperformed its peer group despite beating its benchmark.

Our tax exempt performance remains stellar with all 10 of our strategies in the top quartile across all periods. Our muni bond inflation strategy was in the top 1% across all periods and our Tax Aware vehicles, including SMAs, grew by 15% organically.

Turning to equities. Seven straight quarters of gains for global stocks abruptly ended in the first quarter with the S&P 500 and MSCI EAFE falling by 4.6% and 5.8%, respectively. A dramatic style shift occurred as rising inflation and interest rate expectations, coupled with geopolitical instability led to a sell-off in higher multiple growth-related technology and consumer discretionary sectors.

The MSCI World Growth Index declined by 9%, contrast with the MSCI World Value Index declining just 0.1%. While our equity performance against Morningstar peers remain strong, performance against benchmarks was challenged. As a result, our overall percentage of assets outperforming declined with 45% of AUM outperforming for 1 year, 38% for 3 years and 58% for the 5-year period, respectively.

Versus Morningstar peers, 68%, 61% and 81% of our equity assets outperformed over the 1-, 3- and 5-year period. We were not alone in this shifting environment, just 14% of U.S. large cap growth managers and 32% of small and mid-cap growth managers beat their benchmarks in the first quarter. Our growth portfolios are generally tilted toward quality and away from cyclically-oriented financials, energy and commodity producers. All sectors that did well in the quarter.

Pockets of underperformance were due principally to multiple contraction rather than earnings contraction as we continue to see strong fundamental performance across most of our holdings with a few notable exceptions, like Meta. That said, many of our equity strategies fared quite well during the quarter, among them, strategic core, strategic equity, emerging market value.

Notably, 75% of our value products outperformed their benchmarks in the quarter. We continue to see interest in our value strategies as evidenced by net inflows of over $200 million into each of our China value, emerging market value, and international value strategies.

Now I'll review our client channels, beginning with retail on Slide 7. Sales exceeded $20 billion for the fifth quarter in a row, down $2 billion year-over-year and down $7 billion from a record fourth quarter. Active equity sales of [$14 billion grew by 8%] (corrected by company after the call) year-over-year as the U.S. retail channel posted a record $9 billion sales quarter. The overall redemption rate improved sequentially and year-over-year to 27%. Net outflows were $1 billion, driven by our global high income suite as a turbulent macro outlook for inflation and interest rates led to investor risk aversion.

Historically, weak fixed income returns drove industry-wide outflows. While the near-term outlook for fixed income flows remains uncertain, attractive yields should begin to draw investors back into these products over time. At quarter end, gross of fees, our global high-yield portfolio had a yield to worst to 7.5% versus 6.5% for the broader market, a dynamic which has historically been a good indicator of future long-term returns.

Active equity continued its stellar growth, posting 13% annualized organic growth, now positive for the last 20 quarters. AB was in the top 2% of managers for U.S. retail active net inflows, 9th out of 464 managers, led by our U.S. large-cap and small-cap growth strategies. Municipals grew at a 10% annualized organic rate in the top decile of U.S. retail flows led by our Muni Bond Inflation Fund, which ranks second out of 67 managers in the category.

Turning to Institutional on Slide 8. First quarter gross sales of $14.3 billion increased substantially from prior periods due to the $9.6 billion target date mandate. Redemptions moderated to $4.1 billion or 4.8% annualized rate. Record net inflows of $10.2 billion were positive for the seventh consecutive quarter and 11 of the last 12. A few words on the growth of our defined contribution business, which we -- where we manage more than $70 billion in custom targeted AUM for nearly two dozen of the largest and most sophisticated DC plans in the U.S.

We're proud to be an early innovator in delivering an in-plan guaranteed income solution with our lifetime income strategy, celebrating its 10th anniversary, managing $10.4 billion in assets including $4.2 billion in secured income benefits. This equates to $165 million and growing of guaranteed income for more than 120,000 participants. The lifetime income strategy provides participants with a personalized portfolio similar to a target date fund during their working years and a guaranteed income stream in their retirement years, while continuing to deliver both liquidity and growth potential.

Our proprietary technology platform provides us with connectivity to 10 record keepers with plans for expansion and allows us to deliver differentiated insurer benefits marketplace featuring 5 insurers, including our partner Equitable. We are developing additional more scalable solutions to deliver lifetime income to a broader set of clients.

