Best of Both Worlds

Bernstein's Flexible Approach to Allocating Client Capital

We're often asked about our philosophy for allocating client capital—are we "open architecture" or focused solely on Bernstein's managers? The answer is neither.

The Best Elements of Both

When choosing investment managers, we adopt a flexible approach that incorporates the best elements of both internal and external talent—taking advantage of successful Bernstein managers as well as those from outside our organization.

What's more, many of our current Bernstein Private Wealth Management managers were external to us until only recently. Yet after careful due diligence we've found opportunities to add managers with strong investment track records, distinct capabilities, a fiduciary mindset and a commitment to excellence consistent with our existing platform.

Our approach over the last decade has evolved to where we are now: a thoughtful asset allocator with the flexibility to utilize an unconstrained manager toolkit to meet clients' needs.

Taken together, we think of ourselves as having three core talent pools of investment management skill:

- Firm-tenured managers;
- Firm new additions; and
- External managers

WE'RE COMMITTED TO FINDING THE BEST AVAILABLE TALENT—WHEREVER THEY MAY RESIDE

36%
Share of client relationships >$5 Mil. with external managers in their allocation

53%
Share of client relationships >$20 Mil. with external managers in allocation

$76 Bil.
AB AUM managed by Firm new additions*

As of March 31, 2022.

*Includes the recently announced purchase of CarVal, expected to close in Q2 2022.

Source: AB

Know Your Limits

An investment manager cannot be all things to all clients. In other words, they must know their limitations. Determining when—and when not to—supplement your current offerings requires a measured, thoughtful approach.

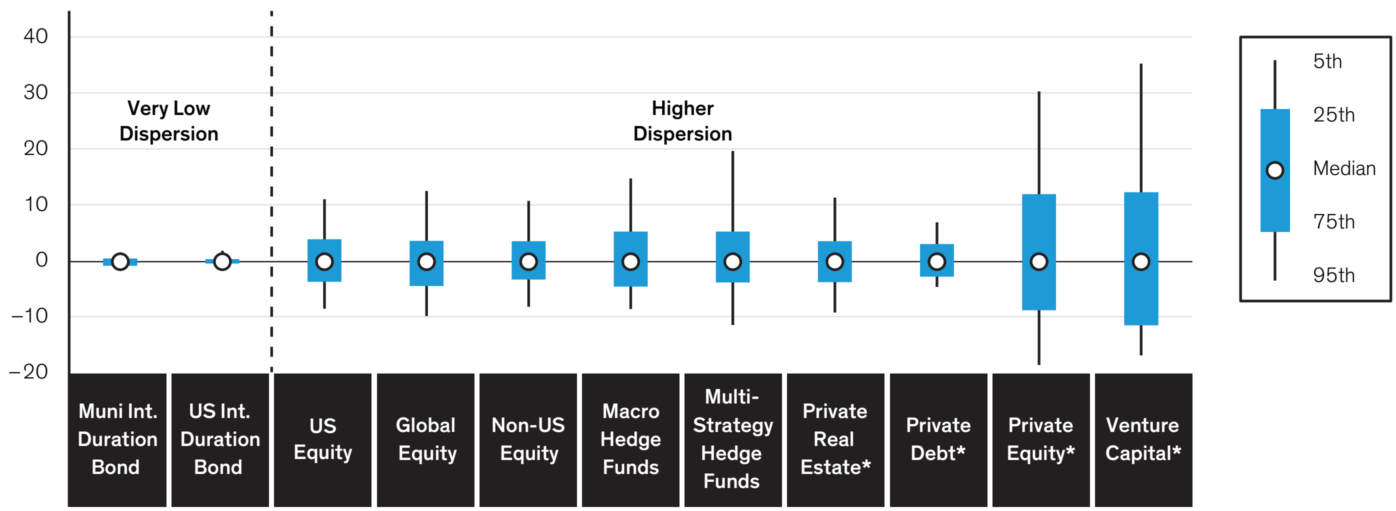
To be sure, the decision to use managers beyond your existing offering should not be taken lightly. For instance, will the new addition continue to generate the success that they've delivered thus far? If proper diligence is done, the decision can be made with confidence, thus adding to the stable of skilled managers and/or filling a void on an investment platform.

Importantly, not every asset class merits selecting from outside the firm. Given the disparate investment approaches and dispersion of returns among equities and alternatives, we find strong justification for diversifying our offering in those asset classes.

On the other hand, the relatively limited approaches to managing high-grade bonds with a risk mitigation objective—as well as the small return differentials among high-grade bond managers—makes it hard to justify choosing from outside our offering. For these reasons, all our recent additions and external managers oversee equity or alternative strategies.

THE CASE FOR A BROADER PLATFORM IN EQUITY AND ALTERNATIVES

Dispersion of Manager Returns By Category



Based on the 3-year return data of the listed eVestment category as of December 31, 2021.
*Uses 10th and 90th percentiles instead of 5th and 95th, respectively. Based on fund with 2017 vintage years. PitchBook's fund returns data is primarily sourced from individual LP reports, serving as the baseline for our estimates of activity across an entire fund. For any given fund, return profiles will vary for LPs due to a range of factors, including fee discounts, timing of commitments and inclusion of co-investments. To be included in pooled calculations, a fund must have: (i) at least one LP report within two years of the fund's vintage, and (ii) LP reports in at least 45% of applicable reporting periods. To mitigate discrepancies among multiple LPs reporting, the PitchBook Benchmarks (iii) determine returns for each fund based on data from all LP reports in a given period. For periods that lack an LP report, (iv) a straight-line interpolation calculation is used to populate the missing data; interpolated data is used for approximately 10% of reporting periods, a figure that has been steadily declining. IRR represents the rate at which an historical series of cash flows are discounted so that the net present value of the cash flows equals zero. For pooled calculations, any remaining unrealized value in the fund is treated as a distribution in the most recent reporting period. All returns data in this report is net of fees and carry. As of June 30, 2021.

Source: eVestment, PitchBook and AB

Like any future-proofed organization, our approach continuously evolves to stay on the cutting edge and deliver sound advice to meet our clients' needs.