ALLIANCEBERNSTEIN HOLDING L.P.
Form 10-K
February 13, 2019

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-K

x ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the Fiscal Year Ended December 31, 2018

OR

o TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from to

Commission file number 001-09818

ALLIANCEBERNSTEIN HOLDING L.P.
(Exact name of registrant as specified in its charter)

Delaware (State or other jurisdiction of incorporation or organization)	13-3434400 (I.R.S. Employer Identification No.)
1345 Avenue of the Americas, New York, N.Y. (Address of principal executive offices)	10105 (Zip Code)

Registrant's telephone number, including area code: (212) 969-1000

Securities registered pursuant to Section 12(b) of the Act:

Title of Class	Name of each exchange on which registered
units representing assignments of beneficial ownership of limited partnership interests	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes x No o

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes o No x

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes x No o

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes x No o

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. o

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company, or an emerging growth company. See definitions of "large accelerated filer", "accelerated filer", "smaller reporting company", and "emerging growth company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer x Accelerated filer o
Non-accelerated filer o Smaller reporting company o
Emerging growth company o

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. o

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes o No x

The aggregate market value of the units representing assignments of beneficial ownership of limited partnership interests held by non-affiliates computed by reference to the price at which such units were last sold on the New York Stock Exchange as of June 30, 2018 was approximately $2.6 billion.

The number of units representing assignments of beneficial ownership of limited partnership interests outstanding as of December 31, 2018 was 96,658,278. (This figure includes 100,000 general partnership units having economic interests equivalent to the economic interests of the units representing assignments of beneficial ownership of limited partnership interests.)

DOCUMENTS INCORPORATED BY REFERENCE

This Form 10-K does not incorporate any document by reference.

Table of Contents

Table of Contents

Glossary of Certain Defined Terms

“AB” – AllianceBernstein L.P. (Delaware limited partnership formerly known as Alliance Capital Management L.P., “Alliance Capital”), the operating partnership, and its subsidiaries and, where appropriate, its predecessors, AB Holding and ACMC, Inc. and their respective subsidiaries.

“AB Holding” – AllianceBernstein Holding L.P. (Delaware limited partnership).

“AB Holding Partnership Agreement” – the Amended and Restated Agreement of Limited Partnership of AB Holding, dated as of October 29, 1999 and as amended February 24, 2006.

“AB Holding Units” – units representing assignments of beneficial ownership of limited partnership interests in AB Holding.

“AB Partnership Agreement” – the Amended and Restated Agreement of Limited Partnership of AB, dated as of October 29, 1999 and as amended February 24, 2006.

“AB Units” – units of limited partnership interest in AB.

“AUM” – AB's assets under management.

“AXA” – AXA (société anonyme organized under the laws of France) is the holding company for the AXA Group, a worldwide leader in financial protection. AXA operates primarily in Europe, North America, the Asia/Pacific regions and, to a lesser extent, in other regions, including the Middle East, Africa and Latin America. AXA has five operating business segments: Life and Savings, Property and Casualty, International Insurance, Asset Management and Banking.

“AXA Equitable” – AXA Equitable Life Insurance Company (New York stock life insurance company), a subsidiary of AXA Equitable Holdings, and its subsidiaries other than AB and its subsidiaries.

“AXA Equitable Holdings” or “EQH” – AXA Equitable Holdings, Inc. (Delaware corporation), a 59.2%-owned subsidiary of AXA S.A., and its subsidiaries other than AB and its subsidiaries.

“Bernstein Transaction” – AB's acquisition of the business and assets of SCB Inc., formerly known as Sanford C. Bernstein Inc., and the related assumption of the liabilities of that business, completed on October 2, 2000.

“Exchange Act” – the Securities Exchange Act of 1934, as amended.

“ERISA” – the Employee Retirement Income Security Act of 1974, as amended.

"GAAP" – U.S. Generally Accepted Accounting Principles

“General Partner” – AllianceBernstein Corporation (Delaware corporation), the general partner of AB and AB Holding and a subsidiary of AXA Equitable Holdings, and, where appropriate, ACMC, LLC, its predecessor.

“Investment Advisers Act” – the Investment Advisers Act of 1940, as amended.

“Investment Company Act” – the Investment Company Act of 1940, as amended.

"NYSE" – the New York Stock Exchange, Inc.

"Partnerships" – AB and AB Holding together.

"SEC" – the United States Securities and Exchange Commission.

"Securities Act" – the Securities Act of 1933, as amended.

Table of Contents

PART I

Item 1. Business

The words "we" and "our" in this Form 10-K refer collectively to AB Holding and AB and its subsidiaries, or to their officers and employees. Similarly, the words "company" and "firm" refer to both AB Holding and AB. Where the context requires distinguishing between AB Holding and AB, we identify which company is being discussed. Cross-references are in italics.

We use "global" in this Form 10-K to refer to all nations, including the United States; we use "international" or "non-U.S." to refer to nations other than the United States.

We use "emerging markets" in this Form 10-K to refer to countries included in the Morgan Stanley Capital International ("MSCI") emerging markets index, which are, as of December 31, 2018, Brazil, Chile, China, Colombia, Czech Republic, Egypt, Greece, Hungary, India, Indonesia, Korea, Malaysia, Mexico, Pakistan, Peru, Philippines, Poland, Qatar, Russia, South Africa, Taiwan, Thailand, Turkey and the United Arab Emirates.

Clients

We provide research, diversified investment management and related services globally to a broad range of clients through our three buy-side distribution channels: Institutions, Retail and Private Wealth Management, and our sell-side business, Bernstein Research Services. See "Distribution Channels" in this Item 1 for additional information.

As of December 31, 2018, 2017 and 2016, our AUM were approximately $516 billion, $554 billion and $480 billion, respectively, and our net revenues as of December 31, 2018, 2017 and 2016 were approximately $3.4 billion, $3.3 billion and $3.0 billion, respectively. AXA, EQH (our parent company) and their respective subsidiaries, whose AUM consist primarily of fixed income investments, together constitute our largest client. Our affiliates represented approximately 24%, 23% and 24% of our AUM as of December 31, 2018, 2017 and 2016, and we earned approximately 5% of our net revenues from services we provided to our affiliates in each of those years. See "Distribution Channels" below and "Assets Under Management" and "Net Revenues" in Item 7 for additional information regarding our AUM and net revenues.

Generally, we are compensated for our investment services on the basis of investment advisory and services fees calculated as a percentage of AUM. For additional information about our investment advisory and services fees, including performance-based fees, see "Risk Factors" in Item 1A and "Net Revenues – Investment Advisory and Services Fees" in Item 7.

Research

Our high-quality, in-depth research is the foundation of our business. We believe that our global team of research professionals, whose disciplines include economic, fundamental equity, fixed income and quantitative research, gives us a competitive advantage in achieving investment success for our clients. We also have experts focused on multi-asset strategies, wealth management and alternative investments.

Investment Services

Our broad range of investment services includes:

- Actively-managed equity strategies, with global and regional portfolios across capitalization ranges, concentration ranges and investment strategies, including value, growth and core equities;

- Actively-managed traditional and unconstrained fixed income strategies, including taxable and tax-exempt strategies;
- Passive management, including index and enhanced index strategies;
- Alternative investments, including hedge funds, fund of funds and private equity (e.g., direct lending); and
- Multi-asset solutions and services, including dynamic asset allocation, customized target-date funds and target-risk funds.

Our services span various investment disciplines, including market capitalization (e.g., large-, mid- and small-cap equities), term (e.g., long-, intermediate- and short-duration debt securities), and geographic location (e.g., U.S., international, global, emerging markets, regional and local), in major markets around the world.

Table of Contents

Our AUM by client domicile and investment service as of December 31, 2018, 2017 and 2016 were as follows:

By Client Domicile ($ in billions):

By Investment Service ($ in billions):

Distribution Channels

Institutions

We offer to our institutional clients, which include private and public pension plans, foundations and endowments, insurance companies, central banks and governments worldwide, and affiliates such as AXA, EQH and their respective subsidiaries, separately-managed accounts, sub-advisory relationships, structured products, collective investment trusts, mutual funds, hedge funds and other investment vehicles ("Institutional Services").

We manage the assets of our institutional clients pursuant to written investment management agreements or other arrangements, which generally are terminable at any time or upon relatively short notice by either party. In general, our written investment management agreements may not be assigned without the client's consent. For information about our institutional investment advisory and services fees, including performance-based fees, see "Risk Factors" in Item 1A and "Net Revenues – Investment Advisory and Services Fees" in Item 7.

AXA, EQH and their respective subsidiaries together constitute our largest institutional client. Their combined AUM accounted for approximately 37%, 34% and 35% of our institutional AUM as of December 31, 2018, 2017 and 2016, respectively, and approximately 27%, 25% and 28% of our institutional revenues for 2018, 2017 and 2016, respectively. No single institutional client other than AXA or EQH and their subsidiaries accounted for more than approximately 1% of our net revenues for the year ended December 31, 2018.

Table of Contents

As of December 31, 2018, 2017 and 2016, Institutional Services represented approximately 48%, 48% and 50%, respectively, of our AUM, and the fees we earned from providing these services represented approximately 14% of our net revenues for each of those years. Our AUM and revenues are as follows:

Institutional Services Assets Under Management
(by Investment Service)

	December 31,			% Change	
	2018	2017	2016	2018-17	2017-16
	(in millions)				
Equity Actively Managed:					
U.S.	$9,629	$10,521	$8,792	(8.5)%	19.7 %
Global & Non-US	23,335	22,577	18,215	3.4	23.9
Total	32,964	33,098	27,007	(0.4)	22.6
Equity Passively Managed[(1)]:					
U.S.	17,481	18,515	16,135	(5.6)	14.8
Global & Non-US	3,174	3,521	3,467	(9.9)	1.6
Total	20,655	22,036	19,602	(6.3)	12.4
Total Equity	53,619	55,134	46,609	(2.7)	18.3
Fixed Income Taxable:					
U.S.	96,913	103,073	97,610	(6.0)	5.6
Global & Non-US	51,156	60,233	52,598	(15.1)	14.5
Total	148,069	163,306	150,208	(9.3)	8.7
Fixed Income Tax-Exempt:					
U.S.	1,046	1,051	1,819	(0.5)	(42.2)
Global & Non-US	—	—	—	—	—
Total	1,046	1,051	1,819	(0.5)	(42.2)
Fixed Income Passively Managed[(1)]:					
U.S.	73	66	1,305	10.6	(94.9)
Global & Non-US	15	20	15	(25.0)	33.3
Total	88	86	1,320	2.3	(93.5)
Total Fixed Income	149,203	164,443	153,347	(9.3)	7.2
Other[(2)]:					
U.S.	5,024	5,258	3,831	(4.5)	37.2
Global & Non-US	38,433	44,442	35,477	(13.5)	25.3
Total	43,457	49,700	39,308	(12.6)	26.4
Total:					
U.S.	130,166	138,484	129,492	(6.0)	6.9
Global & Non-US	116,113	130,793	109,772	(11.2)	19.1
Total	$246,279	$269,277	$239,264	(8.5)	12.5
Affiliated	$90,395	$91,903	$82,721	(1.6)	11.1
Non-affiliated	155,884	177,374	156,543	(12.1)	13.3
Total	$246,279	$269,277	$239,264	(8.5)	12.5

(1) Includes index and enhanced index services.
(2) Includes certain multi-asset solutions and services and certain alternative investments.

Table of Contents

Revenues from Institutional Services
(by Investment Service)

	Years Ended December 31,			% Change	
	2018	2017	2016	2018-17	2017-16
	(in thousands)				
Equity Actively Managed:					
U.S.	$60,465	$53,352	$49,369	13.3 %	8.1 %
Global & Non-US	103,763	88,676	75,815	17.0	17.0
Total	164,228	142,028	125,184	15.6	13.5
Equity Passively Managed[1]:					
U.S.	3,713	3,721	2,964	(0.2)	25.5
Global & Non-US	1,880	1,882	2,345	(0.1)	(19.7)
Total	5,593	5,603	5,309	(0.2)	5.5
Total Equity	169,821	147,631	130,493	15.0	13.1
Fixed Income Taxable:					
U.S.	102,356	107,262	101,874	(4.6)	5.3
Global & Non-US	106,314	112,294	111,602	(5.3)	0.6
Total	208,670	219,556	213,476	(5.0)	2.8
Fixed Income Tax-Exempt:					
U.S.	1,217	1,989	2,591	(38.8)	(23.2)
Global & Non-US	—	—	—	—	—
Total	1,217	1,989	2,591	(38.8)	(23.2)
Fixed Income Passively Managed[1]:					
U.S.	49	202	322	(75.7)	(37.3)
Global & Non-US	28	16	1	75.0	1,500.0
Total	77	218	323	(64.7)	(32.5)
Fixed Income Servicing[2]:					
U.S.	12,708	13,597	12,718	(6.5)	6.9
Global & Non-US	—	(14)	1,530	(100.0)	(100.9)
Total	12,708	13,583	14,248	(6.4)	(4.7)
Total Fixed Income	222,672	235,346	230,638	(5.4)	2.0
Other[3]:					
U.S.	52,131	63,192	34,577	(17.5)	82.8
Global & Non-US	33,530	38,153	25,162	(12.1)	51.6
Total	85,661	101,345	59,739	(15.5)	69.6
Total Investment Advisory and Services Fees:					
U.S.	232,639	243,315	204,415	(4.4)	19.0
Global & Non-US	245,515	241,007	216,455	1.9	11.3
Consolidated company-sponsored investment funds	(372)	(8,717)	27	n/m	n/m
	477,782	475,605	420,897	0.5	13.0
Distribution Revenues	757	1,047	684	(27.7)	53.1
Shareholder Servicing Fees	529	488	479	8.4	1.9
Total	$479,068	$477,140	$422,060	0.4	13.1
Affiliated	$130,766	$120,925	$116,392	8.1	3.9
Non-affiliated	348,302	356,215	305,668	(2.2)	16.5
Total	$479,068	$477,140	$422,060	0.4	13.1

(1) Includes index and enhanced index services.
(2) Fixed Income Servicing includes advisory-related services fees that are not based on AUM, including derivative transaction fees, capital purchase program-related advisory services and other fixed income advisory services.
(3) Includes certain multi-asset solutions and services and certain alternative services.

Table of Contents

Retail

We provide investment management and related services to a wide variety of individual retail investors, both in the U.S. and internationally, through retail mutual funds we sponsor, mutual fund sub-advisory relationships, separately-managed account programs (see below), and other investment vehicles ("Retail Products and Services").

