ALLIANCEBERNSTEIN HOLDING L.P.
Form 10-K
February 13, 2018

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, 2017

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 and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted 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 and post 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. x

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, 2017 was approximately $2.2 billion.

The number of units representing assignments of beneficial ownership of limited partnership interests outstanding as of December 31, 2017 was 96,461,989. (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.

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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 Financial, and its subsidiaries other than AB and its subsidiaries.

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

“AXA Financial” – AXA Financial, Inc. (Delaware corporation), a subsidiary of AXA.

“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.

“General Partner” – AllianceBernstein Corporation (Delaware corporation), the general partner of AB and AB Holding and a subsidiary of AXA Equitable, 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.

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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, 2017, Brazil, Chile, China, Colombia, Czech Republic, Egypt, Greece, Hungary, India, Indonesia, Korea, Malaysia, Mexico, Peru, Pakistan, 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, 2017, 2016 and 2015, our AUM were approximately $554 billion, $480 billion and $467 billion, respectively, and our net revenues as of December 31, 2017, 2016 and 2015 were approximately $3.3 billion, $3.0 billion and $3.0 billion, respectively. AXA, our parent company, and its subsidiaries, whose AUM consist primarily of fixed income investments, together constitute our largest client. Our affiliates represented approximately 23%, 24% and 24% of our AUM as of December 31, 2017, 2016 and 2015, 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 real estate investing and 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.

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Our AUM by client domicile and investment service as of December 31, 2017, 2016 and 2015 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 various of our affiliates, 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 and its subsidiaries together constitute our largest institutional client. AXA's AUM accounted for approximately 34%, 35% and 33% of our institutional AUM as of December 31, 2017, 2016 and 2015, respectively, and approximately 25%, 28% and 26% of our institutional revenues for 2017, 2016 and 2015, respectively. No single institutional client other than AXA and its subsidiaries accounted for more than approximately 1% of our net revenues for the year ended December 31, 2017.

As of December 31, 2017, 2016 and 2015, Institutional Services represented approximately 48%, 50% and 51%, 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:

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Institutional Services Assets Under Management
(by Investment Service)

	December 31,			% Change	
	2017	2016	2015	2017-16	2016-15
	(in millions)				
Equity Actively Managed:					
U.S.	$10,521	$8,792	$9,156	19.7 %	(4.0)%
Global & Non-US	22,577	18,215	16,705	23.9	9.0
Total	33,098	27,007	25,861	22.6	4.4
Equity Passively Managed[1]:					
U.S.	18,515	16,135	15,573	14.8	3.6
Global & Non-US	3,521	3,467	4,250	1.6	(18.4)
Total	22,036	19,602	19,823	12.4	(1.1)
Total Equity	55,134	46,609	45,684	18.3	2.0
Fixed Income Taxable:					
U.S.	103,073	97,610	88,997	5.6	9.7
Global & Non-US	60,233	52,598	54,897	14.5	(4.2)
Total	163,306	150,208	143,894	8.7	4.4
Fixed Income Tax-Exempt:					
U.S.	1,051	1,819	1,920	(42.2)	(5.3)
Global & Non-US	—	—	—	—	—
Total	1,051	1,819	1,920	(42.2)	(5.3)
Fixed Income Passively Managed[1]:					
U.S.	66	1,305	64	(94.9)	1,939.1
Global & Non-US	20	15	18	33.3	(16.7)
Total	86	1,320	82	(93.5)	1,509.8
Total Fixed Income	164,443	153,347	145,896	7.2	5.1
Other[2]:					
U.S.	5,258	3,831	2,939	37.2	30.4
Global & Non-US	44,442	35,477	41,683	25.3	(14.9)
Total	49,700	39,308	44,622	26.4	(11.9)
Total:					
U.S.	138,484	129,492	118,649	6.9	9.1
Global & Non-US	130,793	109,772	117,553	19.1	(6.6)
Total	$269,277	$239,264	$236,202	12.5	1.3
Affiliated	$91,903	$82,721	$78,048	11.1	6.0
Non-affiliated	177,374	156,543	158,154	13.3	(1.0)
Total	$269,277	$239,264	$236,202	12.5	1.3

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

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Revenues from Institutional Services
(by Investment Service)

	Years Ended December 31,			% Change	
	2017	2016	2015	2017-16	2016-15
	(in thousands)				
Equity Actively Managed:					
U.S.	$53,352	$49,369	$54,150	8.1 %	(8.8)%
Global & Non-US	88,676	75,815	88,096	17.0	(13.9)
Total	142,028	125,184	142,246	13.5	(12.0)
Equity Passively Managed[1]:					
U.S.	3,721	2,964	2,824	25.5	5.0
Global & Non-US	1,882	2,345	4,295	(19.7)	(45.4)
Total	5,603	5,309	7,119	5.5	(25.4)
Total Equity	147,631	130,493	149,365	13.1	(12.6)
Fixed Income Taxable:					
U.S.	107,262	101,874	94,272	5.3	8.1
Global & Non-US	112,294	111,602	125,888	0.6	(11.3)
Total	219,556	213,476	220,160	2.8	(3.0)
Fixed Income Tax-Exempt:					
U.S.	1,989	2,591	2,361	(23.2)	9.7
Global & Non-US	—	—	—	—	—
Total	1,989	2,591	2,361	(23.2)	9.7
Fixed Income Passively Managed[1]:					
U.S.	202	322	68	(37.3)	373.5
Global & Non-US	16	1	81	1,500.0	(98.8)
Total	218	323	149	(32.5)	116.8
Fixed Income Servicing[2]:					
U.S.	13,597	12,718	13,510	6.9	(5.9)
Global & Non-US	(14)	1,530	1,715	(100.9)	(10.8)
Total	13,583	14,248	15,225	(4.7)	(6.4)
Total Fixed Income	235,346	230,638	237,895	2.0	(3.1)
Other[3]:					
U.S.	62,287	34,577	23,130	80.1	49.5
Global & Non-US	38,153	25,162	24,070	51.6	4.5
Total	100,440	59,739	47,200	68.1	26.6
Total Investment Advisory and Services Fees:					
U.S.	242,410	204,415	190,315	18.6	7.4
Global & Non-US	241,007	216,455	244,145	11.3	(11.3)
Consolidated company-sponsored investment funds	(8,717)	27	—	n/m	n/m
	474,700	420,897	434,460	12.8	(3.1)
Distribution Revenues	1,047	684	248	53.1	175.8
Shareholder Servicing Fees	488	479	497	1.9	(3.6)
Total	$476,235	$422,060	$435,205	12.8	(3.0)
Affiliated	$120,925	$116,392	$113,187	3.9	2.8
Non-affiliated	355,310	305,668	322,018	16.2	(5.1)
Total	$476,235	$422,060	$435,205	12.8	(3.0)

(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.

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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 and its subsidiaries together constitute our largest retail client. They accounted for approximately 19%, 21% and 22% of our retail AUM as of December 31, 2017, 2016 and 2015, respectively, and approximately 4% of our retail net revenues in each of 2017, 2016 and 2015.

Certain subsidiaries of AXA, including AXA Advisors, LLC (“AXA Advisors”), a subsidiary of AXA Financial, were responsible for approximately 1%, 2% and 4% of total sales of shares of open-end AB Funds in 2017, 2016 and 2015, respectively. HSBC was responsible for approximately 9% and 12% of our open-end AB Fund sales in 2017 and 2016, respectively. Neither our affiliates nor HSBC are under any obligation to sell a specific amount of AB Fund shares and each also sells shares of mutual funds that it sponsors and that are sponsored by unaffiliated organizations. No other entity accounted for 10% or more of our open-end AB Fund sales.

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, 2017, retail U.S. Fund AUM were approximately $47 billion, or 25% of retail AUM, as compared to $41 billion, or 26%, as of December 31, 2016, and $45 billion, or 29%, as of December 31, 2015. Non-U.S. Fund AUM, as of December 31, 2017, totaled $76 billion, or 40% of retail AUM, as compared to $59 billion, or 37%, as of

December 31, 2016, and $52 billion, or 33%, as of December 31, 2015.

