



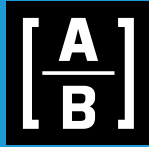
ALLIANCEBERNSTEIN®

The Case for a New Regime:

Deglobalization, Demographics, Climate and AI

July 2026

Inigo Fraser Jenkins



ALLIANCEBERNSTEIN®

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Contents

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 - How large can the AI productivity boost be?
 - If one is positive on AI productivity does one have to be necessarily negative on the future of labour?
 - Geopolitical dislocation and return of the physical economy – supply chains matter
- US Exceptionalism? De-dollarization, gold, crypto, commodities and tokenised assets
- Idiosyncratic Alpha and the Total Portfolio Approach
- Tactical outlook for risk assets
- Does the trade into private assets have further to go?
- Global Equities: a real asset?

Strategic Asset Class Views

Asset Class	Recommendation vs. 60/40	Comment
Developed Equities	Overweight	
US Large Cap	+	Real asset; attractive long-term returns; 'US exceptionalism' still holds. Valuation and market concentration are sources of risk.
International Developed	Neutral	Attractive valuations but greater drag on growth from demographics and deglobalisation than US; Trump win negative for eurozone outlook.
EM Equities	Underweight	
EM x China	+	Positive growth premium over DM; better demographics (India, Africa); structural sentiment measures supportive; deglobalisation to improve the diversification role of EM; geopolitics and policy are risks in some countries; Trump poses increased risks to outlook (protectionism, higher USD).
China	-	Poor demographics, real estate overhang. Policy and geopolitical risks to outlook despite cheap valuations.
Style Premia/Sectors		
US Growth	+	Expensive but structural tailwinds (greater persistency of ROE; Tech and AI theme exposure).
EAFE DY	+	Attractive valuations; defensive properties and vol reduction for a less robust strategic outlook outside of the US; attractive source of Income.
Healthcare Sector	+	Attractive valuations and light positioning provide good entry point despite policy risks; defensive exposure; beneficiary of strategic tail winds such as demographics and AI; provides source of structural growth, inflation protection and enhanced portfolio resilience.
Duration	Underweight	
US gvt Long	-	Structural risks: fiscal sustainability, de-dollarization. Inflation volatility; diminishing diversification role;
US gvt Short	+	Better compensation for (lower) risk than long bonds
Europe gvt bonds	-	Yields attractive vs history. balanced against this is geopolitical and domestic political risk
Real Assets	Overweight*	
REITs & Natural Resources Assets	+	Real asset, Strategic inflation hedge. Includes non-gold commodities
US TIPS	+	Attractive long-term returns; inflation protection.
Infrastructure	+	Inflation protection in the form of offering positive long term real return in both moderate and high inflation environments. Beneficiary of energy transition
Private Assets	Overweight*	
Private Equity	Neutral	Expect zero multiple expansion in aggregate, higher cost of debt than most of its history. Many investors are already o/w. High fee and liquidity concerns
Private Debt	+	Attractive current and prospective yield. Floating nature provides inflation protection. Beneficiary of retrenchment by traditional providers of credit
Non-Fiat	Overweight*	
Gold and Crypto	+	Hedge against debasement risk for G7 currencies, de-dollarization beneficiary

Historical analysis and current forecasts do not guarantee future results.

*Asset has small or no BM allocation. Source: AB



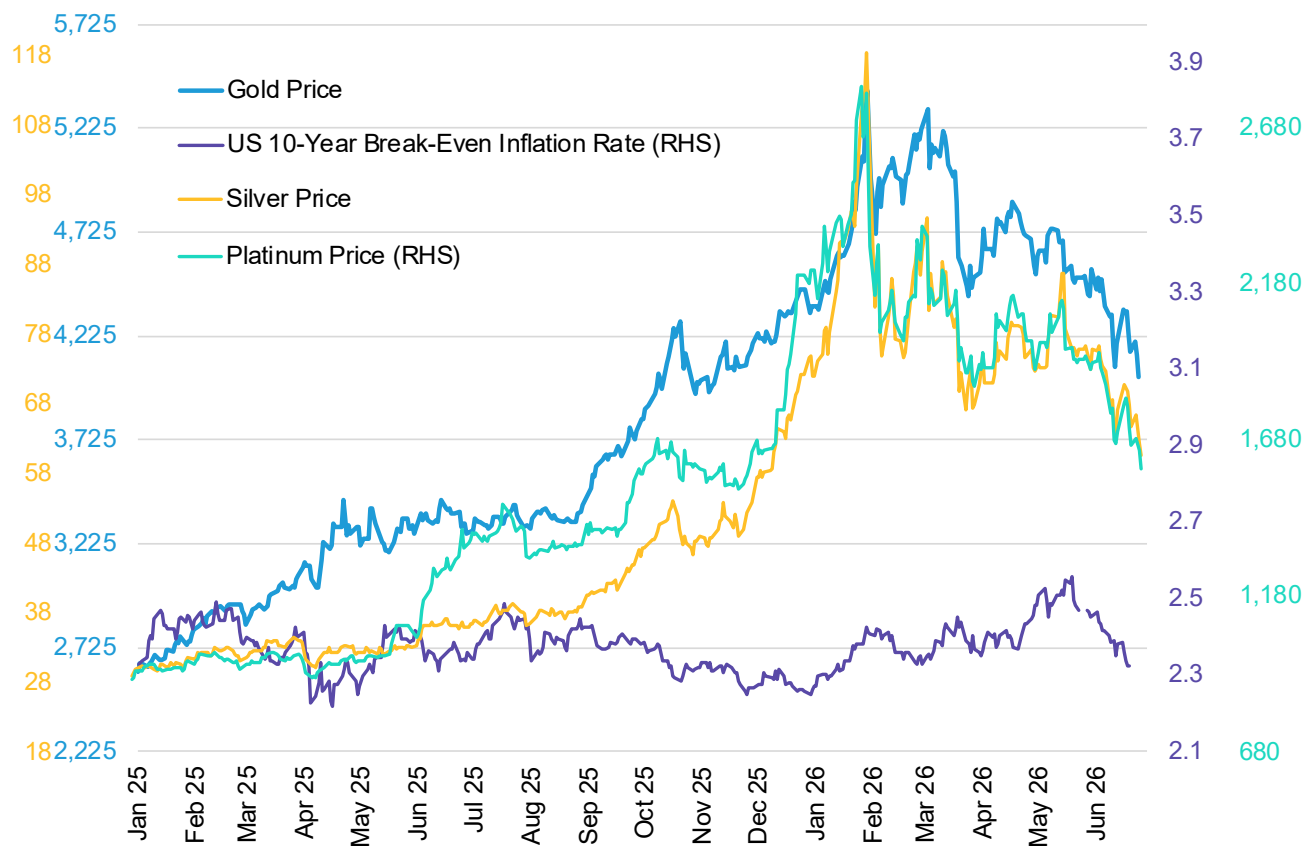
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The Case for a New Regime



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Gold, Silver and Platinum Have Rallied While Inflation Expectations Haven't Moved



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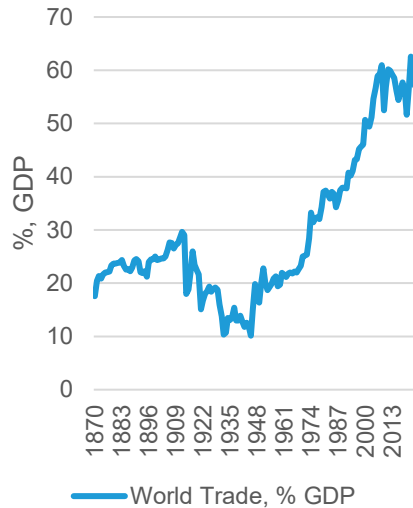
Data as of June 24, 2026. Source: Macrobond and AB



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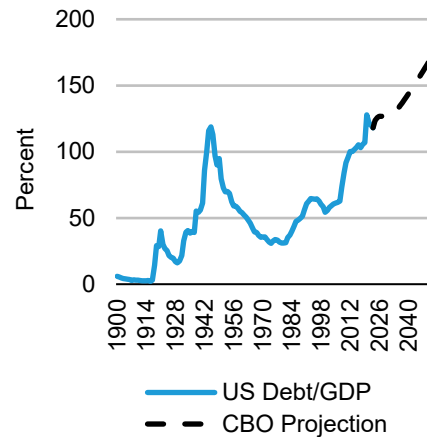
Mega Forces Imply a New Investment Regime

Deglobalization/Geopolitics



- Fragmented labor, supply chains, constraints to growth

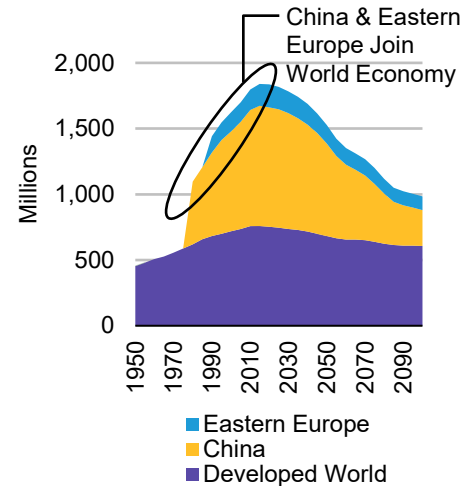
Public Debt



- Inflation as the least painful path?

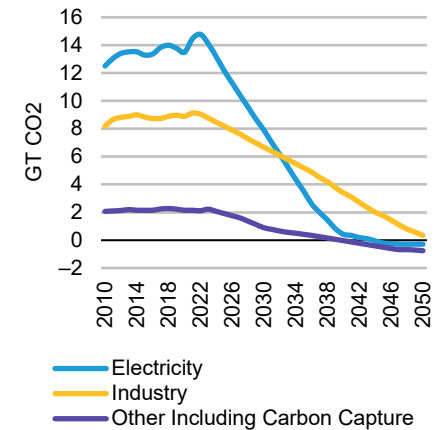
Demographics†

Working-age population



- Smaller labor force wage bargaining power? Greater cost of care

Energy Transition Will Take Much Longer



- Higher volatility of inflation

Bottom line: Higher equilibrium inflation, lower real growth

Historical analysis and current forecasts do not guarantee future results. *Trade is the sum of exports and imports of goods and services measured as a share of gross domestic product. †The shaded areas represent size of population aged 20–65 in regions shown.

Left display as of December 31, 2024; middle right display as of December 4, 2024

Source: www.ourworldindata.org, Macrobond, UN Population Division, The World Bank and AB

How Does AI Change Investing?

Positive Forces for Investors

- The hope: greater productivity and higher growth
- Corporates in the driving seat – increase to US profit share
- Improved healthcare outcomes: longer effective working ages

Markets tend to price these forces quickly

Negative Forces for Investors

- Near-term rapid job dislocation
- Social implications of increased profit share
- Greater wealth inequality (richest cohort gets richer while destroying jobs?)
- Political impact: Is AI compatible with democracy?
- AI implies greater uncertainty in geopolitics (Kissinger thesis)

Markets tend to be bad at pricing this, risks saved up for a future day?

Can AI Compensate for Downward Forces on Growth?

Changes in growth rates compared to 1980-2020 rate, pppa

US		Positive Outcome	Mid	Negative Outcome
Demographics	Immigration continues at recent pace	-0.6		
	Mid		-0.8	
	Harsh immigration policy			-0.9
Climate	Climate change has no impact on growth	0		
	Academic Research Average		-0.3	
	NGFS			-0.6
Labour-capital share	Corporates take more	0.1		
	Constant share		0	
	Labour claws back share			-0.1
AI	Required boost from AI	0.5	1.1	1.6
	Techno-optimist	2.5		
	Average of recent academic studies		1	
	Acemoglu (2024)			0.1

Current analysis does not guarantee future results.

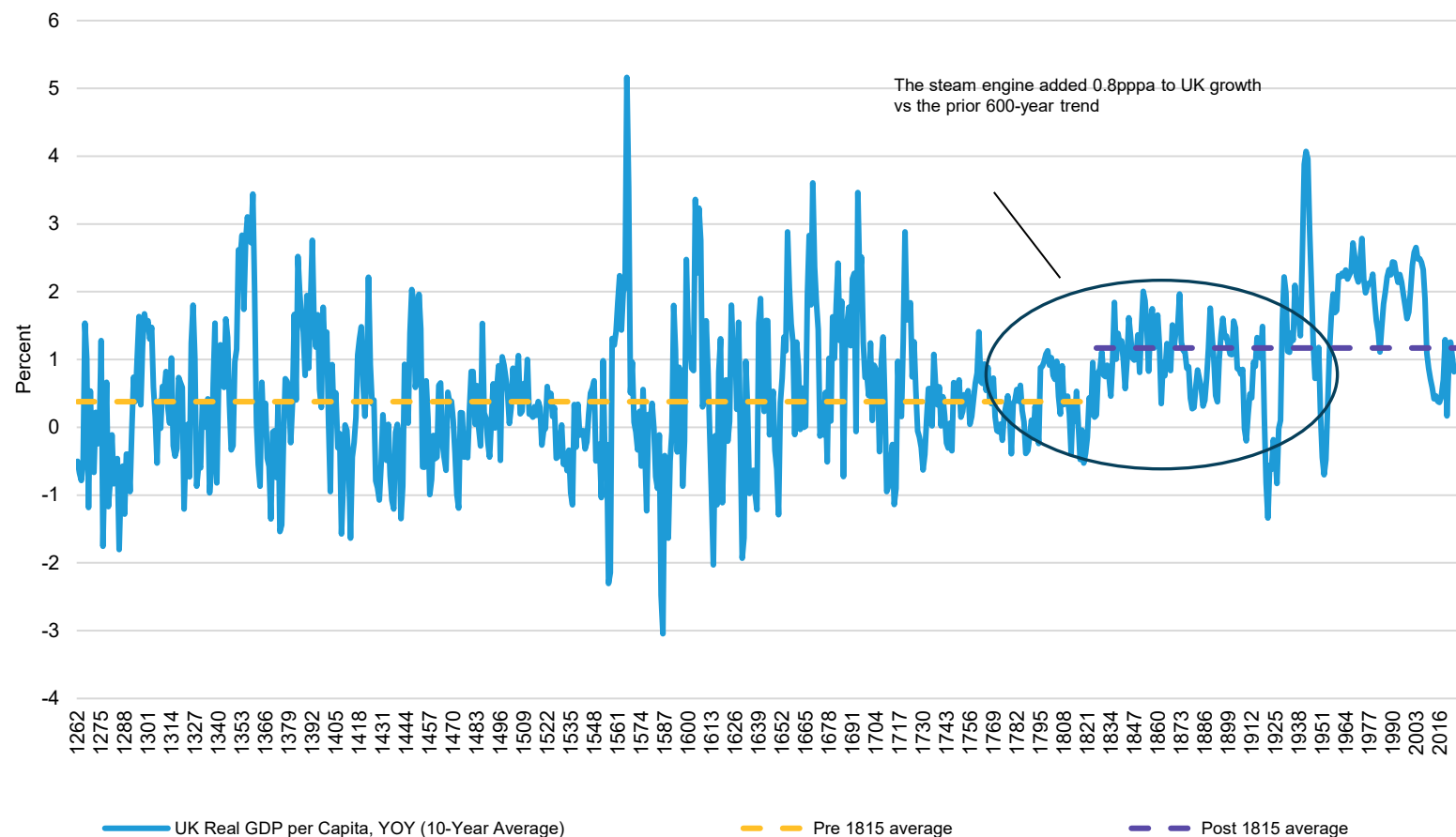
Source: AB



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Reality Check: Comparing AI to the Steam Engine

UK Real GDP per Capita Growth Since 1262 (10-Year Average)



Current analysis does not guarantee future results.

Data as of September 4, 2025

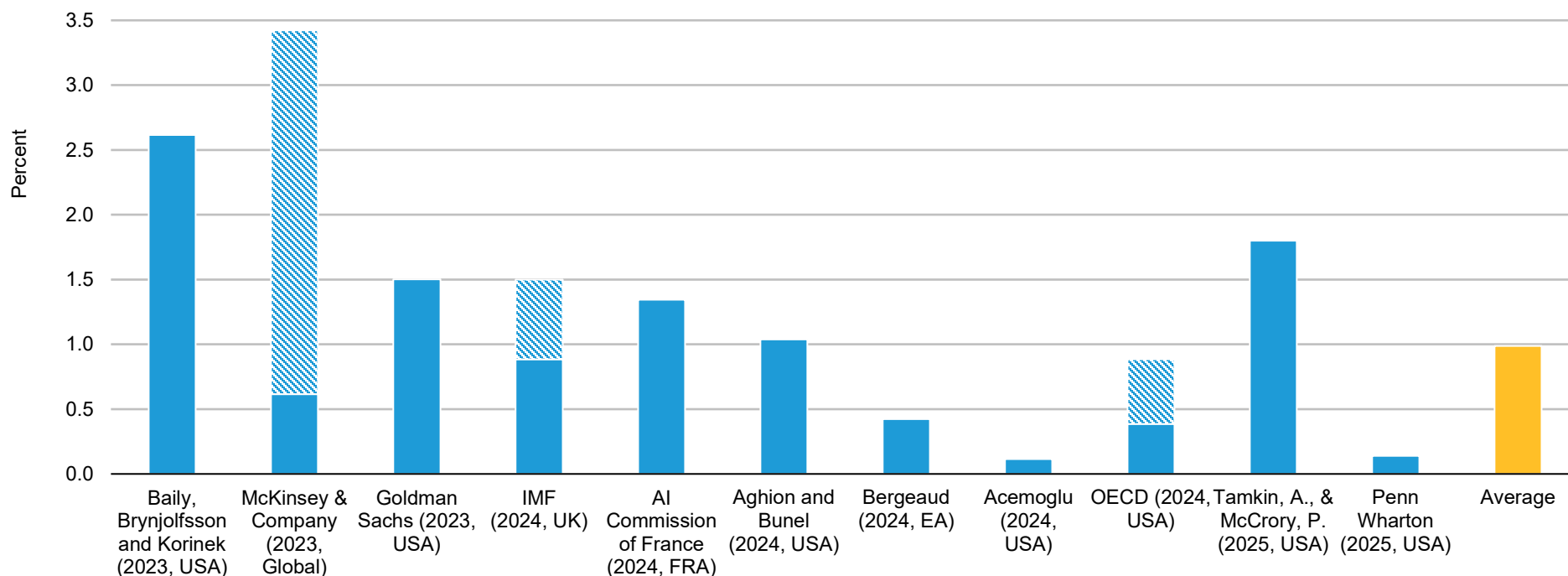
Source: Maddison Project Database 2020, Macrobond, Bergeaud, A., Cetto, G. and Lecat, R. (2016): "Productivity Trends in Advanced Countries between 1890 and 2012", BOE, and AB



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Comparing Predicted AI Impact from Different Academic Studies

- Academic forecasts for productivity growth from AI show a massive range
- The average is close to the 1ppa rate that is required to keep growth constant, but that is not a net increase in growth, and ignores the potential broader negative effects



Current analysis does not guarantee future results.

ppa: percent per annum. Notes: When the source presents a range of estimates as the main result, the lower and upper bounds are indicated by striped areas. In cases where predictions are made for total factor productivity, predicted labor productivity gains are obtained by assuming a standard long-run multiplier of 1.5 regarding the adjustment of the capital stock (Acemoglu, Aghion and Bunel, Bergeaud, and OECD). The estimates refer to the countries shown in brackets. As of December 18, 2025. Source: AI Commission of France; Alex Tamkin and Peter McCrory, *Estimating AI Productivity Gains from Claude Conversations*, Anthropic, November 5, 2025; Alexander Arnon, *The Projected Impact of Generative AI on Future Productivity Growth*, Penn Wharton Budget Model, University of Pennsylvania, September 8, 2025; Antonin Bergeaud, "The Past, Present and Future of European Productivity," (Presentation, ECB Forum on Central Banking 2024: Monetary Policy in an Era of Transformation, Session 4: Euro Area Productivity in the Short and Long Run, Sintra, Portugal, July 3, 2024); Daron Acemoglu, "The Simple Macroeconomics of AI," *Economic Policy* 40, no. 121 (January 2025): 13–58; Francesco Filippucci, Peter Gal and Matthias Schief, "Miracle or Myth: Assessing the Macroeconomic Productivity Gains from Artificial Intelligence" (working paper, OECD Artificial Intelligence Papers, Organisation for Economic Co-operation and Development, November 22, 2024); Francesco Filippucci, Peter Gal and Matthias Schief, "Miracle or Myth: Assessing the Macroeconomic Productivity Gains from Artificial Intelligence," *VoxEU*, Centre for Economic Policy Research (December 8, 2024); Jan Hatzius, Joseph Briggs, Devesh Kodhani and Giovanni Pierdomenico, *The Potentially Large Effects of Artificial Intelligence on Economic Growth* (Briggs/Kodhani), Global Economics Analyst, Goldman Sachs, March 26, 2023; Martin Neil Baily, Erik Brynjolfsson and Anton Korinek, *Machines of Mind: The Case for an AI-Powered Productivity Boom*, Brookings Institution, May 10, 2023; Mauro Cazzaniga, Florence Jaumotte, Longji Li, Giovanni Melina, Augustus J Panton, Carlo Pizzinelli, Emma J Rockall and Marina Mendes Tavares, "Gen-AI: Artificial Intelligence and the Future of Work" (staff discussion notes, International Monetary Fund, January 13, 2024); McKinsey & Company; Philippe Aghion and Simon Bunel, *AI and Growth: Where Do We Stand?*, Federal Reserve Bank of San Francisco, June 2024; and AB

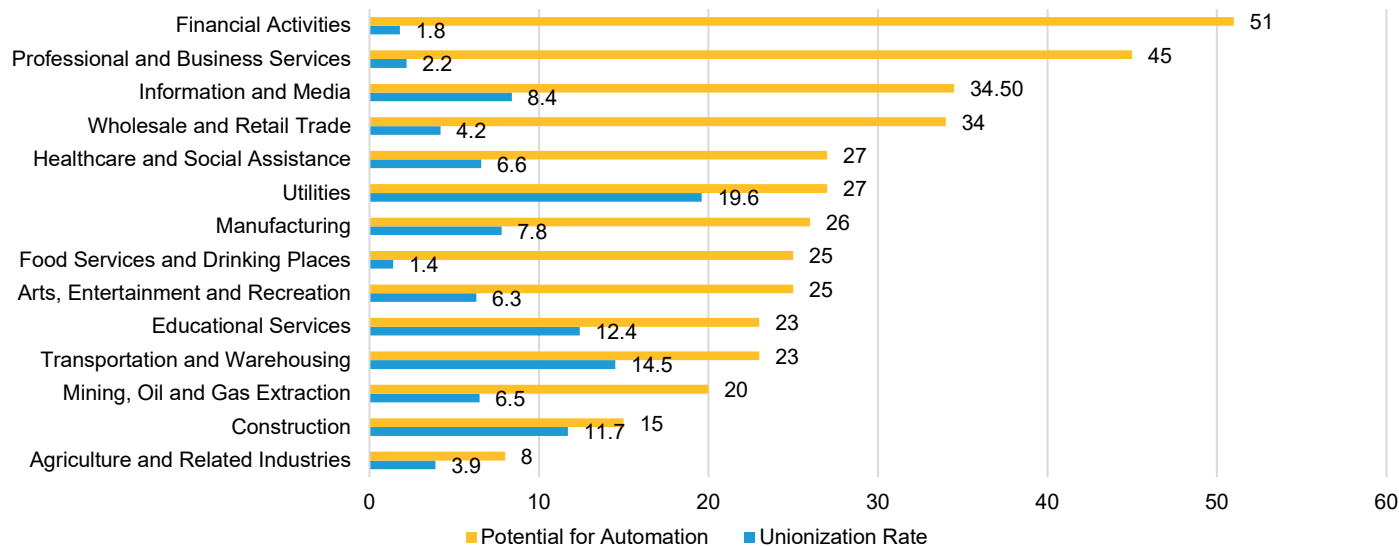


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Is AI necessarily negative for labour?

- The fear is AI will destroy jobs, but in the past new technology created new jobs.
- AI to further entrench corporate power (There ARE social limits to profit share of GDP, but no sign of them being reached yet in the US).
- The jobs most exposed to AI are the least unionized
- How are gains to be distributed? *Is UBI inevitable?*

Unlike recent waves of automation, the jobs most at risk from AI are non-Unionized



Historical analysis and current estimates do not guarantee future results.

