BERNSTEIN

Shaken, Not ~~Stirred~~ Deterred

2Q 2025 Macro and Markets Review

1H 2025 Underscores Time-Tested Investment Advice

AB’s 1H 2025 Advice

- “Market timing and meaningful de-risking once already in a downturn can add further risk to portfolios…”
- “…we take great pains in the construction of portfolios to make sure that even in periodic downturns such as this, your financial position remains sound and can deliver your long-term financial goals…for most people, we do not recommend changing your positions meaningfully.”
- “…the best approach to navigate the ongoing economic and market uncertainty is to be diversified, across both equity and fixed income, and public and private markets.”
- “For those with cash to deploy into a long-term allocation, the volatility evident today may present a valuable entry point…”
- “…it’s worth considering buffered ETFs, hedge funds, and securitized assets in today’s environment…any portfolio moves should be deliberate.”
- “…proactive steps such as executing Roth conversions, engaging in tax-loss harvesting, and implementing wealth transfer strategies…can effectively capitalize on market downturns…”

As of June 30, 2025.
Source: Bernstein analysis

What Are the Key Controversies?

Our take on what market participants agree and disagree on

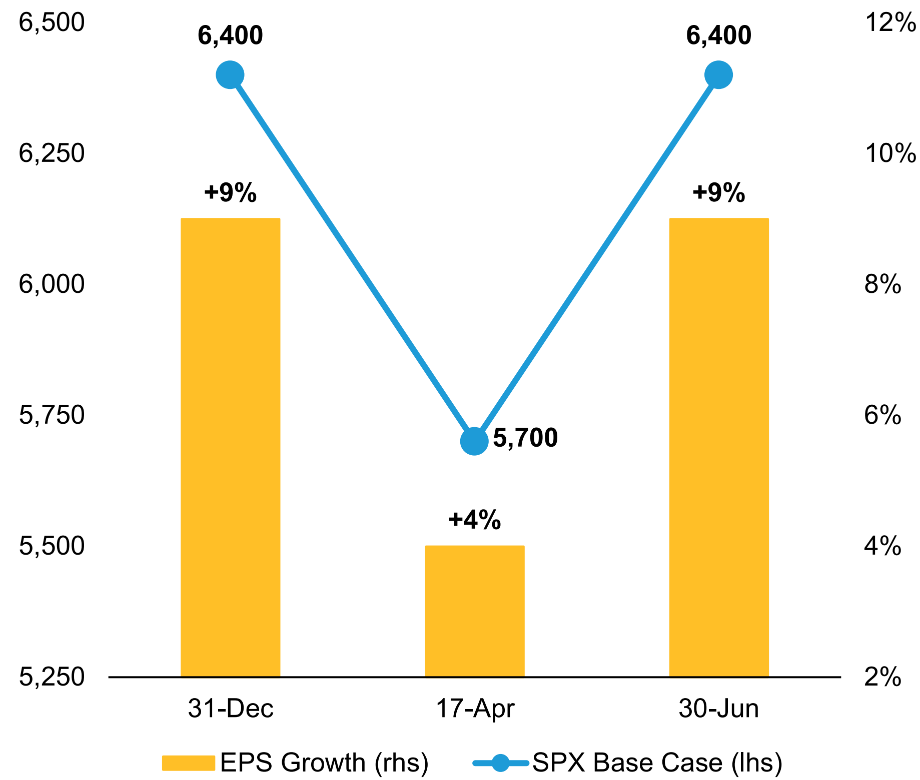
Is the tariff risk now "old news"?	*An extreme tariff outcome now looks less likely. The exact end state is uncertain, but we expect that the effective rate will settle at ~15%.*
Is the market too complacent or has the next bull market started?	*We are optimistic that the market's march higher will continue with tariff focus easing and greater importance placed on '26 EPS growth.*
What risk does fiscal policy change present to markets?	*With deficit growth likely to continue under current policy, interest rate and US dollar risk remains…though the market seems unconcerned, at the moment.*
What do tariff changes and other uncertainties mean for the Fed?	*The Fed is likely to look through any tariff-driven inflation, focusing more on the stability of the labor market.*
Will Middle East conflict upend the global economy?	*From an economic perspective, oil prices are the key market risk. Absent a meaningful move higher, markets will focus elsewhere.*

As of June 30, 2025.
Source: Bernstein analysis

What’s Changed in the Last Few Months?

- The Trump administration announced, and then paused, and then sent letters re: tariffs to US trading partners
- The One Big Beautiful Bill Act was signed into law, with broad implications for the economy
- We lowered our profit forecast and SPX year-end index level and then reset them back to our original expectations once the tariff risk was lowered
- We believe that the Fed will cut three times in 2025, given an expected modest slowdown in the labor force and benign inflation of late

Bernstein’s S&P 500 YE 2025 Forecasts



As of July 8, 2025. **Historical analysis is not necessarily indicative of future results. There is no guarantee that any estimates or forecasts will be realized.**
Source: Bloomberg and Bernstein analysis

2Q 2025: Shaken, Not Deterred

The Economy Has Been Remarkably Resilient

Despite investor concerns related to economic slowing (ourselves included), the economy has been remarkably stable. More months of data will be needed to confirm the trend, but resilience has justified the market rally.

Markets Shoot First

Once the administration paused much of the Liberation Day tariffs, markets appropriately rallied. Additional positive signals from POTUS and Secretary Bessent got us comfortable that the worst was behind us.

Non-US Equities Lead

How quickly things change. For the last several years, non-US equities were the most hated asset class in a well-diversified portfolio. Today, we're fielding more questions about their worth and whether clients have enough.

As of June 30, 2025. **Current analysis and forecasts do not guarantee future results.**
Source: Bernstein analysis

2025 Macro Outlook

Our Key Economic and Market Expectations for 2025 and 2026

- **US Growth:** Growth is likely to slow as remaining tariffs and policy uncertainty wear on the US economy.
- **Monetary Policy:** The Fed remains patient, anticipating whether economic softening or rising inflation will be its guiding force.
- **Inflation:** Inflation will likely tick upward, albeit less so than initially feared in April. Most likely, this increase will be one-time, but long-term expectations should be monitored.
- **SPX Target:** Given lower tariff risk, we've taken our base case back up to our original 6,400 level at YE '25. Introducing our 2026 forecast of 6,750.

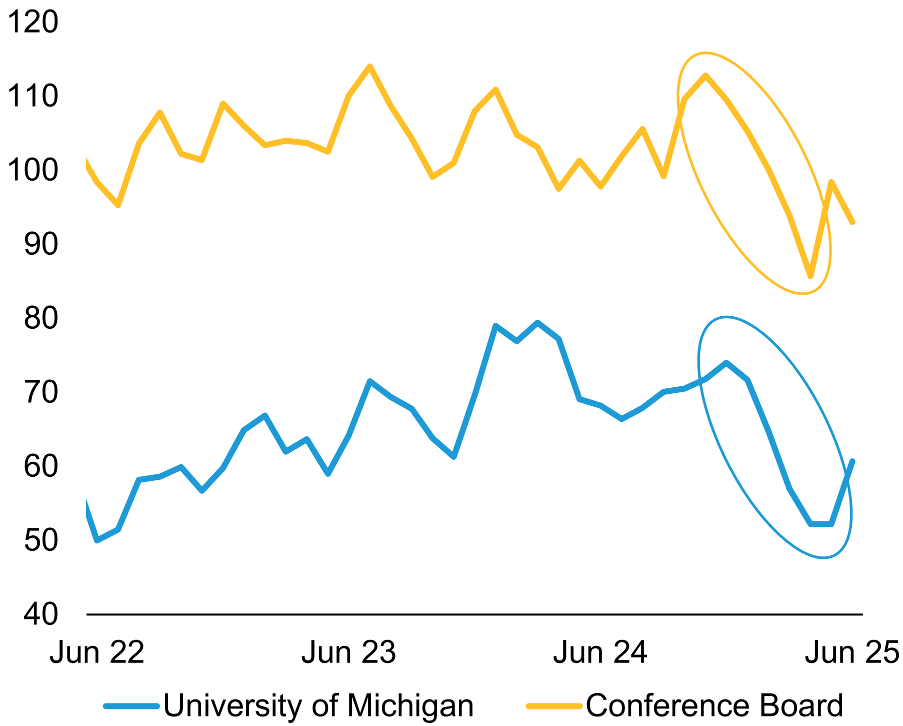
	2024	Forecast 2025	Forecast 2026
US GDP*	2.8%	0.5%	1.5%
Policy Rate Change	(1.00)%	(0.75)%	(1.25)%
10Y Treasury Rate	4.58%	4.00%	3.75%
US Inflation	3.0%	3.8%	2.7%
S&P 500	5,882	6,400	6,750
S&P 500 Earnings	$243	$264 (+9% YoY)	$287 (+7% YoY)

As of June 30, 2025. **Historical analysis is not necessarily indicative of future results. There is no guarantee that any estimates or forecasts will be realized.**
*US GDP forecasts presented as 4Q/4Q.
Source: Bloomberg, Bureau of Economic Analysis, Congressional Budget Office, Federal Reserve, FRED, S&P, and Bernstein analysis

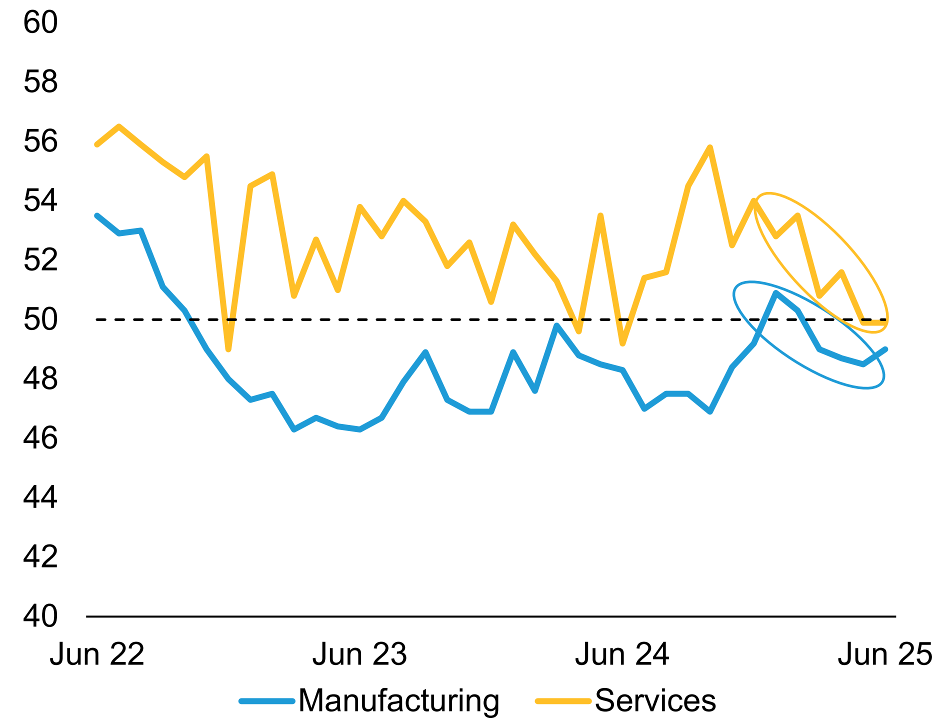
Despite Weak Survey Data…

A sharp drop in 1H results reflects unease about shifting trade policy and economic slowing

Consumer Confidence Surveys



ISM PMIs



As of June 30, 2025. **Current analysis and forecasts do not guarantee future results.**
Source: NBER, Conference Board, University of Michigan, Federal Reserve, FRED, FactSet, and Bernstein analysis

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…Management Commentary Has Noted Resilience & Stability…

The tone on earnings calls has largely been of perseverance and an ability to adapt

"…Consumer and business sentiment has weakened.…The fundamentals that support consumer spending have been solid, and our drivers are generally stable.…It remains clear that **we have intentionally embedded resiliency**....We'll closely manage our expenses and have levers to pull, if needed."
–Mastercard CEO Michael Miebach

"...It's absolutely something that we're watching, but **we don't see any signal, as of yet, in terms of the consumer**."
–Uber CEO Dara Khosrowshahi

"…The best way for us to think about this is that we have the tools that will allow us to manage this and manage this in a way that we're going to minimize impact to our customers.…We've done all the math, and based on the current tariff environment, **we feel very comfortable that we'll be able to deliver** the financial guidance…"
–Lowe's CEO Marvin Ellison

"**We're remaining agile** as the situation with tariffs evolves.…We rerouted many goods sourced from countries with large tariff exposure…In the US, we pulled forward some items that we had planned for summer and sourced additional locally produced goods to reduce tariff impacts....Actions such as these are allowing us to continue to provide great values."
–Costco CEO Roland Vachris

"A majority of our suppliers have diversified their sourcing strategies across several categories. **We've got tremendous flexibility here.** I can't stress that enough. We're already taking action, moving quickly."
–Home Depot Merchandising Executive William Bastek

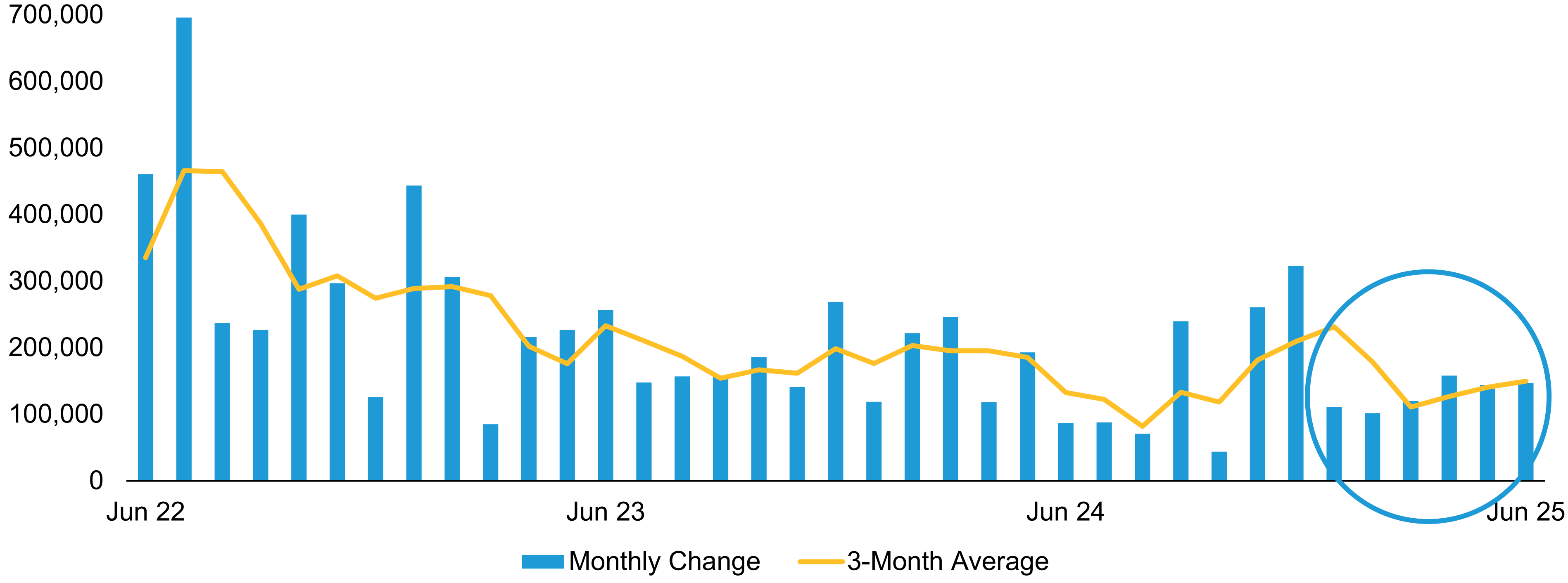
"As we've said many times, we are not economic forecasters. The potential impacts from tariffs have led to higher levels of economic uncertainty. That being said, **what we've seen thus far in our results is relative resilience in consumer spending**."
–Visa CFO Christopher Suh