Our Retail Services represented approximately 35%, 33% and 33% of our AUM as of December 31, 2017, 2016 and 2015, respectively, and the fees we earned from providing these services represented approximately 43%, 42% and 45% of our net revenues for the years ended December 31, 2017, 2016 and 2015, respectively. Our AUM and revenues are as follows:

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Retail Services Assets Under Management
(by Investment Service)

	December 31,			% Change	
	2017	2016	2015	2017-16	2016-15
	(in millions)				
Equity Actively Managed:					
U.S.	$37,720	$31,717	$31,481	18.9 %	0.7 %
Global & Non-US	20,274	12,514	14,810	62.0	(15.5)
Total	57,994	44,231	46,291	31.1	(4.5)
Equity Passively Managed[1]:					
U.S.	23,294	20,997	19,483	10.9	7.8
Global & Non-US	8,758	7,025	6,664	24.7	5.4
Total	32,052	28,022	26,147	14.4	7.2
Total Equity	90,046	72,253	72,438	24.6	(0.3)
Fixed Income Taxable:					
U.S.	7,699	6,175	5,905	24.7	4.6
Global & Non-US	65,963	54,328	47,891	21.4	13.4
Total	73,662	60,503	53,796	21.7	12.5
Fixed Income Tax-Exempt:					
U.S.	15,654	13,579	11,601	15.3	17.1
Global & Non-US	53	10	12	430.0	(16.7)
Total	15,707	13,589	11,613	15.6	17.0
Fixed Income Passively Managed[1]:					
U.S.	5,173	5,216	5,010	(0.8)	4.1
Global & Non-US	4,250	4,041	4,492	5.2	(10.0)
Total	9,423	9,257	9,502	1.8	(2.6)
Total Fixed Income	98,792	83,349	74,911	18.5	11.3
Other[2]:					
U.S.	2,799	3,229	5,116	(13.3)	(36.9)
Global & Non-US	1,311	1,339	1,903	(2.1)	(29.6)
Total	4,110	4,568	7,019	(10.0)	(34.9)
Total:					
U.S.	92,339	80,913	78,596	14.1	2.9
Global & Non-US	100,609	79,257	75,772	26.9	4.6
Total	$192,948	$160,170	$154,368	20.5	3.8
Affiliated	$36,965	$33,774	$33,364	9.4	1.2
Non-affiliated	155,983	126,396	121,004	23.4	4.5
Total	$192,948	$160,170	$154,368	20.5	3.8

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

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Revenues from Retail Services
(by Investment Service)

	Years Ended December 31,			% Change	
	2017	2016	2015	2017-16	2016-15
	(in thousands)				
Equity Actively Managed:					
U.S.	$204,363	$186,442	$182,802	9.6 %	2.0 %
Global & Non-US	114,277	92,953	107,787	22.9	(13.8)
Total	318,640	279,395	290,589	14.0	(3.9)
Equity Passively Managed[1]:					
U.S.	8,508	7,670	8,187	10.9	(6.3)
Global & Non-US	6,636	5,267	5,268	26.0	—
Total	15,144	12,937	13,455	17.1	(3.8)
Total Equity	333,784	292,332	304,044	14.2	(3.9)
Fixed Income Taxable:					
U.S.	23,142	16,993	15,842	36.2	7.3
Global & Non-US	454,613	373,997	397,731	21.6	(6.0)
Total	477,755	390,990	413,573	22.2	(5.5)
Fixed Income Tax-Exempt:					
U.S.	54,106	52,847	44,917	2.4	17.7
Global & Non-US	121	63	73	92.1	(13.7)
Total	54,227	52,910	44,990	2.5	17.6
Fixed Income Passively Managed[1]:					
U.S.	6,055	6,105	5,663	(0.8)	7.8
Global & Non-US	7,567	7,815	8,198	(3.2)	(4.7)
Total	13,622	13,920	13,861	(2.1)	0.4
Total Fixed Income	545,604	457,820	472,424	19.2	(3.1)
Other[2]:					
U.S.	59,751	52,025	71,129	14.9	(26.9)
Global & Non-US	6,583	6,672	8,456	(1.3)	(21.1)
Total	66,334	58,697	79,585	13.0	(26.2)
Total Investment Advisory and Services Fees:					
U.S.	355,925	322,082	328,540	10.5	(2.0)
Global & Non-US	589,797	486,767	527,513	21.2	(7.7)
Consolidated company-sponsored investment funds	1,005	105	—	857.1	n/m
	946,727	808,954	856,053	17.0	(5.5)
Distribution Revenues	405,939	379,881	423,410	6.9	(10.3)
Shareholder Servicing Fees	71,225	73,072	83,078	(2.5)	(12.0)
Total	$1,423,891	$1,261,907	$1,362,541	12.8	(7.4)
Affiliated	$50,162	$46,045	$47,650	8.9	(3.4)
Non-affiliated	1,373,729	1,215,862	1,314,891	13.0	(7.5)
Total	$1,423,891	$1,261,907	$1,362,541	12.8	(7.4)

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

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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%, 17% and 16% of our AUM as of December 31, 2017, 2016 and 2015, and the fees we earned from providing these services represented approximately 24%, 23% and 23% of our net revenues for 2017, 2016 and 2015, respectively. Our AUM and revenues are as follows:

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Private Wealth Services Assets Under Management
(by Investment Service)

	December 31,			% Change	
	2017	2016	2015	2017-16	2016-15
	(in millions)				
Equity Actively Managed:					
U.S.	$26,492	$23,857	$22,873	11.0 %	4.3 %
Global & Non-US	21,880	16,851	15,595	29.8	8.1
Total	48,372	40,708	38,468	18.8	5.8
Equity Passively Managed[1]:					
U.S.	130	193	177	(32.6)	9.0
Global & Non-US	51	208	210	(75.5)	(1.0)
Total	181	401	387	(54.9)	3.6
Total Equity	48,553	41,109	38,855	18.1	5.8
Fixed Income Taxable:					
U.S.	6,772	6,674	6,742	1.5	(1.0)
Global & Non-US	4,141	3,528	3,053	17.4	15.6
Total	10,913	10,202	9,795	7.0	4.2
Fixed Income Tax-Exempt:					
U.S.	23,636	21,501	19,973	9.9	7.7
Global & Non-US	18	3	3	500.0	—
Total	23,654	21,504	19,976	10.0	7.6
Fixed Income Passively Managed[1]:					
U.S.	—	18	4	(100.0)	350.0
Global & Non-US	401	468	372	(14.3)	25.8
Total	401	486	376	(17.5)	29.3
Total Fixed Income	34,968	32,192	30,147	8.6	6.8
Other[2]:					
U.S.	3,606	2,650	2,439	36.1	8.7
Global & Non-US	5,139	4,816	5,429	6.7	(11.3)
Total	8,745	7,466	7,868	17.1	(5.1)
Total:					
U.S.	60,636	54,893	52,208	10.5	5.1
Global & Non-US	31,630	25,874	24,662	22.2	4.9
Total	$92,266	$80,767	$76,870	14.2	5.1

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

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Revenues From Private Wealth Services
(by Investment Service)

	Years Ended December 31,			% Change	
	2017	2016	2015	2017-16	2016-15
	(in thousands)				
Equity Actively Managed:					
U.S.	$272,577	$255,902	$260,706	6.5 %	(1.8)%
Global & Non-US	212,021	176,169	171,101	20.4	3.0
Total	484,598	432,071	431,807	12.2	0.1
Equity Passively Managed[1]:					
U.S.	206	423	1,229	(51.3)	(65.6)
Global & Non-US	510	1,053	834	(51.6)	26.3
Total	716	1,476	2,063	(51.5)	(28.5)
Total Equity	485,314	433,547	433,870	11.9	(0.1)
Fixed Income Taxable:					
U.S.	34,173	35,756	36,689	(4.4)	(2.5)
Global & Non-US	26,425	23,384	20,488	13.0	14.1
Total	60,598	59,140	57,177	2.5	3.4
Fixed Income Tax-Exempt:					
U.S.	114,974	111,304	106,162	3.3	4.8
Global & Non-US	88	31	34	183.9	(8.8)
Total	115,062	111,335	106,196	3.3	4.8
Fixed Income Passively Managed[1]:					
U.S.	58	38	11	52.6	245.5
Global & Non-US	4,059	3,336	4,299	21.7	(22.4)
Total	4,117	3,374	4,310	22.0	(21.7)
Total Fixed Income	179,777	173,849	167,683	3.4	3.7
Other[2]:					
U.S.	67,019	41,595	22,177	61.1	87.6
Global & Non-US	49,365	54,629	59,594	(9.6)	(8.3)
Total	116,384	96,224	81,771	21.0	17.7
Total Investment Advisory and Services Fees:					
U.S.	489,007	445,018	426,974	9.9	4.2
Global & Non-US	292,468	258,602	256,350	13.1	0.9
Consolidated company-sponsored investment funds	(2,501)	—	—	n/m	n/m
Total	778,974	703,620	683,324	10.7	3.0
Distribution Revenues	5,077	3,840	3,498	32.2	9.8
Shareholder Servicing Fees	3,311	4,139	3,031	(20.0)	36.6
Total	$787,362	$711,599	$689,853	10.6	3.2

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

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 extent by paying us directly for research through commission sharing agreements or cash payments. Bernstein Research Services accounted for approximately 14%, 16% and 16% of our net revenues as December 31, 2017, 2016 and 2015, 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	
	2017	2016	2015	2017-16	2016-15
	(in thousands)				
Bernstein Research Services	$449,919	$479,875	$493,463	(6.2)%	(2.8)%

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, 2017, our firm had 3,466 full-time employees, representing a 0.8% increase compared to the end of 2016. We consider our employee relations to be good.

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”.

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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 $181,000 before tax and the annual net profit arising from these policies, which is difficult to calculate with precision, is estimated to be $26,900. These policies were underwritten by a broker who specializes in providing insurance coverage for diplomats. Provision of motor vehicle insurance is mandatory in Germany and cannot be canceled until the policy expires.

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

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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 $6,094 and the annual net profit arising from these policies, which is difficult to calculate with precision, is estimated to be $914.

Also, AXA has informed us that AXA Sigorta, a subsidiary of AXA organized under the laws 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 mandatory 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 Ukraine, an AXA insurance subsidiary, provides car insurance for the Attaché of the Iranian Embassy in Ukraine. Motor liability insurance coverage cannot be canceled under Ukrainian law. The total annual premium in respect of this policy is approximately $1,000 and the annual net profit, which is difficult to calculate with precision, is estimated to be $150.