We distribute our Retail Products and Services through financial intermediaries, including broker-dealers, insurance sales representatives, banks, registered investment advisers and financial planners. These products and services include open-end and closed-end funds that are either (i) registered as investment companies under the Investment Company Act ("U.S. Funds"), or (ii) not registered under the Investment Company Act and generally not offered to U.S. persons ("Non-U.S. Funds" and, collectively with the U.S. Funds, "AB Funds"). They also include separately-managed account programs, which are sponsored by financial intermediaries and generally charge an all-inclusive fee covering investment management, trade execution, asset allocation, and custodial and administrative services. In addition, we provide distribution, shareholder servicing, transfer agency services and administrative services for our Retail Products and Services. See "Net Revenues – Investment Advisory and Services Fees" in Item 7 for information about our retail investment advisory and services fees. See Note 2 to AB's consolidated financial statements in Item 8 for a discussion of the commissions we pay to financial intermediaries in connection with the sale of open-end AB Funds.

Fees paid by the U.S. Funds are reflected in the applicable investment management agreement, which generally must be approved annually by the boards of directors or trustees of those funds, including by a majority of the independent directors or trustees. Increases in these fees must be approved by fund shareholders; decreases need not be, including any decreases implemented by a fund's directors or trustees. In general, each investment management agreement with the U.S. Funds provides for termination by either party at any time upon 60 days' notice.

Fees paid by Non-U.S. Funds are reflected in management agreements that continue until they are terminated. Increases in these fees generally must be approved by the relevant regulatory authority, depending on the domicile and structure of the fund, and Non-U.S. Fund shareholders must be given advance notice of any fee increases.

The mutual funds we sub-advise for AXA, EQH and their respective subsidiaries together constitute our largest retail client. They accounted for approximately 19%, 19% and 21% of our retail AUM as of December 31, 2018, 2017 and 2016, respectively, and approximately 4% of our retail net revenues in each of those years.

Certain subsidiaries of AXA and EQH, including AXA Advisors, LLC ("AXA Advisors"), were responsible for approximately 1%, 1% and 2% of total sales of shares of open-end AB Funds in 2018, 2017 and 2016, respectively. Our affiliates are not under any obligation to sell a specific amount of AB Fund shares and also sell shares of mutual funds that they sponsor and that are sponsored by unaffiliated organizations. No entity accounted for 10% or more of our open-end AB Fund sales in 2018.

Most open-end U.S. Funds have adopted a plan under Rule 12b-1 of the Investment Company Act that allows the fund to pay, out of assets of the fund, distribution and service fees for the distribution and sale of its shares ("Rule 12b-1 Fees"). The open-end U.S. Funds have entered into such agreements with us, and we have entered into selling and distribution agreements pursuant to which we pay sales commissions to the financial intermediaries that distribute our open-end U.S. Funds. These agreements are terminable by either party upon notice (generally 30 days) and do not obligate the financial intermediary to sell any specific amount of fund shares.

As of December 31, 2018, retail U.S. Fund AUM were approximately $43 billion, or 24% of retail AUM, as compared to $47 billion, or 25%, as of December 31, 2017, and $41 billion, or 26%, as of December 31, 2016. Non-U.S. Fund AUM, as of December 31, 2018, totaled $71 billion, or 39% of retail AUM, as compared to $76 billion, or 40%, as of December 31, 2017, and $59 billion, or 37%, as of December 31, 2016.

Our Retail Services represented approximately 35%, 35% and 33% of our AUM as of December 31, 2018, 2017 and 2016, respectively, and the fees we earned from providing these services represented approximately 44%, 43% and 42% of our net revenues for the years ended December 31, 2018, 2017 and 2016, respectively. Our AUM and revenues are as follows:

Table of Contents

Retail Services Assets Under Management
(by Investment Service)

	December 31,			% Change	
	2018	2017	2016	2018-17	2017-16
	(in millions)				
Equity Actively Managed:					
U.S.	$41,450	$37,720	$31,717	9.9 %	18.9 %
Global & Non-US	19,475	20,274	12,514	(3.9)	62.0
Total	60,925	57,994	44,231	5.1	31.1
Equity Passively Managed(1):					
U.S.	22,658	23,294	20,997	(2.7)	10.9
Global & Non-US	6,697	8,758	7,025	(23.5)	24.7
Total	29,355	32,052	28,022	(8.4)	14.4
Total Equity	90,280	90,046	72,253	0.3	24.6
Fixed Income Taxable:					
U.S.	7,029	7,699	6,175	(8.7)	24.7
Global & Non-US	53,413	65,963	54,328	(19.0)	21.4
Total	60,442	73,662	60,503	(17.9)	21.7
Fixed Income Tax-Exempt:					
U.S.	16,403	15,654	13,579	4.8	15.3
Global & Non-US	42	53	10	(20.8)	430.0
Total	16,445	15,707	13,589	4.7	15.6
Fixed Income Passively Managed(1):					
U.S.	4,965	5,173	5,216	(4.0)	(0.8)
Global & Non-US	3,964	4,250	4,041	(6.7)	5.2
Total	8,929	9,423	9,257	(5.2)	1.8
Total Fixed Income	85,816	98,792	83,349	(13.1)	18.5
Other(2):					
U.S.	2,476	2,799	3,229	(11.5)	(13.3)
Global & Non-US	2,197	1,311	1,339	67.6	(2.1)
Total	4,673	4,110	4,568	13.7	(10.0)
Total:					
U.S.	94,981	92,339	80,913	2.9	14.1
Global & Non-US	85,788	100,609	79,257	(14.7)	26.9
Total	$180,769	$192,948	$160,170	(6.3)	20.5
Affiliated	$34,677	$36,965	$33,774	(6.2)	9.4
Non-affiliated	146,092	155,983	126,396	(6.3)	23.4
Total	$180,769	$192,948	$160,170	(6.3)	20.5

(1) Includes index and enhanced index services.
(2) Includes certain multi-asset solutions and services and certain alternative investments.

Table of Contents

Revenues from Retail Services
(by Investment Service)

	Years Ended December 31,			% Change	
	2018	2017	2016	2018-17	2017-16
	(in thousands)				
Equity Actively Managed:					
U.S.	$235,611	$204,363	$186,442	15.3 %	9.6 %
Global & Non-US	149,995	114,277	92,953	31.3	22.9
Total	385,606	318,640	279,395	21.0	14.0
Equity Passively Managed[(1)]:					
U.S.	8,901	8,508	7,670	4.6	10.9
Global & Non-US	7,861	6,636	5,267	18.5	26.0
Total	16,762	15,144	12,937	10.7	17.1
Total Equity	402,368	333,784	292,332	20.5	14.2
Fixed Income Taxable:					
U.S.	25,194	23,142	16,993	8.9	36.2
Global & Non-US	438,048	454,613	373,997	(3.6)	21.6
Total	463,242	477,755	390,990	(3.0)	22.2
Fixed Income Tax-Exempt:					
U.S.	58,824	54,106	52,847	8.7	2.4
Global & Non-US	132	120	63	10.0	90.5
Total	58,956	54,226	52,910	8.7	2.5
Fixed Income Passively Managed[(1)]:					
U.S.	6,086	6,055	6,105	0.5	(0.8)
Global & Non-US	6,809	7,567	7,815	(10.0)	(3.2)
Total	12,895	13,622	13,920	(5.3)	(2.1)
Total Fixed Income	535,093	545,603	457,820	(1.9)	19.2
Other[(2)]:					
U.S.	63,232	59,751	52,025	5.8	14.9
Global & Non-US	8,575	6,583	6,672	30.3	(1.3)
Total	71,807	66,334	58,697	8.3	13.0
Total Investment Advisory and Services Fees:					
U.S.	397,848	355,925	322,082	11.8	10.5
Global & Non-US	611,420	589,796	486,767	3.7	21.2
Consolidated company-sponsored investment funds	1,047	1,005	105	4.2	857.1
	1,010,315	946,726	808,954	6.7	17.0
Distribution Revenues	411,996	405,939	379,881	1.5	6.9
Shareholder Servicing Fees	72,134	71,225	73,072	1.3	(2.5)
Total	$1,494,445	$1,423,890	$1,261,907	5.0	12.8
Affiliated	$52,760	$50,162	$46,045	5.2	8.9
Non-affiliated	1,441,685	1,373,728	1,215,862	4.9	13.0
Total	$1,494,445	$1,423,890	$1,261,907	5.0	12.8

(1) Includes index and enhanced index services.
(2) Includes certain multi-asset solutions and services and certain alternative investments.

Table of Contents

Private Wealth Management

We offer to our private wealth clients, which include high-net-worth individuals and families, trusts and estates, charitable foundations, partnerships, private and family corporations, and other entities, separately-managed accounts, hedge funds, mutual funds and other investment vehicles (“Private Wealth Services”).

We manage these accounts pursuant to written investment advisory agreements, which generally are terminable at any time or upon relatively short notice by any party and may not be assigned without the client's consent. For information about our investment advisory and services fees, including performance-based fees, see “Risk Factors” in Item 1A and “Net Revenues – Investment Advisory and Services Fees” in Item 7.

Our Private Wealth Services represented approximately 17% of our AUM as of December 31, 2018, 2017 and 2016, and the fees we earned from providing these services represented approximately 26%, 24% and 23% of our net revenues for 2018, 2017 and 2016, respectively. Our AUM and revenues are as follows:

Table of Contents

Private Wealth Services Assets Under Management
(by Investment Service)

	December 31,			% Change	
	2018	2017	2016	2018-17	2017-16
	(in millions)				
Equity Actively Managed:					
U.S.	$22,504	$26,492	$23,857	(15.1)%	11.0 %
Global & Non-US	19,809	21,880	16,851	(9.5)	29.8
Total	42,313	48,372	40,708	(12.5)	18.8
Equity Passively Managed[1]:					
U.S.	113	130	193	(13.1)	(32.6)
Global & Non-US	42	51	208	(17.6)	(75.5)
Total	155	181	401	(14.4)	(54.9)
Total Equity	42,468	48,553	41,109	(12.5)	18.1
Fixed Income Taxable:					
U.S.	7,022	6,772	6,674	3.7	1.5
Global & Non-US	4,154	4,141	3,528	0.3	17.4
Total	11,176	10,913	10,202	2.4	7.0
Fixed Income Tax-Exempt:					
U.S.	24,129	23,636	21,501	2.1	9.9
Global & Non-US	15	18	3	(16.7)	500.0
Total	24,144	23,654	21,504	2.1	10.0
Fixed Income Passively Managed[1]:					
U.S.	11	—	18	100.0	(100.0)
Global & Non-US	404	401	468	0.7	(14.3)
Total	415	401	486	3.5	(17.5)
Total Fixed Income	35,735	34,968	32,192	2.2	8.6
Other[2]:					
U.S.	5,762	3,606	2,650	59.8	36.1
Global & Non-US	5,340	5,139	4,816	3.9	6.7
Total	11,102	8,745	7,466	27.0	17.1
Total:					
U.S.	59,541	60,636	54,893	(1.8)	10.5
Global & Non-US	29,764	31,630	25,874	(5.9)	22.2
Total	$89,305	$92,266	$80,767	(3.2)	14.2

(1) Includes index and enhanced index services.
(2) Includes certain multi-asset solutions and services and certain alternative investments.

Table of Contents

Revenues From Private Wealth Services
(by Investment Service)

	Years Ended December 31,			% Change	
	2018	2017	2016	2018-17	2017-16
	(in thousands)				
Equity Actively Managed:					
U.S.	$274,320	$272,577	$255,902	0.6 %	6.5 %
Global & Non-US	240,332	212,021	176,169	13.4	20.4
Total	514,652	484,598	432,071	6.2	12.2
Equity Passively Managed[1]:					
U.S.	117	206	423	(43.2)	(51.3)
Global & Non-US	254	510	1,053	(50.2)	(51.6)
Total	371	716	1,476	(48.2)	(51.5)
Total Equity	515,023	485,314	433,547	6.1	11.9
Fixed Income Taxable:					
U.S.	33,034	34,173	35,756	(3.3)	(4.4)
Global & Non-US	28,358	26,425	23,384	7.3	13.0
Total	61,392	60,598	59,140	1.3	2.5
Fixed Income Tax-Exempt:					
U.S.	118,811	114,974	111,304	3.3	3.3
Global & Non-US	109	88	31	23.9	183.9
Total	118,920	115,062	111,335	3.4	3.3
Fixed Income Passively Managed[1]:					
U.S.	156	58	38	169.0	52.6
Global & Non-US	5,312	4,059	3,336	30.9	21.7
Total	5,468	4,117	3,374	32.8	22.0
Total Fixed Income	185,780	179,777	173,849	3.3	3.4
Other[2]:					
U.S.	122,686	67,019	41,595	83.1	61.1
Global & Non-US	51,839	49,365	54,629	5.0	(9.6)
Total	174,525	116,384	96,224	50.0	21.0
Total Investment Advisory and Services Fees:					
U.S.	549,124	489,007	445,018	12.3	9.9
Global & Non-US	326,204	292,468	258,602	11.5	13.1
Consolidated company-sponsored investment funds	(1,214)	(2,501)	—	n/m	n/m
Total	874,114	778,974	703,620	12.2	10.7
Distribution Revenues	5,809	5,077	3,840	14.4	32.2
Shareholder Servicing Fees	3,311	3,311	4,139	—	(20.0)
Total	$883,234	$787,362	$711,599	12.2	10.6

(1)Includes index and enhanced index services.
(2)Includes certain multi-asset solutions and services and certain alternative investments.

Table of Contents

Bernstein Research Services

We offer high-quality fundamental research, quantitative services and brokerage-related services in equities and listed options to institutional investors, such as pension fund, hedge fund and mutual fund managers, and other institutional investors ("Bernstein Research Services"). We serve our clients, which are based in the United States and in other major markets around the world, through our trading professionals, who primarily are based in New York, London and Hong Kong, and our sell-side analysts, who provide fundamental company and industry research along with quantitative research into securities valuation and factors affecting stock-price movements.

We earn revenues for providing investment research to, and executing brokerage transactions for, institutional clients. These clients compensate us principally by directing us to execute brokerage transactions on their behalf, for which we earn commissions, and to a lesser, but increasing, extent by paying us directly for research through commission sharing agreements or cash payments. Bernstein Research Services accounted for approximately 13%, 14% and 16% of our net revenues as of December 31, 2018, 2017 and 2016, respectively.

For information regarding trends in fee rates charged for brokerage transactions, see "Risk Factors" in Item 1A.