As of June 29, 2023

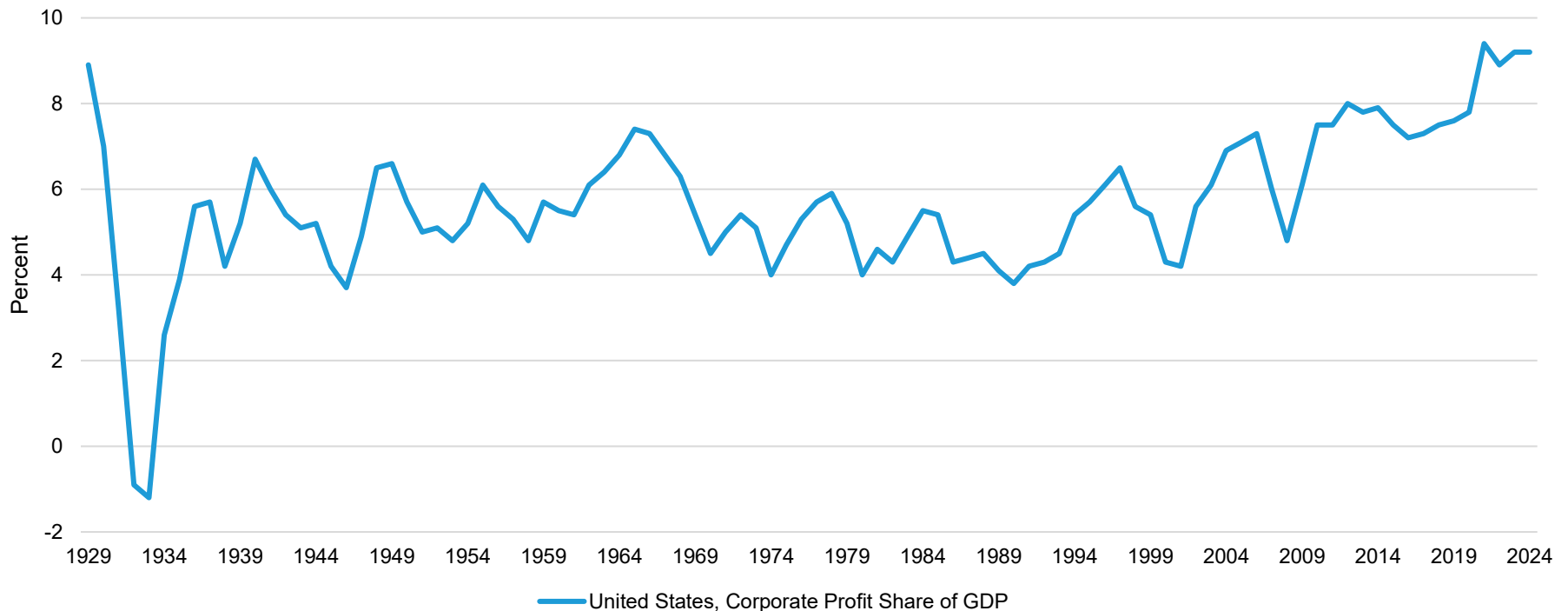
Source: Accenture Research analysis of Occupational Information Network, US Bureau of Labor Statistics, US Department of Labor and AB



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Labour vs. Capital Share

- Is there a social limit to corporate profit share?
- Our prior view was this has to mean-revert else severe social tension
- However, no sign of this and AI is an enabler for corporates to take more?
- Near term higher profit share.... But there ARE limits



Historical analysis does not guarantee future results.

As of June 29, 2026

Source: BEA, Macrobond and AB



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Where is the Power Going to Come From?

- OpenAI's overall goal, is to build out 30 GW of “compute” infrastructure, valued at approximately \$1.4 trillion, to support future AI models)
- Average time to build a nuclear power station (>6 years)... so Gas and renewables presumably have to provide the bulk of this.
- Share of total power from solar and wind needs to rise significantly as the most plausible way to meet this extra demand

World Energy Supply Forecast

Power Generation (TWh)								Power Gen per Capacity (TWh per GW)
Source	2024	% Share	2050	% Share	2024	2050	Capacity Additions (GW/yr) 2024-50	
Fossil fuels	18,309	59%	10,800	35%	4,664	2,751	-74	3.9
<i>Of Which Gas</i>	<i>7,001</i>	<i>22%</i>	<i>7,000</i>	<i>10%</i>	<i>2,007</i>	<i>2,007</i>	0	3.5
Solar	2,112	7%	29,280	42%	1,865	25,865	923	1.1
Wind	2,511	8%	13,022	19%	1,135	5,885	183	2.2
Nuclear	2,817	9%	7,220	10%	416	1,066	25	6.8
Hydro	4,453	14%	6,978	10%	1,411	2,211	31	3.2
Other	1,054	3%	2,701	4%				
Total	31,256	100%	70,000	224%				

Current analysis does not guarantee future results.

As of December 2023

Source: Bernstein Research and AB



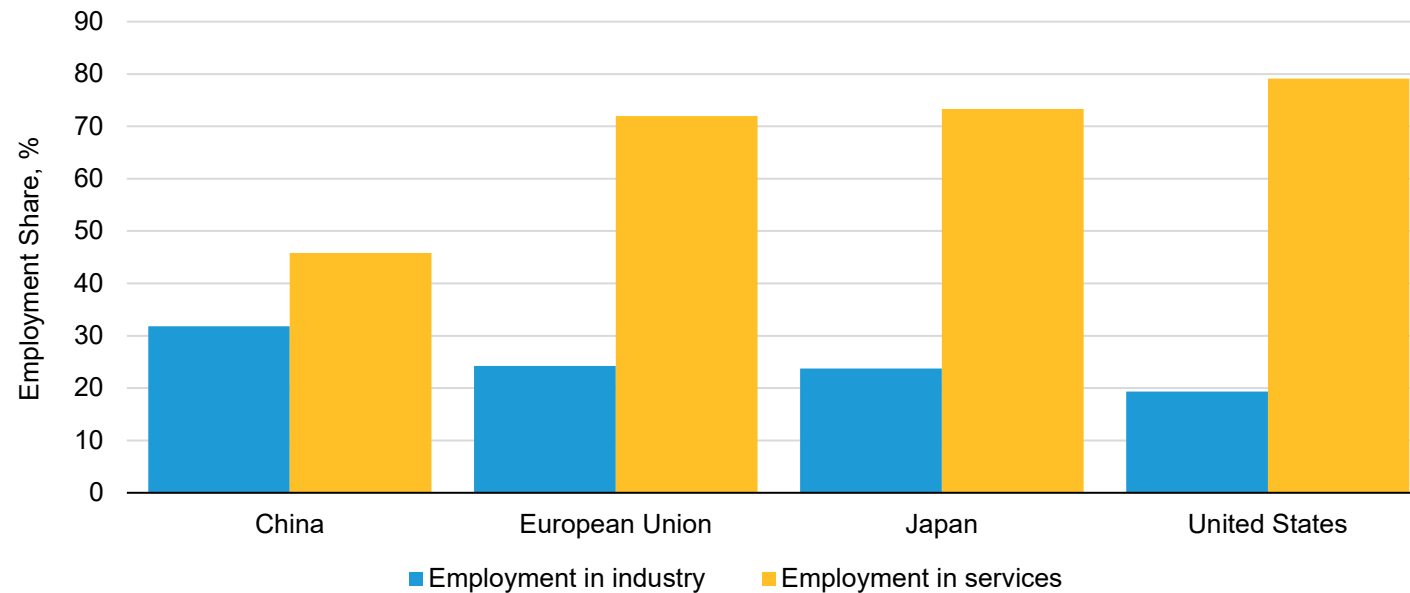
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AI to Boost US Exceptionalism

AI likely to benefit US more than other regions

- Sectoral composition of the economy more open to AI adoption (see below)
- US firms' long history of exploiting IT more effectively
- US firms can fire people faster

Share of Employment in Services vs. Manufacturing



Current analysis does not guarantee future results.

As of December 2023

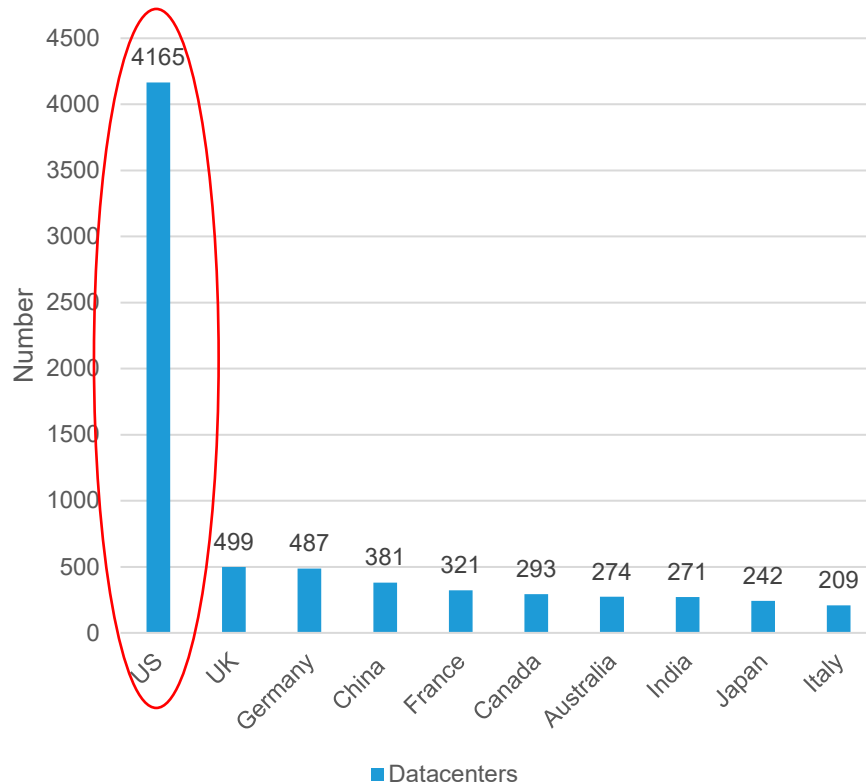
Source: World Bank and AB



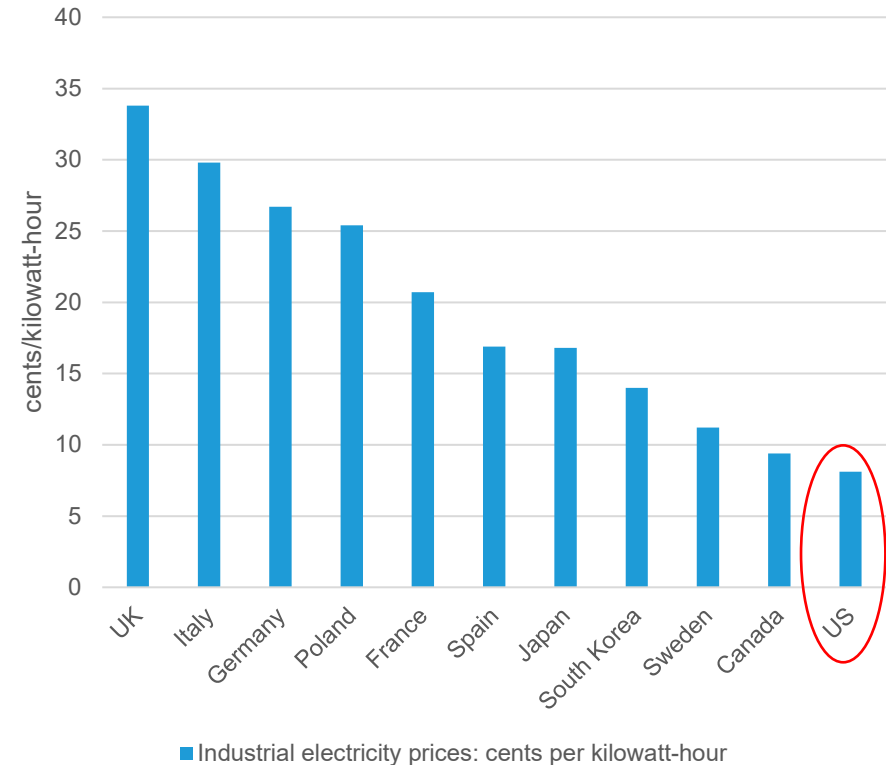
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US Structural Advantages: Computing Power and Low Electricity Prices

US has a dominant position in datacenters



And lower industrial electricity prices compared to other DM economies



Historical analysis does not guarantee future results.

Data as of November 30, 2025

Source: Statista, IEA, US Energy Information Administration and AB

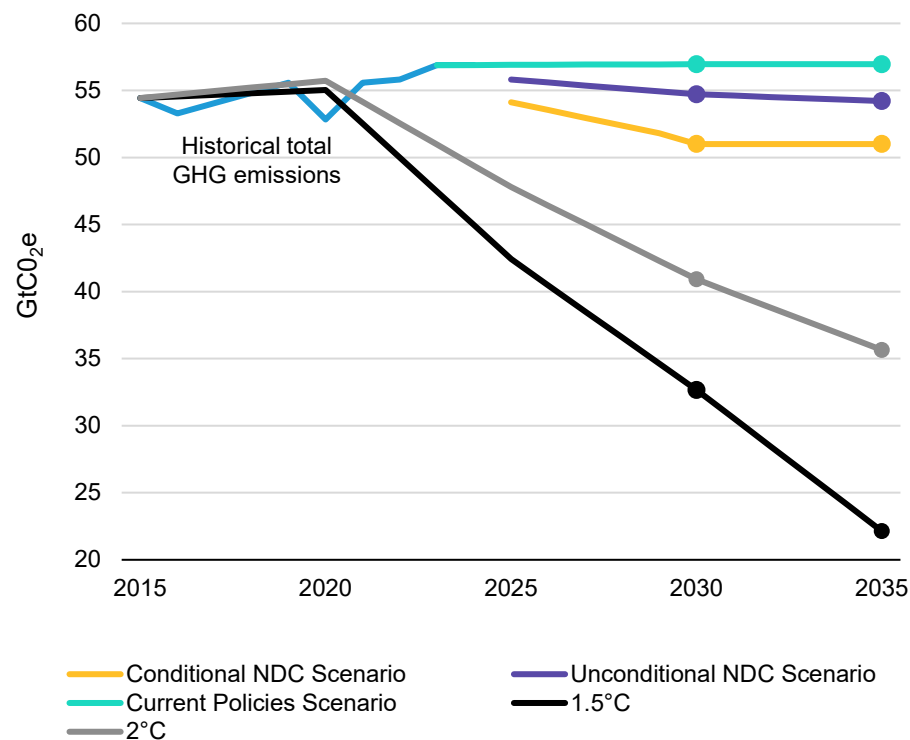


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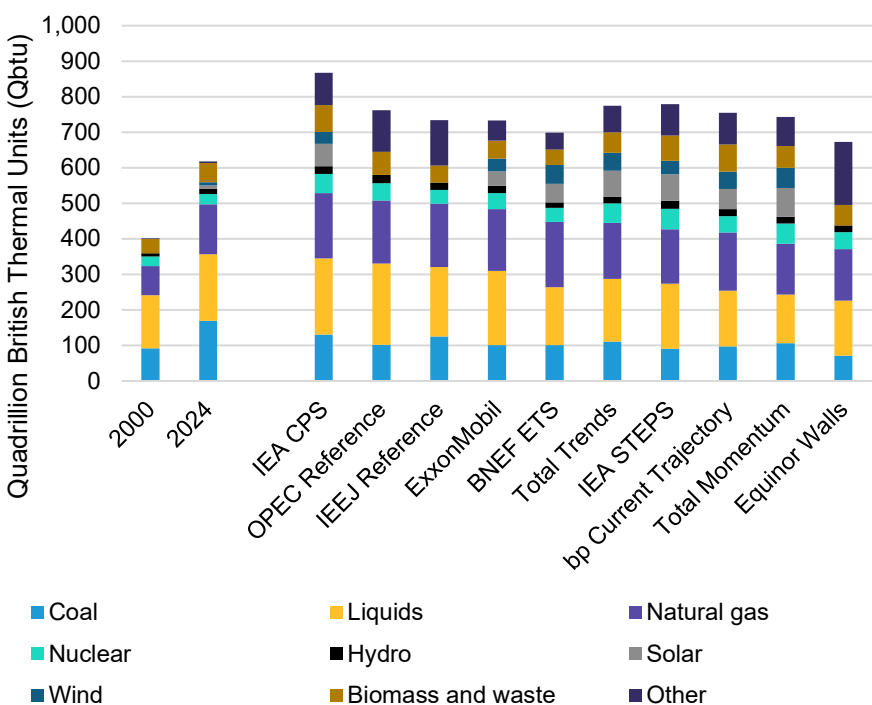
Is the Energy Transition Achievable?

Current Government plans are 2x level of fossil fuels required by 2030 for 1.5°C scenario, and 1.8x level required for 2°C scenario (UN production gap numbers)

Global Fossil Fuel Production



World Primary Energy Demand by 2050



Current analysis and forecasts do not guarantee future results.

NDC refers to nationally determined climate commitment, with conditional NDCs referring to commitments that are contingent on receiving international support. The 1.5 and 2 degree lines indicate the central path likely needed to achieve a temperature increase limited to that level.

As of October 24, 2024

Source: United Nations Environment Programme (2024). Emissions Gap Report 2024: [No More Hot Air...Please! With a Massive Gap Between Rhetoric and Reality, Countries Draft New Climate Commitments](#); and AB



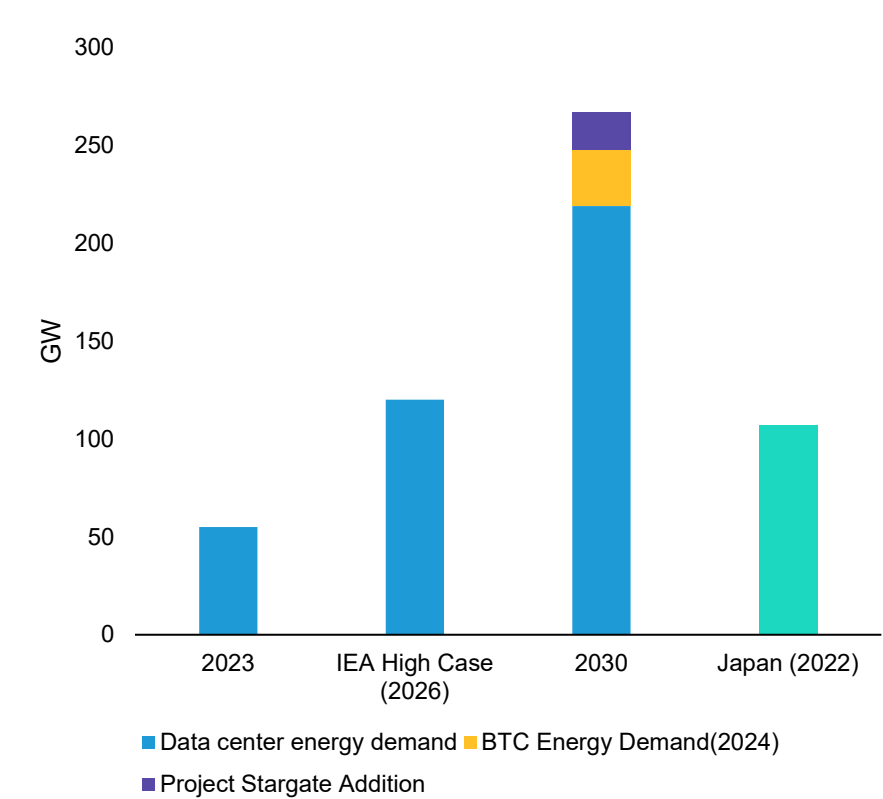
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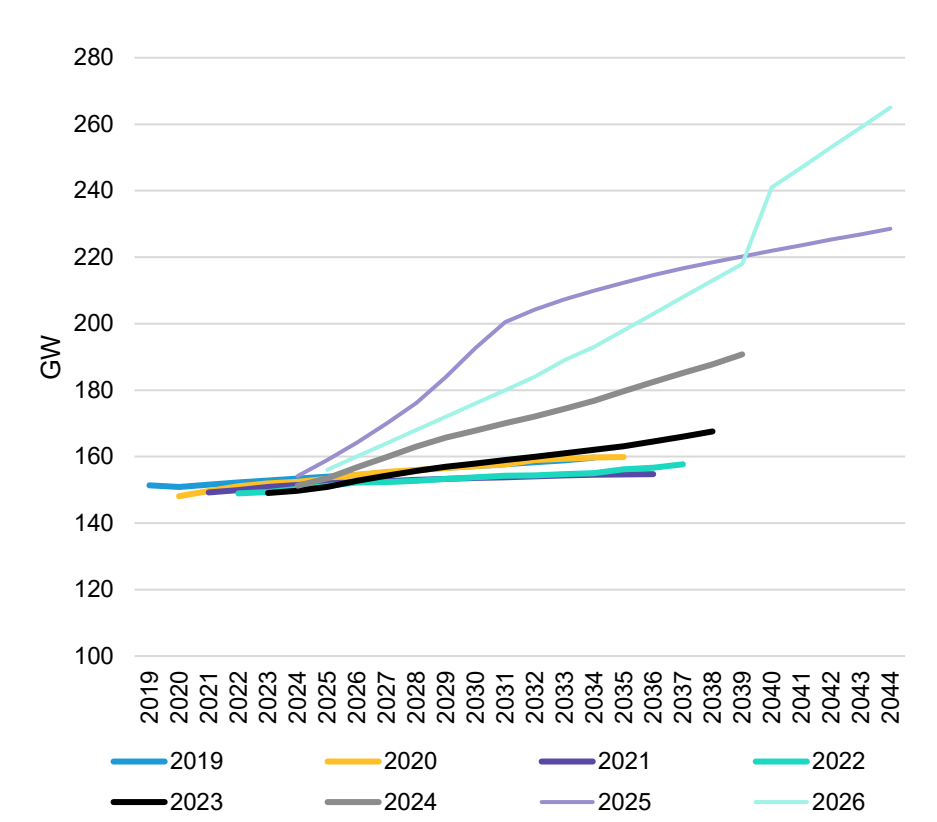
The 2050 primary-energy demand projections shown are drawn from eight long-term energy outlooks published in 2025, harmonized to common units (Qbtu). Adapted from Raimi, Daniel, Emily Joiner, Bryan Hubbell, Nafisa Lohawala, and Molly Robertson. 2026. Global Energy Outlook 2026: How the World Lost the Goal of 1.5°C. Report 26-06. Washington, DC: Resources for the Future. <https://www.rff.org/geo>. The underlying publications are: BNEF, New Energy Outlook 2025 (2025); bp, Energy Outlook 2025 (2025); Equinor, Energy Perspectives 2025 (2025); ExxonMobil, 2025 Global Outlook (2025); IEA, World Energy Outlook 2025 (2025); IEEJ, IEEJ Outlook 2026 (2025); OPEC, 2025 World Oil Outlook 2050 (2025); and TotalEnergies, Energy Outlook 2025 (2025). Sources listed above and AB

Is the Energy Transition Achievable: Role of AI?