AXA also has informed us that AXA Ubezpieczenia, an AXA insurance subsidiary organized under the laws of Poland, provides car insurance to two diplomats based at the Iranian embassy in Warsaw, Poland. Provision of motor vehicle insurance is mandatory in Poland. The total annual premium of these policies is approximately $676 and the annual net profit arising from these policies, which is difficult to calculate with precision, is estimated to be $101. This business had ceased by December 31, 2017.

In addition, 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. The provision of these forms of coverage is mandatory for employees in Switzerland. The total annual premium of these policies is approximately $373,668 and the annual net profit arising from these policies, which is difficult to calculate with precision, is estimated to be $56,000.

Lastly, 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 $34,446 and annual net profit arising from these policies, which is difficult to calculate with precision, is estimated to be $3,500.

The aggregate annual premium for the above-referenced insurance policies is approximately $600,034, representing approximately 0.0006% of AXA's 2017 consolidated revenues, which exceed $100 billion. The related net profit, which is difficult to calculate with precision, is estimated to be $88,038, representing approximately 0.001% of AXA's 2017 aggregate net profit.

History and Structure

We have been in the investment research and management business for 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.

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. For additional details about this business combination, see Note 2 to AB’s consolidated financial statements in Item 8.

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As of December 31, 2017, 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, AXA, through certain of its subsidiaries (see “Principal Security Holders” in Item 12), had an approximate 64.7% economic interest in AB as of December 31, 2017.

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 and its 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, AXA Equitable Holdings, AXA Financial, AXA Equitable and certain of their respective subsidiaries have substantially greater financial resources than we do and are not obligated to provide resources to us.

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

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- 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.

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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. After the uncertainties of 2016, global equity markets increased substantially in 2017 while fixed income markets also rose, as the global economic recovery gained momentum and breadth. However, since the end of 2017, volatility has increased significantly as investors' concerns over rising interest rates and their effect on the pace of economic growth have become more prevalent. Other issues continue to concern global investors as well, including the effect of new U.S. tax legislation, rising inflation, the Brexit negotiations, implementation of MiFID II and slowing asset purchases by the European Central Bank in Europe, and the pace of growth in China. 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 fees would reduce our revenues.

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

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. Although the investment performance of active managers improved in 2017, they continued to struggle to attract new assets as the popularity of passive strategies persisted. Active equity net outflows from U.S. mutual funds of $201 billion in 2017 were about one-third lower than the total in 2016, but passive equity inflows of $464 billion increased 49% during 2017. In addition, in U.S. active fixed income funds, net inflows of $220 billion more than doubled compared to 2016, but U.S. fixed income passive net inflows, which totaled $215 billion, increased 40% in 2017. In total, U.S. retail passive net inflows of $692 billion in 2017 represented a new all-time high. The most recent data available for U.S. institutions (through September 30, 2017) indicates a similar trend. Total industry active equity and fixed income net outflows for the year-to-date through September 30, 2017 were $69 billion, which, while down substantially compared to 2016, still resulted in the active share of total industry assets decreasing from 76% to 75%. Further, passive inflows of $107 billion through September 30, 2017 already

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had exceeded the full-year 2016 total of $85 billion and increased the passive share of total industry assets from 24% to 25%. 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 they choose to terminate their investment advisory agreements or withdraw capital support, whether as a result of AXA Equitable Holdings's planned initial public offering ("IPO") 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 17% of our total AUM as of December 31, 2017 and 3% of our net revenues for the year ended December 31, 2017. AXA and its affiliates other than AXA Equitable Holdings represented 6% of our total AUM as of December 31, 2017 and 2% of our net revenues for the year ended December 31, 2017. 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 we currently cannot predict the eventual impact, if any, on us of AXA Equitable Holdings’s planned 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 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.

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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.

Also, while the impact on AB from our firm's relocation strategy (see "Relocation Strategy" in Item 7) 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 if AB experiences significantly greater attrition among current employees than the firm anticipates in connection with the relocation.

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 and its 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 (including our agreement with HSBC, with respect to which HSBC was responsible for approximately 9% of our open-end AB Fund sales in 2017) 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.

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 underperforms relative to its performance target (whether in absolute terms or relative to a specified

benchmark), it must gain back such underperformance 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 7.1%, 4.1% and 0.7% of the assets we manage for institutional clients, private wealth clients and retail clients, respectively (in total, 4.4% 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 2017, 2016 and 2015 were $94.8 million, $32.8 million and $23.7 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 a number of 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).

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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 produce transaction fees for execution-only services that are approximately one-third 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 traditional 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 exchanges, 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, 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.

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Any significant security breach of our information and cyber security infrastructure 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.

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.

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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 Equitable Holdings. 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 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 addition, pending and newly-enacted regulations in the U.S. and Europe could pose significant challenges to AB, including the fiduciary duty rules adopted by the U.S. Department of Labor ("DOL"). A simplified version of these rules became effective during a transition period, which had been scheduled to conclude on January 1, 2018 but which the DOL extended through July 1, 2019. During the transition period, the only substantive requirement of the simplified rules is to act in the best interest of clients, charge reasonable fees and make no misleading statements. Implementation of the rules may impact how we compensate our financial advisors and the financial intermediaries that sell our investment funds, as well as increase the cost and complexity of our compliance efforts.

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 are recognized in the industry as having the potential to significantly decrease the overall research spend by European buy-side firms. Consequently, our U.K.-based broker-dealer is considering new charging mechanisms for its research in order to minimize this impact as part of its broader MiFID II implementation program. It is important to note, however, that our new charging mechanisms and other strategic decisions to address the new environment created by MiFID II, both in the Eurozone and globally, may not be successful, which could result in a significant decline in our sell-side revenues.

Also, although MiFID II permits buy-side firms to purchase research through the use of client-funded research payment accounts, most buy-side firms that operate in the Eurozone, including our U.K. buy-side subsidiaries, are using their own funds to pay for research in the Eurozone in order to avoid a potentially significant competitive disadvantage. However, this practice

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will increase our research costs on the buy-side and significant operational changes are required to implement the rule. The ultimate impact of MiFID II on payments for research globally is not yet certain.

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 when it ultimately leaves. Accordingly, our U.K.-based buy-side and sell-side subsidiaries are considering alternative arrangements in EU jurisdictions in order to ensure continued operations 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.

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 10.12 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 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,

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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 June 2017, the IRS reissued proposed regulations (that had previously been issued and withdrawn) that implement the provisions of the 2015 Act (the "June 2017 Proposed Regulations"). In December 2017, the IRS issued additional proposed regulations that clarified the June 2017 Proposed Regulations and the 2015 Act (the "December 2017 Proposed Regulations"). Pursuant to the 2015 Act, the June 2017 Proposed Regulations and the December 2017 Proposed 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 December 2017 Proposed Regulations clarified that 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, and the December 2017 Proposed Regulations do not provide any procedure for obtaining an extension.

Newly enacted laws, such as Public Law No. Public Law No. 115-97 (the "Tax Cuts and Jobs Act"), or regulations and future changes in the U.S. taxation of businesses may adversely affect our business, financial condition and operating results.
On December 22, 2017, the President signed into law the Tax Cuts and Jobs Act, which significantly changed the Internal Revenue Code, including dramatic changes to the taxation of income earned from foreign sources and foreign subsidiaries. The Tax Cuts and Jobs Act also authorizes the Treasury Department to issue regulations with respect to the new provisions. We cannot predict how the changes in the Tax Cuts and Jobs Act, or regulations or other guidance issued under it, might affect us or our business. For additional information, please refer to Item 7 - "Income Taxes".
Non-U.S. unitholders may be subject to 10% withholding tax on the sale of their units, which could reduce the value of our units.

Under the Tax Cuts and Jobs Act, gain or loss from the sale or exchange of partnership interests after November 27, 2017 by a non-U.S. unitholder will be treated as effectively connected with a U.S. trade or business to the extent that the partner would have had effectively connected gain or loss had the partnership sold all of its assets at fair market value as of the date of the sale or exchange. The law also introduces certain withholding requirements for the sale of partnership interests by a non-U.S. partner. The Tax Cuts and Jobs Act authorizes the IRS to issue regulations to carry out the withholding rules in the case of publicly traded partnerships, but such regulations have not yet been issued. In December 2017, the IRS issued a notice suspending the application of these new withholding rules to the disposition of publicly traded partnership 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 any gain or loss from the hypothetical asset sale by us would be allocated to the units being transferred in the same manner as non-separately stated income and loss and the recipient of the units being transferred will be required to withhold 10% of the amount

realized by the unitholder, unless the transferring unitholder provides the recipient with proper documentation proving that the transferring unitholder is not a nonresident alien individual or foreign corporation. If the recipient of the units being transferred fails to properly withhold, then we generally would be obligated to deduct and withhold from distributions to the recipient unitholder.

Item 1B. Unresolved Staff Comments

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

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 two other locations in New York City; we acquired one of these leases in connection with an acquisition, which lease expired as of December 31, 2017.

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 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 other 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 currently we cannot 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.

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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.