Our Bernstein Research Services revenues are as follows:

Revenues From Bernstein Research Services

	Years Ended December 31,			% Change	
	2018	2017	2016	2018-17	2017-16
	(in thousands)				
Bernstein Research Services	$439,432	$449,919	$479,875	(2.3)%	(6.2)%

Custody

Our U.S.-based broker-dealer subsidiary acts as custodian for the majority of our Private Wealth Management AUM and some of our Institutions AUM. Other custodial arrangements are maintained by client-designated banks, trust companies, brokerage firms or custodians.

Employees

As of December 31, 2018, our firm had 3,641 full-time employees, representing a 5.0% increase compared to the end of 2017.

New York state law requires that private sector businesses with 50 or more full-time employees in the state give early warning of plant closings, layoffs, relocations and other covered reductions in work hours. This notification, known as the Worker Adjustment and Retraining Notification ("WARN") notice, must be provided to affected employees and their representatives, the New York State Department of Labor and the Local Workforce Investment Board, for relocations that affect 25 or more employees. In connection with the ongoing relocation of 1,050 roles from our White Plains and New York City locations to Nashville, Tennessee, we are required to file a series of WARN notices throughout the process, which began in the second half of 2018. We will continue to file these notices as these qualifying events occur, with the majority expected in 2019 and 2020.

Service Marks

We have registered a number of service marks with the U.S. Patent and Trademark Office and various foreign trademark offices, including the mark "AllianceBernstein." The logo set forth below and "Ahead of Tomorrow" are service marks of AB:

In January 2015, we established a new brand identity by prominently incorporating “AB” into our brand architecture, while maintaining the legal names of our corporate entities. With this and other related refinements, our company, and our Institutional and Retail businesses, now are referred to “AllianceBernstein (AB)” or simply “AB.” Private Wealth Management and Bernstein Research Services now are referred to as “AB Bernstein.” Also, we adopted the logo and “Ahead of Tomorrow” service marks described above.

In connection with the Bernstein Transaction, we acquired all of the rights in, and title to, the Bernstein service marks, including the mark “Bernstein.”

In connection an acquisition we completed in 2013, we acquired all of the rights in, and title to, the W.P. Stewart & Co. service marks, including the logo “WPSTEWART.”

Regulation

Virtually all aspects of our business are subject to various federal and state laws and regulations, rules of various securities regulators and exchanges, and laws in the foreign countries in which our subsidiaries conduct business. These laws and regulations primarily are intended to protect clients and fund shareholders and generally grant supervisory agencies broad administrative powers, including the power to limit or restrict the carrying on of business for failure to comply with such laws and regulations. Possible sanctions that may be imposed on us include the suspension of individual employees, limitations on engaging in business for specific periods, the revocation of the registration as an investment adviser or broker-dealer, censures and fines.

AB, AB Holding, the General Partner and six of our subsidiaries (Sanford C. Bernstein & Co., LLC (“SCB LLC”), AllianceBernstein Global Derivatives Corporation, AB Custom Alternative Solutions LLC, AB Private Credit Investors LLC, W.P. Stewart & Co., LLC and W.P. Stewart Asset Management LLC) are registered with the SEC as investment advisers under the Investment Advisers Act. Additionally, AB Holding is an NYSE-listed company and, accordingly, is subject to applicable regulations promulgated by the NYSE. Also, AB, SCB LLC and AB Custom Alternative Solutions LLC are registered with the Commodity Futures Trading Commission (“CFTC”) as commodity pool operators and commodity trading advisers; SCB LLC also is registered with the CFTC as a commodities introducing broker.

Each U.S. Fund is registered with the SEC under the Investment Company Act and each Non-U.S. Fund is subject to the laws in the jurisdiction in which the fund is registered. For example, our platform of Luxembourg-based funds operates pursuant to Luxembourg laws and regulations, including Undertakings for the Collective Investment in Transferable Securities Directives, and is authorized and supervised by the Commission de Surveillance du Secteur Financier (“CSSF”), the primary regulator in Luxembourg. AllianceBernstein Investor Services, Inc., one of our subsidiaries, is registered with the SEC as a transfer and servicing agent.

SCB LLC and another of our subsidiaries, AllianceBernstein Investments, Inc., are registered with the SEC as broker-dealers, and both are members of the Financial Industry Regulatory Authority. In addition, SCB LLC is a member of the NYSE and other principal U.S. exchanges.

Many of our subsidiaries are subject to the oversight of regulatory authorities in the jurisdictions outside the United States in which they operate, including the European Securities and Markets Authority, the Financial Conduct Authority in the U.K., the CSSF in Luxembourg, the Financial Services Agency in Japan, the Securities & Futures Commission in Hong Kong, the Monetary Authority of Singapore, the Financial Services Commission in South Korea and the Financial Supervisory Commission in Taiwan. While these regulatory requirements often may be comparable to the requirements of the SEC and other U.S. regulators, they are sometimes more restrictive and may cause us to incur substantial expenditures of time and money related to our compliance efforts. For additional information relating to the regulations that impact our business, please refer to "Risk Factors" in Item 1A.

Iran Threat Reduction and Syria Human Rights Act

AB, AB Holding and their global subsidiaries had no transactions or activities requiring disclosure under the Iran Threat Reduction and Syria Human Rights Act, nor were they involved in the AXA Group matters described immediately below.

The non-U.S. based subsidiaries of AXA operate in compliance with applicable laws and regulations of the various jurisdictions in which they operate, including applicable international (United Nations and European Union) laws and regulations. While AXA Group companies based and operating outside the United States generally are not subject to U.S. law, as an international group, AXA has in place policies and standards (including the AXA Group International Sanctions Policy) that apply to all AXA Group companies worldwide and often impose requirements that go well beyond local law. For additional information regarding AXA, see "Principal Security Holders" in Item 12.

AXA has informed us that AXA Konzern AG, an AXA insurance subsidiary organized under the laws of Germany, provides car, accident and health insurance to diplomats based at the Iranian Embassy in Berlin, Germany. The total annual premium of these policies is approximately $139,700 and the annual net profit arising from these policies, which is difficult to calculate with precision, is estimated to be $24,272.

Table of Contents

AXA also has informed us that AXA Belgium, an AXA insurance subsidiary organized under the laws of Belgium, has two policies providing for car insurance for Global Trading NV, which was designated on May 17, 2018 under (E.O.) 13224 and subsequently changed its name to Energy Engineers & Construction on August 20, 2018. The total annual premium of these policies is approximately $6,559 before tax and the annual net profit arising from these policies, which is difficult to calculate with precision, is estimated to be $983.

In addition, AXA has informed us that AXA Insurance Ireland, an AXA insurance subsidiary, provides statutorily required car insurance under four separate policies to the Iranian Embassy in Dublin, Ireland. AXA has informed us that compliance with the Declined Cases Agreement of the Irish Government prohibits the cancellation of these policies unless another insurer is willing to assume the coverage. The total annual premium for these policies is approximately $7,115 and the annual net profit arising from these policies, which is difficult to calculate with precision, is estimated to be $853.

Also, AXA has informed us that AXA Sigorta, a subsidiary of AXA organized under the laws of the Republic of Turkey, provides car insurance coverage for vehicle pools of the Iranian General Consulate and the Iranian Embassy in Istanbul, Turkey. Motor liability insurance coverage is compulsory in Turkey and cannot be canceled unilaterally. The total annual premium in respect of these policies is approximately $3,150 and the annual net profit, which is difficult to calculate with precision, is estimated to be $473.

Additionally, AXA has informed us that AXA Winterthur, an AXA insurance subsidiary organized under the laws of Switzerland, provides Naftiran Intertrade, a wholly-owned subsidiary of the Iranian state-owned National Iranian Oil Company, with life, disability and accident coverage for its employees. In addition, AXA Winterthur also provides car and property insurance coverage for the Iranian Embassy in Bern. The provision of these forms of coverage is mandatory in Switzerland. The total annual premium of these policies is approximately $396,597 and the annual net profit arising from these policies, which is difficult to calculate with precision, is estimated to be $59,489.

Also, AXA has informed us that AXA Egypt, an AXA insurance subsidiary organized under the laws of Egypt, provides the Iranian state-owned Iran Development Bank, two life insurance contracts, covering individuals who have loans with the bank. The total annual premium of these policies is approximately $19,839 and annual net profit arising from these policies, which is difficult to calculate with precision, is estimated to be $2,000.

Furthermore, AXA has informed us that AXA XL, which AXA acquired during the third quarter of 2018, through various non-U.S. subsidiaries, provides insurance to marine policyholders located outside of the U.S. or reinsurance coverage to non-U.S. insurers of marine risks as well as mutual associations of ship owners that provide their members with protection and liability coverage. The provision of these coverages may involve entities or activities related to Iran, including transporting crude oil, petrochemicals and refined petroleum products. AXA XL’s non-U.S. subsidiaries insure or reinsure multiple voyages and fleets containing multiple ships, so they are unable to attribute gross revenues and net profits from such marine policies to activities with Iran. As the activities of these insureds and re-insureds are permitted under applicable laws and regulations, AXA XL intends for its non-U.S. subsidiaries to continue providing such coverage to its insureds and re-insureds to the extent permitted by applicable law.

Lastly, a non-U.S. subsidiary of AXA XL provided accident & health insurance coverage to the diplomatic personnel of the Embassy of Iran in Brussels, Belgium during the third quarter of 2018. AXA XL’s non-U.S. subsidiary received aggregate payments for this insurance from inception through December 31, 2018 of approximately $73,451. Benefits of approximately $2,994 were paid to beneficiaries during 2018. These activities are permitted pursuant to applicable law. The policy has been canceled and is no longer in force.

The aggregate annual premium for the above-referenced insurance policies is approximately $646,411, representing approximately 0.0007% of AXA’s 2018 consolidated revenues, which we expect will exceed $100 billion. The related net profit, which is difficult to calculate with precision, is estimated to be $88,070, representing approximately 0.002% of AXA's expected 2018 aggregate net profit.

History and Structure

We have been in the investment research and management business for more than 50 years. Bernstein was founded in 1967; Alliance Capital was founded in 1971 when the investment management department of Donaldson, Lufkin & Jenrette, Inc. (since November 2000, a part of Credit Suisse Group) merged with the investment advisory business of Moody's Investors Service, Inc.

In April 1988, AB Holding "went public" as a master limited partnership. AB Holding Units, which trade under the ticker symbol "AB," have been listed on the NYSE since that time.

Table of Contents

In October 1999, AB Holding reorganized by transferring its business and assets to AB, a newly-formed operating partnership, in exchange for all of the AB Units (“Reorganization”). Since the date of the Reorganization, AB has conducted the business formerly conducted by AB Holding and AB Holding’s activities have consisted of owning AB Units and engaging in related activities. Unlike AB Holding Units, AB Units do not trade publicly and are subject to significant restrictions on transfer. The General Partner is the general partner of both AB and AB Holding.

In October 2000, our two legacy firms, Alliance Capital and Bernstein, combined, bringing together Alliance Capital’s expertise in growth equity and corporate fixed income investing and its family of retail mutual funds, with Bernstein’s expertise in value equity investing, tax-exempt fixed income management, and its Private Wealth Management and Bernstein Research Services businesses.

As of December 31, 2018, the condensed ownership structure of AB is as follows (for a more complete description of our ownership structure, see “Principal Security Holders” in Item 12):

The General Partner owns 100,000 general partnership units in AB Holding and a 1% general partnership interest in AB. Including these general partnership interests, EQH, directly and through certain of its subsidiaries (see “Principal Security Holders” in Item 12), had an approximate 65.2% economic interest in AB as of December 31, 2018.

Competition

We compete in all aspects of our business with numerous investment management firms, mutual fund sponsors, brokerage and investment banking firms, insurance companies, banks, savings and loan associations, and other financial institutions that often provide investment products that have similar features and objectives as those we offer. Our competitors offer a wide range of financial services to the same customers that we seek to serve. Some of our competitors are larger, have a broader range of product choices and investment capabilities, conduct business in more markets, and have substantially greater resources than we do. These factors may place us at a competitive disadvantage, and we can give no assurance that our strategies and efforts to maintain and enhance our current client relationships, and create new ones, will be successful.

In addition, AXA, EQH and their respective subsidiaries provide financial services, some of which compete with those we offer. The AB Partnership Agreement specifically allows AXA and its subsidiaries (other than the General Partner) to compete with AB and to pursue opportunities that may be available to us. AXA, EQH and certain of their respective subsidiaries have substantially greater financial resources than we do and are not obligated to provide resources to us.

Table of Contents

To grow our business, we believe we must be able to compete effectively for AUM. Key competitive factors include:

- our investment performance for clients;
- our commitment to place the interests of our clients first;
- the quality of our research;
- our ability to attract, motivate and retain highly skilled, and often highly specialized, personnel;
- the array of investment products we offer;
- the fees we charge;
- Morningstar/Lipper rankings for the AB Funds;
- our ability to sell our actively-managed investment services despite the fact that many investors favor passive services;
- our operational effectiveness;
- our ability to further develop and market our brand; and
- our global presence.

Competition is an important risk that our business faces and should be considered along with the other factors we discuss in “Risk Factors” in Item 1A.

Available Information

AB and AB Holding file or furnish annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, amendments to such reports, and other reports (and amendments thereto) required to comply with federal securities laws, including Section 16 beneficial ownership reports on Forms 3, 4 and 5, registration statements and proxy statements. We maintain an Internet site (http://www.alliancebernstein.com) where the public can view these reports, free of charge, as soon as reasonably practicable after each report is filed with, or furnished to, the SEC. In addition, the SEC maintains an Internet site (http://www.sec.gov) that contains reports, proxy and information statements, and other information regarding issuers that file electronically with the SEC.

Table of Contents

Item 1A. Risk Factors

Please consider this section along with the description of our business in Item 1, the competition section immediately above and AB's financial information contained in Items 6, 7 and 8. The majority of the risk factors discussed below directly affect AB. These risk factors also affect AB Holding because AB Holding's principal source of income and cash flow is attributable to its investment in AB. See also "Cautions Regarding Forward-Looking Statements" in Item 7.

Business-related Risks

Our revenues and results of operations depend on the market value and composition of our AUM, which can fluctuate significantly based on various factors, including many factors outside of our control.