As of June 30, 2025.
Source: FactSet

…and the Labor Market Has Been Solid…

Steady employment growth suggests a labor market in equilibrium

Nonfarm Payrolls
Seasonally Adjusted



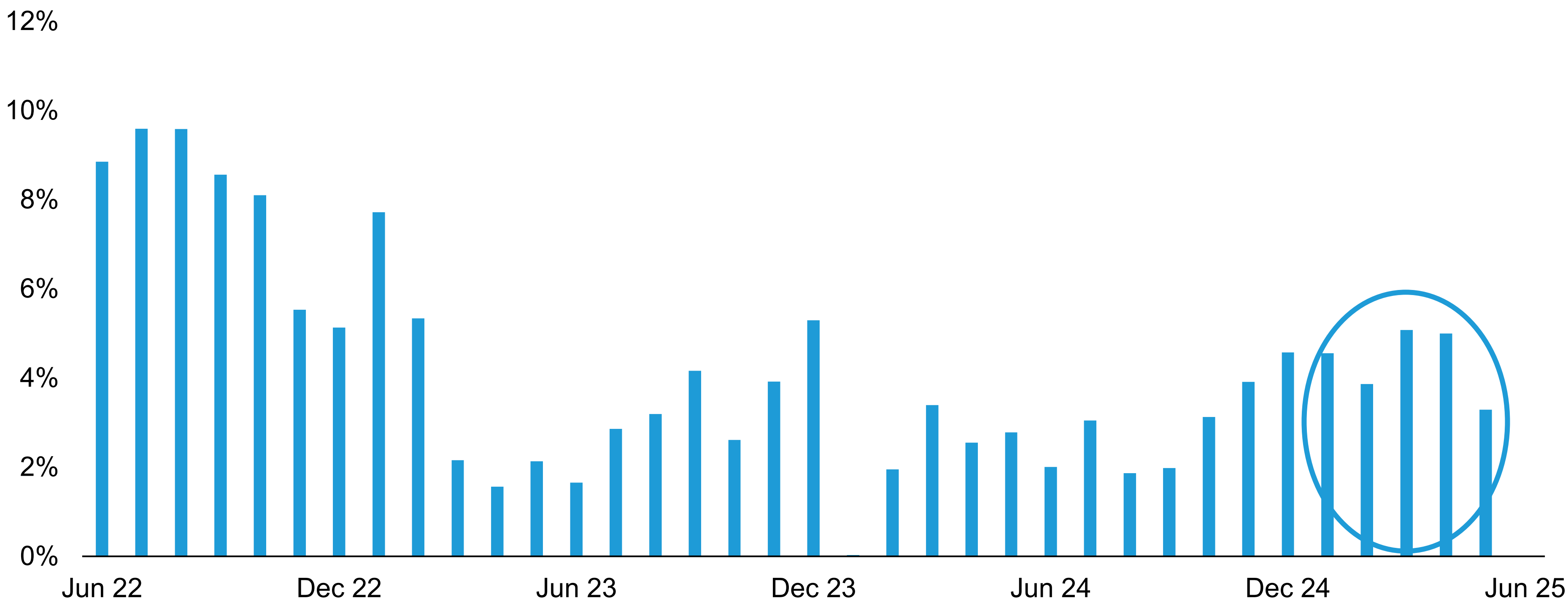
As of June 30, 2025. **Current analysis and forecasts do not guarantee future results.**
Source: U.S. Bureau of Labor Statistics, Federal Reserve, FRED, and Bernstein analysis

…Leading To Decent Retail Spending…

The durable labor market has allowed consumers to continue to spend

US Retail Sales

YoY, Seasonally Adjusted



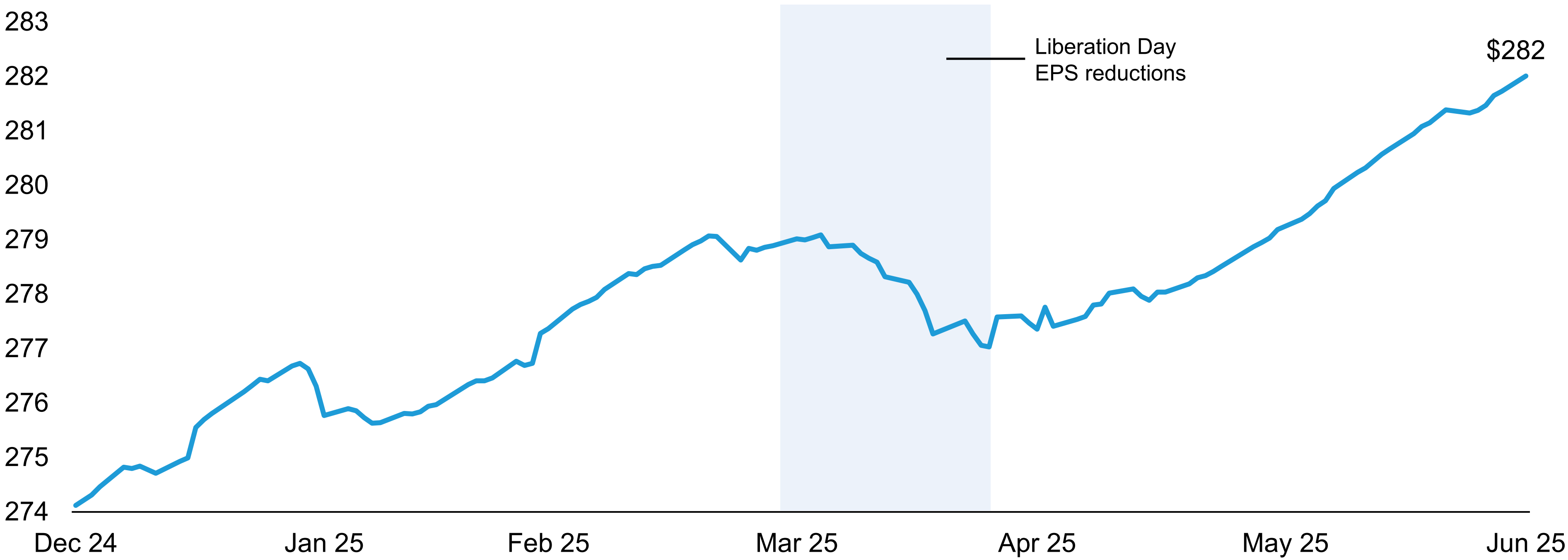
As of June 30, 2025. **Historical analysis is not necessarily indicative of future results.**

Source: U.S. Census Bureau, Federal Reserve, FRED, and Bernstein analysis

…and Improving Expected Earnings

With consumer spending continuing and tariffs softening, expectations were ultimately sent higher

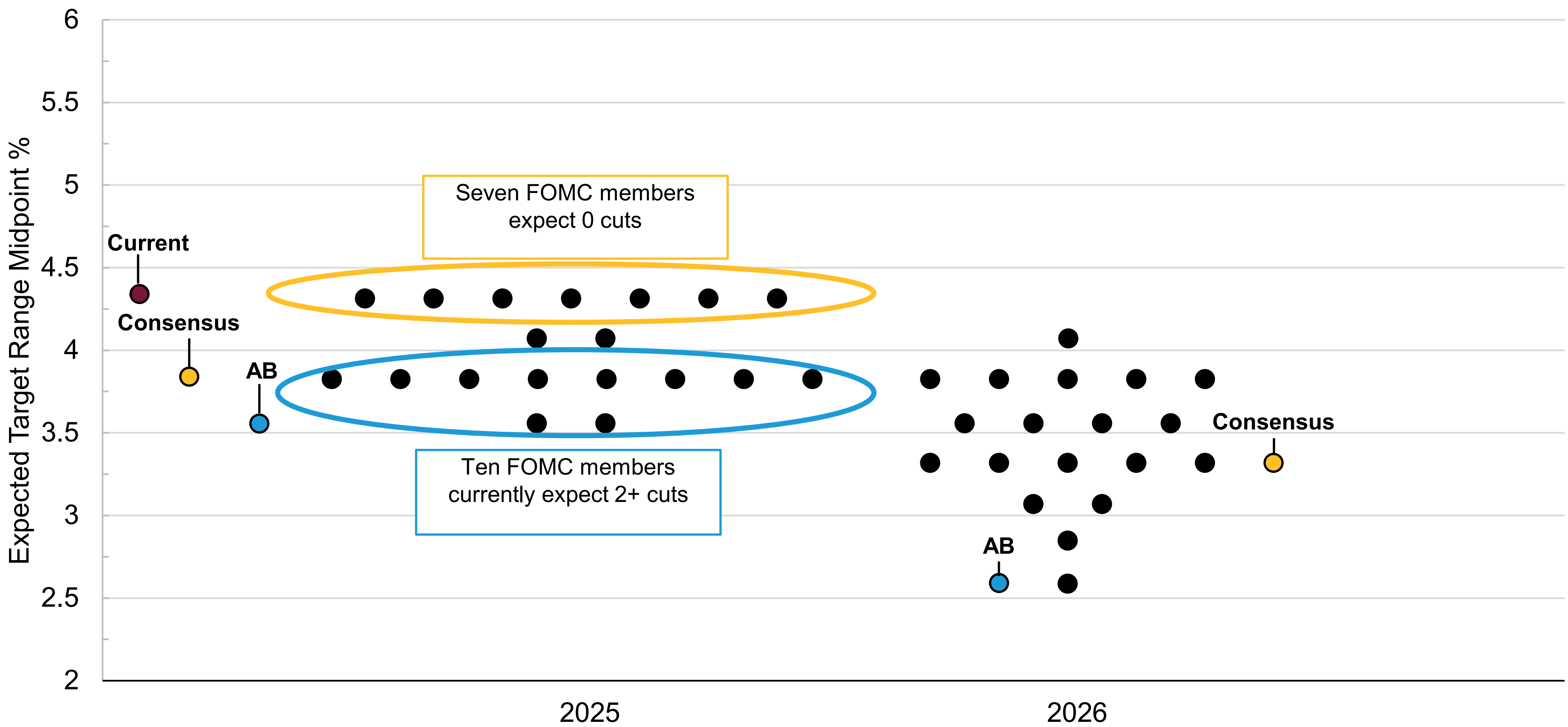
S&P 500 Next 12 Mos. Consensus Earnings Expectations



As of June 30, 2025. **Current analysis and forecasts do not guarantee future results.**
Source: FactSet, S&P and Bernstein analysis

Meanwhile, the Fed Is Staying Put Until More Data Confirm Macro Trends

Division in the most recent dot plot reflects that more confidence is needed to guide the next move

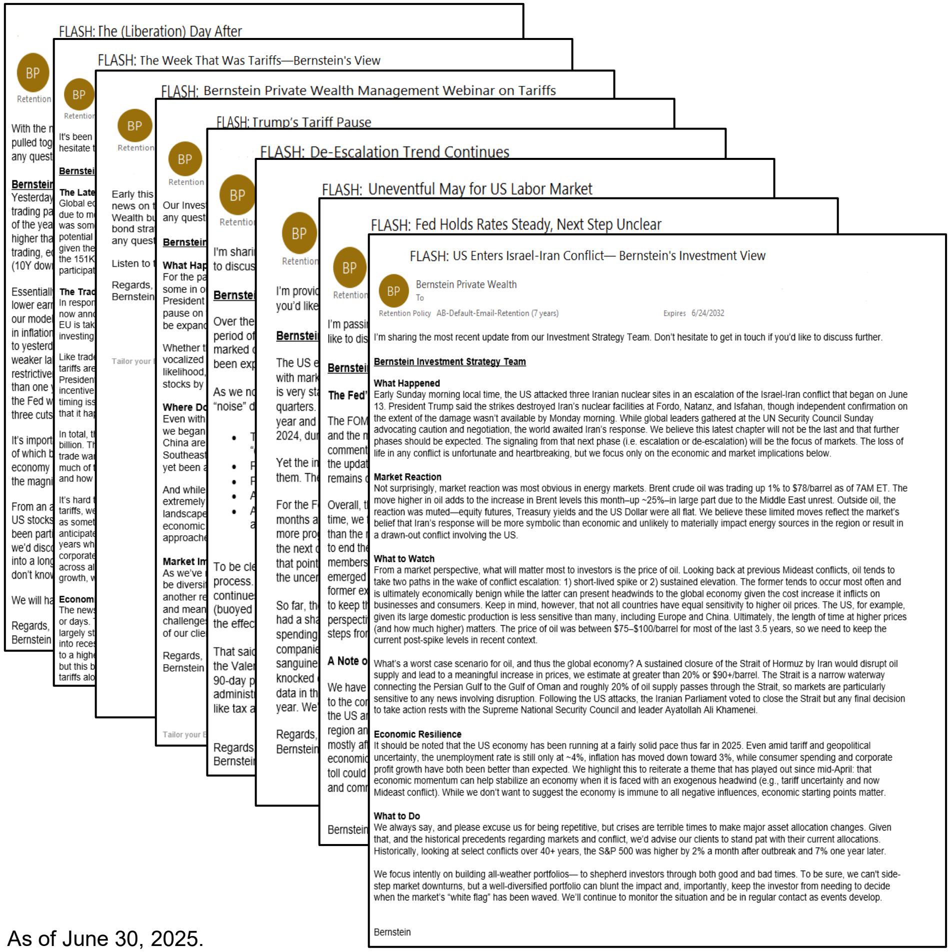


As of June 30, 2025. **Current analysis and forecasts do not guarantee future results.**
Source: Federal Reserve and Bernstein analysis

Markets Outlook

Providing Insight During Uncertain Times

FLASH Updates



FLASH: The (Liberation) Day After

FLASH: The Week That Was Tariffs—Bernstein's View

FLASH: Bernstein Private Wealth Management Webinar on Tariffs

FLASH: Trump's Tariff Pause

FLASH: De-Escalation Trend Continues

FLASH: Uneventful May for US Labor Market

FLASH: Fed Holds Rates Steady, Next Step Unclear

FLASH: US Enters Israel-Iran Conflict— Bernstein's Investment View

Bernstein Private Wealth
To
Retention Policy AB-Default-Email-Retention (7 years) Expires 6/24/2032

I'm sharing the most recent update from our Investment Strategy Team. Don't hesitate to get in touch if you'd like to discuss further.

Bernstein Investment Strategy Team

What Happened
Early Sunday morning local time, the US attacked three Iranian nuclear sites in an escalation of the Israel-Iran conflict that began on June 13. President Trump said the strikes destroyed Iran's nuclear facilities at Fordo, Natanz, and Isfahan, though independent confirmation on the extent of the damage wasn't available by Monday morning. While global leaders gathered at the UN Security Council Sunday advocating caution and negotiation, the world awaited Iran's response. We believe this latest chapter will not be the last and that further phases should be expected. The signaling from that next phase (i.e. escalation or de-escalation) will be the focus of markets. The loss of life in any conflict is unfortunate and heartbreaking, but we focus only on the economic and market implications below.

Market Reaction
Not surprisingly, market reaction was most obvious in energy markets. Brent crude oil was trading up 1% to $78/barrel as of 7AM ET. The move higher in oil adds to the increase in Brent levels this month–up ~25%–in large part due to the Middle East unrest. Outside oil, the reaction was muted—equity futures, Treasury yields and the US Dollar were all flat. We believe these limited moves reflect the market's belief that Iran's response will be more symbolic than economic and unlikely to materially impact energy sources in the region or result in a drawn-out conflict involving the US.

What to Watch
From a market perspective, what will matter most to investors is the price of oil. Looking back at previous Mideast conflicts, oil tends to take two paths in the wake of conflict escalation: 1) short-lived spike or 2) sustained elevation. The former tends to occur most often and is ultimately economically benign while the latter can present headwinds to the global economy given the cost increase it inflicts on businesses and consumers. Keep in mind, however, that not all countries have equal sensitivity to higher oil prices. The US, for example, given its large domestic production is less sensitive than many, including Europe and China. Ultimately, the length of time at higher prices (and how much higher) matters. The price of oil was between $75–$100/barrel for most of the last 3.5 years, so we need to keep the current post-spike levels in recent context.

What's a worst case scenario for oil, and thus the global economy? A sustained closure of the Strait of Hormuz by Iran would disrupt oil supply and lead to a meaningful increase in prices, we estimate at greater than 20% or $90+/barrel. The Strait is a narrow waterway connecting the Persian Gulf to the Gulf of Oman and roughly 20% of oil supply passes through the Strait, so markets are particularly sensitive to any news involving disruption. Following the US attacks, the Iranian Parliament voted to close the Strait but any final decision to take action rests with the Supreme National Security Council and leader Ayatollah Ali Khamenei.