The distributions of Available Cash Flow made by AB and AB Holding during 2017 and 2016 and the high and low sale prices of AB Holding Units reflected on the NYSE composite transaction tape during 2017 and 2016 are as follows:

	Quarters Ended 2017				
	December 31	September 30	June 30	March 31	Total
Cash distributions per AB Unit[1]	$0.91	$ 0.58	$0.56	$0.52	$2.57
Cash distributions per AB Holding Unit[1]	$0.84	$ 0.51	$0.49	$0.46	$2.30
AB Holding Unit prices:					
High	$26.65	$ 26.15	$23.95	$25.13	
Low	$24.01	$ 22.55	$20.40	$21.35	
	Quarters Ended 2016				
	December 31	September 30	June 30	March 31	Total
Cash distributions per AB Unit[1]	$0.73	$ 0.51	$0.46	$0.45	$2.15
Cash distributions per AB Holding Unit[1]	$0.67	$ 0.45	$0.40	$0.40	$1.92
AB Holding Unit prices:					
High	$24.10	$ 24.69	$24.65	$23.98	
Low	$20.75	$ 21.29	$21.49	$16.11	

(1) Declared and paid during the following quarter.

On December 29, 2017, the last trading day during 2017, the closing price of an AB Holding Unit on the NYSE was $25.05 per Unit. On December 31, 2017, there were (i) 908 AB Holding Unitholders of record for approximately 80,000 beneficial owners, and (ii) 389 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, 2017, 2016 and 2015.

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 2017 expired at the close of business on February 12, 2018. AB may adopt additional plans in the future to engage in open-market purchases of AB Holding Units to

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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.

AB Holding Units bought by us or one of our affiliates during the fourth quarter of 2017 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
10/1/17-10/31/17[1]	103	$ 24.10	—	—
11/1/17-11/30/17[1]	873,289	25.90	—	—
12/1/17-12/31/17[1]	2,534,667	24.85	—	—
Total	3,408,059	$ 25.12	—	—

(1) During the fourth quarter of 2017, we purchased 3,408,059 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.

AB Units bought by us or one of our affiliates during the fourth quarter of 2017 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
10/1/17-10/31/17	—	$ —	—	—
11/1/17-11/30/17[1]	400	25.24	—	—
12/1/17-12/31/17	—	—	—	—
Total	400	$ 25.24	—	—

(1) During November 2017, we purchased 400 AB Units in a private transaction.

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Item 6. Selected Financial Data

AllianceBernstein Holding L.P.

	Years Ended December 31,				
	2017	2016	2015	2014	2013
	(in thousands, except per unit amounts)				
INCOME STATEMENT DATA:					
Equity in net income (loss) attributable to AB Unitholders	$232,393	$239,389	$210,084	$200,931	$184,778
Income taxes	24,971	22,803	24,320	22,463	20,410
Net income (loss)	$207,422	$216,586	$185,764	$178,468	$164,368
Basic net income (loss) per unit	$2.19	$2.24	$1.87	$1.84	$1.70
Diluted net income (loss) per unit	$2.19	$2.23	$1.86	$1.84	$1.70
CASH DISTRIBUTIONS PER UNIT(1)	$2.30	$1.92	$1.86	$1.86	$1.79
BALANCE SHEET DATA AT PERIOD END:					
Total assets	$1,544,704	$1,540,508	$1,576,120	$1,616,461	$1,524,569
Partners' capital	$1,543,550	$1,539,889	$1,575,846	$1,616,079	$1,523,793

(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.

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AllianceBernstein L.P.

Selected Consolidated Financial Data

	Years Ended December 31,				
	2017	2016[1]	2015	2014	2013
	(in thousands, except per unit amounts and unless otherwise indicated)				
INCOME STATEMENT DATA:					
Revenues:					
Investment advisory and services fees	$2,200,400	$1,933,471	$1,973,837	$1,958,250	$1,849,105
Bernstein research services	449,919	479,875	493,463	482,538	445,083
Distribution revenues	412,063	384,405	427,156	444,970	465,424
Dividend and interest income	71,162	46,939	24,872	22,322	19,962
Investment gains (losses)	92,102	93,353	3,551	(9,076)	33,339
Other revenues	98,040	99,859	101,169	108,788	105,058
Total revenues	3,323,686	3,037,902	3,024,048	3,007,792	2,917,971
Less: interest expense	25,165	9,123	3,321	2,426	2,924
Net revenues	3,298,521	3,028,779	3,020,727	3,005,366	2,915,047
Expenses:					
Employee compensation and benefits:					
Employee compensation and benefits	1,313,469	1,229,721	1,267,926	1,265,664	1,212,011
Promotion and servicing:					
Distribution-related payments	420,350	371,607	393,033	413,054	426,824
Amortization of deferred sales commissions	31,886	41,066	49,145	41,508	41,279
Trade execution, marketing, T&E and other	204,392	208,538	223,415	224,576	204,568
General and administrative:					
General and administrative	481,488	426,147	431,635	426,960	423,043
Real estate charges	36,669	17,704	998	52	28,424
Contingent payment arrangements	267	(20,245)	(5,441)	(2,782)	(10,174)
Interest on borrowings	8,194	4,765	3,119	2,797	2,962
Amortization of intangible assets	27,896	26,311	25,798	24,916	21,859
Total expenses	2,524,611	2,305,614	2,389,628	2,396,745	2,350,796
Operating income	773,910	723,165	631,099	608,621	564,251
Income taxes	53,110	28,319	44,797	44,304	40,113
Net income	720,800	694,846	586,302	564,317	524,138
Net income (loss) of consolidated entities attributable to non-controlling interests	58,397	21,488	6,375	456	9,746
Net income attributable to AB Unitholders	$662,403	$673,358	$579,927	$563,861	$514,392
Basic net income per AB Unit	$2.46	$2.48	$2.11	$2.07	$1.88
Diluted net income per AB Unit	$2.45	$2.47	$2.10	$2.07	$1.87
Operating margin[2]	21.7%	23.2%	20.7%	20.2%	19.0%
CASH DISTRIBUTIONS PER AB UNIT[3]	$2.57	$2.15	$2.11	$2.08	$1.97
BALANCE SHEET DATA AT PERIOD END:					

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Total assets	$9,295,167	$8,741,158	$7,433,721	$7,375,621	$7,383,899
Debt	$565,745	$512,970	$581,700	$486,156	$266,445
Total capital	$4,063,304	$4,068,189	$4,017,221	$4,084,840	$4,045,227
ASSETS UNDER MANAGEMENT AT PERIOD END (in millions)	$554,491	$480,201	$467,440	$474,027	$450,411

(1) Certain prior-year amounts have been reclassified to conform to our 2017 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.

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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, 2017 were $554.5 billion, up $74.3 billion, or 15.5%, during 2017. The increase was driven by market appreciation of $61.1 billion and net inflows of $13.2 billion (primarily due to Retail and Institutional inflows of $8.9 billion and $3.6 billion, respectively).

Institutional AUM increased $30.0 billion, or 12.5%, to $269.3 billion during 2017, due to market appreciation of $26.4 billion and net inflows of $3.6 billion. Gross sales decreased $8.2 billion, or 38.1%, from $21.6 billion in 2016 to $13.4 billion in 2017. Redemptions and terminations decreased $4.2 billion, or 27.3%, from $15.7 billion in 2016 to $11.5 billion in 2017.

Retail AUM increased $32.7 billion, or 20.5%, to $192.9 billion during 2017, due to market appreciation of $23.8 billion and net inflows of $8.9 billion. Gross sales increased $12.6 billion, or 30.5%, from $41.2 billion in 2016 to $53.8 billion in 2017. Redemptions and terminations decreased $2.2 billion, or 5.4%, from $40.8 billion in 2016 to $38.6 billion in 2017.

Private Wealth Management AUM increased $11.6 billion, or 14.2%, to $92.3 billion during 2017, due to market appreciation of $10.9 billion and net inflows of $0.7 billion. Gross sales increased $1.3 billion, or 13.2%, from $10.2 billion in 2016 to $11.5 billion in 2017. Redemptions and terminations increased $1.3 billion, or 14.2%, from $9.3 billion in 2016 to $10.6 billion in 2017.

Bernstein Research Services revenue decreased $30.0 million, or 6.2%, in 2017. The decrease was driven by a decline in client activity in the U.S. and a volume mix shift to electronic trading in Europe. The decrease was partially offset by increased client activity in Asia and a weaker U.S. dollar year-over-year.

Our 2017 revenues of $3.3 billion increased $0.3 billion, or 8.9%, compared to the prior year's net revenues of $3.0 billion. The most significant contributors to the increase were higher base advisory fees of $204.9 million, higher performance-based fees of $62.0 million and higher distribution revenues of $27.7 million, offset by lower Bernstein Research Services revenue of $30.0 million. Our operating expenses of $2.5 billion increased $0.2 billion, or 9.5%, compared to the prior year's expenses of $2.3 billion. The increase primarily was due to higher employee compensation and benefits of $83.7 million, higher general and administrative expenses (excluding real estate charges) of $55.3 million, higher promotion and servicing expenses of $35.4 million, lower adjustments to contingent payment arrangements of $20.5 million and higher real estate charges of $19.0 million. Our operating income increased $50.7 million, or 7.0%, to $773.9 million from $723.2 million in 2016 and our operating margin decreased from 23.2% in 2016 to 21.7% in 2017 as higher expenses outpaced revenue growth.

Market Environment

Global equity markets increased substantially in 2017, and fixed income markets rose as well, as the global recovery gained momentum and breadth throughout the year. For the first time in the past five years, non-U.S. stocks outperformed U.S. stocks, aided by a weaker dollar, and credit spreads tightened in a "risk-on" environment. After an uncertain and volatile 2016, U.S. market volatility was exceptionally low in 2017. While 2018 got off to a strong start, U.S. equity markets began to vacillate wildly in February, and volatility surged as a result of a sharp rise in investor concern over the pace of interest rate hikes and the chances of rising inflation, which could slow economic growth. These stresses created uncertainty across global markets as well.