Global Electricity Demand From Data Centres, AI and Cryptocurrencies



PJM Progression of Power Demand

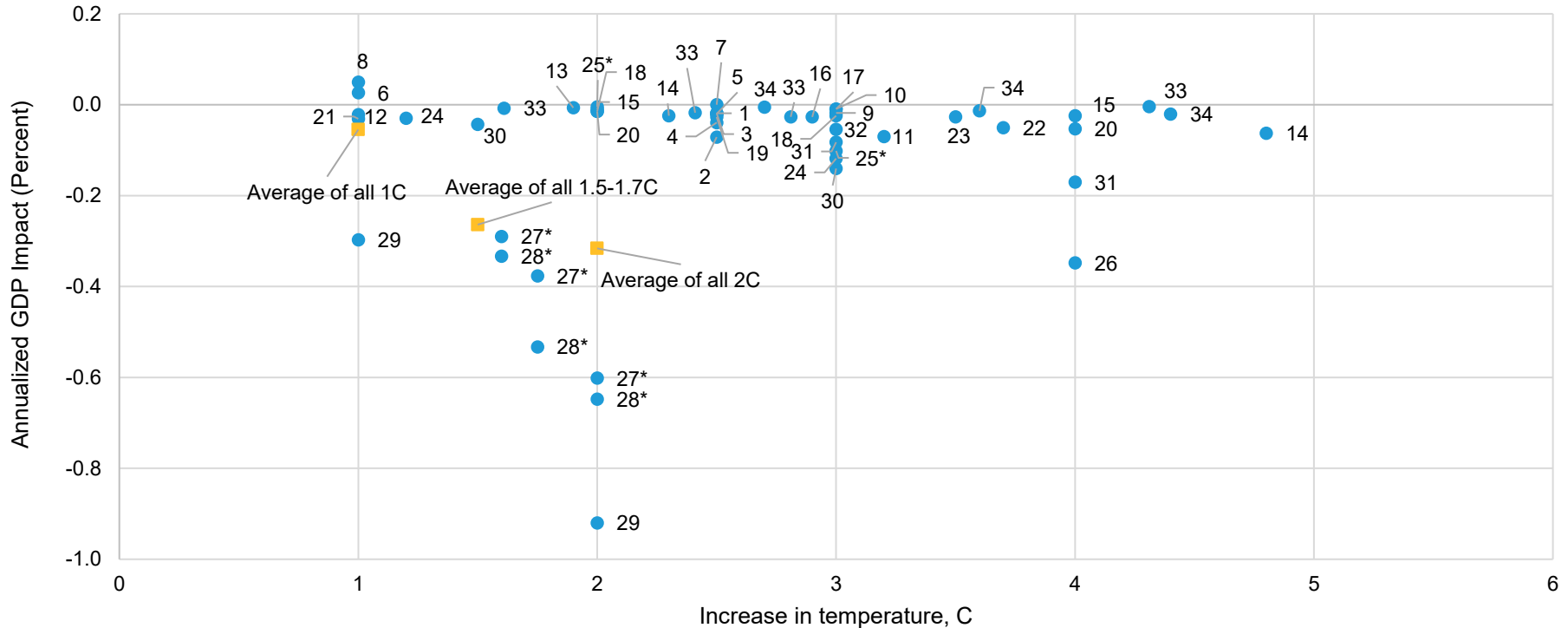


Historical analysis and current forecast do not guarantee future results.

Chart 1: Note: The 2023 and 2030 data center energy demand is based on McKinsey estimates, IEA forecast and Japan Energy Consumption estimate is based on IEA (2024), Electricity 2024, IEA, Paris <https://www.iea.org/reports/electricity-2024>, Licence: CC BY 4.0, BTC energy consumption is based on Cambridge Centre for Alternative Finance (CCAF) data, and project Stargate estimates are from Bernstein sell-side US Machinery research team. As of January 28, 2025.

Source: IEA, McKinsey, Cambridge Centre for Alternative Finance, Bernstein US Machinery research team, PJM Power Demand Outlook, Enerdata, IEA, and AB

Impact of Climate on GDP: Layering uncertainty upon uncertainty?



Past performance does not guarantee future results

1: Fankhauser (1995) 2: Schauer (1995) 3: Nordhaus and Yang (1996) 4: Plambeck and Hope (1996) 5: Nordhaus and Boyer (2000) 6: Tol (2002) 7: Maddison (2003) 8: Horowitz (2009) 9: Eboli et al. (2010) 10: Hope (2011) 11: Maddison and Rehdanz (2011) 12: Ng and Zhao (2011) 13: Bosello et al. (2012) 14: Roson and van der Mensbrugghe (2012) 15: McCallum et al. (2013) 16: Nordhaus (2013) 17: Sartori and Roson (2016) 18: Kompas et al. (2018) 19: Dellink et al. (2019) 20: Takakura et al. (2019) 21: Kalkuhl and Wenz (2020) 22: Conte et al. (2021) 23: Cruz and Rossi-Hansberg (2021) 24: Howard and Sylvan (2021) 25*: Kahn et al. (2021)* 26: Burke et al. (2015) 27*: NGFS (2023)* 28*: NGFS (2024)* 29: Bilal and Känzig (2024) 30: Waidelich et al. (2024) 31: Nath, Ramey and Klenow (2024) 32: Shirley and Swanson / CBO (2025) 33: Fernando, Liu and McKibbin (2021) 34: Casey, Fried and Goode (2023)

The chart shows a summary of academic research conclusions estimating the impact of temperature change by year 2100 or similar on the Global GDP. Asterisk denotes the studies where scenarios consider the impact by year 2050.

The table is adapted from Tol (2022) with extra estimates added. Studies not included in Tol (2022): Kahn et al. (2021), Burke et al. (2015), NGFS (2023, 2024), Bilal and Känzig (2024), Waidelich et al. (2024), Nath, Ramey and Klenow (2024), Shirley and Swanson / CBO (2025), Fernando, Liu and McKibbin (2021), and Casey, Fried and Goode (2023).

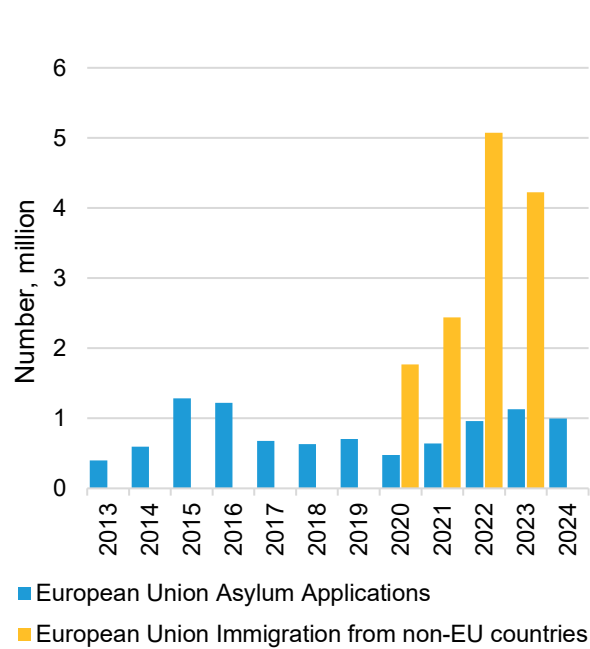
As of May 12, 2026. Sources listed above and A Meta-Analysis of the Total Economic Impact of Climate Change by Richard S.J.Tol August 2022, NGFS and AB



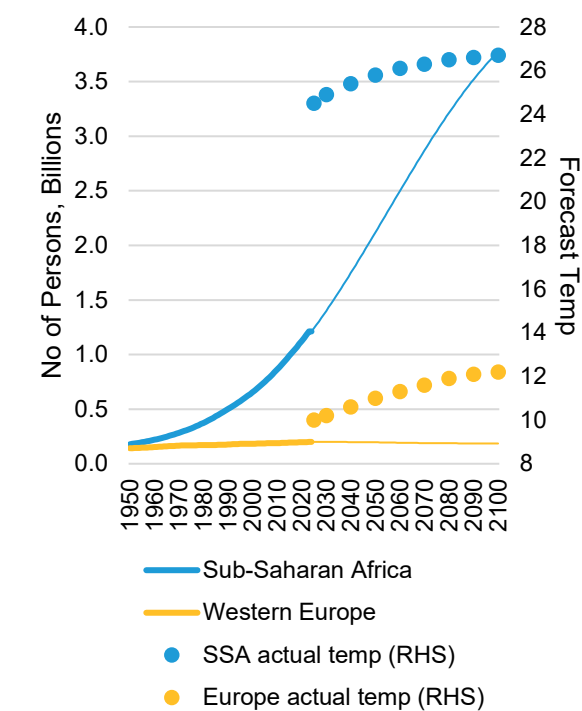
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Secondary Impact of Climate Change: Expect Considerably More Migration

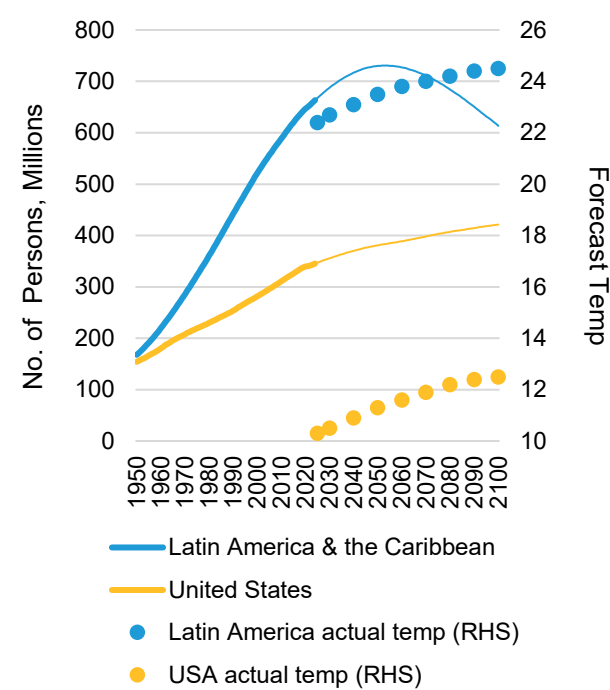
European Union Asylum Applications and Immigrants From Non-EU Countries



UN Population Forecasts and Projected Temperature -EU vs Sub-Saharan Africa



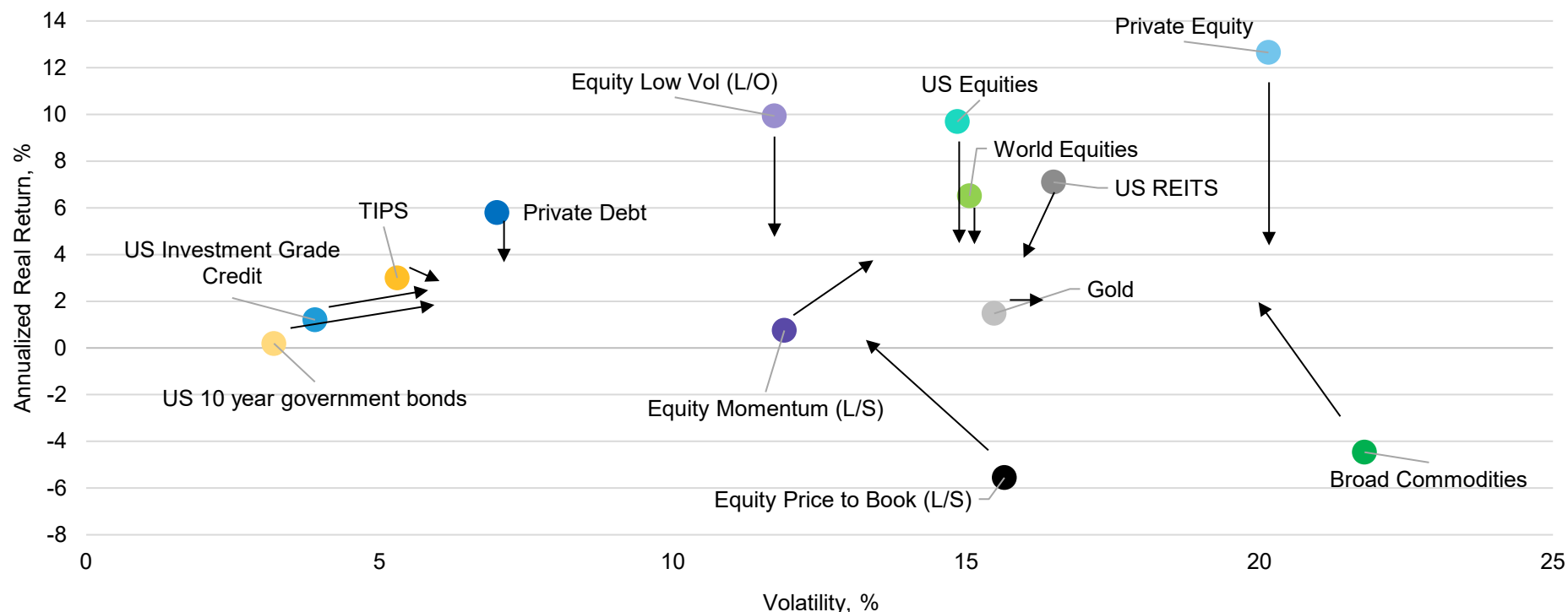
UN Population Forecasts and Projected Temperature - US vs LATAM



Current analysis and forecasts do not guarantee future results.
Temperatures are based on the PBCC SSSP2-4.5 "Middle of the Road " scenario.
Source: Macrobond, UNDESA and AB

A Painful Epiphany: Expect Lower Real Sharpe Ratios If Liabilities are in Real Terms Then Risk Needs to Increase

Several Ways Out: Illiquid Assets, Factor Risk, More Active Management, Leverage



Past performance and current forecasts do not guarantee future results.

The dots represent real returns and volatility for January 2010 to December 2022 period for the major return streams that investors can buy. The arrows represent the AB Institutional Solutions team's forecasts for the next 5–10 years. Private Equity return data is the US Private Equity Index from Cambridge Associates, compiled from 1,562 funds, including fully liquidated partnerships, formed between 1986 and 2019. All returns are net of fees, expenses, and carried interest. Data are provided at no cost to managers. Private Equity volatility is estimated from MSCI US Small Cap Value index with 15% leverage. For Private debt historic and future volatility is expressed as volatility of public US investment grade credit. The number is between the historic volatility of public US high yield fixed income and Preqin Direct Lending return index. Factor future volatility is assumed to be in line with post 1950 historic average.

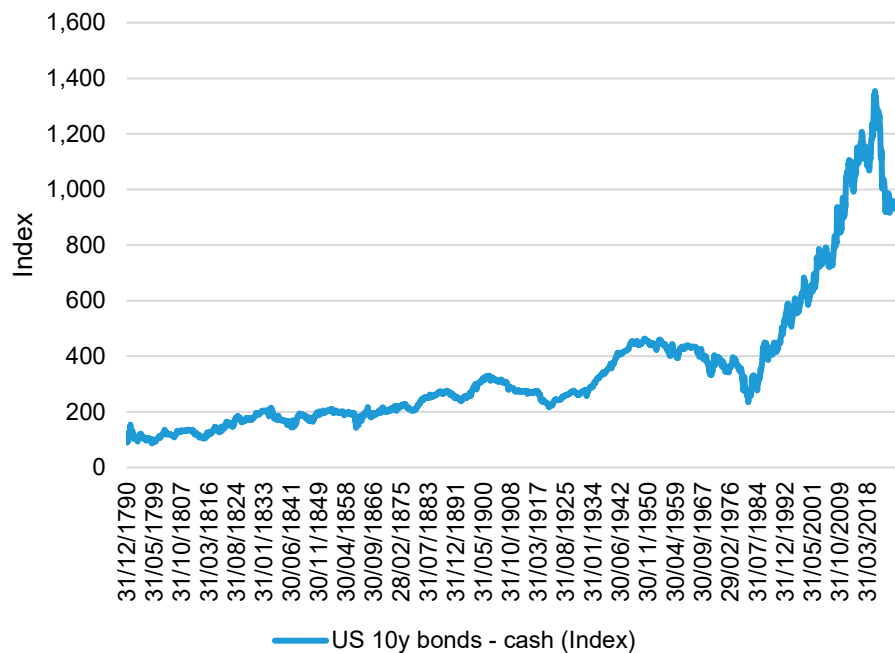
As of October 5, 2023. Source: Cambridge Associates, FactSet, FRED, Ken French Data Library, Preqin, and AB



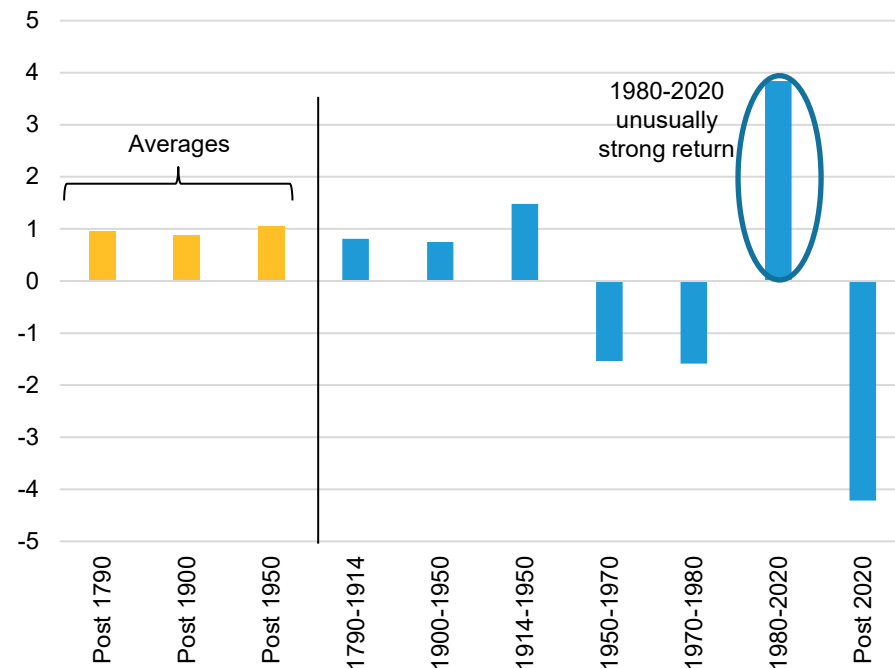
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What Return to Expect from Duration?

US 10-Year Bonds - Cash



Excess Return of Duration over Cash



Past performance does not guarantee future results.

As of May 31, 2026

Source: Global Financial Data, Macrobond and AB



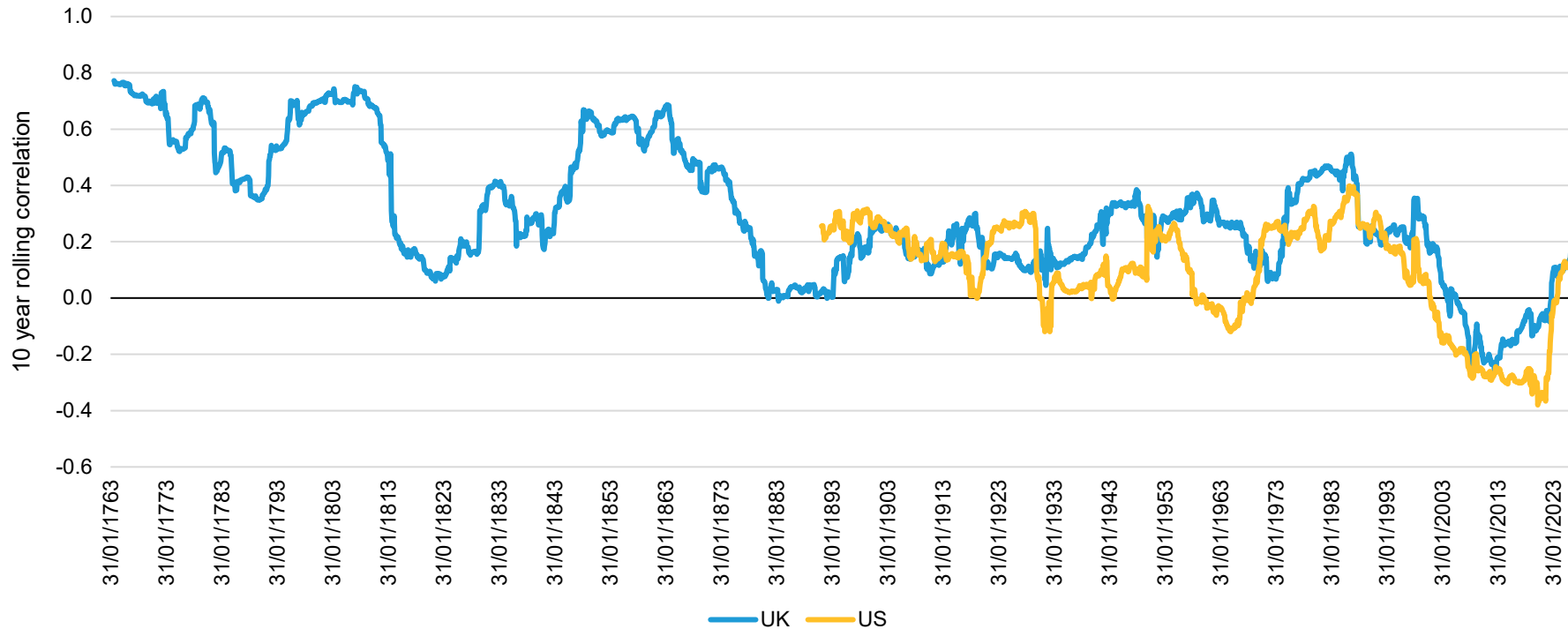
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The Diversifying Power of Bonds Likely to Reduce...

...and Increase Risk of 60:40

Stock-Bond Correlation Has Recently Been More Negative than Prior 250 Years...*

...Unlikely to Persist



Past performance does not guarantee future results.

*Rolling 10-year correlation between stock and 10-year government bond returns.

Note: UK Data to July 2024 is from Thomas and Dimsdale (2016) and Bank of England calculations.

As of March 31, 2026

Source: Global Financial Data, Macrobond and AB



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The Forces at Work on Stock-Bond Correlation

	<u>Uncertainty</u>		<u>Level</u>		<u>Combined Level</u>	
	Inflation Uncertainty ↑	Growth Uncertainty ↑	Growth Level ↓	Inflation Level ↑	Growth & Inflation ↑	Inflation & Growth ↓
Equity Return	ERP ↑ ⇒ Equity Return ↓	ERP ↑ ⇒ Equity Return ↓	Dividends ↓ ⇒ Equity Return ↓	Non Linear	Dividends ↑ ⇒ Equity Return ↑	Dividends ↓ ⇒ Equity Return ↓
Bond Return	Term Premium ↑ ⇒ Bond Return ↓	Term Premium ↓ ⇒ Bond Return ↑	Unclear	Bond Return ↓	Bond Return ↓	Bond Return ↓
Equity Bond Return Correlation	↑	↓	?	?	↓ [1990-2020] 2020	↑ [New Regime]

Historical analysis and current forecasts do not guarantee future results.

Source: AB



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What Is Risk?

If greater *investment* risk is required, what are the options?

Tension between risk as volatility vs risk as loss of purchasing power.

If the real risk is a loss of purchasing power, then one may need to take more investment risk to defray this.

The Main Options Are:

- Active management risk (Idiosyncratic alpha)
- Illiquidity risk
- Factor risk
- Equity exposure
- Staying invested in risk assets longer into retirement

Source: AB



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What Counts as an Inflation Hedge?

Long-term investors need real return rather than a correlation with inflation

Moderate Inflation		High Inflation	
Long-term Investors: Need Real Return	Short-term Investors: Need High Inflation Beta	Long-term Investors: Need Real Return	Short-term Investors: Need High Inflation Beta
Real estate	Broad commodity index	Real estate	Oil
Equities	Oil	Farmland/Timberland	Gold
Farmland, timberland	Gold	Equity income, FCF yield	Broad commodity index
Equity value	Commodity equities	Infrastructure	Commodity equities
Infrastructure	Equity momentum		Momentum (cross-asset)
	Renewables/power delivery		TIPS
	TIPS		T-bills
	T-bills		

For illustrative purposes only.

Source: AB



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US Exceptionalism, De-dollarization, Gold, Crypto, and Tokenised Assets



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The End of US Exceptionalism?

Exceptionalism is a strategic concept, not a tactical one

Case for Exceptionalism

- Relatively more favourable demographics
- Structurally higher and more persistent corporate profitability
- Better ability to exploit AI (% services jobs, ability to fire people)
- *Relative* security of supply chains
- Scale of home market
- (For shareholders) corporate-friendly policies, low tax rates, regulatory capture?

Case against exceptionalism

- Standing back from international institutions reduces influence of US?
- Weaponisation of dollar and capricious policymaking hastening hunt for USD alternatives
- Rapid undermining of US soft power
- Energy transition elsewhere could remove US energy supply advantage
- Negative shocks to size of working age population? (health policy)
- Exceptionalism was partly built on failure of anti-trust and regulatory capture. Why should the rest of the world accept this?

Source: AB



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The Dollar: Will Maintain Reserve Status for now... ... but Attempts to De-dollarize Accelerating

Case for losing reserve status...

- Fiscal sustainability: Though this is a problem for all G7 currencies
- Geopolitics: China and BRICS imperative to de-dollarise
- Trust: Capricious policymaking, US withdrawing from allies, declining support for democracy, trust in US institutions?