Economic Resilience
It should be noted that the US economy has been running at a fairly solid pace thus far in 2025. Even amid tariff and geopolitical uncertainty, the unemployment rate is still only at ~4%, inflation has moved down toward 3%, while consumer spending and corporate profit growth have both been better than expected. We highlight this to reiterate a theme that has played out since mid-April: that economic momentum can help stabilize an economy when it is faced with an exogenous headwind (e.g., tariff uncertainty and now Mideast conflict). While we don't want to suggest the economy is immune to all negative influences, economic starting points matter.

What to Do
We always say, and please excuse us for being repetitive, but crises are terrible times to make major asset allocation changes. Given that, and the historical precedents regarding markets and conflict, we'd advise our clients to stand pat with their current allocations. Historically, looking at select conflicts over 40+ years, the S&P 500 was higher by 2% a month after outbreak and 7% one year later.

We focus intently on building all-weather portfolios— to shepherd investors through both good and bad times. To be sure, we can't side-step market downturns, but a well-diversified portfolio can blunt the impact and, importantly, keep the investor from needing to decide when the market's "white flag" has been waved. We'll continue to monitor the situation and be in regular contact as events develop.

Bernstein

As of June 30, 2025.
Source: Bernstein analysis

White Papers and Blogs

The Long Game: Why Private Markets Thrive in Market Turmoil

Is It Better to Wade in or Cannonball: Quantifying the Trade-Offs of Dollar-Cost Averaging

Ripple Effects: Investing After Liberation Day

Is Volatility the Secret Ingredient to Stock Market Success?

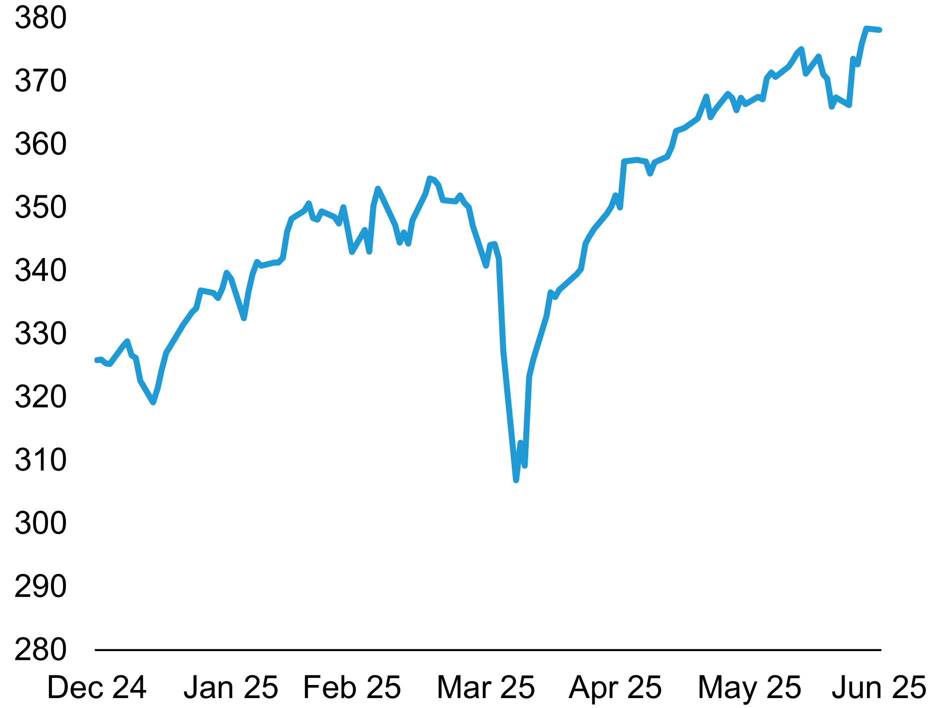
Smart Planning Strategies for Market Pullbacks

How Top Portfolio Managers Are Tackling Market Uncertainty

As You Were: Markets Reset to Reflect Economic Resilience

SPX Price Index

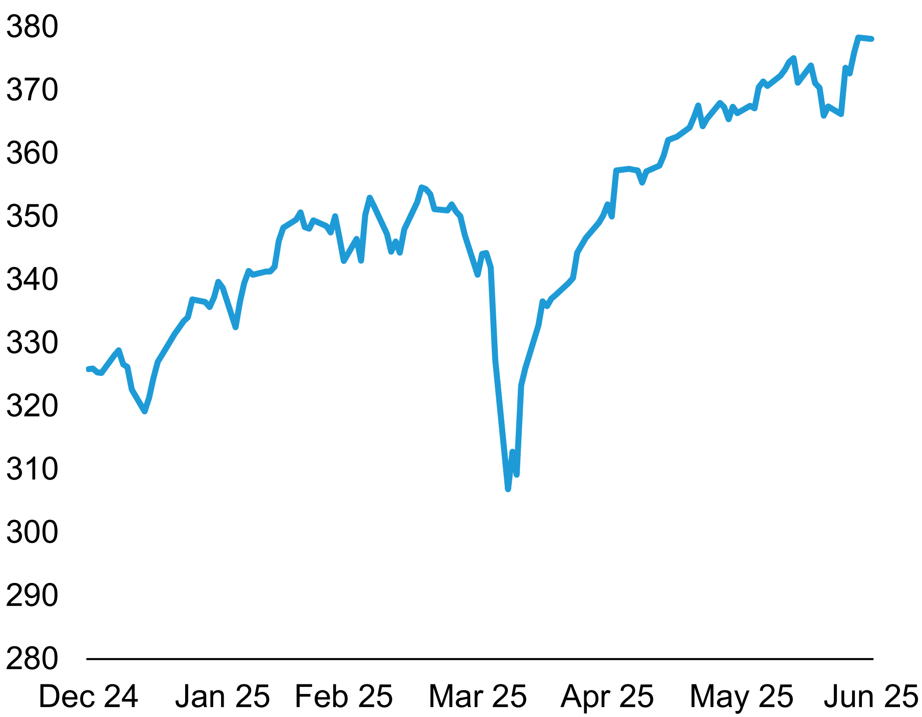
MSCI ACWI Ex US Price Index



As of June 30, 2025.
Source: Bloomberg, MSCI, S&P, and Bernstein analysis

Can Non-US Equities Continue Their Run?

MSCI ACWI Ex US Price Index



Possible Upside Drivers:

- Non-US markets are more attractively valued relative to long-term averages. Certain regions such as South Korea, LatAm, and China may present opportunities.
- Plans for higher fiscal spending on infrastructure and defense in Europe, Germany most notably, have potential to provide additional upside.
- Continued US fiscal indiscipline and policy volatility could further weaken the dollar providing a tail wind for non-US investments.

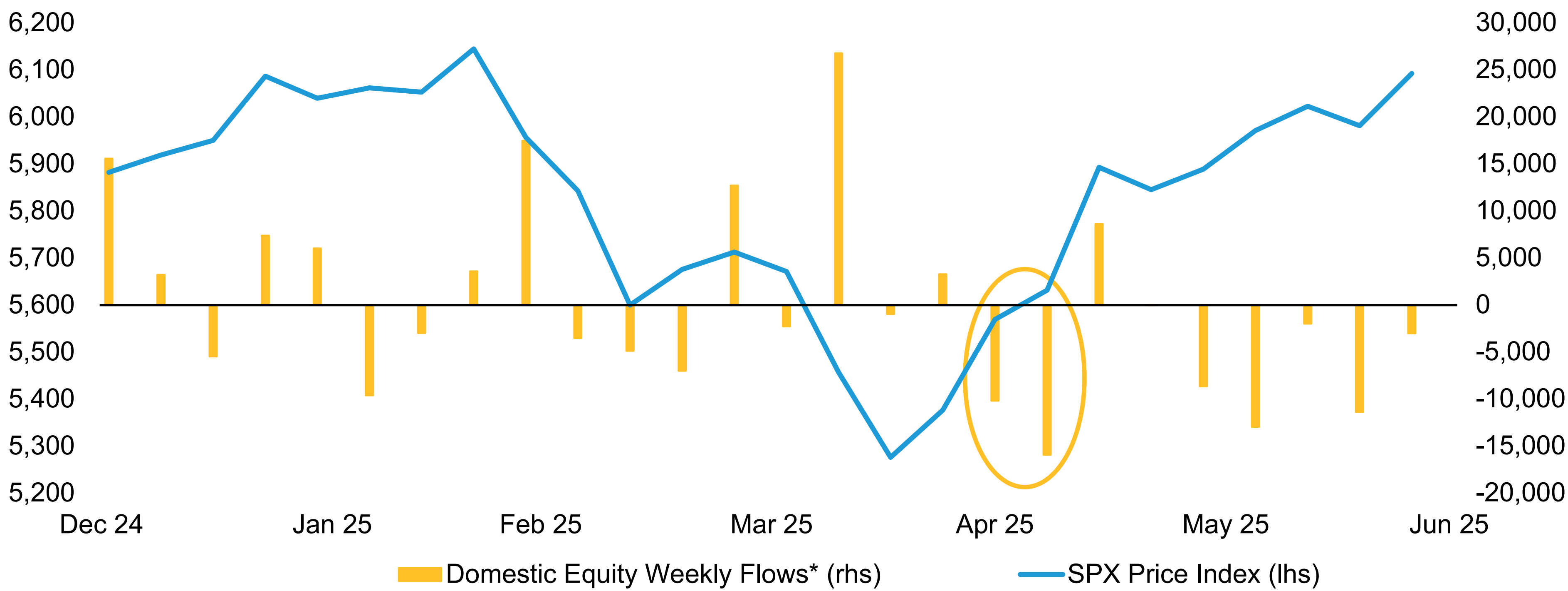
Our Advice:

- Remain global but overweight US.
- There are positive drivers for non-US markets, but a history of strong earnings growth, innovation, a dominant technology sector, and other structural forces favor the US.

As of June 30, 2025.
Source: Bloomberg, MSCI, and Bernstein analysis

Selloffs, Again, Prove To Be a Terrible Time to Derisk

S&P 500 Price Index vs. Domestic Equity Flows



As of June 30, 2025.
*Domestic equity flows represented by the ICI Domestic Equity Long-Term Mutual Fund and ETF Weekly Flows in millions of dollars.
Source: Bloomberg, S&P, and Bernstein analysis

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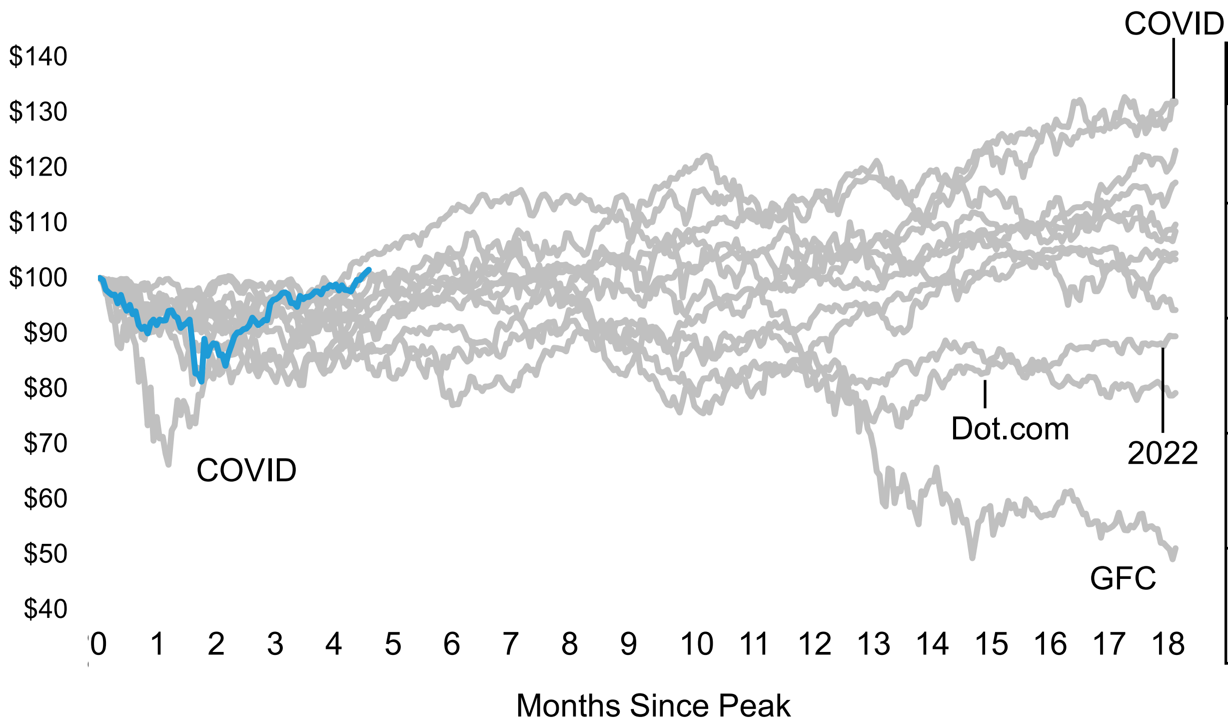
Recent Sell-off Just Another Example of Why to Stay Invested

10%+ Sell-Offs Since 1990

Growth of $100



	No Recession Average	Recession Average	Current*
Count	8	4	1
Peak-to-Trough Decline	–14.8%	–29.8%	–18.8%
Largest (%)/Year	–24.5%, 2022	–55.3%, ’07/,‘09	–
Time to Recover to Previous Peak	8 Months	18 Months	4 Months
12-Month Return After 10% Decline	14.2%	1.2%	?

As of June 30, 2025.
Recessions as determined by the US Recession Indicator Index. Months assumed to include 20 trading days. *Current values through June 23, 2025, as market has yet to reach prior peak.
Source: Bloomberg, National Bureau of Economic Research, and Bernstein analysis

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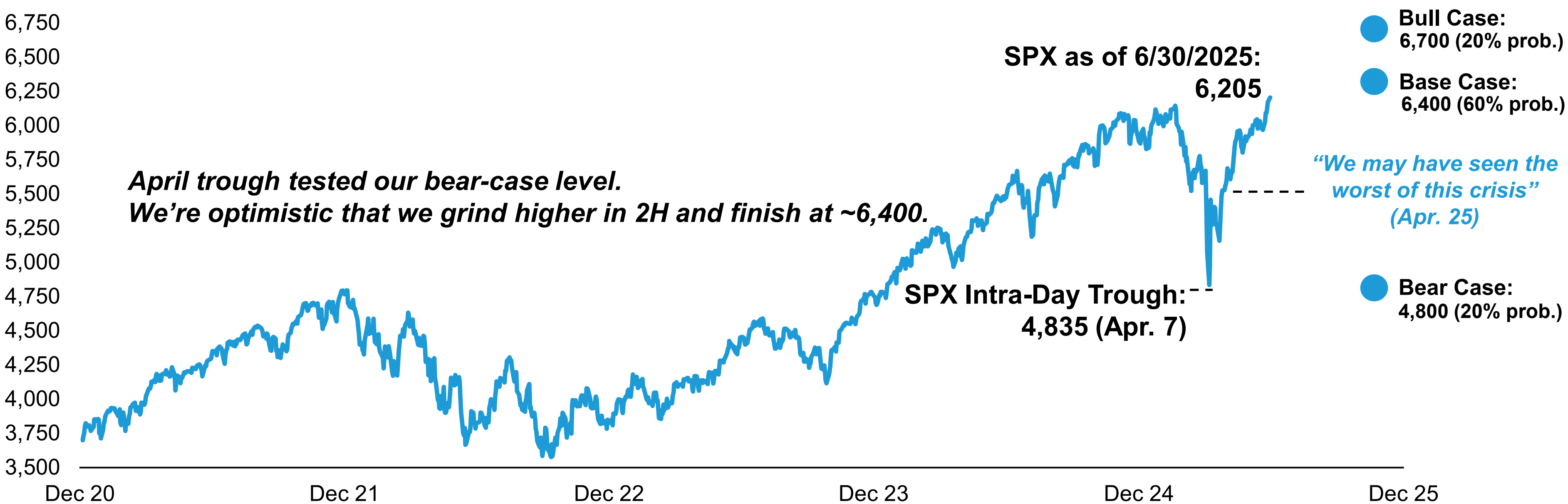
Reestablishing Our Original 2025 Base-, Bull-, and Bear-Case Assumptions

Bear-Case Low Met and Held, Upside Remains by Year-End

Scenario Analysis: S&P 500, YE 2025—not incl. dividends



With tariff risk reduced since April, we have reestablished our original forecasts for 2025. We assume slowing, but positive, economic growth for the year and high single digit EPS growth in our base case. Downside risk remains, particularly if tariff risk emerges late this summer, leading to a bear case equal to the April trough. Finally, given the market's momentum, the melt-up could take us toward 6,700 – a reasonable expectation for a bull case.