Despite the strong run in the global markets, inflation so far remains low and Central Banks' monetary policies continue to vary among developed and emerging markets. In the U.S., three interest rate increases occurred during 2017 and several more are predicted for 2018, particularly if the economy continues to exhibit low unemployment, ongoing growth and emerging evidence of rising inflation. It remains to be seen how new tax legislation enacted in December 2017 will affect the U.S. economy going forward. In Europe, which is earlier in its economic recovery than the U.S., asset purchases by the European Central Bank are expected to end in 2018, Brexit negotiations are ongoing and MiFID II went into effect at the start of 2018. And in China, with the pace of growth slowing, "quality" of growth is

increasing in importance.
The challenges for active fund managers continued in 2017. While their investment performance improved on average in 2017, they still struggled to attract net new assets in the face of ongoing overwhelming demand for passive equity strategies and accelerating demand for passive fixed income strategies. In the U.S., where the shift from active to passive has been most prevalent, total industry-wide active mutual fund flows turned positive in 2017, with $56 billion, on strength in fixed income and international equity services. Active U.S. equity mutual funds, however, still sustained $201 billion in outflows for the year,

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even though the percentage of outperforming active equity managers increased to 50%, versus 26% in 2016 and a long-term average of 34%. Meanwhile, total passive inflows continued to accelerate in 2017 and reached an all-time high of $692 billion.

MiFID II

The second installment of the Markets in Financial Instruments Directive II ("MiFID II"), which became effective January 3, 2018, makes significant modifications to the manner in which European broker-dealers can be compensated for research. These modifications are recognized in the industry as having the potential to significantly decrease the overall research spend by European buy-side firms. Consequently, our U.K.-based broker-dealer is considering new charging mechanisms for its research in order to minimize this impact as part of its broader MiFID II implementation program. It is important to note, however, that our new charging techniques and other strategic decisions to address the new environment created by MiFID II may not be successful, which could result in a significant decline in our sell-side revenues.

Also, although MiFID II does permit buy-side firms to purchase research through the use of client-funded research payment accounts, most buy-side firms that operate in the Eurozone, including our U.K. buy-side subsidiaries, have decided to use their own funds to pay for research in the Eurozone. This change in practice will increase our expenses in the Eurozone and, if this practice becomes more pervasive globally, it may have a significant adverse effect on our net income in future periods.

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

AXA Equitable Holdings IPO

On May 10, 2017, AXA S.A. ("AXA") announced its intention to sell and list for trading a minority stake of its U.S. operations (expected to consist of AXA's U.S. Life & Savings business and its interest in AB) during the first half of 2018, subject to market conditions and SEC review process. While we cannot at this time predict the eventual impact, if any, on AB of this proposed transaction, it 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 to our revenues and ability to initiate new investment services. Also, AB relies on AXA for a number of significant services and benefits from its affiliation with AXA in certain common vendor relationships. These arrangements also may change with possible negative financial implications for AB.

Relocation Strategy

During 2017, we began exploring several U.S. cities for the purpose of establishing a second principal U.S. location. We intend to transition a significant number of our staff located in our New York metro offices to this new location once we have finalized the city and secured office space. The transition period is expected to last a number of years. We will continue to maintain an employee presence in New York City, which will remain a principal location.

We believe a second principal location will afford us the opportunity to provide an improved quality of life alternative for our employees, enable us to attract and recruit new talented employees to a highly desirable location while improving the long-term cost structure of the firm. However, we expect to incur potentially material costs through the transition period, including relocation, severance, and duplicative compensation and occupancy costs, before realizing ongoing cost savings. We currently are unable to estimate either the transitional costs or the ongoing cost savings as we have not yet completed our search process or finalized the scale of our relocation strategy.

Adjusted Operating Margin Target

We have adopted a goal of increasing our adjusted operating margin from 27.7% (which we achieved for 2017) to a target of 30% by 2020 (the "2020 Margin Target"), subject to the assumptions, factors and contingencies discussed below.

Actual results related to this target may vary depending on various factors, including capital market outcomes, the global regulatory environment in which we operate, the performance of our investment services, the net flows experienced by our investment services and the successful management of our costs. Also, the anticipated establishment of a second principal location outside of the New York City metropolitan area, which is described

immediately above, will likely involve substantial transitional costs, including employee relocation, severance, recruitment and duplicative compensation and occupancy costs. We currently are unable to estimate precisely these interim transitional costs or the expected ongoing cost savings, or the timing of these costs and savings, as we have not yet completed our search process or finalized the scale of our relocation strategy. If the transitional costs we incur in 2019 and 2020 significantly exceed any cost savings we realize in those years from our relocation strategy, our actual adjusted operating margin for 2020 will be adversely affected and, as a result, we may not reach the 2020 Margin Target.

In setting our 2020 Margin Target, we have made significant assumptions with respect to, among other things:

- the levels of positive net flows into our investment services;
- the level of growth (in terms of additional AUM) in our alternatives product business;
- the rate of increase in our fixed costs due to inflation and similar factors, the transitional costs related to our relocation strategy and the timing of such costs, the success we have in achieving planned new cost reductions (including those relating to our relocation strategy) and the timing of such cost reductions, and the investments we make in our business; and
- general conditions of the markets in which our business operates, including modest continued appreciation in both equity and fixed income total investment returns.

While our 2020 Margin Target is presented with numerical specificity, and we believe the target to be reasonable as of the date of this report, the uncertainties surrounding the assumptions we discuss above create a significant risk that these assumptions may not be realized. Accordingly, our 2020 Margin Target may not be achieved, particularly if actual events adversely differ from one or more of our key assumptions. The 2020 Margin Target and its 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 2020 Margin Target. 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.

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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	
	2017	2016	2015	2017-16	2016-15
	(in thousands, except per unit amounts)				
Net income attributable to AB Unitholders	$662,403	$673,358	$579,927	(1.6)%	16.1 %
Weighted average equity ownership interest	35.1 %	35.6 %	36.2 %		
Equity in net income attributable to AB Unitholders	$232,393	$239,389	$210,084	(2.9)	13.9
Income taxes	24,971	22,803	24,320	9.5	(6.2)
Net income of AB Holding	$207,422	$216,586	$185,764	(4.2)	16.6
Diluted net income per AB Holding Unit	$2.19	$2.23	$1.86	(1.8)	19.9
Distributions per AB Holding Unit [(1)]	$2.30	$1.92	$1.86	19.8	3.2

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

AB Holding has net income of $207.4 million in 2017 compared to $216.6 million in 2016, reflecting lower net income attributable to AB Unitholders and lower weighted average equity ownership interest. AB Holding had net income of $216.6 million in 2016 as compared to $185.8 million in 2015. The increase reflected higher net income attributable to AB Unitholders, offset by a lower weighted average equity ownership percentage.

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 10.7% in 2017, 9.5% in 2016 and 11.6% in 2015. 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.

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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,		
	2017	2016	2015
	(in thousands, except per unit amounts)		
AB non-GAAP adjustments, before taxes	$34,605	$(77,275)	$(6,083)
Income tax (expense) benefit on non-GAAP adjustments	(3,599)	5,332	432
Income tax credit on AB's income tax provision	—	(21,572)	—
AB non-GAAP adjustments, after taxes	31,006	(93,515)	(5,651)
AB Holding's weighted average equity ownership interest in AB	35.1 %	35.6 %	36.2 %
Impact on AB Holding's net income of AB non-GAAP adjustments	$10,877	$(33,246)	$(2,047)
Net income - diluted, GAAP basis	$208,102	$217,464	$187,147
Impact on AB Holding's net income of AB non-GAAP adjustments	10,877	(33,246)	(2,047)
Adjusted net income - diluted	$218,979	$184,218	$185,100
Diluted net income per AB Holding Unit, GAAP basis	$2.19	$2.23	$1.86
Impact of AB non-GAAP adjustments	0.11	(0.34)	(0.02)
Adjusted diluted net income per AB Holding Unit	$2.30	$1.89	$1.84

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).

Proposed Tax Legislation

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

Capital Resources and Liquidity

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 year ended December 31, 2016, net cash provided by operating activities was $169.5 million, compared to $192.8 million during the corresponding 2015 period. The decrease primarily resulted from lower cash distributions received from AB of $25.1 million.

During the years ended December 31, 2017, 2016 and 2015, net cash used in investing activities was $20.1 million, $6.1 million and $9.2 million, respectively, reflecting investments in AB with proceeds from exercises of compensatory options to buy AB Holding Units.

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. During the year ended December 31, 2016, net cash used in financing activities was $163.4 million, compared to $183.6 million during the corresponding 2015 period. The decrease was due to lower cash

distributions to Unitholders of $22.6 million, offset by lower proceeds from exercises of compensatory options to buy AB Holding Units of $3.1 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.