... but why this will take a long time

- Stablecoins likely drive increased USD adoption near term.
- No alternative to the dollar? China won't make Renminbi convertible
- Reach of USD is far greater than previous reserve currencies
- Absolute US growth rate lower than past but still exceptional vs other economies

Conclusion

- Non-US investors hedge more USD exposure/risk of steeper curve
- Role in portfolios for non-fiat assets: Gold.... and crypto
- Gold-equity correlation = 0 even if inflation higher

Source: AB

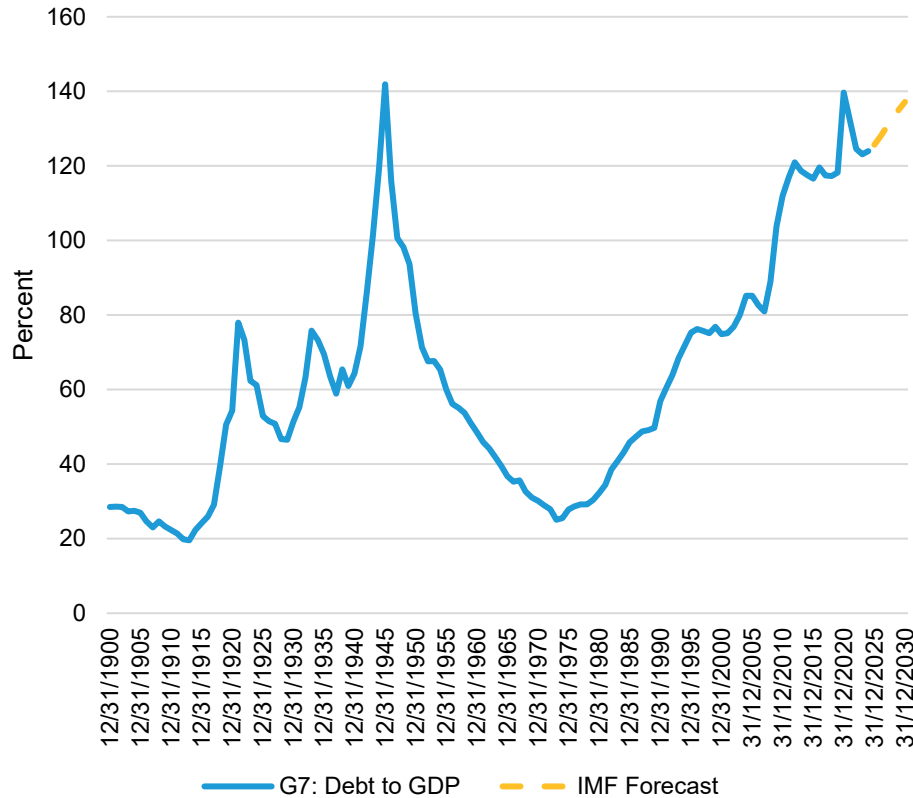


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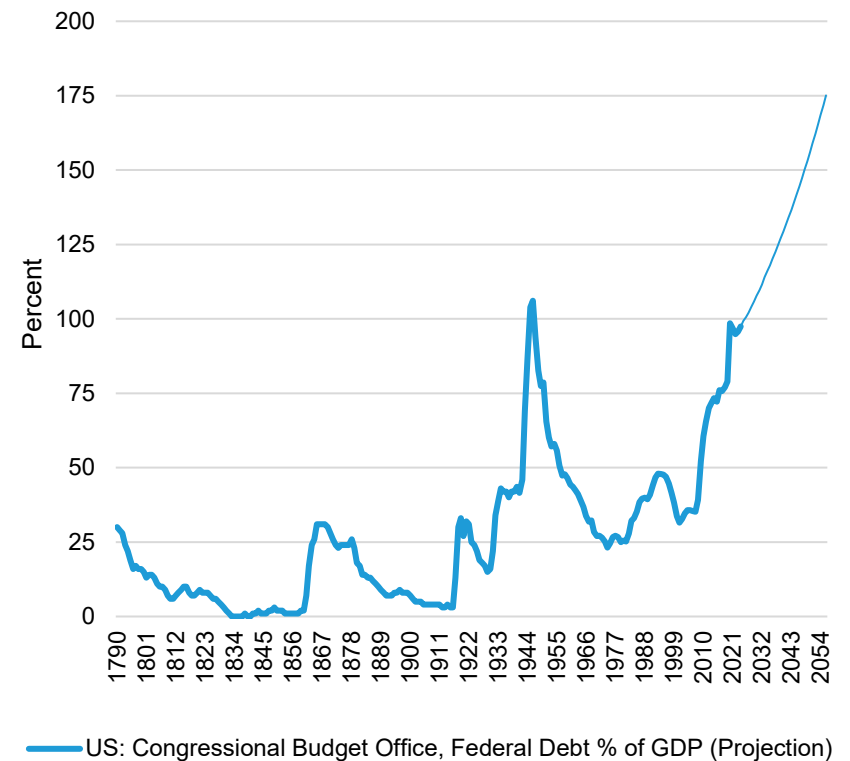
I still owe money to the money to the money I owe...

Government debt at levels last seen in WWII

G7 Government Debt to GDP (GDP-Weighted)



US Government Debt to GDP



Current analysis and forecasts do not guarantee future results.

LH chart shows Government Debt/GDP for G7 countries, weighted by Nominal GDP denominated in USD. Data from 1900-2023 is from Global Financial Data.

2024/2025 forecast is from the IMF.

RH chart as of June 29, 2026

Source: CBO, IMF, Global Financial Data, Macrobond and AB

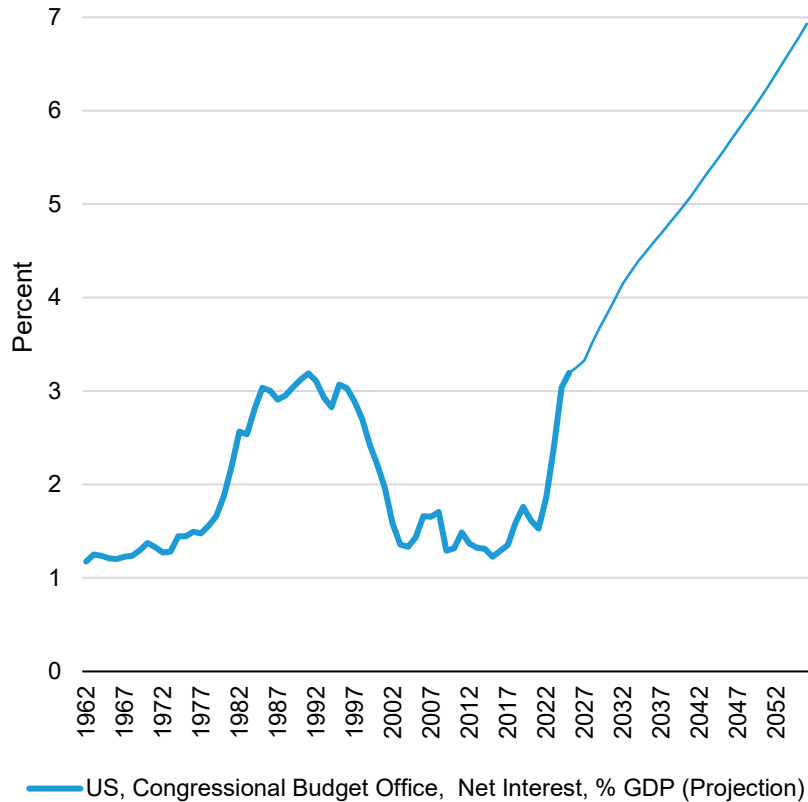


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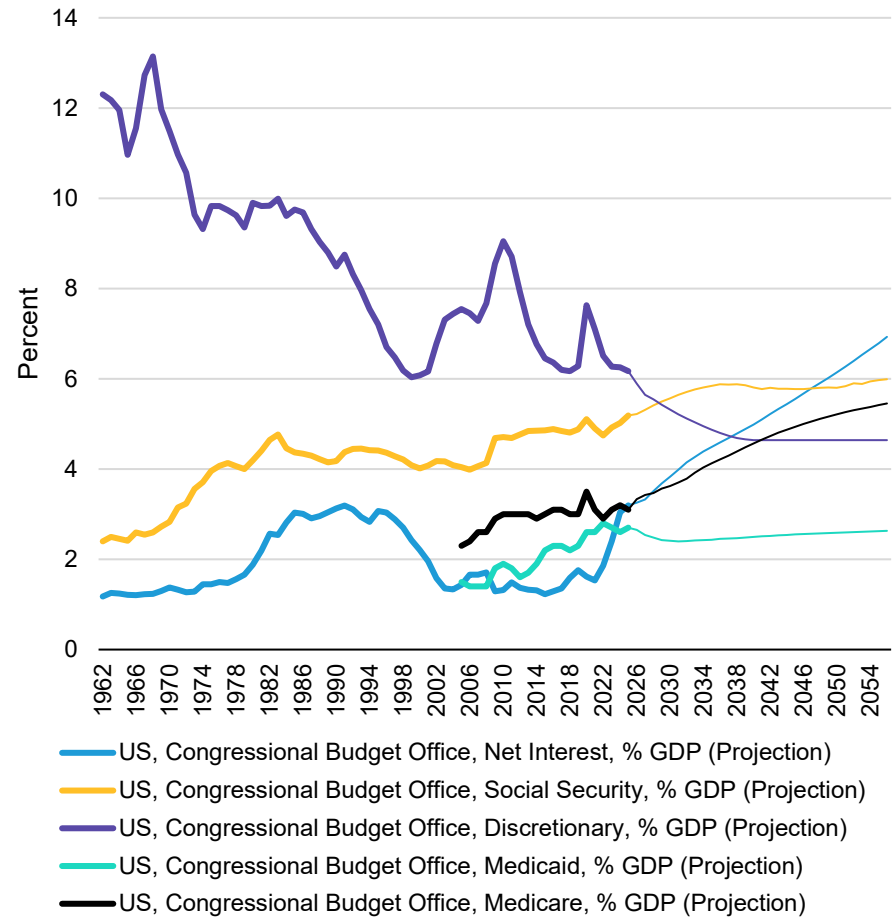
I still owe money to the money to the money I owe...

Share of interest expense projected to rise

US Interest Expense % of GDP CBO Projection



CBO Spending Projections by Category



Past performance does not guarantee future results.

As of June 29, 2026

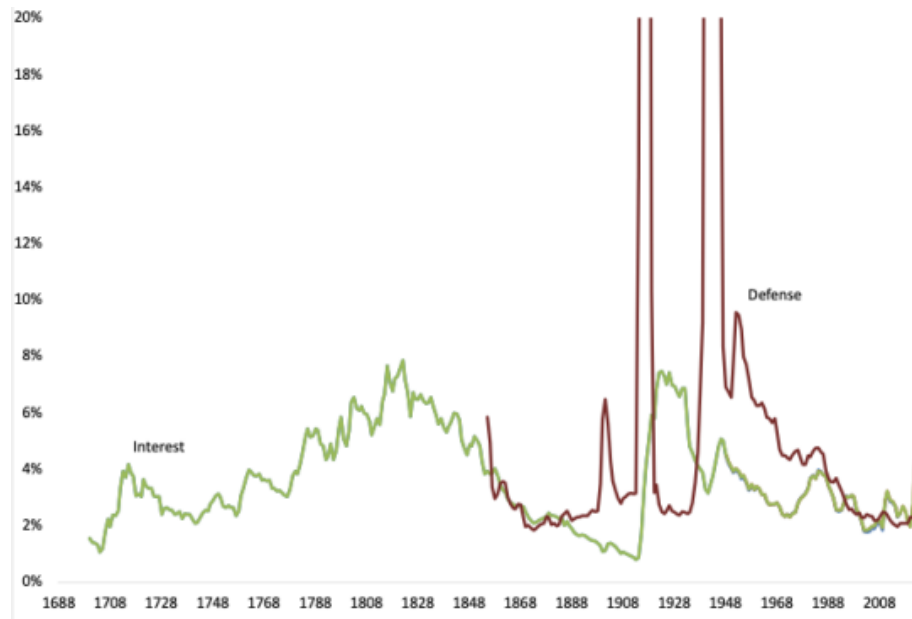
Source: CBO, Macrobond and AB



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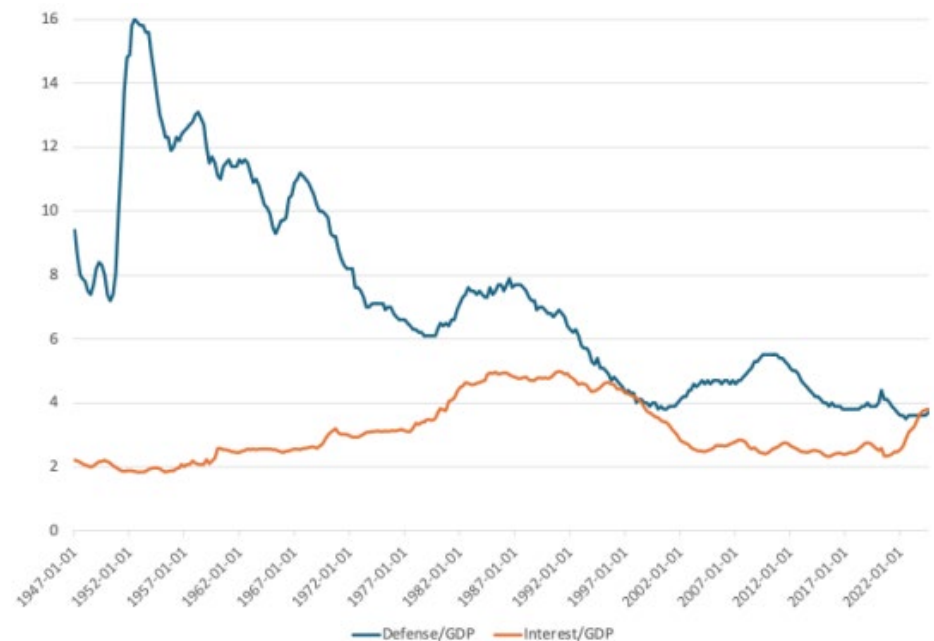
Ferguson's Law: UK in 1920s as template for US today?

UK 1688-2023



- UK crossed the limit in 1920: Significant contraction in hard power.
- However, managed to stabilize. Defence spending > interest cost for all of Cold War. How? Because: Financial repression inflated away debt, sterling depreciation. Favourable demographics, 40% debt was perpetual.
- Lesson for US today? Growth rate needs to exceed cost of debt

US 1947-2024



Current analysis does not guarantee future results.

Source: Niall Ferguson (2025), *Ferguson's Law: Debt Service, Military Spending, and the Fiscal Limits of Power*, Hoover Institution History Working Paper 202502

One cannot value gold, but one can value everything else: Gold vs. 60:40

Average (annualised) return conditioned on equity valuation bond yield

Gold: 60/40 (Five-Year Return)

← Gold less of a drag when starting bond yields low

Shiller PE quintile (1=cheap)	Yield Q1	Yield Q2	Yield Q3	Yield Q4	Yield Q5	Average
1				15.4%	-14.0%	0.7%
2	-6.9%	-4.6%	17.9%	2.6%	-13.9%	-1.0%
3	-11.5%	-1.7%	-14.8%	-18.8%		-11.7%
4	-1.9%	15.9%	0.6%	-16.4%		-0.5%
5	1.3%	4.0%	5.5%	-1.7%		2.3%
Average	-4.8%	3.4%	2.3%	-3.8%	-14.0%	

↓ Gold enhances return when starting equity valuations high

Gold: 60/40 (10-Year Return)

Shiller PE quintile (1=cheap)	Yield Q1	Yield Q2	Yield Q3	Yield Q4	Yield Q5	Average
1				-3.3%	-14.2%	-8.8%
2	-6.8%	-6.3%	18.3%	-1.7%	-17.0%	-2.7%
3	-6.5%	-1.4%	-6.1%	-10.9%		-6.2%
4	-0.2%	3.0%	1.6%	-2.1%		0.6%
5		10.5%	10.1%	5.6%		8.8%
Average	-4.5%	1.5%	6.0%	-2.5%	-15.6%	

Past performance does not guarantee future results.

Data from January 1970 through September 2025

As of October 8, 2025

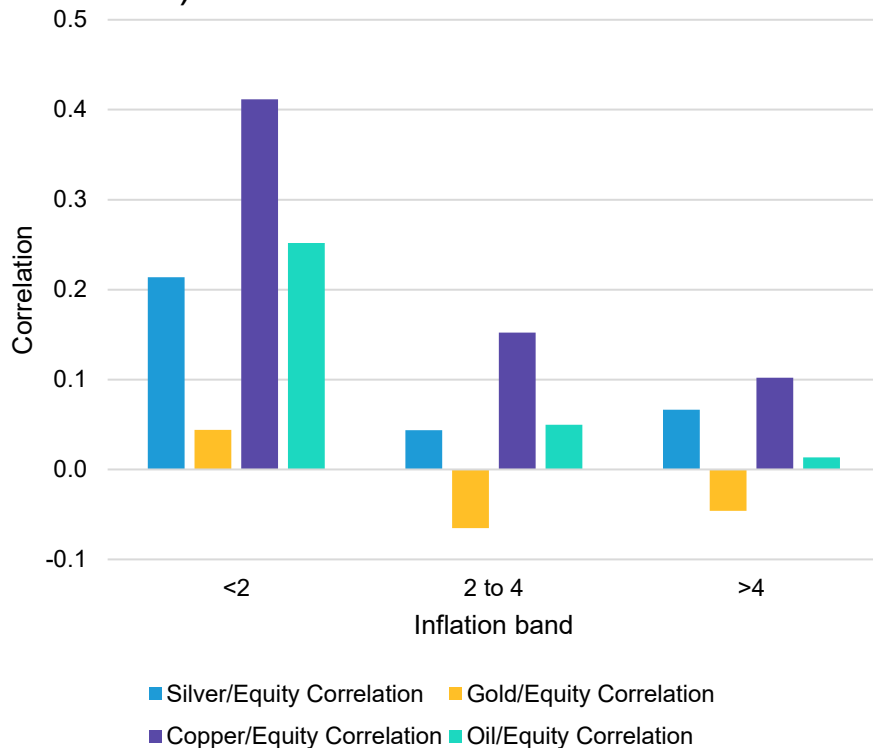
Source: Macrobond, Robert Shiller and AB



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Commodities Role in a Portfolio

Equity-commodity correlation by inflation band (1969-2025)



Case to increase commodity exposure:

- Return of the tangible economy
- Geopolitical change – decline of post-war US-led order implies supply disruptions will be a feature
- Broader exposure to commodities (esp base metals)
- Don't see gold as a commodity, it is now more like money

Historical analysis does not guarantee future results.

Note: The charts show average commodity correlation with US Stocks and US 10-year government bonds in different inflation bands, using the US CPI index. Data is from Jan 1969 through to October 2025

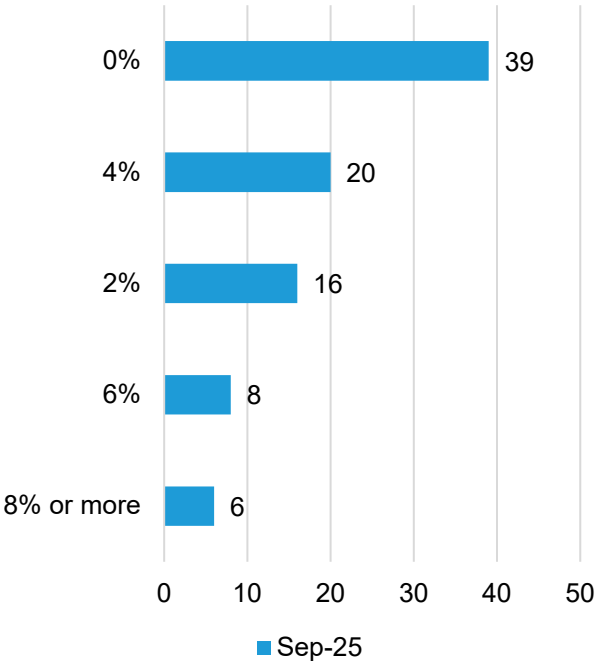
Source: Global Financial Data, Macrobond and AB



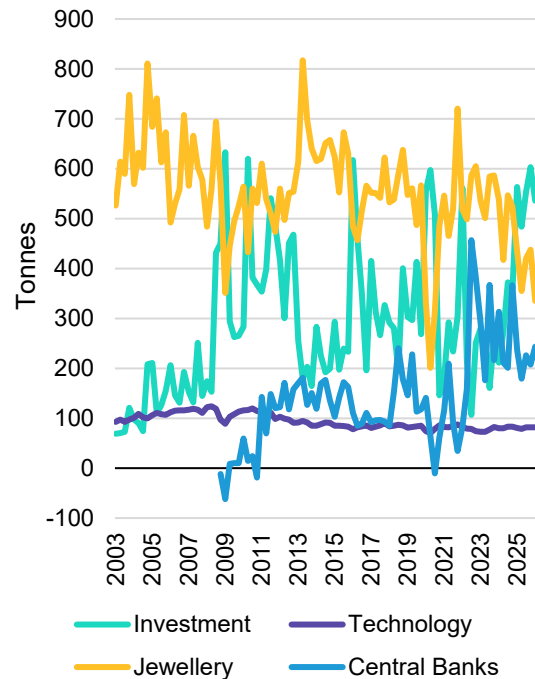
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Gold Demand and Allocation

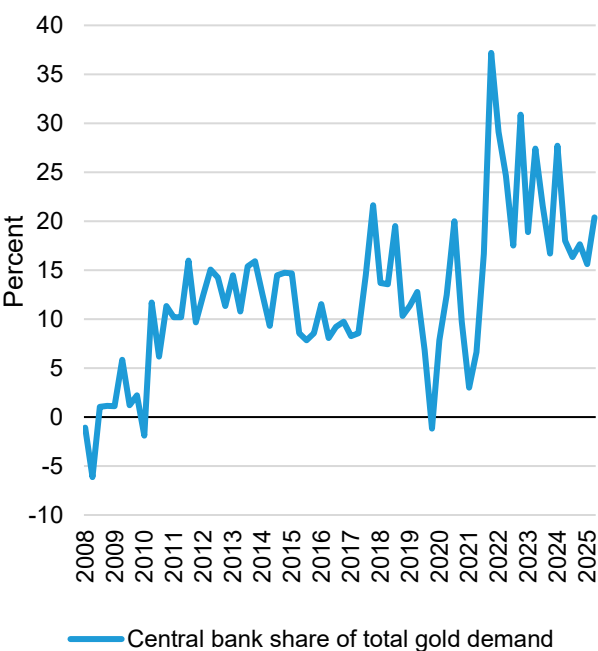
BoFA Fund Manager Survey – Current Gold Position
Average 2.4%



Gold Demand by Category



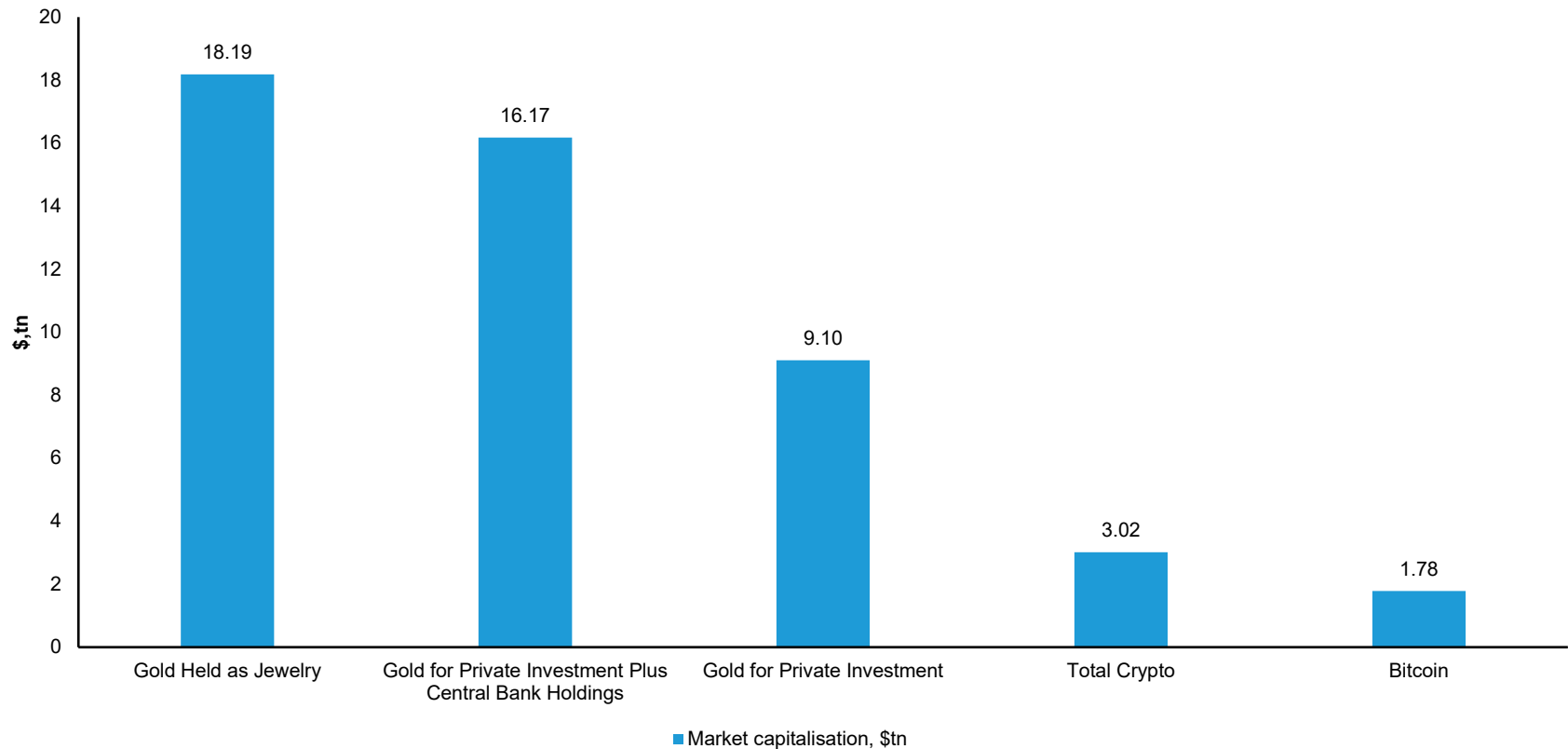
Central Bank Share of Total Demand



Historical analysis does not guarantee future results.
 Chart 1 data as of September 30, 2025. Chart 2 and 3 data as of June 29, 2026.
 Source: BoFA, Macrobond, World Gold Council and AB

Relative Scale of Gold and Crypto Assets

Market Capitalization



Information provided for illustrative purposes only

Note: Gold statistics use end of 2024 value for gold stocks and latest gold price.
As of October 15, 2025
Source: Macrobond, World Gold Council and AB

Idiosyncratic Alpha and the Total Portfolio Approach



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How Do We Measure Idiosyncratic Returns?