We derive most of our revenues from investment advisory and services fees, which typically are calculated as a percentage of the value of AUM as of a specified date, or as a percentage of the value of average AUM for the applicable billing period, and vary with the type of investment service, the size of the account and the total amount of assets we manage for a particular client. The value and composition of our AUM can be adversely affected by several factors, including:

- Market Factors. Global equity markets were quite strong throughout 2018 before finishing the year dramatically lower. Markets sold off in the fourth quarter due to investor concerns over rising U.S. interest rates, a slowdown in European business confidence, weaker Chinese growth and rising geopolitical uncertainty, including Brexit implementation and ongoing trade tensions between the U.S. and China. Global fixed income markets were mixed for the year, with higher returns for less-risky government bonds and negative credit market returns. In the U.S., while tax cuts enacted at the end of 2017 helped spur growth and corporate earnings in 2018, the benefit is unlikely to continue in 2019, and investors are focused on the length of the economic cycle. The U.S. Federal Reserve announced its fourth interest rate increase in December, as expected, but revised its guidance on the number of rate increases in 2019 from three to two. Oil prices fell sharply in the fourth quarter which, when combined with higher U.S. interest rates and slowing growth, could impact the economies of some emerging markets. In Europe, the Central Bank ended its quantitative easing program in December despite the slowdown in growth, and ongoing uncertainty around Brexit negotiations weighed on business and consumer confidence in the U.K. In China, monetary policy is easing in response to slowing growth and U.S. trade tariff headwinds. These factors, and the market volatility they cause, may adversely affect our AUM and revenues.
- Client Preferences. Generally, our clients may withdraw their assets at any time and on short notice. Also, changing market dynamics and investment trends, particularly with respect to sponsors of defined benefit plans choosing to invest in less risky investments and the ongoing shift to lower-fee passive services described below, may continue to reduce interest in some of the investment products we offer, and/or clients and prospects may continue to seek investment products that we may not currently offer. Loss of, or decreases in, AUM reduces our investment advisory and services fees and revenues.
- Our Investment Performance. Our ability to achieve investment returns for clients that meet or exceed investment returns for comparable asset classes and competing investment services is a key consideration when clients decide to keep their assets with us or invest additional assets, and when a prospective client is deciding whether to invest with us. Poor investment performance, both in absolute terms and/or relative to peers and stated benchmarks, may result in clients withdrawing assets and prospective clients choosing to invest with competitors.
- Investing Trends. Our fee rates can vary significantly among the various investment products and services we offer to our clients (see "Net Revenues" in Item 7 for additional information regarding our fee rates); our fee realization rate fluctuates as clients shift assets between accounts or products with different fee structures.
- Service Changes. We may be required to reduce our fee levels, restructure the fees we charge and/or adjust the services we offer to our clients because of, among other things, regulatory initiatives (whether industry-wide or specifically targeted), changing technology in the asset management business (including algorithmic strategies and

emerging financial technology), court decisions and competitive considerations. A reduction in fee levels would reduce our revenues.

A decrease in the value of our AUM, a decrease in the amount of AUM we manage, an adverse mix shift in our AUM and/or a reduction in the level of fees we charge would adversely affect our investment advisory fees and revenues. A reduction in revenues, without a commensurate reduction in expenses, adversely affects our results of operations.

Table of Contents

The industry-wide shift from actively-managed investment services to passive services has adversely affected our investment advisory and services fees, revenues and results of operations, and this trend may continue.
Our competitive environment has become increasingly difficult over the past decade, as active managers, which invest based on individual security selection, have, on average, consistently underperformed passive services, which invest based on market indices. While the weak and volatile market environment in 2018 provided ample opportunities for stock selection, it was another challenging year for active equity fund managers. Only 42% of active managers beat their benchmarks for the full year, with varied results among growth, value and core managers. Despite the more volatile markets, demand for passive strategies persisted, albeit at a slower pace, and active managers struggled to attract net new assets. In the U.S., total industry-wide active mutual fund inflows of $67 billion in 2017 reversed to net outflows of $302 billion in 2018. Active equity U.S. mutual fund outflows of $259 billion in 2018 increased by 33% year-over-year as the pace of outflows accelerated in the fourth quarter, particularly in December. Further, after $221 billion of active fixed income U.S. mutual fund inflows in 2017, flows slowed dramatically in 2018 to $13 billion. Meanwhile, total industry-wide passive mutual fund inflows of $451 billion were down 35% from last year's record $692 billion. The most recent data available for U.S. institutions (through September 30, 2018) is more negative. Total industry active equity and fixed income net outflows for the year-to-date through September 30, 2018 were $254 billion, triple the total for 2017. In this environment, organic growth through positive net inflows is difficult to achieve for active managers, such as AB, and requires taking market share from other active managers.
The significant shift from active services to passive services adversely affects Bernstein Research Services revenues as well. Global market volumes have declined in recent years, and we expect this to continue, fueled by persistent active equity outflows and passive equity inflows. As a result, portfolio turnover has decreased and investors hold fewer shares that are actively traded by managers.
Our reputation could suffer if we are unable to deliver consistent, competitive investment performance.

Our business is based on the trust and confidence of our clients. Damage to our reputation, resulting from poor or inconsistent investment performance, among other factors, can reduce substantially our AUM and impair our ability to maintain or grow our business.

Maintaining adequate liquidity for our general business needs depends on certain factors, including operating cash flows and our access to credit on reasonable terms.

Our financial condition is dependent on our cash flow from operations, which is subject to the performance of the capital markets, our ability to maintain and grow AUM and other factors beyond our control. Our ability to issue public or private debt on reasonable terms may be limited by adverse market conditions, our profitability, our creditworthiness as perceived by lenders and changes in government regulations, including tax rates and interest rates. Furthermore, our access to credit on reasonable terms is partially dependent on our firm’s credit ratings.

Both Moody’s Investors Service, Inc. and Standard & Poor's Rating Service recently affirmed AB’s long-term and short-term credit ratings and indicated a stable outlook in 2018. Future changes in our credit ratings are possible and any downgrade to our ratings is likely to increase our borrowing costs and limit our access to the capital markets. If this occurs, we may be forced to incur unanticipated costs or revise our strategic plans, which could have a material adverse effect on our financial condition, results of operations and business prospects.

AXA and its affiliates, including AXA Equitable Holdings, provide a significant amount of our AUM and fund a significant portion of our seed investments, and if our agreements with them terminate or they withdraw capital support, whether as a result of AXA Equitable Holdings' initial public offering ("IPO") in 2018 or another factor, it could have a material adverse effect on our business, results of operations or financial condition.
AXA and its affiliates, including AXA Equitable Holdings, collectively are our largest client. AXA Equitable Holdings represented 18.1% of our total AUM as of December 31, 2018 and 3.1% of our net revenues for the year ended December 31, 2018. AXA and its affiliates other than AXA Equitable Holdings represented 6.1% of our total

AUM as of December 31, 2018 and 2.4% of our net revenues for the year ended December 31, 2018. Our investment management agreements with these affiliates are terminable at any time or on short notice by either party, and none of these affiliates are under any obligation to maintain any level of AUM with us. A material adverse effect on our business, results of operations or financial condition could result if AXA Equitable Holdings or AXA and its other affiliates were to terminate their investment management agreements with us.

Further, while to date we have not experienced adverse effects from the IPO and we currently cannot predict the eventual impact, if any, on us of the IPO, such impact could include a reduction in the support AXA has provided to us in the past with respect to our investment management business, resulting in a decrease to our revenues and ability to initiate new investment services. Also, we rely on AXA, including its subsidiary AXA Business Services, for a number of significant services and we benefit from our affiliation with AXA in certain common vendor relationships. These arrangements may change with possible negative financial implications for us.

We may be unable to continue to attract, motivate and retain key personnel, and the cost to retain key personnel could put pressure on our adjusted operating margin.

Our business depends on our ability to attract, motivate and retain highly skilled, and often highly specialized, technical, investment, managerial and executive personnel and there is no assurance that we will be able to do so.

The market for these professionals is extremely competitive. They often maintain strong, personal relationships with investors in our products and other members of the business community so their departure may cause us to lose client accounts or result in fewer opportunities to win new business, either of which factors could have a material adverse effect on our results of operations and business prospects.

Additionally, a decline in revenues may limit our ability to pay our employees at competitive levels, and maintaining (or increasing) compensation without a revenue increase, in order to retain key personnel, may adversely affect our adjusted operating margin. As a result, we remain vigilant about aligning our cost structure (including headcount) with our revenue base. For additional information regarding our compensation practices, see "Compensation Discussion and Analysis" in Item 11.

Our process of relocating our headquarters may not be executed as we envision.

On May 2, 2018, we announced that we will establish our corporate headquarters in and relocate approximately 1,050 jobs located in the New York metropolitan area to Nashville, Tennessee (for additional information, see “Relocation Strategy” in Item 7). Although the eventual impact on AB from this process is not yet known, the uncertainty created by these circumstances could have a significant adverse effect on AB’s ability to motivate and retain current employees. Further significant managerial and operational challenges could arise, such as ineffective transfer of institutional knowledge from current employees to newly-hired employees, if AB experiences significantly greater attrition among current employees than the firm anticipates in connection with the relocation and/or if the firm encounters more difficulty than expected in hiring qualified employees to help staff our Nashville headquarters.

Additionally, our estimates for both the transition costs and the corresponding expense savings relating to our headquarters relocation, which we discuss in more detail in “Relocation Strategy” in Item 7, are based on our current assumptions of employee relocation costs, severance, and overlapping compensation and occupancy costs. If our assumptions turn out to be inaccurate, our adjusted net revenues and adjusted operating income could be adversely affected.

Our business is dependent on investment advisory agreements with clients, and selling and distribution agreements with various financial intermediaries and consultants, which generally are subject to termination or non-renewal on short notice.

We derive most of our revenues pursuant to written investment management agreements (or other arrangements) with institutional investors, mutual funds and private wealth clients, and selling and distribution agreements with financial intermediaries that distribute AB Funds. Generally, the investment management agreements (and other arrangements), including our agreements with AXA, EQH and their respective subsidiaries, are terminable at any time or upon relatively short notice by either party. The investment management agreements pursuant to which we manage the U.S. Funds must be renewed and approved by the Funds’ boards of directors annually. A significant majority of the directors are independent. Consequently, there can be no assurance that the board of directors of each fund will approve the fund’s investment management agreement each year, or will not condition its approval on revised terms that may be adverse to us. In addition, investors in AB Funds can redeem their investments without notice. Any termination of, or failure to renew, a significant number of these agreements, or a significant increase in redemption rates, could have a material adverse effect on our results of operations and business prospects.

Similarly, the selling and distribution agreements with securities firms, brokers, banks and other financial intermediaries are terminable by either party upon notice (generally 30 days) and do not obligate the financial intermediary to sell any specific amount of fund shares. These intermediaries generally offer their clients investment products that compete with our products. In addition, certain institutional investors rely on consultants to advise them about choosing an investment adviser and some of our services may not be considered among the best choices by these consultants. As a result, investment consultants may advise their clients to move their assets invested with us to other investment advisers, which could result in significant net outflows.

Table of Contents

Lastly, our Private Wealth Services rely on referrals from financial planners, registered investment advisers and other professionals. We cannot be certain that we will continue to have access to, or receive referrals from, these third parties. Loss of such access or referrals could have a material adverse effect on our results of operations and business prospects.

Performance-based fee arrangements with our clients may cause greater fluctuations in our net revenues.

We sometimes charge our clients performance-based fees, whereby we charge a base advisory fee and are eligible to earn an additional performance-based fee or incentive allocation that is calculated as either a percentage of absolute investment results or a percentage of investment results in excess of a stated benchmark over a specified period of time. Some performance-based fees include a high-watermark provision, which generally provides that if a client account under-performs relative to its performance target (whether in absolute terms or relative to a specified benchmark), it must gain back such under-performance before we can collect future performance-based fees. Therefore, if we fail to achieve the performance target for a particular period, we will not earn a performance-based fee for that period and, for accounts with a high-watermark provision, our ability to earn future performance-based fees will be impaired.

We are eligible to earn performance-based fees on 7.3%, 7.8% and 0.9% of the assets we manage for institutional clients, private wealth clients and retail clients, respectively (in total, 5.1% of our AUM). If the percentage of our AUM subject to performance-based fees increases, seasonality and volatility of revenue and earnings are likely to become more significant. Our performance-based fees in 2018, 2017 and 2016 were $118.1 million, $94.8 million and $32.8 million, respectively.

An impairment of goodwill may occur.

Determining whether an impairment of the goodwill asset exists requires management to exercise a substantial amount of judgment. In addition, to the extent that securities valuations are depressed for prolonged periods of time and/or market conditions deteriorate, or if we experience significant net redemptions, our AUM, revenues, profitability and unit price will be adversely affected. Although the price of an AB Holding Unit is just one factor in the calculation of fair value, if AB Holding Unit price levels decline significantly, reaching the conclusion that fair value exceeds carrying value will, over time, become more difficult. In addition, control premiums, industry earnings multiples and discount rates are impacted by economic conditions. As a result, subsequent impairment tests may occur more frequently and be based on more negative assumptions and future cash flow projections, and may result in an impairment of goodwill. An impairment may result in a material charge to our earnings. For additional information about our impairment testing, see Item 7.

We may engage in strategic transactions that could pose risks.

As part of our business strategy, we consider potential strategic transactions, including acquisitions, dispositions, mergers, consolidations, joint ventures and similar transactions, some of which may be material. These transactions, if undertaken, may involve various risks and present financial, managerial and operational challenges, including:.

- adverse effects on our earnings if acquired intangible assets or goodwill become impaired;
- existence of unknown liabilities or contingencies that arise after closing;
- potential disputes with counterparties; and
- potential dilution to our existing unitholders, if we fund the purchase price of a transaction with AB Units or AB Holding Units.

Acquisitions also pose the risk that any business we acquire may lose customers or employees or could underperform relative to expectations. Additionally, the loss of investment personnel poses the risk that we may lose the AUM we expected to manage, which could adversely affect our results of operations. Furthermore, strategic transactions may require us to increase our leverage or, if we issue AB Units or AB Holding Units to fund an acquisition, would dilute the holdings of our existing Unitholders.

Fluctuations in the exchange rates between the U.S. dollar and various other currencies can adversely affect our AUM, revenues and results of operations.

Although significant portions of our net revenues and expenses, as well as our AUM, presently are denominated in U.S. dollars, we have subsidiaries and clients outside of the United States with functional currencies other than the U.S. dollar. Weakening of these currencies relative to the U.S. dollar adversely affects the value in U.S. dollar terms of our revenues and our AUM denominated in these other currencies. Accordingly, fluctuations in U.S. dollar exchange rates affect our AUM, revenues and reported financial results from one period to the next.