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AB

Assets Under Management

Assets under management by distribution channel are as follows:

	As of December 31,			% Change	
	2017	2016	2015	2017-16	2016-15
	(in billions)				
Institutions	$269.3	$239.3	$236.2	12.5%	1.3 %
Retail	192.9	160.2	154.4	20.5	3.8
Private Wealth Management	92.3	80.7	76.8	14.2	5.1
Total	$554.5	$480.2	$467.4	15.5	2.7

Assets under management by investment service are as follows:

	As of December 31,			% Change	
	2017	2016	2015	2017-16	2016-15
	(in billions)				
Equity					
Actively Managed	$139.4	$111.9	$110.6	24.6 %	1.2 %
Passively Managed [1]	54.3	48.1	46.4	13.0	3.6
Total Equity	193.7	160.0	157.0	21.1	1.9
Fixed Income					
Actively Managed					
Taxable	247.9	220.9	207.4	12.2	6.5
Tax-exempt	40.4	36.9	33.5	9.5	10.2
	288.3	257.8	240.9	11.8	7.0
Passively Managed [1]	9.9	11.1	10.0	(10.4)	11.1
Total Fixed Income	298.2	268.9	250.9	10.9	7.2
Other [2]					
Actively Managed	61.9	50.8	59.1	21.7	(14.0)
Passively Managed [1]	0.7	0.5	0.4	37.0	30.4
Total Other	62.6	51.3	59.5	21.8	(13.7)
Total	$554.5	$480.2	$467.4	15.5	2.7

(1) Includes index and enhanced index services.

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

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Changes in assets under management during 2017 and 2016 are as follows:

	Distribution Channel			
	Institutions	Retail	Private Wealth Management	Total
	(in billions)			
Balance as of December 31, 2016	$239.3	$160.2	$ 80.7	$480.2
Long-term flows:				
Sales/new accounts	13.4	53.8	11.5	78.7
Redemptions/terminations	(11.5)	(38.6)	(10.6)	(60.7)
Cash flow/unreinvested dividends	1.7	(6.3)	(0.2)	(4.8)
Net long-term inflows	3.6	8.9	0.7	13.2
Market appreciation	26.4	23.8	10.9	61.1
Net change	30.0	32.7	11.6	74.3
Balance as of December 31, 2017	$269.3	$192.9	$ 92.3	$554.5
Balance as of December 31, 2015	$236.2	$154.4	$ 76.8	$467.4
Long-term flows:				
Sales/new accounts	21.6	41.2	10.2	73.0
Redemptions/terminations	(15.7)	(40.8)	(9.3)	(65.8)
Cash flow/unreinvested dividends	(11.3)	(5.2)	(0.5)	(17.0)
Net long-term inflows (outflows)	(5.4)	(4.8)	0.4	(9.8)
Transfers	—	0.1	(0.1)	—
Acquisition	2.5	—	—	2.5
AUM adjustment[(3)]	(3.0)	—	—	(3.0)
Market (depreciation) appreciation	9.0	10.5	3.6	23.1
Net change	3.1	5.8	3.9	12.8
Balance as of December 31, 2016	$239.3	$160.2	$ 80.7	$480.2

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	Investment Service						
	Equity Actively Managed	Equity Passively Managed[1]	Fixed Income Actively Managed - Taxable	Fixed Income Actively Managed - Tax-Exempt	Fixed Income Passively Managed[1]	Other[2]	Total
	(in billions)						
Balance as of December 31, 2016	$111.9	$ 48.1	$220.9	$36.9	$ 11.1	$51.3	$480.2
Long-term flows:							
Sales/new accounts	21.9	1.1	41.1	7.9	0.1	6.6	78.7
Redemptions/terminations	(19.0)	(1.4)	(29.8)	(5.9)	(1.8)	(2.8)	(60.7)
Cash flow/unreinvested dividends	(2.1)	(4.0)	1.5	(0.1)	—	(0.1)	(4.8)
Net long-term inflows (outflows)	0.8	(4.3)	12.8	1.9	(1.7)	3.7	13.2
Market appreciation	26.7	10.5	14.2	1.6	0.5	7.6	61.1
Net change	27.5	6.2	27.0	3.5	(1.2)	11.3	74.3
Balance as of December 31, 2017	$139.4	$ 54.3	$247.9	$40.4	$ 9.9	$62.6	$554.5
Balance as of December 31, 2015	$110.6	$ 46.4	$207.4	$33.5	$ 10.0	$59.5	$467.4
Long-term flows:							
Sales/new accounts	14.4	0.5	45.8	8.5	0.2	3.6	73.0
Redemptions/terminations	(19.3)	(1.0)	(31.0)	(5.0)	(0.6)	(8.9)	(65.8)
Cash flow/unreinvested dividends	(2.7)	(2.0)	(9.1)	(0.2)	1.1	(4.1)	(17.0)
Net long-term (outflows) inflows	(7.6)	(2.5)	5.7	3.3	0.7	(9.4)	(9.8)
Acquisition	—	—	—	—	—	2.5	2.5
AUM adjustment[3]	—	—	—	—	—	(3.0)	(3.0)
Market appreciation	8.9	4.2	7.8	0.1	0.4	1.7	23.1
Net change	1.3	1.7	13.5	3.4	1.1	(8.2)	12.8
Balance as of December 31, 2016	$111.9	$ 48.1	$220.9	$36.9	$ 11.1	$51.3	$480.2

(1) Includes index and enhanced index services.
(2) Includes certain multi-asset solutions and services and certain alternative investments.
(3) During the second quarter of 2016, we removed $3.0 billion of Customized Retirement Solutions assets from AUM as our asset management services transitioned to consulting services. In addition, we previously made minor adjustments to reported AUM for reporting methodology changes that do not represent inflows or outflows.

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Net long-term inflows (outflows) for actively managed investment services as compared to passively managed investment services during 2017 and 2016 are as follows:

	Years Ended December 31,	
	2017	2016
	(in billions)	
Actively Managed		
Equity	$0.8	$(7.6)
Fixed Income	14.7	9.0
Other	3.6	(9.5)
	19.1	(8.1)
Passively Managed		
Equity	(4.3)	(2.5)
Fixed Income	(1.7)	0.7
Other	0.1	0.1
	(5.9)	(1.7)
Total net long-term inflows	$13.2	$(9.8)

Average assets under management by distribution channel and investment service are as follows:

	Years Ended December 31,			% Change	
	2017	2016	2015	2017-16	2016-15
	(in billions)				
Distribution Channel:					
Institutions	$253.8	$243.4	$242.9	4.3 %	0.2 %
Retail	177.5	157.7	160.6	12.6	(1.8)
Private Wealth Management	86.7	78.9	77.2	9.8	2.2
Total	$518.0	$480.0	$480.7	7.9	(0.1)
Investment Service:					
Equity Actively Managed	$125.6	$109.4	$113.2	14.8	(3.3)
Equity Passively Managed[(1)]	50.8	46.5	49.3	9.3	(5.7)
Fixed Income Actively Managed – Taxable	236.3	221.5	217.7	6.6	1.8
Fixed Income Actively Managed – Tax-exempt	38.8	36.3	32.6	7.0	11.1
Fixed Income Passively Managed[(1)]	10.3	11.0	10.1	(6.4)	8.4
Other[(2)]	56.2	55.3	57.8	1.7	(4.3)
Total	$518.0	$480.0	$480.7	7.9	(0.1)

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

During 2017, our Institutional channel average AUM of $253.8 billion increased $10.4 billion, or 4.3%, compared to 2016, primarily due to our Institutional AUM increasing $30.0 billion, or 12.5%, to $269.3 billion over the last twelve months. The $30.0 billion increase in AUM resulted from market appreciation of $26.4 billion and net inflows of $3.6 billion. During 2016, our Institutional channel average AUM of $243.4 billion increased $0.5 billion, or 0.2%, compared to 2015, primarily due to

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our Institutional AUM increasing $3.1 billion, or 1.3%, to $239.3 billion during 2016. The $3.1 billion increase in AUM primarily resulted from market appreciation of $9.0 billion, offset by net outflows of $5.4 billion.

During 2017, our Retail channel average AUM of $177.5 billion increased $19.8 billion, or 12.6%, compared to 2016, primarily due to our Retail AUM increasing $32.7 billion, or 20.5%, to $192.9 billion over the last twelve months. The $32.7 billion increase in AUM resulted from market appreciation of $23.8 billion and net inflows of $8.9 billion. During 2016, our Retail channel average AUM of $157.7 billion decreased $2.9 billion, or 1.8%, compared to 2015; however, our Retail channel AUM increased $5.8 billion, or 3.8%, to $160.2 billion during 2016. The $5.8 billion increase in AUM for 2016 primarily resulted from market appreciation of $10.5 billion, offset by net outflows of $4.8 billion.

During 2017, our Private Wealth Management channel average AUM of $86.7 billion increased $7.8 billion, or 9.8%, compared to 2016, primarily due to our Private Wealth Management AUM increasing $11.6 billion, or 14.2%, to $92.3 billion over the last twelve months. The $11.6 billion increase in AUM resulted from market appreciation of $10.9 billion and net inflows of $0.7 billion. During 2016, our Private Wealth Management channel average AUM of $78.9 billion increased $1.7 billion, or 2.2%, compared to 2015, primarily due to our Private Wealth Management AUM increasing $3.9 billion, or 5.1%, to $80.7 billion during 2016. The $3.9 billion increase in AUM for 2016 primarily resulted from market appreciation of $3.6 billion and net inflows of $0.4 billion.