We believe our long-term focus and our investment in the DC business positions us well to grow our leadership position and lifetime income solutions as they gain traction post the Secure Act, which provided planned sponsors with a path to incorporate annuities into their plans.

Moving to our pipeline, which stood at $9.8 billion at quarter end, following the large custom target date funding in January. Our pipeline now has the second highest fee rate since we began tracking in 2011, driven by alternatives representing 2/3 of the fee base. Additions in the quarter included a $340 million global core equity mandate, and $315 million of commercial real estate debt.

Moving to Private Wealth on Slide 9. First quarter gross sales of 12% -- grew by 12% year-over-year and 15% sequentially, driven by a strong adviser productivity, up 15% and 19%, respectively, over the same period. Net inflows accelerated to $2.2 billion, a 7% annualized organic growth rate, positive for 6 of the last 7 quarters. As Kate Burke will discuss in a few minutes, we continue to see our mix shift toward our ultra-high net worth $20 million and over clients, influenced by our pre-liquidity event planning efforts.

Private alternative commitments accelerated in the quarter versus the prior year, including private credit, commercial real estate, private debt and financial services. Our proprietary direct indexing strategy previously referred to as our passive equity tax loss harvesting portfolio grew to $1.7 billion, and the ESG portfolios continue to resonate strongly with our clients.

I'll finish our business overview with the sell side on Slide 10. First quarter, Bernstein Research revenues decreased 1% year-over-year and increased 3% sequentially. Relative to a year ago, revenues increased in the U.S. and Europe with higher volatility supporting trading volumes and a mix towards high-touch trades. Asian revenues declined, reflecting continued investor caution.

Revenues from research checks grew 4%, reflecting the strength of our brand and the value brought to the clients. We hired our first analyst in Japan, expanding the breadth of our coverage in Asia. And we launched coverage in 2 sectors this past quarter, U.S. multi-industrials and apparel and U.S. specialty retail. I'll review now progress against our strategic initiatives on Slide 11. Fixed income investment performance remained strong, while equity performance weakened against benchmarks, both stayed healthy relative to Morningstar peers.

We drove organic growth of 6% positive for the eighth consecutive quarter, and we grew excluding the large custom target date inflow as strong active equity to municipals more than offset weak taxable fixed income flows. Private Wealth grew by 7%, positive for the sixth of the last 7 quarters.

Our ESG portfolios for purpose now stand at $27 billion in AUM, up 37% year-over-year. Our sustainable U.S. thematic equities fund won the U.K.'s ESG Investing Award for best ESG Investment Fund in U.S. equities. In alternatives, we announced the CarVal acquisition and continued to see growth in our commercial real estate debt and private credit businesses.

We also saw growth in liquid strategies, including systematic macro and U.S. select equity long/short. Financially, we posted year-over-year incremental margin of 30%, below our long-term target range of 45% to 50%, which we assess over a rolling 3-year period. First quarter adjusted operating margin of 31.5% was down 20 basis points year-over-year with adjusted earnings and unitholder distributions up [11%] (corrected by company after the call) versus the prior year.

As you know, in late March, former CFO and Head of Strategy, Ali Dibadj, announced his resignation to pursue another leadership opportunity in the industry. I'm pleased that Bill Siemers, our Controller and Chief Accounting Officer, is serving as our interim CFO. We continue to benefit from a deep bench of experienced finance and strategy teams. Now I'll turn it over to Kate Burke, who in addition to her Chief Operating Officer responsibilities has been leading our Private Wealth business since early last year. Kate?

Catherine Cooney Burke - *AllianceBernstein L.P. - COO & Head of Private Wealth*

Thank you, Seth. It's a pleasure to discuss our Private Wealth business with you this morning. Within the AB portfolio, Private Wealth is a valuable secularly growing, recurring fee business with a stable and growing client base.

This business reps over 1/3 of AB's fee-based revenues. To meet our clients' growing complexity and investment needs, private Wealth has been a critical source of capital to commercialize new traditional and alternative services for AB along with Equitable. There are a few things I would like to highlight for you.

Private Wealth has a large opportunity set as we operate in a profitable and growing market with significant growth potential across the U.S. We have a unique integrated model and as our recent results have shown, we are accelerating growth through a focused four-pronged strategy. We are expanding our platform through accelerated financial adviser hiring and select expansion into high-growth markets.

We are enhancing our investment platform. We are enriching client engagement, and we are upgrading our technology and infrastructure. We are excited for the robust opportunity ahead.