- Profound shift in fund management. Each fund has implicitly many benchmarks. **This allows asset owners to identify which active funds are genuinely valuable to them**
- For **Idiosyncratic Alpha** we run the following regression of relative fund returns vs. relative factor returns (Value, Momentum, Quality, Minimum Volatility (Risk))

$$r_{i,t} = \alpha_i + \beta_{V,i}Value_t + \beta_{Q,i}Quality_t + \beta_{M,i}Momentum + \beta_{R,i}Risk + \varepsilon_{i,t}$$

Relative Return of Fund i

Idiosyncratic Alpha

Factor Beta

Relative Factor Return

- The Adjusted R² from the above regression shows how much of the fund's relative returns are explained by relative factor returns

Source: AB



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Towards Idiosyncratic Returns: Rewarding Skill at Timing

- But what about timing? Rewarding managers only for returns not explained by factors does a disservice to the manager who gets the factor call right

$$r_{i,t} = \underbrace{\alpha_i}_{\text{Stock Selection}} + \underbrace{\beta_{1,i}V_t + \beta_{2,i}Q_t + \beta_{3,i}M_t + \beta_{4,i}R_t}_{\text{Strategic Factor Exposure: Value, Quality, Momentum, Min Vol}} +$$

$$\underbrace{\gamma_{1,i}V_t^* + \gamma_{2,i}Q_t^* + \gamma_{3,i}M_t^* + \gamma_{4,i}R_t^*}_{\text{Tactical Factor Timing = Timing Ability}} + \varepsilon_{i,t}$$

$$\begin{aligned} V_t^* &= I\{V_t > 0\} V_t \\ Q_t^* &= I\{Q_t > 0\} Q_t \\ M_t^* &= I\{M_t > 0\} M_t \\ R_t^* &= I\{R_t > 0\} R_t \end{aligned}$$

$V_t^*, Q_t^*, M_t^*, R_t^*$ equal to V_t, Q_t, M_t, R_t when $V_t, Q_t, M_t, R_t > 0$ else 0

- Where α_i is the abnormal return of the fund i , $r_{i,t}$ is the excess return of the fund i to its benchmark with V_t , Q_t , M_t and R_t being the value, quality, momentum and low risk returns relative to market.
- Alternative way is to square factors:

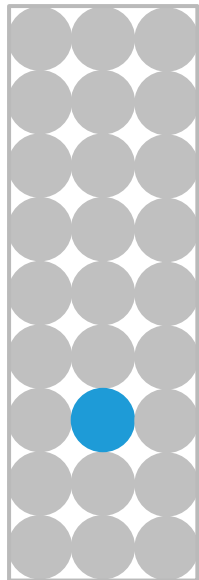
$$r_{i,t} = \alpha_i + \beta_{1,i}V_t + \beta_{2,i}Q_t + \beta_{3,i}M_t + \beta_{4,i}R_t + \gamma_{1,i}V_t^2 + \gamma_{2,i}Q_t^2 + \gamma_{3,i}M_t^2 + \gamma_{4,i}R_t^2 + \varepsilon_{i,t}$$

Source: AB

Finding “Idiosyncratic” Alpha

Idiosyncratic Alpha is More Persistent

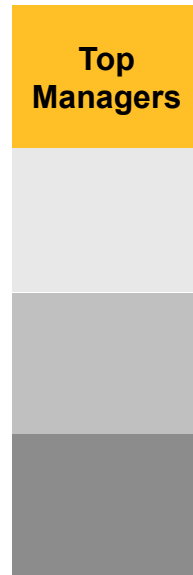
Selection of **Random** Manager



*Excess Return in
Subsequent
3 Years*

+0.2% Average
Outperformance

Managers Ranked on 5 Years of **Excess Return**



*Excess Return in
Subsequent
3 Years*

+0.5% Average
Outperformance

**65% of Top
Managers
Outperform**

Managers Ranked on 5 Years of **Idiosyncratic Alpha**



*Excess Return in
Subsequent
3 Years*

+1.1% Average
Outperformance

**75% of Top
Managers
Outperform**

Historical analysis and current forecasts do not guarantee future results.

Sample of 2,000 globally benchmarked managers.

Returns are gross of fees. January 1, 2006, through December 31, 2014.

Source: eVestment, Morningstar, MSCI and AB



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What Is the Total Portfolio Approach, and the Theoretical Case for It

- Fundamentally it is about removing silos from asset allocation
- Take a holistic approach to risk and exposures in a portfolio: across public-private, alpha-beta and asset classes
- Offers a more **fundamental** way to partition and allocate to risk
- Recognizes that the alpha-beta dividing line is dynamic not fixed
- The distinction between public and private assets is an illusion

The Total Portfolio Approach: Why Now?

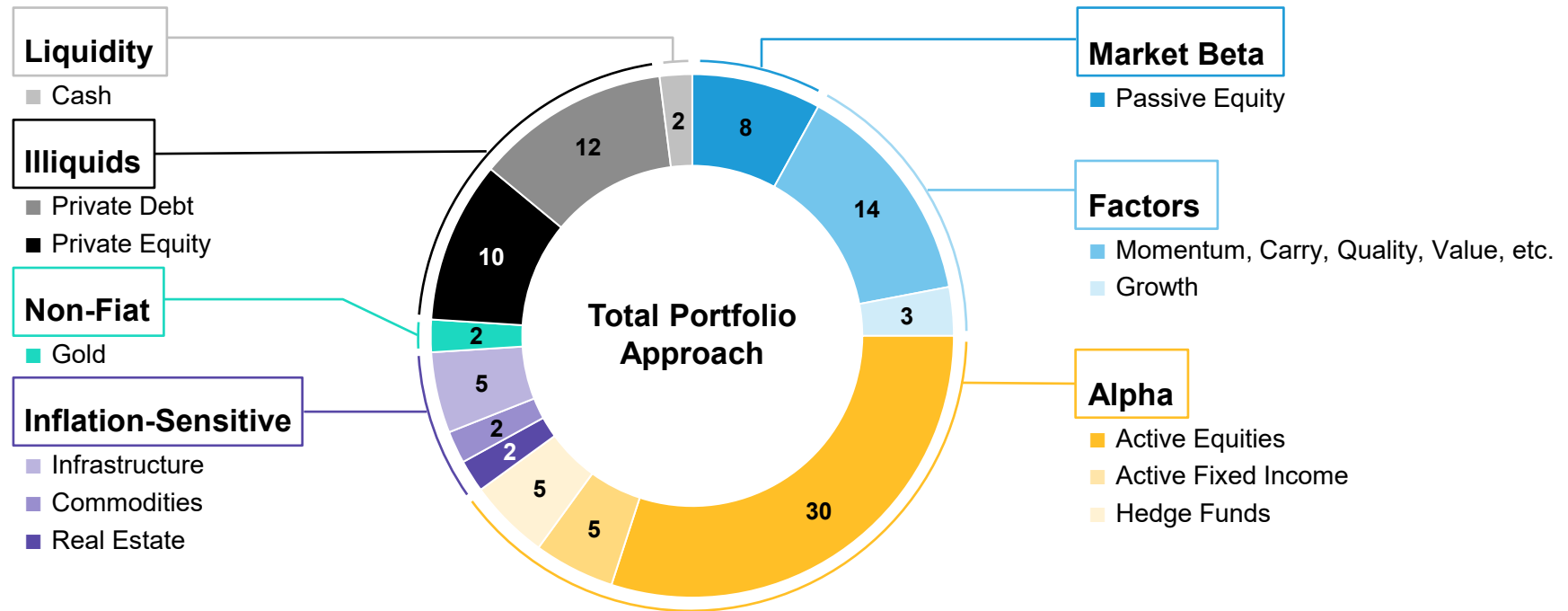
There are two very different forces at work that imply it is needed more now. One driven by investors and the other more macro.

Realization that achieving a given level of real return and achieving diversification is harder in a new investment paradigm

Shift in how capital is raised in the contemporary economy. Public equity and credit are no longer privileged. The role of nominal bonds is very much altered. Hence the need to think about risk, exposures and allocation across public and private assets. Traditional silos become a problem

How This Might Differ Under a Total Portfolio Approach?

Percent



For illustrative purposes only.
 Figures may not sum due to rounding.
 As of December 31, 2025
 Source: AB



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Conclusions on a Total Portfolio Approach

The Case for a Total Portfolio Approach

- Approach supported by **shift in the macro environment** and how capital is raised
- By breaking down asset allocation silos, TPA allows **greater illiquidity** and **broadier asset class exposure**
- Our modelling shows an ability to meaningfully enhance **absolute and risk-adjusted returns**

But There Are Significant Challenges to Such an Approach

- Requires a change in how **organizations are structured** and **governance is undertaken**
- Really requires a **different view** of benchmarks and risk
- Need to recognize that traditional approaches also carry **high risk**

Some Intermediate Steps Are Possible

- Explicitly incorporate **public and private assets** in risk assessment
- Integrate both **factor** and **alpha** strategies in SAA and focus on **idiosyncratic alpha**
- The benchmark might be **inflation** rather than market indices

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SAA: strategic asset allocation; TPA: Total Portfolio Approach. Source: AB



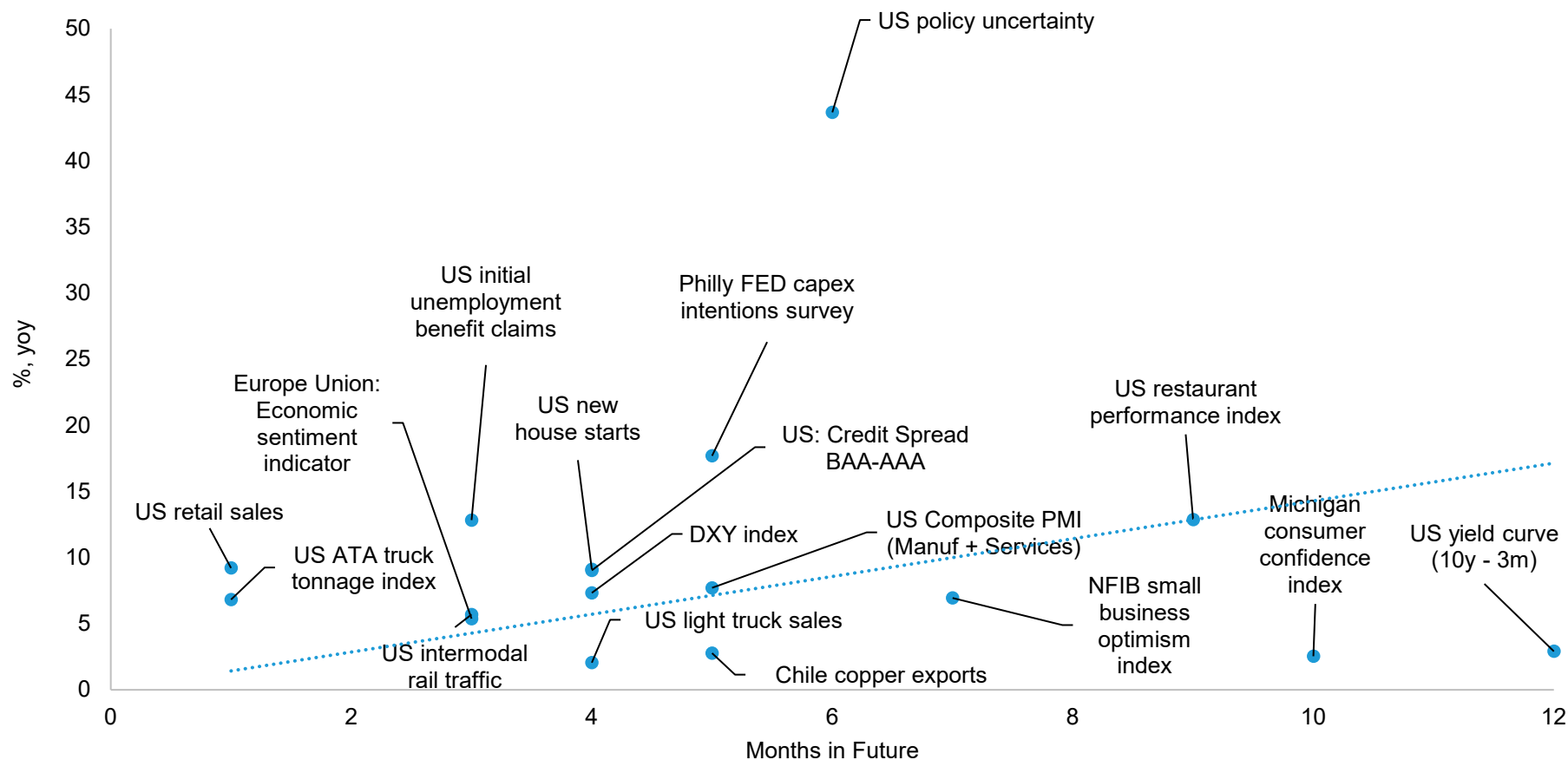
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Tactical Outlook



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US Tactical Earnings Indicator: Current Forecast 17.14%



Historical analysis and forecasts do not guarantee future results.

The model integrates both micro and macro indicators to project the future trajectory of US earnings. Each indicator is individually regressed against year over year change in 12m forward earnings using time lags from 1 to 12 months to identify the horizon at which it has the strongest statistical relationship. For example, US retail sales is most predictive at short horizons (around 2 months), whereas the US yield curve works at longer horizons (about 12 months). After determining the optimal horizon for each indicator, all indicators are plotted in the scatter chart above. The line of best fit across these points is then used to derive the aggregate earnings forecast.

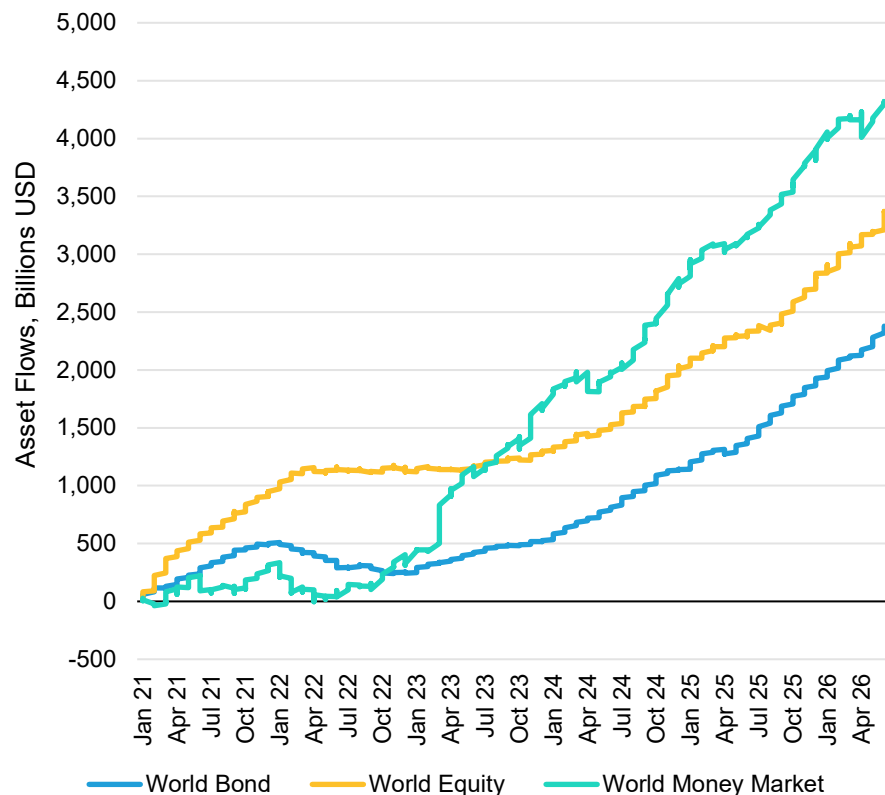
As of May 19, 2026. Source: Macrobond, National Restaurant Association and AB



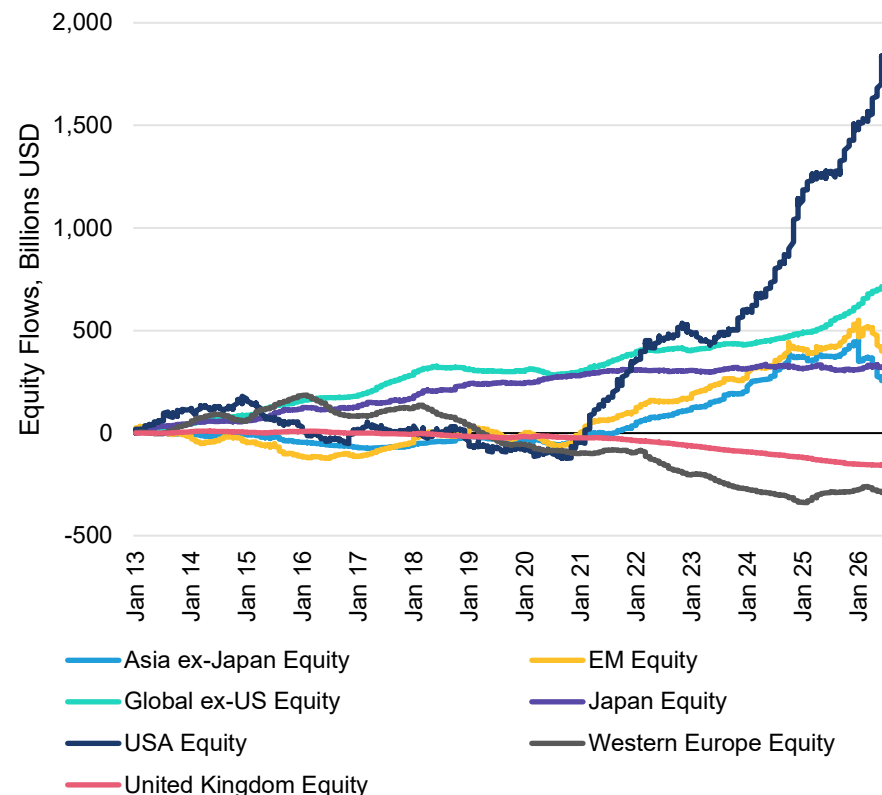
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Asset Class and Regional Flow

Cumulative Global Weekly Asset Flows



Cumulative Regional Equity Fund Flows



Historical analysis does not guarantee future results.

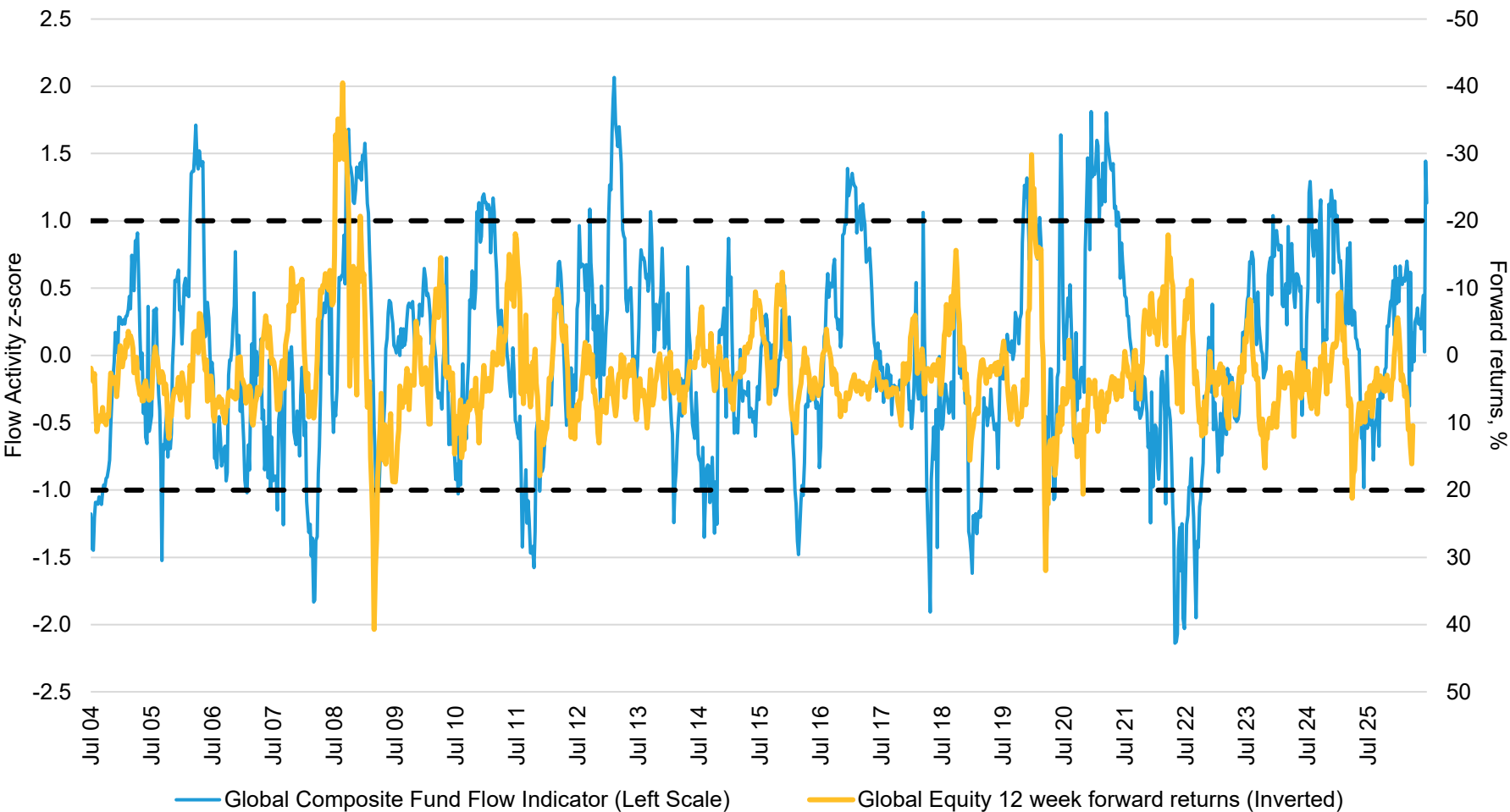
Left display January 1, 2021, through June 24, 2026; right display January 1, 2013, through June 24, 2026

Source: Emerging Portfolio Fund Research and AB



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Composite Equity Fund Flow Indicator



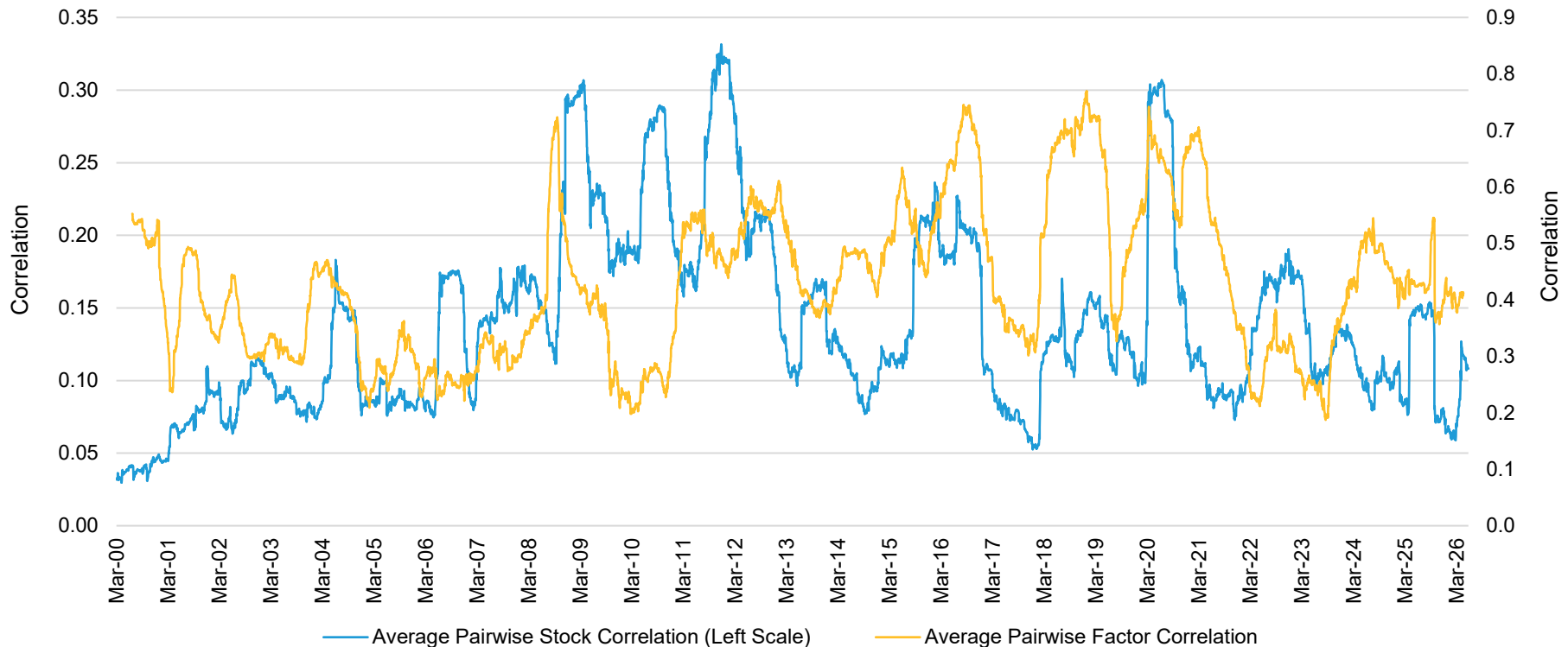
Past performance does not guarantee future results.