We may not be successful in our efforts to hedge our exposure to such fluctuations, which could negatively impact our revenues and reported financial results.

Our seed capital investments are subject to market risk. While we enter into various futures, forwards, swap and option contracts to economically hedge many of these investments, we also may be exposed to market risk and credit-related losses in the event of non-performance by counterparties to these derivative instruments.

We have a seed investment program for the purpose of building track records and assisting with the marketing initiatives pertaining to our firm's new products. These seed capital investments are subject to market risk. Our risk management team oversees a seed hedging program that attempts to minimize this risk, subject to practical and cost considerations. Also, not all seed investments are deemed appropriate to hedge, and in those cases we are exposed to market risk. In addition, we may be subject to basis risk in that we cannot always hedge with precision our market exposure and, as a result, we may be subject to relative spreads between market sectors. As a result, volatility in the capital markets may cause significant changes in our period-to-period financial and operating results.

We use various derivative instruments, including futures, forwards, swap and option contracts, in conjunction with our seed hedging program. While in most cases broad market risks are hedged, our hedges are imperfect and some market risk remains. In addition, our use of derivatives results in counterparty risk (i.e., the risk that we may be exposed to credit-related losses in the event of non-performance by counterparties to these derivative instruments), regulatory risk (e.g., short selling restrictions) and cash/synthetic basis risk (i.e., the risk that the underlying positions do not move identically to the related derivative instruments).

The revenues generated by Bernstein Research Services may be adversely affected by circumstances beyond our control, including declines in brokerage transaction rates, declines in global market volumes, failure to settle our trades by significant counterparties and the effects of MiFID II.

Electronic, or “low-touch”, trading represents a significant percentage of buy-side trading activity and typically produces transaction fees that are significantly lower than the price of traditional full service fee rates. As a result, blended pricing throughout our industry is lower now than it was historically, and price declines may continue. In addition, fee rates we charge and charged by other brokers for brokerage services have historically experienced price pressure, and we expect these trends to continue. Also, while increases in transaction volume and market share often can offset decreases in rates, this may not continue.

In addition, the failure or inability of any of our broker-dealer's significant counterparties to perform could expose us to substantial expenditures and adversely affect our revenues. For example, SCB LLC, as a member of clearing and settlement organizations, would be required to settle open trades of any non-performing counterparty. This exposes us to the mark-to-market adjustment on the trades between trade date and settlement date, which could be significant, especially during periods of severe market volatility. Also, our ability to access liquidity in such situations may be limited by what our funding relationships are able to offer us at such times.

We discuss the risks associated with the second installment of the Markets in Financial Instruments Directive II (“MiFID II”) below in this Item 1A.

The individuals, third-party vendors or issuers on whom we rely to perform services for us or our clients may be unable or unwilling to honor their contractual obligations to us.

We rely on various counterparties and other third-party vendors to augment our existing investment, operational, financial and technological capabilities, but the use of a third-party vendor does not diminish AB's responsibility to ensure that client and regulatory obligations are met. Default rates, credit downgrades and disputes with counterparties as to the valuation of collateral increase significantly in times of market stress. Disruptions in the financial markets and other economic challenges may cause our counterparties and other third-party vendors to experience significant cash flow problems or even render them insolvent, which may expose us to significant costs and impair our ability to conduct business.

Weaknesses or failures within a third-party vendor's internal processes or systems, or inadequate business continuity plans, can materially disrupt our business operations. Also, third-party vendors may lack the necessary infrastructure or resources to effectively safeguard our confidential data. If we are unable to effectively manage the risks associated with such third-party relationships, we may suffer fines, disciplinary action and reputational damage.

We may not accurately value the securities we hold on behalf of our clients or our company investments.

In accordance with applicable regulatory requirements, contractual obligations or client direction, we employ procedures for the pricing and valuation of securities and other positions held in client accounts or for company investments. We have established a Valuation Committee, composed of senior officers and employees, which oversees pricing controls and valuation processes. If market quotations for a security are not readily available, the Valuation Committee determines a fair value for the security.

Extraordinary volatility in financial markets, significant liquidity constraints or our failure to adequately consider one or more factors when determining the fair value of a security based on information with limited market observability could result in our failing to properly value securities we hold for our clients or investments accounted for on our balance sheet. Improper valuation likely would result in our basing fee calculations on inaccurate AUM figures, our striking incorrect net asset values for company-sponsored mutual funds or hedge funds or, in the case of company investments, our inaccurately calculating and reporting our financial condition and operating results. Although the overall percentage of our AUM that we fair value based on information with limited market observability is not significant, inaccurate fair value determinations can harm our clients, create regulatory issues and damage our reputation.

We may not have sufficient information to confirm or review the accuracy of valuations provided to us by underlying external managers for the funds in which certain of our alternative investment products invest.

Certain of our alternative investment services invest in funds managed by external managers (“External Managers”) rather than investing directly in securities and other instruments. As a result, our abilities will be limited with regard to (i) monitoring such investments, (ii) regularly obtaining complete, accurate and current information with respect to such investments and (iii) exercising control over such investments. Accordingly, we may not have sufficient information to confirm or review the accuracy of valuations provided to us by External Managers. In addition, we will be required to rely on External Managers’ compliance with any applicable investment guidelines and restrictions. Any failure of an External Manager to operate within such guidelines or to provide accurate information with respect to the investment could subject our alternative investment products to losses and cause damage to our reputation.

The quantitative models we use in certain of our investment services may contain errors, resulting in imprecise risk assessments and unintended output.

We use quantitative models in a variety of our investment services, generally in combination with fundamental research. These models are developed by senior quantitative professionals and typically are implemented by IT professionals. Our Model Risk Oversight Committee oversees the model governance framework and associated model review activities, which are then executed by our Model Risk Team. However, due to the complexity and large data dependency of such models, it is possible that errors in the models could exist and our controls could fail to detect such errors. Failure to detect errors could result in client losses and reputational damage.

We may not always successfully manage actual and potential conflicts of interest that arise in our business.

Increasingly, we must manage actual and potential conflicts of interest, including situations where our services to a particular client conflict, or are perceived to conflict, with the interests of another client. Failure to adequately address potential conflicts of interest could adversely affect our reputation, results of operations and business prospects.

We have procedures and controls that are designed to identify and mitigate conflicts of interest, including those designed to prevent the improper sharing of information. However, appropriately managing conflicts of interest is complex. Our reputation could be damaged and the willingness of clients to enter into transactions in which such a conflict might arise may be affected if we fail, or appear to fail, to deal appropriately with actual or perceived conflicts of interest. In addition, potential or perceived conflicts could give rise to litigation or regulatory enforcement actions.

Technology failures and disruptions, including failures to properly safeguard confidential information, can significantly constrain our operations and result in significant time and expense to remediate, which could result in a material adverse effect on our results of operations and business prospects.

We are highly dependent on software and related technologies throughout our business, including both proprietary systems and those provided by third-party vendors. We use our technology to, among other things, obtain securities pricing information, process client transactions, store and maintain data, and provide reports and other services to our clients. Despite our protective measures, including measures designed to effectively secure information through system security technology and established and tested business continuity plans, we may still experience system delays and interruptions as a result of natural disasters, hardware failures,

Table of Contents

software defects, power outages, acts of war and third-party failures. We cannot predict with certainty all of the adverse effects that could result from our failure, or the failure of a third party, to efficiently address and resolve these delays and interruptions. These adverse effects could include the inability to perform critical business functions or failure to comply with financial reporting and other regulatory requirements, which could lead to loss of client confidence, reputational damage, exposure to disciplinary action and liability to our clients.

Many of the software applications that we use in our business are licensed from, and supported, upgraded and maintained by, third-party vendors. A suspension or termination of certain of these licenses or the related support, upgrades and maintenance could cause temporary system delays or interruption. Additionally, technology rapidly evolves and we cannot guarantee that our competitors may not implement more advanced technology platforms for their products and services, which may place us at a competitive disadvantage and adversely affect our results of operations and business prospects.

Also, we could be subject to losses if we fail to properly safeguard sensitive and confidential information. As part of our normal operations, we maintain and transmit confidential information about our clients as well as proprietary information relating to our business operations. Although we take protective measures, our systems still could be vulnerable to cyber attack or other forms of unauthorized access (including computer viruses) that have a security impact, such as an authorized employee or vendor inadvertently or intentionally causing us to release confidential or proprietary information. Such disclosure could, among other things, allow competitors access to our proprietary business information and require significant time and expense to investigate and remediate the breach. Moreover, loss of confidential client information could harm our reputation and subject us to liability under laws that protect confidential personal data, resulting in increased costs or loss of revenues.

Any significant security breach of our information and cyber security infrastructure, as well as our failure to properly escalate and respond to such an incident, may significantly harm our operations and reputation.
It is critical that we ensure the continuity and effectiveness of our information and cyber security infrastructure, policies, procedures and capabilities to protect our computer and telecommunications systems and the data that reside on or are transmitted through them and contracted third-party systems. Although we take protective measures, including measures to effectively secure information through system security technology, our technology systems may still be vulnerable to unauthorized access, computer viruses or other events that have a security impact, such as an external attack by one or more cyber criminals (including phishing attacks attempting to obtain confidential information and ransomware attacks attempting to block access to a computer system until a sum of money is paid), which could materially harm our operations and reputation. Additionally, while we take precautions to password protect and encrypt our laptops and sensitive information on our other mobile electronic devices, if such devices are stolen, misplaced or left unattended, they may become vulnerable to hacking or other unauthorized use, creating a possible security risk and resulting in potentially costly actions by us.
Furthermore, although we maintain a robust cyber security infrastructure and incident preparedness strategy, which we test periodically, we may be unable to respond, both internally and externally, to a cyber incident in a sufficiently expeditious manner. Any such failure could cause significant harm to our reputation and result in litigation, regulatory scrutiny and/or significant remediation costs.
Unpredictable events, including climate change, natural disaster, dangerous weather conditions, technology failure, terrorist attack and political unrest, may adversely affect our ability to conduct business.

War, terrorist attack, political unrest, power failure, climate change, natural disaster and rapid spread of infectious diseases could interrupt our operations by:

- causing disruptions in global economic conditions, thereby decreasing investor confidence and making investment products generally less attractive;
- inflicting loss of life;

- triggering large-scale technology failures or delays;
- breaching our information and cyber security infrastructure; and
- requiring substantial capital expenditures and operating expenses to remediate damage and restore operations.

Despite the contingency plans and facilities we have in place, including system security measures, information back-up and disaster recovery processes, our ability to conduct business may be adversely affected by a disruption in the infrastructure that supports our operations and the communities in which they are located. This may include a disruption involving electrical, communications, transportation or other services we may use or third parties with which we conduct business. If a disruption occurs in one location and our employees in that location are unable to occupy our offices or communicate with or travel to other locations, our ability to conduct business with and on behalf of our clients may suffer, and we may not be able to successfully implement contingency plans that depend on communication or travel. Furthermore, unauthorized access to our systems as a result of a security breach, the failure of our systems, or the loss of data could give rise to legal proceedings or regulatory penalties under laws protecting the privacy of personal information, disrupt operations, and damage our reputation.

Our operations require experienced, professional staff. Loss of a substantial number of such persons or an inability to provide properly equipped places for them to work may, by disrupting our operations, adversely affect our financial condition, results of operations and business prospects. In addition, our property and business interruption insurance may not be adequate to compensate us for all losses, failures or breaches that may occur.

Our own operational failures or those of third parties on which we rely, including failures arising out of human error, could disrupt our business, damage our reputation and reduce our revenues.

Weaknesses or failures in our internal processes or systems could lead to disruption of our operations, liability to clients, exposure to disciplinary action or harm to our reputation. Our business is highly dependent on our ability to process, on a daily basis, large numbers of transactions, many of which are highly complex, across numerous and diverse markets. These transactions generally must comply with client investment guidelines, as well as stringent legal and regulatory standards.

Our obligations to clients require us to exercise skill, care and prudence in performing our services. Despite our employees being highly trained and skilled, the large number of transactions we process makes it highly likely that errors will occasionally occur. If we make a mistake in performing our services that causes financial harm to a client, we have a duty to act promptly to put the client in the position the client would have been in had we not made the error. The occurrence of mistakes, particularly significant ones, can have a material adverse effect on our reputation, results of operations and business prospects.

The insurance that we maintain may not fully cover all potential exposures.

We maintain professional liability, fidelity, cyber, property, casualty, business interruption and other types of insurance, but such insurance may not cover all risks associated with the operation of our business. Our coverage is subject to exclusions and limitations, including high self-insured retentions or deductibles and maximum limits and liabilities covered. In addition, from time to time, various types of insurance may not be available on commercially acceptable terms or, in some cases, at all. We can make no assurance that a claim or claims will be covered by our insurance policies or, if covered, will not exceed our available insurance coverage, or that our insurers will remain solvent and meet their obligations.

In the future, we may not be able to obtain coverage at current levels, if at all, and our premiums may increase significantly on coverage that we maintain. Also, we currently are party to certain joint insurance arrangements with subsidiaries of EQH. If our affiliates choose not to include us as insured parties under any such policies, we may need to obtain stand-alone insurance coverage, which could have coverage terms that are less beneficial to us and/or cost more.

Our business is subject to pervasive, complex and continuously evolving global regulation, compliance with which involves substantial expenditures of time and money, and violation of which may result in material adverse consequences.

Virtually all aspects of our business are subject to federal and state laws and regulations, rules of securities regulators and exchanges, and laws and regulations in the foreign jurisdictions in which our subsidiaries conduct business. If we violate these laws or regulations, we could be subject to civil liability, criminal liability or sanction, including restriction or revocation of our and our subsidiaries’ professional licenses or registrations, revocation of the licenses of our employees, censures, fines, or temporary suspension or permanent bar from conducting business. Any such liability or sanction could have a material adverse effect on our financial condition, results of operations and business prospects. A regulatory proceeding, even if it does not result in a finding of wrongdoing or sanction, could require substantial expenditures of time and money and could potentially damage our reputation.

In recent years, global regulators have substantially increased their oversight of financial services. Some of the newly-adopted and proposed regulations are focused on investment management services. Others, while more broadly focused, nonetheless impact our business. Moreover, the adoption of new laws, regulations or standards and changes in the interpretation or enforcement of existing laws, regulations or standards have directly affected, and will continue to affect, our business, including making our efforts to comply more expensive and time-consuming.