Absolute investment composite returns, gross of fees, and relative performance as of December 31, 2017 compared to benchmarks for certain representative Institutional equity and fixed income services are as follows:

	1-Year	3-Year	5-Year
Global High Income - Hedged (fixed income)			
Absolute return	9.2 %	7.0 %	6.3 %
Relative return (vs. Bloomberg Barclays Global High Yield Index - Hedged)	0.8	(0.6)	—
U.S. High Yield (fixed income)			
Absolute return	7.0	5.9	6.1
Relative return (vs. Bloomberg Barclays U.S. Corp. High Yield Index)	(0.5)	(0.5)	0.3
Global Plus - Hedged (fixed income)			
Absolute return	3.7	3.5	3.6
Relative return (vs. Bloomberg Barclays Global Aggregate Index - Hedged)	0.6	0.8	0.5
Intermediate Municipal Bonds (fixed income)			
Absolute return	3.6	2.2	2.1
Relative return (vs. Lipper Short/Int. Blended Muni Fund Avg)	0.6	0.7	0.7
U.S. Strategic Core Plus (fixed income)			
Absolute return	4.4	3.3	3.0
Relative return (vs. Bloomberg Barclays U.S. Aggregate Index)	0.8	1.1	0.9
Emerging Market Debt (fixed income)			
Absolute return	11.0	7.3	4.1
Relative return (vs. JPM EMBI Global/JPM EMBI)	1.7	0.4	0.3
Emerging Markets Value			
Absolute return	29.9	7.8	3.6
Relative return (vs. MSCI EM Index)	(7.4)	(1.3)	(0.8)
Global Strategic Value			
Absolute return	22.4	9.1	13.6
Relative return (vs. MSCI ACWI Index)	(1.5)	(0.2)	2.7
U.S. Small & Mid Cap Value			
Absolute return	14.0	11.0	15.9
Relative return (vs. Russell 2500 Value Index)	3.6	1.7	2.7

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U.S. Strategic Value			
Absolute return	14.6	6.1	13.8
Relative return (vs. Russell 1000 Value Index)	1.0	(2.6)	(0.2)
U.S. Small Cap Growth			
Absolute return	35.9	13.6	16.4
Relative return (vs. Russell 2000 Growth Index)	13.8	3.3	1.2
U.S. Large Cap Growth			
Absolute return	33.0	15.5	19.7
Relative return (vs. Russell 1000 Growth Index)	2.7	1.8	2.4
U.S. Small & Mid Cap Growth			
Absolute return	33.5	12.2	15.5
Relative return (vs. Russell 2500 Growth Index)	9.1	1.3	—
Concentrated U.S. Growth			
Absolute return	24.6	10.7	16.8
Relative return (vs. S&P 500 Index)	2.7	(0.7)	1.0
Select U.S. Equity			
Absolute return	23.4	11.5	16.0
Relative return (vs. S&P 500 Index)	1.5	0.1	0.2
Strategic Equities			
Absolute return	20.3	11.1	15.8
Relative return (vs. Russell 3000 Index)	(0.8)	—	0.2
Global Core Equity			
Absolute return	26.3	10.6	12.4
Relative return (vs. MSCI ACWI Index)	2.4	1.3	1.6

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Consolidated Results of Operations

	Years Ended December 31,			% Change	
	2017	2016	2015	2017-16	2016-15
	(in thousands, except per unit amounts)				
Net revenues	$3,298,521	$3,028,779	$3,020,727	8.9 %	0.3 %
Expenses	2,524,611	2,305,614	2,389,628	9.5	(3.5)
Operating income	773,910	723,165	631,099	7.0	14.6
Income taxes	53,110	28,319	44,797	87.5	(36.8)
Net income	720,800	694,846	586,302	3.7	18.5
Net income of consolidated entities attributable to non-controlling interests	58,397	21,488	6,375	171.8	237.1
Net income attributable to AB Unitholders	$662,403	$673,358	$579,927	(1.6)	16.1
Diluted net income per AB Unit	$2.45	$2.47	$2.10	(0.8)	17.6
Distributions per AB Unit	$2.57	$2.15	$2.11	19.5	1.9
Operating margin[1]	21.7 %	23.2 %	20.7 %		

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

Net income attributable to AB Unitholders for the year ended December 31, 2017 decreased $11.0 million from the year ended December 31, 2016. The decrease primarily is due to (in millions):

Higher employee compensation and benefits	$(83.7)
Higher other general and administrative expenses	(55.3)
Higher net income of consolidated entities attributable to non-controlling interest	(36.9)
Higher promotion and servicing expenses	(35.4)
Lower Bernstein Research Services revenue	(30.0)
Higher income tax expenses	(24.8)
Lower adjustments to contingent payment arrangements	(20.5)
Higher real estate charges	(19.0)
Higher base advisory fees	204.9
Higher performance-based fees	62.0
Higher distribution revenues	27.7
	$(11.0)

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Net income attributable to AB Unitholders for the year ended December 31, 2016 increased $93.4 million from the year ended December 31, 2015. The increase primarily was due to (in millions):

Higher investment gains	$89.8
Lower employee compensation and benefits	38.2
Lower income taxes	16.5
Lower other promotion and servicing expenses	14.9
Lower estimates for contingent payment arrangements	14.8
Higher performance-based fees	9.0
Lower other general and administrative expenses	5.5
Lower base advisory fees	(49.4)
Higher real estate charges	(16.7)
Higher net income of consolidated entities attributable to non-controlling interests	(15.1)
Lower Bernstein Research Services revenue	(13.6)
Other	(0.5)
	$93.4

Revenue Recognition

In May 2014, the FASB issued ASU 2014-09, Revenue from Contracts with Customers, which revises revenue recognition criteria for revenue arising from contracts with customers, requires certain costs to obtain and fulfill contracts with customers to be capitalized if they meet certain criteria, and expands disclosure requirements. We adopted this new accounting standard on January 1, 2018 on a modified retrospective basis, recognizing the cumulative effect of initial adoption in Partners’ Capital. Based on our analysis performed to-date, we do not expect any changes in the timing of revenue recognition for our base fees, distribution revenues, shareholder servicing revenues and broker-dealer revenues. However, performance-based fees, which are currently recognized at the end of the applicable measurement period when no risk of reversal remains, and carried-interest distributions received (considered performance-based fees), which are currently recorded as deferred revenues until no risk of reversal remains, may in certain instances be recognized earlier under the new standard, if it is probable that significant reversal of performance-based fees recognized will not occur. Currently, we expect the cumulative effect of initial adoption in partners' capital as of January 1, 2018 to be approximately $35 million. This amount represents carried-interest distributions previously received, net of revenue sharing payments to investment team members, with respect to which it is probable that significant reversal will not occur. Our future financial statements will include additional disclosures as required by ASU 2014-09.

Real Estate Charges

Since 2010, in connection with our workforce reductions and in an effort to reduce our global real estate footprint, we have implemented a global office space consolidation. As a result, we have sub-leased over one million square feet of office space.

During 2015, we recorded pre-tax real estate charges of $1.0 million, resulting from a change in estimates related to previously recorded real estate charges.
During 2016, we recorded pre-tax real estate charges of $17.7 million, resulting from new charges of $22.8 million relating to the further consolidation of office space at our New York offices, offset by changes in estimates related to previously recorded real estate charges of $5.1 million, which reflected the shortening of the lease term of our corporate headquarters from 2029 to 2024.
During 2017, we recorded pre-tax real estate charges of $36.7 million, resulting from new charges of $40.2 million primarily relating to the further consolidation of office space at our New York offices, offset by changes in estimates pertaining to previously recorded real estate charges of $3.5 million.
Units Outstanding

Each quarter, we consider whether to implement a plan to repurchase AB Holding Units pursuant to Rules 10b5-1 and 10b-18 under the Securities Exchange Act of 1934, as amended ("Exchange Act"). A plan of this type allows a company to repurchase its shares at times when it otherwise might be prevented from doing so because of self-imposed trading blackout periods or because it possesses material non-public information. Each broker we select has the authority under the terms and limitations specified in the plan to repurchase AB Holding Units on our behalf in accordance with the terms of the plan. Repurchases are

subject to regulations promulgated by the SEC as well as certain price, market volume and timing constraints specified in the plan. The plan adopted during the fourth quarter of 2017 expired at the close of business on February 12, 2018. We may adopt additional plans in the future to engage in open-market purchases of AB Holding Units to help fund anticipated obligations under our incentive compensation award program and for other corporate purposes.

Cash Distributions

We are required to distribute all of our Available Cash Flow, as defined in the AB Partnership Agreement, to our Unitholders and the General Partner. Available Cash Flow typically is the adjusted diluted net income per unit for the quarter multiplied by the number of general and limited partnership interests at the end of the quarter. In future periods, 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 our consolidated financial statements contained in Item 8 for a description of Available Cash Flow.

Management Operating Metrics

We are providing the non-GAAP measures “adjusted net revenues”, “adjusted operating income” and “adjusted operating margin” because they are the principal operating metrics management uses in evaluating and comparing period-to-period operating performance. Management principally uses these metrics in evaluating performance because they present a clearer picture of our 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, we believe that these management operating metrics help investors better understand the underlying trends in our results and, accordingly, provide a valuable perspective for investors.

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 accounting principles generally accepted in the United States of America ("US GAAP") and non-GAAP measures in evaluating our financial performance. The non-GAAP measures alone may pose limitations because they do not include all of our revenues and expenses.