As of June 24, 2026
Source: EPFR, Macrobond, MSCI and AB

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Factor and Stock Correlation – the Opportunity set for Active

Average Pairwise Factor and Stock Correlation



Historical analysis does not guarantee future results.

The stock correlations are the average pairwise correlations of daily stock returns for the constituents of the MSCI AC World index over a rolling six-month window.

From July 4, 2000, through May 28, 2026

Source: FactSet, I/B/E/S, MSCI and AB



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Does the Trade into Private Assets Have Further to Go?



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Public vs. Private Assets

A Need for More Private Assets

Demand (from Investors)

- Prospect of lower nominal return on public markets
- Need for diversification
- Need for inflation protection
- Need for active return streams

Supply

- Dearth of young high growth companies coming to market
- Buybacks leading to shrinking stock of public equity
- Retrenchment of traditional providers of credit
- Borrowers recognizing greater flexibility of private capital

Limits on Private Market Allocation

- Liquidity as a limit to private allocations:
 - QE to QT
 - Asset owner portfolios are more illiquid
 - More fragile liquidity in public markets
- Fees – this is now the lion's share of many fee budgets

Source: AB



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Private Equity Return Forecast

We can write an expression for the expected return from the average private equity investment as:

$$\text{Private Equity Return} = (\text{unlevered return}) + \text{Financial Leverage} * (\text{unlevered return} - \text{cost of debt}) + \text{Multiple expansion} - \text{fees}$$

Where:

$$\text{Unlevered return} = (\text{Income Yield} + \text{Real Growth})$$

We assume a 2% income yield and we model real growth as 1.5% real GDP growth and 0.5% per-year population growth based on UN estimates. We also add a 2% growth premium as PE tends to have a sector skew in favor of faster-growing sectors.

Financial leverage is calculated using 1.2x Debt/Equity ratio and the real cost of debt is modeled as a LIBOR base rate at 3.5% and a 3.5% spread adjusted by a 3% inflation rate.

We assume a 2% management fee, 8% hurdle rate over which a 17% carry fee is levied and we assume 1% in other fees

Bringing it all together:

	Income Yield	Real Growth	Debt/Equity	Real Cost of Debt	Levered Return	Multiple Expansion	Gross Real Return	Net Real Return (Top Quintile)	Net Nominal Return (Top Quintile)
								18.4%	21.4%
								Net Real Return (Base Case)	Net Nominal Return (Base Case)
Private Equity (Buyout Funds)	2.0%	4.0%	1.2	4.0%	8.4%	0.0%	8.4%	3.8%	6.8%
								Net Real Return (Bottom Quintile)	Net Nominal Return (Bottom Quintile)
								-8.2%	-5.2%

Past performance does not guarantee future results.

As of December 31, 2023

Source: Bloomberg, Factset, FRED and AB

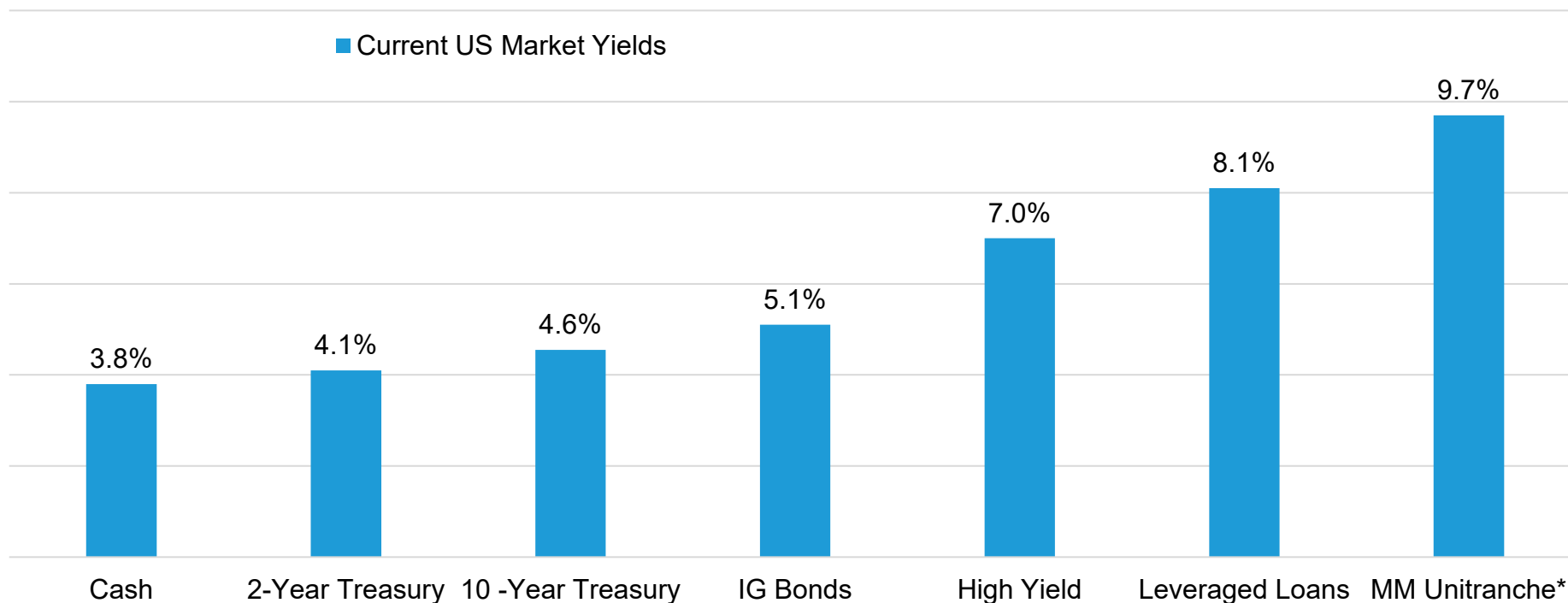
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Comparing Yields/Illustrative Yield Profiles for Different Credit Assets

Middle Market Direct Lending Offers Attractive Yields Relative to Other Fixed Income Asset Classes Due to a Significant Illiquidity Premium



Past performance is not necessarily indicative of future results. There can be no assurance that any investment objectives will be achieved.

Cash is represented by the 30-day average Secured Overnight Financing Rate ("SOFR"), 2-Year Treasury and 10-Year Treasury published by U.S. Treasury Department and reflect the Daily Treasury Par Yield Curve as of December 31, 2025, Investment Grade ("IG") Bonds by Bloomberg Barclays U.S. Corporate Investment Grade Index, Leveraged Loans by MStar/LSTA US Leveraged Loan 100 Index, and High Yield represented by Yield-to-Worst. An investor may not be able to invest directly in the indices.

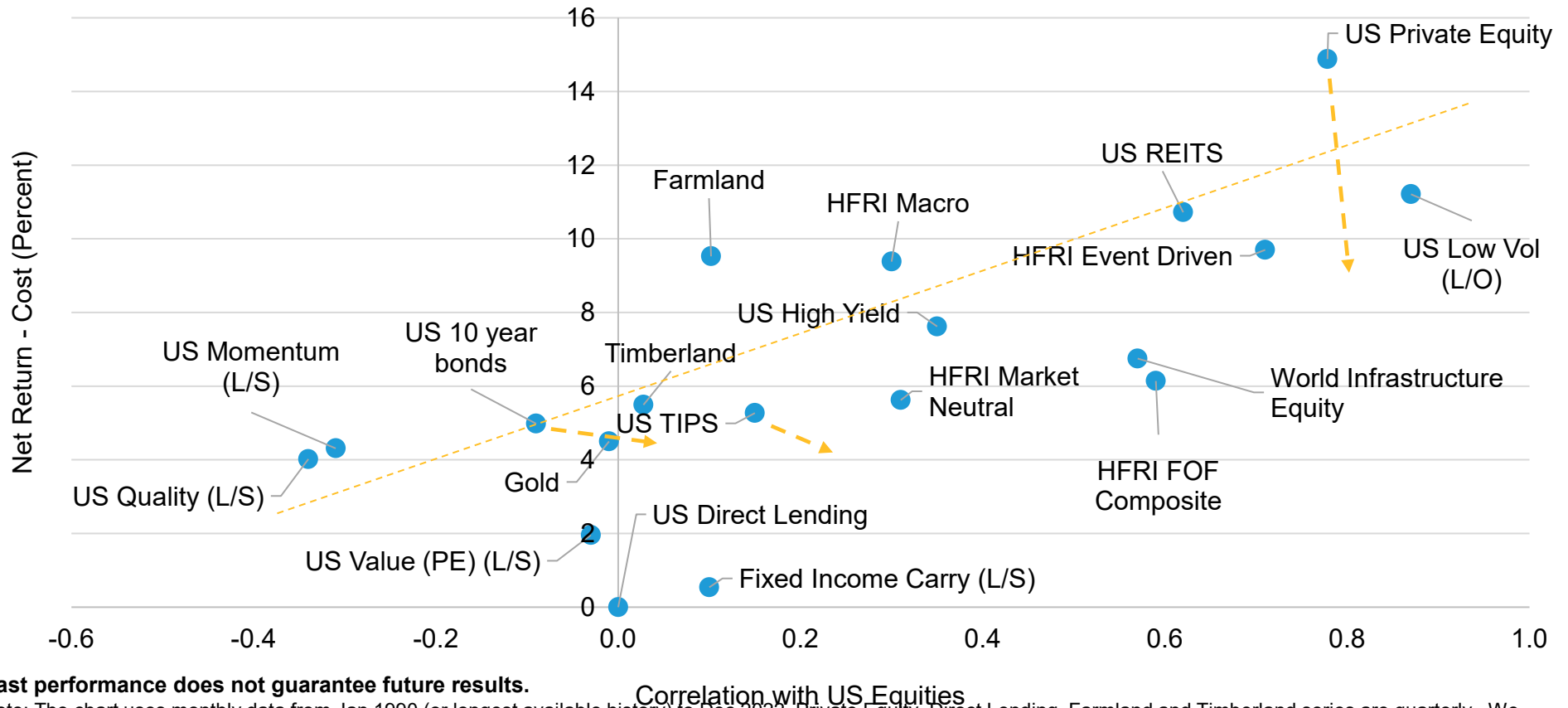
* Illustrative Private Middle Market Yields representative of average yields tracked by LSEG LPC throughout 4Q25.

As of Q2 2026. Source: St. Louis Federal Reserve (Cash), Bloomberg Barclays (IG & HY Bonds), Department of the Treasury (2-Year & 10-Year Treasuries), MStar/LSTA (Leveraged Loans) and AB



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Bonds No Longer Occupy a Unique Place in Return vs. Diversification: Net Return vs. Correlation with US Equities



Past performance does not guarantee future results.

Note: The chart uses monthly data from Jan 1990 (or longest available history) to Dec 2022. Private Equity, Direct Lending, Farmland and Timberland series are quarterly. We assume 10bps fee for US 10 -year bonds, Gold, REITS, TIPS and High Yield bonds. We assume 20 bps fee for Long Only factors and 50 bps fee for Long/Short factors. For Timberland and Farmland we assume 150bps fee. For Direct Lending we assume 150bps fee.

As of September 29, 2023

Source: Bloomberg, Cambridge Associates, Cliffwater, Global Financial data, NCREIF and AB

For illustrative purpose only. It should not be assumed that investments in any specific security was or will be profitable. It does not represent all of the securities purchased, sold or recommended for clients in this product.



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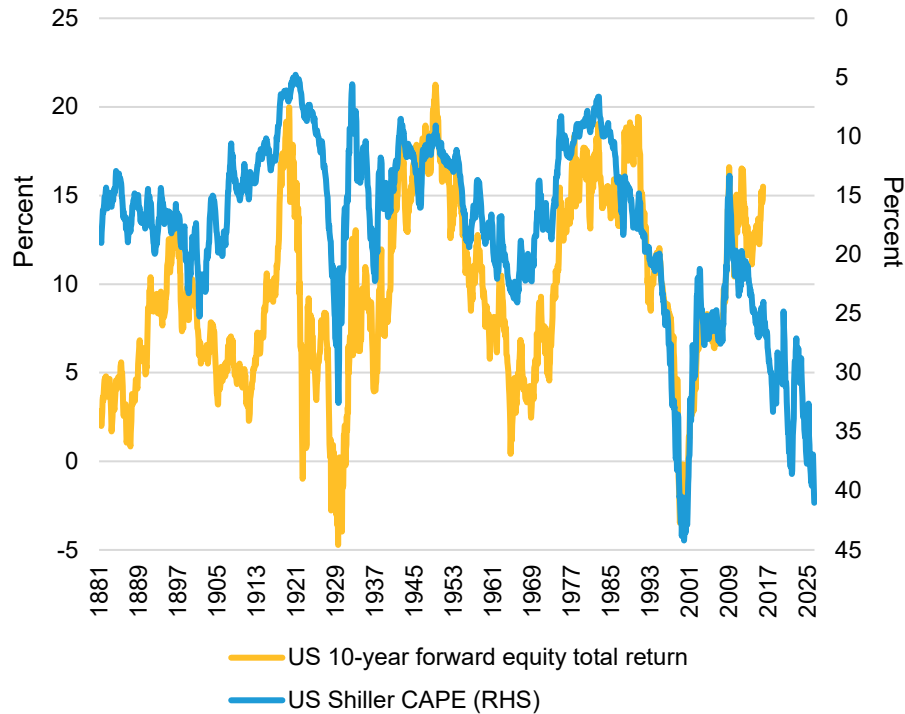
Global Equities: Still a Pillar for Real Return Seekers



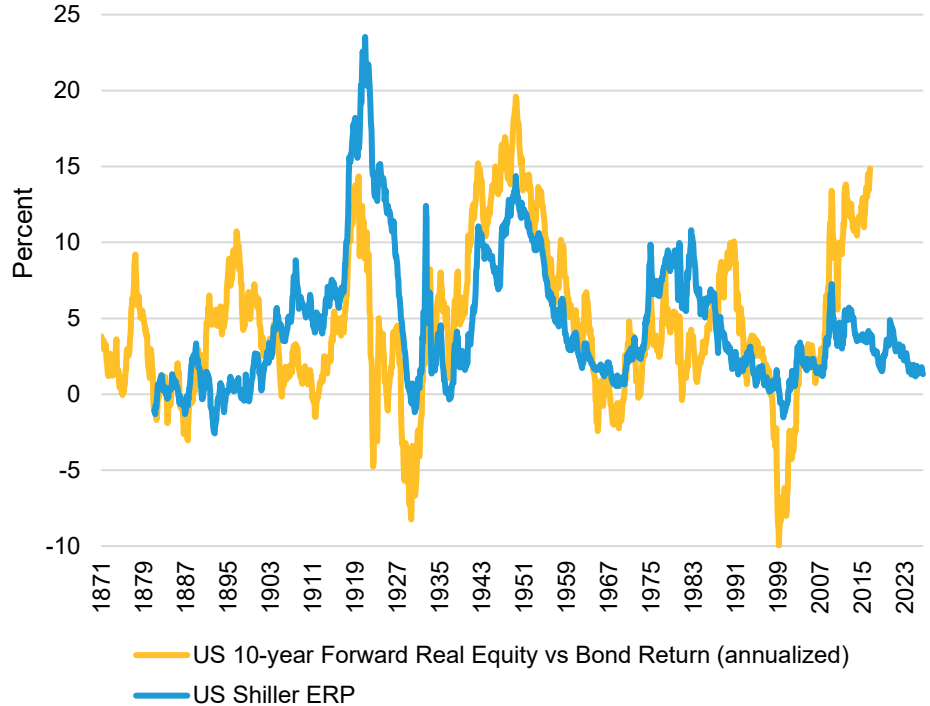
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US Shiller PE and ERP vs. Forward Returns

US Shiller PE and 10-Year Forward Equity Return



US Shiller Equity Risk Premium and Relative Returns



Past performance does not guarantee future results.

Data as of June 29, 2026

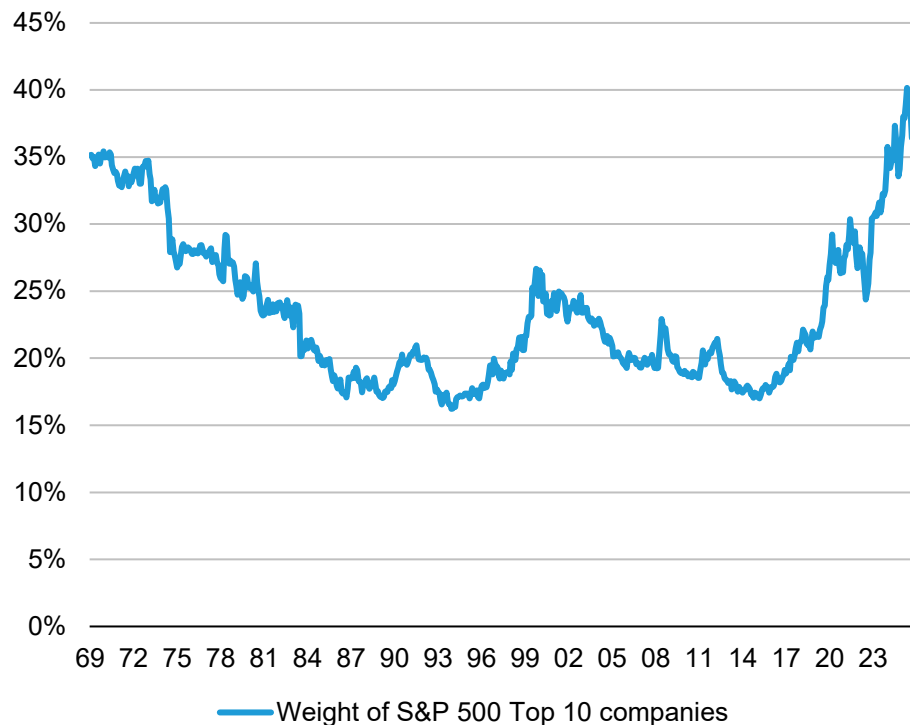
Source: Macrobond, Robert S&P Global, Shiller and AB



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US Market Concentration Risk

US market concentration is extreme



High valuation and concentration raises the risk of future drawdowns

2 year forward S&P 500 drawdown

Variable	t-stat
Starting weight of US top 10 stocks	-5.76
Starting Shiller PE	-9.57
Adjusted R-Sq	14%

5 year forward S&P 500 drawdown

Variable	t-stat
Starting weight of US top 10 stocks	-5.99
Starting Shiller PE	-12.83
Adjusted R-Sq	22%

Historical analysis does not guarantee future results.

Data as of March 31, 2026

Note: The regressions cover the period from June 1969 to August 2024

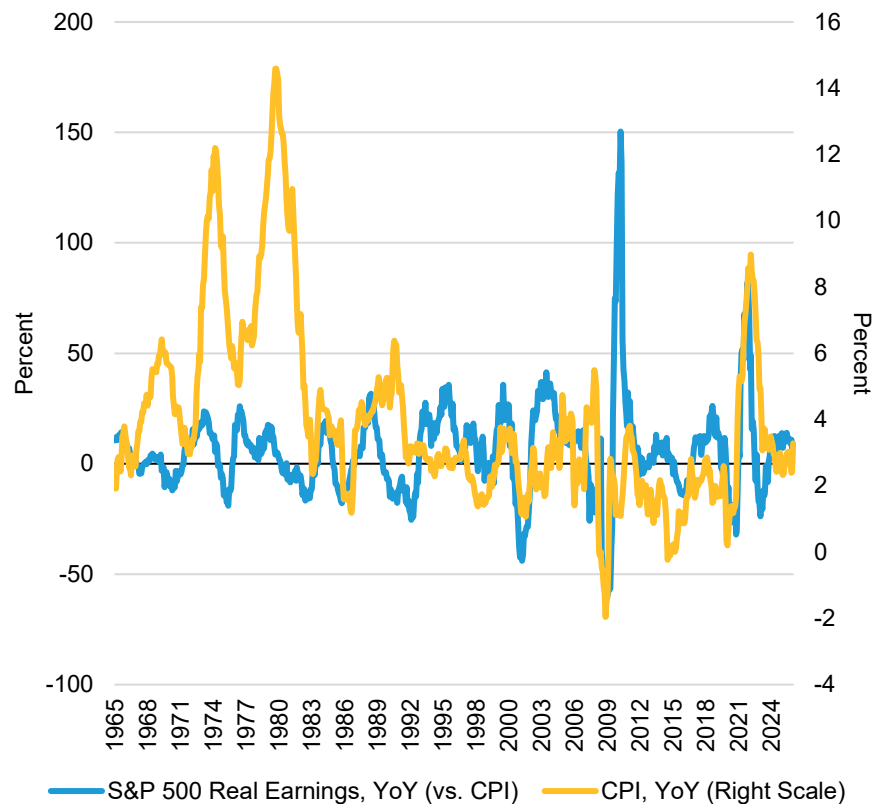
Source: FactSet and AB



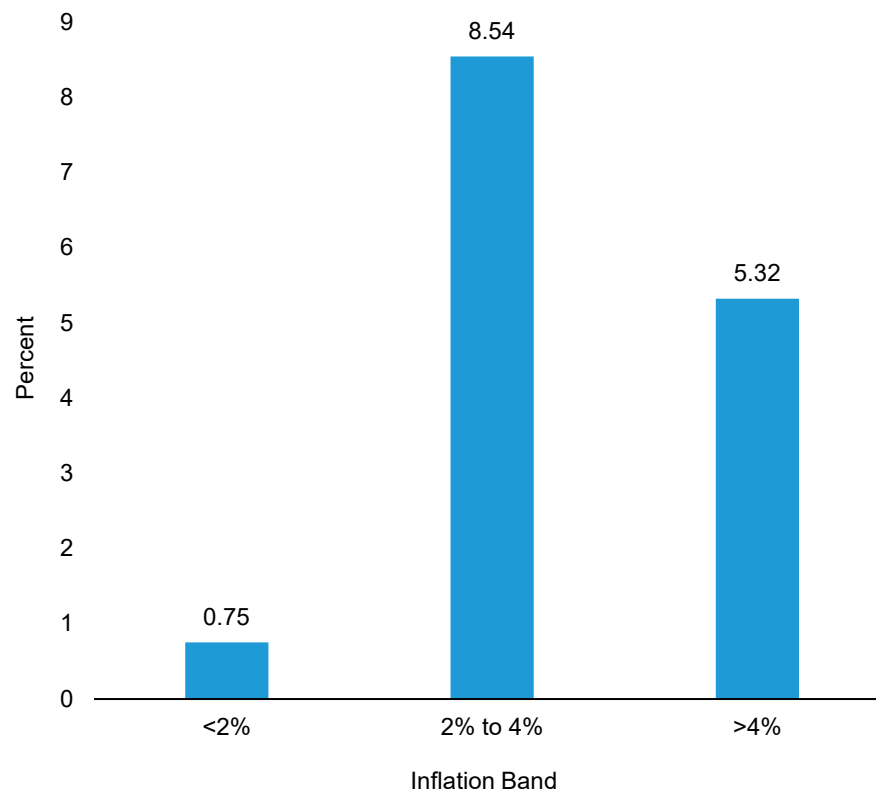
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Are Equities Real Assets?