Now let's get into some specifics starting on Slide 13. To frame where we operate, the U.S. Private Wealth Industry is a massive $38 trillion market, growing at approximately 9% per year, inclusive of markets according to Cerulli Associates. Private Wealth is in a uniquely advantaged position situated between the private bank channel and the independent RIAs. We compete with larger private banks with the richness of our investment offerings, wealth planning research and personalized advice model and yet have an independent feel of an RIA. This unique combination allows us to compete and win in the market with our historically strong high net worth client base, as well as into the ultra-high net worth segment, where we have shown significant wins as well.

This is a fast-growing segment of the wealth market with RIAs expected to grow at 10% and private banks at 5% and is also the most profitable segment in the market. On Slide 14 we show recent results. While we are happy to have posted improved organic growth over the last 18 months, we acknowledge that our growth on average lag to the industry in the preceding 5 years for a couple of reasons. First, we were not immune to the competitive environment for talent, which led to a more modest adviser headcount growth than we had targeted. As you know, adviser growth is a key driver of flows. Also, we faced slow headwinds as our outflows trended upwards based on more clients in a spend down mode. At the same time, we took the opportunity to strengthen our foundation through increasing strategy breadth and improving core services, segmenting the broader addressable market and shifting the client engagement model from a push to a pull model.

This foundation has given us the ability to now accelerate our financial adviser hiring, continue to enhance our platform, enrich client engagement and invest in technology and infrastructure. We have driven net inflows in 6 of the last 7 quarters, and reported an annualized growth rate of 7% here in the first quarter.

Our growth strategy is highlighted on Slide 15. We aspire to double our revenues over an 8-year period by strengthening our business and accelerating growth. Specifically, we plan to expand the footprint through accelerated new adviser hiring and opening select new offices in attractive cities. Our segmented growth -- our segmentation client strategies will enable us to reshape offerings to compete even more effectively in the fastest-growing segments such as ultra-high net worth and emerging wealth.

Our enhanced investment offering allows us to compete for increasingly sophisticated and complex clients and upgrading our technology will allow us to drive greater scale and improved client service.

Slide 16 shows our current market position. We have an integrated Plus model in which we have AB managed strategies in traditional asset classes, and a mixture of proprietary and curated third-party alternative services, uniquely positioning us in the industry. At over $115 billion of AUM, we have just 1% share of the private bank RIA channels. Thus, there is plenty of room for growth.

Our current footprint is 19 offices across the U.S. with over 240 advisers. Our top 3 markets are in New York, Los Angeles and San Francisco. Our integrated approach helps clients by monitoring and risk managing overlapping investments while minimizing the switching costs associated with open architecture platforms, lower cost with one fee, avoiding costly double layers, superior tax management and better risk management.

We are taking a thoughtful and deliberate approach to our footprint expansion as shown on Slide 17. A key part of this strategy is accelerating adviser headcount growth, supported by additional capacity and infrastructure. We are also focusing on specific institutional channels that are better served by private wealth, including 401(k), cash balance plans and nonprofit.

We plan to selectively open new offices in key growth markets over the next 5 years, as well as satellite offices and larger mature markets where there remains substantial opportunities. While there is a lagged impact of new hires on net flows, we nevertheless are encouraged from our organic growth results in 2021.

Slide 18 shows that the strength of our Private Wealth platform has driven leading assets per adviser and productivity as compared with large peers. To an adviser, the complement of having the resources of a larger platform that is highly customizable for their clients, combined with our superior training program allows us to attract and retain top talent.

We provide our advisers with unparalleled direct access to portfolio managers and sophisticated planning strategies to enhance the acquisition and service of our clients. The division of labor that characterizes our deliverables also enables advisers to scale their practice at industry-leading rates. We have tremendous support teams and a team of world-class investment practitioners to serve our largest clients.

Turning to Slide 19. We are focused on enhancing investment advice with an evolving investment platform, reflecting clients' increasing sophistication and client complexity. Over the last decade, we've replaced the historical or Classic 60-40, enhancing this portfolio to include income and growth-oriented alternatives with satellite managers used to supplement traditional offerings.

Our risk management strategies add value by shifting exposures as needed to deliver a smoother ride to our investors. We have made great progress in building out our alternative investment platform, and we continue to expand in important asset classes like private debt, hedge funds, private equity and real estate.

