MARC GAMSIN

Head and Co-Chief Investment Officer,
Alternative Investment Management, AB

Thoughts on the Alternative Investing Landscape in 2016

How are trends in the macro and market environments impacting hedge fund opportunities in 2016? Here are a few thoughts:

Volatility and dispersion can mean long/short potential. As investors increasingly differentiate between companies, industries and asset classes, it should improve the opportunity set for equity hedge strategies, particularly bottom-up strategies that focus on fundamentals, which we believe matter over the long run. Market selloffs would reduce the absolute-return opportunity, though.

Fundamentals are feeding strong deal activity. Trends such as low funding costs and strong balance sheets are stoking deal activity, which tends to benefit event-driven strategies. With revenue growth challenged, companies are looking to corporate deals. When these alter company structure and balance sheets, it can create long and short opportunities.

2015 challenged event-driven strategies, but spreads are wider now. Greater regulatory risk last year was a key factor disrupting high-profile mergers, but deal spreads adjusted, and they've widened to historically attractive levels. We're still very positive on event-driven, but if there's a credit pinch in deal financing, it could pose a challenge.

Debt burdens and lower liquidity bear watching. With dealer inventories at record lows because of regulatory pressures, we continue to see less liquidity in credit markets overall. However, increased volatility could benefit relative-value credit strategies.

A possible silver lining for distressed credit. A lack of credit liquidity and the commodities selloff caused long-only high-yield and distressed-credit strategies to struggle over the past 18 months. But they've historically rebounded from painful drawdowns and increases in the volume of stressed and distressed bonds. If the US enters a recession, it could validate current depressed prices.

Risk and dislocations bode well for macro. Volatility has increased, which should improve opportunities for macro strategies that make-relative value trades on currencies, interest rates, commodity prices and equity markets. We're still cautious of approaches that make concentrated bets and use high leverage.

The views expressed herein do not constitute research, investment advice or trade recommendations and do not necessarily represent the views of all AB portfolio-management teams.

For more information, please visit www.abglobal.com

AB is a leading investment-management firm with $460 billion assets under management. We've built an extensive and integrated global footprint over four decades, giving us the broadest possible perspective. We put our collective insights to work in a broad range of solutions—equity, fixed income, multi-asset and alternatives. They come in many forms:

- Mutual Funds
- Managed Accounts
- Retirement Saving Plans
- Insurance Services

At AB, we work every day to earn our clients' trust, move their vision forward and help keep them ahead of tomorrow.

The views expressed herein do not constitute research, investment advice or trade recommendations. Investing involves risk, including loss of principal. The Fund's risks are fully discussed in the prospectus.

Investors should consider the investment objectives, risks, charges and expenses of the Fund/Portfolio carefully before investing. For copies of our prospectus or summary prospectus, which contain this and other information, visit www.abglobal.com. Please read the prospectus and/or summary prospectus carefully before investing.

AllianceBernstein Investments, Inc. (ABI) is the distributor of the AB family of mutual funds. ABI is a member of FINRA and is an affiliate of AllianceBernstein L.P., the manager of the funds. The [A/B] logo is a service mark of AllianceBernstein and AllianceBernstein® is a registered trademark used by permission of the owner, AllianceBernstein L.P. 15-0676