Real Growth in Total Earnings and Inflation



Average Real Growth in Total Earnings by Inflation Band



Historical analysis does not guarantee future results.

Data as of December 31, 1964, through March 31, 2026

Source: FactSet, Macrobond and AB

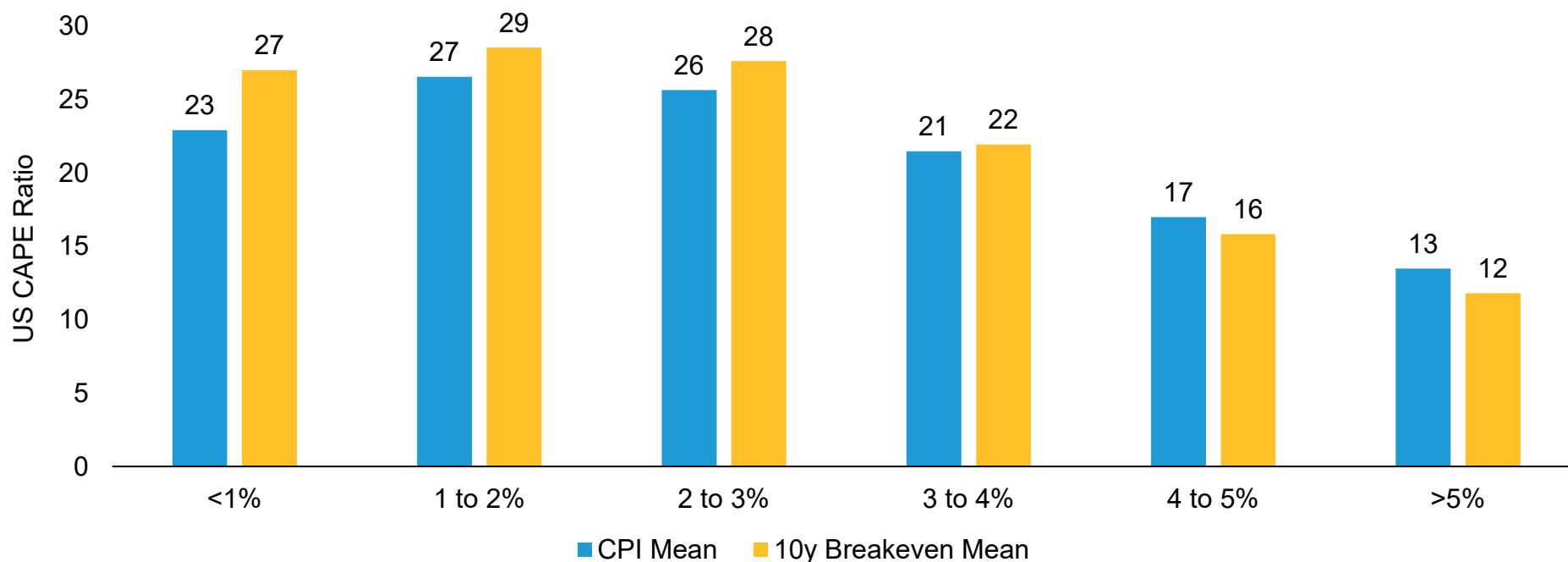


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Moderately High Inflation Supports Equity Multiples

Moderately High Inflation Has Supported Equity Multiples

Cyclically Adjusted Price-Earnings Ratio of US Equities by Inflation Regime (US CAPE Ratio)



Historical analysis does not guarantee future results.

Data from September 30, 1971 to August 31, 2022. Pre 1997 the 10y breakeven rate is a backcast of implied inflation calculated by NY FED.

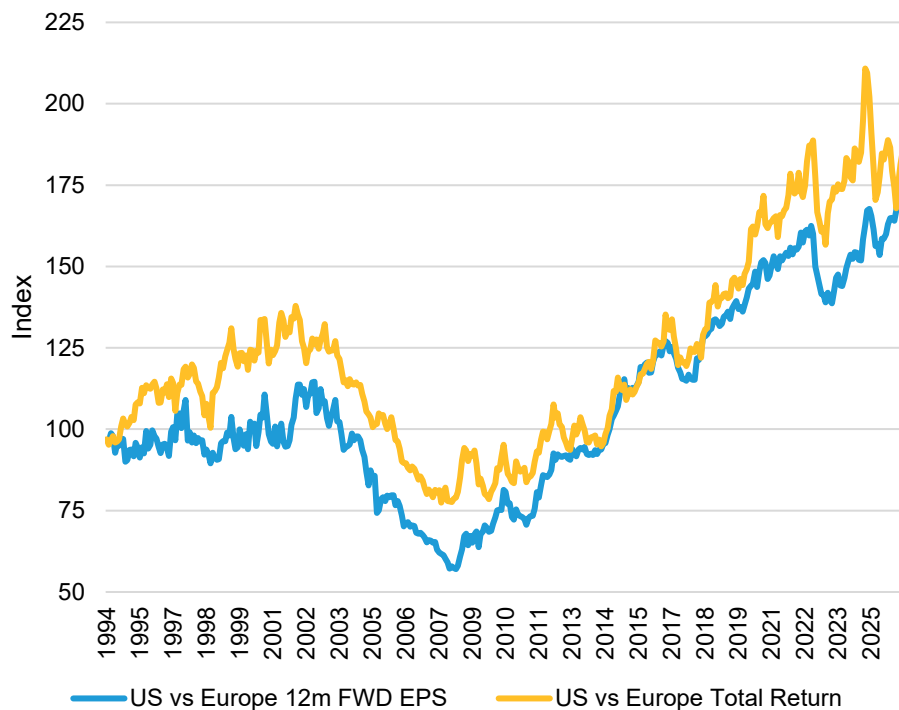
Source: Robert Shiller's Database, NY FED and AB



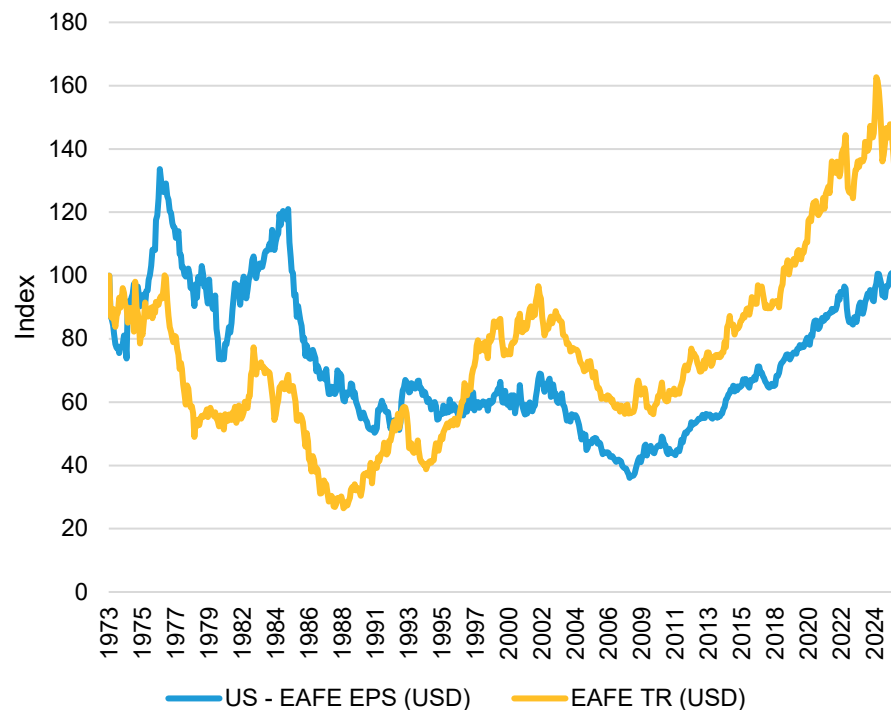
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Relative Growth Has Trounced Relative Valuation for Regional Performance

US vs. Europe Relative Earnings Growth and Relative Returns (USD)



US vs. EAFE Relative Earnings Growth and Relative Returns (USD)



Past performance does not guarantee future results.

Relative EPS growth and relative total returns.

As of May 31, 2026

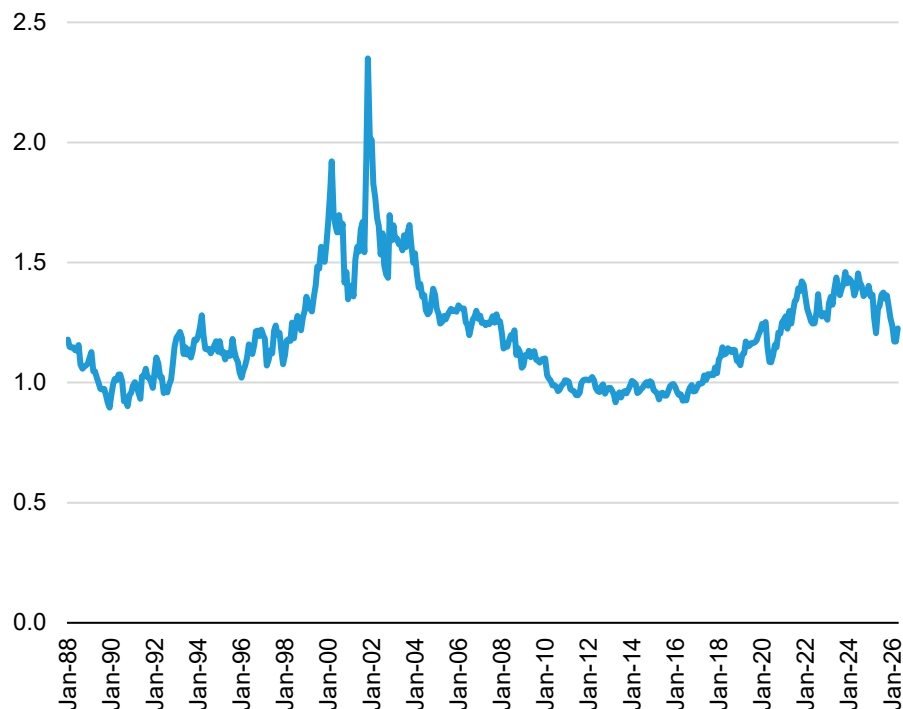
Source: MSCI, Macrobond and AB



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Tech is not expensive... but because expected earnings growth has seen unprecedented upswing

US Tech 12 Month Forward PE Relative



US Tech Long Term Forecast EPS Growth (% pa)



Historical analysis does not guarantee future results.

As of April 30, 2026

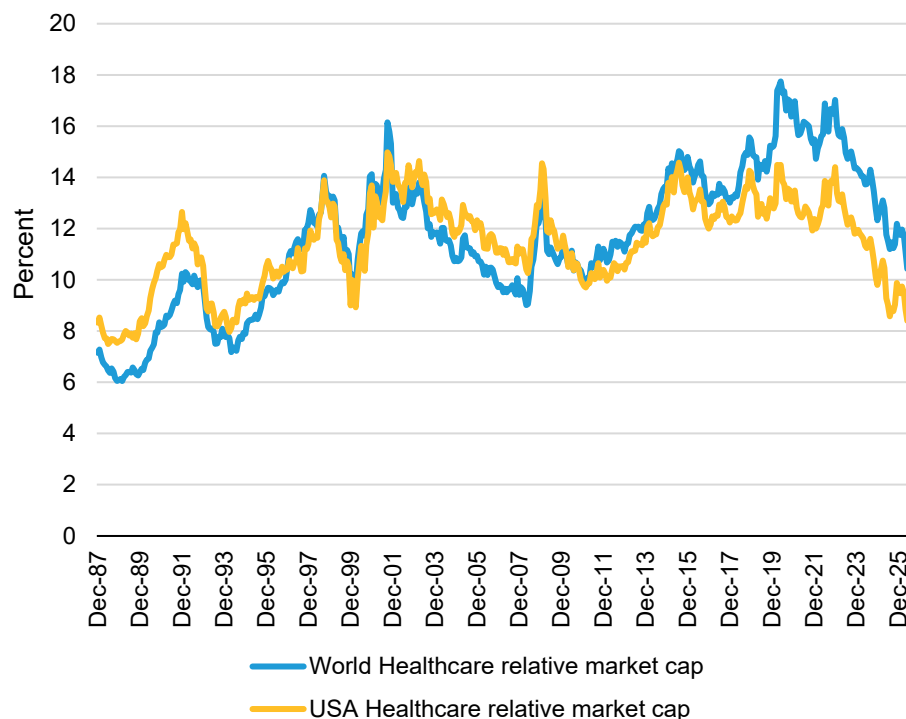
Source: Factset and AB



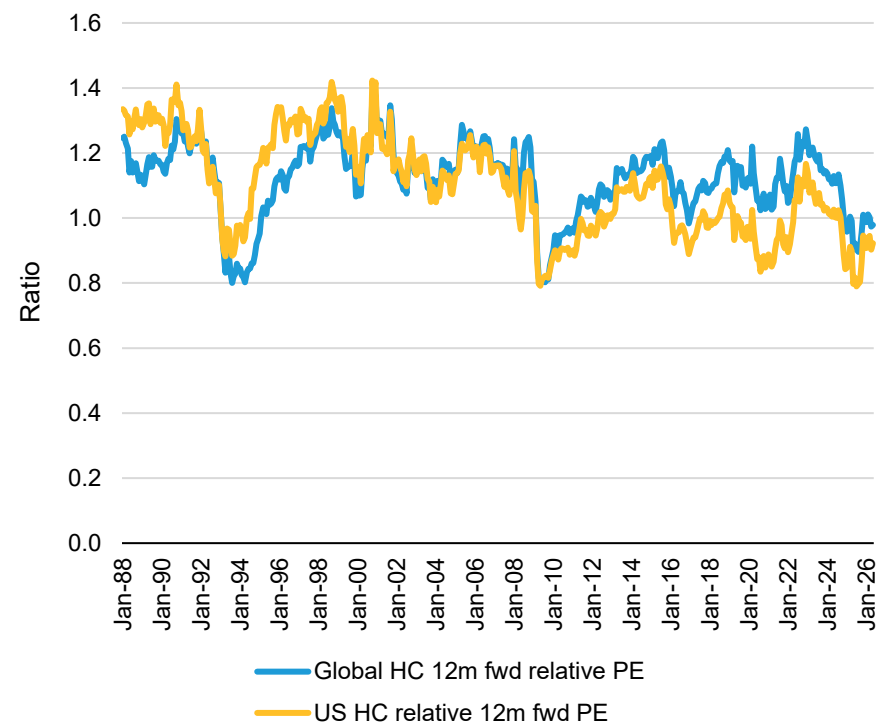
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A Case for Strategic Healthcare Exposure

US Healthcare Share of the Overall Market is Close to Historic Low



And the Sector is Very Attractively Valued Based on Relative 12m Forward P/E Multiples



Past performance does not guarantee future results.

As of May 31, 2026

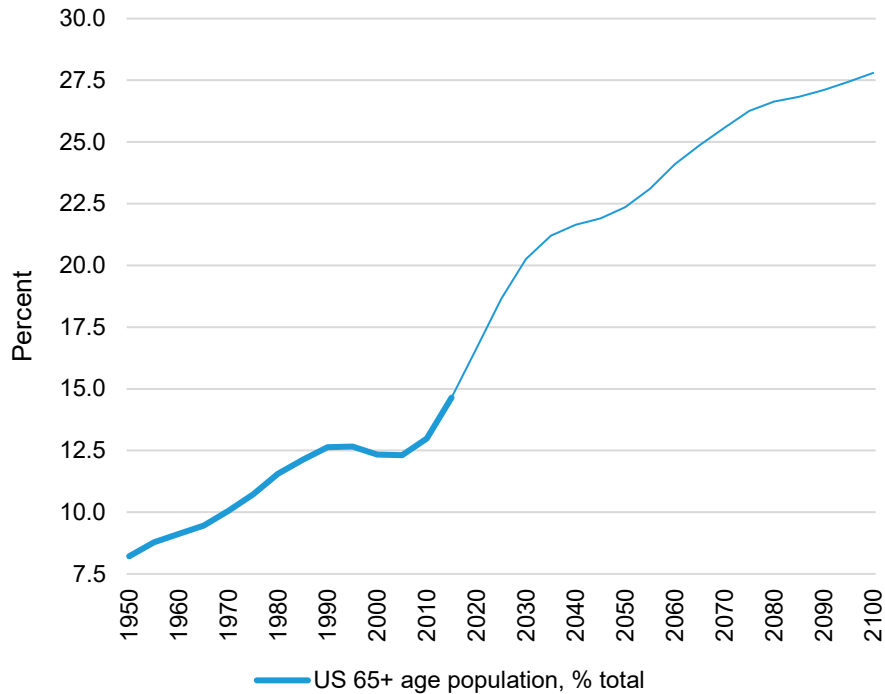
Source: FactSet, and AB



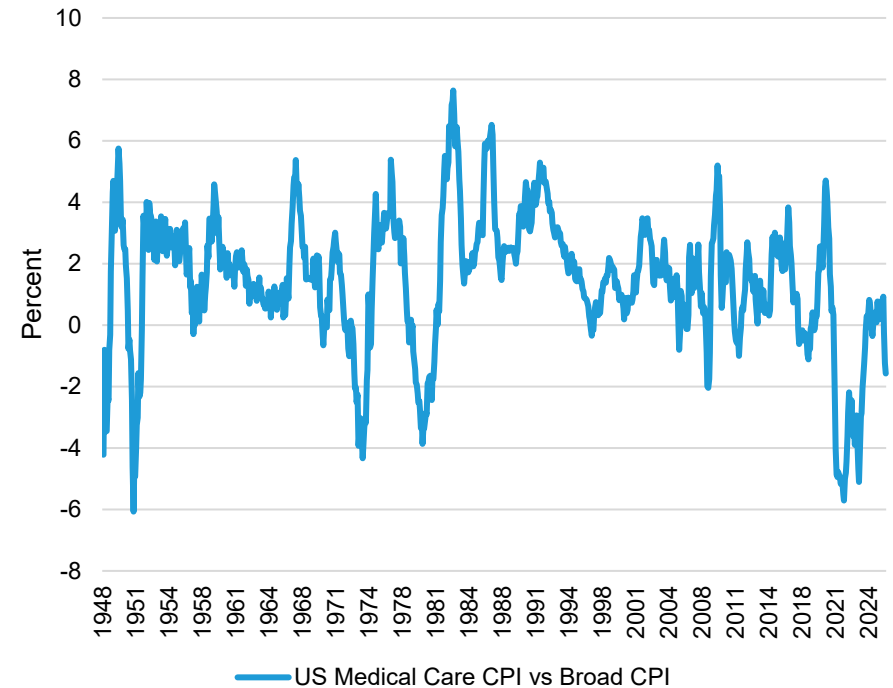
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Healthcare: Structural Demand Tailwinds

US Elderly Population is Going to Increase Substantially in the Coming Decades...



... Creating Higher Structural Demand Particularly for Care and Services



Current analysis and forecasts do not guarantee future results.

As of June 29, 2026

Source: BLS, Macrobond, UNDESA and AB



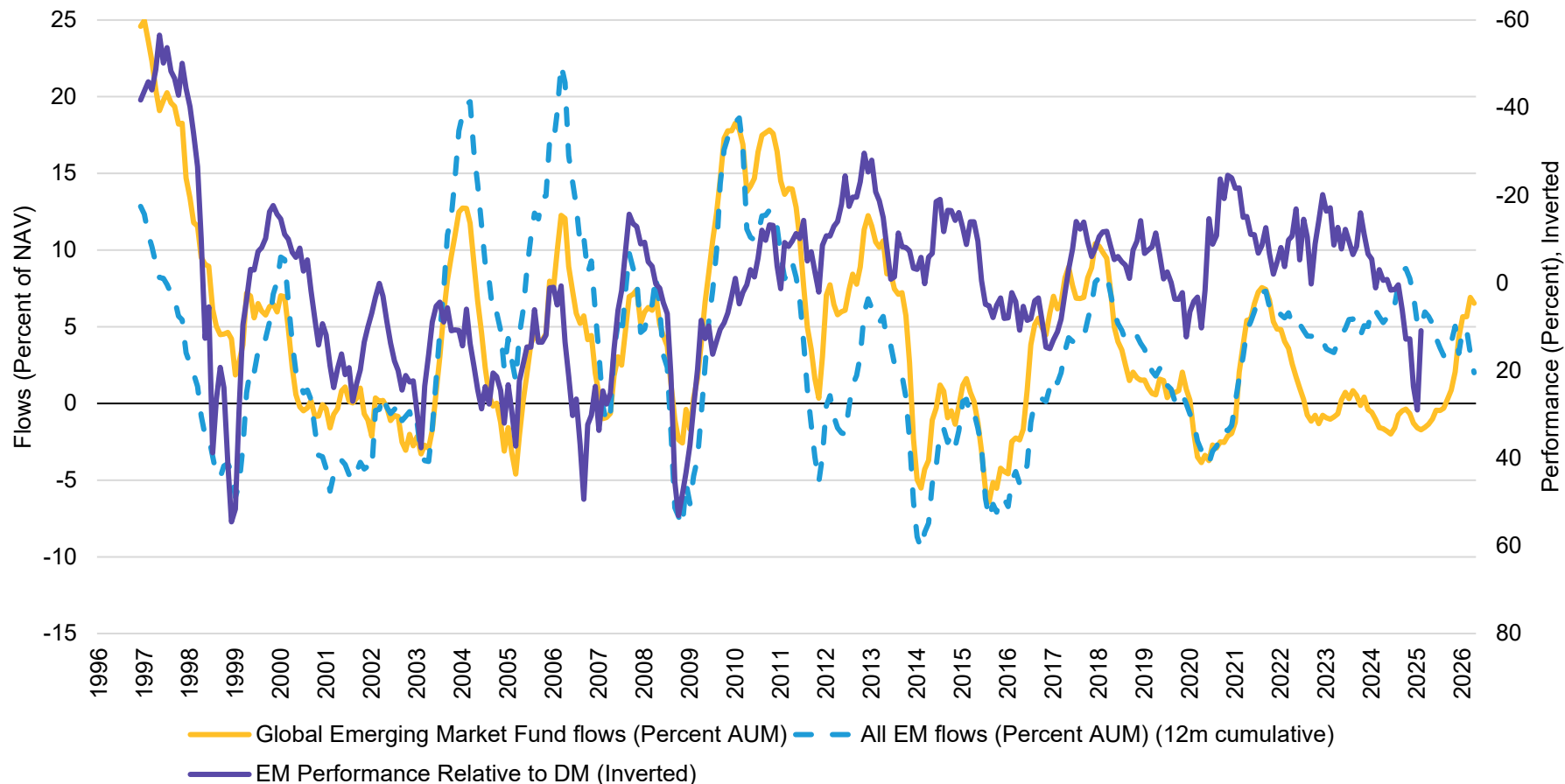
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Emerging Markets



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Emerging Market Equity Fund Flow Indicator



Historical analysis does not guarantee future results.