For example, the Financial Supervisory Commission in Taiwan ("FSC") implemented, as of January 1, 2015, new limits on the degree to which local investors can own an offshore investment product. While certain exemptions have been available to us, should we not continue to qualify, the FSC's rules could force some of our local resident investors to redeem their investments in our funds sold in Taiwan (and/or prevent further sales of those funds in Taiwan), some of which funds have local ownership levels

Table of Contents

substantially above the FSC limits. This could lead to significant declines in our investment advisory and services fees and revenues earned from these funds.

In Europe, MiFID II, which became effective on January 3, 2018, makes significant modifications to the manner in which European broker-dealers can be compensated for research. These modifications have reduced, and are believed to have significantly reduced, the overall research spend by European buy-side firms, which has decreased the revenues we derive from our European clients. Our European clients may continue to reduce their research budgets, which could result in a significant decline in our sell-side revenues.

Also, while MiFID II is not applicable to firms operating outside of Europe, competitive and client pressures may force buy-side firms operating outside of Europe to pay for research from their own resources instead of through bundled trading commissions. If that occurs, we would expect that research budgets from those clients will decrease further, which could result in an additional significant decline in our sell-side revenues. Additionally, these competitive and client pressures may result in our buy-side operation paying for research out of our own resources instead of through bundled trading commissions, which could increase our firm's expenses and decrease our operating income.

Lastly, it also is uncertain how regulatory trends will evolve under the current U.S. President's administration and abroad. For example, in June 2016, a narrow majority of voters in a U.K. referendum voted to exit the European Union (“Brexit”), but it remains unclear exactly how the U.K.’s status in relation to the European Union ("EU") will change if and when it ultimately leaves. Accordingly, our U.K.-based buy-side and sell-side subsidiaries are implementing alternative arrangements in EU jurisdictions in order to ensure continued operations in the Eurozone, including our continued ability to market and sell various investment products in the Eurozone. In addition, any other changes in the composition of the EU’s member states may add further complexity to our global risks and operations.

We are involved in various legal proceedings and regulatory matters and may be involved in such proceedings in the future, any one or combination of which could have a material adverse effect on our reputation, financial condition, results of operations and business prospects.

We may be involved in various matters, including regulatory inquiries, administrative proceedings and litigation, some of which allege significant damages, and we may be involved in additional matters in the future. Litigation is subject to significant uncertainties, particularly when plaintiffs allege substantial or indeterminate damages, the litigation is in its early stages, or when the litigation is highly complex or broad in scope.

The financial services industry is intensely competitive.

We compete on the basis of a number of factors, including our investment performance for our clients, our array of investment services, innovation, reputation and price. By having a global presence, we often face competitors with more experience and more established relationships with clients, regulators and industry participants in the relevant market, which could adversely affect our ability to expand. Furthermore, if we are unable to maintain and/or continue to improve our investment performance, our client flows may be adversely affected, which may make it more difficult for us to compete effectively.

Also, increased competition could reduce the demand for our products and services, which could have a material adverse effect on our financial condition, results of operations and business prospects. For additional information regarding competitive factors, see “Competition” in Item 1.

Structure-related Risks

The partnership structure of AB Holding and AB limits Unitholders' abilities to influence the management and operation of AB's business and is highly likely to prevent a change in control of AB Holding and AB.

The General Partner, as general partner of both AB Holding and AB, generally has the exclusive right and full authority and responsibility to manage, conduct, control and operate their respective businesses, except as otherwise expressly stated in their respective Amended and Restated Agreements of Limited Partnership. AB Holding and AB Unitholders have more limited voting rights on matters affecting AB than do holders of common stock in a corporation. Both Amended and Restated Agreements of Limited Partnership provide that Unitholders do not have any right to vote for directors of the General Partner and that Unitholders only can vote on certain extraordinary matters (including removal of the General Partner under certain extraordinary circumstances). Additionally, the AB Partnership Agreement includes significant restrictions on the transfer of AB Units and provisions that have the practical effect of preventing the removal of the General Partner, which provisions are highly likely to prevent a change in control of AB's management.

Table of Contents

AB Units are illiquid and subject to significant transfer restrictions.

There is no public trading market for AB Units and we do not anticipate that a public trading market will develop. The AB Partnership Agreement restricts our ability to participate in a public trading market or anything substantially equivalent to one by providing that any transfer that may cause AB to be classified as a “publicly traded partnership” (“PTP”) as defined in Section 7704 of the Internal Revenue Code of 1986, as amended (“Code”), shall be deemed void and shall not be recognized by AB. In addition, AB Units are subject to significant restrictions on transfer, such as obtaining the written consent of AXA Equitable and the General Partner pursuant to the AB Partnership Agreement. Generally, neither AXA Equitable nor the General Partner will permit any transfer that it believes would create a risk that AB would be treated as a corporation for tax purposes. AXA Equitable and the General Partner have implemented a transfer program that requires a seller to locate a purchaser and imposes annual volume restrictions on transfers. You may request a copy of the transfer program from our Corporate Secretary (corporate_secretary@alliancebernstein.com). Also, we have filed the transfer program as Exhibit 10.15 to this Form 10-K.

Changes in the partnership structure of AB Holding and AB and/or changes in the tax law governing partnerships would have significant tax ramifications.

AB Holding, having elected under Section 7704(g) of the Code to be subject to a 3.5% federal tax on partnership gross income from the active conduct of a trade or business, is a “grandfathered” PTP for federal income tax purposes. AB Holding is also subject to the 4.0% New York City unincorporated business tax (“UBT”), net of credits for UBT paid by AB. In order to preserve AB Holding’s status as a “grandfathered” PTP for federal income tax purposes, management seeks to ensure that AB Holding does not directly or indirectly (through AB) enter into a substantial new line of business. A “new line of business” includes any business that is not closely related to AB’s historical business of providing research and diversified investment management and related services to its clients. A new line of business is “substantial” when a partnership derives more than 15% of its gross income from, or uses more than 15% of its total assets in, the new line of business.

AB is a private partnership for federal income tax purposes and, accordingly, is not subject to federal and state corporate income taxes. However, AB is subject to the 4.0% UBT. Domestic corporate subsidiaries of AB, which are subject to federal, state and local income taxes, generally are included in the filing of a consolidated federal income tax return with separate state and local income tax returns being filed. Each of AB's non-U.S. corporate subsidiaries generally is subject to taxes in the foreign jurisdiction where it is located. If our business increasingly operates in countries other than the U.S., AB’s effective tax rate will increase as our international subsidiaries are subject to corporate taxes in the jurisdictions where they are located.

In order to preserve AB’s status as a private partnership for federal income tax purposes, AB Units must not be considered publicly traded. If such units were to be considered readily tradable, AB would be subject to federal and state corporate income tax on its net income. Furthermore, as noted above, should AB enter into a substantial new line of business, AB Holding, by virtue of its ownership of AB, would lose its status as a grandfathered PTP and would become subject to corporate income tax as set forth above. If AB and AB Holding were to become subject to corporate income tax as set forth above, their net income and quarterly distributions to Unitholders would be materially reduced. For information about the significant restrictions on transfer of AB Units, see the risk factor immediately above.

If, pursuant to the Bipartisan Budget Act of 2015 ("2015 Act"), any audit by the Internal Revenue Service ("IRS") of our income tax returns for any of our taxable years beginning after December 31, 2017 results in any adjustments, the IRS may collect any resulting taxes, including any applicable penalties and interest, directly from us, in which case our net income and the cash available for quarterly Unitholder distributions may be substantially reduced.

Although the IRS, under current law, generally determines tax adjustments at the partnership level when it audits the income tax return of a partnership, the IRS, with respect to taxable years beginning on or before December 31, 2017, is required to collect any additional taxes, interest and penalties from the partnership's individual partners. The 2015 Act modifies this procedure for audits of a partnership's taxable years beginning after December 31, 2017 and, if a partnership meets certain requirements and makes a proper election, for audits of a partnership's taxable years beginning before January 1, 2018. We may choose to make such an election if we receive a written notice of selection for examination for an eligible taxable year or if we file, on or after January 1, 2018, an administrative adjustment request for an eligible taxable year and otherwise qualify to make such an election.

Generally, we will have the ability to collect tax liability from our Unitholders in accordance with their percentage interests during the year under audit, but there can be no assurance that we will elect to do so or be able to do so under all circumstances. If we do not collect such tax liability from our Unitholders in accordance with their percentage interests in the tax year under audit, our net income and the available cash for quarterly distributions to current Unitholders may be substantially reduced. Accordingly, our current Unitholders may bear some or all of the tax liability resulting from such audit adjustment, even if such Unitholders did not own Units during the tax year under audit. In particular, as a publicly traded partnership, our Partnership Representative (as defined below) may, in certain instances, request that any "imputed underpayment" resulting from an audit be adjusted by amounts of certain of our passive losses. If we successfully make such a request, we would have to reduce suspended passive loss carryovers in a manner which is binding on the partners.

In August and December, 2018, the IRS issued final regulations providing rules relating to the operation of the partnership audit rules (the "Final Regulations"). Pursuant to the 2015 Act and the Final Regulations, for taxable years beginning after December 31, 2017, we will be required to designate a partner, or other person, with a substantial presence in the United States as the partnership representative ("Partnership Representative") and we will no longer have a "tax matters partner." The Partnership Representative will have the sole authority to act on our behalf for purposes of, among other things, U.S. federal income tax audits and judicial review of administrative adjustments by the IRS. If we do not make such a designation, the IRS can select any person as the Partnership Representative. Any actions taken by us or by the Partnership Representative on our behalf with respect to, among other things, U.S. federal income tax audits and judicial review of administrative adjustments by the IRS, will be binding on us and our unitholders.

In addition, the Final Regulations clarified the procedure under which a partnership may elect to require its unitholders to take into account on their income tax returns an audit adjustment made to the partnership's income tax items. We may, but are not required to, make such a "push-out" election. In addition, a partnership that is a partner of another partnership may elect to have its unitholders take an audit adjustment of the lower-tier partnership into account (i.e., the upper-tier partnership may push adjustments received from the lower-tier partnership through to the partners of the upper-tier partnership). The upper-tier partnership must timely complete the "push-out" of the adjustment in order for it to be effective. Under the Final Regulations, such election must be made by the extended due date for the return for the adjustment year of the audited partnership, regardless of whether the audited partnership is required to file a return for the adjustment year or timely files a request for an extension for its return. The Final Regulations set forth a number of requirements to make a "push-out" election and we may be unable or unwilling to comply with such requirements. If we do not make a "push-out" election, we would be required to pay any tax resulting from the adjustments to our income tax items, and the cash available for distribution to unitholders would be substantially reduced.

Non-U.S. Unitholders may be subject to a 10% withholding tax on the sale of their AB Units or AB Holding Units, which could reduce the value of such Units.

Under the 2017 Tax Cuts and Jobs Act, gain or loss from the sale or exchange of partnership units after November 27, 2017 by a non-U.S. unitholder are treated as effectively connected with a U.S. trade or business to the extent that the non-U.S. unitholder would have had effectively connected gain or loss on a hypothetical sale by the partnership of all of its assets at fair market value as of the date of the sale or exchange of the partnership units. The Tax Cuts and Jobs Act also imposed certain withholding requirements for the sale of partnership units by a non-U.S. unitholder and authorized the IRS to issue regulations to carry out the withholding rules in the case of publicly traded partnerships. No such regulations have been issued. Instead, in December 2017, the IRS issued a notice suspending the application of these new withholding rules to the disposition of publicly traded partnership units until the IRS issued related guidance. We cannot predict when or if the IRS will issue such regulations or other guidance or what the regulations or other guidance will say. If the guidance generally subjects publicly traded partnerships to the same rules as other partnerships, then we would be subject to two different withholding regimes. Under the first regime, the recipient of the units being transferred generally will be required to withhold 10% of the amount realized by the transferring unitholder, unless the transferring unitholder provides the recipient unitholder with either proper documentation proving that the transferring unitholder is not a nonresident alien individual or foreign corporation, or with certain other statements or certifications described in IRS Notice 2018-29 that limit or relieve the recipient unitholder's withholding obligation. Under the second regime, if the recipient unitholder fails to properly withhold, then we generally would be obligated to deduct and withhold from distributions to the recipient unitholder a tax in an amount equal to the amount the transferring unitholder failed to withhold (plus interest). Whether or not these withholding rules apply does not affect the characterization of gain or loss from the sale or exchange of partnership units by a non-U.S. unitholder as effectively connected with a U.S. trade or business.

Item 1B. Unresolved Staff Comments

Neither AB nor AB Holding has unresolved comments from the staff of the SEC to report.

Table of Contents

Item 2. Properties

Our principal executive offices located at 1345 Avenue of the Americas, New York, New York are occupied pursuant to a lease expiring in 2024. At this location, we currently lease 992,043 square feet of space, within which we currently occupy approximately 523,373 square feet of space and have sub-let (or are seeking to sub-let) approximately 468,670 square feet of space. We also lease space at one other location in New York City with a lease expiration of December 31, 2019.

In addition, we lease approximately 229,147 square feet of space at One North Lexington, White Plains, New York under a lease expiring in 2021 with options to extend to 2031. At this location, we currently occupy approximately 69,013 square feet of space and have sub-let (or are seeking to sub-let) approximately 160,134 square feet of space.

We entered into a short-term lease for office space in Nashville, Tennessee during the construction of our new corporate headquarters at 501 Commerce Street, which we will vacate upon completion of 501 Commerce Street.

We entered into a 15-year lease agreement in Nashville, Tennessee, at 501 Commerce Street, for 205,000 square feet that is expected to commence in July of 2020.

We also lease 92,067 square feet of space in San Antonio, Texas under a lease expiring in 2019 with options to extend to 2029. At this location, we currently occupy approximately 59,004 square feet of space and have sub-let approximately 33,063 square feet of space. We have renewed 50,792 square feet for ten years, expiring in 2029.

In addition, we lease less significant amounts of space in 21 other cities in the United States.

Our subsidiaries lease space in 28 cities outside the United States, the most significant of which are in London, England, under a lease expiring in 2022, and in Hong Kong, China, under a lease expiring in 2027. In London, we currently lease 65,488 square feet of space, within which we currently occupy approximately 54,746 square feet of space and have sub-let approximately 10,742 square feet of space. In Hong Kong, we currently lease and occupy 35,878 square feet of space.