These are broad categories. So let me explain how we think about multiple offerings within the same space. In real estate, for example, we have a debt offering that focuses on consistent cash flow and equity strategy that invest in stabilized assets for a tax-efficient return, an opportunistic long-dated private equity-like strategy that targets above market returns over a market cycle, and a dynamic business and qualified opportunity zone funds.

Real estate is just one example of how our alternative platform has been built out and has room to grow. As shown on Slide 20, we have accelerated our development of innovative demand-driven strategies focused on private alternatives, ESG and differentiated active services.

In 2021, we launched 10 new strategies across core and alternatives, the most aggressive strategy rollout in private wealth history. For example, we launched a commercial real estate private debt fund and introduced a secondaries offering through partnership with LSV.

In the first quarter, we launched a climate-oriented long/short ESG fund. Private wealth alternatives to AUM has accelerated with the first quarter 2022 commitments more than doubling versus the prior year period, and our ESG AUM stands at $6.5 billion, up 26% year-over-year.

Turning to Slide 21. A key element of our segmented client strategy is growing the ultra-high net worth component, clients with $20 million or more in liquid assets. This segment has been the fastest-growing part of the private wealth market, bringing an 8% compound annual growth rate over the last 10 years.

At AB, our mix of sales to ultra high-net worth has grown from 22% in 2015 to 38% in 2021. These clients now represent 34% of our AUM. In 2021, ultra-high net worth clients grew at a 30% faster rate compared with our channel average. Our strategy here is to continue to expand existing service offerings within family engagement, complex and sophisticated wealth planning and our investment platform, all delivered with a white glove experience.

We're building out a comprehensive suite of services, including, but not limited to, credit, crypto, trustee, tax preparation and other related services, and we continue to provide innovative new investment ideas to consistently provide our most sophisticated clients access to differentiated return streams.

We are aligning and investing in technology and infrastructure to increase efficiency, reduce friction and enable growth. We are upgrading technology and client servicing platforms with the goal of improving both the client and the adviser experience by enhancing our digital client experience in all segments of our business.

Our priorities are on sales and servicing, digital engagement, insightful analytics and enhanced client reporting. The strong partnership between business and technology allows us to create highly valued, differentiated platforms for our continued success. Technology and infrastructure remain important elements of enhancing adviser productivity and creating greater capacity, enabling them to focus on existing and new client relationships.

Slide 23 shows our unique value proposition as a holistic wraparound model designed to provide intentional outcomes as shown at the center. We win clients by advising families and individuals on planning around and living with the complexities that come from being wealthy. This advice is delivered by our advisers with the help of a team of highly trained and experienced investment and wealth professionals by leveraging our deep proprietary research and wealth and lifestyle topics to help our clients navigate those complexities to meet their goals.

For example, we are studying co-authoring and counseling our clients on the best practices for success in managing the emotional complexities that come with multigenerational wealth. We're halfway through a research series on family governance, and we'll be co-delivering a course to trust beneficiaries and trustees with Columbia University.

In 2021, we were able to restart the Bernstein Summit experience, gathering our most complex clients together for multi-day experience highlighting the partnerships we have and allowing clients and prospective clients to share their wealth complexity journeys with each other.

Finally, turning to Slide 24, I would like to leave you with the following thoughts. Our Private Wealth business is a strategic asset to AllianceBernstein, generating 34% of our fee-based revenues. This recurring fee business is growing secularly and commands a higher multiple in the marketplace versus traditional asset management.

We're excited to continue to grow this business, which enjoys accretive and stable fees and sticky assets, 12 years on average. In conclusion, we have a well-defined growth strategy that we are executing on, an advanced integrated model that delivers value to our clients, and we're excited about the opportunities and path forward.

With that, I'm now pleased to introduce you to Bill Siemers to present the financials. Bill?

William R. Siemers - *AllianceBernstein Holding L.P. - Controller, CAO & Interim CFO*

Thanks, Kate. It's a pleasure to be here this morning. Let's start with the GAAP income statement on Slide 26. First quarter GAAP net revenues of $1.1 billion, increased 10% from the prior year period. Operating income of $248 million decreased 5% and operating margin of 24.7% decreased by 120 basis points.

GAAP EPU of $0.87 in the quarter increased by 7% 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. As disclosed in this morning's earnings release, beginning in the first quarter of 2022, acquisition-related expense add backs include certain compensation-related expenses, amortization of intangible assets for contracts acquired, and accretion expense with respect to contingent payment arrangements.