The EM flow series is the cumulative value of net inflows into Global emerging market equity funds (GEM) as a percentage of aggregate NAV for GEM equity funds.

As of May 31, 2026

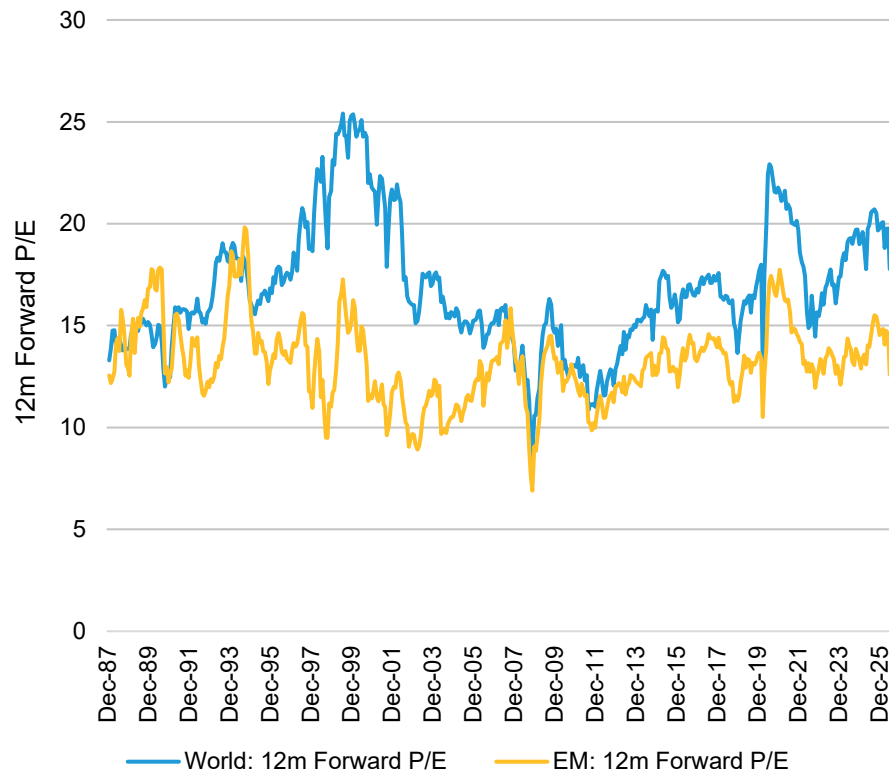
Source: EPFR global, Macrobond, MSCI and AB



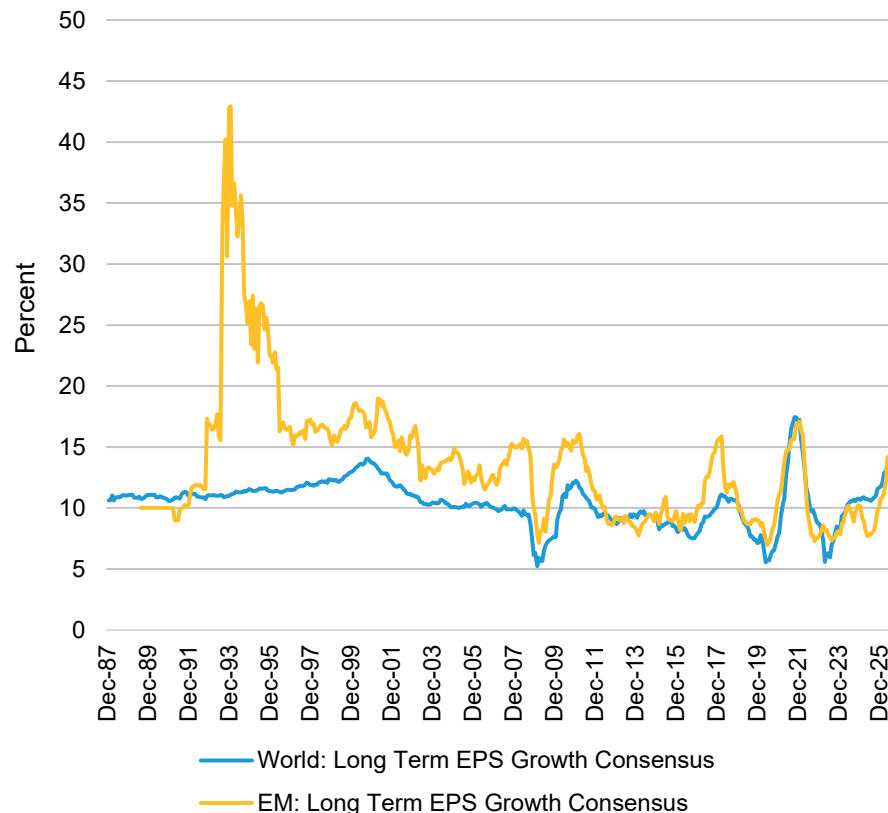
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EM vs DM Valuation and Long-Term Earnings Forecasts

EM vs DM 12m FWD PE



EM vs DM Consensus Long Term Earnings Growth Forecast



Past performance does not guarantee future results.

As of June 10, 2026

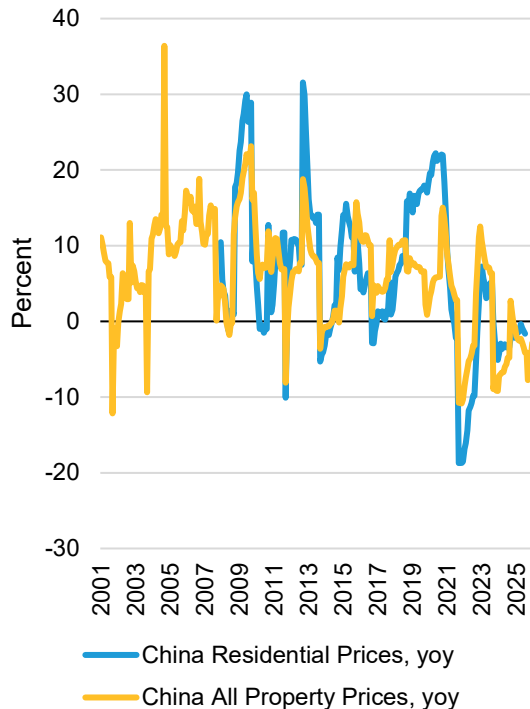
Source: FactSet, I/B/E/S and AB



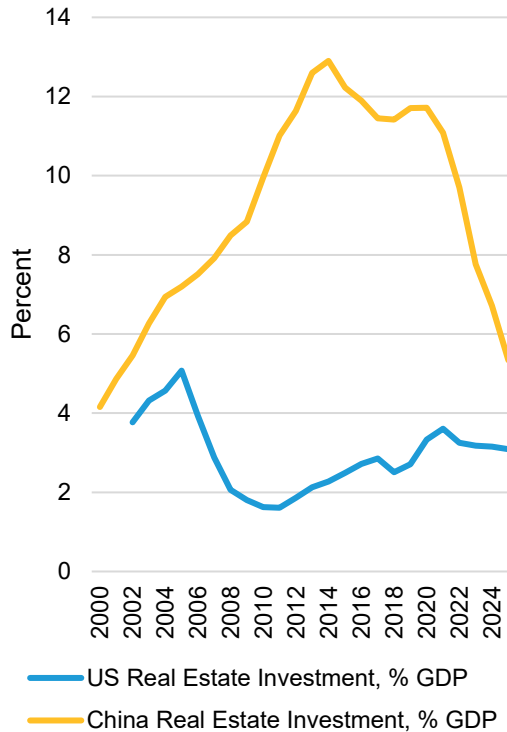
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Strategic Headwinds for China: Real Estate and Demography (I)

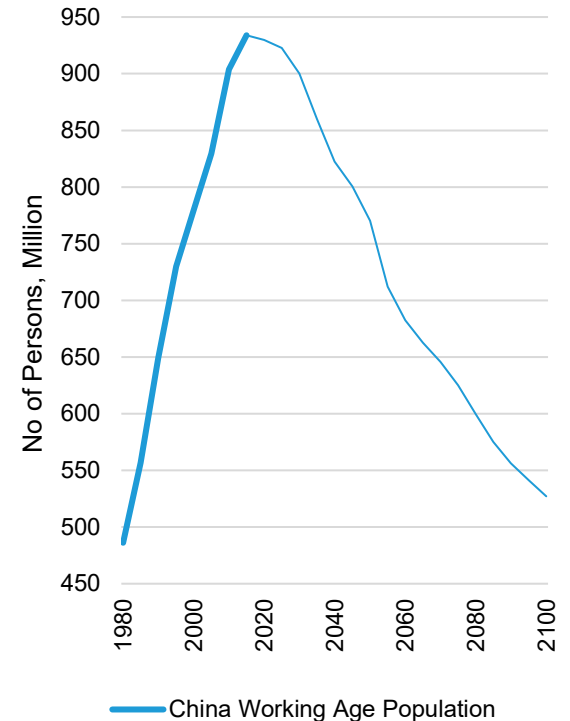
China property prices are still weak



US & China Real Estate Investment



China Working Age Population



Historical analysis and current forecasts do not guarantee future results.

As of June 29, 2026

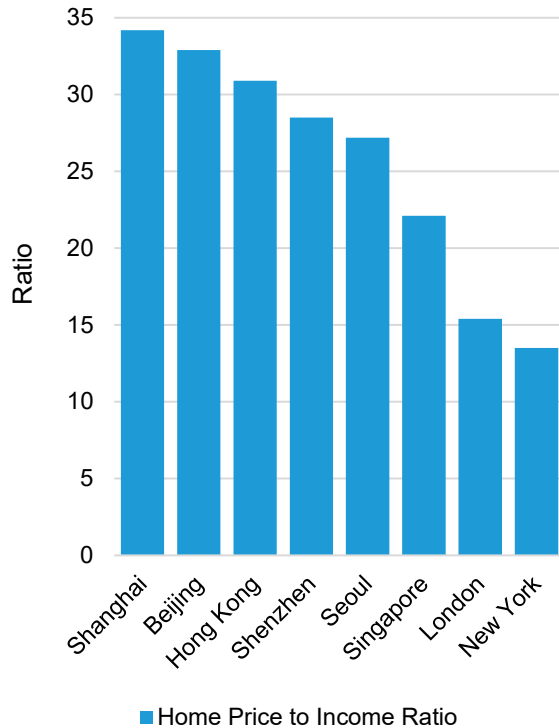
Source: CREIS, Macrobond, NBS, UNDESA, USCB, and AB



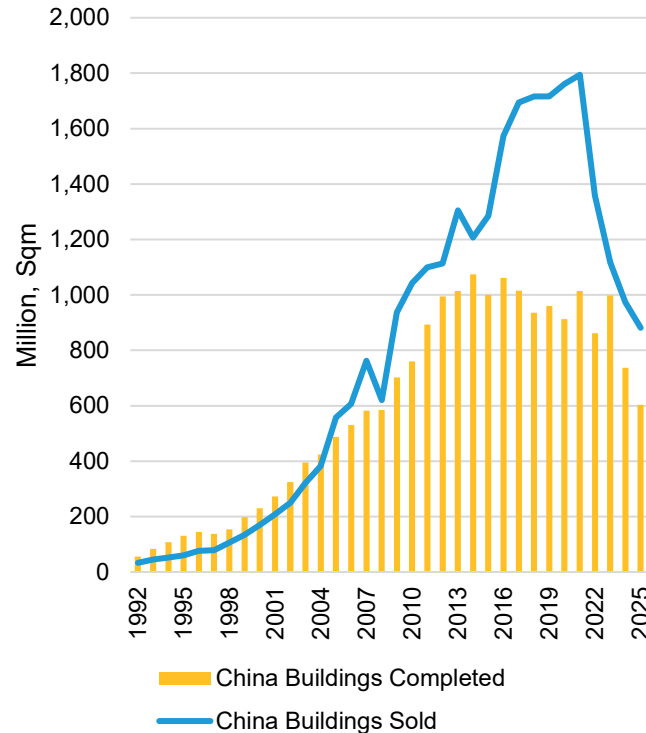
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Strategic Headwinds for China: Real Estate and Demography (II)

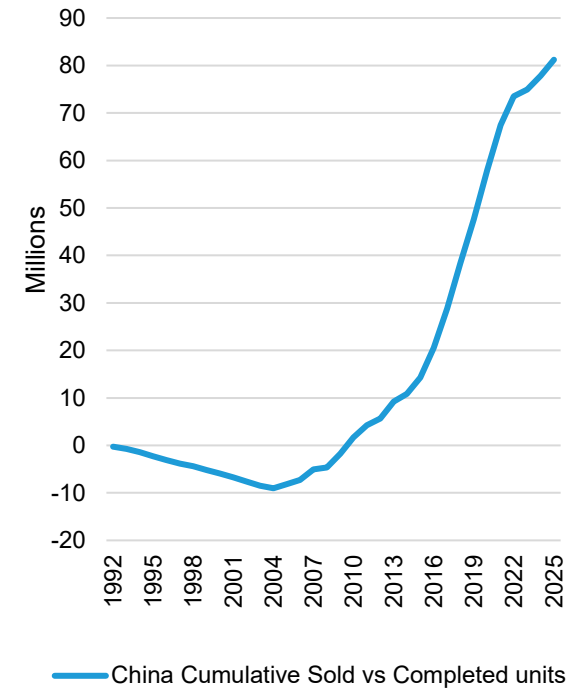
Home Price to Income Ratio



China Real Estate sales vs completions



Cumulative Sold vs Completed Units†



Historical analysis and current forecasts do not guarantee future results.

† Analysis assumes average home size of 82 sqm

As of June 29, 2026

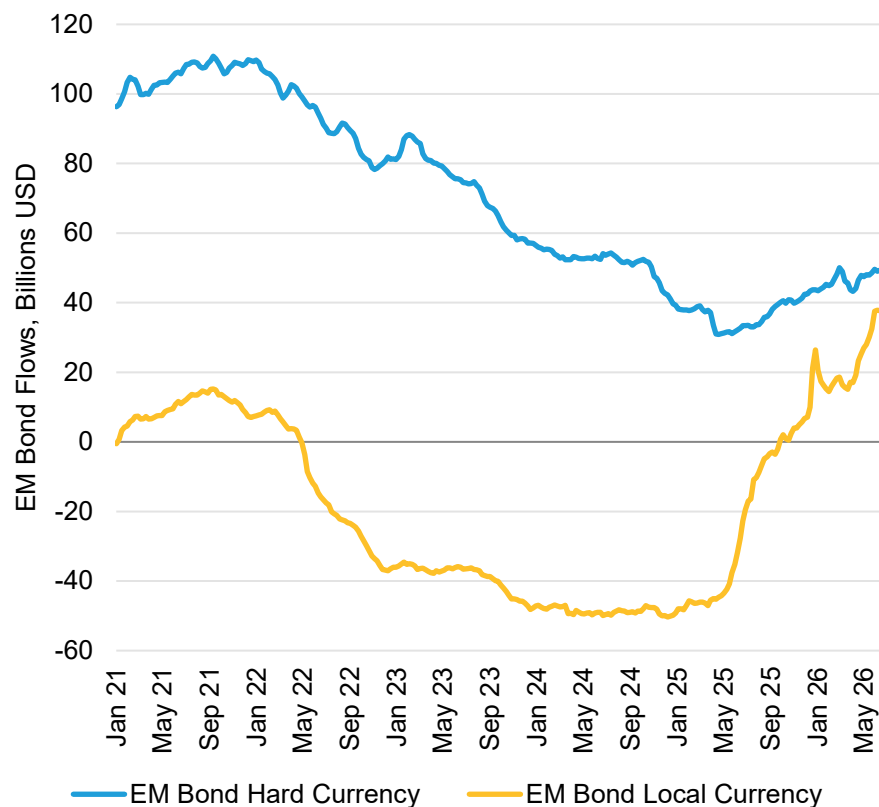
Source: Macrobond, NBS, Numbeo and AB



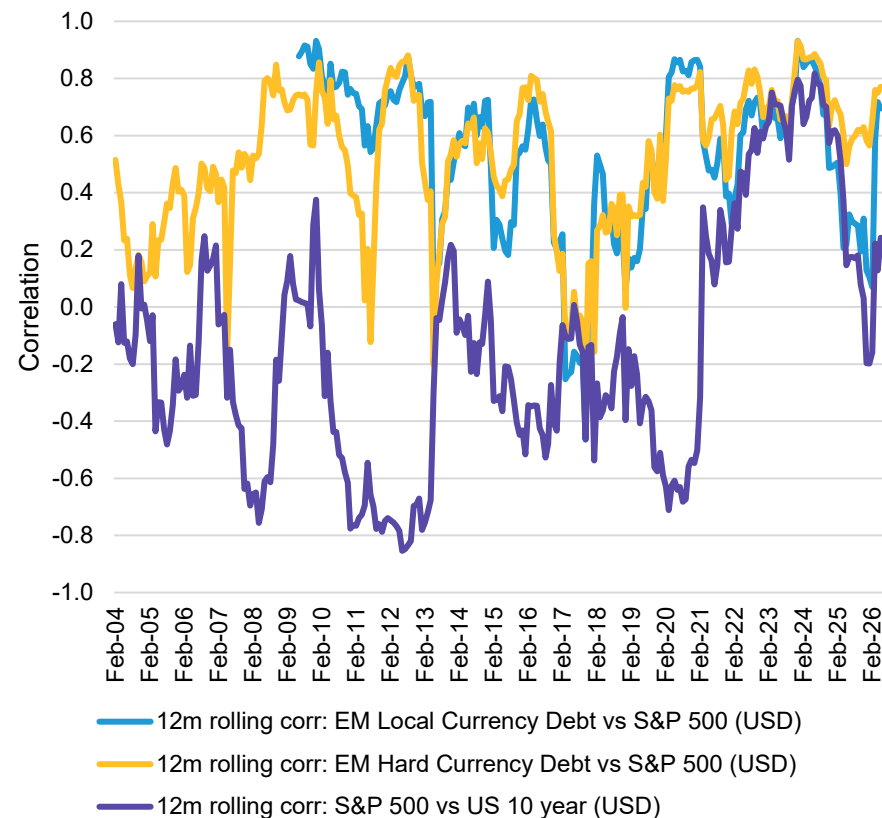
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EM Debt Flows and Correlation with US Equities

EM Debt Fund Flows



EM Debt Correlation with US Equities



Past performance does not guarantee future results.

LH chart as of June 17, 2026. RH chart as of May 31, 2026

Source: EPFR, Bloomberg, Macrobond and AB

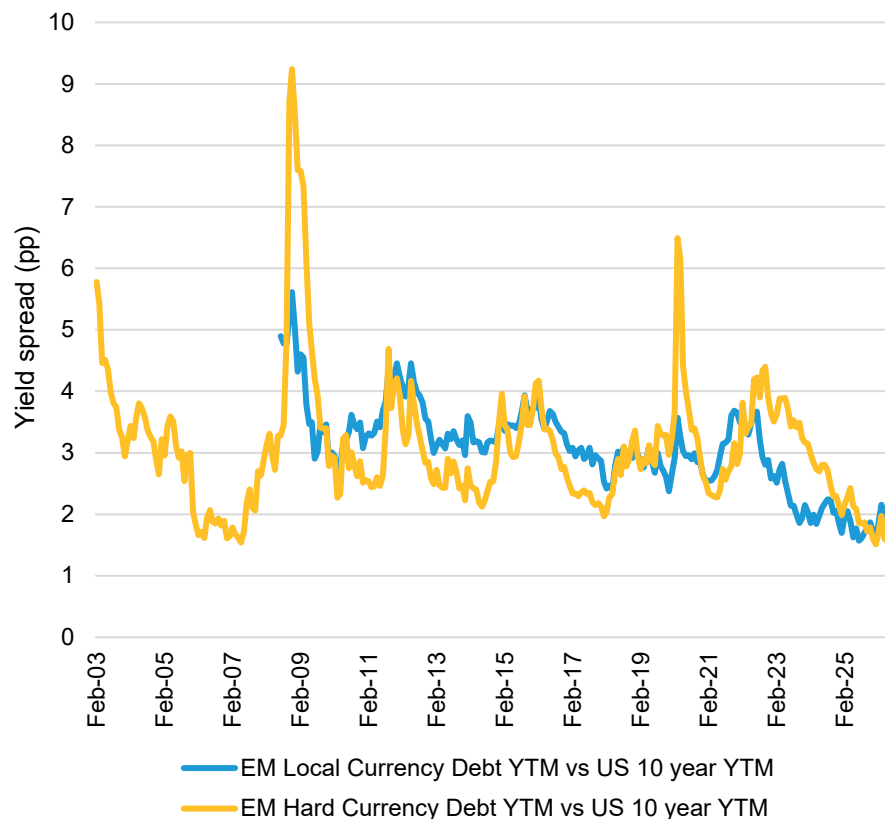


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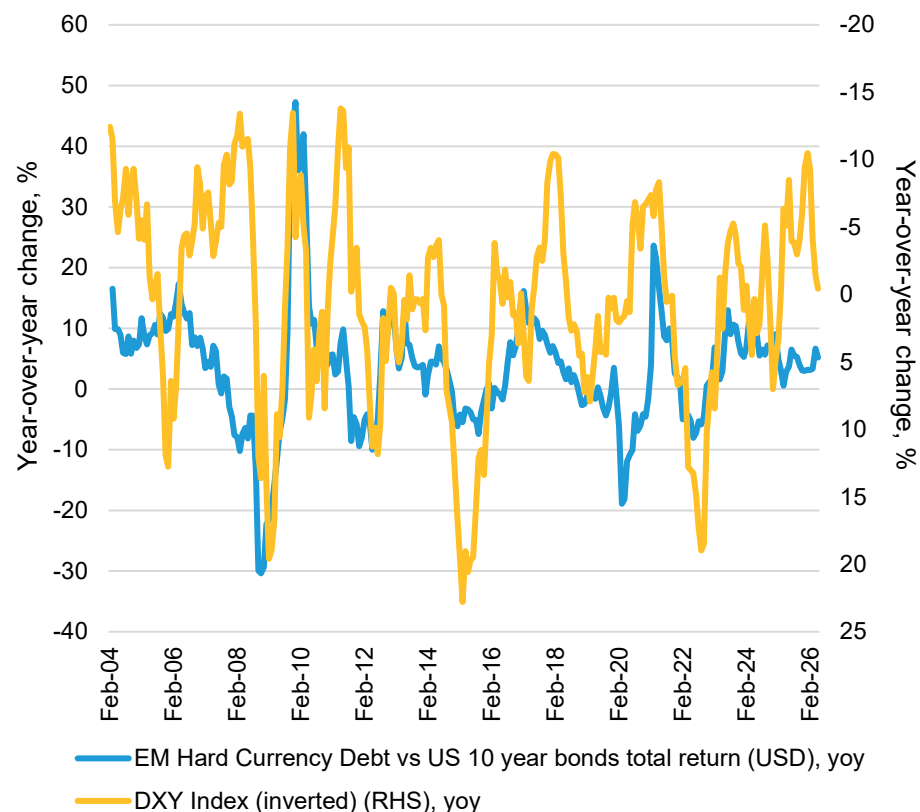
EM Relative Yield and USD Outlook

- EM Debt relative yields are at historic lows. Continued EM debt outperformance would require further significant weakening of USD

EM debt relative yield vs US 10 year



EM debt relative performance vs USD index



Past performance does not guarantee future results.

As of May 31, 2026

Source: Bloomberg, Macrobond and AB



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Important Information and Disclosures



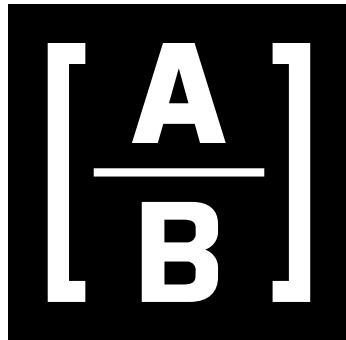
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