As of June 30, 2025. **Past performance and historical analysis do not guarantee future results. There is no guarantee that any estimates or forecasts will be realized.**
Source: Bloomberg, S&P, and Bernstein analysis

Losers Become Leaders

Geographic Returns

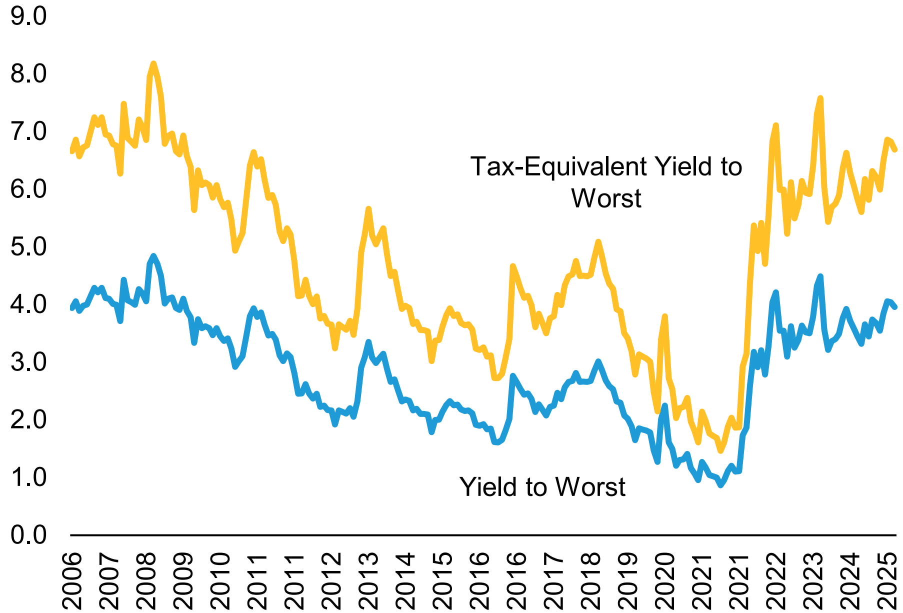
2011	2012	2013	2014	2015	2016	2017	2018
S&P 500 2.1%	Int'l Small Cap 18.5%	S&P 500 32.4%	S&P 500 13.7%	Int'l Small Cap 2.6%	S&P 500 12.0%	Emerging Markets 37.3%	S&P 500 (4.4)%
Global Equities (incl US) (7.9)%	Emerging Markets 18.2%	Global Equities (incl US) 23.6%	Global Equities (incl US) 3.8%	S&P 500 1.4%	Emerging Markets 11.2%	Int'l Small Cap 31.6%	Global Equities (incl US) (10.1)%
Developed Int'l Stocks (12.1)%	Developed Int'l Stocks 17.3%	Developed Int'l Stocks 22.8%	Emerging Markets (2.2)%	Developed Int'l Stocks (0.8)%	Global Equities (incl US) 8.4%	Non-US Stocks 27.2%	Developed Int'l Stocks (13.8)%
Non-US Stocks (13.7)%	Non-US Stocks 16.8%	Int'l Small Cap 19.7%	Non-US Stocks (3.9)%	Global Equities (incl US) (2.2)%	Non-US Stocks 4.5%	Developed Int'l Stocks 25.0%	Non-US Stocks (14.2)%
Emerging Markets (18.4)%	Global Equities (incl US) 16.4%	Non-US Stocks 15.3%	Int'l Small Cap (4.0)%	Non-US Stocks (5.7)%	Int'l Small Cap 3.9%	Global Equities (incl US) 23.9%	Emerging Markets (14.6)%
Int'l Small Cap (18.5)%	S&P 500 16.0%	Emerging Markets (2.6)%	Developed Int'l Stocks (4.9)%	Emerging Markets (14.9)%	Developed Int'l Stocks 1.0%	S&P 500 21.8%	Int'l Small Cap (18.2)%

2019	2020	2021	2022	2023	2024	YTD 2025
S&P 500 31.5%	S&P 500 18.4%	S&P 500 28.7%	Developed Int'l Stocks (14.5)%	S&P 500 26.3%	S&P 500 25.0%	Developed Int'l Stocks 19.4%
Global Equities (incl US) 26.4%	Emerging Markets 18.3%	Global Equities (incl US) 18.2%	Non-US Stocks (16.0)%	Global Equities (incl US) 21.6%	Global Equities (incl US) 16.4%	Non-US Stocks 17.9%
Int'l Small Cap 22.4%	Global Equities (incl US) 16.3%	Int'l Small Cap 12.9%	S&P 500 (18.1)%	Developed Int'l Stocks 18.2%	Emerging Markets 7.5%	Int'l Small Cap 17.7%
Developed Int'l Stocks 22.0%	Int'l Small Cap 14.2%	Developed Int'l Stocks 11.3%	Global Equities (incl US) (18.4)%	Int'l Small Cap 15.7%	Non-US Stocks 5.5%	Emerging Markets 15.3%
Non-US Stocks 21.5%	Non-US Stocks 10.7%	Non-US Stocks 7.8%	Int'l Small Cap (20.0)%	Non-US Stocks 15.6%	Developed Int'l Stocks 3.8%	Global Equities (incl US) 9.8%
Emerging Markets 18.4%	Developed Int'l Stocks 7.8%	Emerging Markets (2.5)%	Emerging Markets (20.1)%	Emerging Markets 9.8%	Int'l Small Cap 3.4%	S&P 500 6.2%

As of June 30, 2025. **Historical analysis is not necessarily indicative of future results. There is no guarantee that any estimates or forecasts will be realized.**
Representative indexes are as follows: S&P 500 – S&P 500 Index; Int'l small cap – MSCI ACWI ex USA Small Cap Index; Global equities – MSCI ACWI IMI Index; non-US stocks: MSCI ACWI ex US Index; developed int'l stocks: MSCI EAFE Index; emerging markets: MSCI Emerging Markets Index.
Source: Morgan Stanley Capital International (MSCI), Morningstar, Russell, and S&P

Yields Are High and Municipal Bonds Are Attractive

Bloomberg Municipal Bond Index
Historical Yield to Worst, Percent



Outside of 2022 and 2023, the index yield is as high as it's been since 2008/2009…

Municipal/Treasury After-Tax Spreads
Basis Points

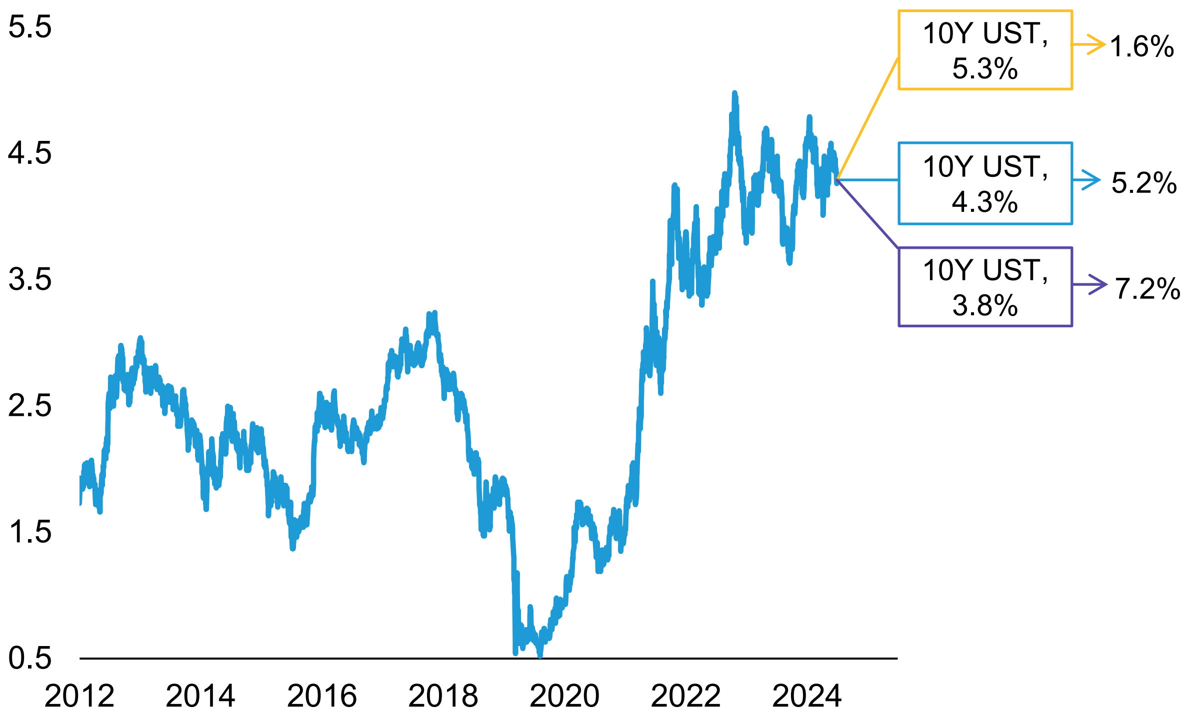
	June 30, 2025	5-Year Average
Two-Year	37	17
Five-Year	42	22
Ten-Year	76	43
Fifteen-Year	114	67
Twenty-Year	146	76
Thirty-Year	170	97

…and municipal bonds remain cheap relative to history.

As of June 30, 2025. **Current analysis and forecast do not guarantee future results.**
Data as of June 27, 2025. Tax rate assumes using a 40.8% tax rate.
Source: Bloomberg, Municipal Market Data, and Bernstein analysis

Expect Positive Returns…Even if Yields Rise Above 5%

Expected 12-Month Municipal Returns Scenario Analysis
10-Year US Treasury Yield, Percent



- Our ‘next 12-months’ forecast is a 10Y yield between 3.75% - 4.0%
- If correct, munis should deliver a return of ~6+%
- But if rates rise above 5%, for example, investors should still earn a modestly positive return

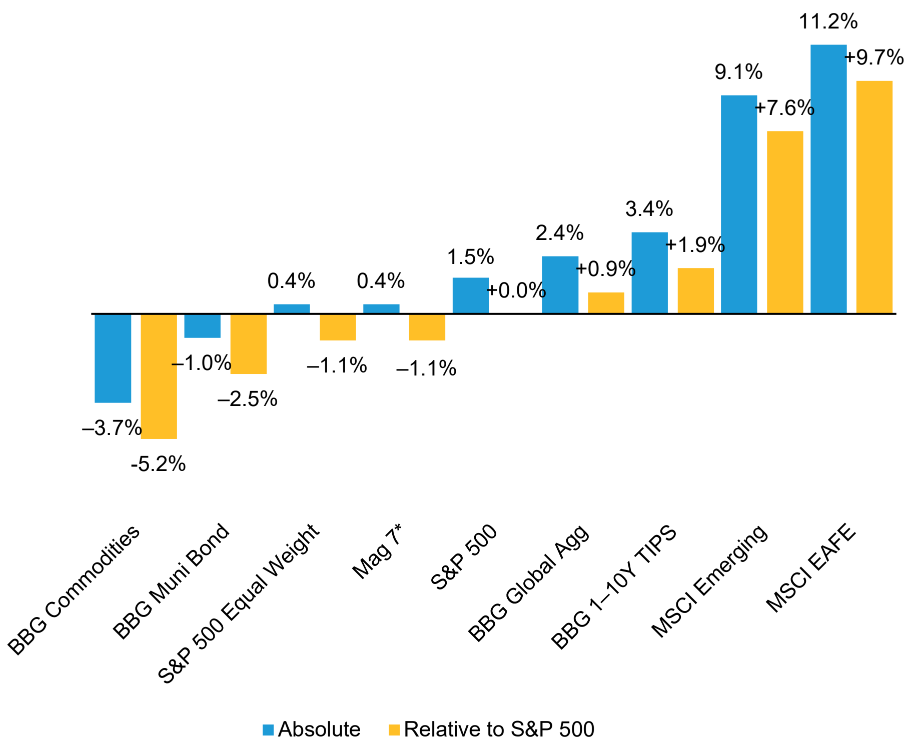
As of June 30, 2025. **Past performance and forecasts do not guarantee future results.** Display reflects expected returns of the Bloomberg Municipal Bond Index under three scenarios: 10-year US Treasury yields rise to 5.25%, remain the same, or decline to 3.75% over the next 12 months from June 27, 2025.
Source: Bloomberg and Bernstein analysis

Diversification Benefits

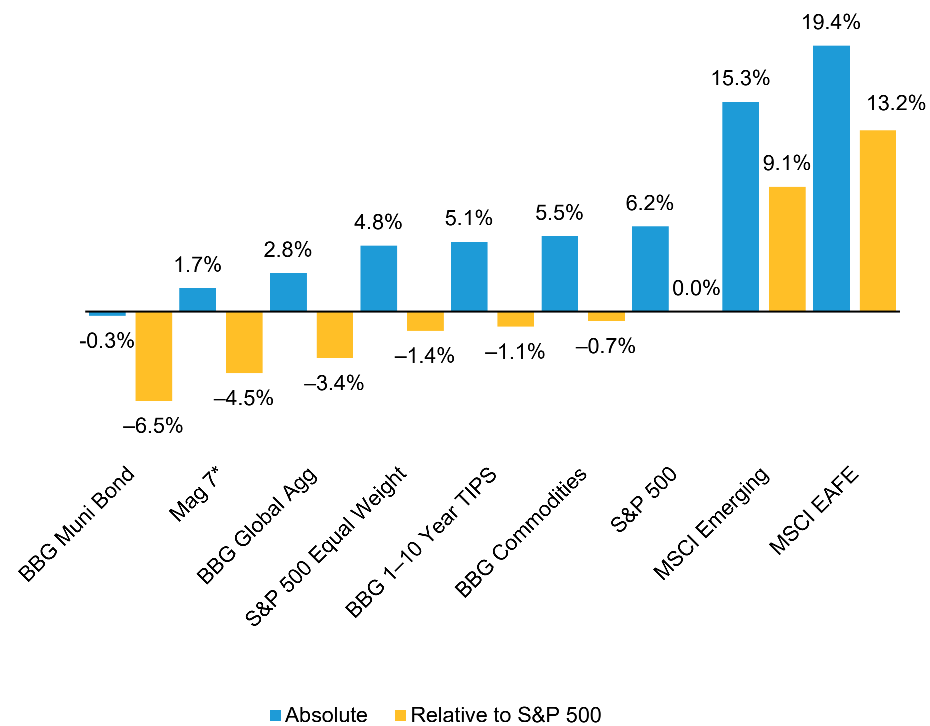
What Have You Done for Me Lately?