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

Our adjusted financial highlights are shown on Slide 27, which I'll touch on as we talk through the P&L shown on Slide 28. On Slide 28, beginning with revenues. Net revenues of $904 million increased 10% versus the prior year period and were down 12% sequentially. Base fees increased 10% versus the prior year period, reflecting higher average AUM across all 3 distribution channels, driven by both higher markets and year-over-year net inflows.

The first quarter fee rate of 38.9 basis points was up 1% year-over-year and down 1% sequentially. This embeds the $9.6 billion low-fee custom target date mandate added in January. We continue to believe that although our fee rate may be volatile from time to time, given the potential for large DC mandates, such as the one in January, the long-term trend should be grinding higher.

First quarter performance fees of $45 million increased by $29 million over the prior year period, driven primarily by realizations in real estate equity. Given current markets, we continue to see full year 2022 performance fees below 2021's outsized level, somewhere between 2019 and 2020 levels.

First quarter revenues for Bernstein Research Services decreased 1% from the prior year period, as higher revenues in the U.S. and Europe, driven by market volatility were offset by lower trading volumes in Asia. The latter continues the trend that began in the fourth quarter with a shift in Asian investor sentiment away from risk. We incurred seed-related investment losses of $6 million in the first quarter as compared to a gain in the prior year period of $2 million.

Moving to adjusted expenses. All in, our total first quarter operating expenses of $619 million increased 10% year-over-year and were down 2% sequentially. Total compensation and benefits expense increased 9% in the first quarter versus the prior year period, reflecting higher AUM-driven revenues and performance fees.

Our compensation ratio was 48% of adjusted net revenues as compared to 48.5% in the prior year period. The increase in compensation expense includes higher base compensation, reflecting a 5% increase in average headcount, as well as higher incentive compensation. Given current market conditions, we plan to accrue compensation at a 48% ratio in the second quarter of 2022, but may adjust throughout the year if market conditions change.

Should markets pull back further, this ratio could go up as we plan to pay competitively, given our people are our most important asset. As a reminder, the compensation ratio is also sensitive to variability in the year-end mix of performance fee eligible funds. Promotion and servicing costs rose 17% in the first quarter, primarily reflecting depressed T&E and meeting costs last year, owing to the COVID-19 pandemic.

While we will strive to realize some portion of ongoing efficiencies, we expect promo and servicing spend levels will continue to increase as the pandemics impact subsides. This spend will be managed within the context of a more volatile market environment. G&A expenses increased 15% in the first quarter versus the prior year period or 12% excluding relocation-related expenses, G&A declined by 5% sequentially.

The remaining 12% year-over-year increase was split relatively evenly between inflationary pressures including market data and related, as we lapped last year's first quarter when inflationary pressures had not yet fully emerged, return earnings growth-related technology efficiency and other projects, and core G&A necessary to support the organic growth of our business.

For the full year, we continue to expect the rate of G&A growth to moderate from 2021 rate, though remaining above our historical average in the mid- to high single digits. Subject to market conditions, we will continue to invest in return-generating growth projects, including the use of outsourced consultants where appropriate, and we expect inflation to remain persistent.

First quarter operating income of $285 million increased by 10% versus the prior year period. First quarter operating margin of 31.5% was down 20 basis points year-on-year. The incremental first quarter margin was 30%. Given market conditions, we continue to expect 2022 margins to be impacted year-over-year, reflecting higher inflation and our growth-related investments, combined with rebounding T&E expenses and lower performance fees.

As outlined in our appendix of our presentation, first quarter earnings exclude certain items which are not part of our core business operations. In the first quarter, adjusted operating earnings were $12 million or $0.03 per unit above GAAP operating earnings due primarily to acquisition-related expenses.

The first quarter effective tax rate for AB LP was 5.1%. We continue to expect an effective tax rate for 2022 of approximately 5% to 5.5%. Regarding the Nashville corporate headquarters relocation, at quarter end, we had 1,012 national-based employees, up 24% from a year ago and more than 80% of the way to our target of 1,250.

As indicated last quarter, we continue to expect the relocation to be accretive for the full year 2022 with compensation-related savings more than offsetting increased occupancy costs. Going forward, now that we are well past the transition phase, we will be updating annually at year-end, the annual expense savings and earnings accretion figures associated with the relocation, which to date have not changed since 2021 year-end.