Item 3. Legal Proceedings

With respect to all significant litigation matters, we consider the likelihood of a negative outcome. If we determine the likelihood of a negative outcome is probable and the amount of the loss can be reasonably estimated, we record an estimated loss for the expected outcome of the litigation. If the likelihood of a negative outcome is reasonably possible and we are able to determine an estimate of the possible loss or range of loss in excess of amounts already accrued, if any, we disclose that fact together with the estimate of the possible loss or range of loss. However, it is often difficult to predict the outcome or estimate a possible loss or range of loss because litigation is subject to inherent uncertainties, particularly when plaintiffs allege substantial or indeterminate damages. Such is also the case when the litigation is in its early stages or when the litigation is highly complex or broad in scope. In these cases, we disclose that we are unable to predict the outcome or estimate a possible loss or range of loss.

We may be involved in various matters, including regulatory inquiries, administrative proceedings and litigation, some of which may allege significant damages. It is reasonably possible that we could incur losses pertaining to these matters, but management cannot currently estimate any such losses.

Management, after consultation with legal counsel, currently believes that the outcome of any individual matter that is pending or threatened, or all of them combined, will not have a material adverse effect on our results of operations, financial condition or liquidity. However, any inquiry, proceeding or litigation has an element of uncertainty; management cannot determine whether further developments relating to any individual matter that is pending or threatened, or all of them combined, will have a material adverse effect on our results of operation, financial condition or liquidity in any future reporting period.

Item 4. Mine Safety Disclosures

Not applicable.

Table of Contents

PART II

Item 5. Market for Registrant’s Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

Market for AB Holding Units and AB Units; Cash Distributions

AB Holding Units are listed on the NYSE and trade publicly under the ticker symbol “AB.” There is no established public trading market for AB Units, which are subject to significant restrictions on transfer. For information about these transfer restrictions, see “Structure-related Risks” in Item 1A.

AB Holding’s principal source of income and cash flow is attributable to its limited partnership interests in AB.

Each of AB Holding and AB distributes on a quarterly basis all of its Available Cash Flow, as defined in the AB Holding Partnership Agreement and the AB Partnership Agreement, respectively, to its Unitholders and the General Partner. For additional information concerning distribution of Available Cash Flow by AB Holding, see Note 2 to AB Holding’s financial statements in Item 8. For additional information concerning distribution of Available Cash Flow by AB, see Note 2 to AB’s consolidated financial statements in Item 8.

On December 31, 2018, the last trading day during 2018, the closing price of an AB Holding Unit on the NYSE was $27.32 per Unit. On December 31, 2018, there were (i) 929 AB Holding Unitholders of record for approximately 79,000 beneficial owners, and (ii) 381 AB Unitholders of record (we do not believe there are substantial additional beneficial owners).

Recent Sales of Unregistered Securities; Use of Proceeds from Registered Securities

We did not engage in any unregistered sales of our securities during the years ended December 31, 2018, 2017 and 2016.

Purchases of Equity Securities by the Issuer and Affiliated Purchasers

Each quarter since the third quarter of 2011, AB has implemented plans to repurchase AB Holding Units pursuant to Rules 10b5-1 and 10b-18 under the Exchange Act. The plan adopted during the fourth quarter of 2018 expired at the close of business on February 12, 2019. AB may adopt additional plans in the future to engage in open-market purchases of AB Holding Units to help fund anticipated obligations under the firm’s incentive compensation award program and for other corporate purposes. For additional information about Rule 10b5-1 plans, see “Units Outstanding” in Item 7.

Table of Contents

AB Holding Units bought by us or one of our affiliates during the fourth quarter of 2018 are as follows:

Issuer Purchases of Equity Securities

Period	Total Number of AB Holding Units Purchased	Average Price Paid Per AB Holding Unit, net of Commissions	Total Number of AB Holding Units Purchased as Part of Publicly Announced Plans or Programs	Maximum Number (or Approximate Dollar Value) of AB Holding Units that May Yet Be Purchased Under the Plans or Programs
10/1/18-10/31/18(1)(2)	632,466	$ 29.59	—	—
11/1/18-11/30/18(1)(2)	881,840	29.56	—	—
12/1/18-12/31/18(1)(2)	4,973,748	28.16	—	—
Total	6,488,054	$ 28.49	—	—

(1) During the fourth quarter of 2018, we purchased 2,781,168 AB Holding Units from employees to allow them to fulfill statutory withholding tax requirements at the time of distribution of long-term incentive compensation awards.

(2) During the fourth quarter of 2018, we purchased 3,706,886 AB Holding Units on the open market pursuant to a Rule 10b5-1 plan to help fund anticipated obligations under our incentive compensation award program.

AB Units bought by us or one of our affiliates during the fourth quarter of 2018 are as follows:

Issuer Purchases of Equity Securities

Period	Total Number of AB Units Purchased	Average Price Paid Per AB Unit, net of Commissions	Total Number of AB Units Purchased as Part of Publicly Announced Plans or Programs	Maximum Number (or Approximate Dollar Value) of AB Units that May Yet Be Purchased Under the Plans or Programs
10/1/18-10/31/18	—	$ —	—	—
11/1/18-11/30/18	—	—	—	—
12/1/18-12/31/18(1)	800	29.78	—	—
Total	800	$ 29.78	—	—

(1) During December 2018, we purchased 800 AB Units in a private transaction.

Table of Contents

Item 6. Selected Financial Data

AllianceBernstein Holding L.P.

	Years Ended December 31,				
	2018	2017	2016	2015	2014
	(in thousands, except per unit amounts)				
INCOME STATEMENT DATA:					
Equity in net income attributable to AB Unitholders	$270,647	$232,393	$239,389	$210,084	$200,931
Income taxes	28,250	24,971	22,803	24,320	22,463
Net income	$242,397	$207,422	$216,586	$185,764	$178,468
Basic net income per unit	$2.50	$2.19	$2.24	$1.87	$1.84
Diluted net income per unit	$2.50	$2.19	$2.23	$1.86	$1.84
CASH DISTRIBUTIONS PER UNIT[(1)]	$2.68	$2.30	$1.92	$1.86	$1.86
BALANCE SHEET DATA AT PERIOD END:					
Total assets	$1,490,701	$1,544,704	$1,540,508	$1,576,120	$1,616,461
Partners' capital	$1,490,057	$1,543,550	$1,539,889	$1,575,846	$1,616,079

(1) AB Holding is required to distribute all of its Available Cash Flow, as defined in the AB Holding Partnership Agreement, to its Unitholders; for all years presented, the cash distributions per unit reflect the impact of AB's non-GAAP adjustments.

Table of Contents

AllianceBernstein L.P.

Selected Consolidated Financial Data

	Years Ended December 31,[1]				
	2018	2017	2016	2015	2014
	(in thousands, except per unit amounts and unless otherwise indicated)				
INCOME STATEMENT DATA:					
Revenues:					
Investment advisory and services fees	$2,362,211	$2,201,305	$1,933,471	$1,973,837	$1,958,250
Bernstein research services	439,432	449,919	479,875	493,463	482,538
Distribution revenues	418,562	412,063	384,405	427,156	444,970
Dividend and interest income	98,226	71,162	46,939	24,872	22,322
Investment gains (losses)	2,653	92,102	93,353	3,551	(9,076)
Other revenues	98,676	97,135	99,859	101,169	108,788
Total revenues	3,419,760	3,323,686	3,037,902	3,024,048	3,007,792
Less: interest expense	52,399	25,165	9,123	3,321	2,426
Net revenues	3,367,361	3,298,521	3,028,779	3,020,727	3,005,366
Expenses:					
Employee compensation and benefits:					
Employee compensation and benefits	1,378,811	1,313,469	1,229,721	1,267,926	1,265,664
Promotion and servicing:					
Distribution-related payments	427,186	411,467	363,603	384,425	404,213
Amortization of deferred sales commissions	21,343	31,886	41,066	49,145	41,508
Trade execution, marketing, T&E and other	222,630	213,275	216,542	232,023	233,417
General and administrative:					
General and administrative	448,996	481,488	426,147	431,635	426,960
Real estate charges	7,160	36,669	17,704	998	52
Contingent payment arrangements	(2,219)	267	(20,245)	(5,441)	(2,782)
Interest on borrowings	10,359	8,194	4,765	3,119	2,797
Amortization of intangible assets	27,781	27,896	26,311	25,798	24,916
Total expenses	2,542,047	2,524,611	2,305,614	2,389,628	2,396,745
Operating income	825,314	773,910	723,165	631,099	608,621
Income taxes	45,816	53,110	28,319	44,797	44,304
Net income	779,498	720,800	694,846	586,302	564,317
Net income of consolidated entities attributable to non-controlling interests	21,910	58,397	21,488	6,375	456
Net income attributable to AB Unitholders	$757,588	$662,403	$673,358	$579,927	$563,861
Basic net income per AB Unit	$2.79	$2.46	$2.48	$2.11	$2.07
Diluted net income per AB Unit	$2.78	$2.45	$2.47	$2.10	$2.07
Operating margin[2]	23.9%	21.7%	23.2%	20.7%	20.2%
CASH DISTRIBUTIONS PER AB UNIT[3]	$2.96	$2.57	$2.15	$2.11	$2.08

Table of Contents

	Years Ended December 31,[1]				
	2018	2017	2016	2015	2014
BALANCE SHEET DATA AT PERIOD END:					
Total assets	$8,789,098	$9,282,734	$8,741,158	$7,433,721	$7,375,621
Debt	$546,267	$565,745	$512,970	$581,700	$486,156
Total capital	$3,916,209	$4,063,304	$4,068,189	$4,017,221	$4,084,840
ASSETS UNDER MANAGEMENT AT PERIOD END (in millions)	$516,353	$554,491	$480,201	$467,440	$474,027

(1) Certain prior-year amounts have been reclassified to conform to our 2018 presentation; see Note 2 to AB's financial statements in Item 8 for a discussion of reclassifications.

(2) Operating income excluding net income (loss) attributable to non-controlling interests as a percentage of net revenues.

(3) Cash distributions per AB unit reflect the impact of AB's non-GAAP adjustments.

Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations

Percentage change figures are calculated using assets under management rounded to the nearest million and financial statement amounts rounded to the nearest thousand.

Executive Overview

Our total assets under management ("AUM") as of December 31, 2018 were $516.4 billion, down $38.1 billion, or 6.9%, during 2018. The decrease was driven by market depreciation of $30.0 billion and net outflows of $8.1 billion (primarily due to Institutional outflows of $10.0 billion).

Institutional AUM decreased $23.0 billion, or 8.5%, to $246.3 billion during 2018, due to market depreciation of $13.2 billion and net outflows of $10.0 billion. Gross sales increased $12.7 billion (of which $7.4 billion related to Customized Retirement Strategies ("CRS") fundings) from $13.4 billion in 2017 to $26.1 billion in 2018. Redemptions and terminations increased $18.6 billion (of which $14.1 billion related to CRS redemptions) from $11.5 billion in 2017 to $30.1 billion in 2018.

Retail AUM decreased $12.1 billion, or 6.3%, to $180.8 billion during 2018, due to market depreciation of $12.3 billion and flat net flows. Gross sales increased $0.4 billion from $53.8 billion in 2017 to $54.2 billion in 2018. Redemptions and terminations increased $7.9 billion from $38.6 billion in 2017 to $46.5 billion in 2018.

Private Wealth Management AUM decreased $3.0 billion, or 3.2%, to $89.3 billion during 2018, due to market depreciation of $4.5 billion, offset by net inflows of $1.9 billion. Gross sales increased $2.0 billion from $11.5 billion in 2017 to $13.5 billion in 2018. Redemptions and terminations increased $0.4 billion from $10.6 billion in 2017 to $11.0 billion in 2018.

Bernstein Research Services revenue decreased $10.5 million, or 2.3%, in 2018. The decrease was driven by a reduction in commission rates due to the unbundling of research services and a volume mix shift to lower fee electronic trading across all regions, partially offset by a weaker U.S. dollar.

Our 2018 net revenues of $3.4 billion increased $0.1 billion, or 2.1%, compared to the prior year's net revenues of $3.3 billion. The most significant contributors to the increase were higher base advisory fees of $137.5 million, higher performance-based fees of $23.4 million and higher distribution revenues of $6.5 million, offset by lower investment gains revenue of $89.4 million and lower Bernstein Research Services revenue of $10.5 million. Our operating expenses of $2.5 billion increased $17.4 million, or 0.7%, compared to the prior year's expenses. The increase primarily was due to higher employee compensation and benefits of $65.3 million and higher promotion and servicing expenses of $14.5 million, offset by lower general and administrative expenses (excluding real estate charges) of $32.5 million and lower real estate charges of $29.5 million. Our operating income increased $51.4 million, or 6.6%, to $825.3 million from $773.9 million in 2017 and our operating margin increased from 21.7% in 2017 to 23.9% in 2018.

Market Environment

Global equity markets finished lower in 2018, the result of a fourth quarter sell-off driven by investor concerns over rising U.S. interest rates, a slowdown in European business confidence, weaker Chinese growth and rising geopolitical uncertainty, including Brexit implementation and ongoing trade tensions between the U.S. and China. Global fixed income markets were mixed for the year, with higher returns for less-risky government bonds and negative credit market returns. In the U.S., while tax cuts enacted at the end of 2017 helped spur growth and corporate earnings in 2018, the benefit may not continue throughout 2019, and investors are focused on the length of the economic cycle. The U.S. Federal Reserve announced its fourth interest rate increase in December, as expected, but revised its guidance on the number of rate hikes in 2019 from three to two. Oil prices fell sharply in the fourth quarter which, when combined with higher U.S. interest rates and slowing growth, could be problematic for some emerging markets. In Europe, the Central Bank ended its quantitative easing program in December despite the slowdown in growth, and ongoing uncertainty around Brexit negotiations weighed on business and consumer confidence in the United Kingdom. In China, monetary policy is easing in response to slowing growth and U.S. trade tariff headwinds.

While the weak and volatile market environment in 2018 provided ample opportunities for stock selection, it was another challenging year for active equity fund managers. Only 42% of active managers beat their benchmarks for the full year, with varied results among growth, value and core managers. Despite the more volatile markets, demand for passive strategies persisted, albeit at a slower pace, and active managers struggled to attract net new assets. In the U.S., total industry-wide active mutual fund inflows of $67 billion in 2017 reversed to net outflows of $302 billion in 2018. Active equity U.S. mutual fund outflows of $259 billion in 2018 increased by 33% year-over-year as the pace of outflows accelerated in the fourth quarter, particularly in December. After $221 billion of active fixed income U.S. mutual fund inflows in 2017, flows slowed dramatically in 2018 to $13 billion. Meanwhile, total industry-wide passive mutual fund inflows of $451 billion were down 35% from last year's record $692 billion.