Diversification (re)emerges as beneficial so far in 2025

Performance Since S&P 500 Peak on Feb. 19



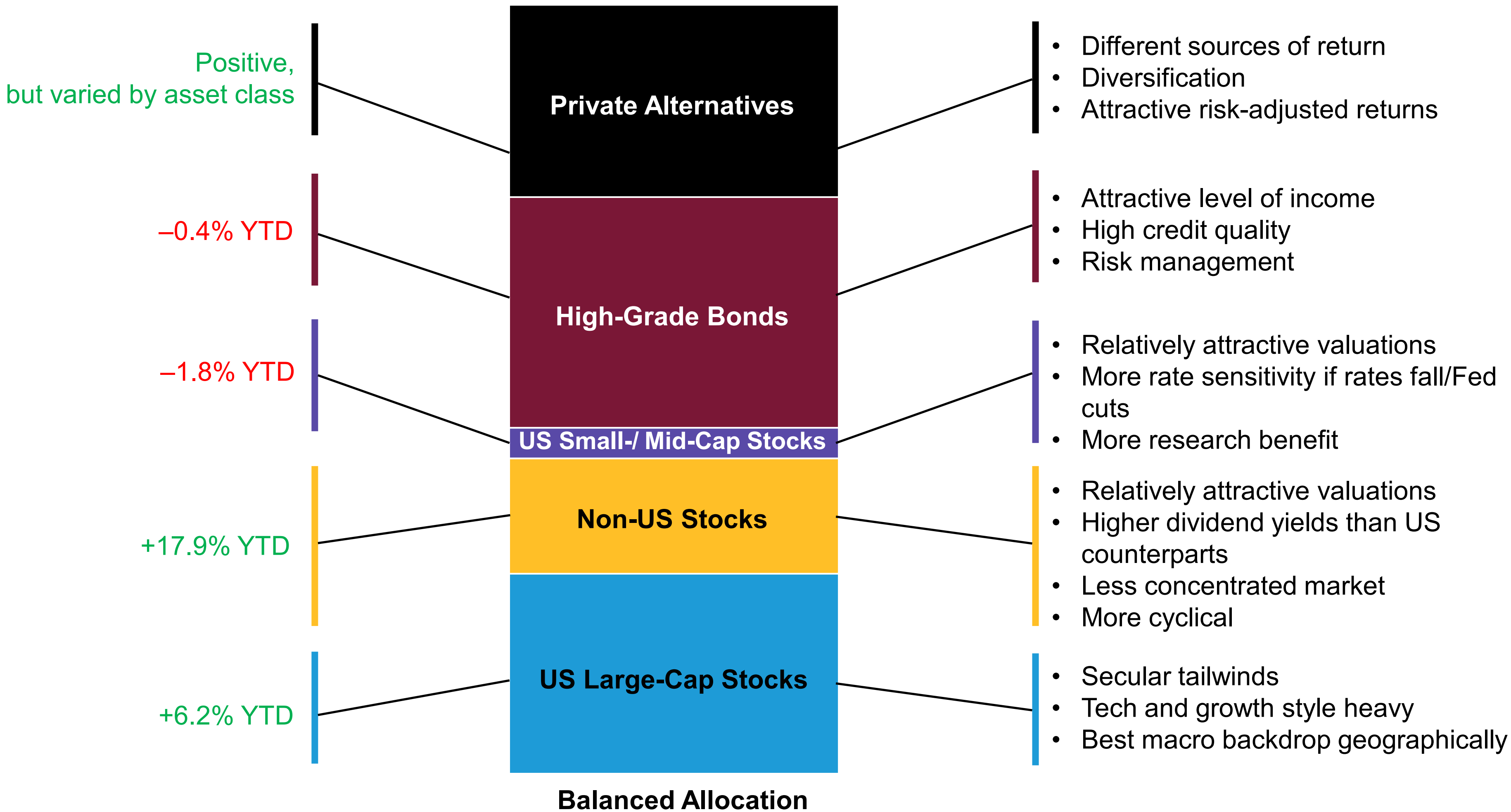
Performance YTD



As of June 30, 2025. **Past performance does not guarantee future results.** Diversification does not eliminate the risk of loss.
*Magnificent 7 represented by the equal, weighted Bloomberg Magnificent 7 Total Return Index.
Source: Bloomberg,S&P, and Bernstein analysis

Why Be Balanced? Preparation for Varied Market Environments

Prudent diversification means that an investor will never own only the best performer

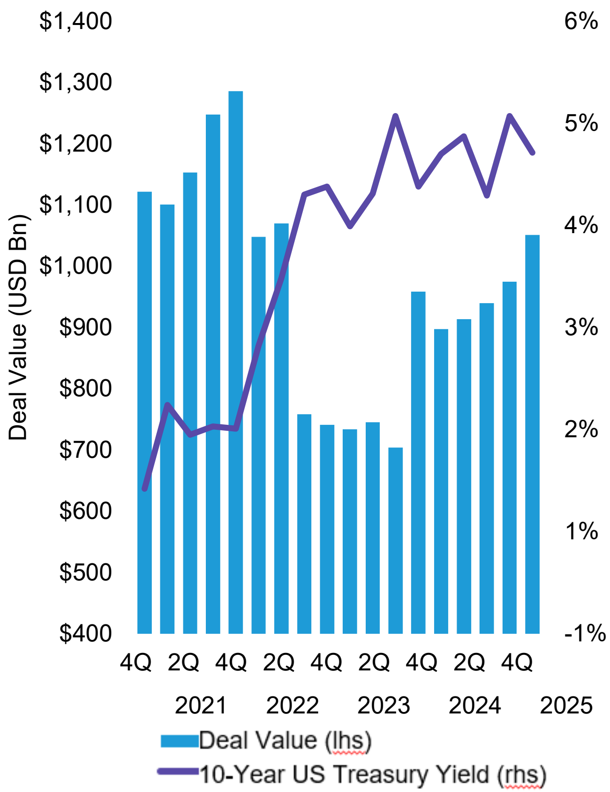


As of June 30, 2025. Diversification does not eliminate the risk of loss. US large-cap stocks represented by the S&P 500 Index, non-US stocks by the MSCI ACWI ex US Index, small-mid-cap stocks by the Russell 2000 Index, high-grade bonds by the Bloomberg Municipal Bond Index.
Source: Bloomberg, HFRI, MSCI, Russell, S&P and Bernstein analysis

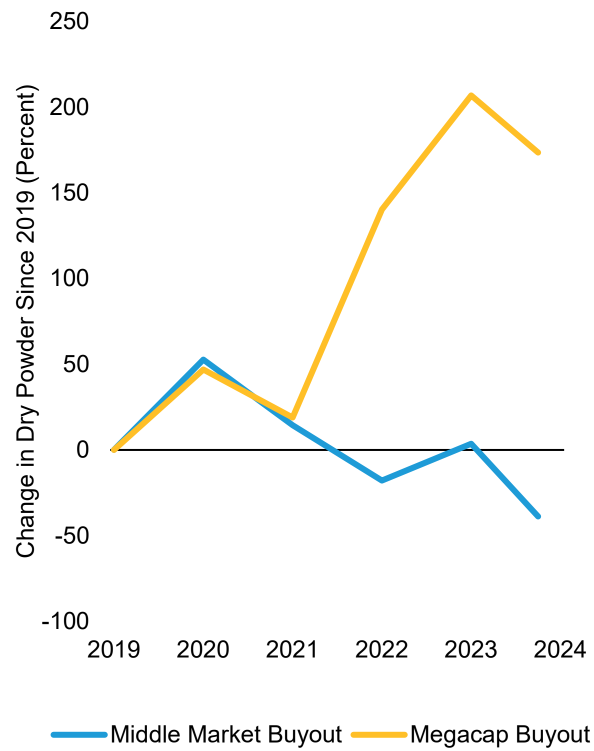
Middle Market Private Equity: Poised for Success

Slowing of transactions has created potential for high deal supply, and weaker fundraising has limited funds available for them

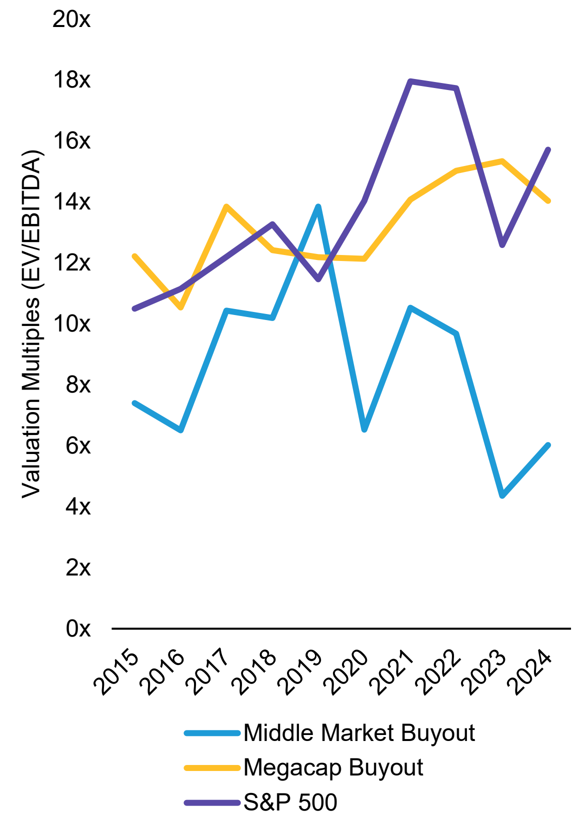
M&A Activity Dropped Off When Rates Rose in 2022



Flows Concentrated in Megafunds, but Middle Market Dry Powder* Is Down



Middle Market PE Valuations Attractive vs. Larger Private and Public Equity

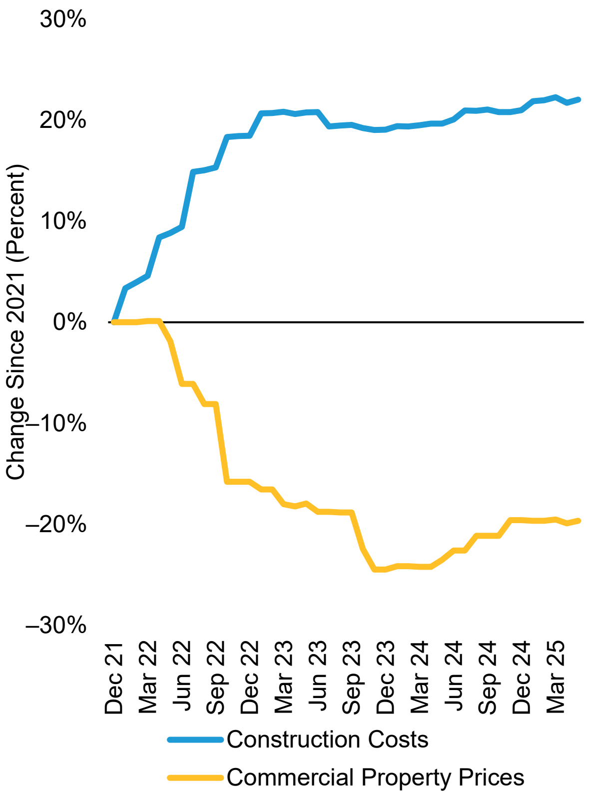


As of June 30, 2025.
*Dry powder refers to capital not yet allocated by a buyout fund to a deal.
Source: FactSet, Pitchbook, Preqin, and Bernstein analysis

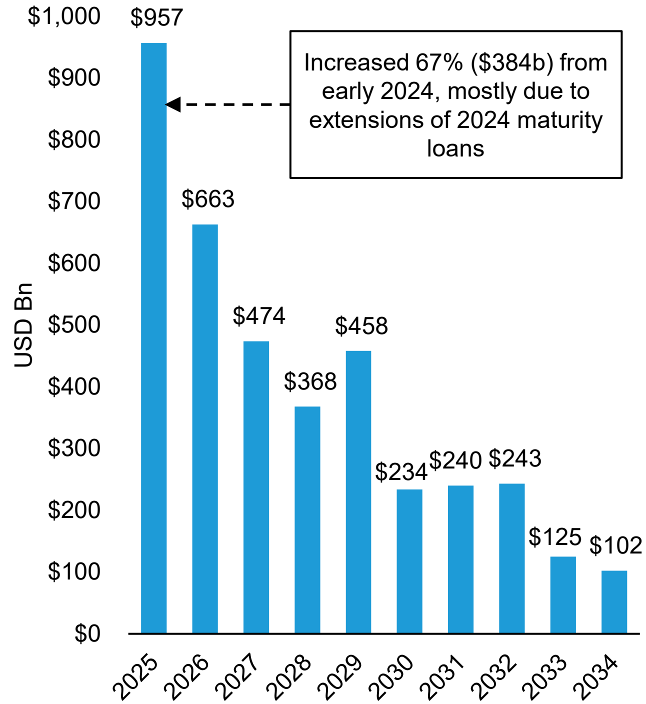
Commercial Real Estate: Stress Presents Potential Opportunity

Higher rates reduced values as rising costs constrained new supply, and maturing debt, illiquidity serve as catalysts for forced seller situations and recapitalizations

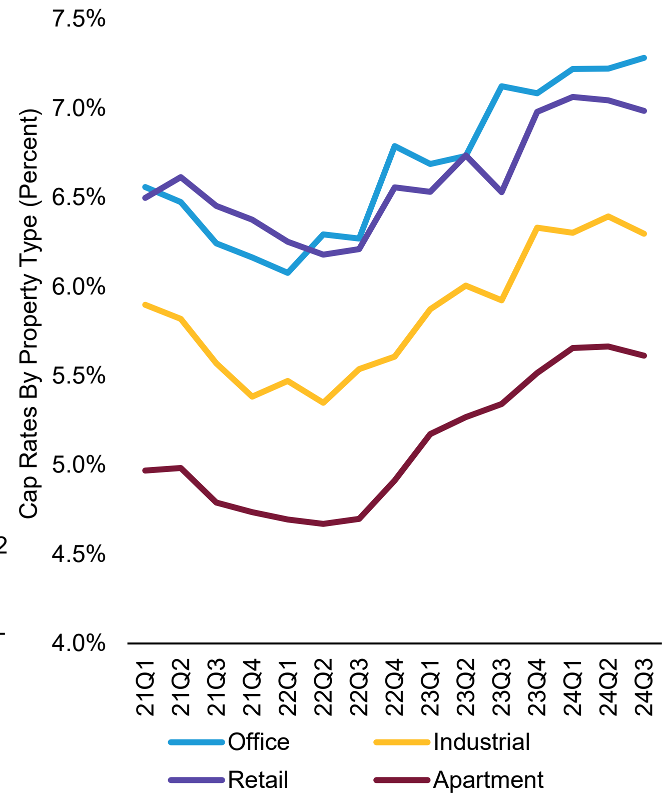
High Development Costs, Low Market Values Set to Limit New Supply



Record Quantities of CRE Debt Maturing in 2025

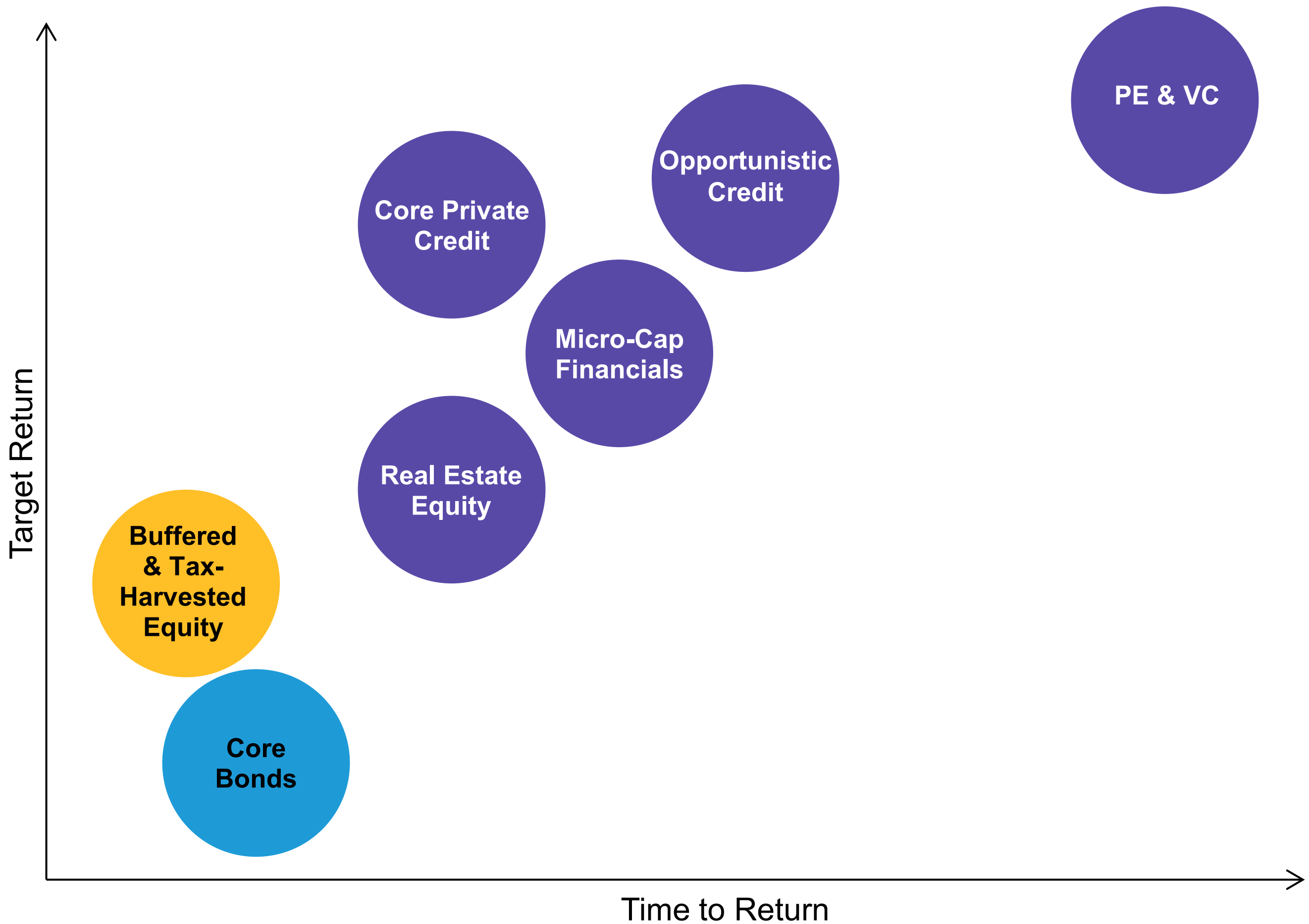


Cap Rates Have Risen, Increasing Yield Potential of New Acquisitions



As of June 30, 2025. **This slide reflects observations related to the past, current, and future state of the real estate market, but there is no guarantee that investment objectives will be realized.** Construction costs represented by PPI Final Construction Cost Index and Commercial Property Prices represented by the Green Street Commercial Property Price Index.
Source: Federal Reserve, Green Street Advisors, Newmark–4Q24 State of the US Capital Markets, and Bernstein analysis.