Lastly, we were pleased to announce in March the CarVal acquisition, which remains on track with an expected closing in the third quarter. As previously disclosed, AB will purchase 100% of CarVal for an upfront purchase price of $750 million at a low teens EBITDA multiple and a multiyear contingent earnout ranging from 0 to $650 million if certain performance targets are reached.

We expect the deal to be slightly accretive to EPU in 2023 and improving thereafter. The fee rate is approximately 1% and margins are consistent with our existing mature alternatives business with upside as we scale the assets. With that, we're now pleased to take your questions. Operator?

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) Your first question comes from Dan Fannon from Jefferies & Company.

Ritwik Roy - *Jefferies LLC, Research Division - Equity Associate*

This is actually Rick on for Dan. So just on the decline in the institutional pipeline. So even including the January mandate, if you could expand upon which segment of the market is showing the base decline?

And where do you see the most engagement with institutional investors in terms of products and forthcoming demand, that would be helpful.

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

It's Seth. Yes, the backlog is a bit smaller. We have not seen any mandates disappear. We continue to see considerable activity. And as I think we indicated, much of the business we are seeing in booking is in alts and in equities. Equities continue to attract institutional interest and that's been an important growth area for us.

But alt, alt's fees in particular, have really been the predominant component of what we're seeing in the backlog. And so that is continuing. But I would say that, look, we've had activity levels in the institutional space really continue to be pretty high, but is there some sort of slowdown? Maybe it could be a little slower in terms of the total activity levels, but they remain pretty active.

Operator

Your next question comes from Alex Blostein from Goldman Sachs.

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

I appreciate the in depth presentation on the Wealth Management for AllianceBernstein for sure. So maybe we could start there. I was hoping to sort of dig into a little bit more in terms of why now? Obviously, this has been a focus for the company for some time, but it feels like sort of the pillars for growth you've described. It feels like you're starting to -- you're hoping to see some acceleration there.

So why increase focus now? And as you think about any incremental investment or the -- any margin drag from either adding new offices or focusing new head count on products, how should we think about the impact on profitability for maybe this enhanced initiative.

Catherine Cooney Burke - *AllianceBernstein L.P. - COO & Head of Private Wealth*

Sorry, it's Kate Burke. I think the timing really came from -- if you reflect on the slide where we talk about the investments that were made into the platform, both in terms of enhancing the asset allocation and investment solutions that we were offering, particularly as we build out the alternative offering with an important add to the platform, while at the same time, really enhancing the wealth strategy and planning advice that we were positioning for both our high-net worth and ultra-high net worth clients.

We felt like we were at a point where we had a very strong platform and had been piloting, I would say, looking into the ultra-high net worth area, really starting to show some progress and wins, which gives us high confidence in our approach to really provide a very unique customized solution to our client base.

And given that confidence of what we were seeing in the market, we believe now is the right time to really accelerate, again, the adviser hiring to take advantage of the strength of the overall platform we're offering. But it does take time for new advisers to become profitable. It can range anywhere from 12 to -- 3 to 4 years. We are doing efforts to try to continue to increase that productivity in the early years by establishing partnerships and other ways to try to diminish the impact on margins, but there is -- there will be some impact -- modest impact that we'll be working through as we continue to invest in the business.

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

Got it. Great. And then, Seth, maybe one for you, just around dynamics in fixed income markets, and we've spoken about that recently just a couple of weeks ago here. But just any thoughts around the green shoots you guys might be seeing in terms of client demand. It feels like the kind of the belly of the curve and the rates have sort of stabilized within a range.

And I would have thought historically once we settle in at a higher rate than we were before, there might be increase in taxable fixed income, more liquid fixed income, what we've seen in prior cycles. But just curious how close you think we are to that.

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

Okay. And look, I think we're certainly closer to it. I do think that the market is dealing for the first time in a long time, with inflation expectations. And I think we're going to need to see CPI roll over, at least the rate of growth of it roll over before we see significant money beginning to flow back and look, but the compares are getting easier from a PPI perspective, and so I think that is sooner rather than later.

I would say this. I think it also is Fed dependent. The Fed really needs, I think, to deliver on a meaningful increase in May and June in order to stem concerns that inflation is getting out of hand. But as we indicated earlier, and as your point, I think is right, we're beginning to look at outright yields that are really pretty attractive. 7.5% on our global high-yield product, yield to worst is a pretty, pretty compelling rate, assuming you don't imagine credit, defaults are going to be gapping up, which we don't.