MiFID II

In Europe, MiFID II, which became effective on January 3, 2018, makes significant modifications to the manner in which European broker-dealers can be compensated for research. These modifications have reduced, and are believed to have significantly reduced, the overall research spend by European buy-side firms, which has decreased the revenues we derive from our European clients. Our European clients may continue to reduce their research budgets, which could result in a significant decline in our sell-side revenues.

Also, while MiFID II is not applicable to firms operating outside of Europe, competitive and client pressures may force buy-side firms operating outside of Europe to pay for research from their own resources instead of through bundled trading commissions. If that occurs, we would expect that research budgets from those clients will decrease further, which could result in an additional significant decline in our sell-side revenues. Additionally, these competitive and client pressures may result in our buy-side operation paying for research out of our own resources instead of through bundled trading commissions, which could increase our firm's expenses and decrease our operating income.

The ultimate impact of MiFID II on payments for research globally currently is uncertain.

AXA Equitable Holdings IPO

During 2017, AXA S.A. ("AXA") announced its intention to pursue the sale of a minority stake in AXA Equitable Holdings, Inc. ("EQH"), the holding company for a diversified financial services organization, through an initial public offering ("IPO"). During the second quarter of 2018, EQH completed the IPO and, during the fourth quarter completed a secondary offering. As a result, AXA owns 59.2% of the outstanding common stock of EQH as of December 31, 2018. EQH and its subsidiaries have an approximate 65.2% economic interest in AB as of December 31, 2018. AXA has announced its intention to sell its entire remaining interest in EQH over time, subject to market conditions and other factors. AXA is under no obligation to do so and retains the sole discretion to determine the timing of any future sales of shares of EQH common stock.

While to date we have not experienced adverse effects from the IPO and we cannot at this time predict the eventual impact, if any, on AB of this transaction, such impact could include a reduction in the support AXA has provided to AB in the past with respect to AB's investment management business, resulting in a decrease in our revenues and ability to initiate new investment services. Also, AB relies on AXA, including its subsidiary AXA Business Services, for a number of significant services and AB benefits from its affiliation with AXA in certain common vendor relationships. Some of these arrangements are expected to change with possible negative financial implications for AB.

By letter dated March 31, 2018, AXA advised us of their current intention to continue using AB for the foreseeable future as a preferred provider of asset management services and to continue making commercial and seed investments that suit AXA from an investment perspective, in each case (i) consistent with past practice, (ii) subject to investment performance/returns and (iii) subject to applicable fiduciary duties.

Relocation Strategy

On May 2, 2018, we announced that we would establish our corporate headquarters in, and relocate approximately 1,050 jobs located in the New York metro area to, Nashville, TN. Our Nashville headquarters will house Finance, IT, Operations, Legal, Compliance, Internal Audit, Human Capital, and Sales and Marketing. We have begun relocating jobs and expect this transition to take several years. We will continue to maintain a principal location in New York City, which will house our Portfolio Management, Sell-Side Research and Trading, and New York-based Private Wealth Management businesses.

We believe relocating our corporate headquarters to Nashville will afford us the opportunity to provide an improved quality of life alternative for our employees and enable us to attract and recruit new talented employees to a highly desirable location while improving the long-term cost structure of the firm.

During the transition period, which began in 2018 and is expected to continue through 2024, we currently estimate that we will incur transition costs of approximately $155 million to $165 million. These costs include employee relocation, severance, recruitment, and overlapping compensation and occupancy costs. Over this same period, we expect to realize total expense savings of approximately $190 million to $200 million, an amount greater than the total transition costs. However, we will incur some transition costs before we begin to realize expense savings. We incurred $10 million of transition costs in 2018. We currently anticipate that the largest reduction in net income per unit ("EPU") during the transition period will be approximately $0.07 in 2019. We expect to achieve a slight increase in EPU in 2021 and then achieve EPU accretion in each year thereafter. Beginning in 2025, once the transition period has been completed, we estimate ongoing annual expense savings of approximately $70 to $75 million, which will result from a combination of occupancy and compensation-related savings. Our estimates for both the transition costs and the corresponding expense savings are based upon our current assumptions of employee relocation costs, severance and

Table of Contents

overlapping compensation and occupancy costs. In addition, our estimates for both the timing of when we incur transition costs and realize the related expense savings is based on our current relocation implementation plan and the timing for execution of each phase. The actual total charges we eventually record, the related expense savings we realize and timing of EPU impact are expected to differ from our current estimates as we implement each phase of our headquarters relocation.

During October 2018, we signed a lease, which commences in mid-2020, relating to 205,000 square feet of space at our new Nashville headquarters. Our estimated total base rent obligation (excluding taxes, operating expenses and utilities) over the 15-year initial lease term is approximately $125 million.

Although we have presented our transition costs and annual expense savings with numerical specificity, and we believe these targets to be reasonable as of the date of this report, the uncertainties surrounding the assumptions we discuss above create a significant risk that these targets may not be achieved. Accordingly, the expenses we actually incur and the savings we actually realize may differ from our targets, particularly if actual events adversely differ from one or more of our key assumptions. The transition costs and expense savings, together with their underlying assumptions, are Forward-Looking Statements and can be affected by any of the factors discussed in “Risk Factors” and “Cautions Regarding Forward-Looking Statements” in this 10-K. We strongly caution investors not to place undue reliance on any of these assumptions or our cost and expenses targets. Except as may be required by applicable securities laws, we are not under any obligation, and we expressly disclaim any obligation, to update or alter any assumptions, estimates, financial goals, targets, projections or other related statements that we may make.

Adjusted Operating Margin Target

We previously adopted a goal of increasing our adjusted operating margin to a target of 30% by 2020 (the “2020 Margin Target”), subject to the assumptions, factors and contingencies described as part of the initial disclosure of this target. Our adjusted operating margin during 2018 was 29.1%.

Significant declines in the equity and certain fixed income markets during the fourth quarter of 2018, most notably in December 2018, reduced our AUM by $34.0 billion, or 6.2%, during the fourth quarter to $516.4 billion from $550.4 billion at the end of the third quarter of 2018. Given the impact we expect this lower AUM will have on our ability to generate the level of investment advisory fee revenues we initially forecast when establishing the 2020 Margin Target, presently we do not believe that achieving the 2020 Margin Target is likely. However, we are taking additional actions to better align our expenses with these lower AUM and expected revenues. We remain committed to achieving an adjusted operating margin of 30% in years subsequent to 2020 and will take continued actions in this regard, subject to prevailing market conditions and the evolution of our business mix.

AB Holding

AB Holding’s principal source of income and cash flow is attributable to its investment in AB Units. The AB Holding financial statements and notes and management’s discussion and analysis of financial condition and results of operations (“MD&A”) should be read in conjunction with those of AB.

Results of Operations

	Years Ended December 31,			% Change	
	2018	2017	2016	2018-17	2017-16
	(in thousands, except per unit amounts)				
Net income attributable to AB Unitholders	$757,588	$662,403	$673,358	14.4%	(1.6)%
Weighted average equity ownership interest	35.7 %	35.1 %	35.6 %		
Equity in net income attributable to AB Unitholders	$270,647	$232,393	$239,389	16.5	(2.9)

Income taxes	28,250	24,971	22,803	13.1	9.5
Net income of AB Holding	$242,397	$207,422	$216,586	16.9	(4.2)
Diluted net income per AB Holding Unit	$2.50	$2.19	$2.23	14.2	(1.8)
Distributions per AB Holding Unit [1]	$2.68	$2.30	$1.92	16.5	19.8

(1) Distributions reflect the impact of AB's non-GAAP adjustments.

AB Holding had net income of $242.4 million in 2018 compared to $207.4 million in 2017, reflecting higher net income attributable to AB Unitholders and higher weighted average equity ownership interest. AB Holding had net income of $207.4 million in 2017

Table of Contents

as compared to $216.6 million in 2016. The decrease reflected lower net income attributable to AB Unitholders and lower weighted average equity ownership interest.

AB Holding's partnership gross income is derived from its interest in AB. AB Holding’s income taxes, which reflect a 3.5% federal tax on its partnership gross income from the active conduct of a trade or business, are computed by multiplying certain AB qualifying revenues (primarily U.S. investment advisory fees and brokerage commissions) by AB Holding’s ownership interest in AB, multiplied by the 3.5% tax rate. AB Holding’s effective tax rate was 10.4% in 2018, 10.7% in 2017 and 9.5% in 2016. See Note 6 to AB Holding’s financial statements in Item 8 for a further description.

As supplemental information, AB provides the performance measures “adjusted net revenues,” “adjusted operating income” and “adjusted operating margin,” which are the principal metrics management uses in evaluating and comparing the period-to-period operating performance of AB. Management principally uses these metrics in evaluating performance because they present a clearer picture of AB's operating performance and allow management to see long-term trends without the distortion primarily caused by long-term incentive compensation-related mark-to-market adjustments, real estate consolidation charges and other adjustment items. Similarly, management believes that these management operating metrics help investors better understand the underlying trends in AB's results and, accordingly, provide a valuable perspective for investors. Such measures are not based on generally accepted accounting principles (“non-GAAP measures”). These non-GAAP measures are provided in addition to, and not as substitutes for, net revenues, operating income and operating margin, and they may not be comparable to non-GAAP measures presented by other companies. Management uses both GAAP and non-GAAP measures in evaluating the company’s financial performance. The non-GAAP measures alone may pose limitations because they do not include all of AB’s revenues and expenses. Further, adjusted diluted net income per AB Holding Unit is not a liquidity measure and should not be used in place of cash flow measures. See “Management Operating Metrics” in this Item 7.

The impact of these adjustments on AB Holding’s net income and diluted net income per AB Holding Unit are as follows:

	Years Ended December 31,		
	2018	2017	2016
	(in thousands, except per unit amounts)		
AB non-GAAP adjustments, before taxes	$48,655	$34,605	$(77,275)
Income tax (expense) benefit on non-GAAP adjustments	(1,473)	(3,599)	5,332
Income tax credit on AB's income tax provision	—	—	(21,572)
AB non-GAAP adjustments, after taxes	47,182	31,006	(93,515)
AB Holding’s weighted average equity ownership interest in AB	35.7%	35.1%	35.6%
Impact on AB Holding’s net income of AB non-GAAP adjustments	$16,856	$10,877	$(33,246)
Net income - diluted, GAAP basis	$242,844	$208,102	$217,464
Impact on AB Holding’s net income of AB non-GAAP adjustments	16,856	10,877	(33,246)
Adjusted net income - diluted	$259,700	$218,979	$184,218
Diluted net income per AB Holding Unit, GAAP basis	$2.50	$2.19	$2.23
Impact of AB non-GAAP adjustments	0.17	0.11	(0.34)
Adjusted diluted net income per AB Holding Unit	$2.67	$2.30	$1.89

The degree to which AB’s non-GAAP adjustments impact AB Holding’s net income fluctuates based on AB Holding's ownership percentage in AB. The 2016 income tax credit on AB's income tax provision reflects a fourth quarter 2016 change in estimate made by AB to its income tax liability relating to a third quarter 2016 revision to income taxes

($13.3 million) and a reversal of a deferred tax liability relating to foreign translation adjustments ($8.2 million).

Tax Legislation

For a discussion of tax legislation, see “Risk Factors - Structure-related Risks” in Item 1A.

Table of Contents

Capital Resources and Liquidity

During the year ended December 31, 2018, net cash provided by operating activities was $279.3 million, compared to $202.4 million during the corresponding 2017 period. The increase primarily resulted from higher cash distributions received from AB of $81.2 million. During the year ended December 31, 2017, net cash provided by operating activities was $202.4 million, compared to $169.5 million during the corresponding 2016 period. The increase primarily resulted from higher cash distributions received from AB of $34.9 million.

During the years ended December 31, 2018, 2017 and 2016, net cash used in investing activities was $16.6 million, $20.1 million and $6.1 million, respectively, reflecting investments in AB with proceeds from exercises of compensatory options to buy AB Holding Units.

During the year ended December 31, 2018, net cash used in financing activities was $262.7 million, compared to $182.3 million during the corresponding 2017 period. The increase primarily was due to higher cash distributions to Unitholders of $78.3 million and lower proceeds from exercise of compensatory options to buy AB Holding Units of $3.5 million. During the year ended December 31, 2017, net cash used in financing activities was $182.3 million, compared to $163.4 million during the corresponding 2016 period. The increase primarily was due to higher cash distributions to Unitholders of $32.7 million, offset by higher proceeds from exercise of compensatory options to buy AB Holding Units of $14.0 million.

Management believes that AB Holding will have the resources it needs to meet its financial obligations as a result of the cash flow AB Holding realizes from its investment in AB.

Cash Distributions

AB Holding is required to distribute all of its Available Cash Flow, as defined in the AB Holding Partnership Agreement, to its Unitholders (including the General Partner). Available Cash Flow typically is the adjusted diluted net income per unit for the quarter multiplied by the number of units outstanding at the end of the quarter. Management anticipates that Available Cash Flow will continue to be based on adjusted diluted net income per unit, unless management determines, with concurrence of the Board of Directors, that one or more adjustments that are made for adjusted net income should not be made with respect to the Available Cash Flow calculation. See Note 2 to AB Holding's financial statements in Item 8 for a description of Available Cash Flow.

Commitments and Contingencies

For a discussion of commitments and contingencies, see Note 7 to AB Holding's financial statements in Item 8.

AB

Assets Under Management

Assets under management by distribution channel are as follows:

	As of December 31,			% Change	
	2018	2017	2016	2018-17	2017-16
	(in billions)				
Institutions	$246.3	$269.3	$239.3	(8.5)%	12.5 %
Retail	180.8	192.9	160.2	(6.3)	20.5
Private Wealth Management	89.3	92.3	80.7	(3.2)	14.2
Total	$516.4	$554.5	$480.2	(6.9)	15.5

Table of Contents

Assets under management by investment service are as follows:

	As of December 31,			% Change	
	2018	2017	2016	2018-17	2017-16
	(in billions)				
Equity					
Actively Managed	$136.2	$139.4	$111.9	(2.3)%	24.6 %
Passively Managed [(1)]	50.2	54.3	48.1	(7.6)	13.0
Total Equity	186.4	193.7	160.0	(3.8)	21.1
Fixed Income					
Actively Managed					
Taxable	219.7	247.9	220.9	(11.4)	12.2
Tax-exempt	41.7	40.4	36.9	3.0	9.5
	261.4	288.3	257.8	(9.4)	11.8
Passively Managed [(1)]	9.4	9.9	11.1	(4.8)	(10.4)
Total Fixed Income					