Best Ideas for 2H 2025



Opportunities Catalyzed by the Current Environment:

Near-Term Volatility
Upside participation with downside risk mitigation or the benefit of active tax-loss harvesting

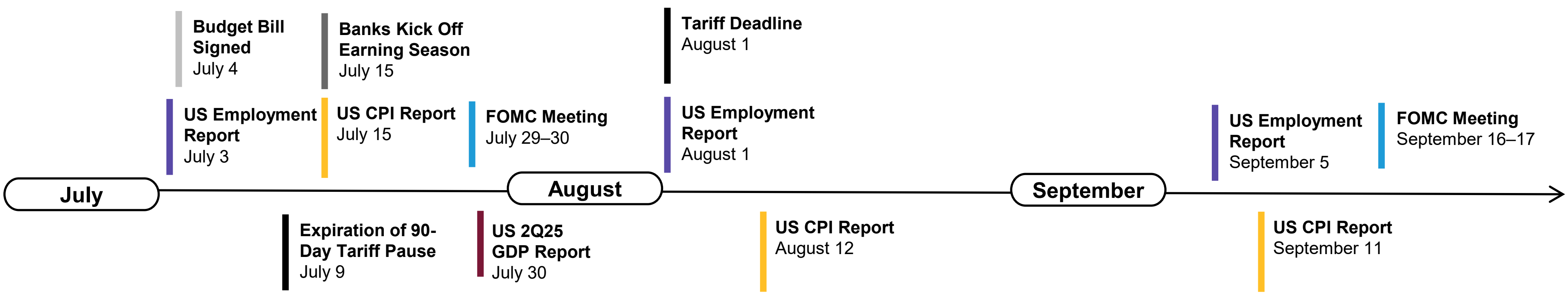
Peak Rates
The hiking cycle has ended, and the economy is expected to slow into 2025. Current yields plus potential for price appreciation look appealing.

Opportunistic
Still-constrained supply of capital and/or other conducive backdrops, e.g. M&A

As of June 30, 2025. **For illustrative purposes only. Past performance is no guarantee of future returns. Target returns are hypothetical performance and not projections, predictions, or guarantees of future performance, and there can be no assurance that the target return will be achieved.**
Source: Bernstein analysis

Appendix

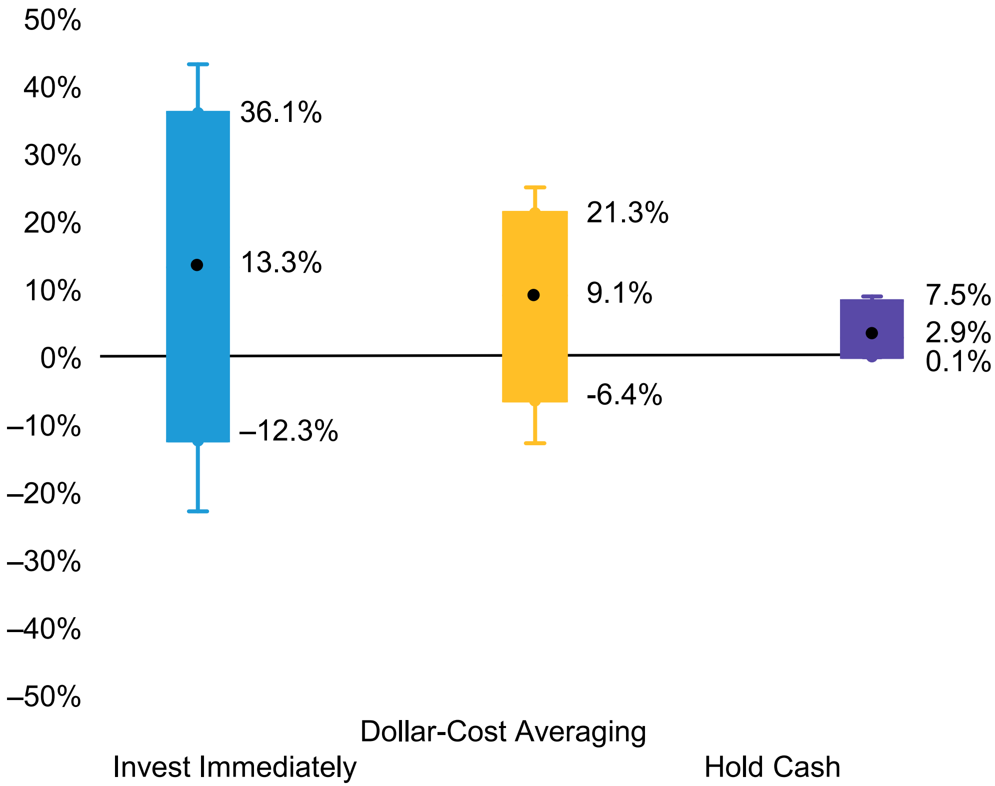
Key Reports and Events to Watch In The Months Ahead



As of July 8, 2025.
Source: Bernstein analysis

Dollar-Cost Averaging: A Useful Tool for Investors?

Range of One-Year Returns



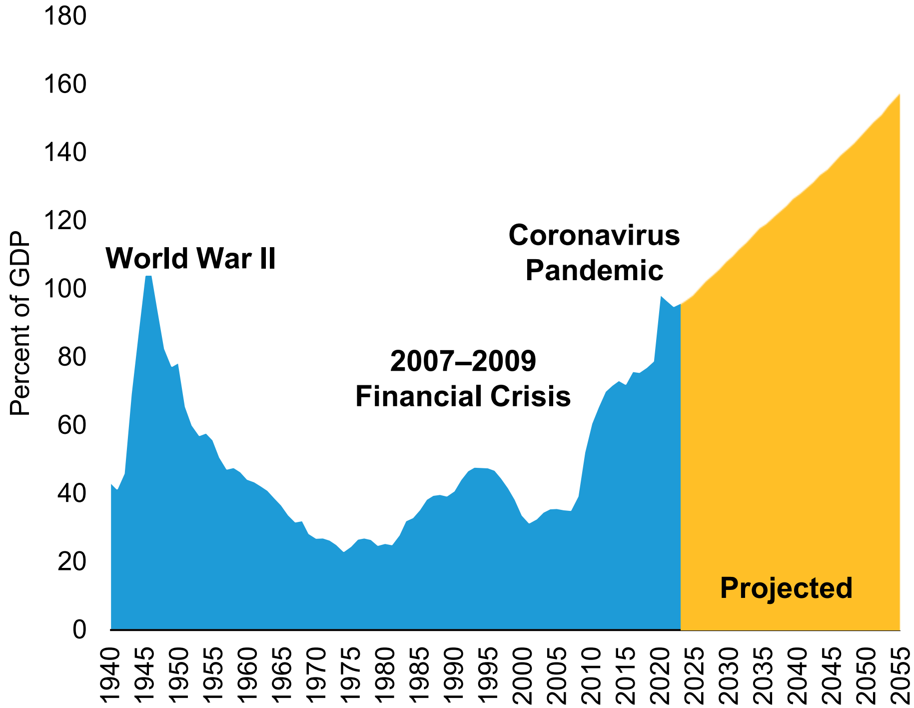
Click Below for Our White Paper Analyzing the Trade-Offs

As of June 30, 2025. **Past performance is no guarantee of future results.**
Right display is through December 31, 2024. This analysis is based on rolling one-year returns for the US large-cap stock market, as represented by the S&P 500 Index, from 1926 to 2024. Dollar-cost averaging assumes equal monthly investments over 12 months. Box and whiskers show 5, 10, 90, and 95 percentiles.
Source: S&P and Bernstein analysis

Warning Lights Are Flashing, but Alarms Are Not Blaring

Perpetual deficit growth might catalyze higher rates, but any moves thus far appear marginal

The Federal Debt Held by the Public Is Projected to Continue to Rise

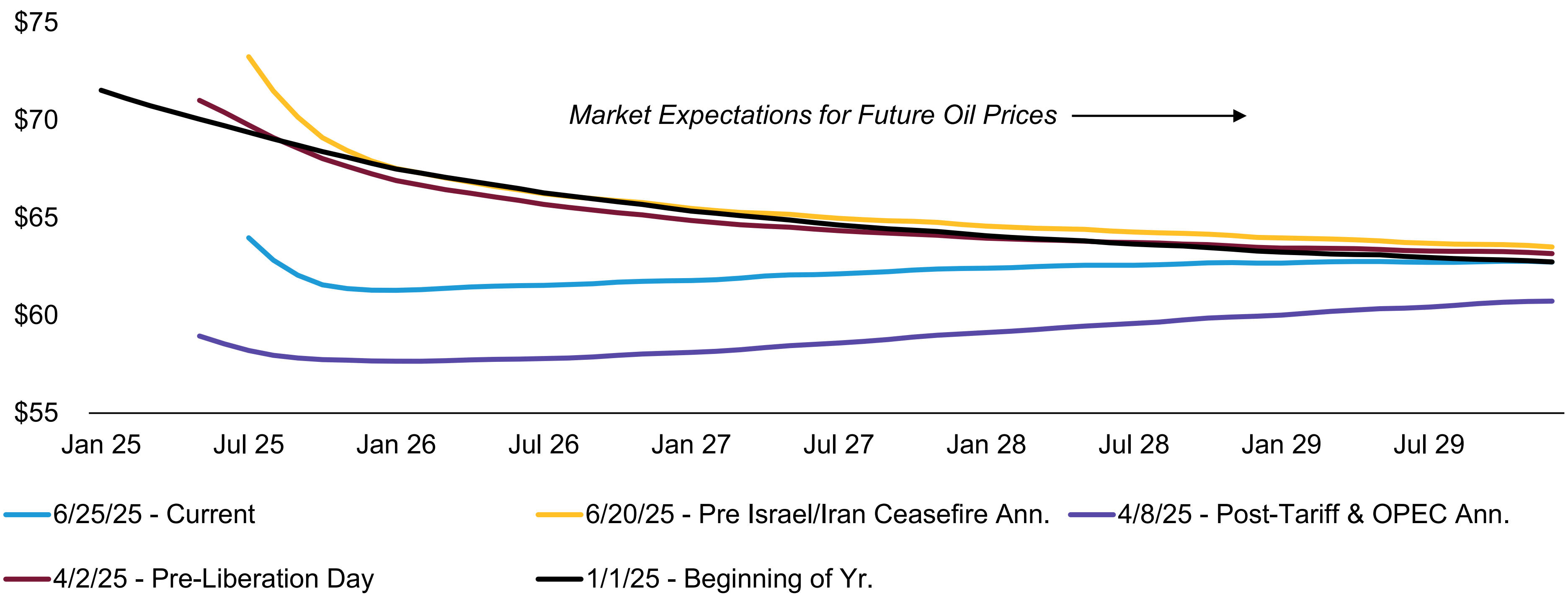


Click Below for Our White Paper for More Insights

As of June 30, 2025. **Historical analysis is not necessarily indicative of future results.**
Source: Congressional Budget Office and Bernstein analysis

No Sustained Price Elevation from Middle East Conflict, Thus Far

Oil Commodity Prices
USD Per Barrel (WTI)



As of June 30, 2025. **Past performance is not necessarily indicative of future results.**
Source: Bloomberg and Bernstein analysis

We’re Very Early in AI Application Discovery

The market is expanding, and existing companies will need to keep reinventing themselves

We Are Here

Stage 1: Public Cloud
Replacing general-purpose server with accelerated computer
Ex: hyperscalers

Stage 2: Reinventing Internet
Adding AI to content recommendation, advertising targeting, personalized advertising,and customer experience
Ex: Meta, Bytedance

Stage 3: Digital Human
Creating enterprise agents (AI graphic designer, AI customer-service agent, AI data scientist), digital chauffeur (self-driving), AI personal assistant on smartphone
Ex: TSLA, AAPL

Stage 4: Physical AI
“Humanoid” AI for large-scale manufacturing and industrial, agriculture, defense, energy exploration, and production activities

As of June 30, 2025.
Source: Bernstein analysis

Extension and Expansion of TCJA – "One Big Beautiful Bill Act"

Key Individual and Business Tax Provisions – Final

Individual Tax Provisions

- Increases estate and gift tax exclusion, and GST exemption, to $15 million effective 2026
- Retains TJCA (Tax Cuts and Jobs Act of 2017) individual income tax rates; top bracket remains 37%
- Retains TCJA standard deductions and Alternative Minimum Tax (AMT) exemptions
- Eliminates certain itemized deductions and adds overall cap limiting deduction benefit to 35%
- Extends pass-through deduction of 20% (IRC § 199A)
- Increases SALT cap to $40,000 with income phaseout at $500,000; expires after 2029
- Permanently maintains current mortgage interest deduction limitation
- Opportunity Zones 2.0 beginning in 2027; capital gain deferral up to five years, 10% basis step-up (30% for qualified rural funds) after five years

Individual Tax Provisions Cont'd.

- Expanded benefits for QSBS issued or acquired after 7/4/2025; 50% exclusion for stocks held three years, 75% for four years, and 100% for five years; increases per issuer exclusion to $15 million and corporate asset limitation to $75 million
- New deductions for tip income, overtime compensation, and auto loan interest through 2028, subject to income phaseouts
- Removes personal exemption; introduces temporary senior deduction through 2028, with income phaseout
- Charitable deductions between $1,000-$2,000 for non-itemizing taxpayers; limits deductions for itemizers to contributions exceeding 0.5% of their income; provides new tax credit for donations to scholarship-granting organizations
- Permanently increases child tax credit, $2,200 per child
- New tax-deferred investment accounts with federal contributions for eligible children born through 2028

Business Tax Provisions

- 100% bonus depreciation
- R&D expensing
- Expands limit on interest deductibility

As of July 7, 2025.
Source: Pub. L. No. 119-21

Geopolitics: Events Rarely Have a Lasting Market Impact

Select geopolitical events since 1970 and S&P 500 returns (percent)

Event	First Trading Day	1 Week	1 Month	1 Quarter	1 Year
Watergate	6/19/1972	–0.1	–1.4	0.4	–3.0
Yom Kippur War*	10/8/1973	1.4	–3.9	–10.0	–43.2
Three Mile Island Accident	3/28/1979	–0.1	–0.7	–0.2	–4.2
Iran Hostage Crisis*	11/5/1979	–1.0	3.6	12.3	24.3
Reagan Assassination Attempt*	3/30/1981	0.6	0.6	–1.6	–16.9
Challenger Space Shuttle	1/28/1986	3.2	9.3	16.8	32.0
Iran-Contra Affair	11/3/1986	0.7	2.1	12.3	3.2
Iraq Invades Kuwait*	8/2/1990	–4.7	–8.9	–12.8	12.8
Desert Storm/First Gulf War*	1/17/1991	4.5	17.2	23.6	36.6
LA Riots	4/29/1992	2.0	2.3	2.8	10.2
WTC Bombing (1993)	2/26/1993	1.2	2.1	2.2	8.3
Oklahoma City Bombing	4/19/1995	1.4	3.1	11.3	30.5
Centennial Park Olympic Bombing	7/29/1996	4.3	4.6	10.8	50.6
Kenya/Tanzania Embassy Bombings	8/7/1998	–1.3	–10.5	5.1	21.0
USS Cole Bombing*	10/12/2000	–1.6	0.2	–2.5	–18.5
Bush-Gore Hanging Chad*	11/7/2000	–5.6	–5.5	–5.3	–20.9
9/11*	9/17/2001	–4.9	–0.9	4.7	–15.5
War in Afghanistan*	10/8/2001	1.9	3.0	9.8	–24.2

Key Takeaway: Stocks have generally shrugged off geopolitical events, since they rarely have a lasting impact on the business cycle.