I think we have quite diverse portfolios. We really try to avoid sector overweights that could imperil the performance of the fund. And -- so we're beginning to see people sniff around, but it's not there yet, Alex, and I don't want to give you that impression.

Also, I think for us, Asia is more impactful than perhaps for some others and risk aversion needs to be reduced there as they continue to see challenges in their equity portfolios, particularly in China. I think their desire for income will continue to be there. And so I think they will redirect over time as they have in the past into high-income more stable streams like Global High Yield and American Income.

So I'm more positive, but we're not there yet, and I don't want to give you some notion it's right around the corner because I don't see it. What is interesting to me is that people continue to look at our muni business as munis have become increasingly attractive. And look, munis are dealing with exactly the same issue, we see broader outflows, but we've been building share there. And look, it's not every day, but it's pretty consistent that we see real activity. So it's been pretty promising there.

Operator

Your next question comes from John Dunn from Evercore.

John Joseph Dunn - *Evercore ISI Institutional Equities, Research Division - Associate*

And maybe another one on Private Wealth. I think a few quarters ago, you had talked about 2 different segments, those in drawdown and maybe younger people putting money to work. And at one point, those were kind of offsetting. I think we've gotten past that now. But could you contextualize kind of where those two segments are relative to one another?

Catherine Cooney Burke - *AllianceBernstein L.P. - COO & Head of Private Wealth*

It's Kate again. Thank you for the question. What I would say along those lines is we are seeing in terms of where those are coming from -- that we're seeing more of the outflows really in spending categories rather than where there -- where it's people who are continuing to gathering wealth, but are also spending it on other things in their life, sell versus it being what we would view as more of a drawdown category.

And then where we're finding success is both in our traditional high net worth client segment and then in the ultra-high net worth space. And that is where we are seeing pretty significant acceleration of the growth of our flows there. It's growing almost at 2x the average flow of the business over the last couple of quarters. So it becomes an increasingly important segment of our client base that we're continuing to attract and retain.

John Joseph Dunn - *Evercore ISI Institutional Equities, Research Division - Associate*

Got you. And then maybe just on -- could you update us maybe on the -- what you think the pace of Equitable putting their commitments to work in your private market strategy, kind of like what could be the time frame?

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

Let me take that. Look, Equitable committed to put up to $750 million into carve-out strategies that's in addition to what they are doing for our commercial real estate debt and middle market, lending activities as well.

It's a pretty active program, and we've been deploying pretty significantly for them. Now let me be clear, some of that is a function of replacement of lower-yielding corporates, which we also manage for them for higher yielding stuff. So I think that pace is high and will continue to be at an elevated rate for a while.

I can't give you a specific in terms of quarters or flows.

Operator

Your next question comes from Robert Lee from KBW.

Unidentified Analyst

This is Alex, on for Rob. Just wondering if you could just expand a little bit on the costs associated with the wealth management expansion and also what the appetite is for any future acquisitions in that space.

Catherine Cooney Burke - *AllianceBernstein L.P. - COO & Head of Private Wealth*

Sure. It's Kate again. We are not disclosing sort of the numbers associated with the expansion right now. We're -- as we continue to see how our flows persist, we'll continue to enhance or moderate the investment in terms of adviser headcount on a go-forward basis, but we're not disclosing additional dollar amount right now associated with the build-out.

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

It's Seth, I would also add that with regard to the M&A issue, we're not -- we have not historically sought to build the private wealth business through acquiring other firms. Our model is quite different. We have a very distinctive training program and approach. And so our view is that we're going to grow it organically.

And some of that is laterally from people in similar businesses, but much of it is from developing them fresh, the FAs we have. And we've had an awfully good track record doing that. I'd also say that the mix of Private Wealth business has also been a big beneficiary of the move toward alternatives as well, and that is helping absorb some of the costs necessary to expand the business.

But we're going to be very thoughtful and purposeful in how we spend and over what time period we spend, so as to maintain balance and current profitability versus our growth expectations.

Operator

And there is no further question at this time. Mr. Griffin, I turn the call over back to you.

Mark C. Griffin - *AllianceBernstein Holding L.P. - Head of IR*

Thank you, Reyn. Thank you, everyone, for participating in our conference call this morning. Feel free to contact Investor Relations with any further questions you may have, and have a great day. Goodbye.