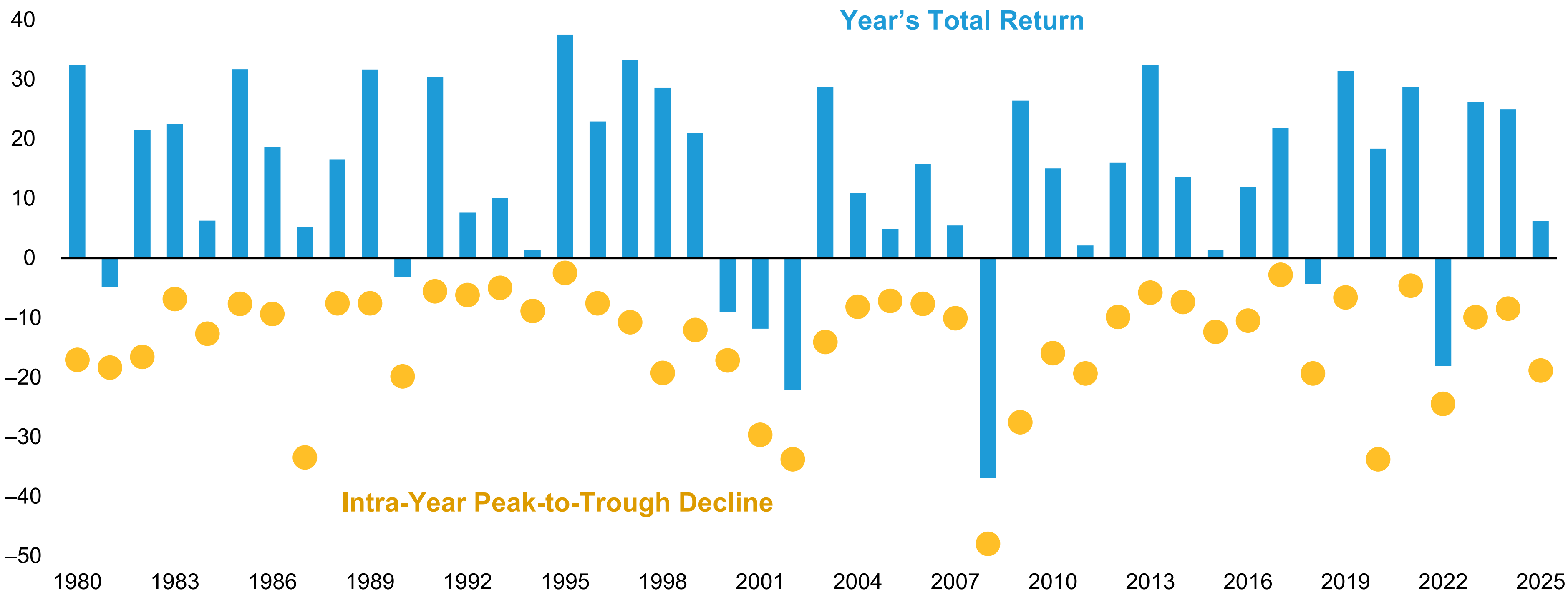
Event	First Trading Day	1 Week	1 Month	1 Quarter	1 Year
SARS†	2/11/2003	–0.1	–3.2	12.2	39.5
Second Gulf War	3/20/2003	–0.5	2.4	14.3	29.2
Madrid Train Bombings	3/11/2004	0.0	1.5	1.5	9.5
Orange Revolution–Ukraine	11/22/2004	1.1	2.2	3.1	8.6
Asian Tsunami	12/27/2004	0.3	–3.4	–2.7	6.8
London Bombings	7/7/2005	2.4	2.7	0.2	8.6
Hurricane Katrina	8/29/2005	1.1	1.0	5.7	9.5
Arab Spring	12/17/2010	1.2	4.2	1.6	0.2
Hurricane Sandy	10/29/2012	1.1	–0.0	7.0	27.3
Boston Marathon Bombing	4/15/2013	–2.1	3.0	6.3	16.7
Russia/Ukraine/Crimea	2/27/2014	1.6	0.5	3.5	16.8
Greek Referendum	11/5/2015	–1.2	–0.3	–8.4	1.4
Brexit	6/24/2016	–0.7	3.1	3.0	17.8
Trump Surprise Election Win	11/8/2016	1.6	5.4	8.1	24.0
Hurricane Harvey/Irma/Maria	8/25/2017	1.4	2.8	7.2	20.2
US-China Trade War‡	1/22/2018	2.2	–2.6	–3.7	–3.1
Coronavirus Outbreak†	3/11/2020	–12.5	2.0	10.1	46.2
Russia Invades Ukraine	2/24/2022	1.8	5.5	–7.8	–7.4
Israel-Hamas War	10/9/2023	0.9	0.4	10.1	35.5

Summary	1 Week	1 Month	1 Quarter	1 Year
Average	0.4	1.2	4.1	10.6
% of Events Negative	36	33	28	28
Conflict/War Avg.	0.9	2.0	3.8	7.0
Terrorism Avg.	–0.1	0.7	4.4	12.4
Political Avg.	–0.2	1.1	2.4	5.3
Environmental Avg.	0.8	–0.1	3.4	11.9
Social/ Public Health Avg.	1.4	2.2	8.1	22.2

As of June 30, 2025. **Past performance does not guarantee future results.**
*Denotes the geopolitical event occurred during a recession or six months prior to the start of a recession
†Date that China officially notified the WHO of the outbreak
‡Tariffs on imports of solar panels and washing machines imposed
Source: Bloomberg, FactSet, National Bureau of Economic Research, S&P 500, World Health Organization, and Bernstein analysis

Stocks Have Mostly Risen Despite Intra-Year Corrections

S&P 500 (%) by Calendar Year

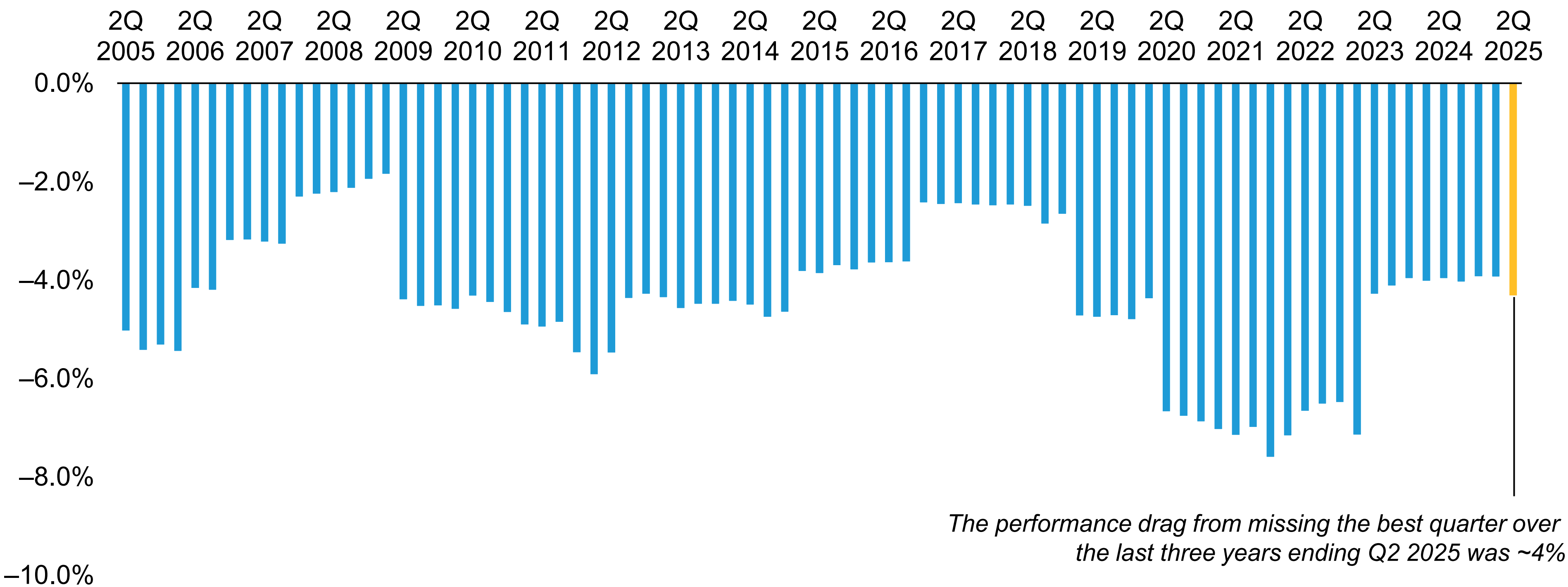


As of June 30, 2025. **Past performance does not guarantee future results.**
Source: FactSet, S&P and AB analysis

De-Risking Can Be Risky

Drag from missing the best quarter during a three-year period

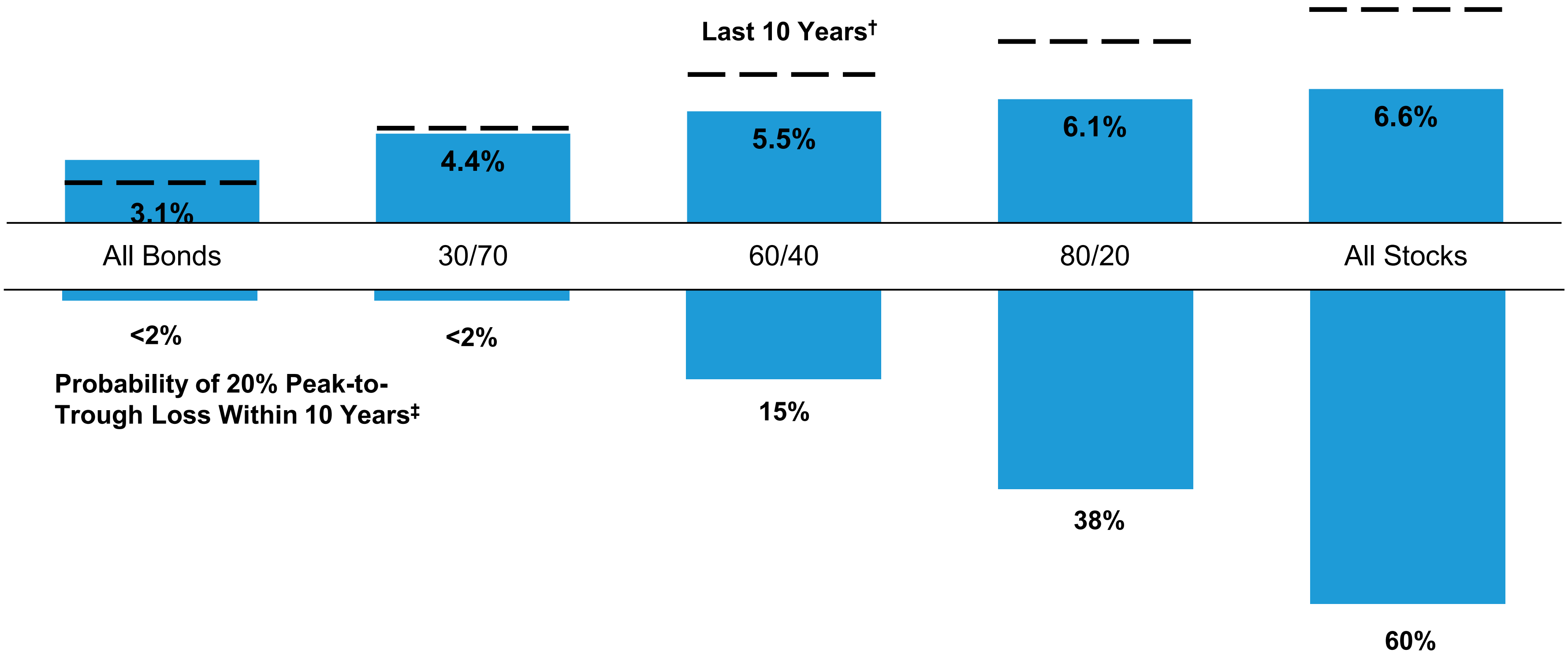
Relative Return, S&P 500, Annualized



As of June 30, 2025. **Past performance is not necessarily indicative of future results.**
Display highlights annualized return excluding best performing quarter minus annualized return including all quarters.
Three-year returns annualized denoted by final quarter of the period. 2Q 2025 represents the partial period ending May 29, 2025.
Source: Bloomberg, S&P, and AB

Expected Returns Across Allocations

Projected median 10-year annualized return*



As of June 30, 2025. **Neither past nor forecasted performance is necessarily indicative of future results. There is no guarantee that any estimates or forecasts will be realized.**
***Median 10-year forecast represents pretax compound annual growth rates and reflects Bernstein's estimates and the capital-market conditions as of December 31, 2024.** Stocks are represented by the MSCI World Index, and bonds are represented by intermediate-term diversified municipals.
†Stocks are represented by the MSCI World Index, and bonds are represented by the Lipper Intermediate Muni Bond Fund Avg.
‡Projections indicate the probability of a peak-to-trough decline in pretax, pre-cash-flow cumulative returns of 20% over the period analyzed. Because the Bernstein Wealth Forecasting System uses annual capital-market returns, the probability of peak-to-trough losses measured on a more frequent basis (such as daily or monthly) may be understated. The probabilities depicted above include an upward adjustment intended to account for the incidence of peak-to-trough losses that do not last an exact number of years. Stocks are represented by the MSCI World Index, and bonds are represented by intermediate-term diversified municipals.
See Notes on the Bernstein Wealth Forecasting System at the end of this presentation for further details.
Source: Bloomberg Barclays, FactSet, Lipper, MSCI, Russell, S&P, and AB

10-Year Capital-Market Projections: Asset Classes

	Median 10-Year Growth Rate	Mean Annual Return	Mean Annual Income	One-Year Volatility	10-Year Annual Equivalent Volatility
Cash Equivalents	3.4%	3.5%	3.5%	0.5%	5.0%
Short-Term Treasuries	3.9%	4.0%	3.8%	1.2%	4.2%
Short-Term Taxables	4.1%	4.2%	4.2%	1.5%	4.3%
Short-Term Diversified Municipals	2.7%	2.8%	2.7%	0.9%	3.0%
Int.-Term Treasuries	4.5%	4.7%	4.2%	5.1%	3.0%
Int.-Term Taxables	4.7%	4.9%	4.6%	5.6%	3.4%
Int.-Term Corporates	4.8%	5.0%	4.9%	6.4%	4.0%
Int.-Term Diversified Municipals	3.1%	3.2%	3.0%	4.6%	3.0%
Global Int.-Term Taxables (Hedged)	4.2%	4.4%	4.0%	4.6%	3.7%
Int.-Term TIPS	4.9%	5.4%	4.7%	3.7%	7.4%
High Yield	5.4%	6.0%	7.7%	12.3%	7.8%
Global Large-Cap (Unhedged)	6.6%	7.8%	2.0%	16.1%	14.9%
US Diversified	5.7%	7.2%	1.6%	17.0%	15.6%
US Value	6.1%	7.6%	1.8%	16.7%	15.4%
US Growth	5.3%	7.2%	1.4%	18.8%	17.1%
US Mid-Cap	5.8%	7.6%	1.5%	18.4%	17.2%
US Small-/Mid-Cap	5.7%	7.7%	1.3%	19.3%	18.0%
US Small-Cap	5.6%	7.9%	1.2%	21.1%	19.9%
Developed International	8.4%	10.3%	3.2%	18.6%	17.1%
Emerging Markets	7.0%	9.9%	2.8%	22.8%	20.0%
Global REITs	6.0%	7.7%	4.5%	18.6%	16.2%
Real Assets	6.1%	7.2%	3.4%	13.9%	14.3%
Diversified Hedge Fund	5.8%	6.1%	3.0%	10.7%	14.9%
Inflation	2.5%	2.9%	n/a	1.5%	6.4%

Based on 10,000 simulated trials each consisting of ten-year periods. Reflects AB's estimates and the capital-market conditions of December 31, 2024. For hedge-fund asset classes, 'Mean Annual Income represents income and short-term capital gains. **Data do not represent past performance and are not a promise or a range of future results.**

Notes on Wealth Forecasting System

1. **Purpose and Description of Wealth Forecasting Analysis**

   Bernstein's Wealth Forecasting Analysis is designed to assist investors in making their long-term investment decisions as to their allocation of investments among categories of financial assets. Our planning tool consists of a four-step process: (1) Client-Profile Input: the client's asset allocation, income, expenses, cash withdrawals, tax rate, risk-tolerance level, goals and other factors; (2) Client Scenarios: in effect, questions the client would like our guidance on, which may touch on issues such as when to retire, what his/her cash-flow stream is likely to be, whether his/her portfolio can beat inflation long-term, and how different asset allocations might impact his/her long-term security; (3) The Capital-Markets Engine: our proprietary model that uses our research and historical data to create a vast range of market returns, which takes into account the linkages within and among the capital markets, as well as their unpredictability; and finally (4) A Probability Distribution of Outcomes: based on the assets invested pursuant to the stated asset allocation, 90% of the estimated ranges of returns and asset values the client could expect to experience are represented within the range established by the 5th and 95th percentiles on "box-and-whiskers" graphs. However, outcomes outside this range are expected to occur 10% of the time; thus, the range does not establish the boundaries for all outcomes. Expected market returns on bonds are derived taking into account yield and other criteria. An important assumption is that stocks will, over time, outperform long bonds by a reasonable amount, although this is in no way a certainty. Moreover, actual future results may not meet Bernstein's estimates of the range of market returns, as these results are subject to a variety of economic, market and other variables. Accordingly, the analysis should not be construed as a promise of actual future results, the actual range of future results or the actual probability that these results will be realized. The information provided here is not intended for public use or distribution beyond our private meeting.

Notes on Wealth Forecasting System

2. Modeled Asset Classes

The following assets or indexes were used in this analysis to represent the various model classes:

Asset Class	Modeled As	Annual Turnover
Cash Equivalents	3-month US Treasury bills	100%
Short-Term Treasuries	US Treasuries of 2-year maturity	50%
Short-Term Taxables	Taxable bonds of 2-year maturity	50%
Short-Term Diversified Municipals	AA-rated diversified municipal bonds of 2-year maturity	50%
Int.-Term Treasuries	US Treasuries of 7-year maturity	30%
Int.-Term Taxables	Taxable bonds of 7-year maturity	30%
Int.-Term Corporates	US investment grade corporate debt of 7-year maturity	30%
Int.-Term Diversified Municipals	AA-rated diversified municipal bonds of 7-year maturity	30%
Global Int.-Term Taxables (Hedged)	50% sovereign and 50% investment grade corporate debt of developed countries of 7-year maturity	30%
Int.-Term TIPS	US TIPS of 7-year maturity	30%
High Yield	Taxable bonds of 7-year maturity with credit characteristics of CSFB High Yield Index II	30%
Global Large-Cap (Unhedged)	MSCI World Index	15%
US Diversified	S&P 500 Index	15%
US Value	S&P/Barra Value Index	15%
US Growth	S&P/Barra Growth Index	15%
US Mid-Cap	Russell Mid-Cap Index	15%
US Small/Mid-Cap	Russell 2500 Index	15%
US Small-Cap	Russell 2000 Index	15%
Developed International	MSCI EAFE Index (Unhedged)	15%
Emerging Markets	MSCI Emerging Markets Index	20%
Global REITs	NAREIT Index	30%
Real Assets	1/3 NAREIT, 1/3 MSCI ACWI Commodity Producer Index, 1/3 DJ-UBS Commodity Futures Index	30%
Diversified Hedge Fund	Diversified Hedge Fund Asset Class	33%

Notes on Wealth Forecasting System

3. **Volatility**
   Volatility is a measure of dispersion of expected returns around the average. The greater the volatility, the more likely it is that returns in any one period will be substantially above or below the expected result. The volatility for each asset class used in this analysis is listed on the Capital-Market Projections page at the end of these Notes. In general, two-thirds of the returns will be within one standard deviation. For example, assuming that stocks are expected to return 8.0% on a compounded basis and the volatility of returns on stocks is 17.0%, in any one year it is likely that two-thirds of the projected returns will be between (8.9)% and 28.8%. With intermediate government bonds, if the expected compound return is assumed to be 5.0% and the volatility is assumed to be 6.0%, two-thirds of the outcomes will typically be between (1.1)% and 11.5%. Bernstein's forecast of volatility is based on historical data and incorporates Bernstein's judgment that the volatility of fixed income assets is different for different time periods.

4. **Technical Assumptions**
   Bernstein's Wealth Forecasting System is based on a number of technical assumptions regarding the future behavior of financial markets. Bernstein's Capital Markets Engine is the module responsible for creating simulations of returns in the capital markets. These simulations are based on inputs that summarize the current condition of the capital markets as of June 30, 2024. Therefore, the first 12-month period of simulated returns represents the period from June 30, 2024, through June 30, 2025, and not necessarily the calendar year of 2024. A description of these technical assumptions is available on request.

5. **Expenses and Spending Plans (Withdrawals)**
   All results are generally shown after applicable taxes and after anticipated withdrawals and/or additions, unless otherwise noted. Liquidations may result in realized gains or losses, which will have capital gains tax implications.

6. **Tax Implications**
   Before making any asset allocation decisions, an investor should review with his/her tax advisor the tax liabilities incurred by the different investment alternatives presented herein, including any capital gains that would be incurred as a result of liquidating all or part of his/her portfolio, retirement-plan distributions, investments in municipal or taxable bonds, etc. Bernstein does not provide tax, legal, or accounting advice. In considering this material, you should discuss your individual circumstances with professionals in those areas before making any decisions.

Notes on Wealth Forecasting System

7. **Tax Rates**
   Bernstein's Wealth Forecasting Analysis has used the following tax rates for this analysis:

Taxpayer	Scenario	Start Year	End Year	Federal Income Tax Rate	Federal Capital Gains Tax Rate	State Income Tax Rate	State Capital Gains Tax Rate	Tax Method Type
Client	All	2024	2025	40.8%	23.8%	0.0%	0.0%	Top Marginal
Client	All	2026	2034	43.4%	23.8%	0.0%	0.0%	Top Marginal

The federal income tax rate represents Bernstein's estimate of either the top marginal tax bracket or an "average" rate calculated based upon the marginal rate schedule. The federal capital gains tax rate is represented by the lesser of the top marginal income tax bracket or the current cap on capital gains for an individual or corporation, as applicable. Federal tax rates are blended with applicable state tax rates by including, among other things, federal deductions for state income and capital gains taxes. The state income tax rate represents Bernstein's estimate of the 'average' rate calculated based upon the applicable state's marginal tax schedule. Where an applicable state tax code permits the exclusion of a portion of capital gain income from gross income for purposes of calculating state income tax, such exclusions have been included in the calculation.

Summary Notes on Our Capital Markets Engine

Effective investment planning requires an understanding of the plausible range of long-term investment outcomes. Through careful use of historical data and proprietary research, the AllianceBernstein Global Capital Markets Engine projects—via simulation—the future behavior of asset classes and instruments.

As we considered the problem, it became clear that a CME must be:

- Globally integrated—that is, cover all geographies in a consistent manner
- Complete—address all major investment choices
- Flexible on currency—support major currencies and their various roles
- Forward looking—properly reflect initial market conditions and their often pervasive impact
- Dynamic—incorporate realistic time-series patterns, resulting in a term structure of risk and return
- Logical—uphold accounting rules and the temporal, economic and inner logic of markets
- Humble—recognize what is unknown and/or unknowable

We believe the AllianceBernstein CME meets all the above requirements—to our knowledge, uniquely.

The CME recognizes that many of the same underlying economic and fundamental forces ("building blocks"—such as inflation, term, credit, earnings, size, style, alpha and liquidity) drive long-term asset returns across all markets. CME simulations are based on a number of technical assumptions—which may or may not prove valid—regarding the future behavior of financial markets. These include the reversion of building blocks and returns toward equilibrium or "normal" values that in turn vary.

The simulations are driven off initial market conditions that summarize the state of capital markets as of the date indicated. The simulated returns are intended for strategic-planning purposes only; they are not meant to be used to time the market and are not a guarantee of future returns. Projections are updated semiannually and are reviewed by a committee of senior investment and research personnel.

The CME's long-term projections are distinct from the short-term (one-year) risk and return projections of our Dynamic Asset Allocation model, although the two models have some elements in common.

Glossary of Risk and Return Statistics

Summary statistics are based on 10,000 simulated trials. Along each trial (or “path”), price changes and cash flows are projected at an annual interval, out to 50 years. Statistics are computed based on the ranges of outcomes across these paths.

Median Annualized Growth Rate is the annualized median across paths of the compound return over the path to the horizon indicated. This number should not be used in a portfolio optimizer—it reflects the asset class in isolation and can be compared with historical growth rates.

Mean Arithmetic Average Return is the average return across all years and paths to the horizon indicated. It reflects the return that you can expect in a typical year. This number can be entered into a portfolio optimizer.

First-Year Volatility is the standard deviation of log returns across all paths in the first simulated year. It is typically comparable to historical volatilities.

The Dispersion of Cumulative Returns is expressed on an annualized basis as **Annual Equivalent Volatility**; more technically, it is the standard deviation of log cumulative returns, divided by the square root of the horizon in years. If the annual returns are serially independent and identically distributed, then dispersion will equal first-year volatility. When returns are mean reverting—as for equities whose fundamentals and valuations follow the business cycle—dispersion is smaller than first-year volatility. When returns are persistent—as for bonds driven by yield momentum—dispersion exceeds first-year volatility.

Correlation is measured analogously to dispersion by looking at compound returns across the paths—not by looking along a single path, as the historical estimate implicitly does. Looking historically, we would find that interest-rate levels on cash and bonds have generally moved in tandem, resulting in a positive correlation between them. In CME, if interest rates steadily rise on a particular 10-year path, cash tends to fare better than on the median interest-rate path, while bonds fare worse. So across all paths, cash and bonds are negatively correlated. This perspective is better suited to forward-looking analysis.

Index Descriptions

The **Bloomberg Global High Yield Index** represents noninvestment-grade fixed-income securities of companies in the US, developed, and emerging markets.

The **Bloomberg US Treasury Index** represents the performance of US Treasuries within the US government fixed-income market.

The **Bloomberg 1–10-Year Municipal Bond Index** represents the performance of the long-term tax-exempt bond market consisting of investment-grade bonds.

The **S&P Global Real Estate Investment Trust (REIT) Index** measures the securitized REITs from both developed and emerging markets. REITs act as operating companies that purchase, manage, invest in, maintain, and market real estate.

The **MSCI All-Country World Index (ACWI)** is a market-capitalization-weighted index designed to provide a broad measure of equity market performance throughout the world.

The **MSCI ACWI Commodity Producers Index** is a free-float-adjusted market-capitalization-weighted index that is designed to track the performance of global listed commodity producers.

The **MSCI EAFE (Europe, Australasia, Far East) Index** is a free-float-adjusted, market-capitalization-weighted index that is designed to measure developed-market equity performance, excluding the US and Canada.

The **MSCI Emerging Markets Index** is a free-float-adjusted, market-capitalization-weighted index that is designed to measure equity market performance in the global emerging markets.

The **MSCI USA Index** is a free-float-adjusted, market-capitalization-weighted index that is designed to measure large- and mid-cap US equity market performance.

The **MSCI USA Minimum Volatility Index** aims to reflect the performance characteristics of a minimum variance strategy applied to the US large- and mid-cap equity universe. The index is calculated by optimizing the MSCI USA Index, its parent index, for the lowest absolute risk (within a given set of constraints). Historically, the index has shown lower beta and volatility characteristics relative to the MSCI USA Index.

The **MSCI World Index** is a free-float-adjusted, market-capitalization-weighted index that is designed to measure global developed-market equity performance.

The **Russell 1000® Growth Index** measures the performance of those Russell 1000 companies with higher price-to-book ratios and higher forecasted growth values.*

The **Russell 1000® Value Index** measures the performance of those Russell 1000 companies with lower price-to-book ratios and lower forecasted growth values.*

The unmanaged **S&P 500 Index** comprises 500 large-capitalization US stocks and is a common measure of the performance of the US stock market.

*The Russell Index methodology results in some companies appearing in both the growth and value indices.

Glossary

Active Management: Managing a portfolio through security selection designed to outperform the portfolio's benchmark.

Active Share: The degree of difference between a portfolio and its benchmark index, calculated using the weight of individual securities in the portfolio relative to the benchmark. Active share varies between 0% (a portfolio that mirrors its benchmark) and 100% (a portfolio totally different from its benchmark).

Central Bank Policy: The monetary stance taken by a country's central bank, which can vary from extremely accommodative (keeping short-term interest rates very low, typical when economic growth is slow or negative) to extremely tight (raising rates to high levels, typical when inflation is very high).

Correlation: The degree to which two or more securities, asset classes, and/or benchmarks perform in the same direction and magnitude; a lower correlation is generally favorable for active management, and a higher correlation for passive management.

Dispersion (of returns): The difference in return, often between the best- and worst-performing security in a given asset class or investment category. Generally, the higher the dispersion, the more favorable for active management.

Distressed-Credit Hedge Fund: A hedge fund that invests in the debt of companies in financial trouble, including companies that may file for bankruptcy in the near future. If the company emerges from its distress, its debt will sell far above the price paid by the fund.

Duration: For bonds, a measure of interest-rate risk akin to, but more sensitive than, maturity. For every year of a bond's duration, its price can be expected to fall 1% with every one-percentage-point increase in interest rates, or rise 1% with every one-percentage-point decrease in rates.

Dynamic Asset Allocation: Bernstein's research-based tactical-risk-management service (*see below*), designed to reduce the volatility of a balanced-asset portfolio without sacrificing return.

Event-Driven Hedge Fund: Event-driven strategies take advantage of transaction announcements and other one-time events; one example is merger-arbitrage funds, which buy the stock of a target company and hedge the purchase by selling short the stock of the acquiring company.

Global Macro Hedge Fund: A hedge fund that bases its holdings primarily on overall economic and political views of various countries.

Hedging (currency): Using futures and other contracts to exchange one currency for another; for US investors, hedging is generally exchanging a non-US currency for dollars.

Glossary (cont.)

Inflation-Protected Bonds: Bonds whose values are indexed to inflation, normally adjusted on a semiannual basis. The most well known are Treasury Inflation-Protected Securities, or TIPS. Inflation-protected bonds are designed to shield investors from the negative impact of inflation.

Liquidity: The ease with which assets can be traded; the degree of liquidity for any given asset class or security depends on the prevailing market conditions, dealer inventories, and other factors.

Long/Short Hedge Fund: A hedge fund that takes "long" positions—positions of securities bought in the expectation that they will appreciate in value—as well as short-selling other positions, anticipating that they will decline in value. In short selling, the investor generally sells a borrowed security in the expectation that its price will decline and hence can be bought back at a lower price.

Passive Management: Managing a portfolio to essentially duplicate its benchmark index.

Price/Book Ratio: A stock's current price divided by its book value: its total tangible assets minus its liabilities. A lower price-to-book ratio indicates a low price for a stock relative to the value of its underlying assets.

Price/Earnings Ratio: A stock's current price divided by the company's historical or projected earnings per share. A lower price/earnings ratio indicates a low price for a stock relative to its earnings history or potential. The **cyclically adjusted or Shiller P/E**, usually applied to the broad S&P 500 market, generally uses the average of the past 10 years of earnings, adjusted for inflation.

Real Assets: Assets that have tangible value, or are based on assets with tangible value, such as real estate, commodities, and commodity futures.

Roll (bonds): The tendency of a bond to sell for premium returns before maturity as long as the yield curve (*see below*) is upward-sloping, since its coupon rate is normally competing with lower rates as it "rolls down the yield curve." Roll is a component of bond returns that active managers can exploit.

Tactical Risk Management: Varying the allocation of asset classes in a portfolio in line with generally short-term forecasts of risk and return.

Yield: The income return from an investment, typically based on the interest paid by a bond or the dividends paid by a stock; usually expressed as a percentage based on the security's cost, market value, or face value.

Yield Curve: The relationship between the yields being offered by bonds at any given time and their maturity; normally, the curve is upward-sloping, but flat or inverted yield curves are not uncommon. Different yield-curve shapes suggest different optimal maturity configurations for a portfolio.

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BPWM-714853-2025-04-04