	Years Ended December 31,		
	2017	2016	2015
	(in thousands)		
Net revenues, US GAAP basis	$3,298,521	$3,028,779	$3,020,727
Adjustments:			
Long-term incentive compensation-related investment losses (gains)	(7,937)	(1,175)	1,903
Long-term incentive compensation-related dividends and interest	(1,954)	(1,647)	(1,938)
Distribution-related payments	(420,350)	(371,607)	(393,033)
Amortization of deferred sales commissions	(31,886)	(41,066)	(49,145)
Pass-through fees and expenses	(40,531)	(43,808)	(47,479)
Gain on sale of investment carried at cost	—	(75,273)	—
Gain on sale of software technology	(4,592)	—	—
90% of consolidated venture capital fund investment (gains)	(9,558)	(11,575)	(7,117)
Impact of consolidated company-sponsored funds	(77,697)	(13,314)	—
Adjusted net revenues	$2,704,016	$2,469,314	$2,523,918
Operating income, US GAAP basis	$773,910	$723,165	$631,099
Adjustments:			
Long-term incentive compensation-related items	709	720	131
Gain on sale of investment carried at cost	—	(75,273)	—
Gain on sale of software technology	(4,592)	—	—
Real estate charges	36,669	17,704	998
Acquisition-related expenses	2,012	1,057	—
Contingent payment arrangements	(193)	(21,483)	(7,212)
Sub-total of non-GAAP adjustments	34,605	(77,275)	(6,083)
Less: Net income of consolidated entities attributable to non-controlling interests	58,397	21,488	6,375
Adjusted operating income	750,118	624,402	618,641
Adjusted income taxes	56,709	44,559	44,365
Adjusted net income	$693,409	$579,843	$574,276
Diluted net income per AB Unit, GAAP basis	2.45	2.47	2.10
Impact of non-GAAP adjustments	0.12	(0.34)	(0.02)
Adjusted diluted net income per AB Unit	$2.57	$2.13	$2.08
Adjusted operating margin	27.7%	25.3%	24.5%

Adjusted operating income for the year ended December 31, 2017 increased $125.7 million, or 20.1%, from the year ended December 31, 2016, primarily due to higher investment advisory base fees of $207.9 million and higher performance-based fees of $72.4 million, offset by higher employee compensation expenses (excluding the impact of long-term incentive compensation-related items) of $76.7 million, higher general and administrative expenses of $32.2 million, lower Bernstein Research Services revenue of $30.0 million and higher net distribution expenses of $12.0 million. Adjusted operating income for the year ended December 31, 2016 increased $5.8 million, or 0.9%, from the year ended December 31, 2015, primarily due to lower employee compensation expense (excluding the impact of long-term incentive compensation-related items) of $42.1 million, lower promotion and servicing expenses of $14.1 million, higher performance-based fees of $9.1 million and lower general and administrative expenses of $6.9 million, offset by lower investment advisory base fees of $46.4 million, lower Bernstein Research Services revenue of $13.6 million and higher net distribution expenses of $13.1 million.

Adjusted Net Revenues

Adjusted net revenues exclude investment gains and losses and dividends and interest on employee long-term incentive compensation-related investments. In addition, adjusted net revenues offset distribution-related payments to third parties as well as amortization of deferred sales commissions against distribution revenues. We believe offsetting net revenues by distribution-related payments is useful for our investors and other users of our financial statements because such presentation appropriately reflects the nature of these costs as pass-through payments to third parties who perform functions on behalf of our sponsored mutual funds and/or shareholders of these funds. We offset amortization of deferred sales commissions against net revenues because such costs, over time, essentially offset our distribution revenues. We also exclude additional pass-through expenses we incur (primarily through our transfer agency) that are reimbursed and recorded as fees in revenues. These fees do not affect operating income, but they do affect our operating margin. As such, we exclude these fees from adjusted net revenues.

We adjust for the revenue impact of consolidating company-sponsored investment funds by eliminating the consolidated company-sponsored investment funds' revenues and including AB's fees from such consolidated company-sponsored investment funds and AB's investment gains and losses on its investments in such consolidated company-sponsored investment funds that were eliminated in consolidation. In addition, in 2017 we excluded a cumulative realized gain of $4.6 million on the exchange of software technology for an ownership stake in a third party provider of financial market data and trading tools and in 2016 we excluded a realized gain of $75.3 million resulting from the liquidation of an investment in Jasper Wireless Technologies, Inc. ("Jasper"), which was acquired by Cisco Systems, Inc., because these transactions are not part of our core operating results. Lastly, we exclude 90% of the investment gains and losses of our consolidated venture capital fund attributable to non-controlling interests.

Adjusted Operating Income

Adjusted operating income represents operating income on a US GAAP basis excluding (1) the impact on net revenues and compensation expense of the investment gains and losses (as well as the dividends and interest) associated with employee long-term incentive compensation-related investments, (2) the gain on the sale of our investment in Jasper in 2016, (3) the gain on the sale of software technology during 2017, (4) real estate charges, (5) acquisition-related expenses, (6) adjustments to contingent payment arrangements, and (7) the impact of consolidated company-sponsored investment funds.

Prior to 2009, a significant portion of employee compensation was in the form of employee long-term incentive compensation awards that were notionally invested in AB investment services and generally vested over a period of four years. AB economically hedged the exposure to market movements by purchasing and holding these investments on its balance sheet. All such investments had vested as of year-end 2012 and the investments have been delivered to the participants, except for those investments with respect to which the participant elected a long-term deferral. Fluctuation in the value of these investments is recorded within investment gains and losses on the income statement and also impacts compensation expense. Management believes it is useful to reflect the offset achieved from economically hedging the market exposure of these investments in the calculation of adjusted operating income and adjusted operating margin. The non-GAAP measures exclude gains and losses and dividends and interest on employee long-term incentive compensation-related investments included in revenues and compensation expense.

A realized gain on the liquidation of our Jasper investment during 2016 has been excluded due to its non-recurring nature and because it is not part of our core operating results.

A realized gain on the exchange of software technology for an ownership stake in a third party company during 2017 has been excluded due to its non-recurring nature and because it is not part of our core operating results.

Real estate charges have been excluded because they are not considered part of our core operating results when comparing financial results from period to period and to industry peers.

Acquisition-related expenses have been excluded because they are not considered part of our core operating results when comparing financial results from period to period and to industry peers.

The recording of changes in estimates of the contingent consideration payable with respect to contingent payment arrangements associated with our acquisitions are not considered part of our core operating results and, accordingly, have been excluded.

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We adjusted for the operating income impact of consolidating certain company-sponsored investment funds by eliminating the consolidated company-sponsored funds' revenues and expenses and including AB's revenues and expenses that were eliminated in consolidation. We also excluded the limited partner interests we do not own.

Adjusted Net Income and Adjusted Diluted Net Income per AB Unit

As previously discussed, our quarterly distribution is typically our adjusted diluted net income per unit (which is derived from adjusted net income) for the quarter multiplied by the number of general and limited partnership interests at the end of the quarter. Adjusted income taxes, used in calculating adjusted net income, are calculated using the GAAP effective tax rate adjusted for non-GAAP income tax adjustments.

Adjusted Operating Margin

Adjusted operating margin allows us to monitor our financial performance and efficiency from period to period without the volatility noted above in our discussion of adjusted operating income and to compare our performance to industry peers on a basis that better reflects our performance in our core business. Adjusted operating margin is derived by dividing adjusted operating income by adjusted net revenues.

Net Revenues

The components of net revenues are as follows:

	Years Ended December 31,			% Change	
	2017	2016	2015	2017-16	2016-15
	(in thousands)				
Investment advisory and services fees:					
Institutions:					
Base fees	$429,541	$403,503	$421,964	6.5 %	(4.4)%
Performance-based fees	45,159	17,394	12,496	159.6	39.2
	474,700	420,897	434,460	12.8	(3.1)
Retail:					
Base fees	922,510	805,621	847,246	14.5	(4.9)
Performance-based fees	24,216	3,333	8,807	626.6	(62.2)
	946,726	808,954	856,053	17.0	(5.5)
Private Wealth Management:					
Base fees	753,569	691,595	680,881	9.0	1.6
Performance-based fees	25,405	12,025	2,443	111.3	392.2
	778,974	703,620	683,324	10.7	3.0
Total:					
Base fees	2,105,620	1,900,719	1,950,091	10.8	(2.5)
Performance-based fees	94,780	32,752	23,746	189.4	37.9
	2,200,400	1,933,471	1,973,837	13.8	(2.0)
Bernstein Research Services	449,919	479,875	493,463	(6.2)	(2.8)
Distribution revenues	412,063	384,405	427,156	7.2	(10.0)
Dividend and interest income	71,162	46,939	24,872	51.6	88.7
Investment gains (losses)	92,102	93,353	3,551	(1.3)	n/m
Other revenues	98,040	99,859	101,169	(1.8)	(1.3)
Total revenues	3,323,686	3,037,902	3,024,048	9.4	0.5
Less: Interest expense	25,165	9,123	3,321	175.8	174.7
Net revenues	$3,298,521	$3,028,779	$3,020,727	8.9	0.3

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Investment Advisory and Services Fees

Investment advisory and services fees are the largest component of our revenues. These fees generally 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 account and the total amount of assets we manage for a particular client. Accordingly, fee income generally increases or decreases as AUM increase or decrease and is affected by market appreciation or depreciation, the addition of new client accounts or client contributions of additional assets to existing accounts, withdrawals of assets from and termination of client accounts, purchases and redemptions of mutual fund shares, shifts of assets between accounts or products with different fee structures, and acquisitions. Our average basis points realized (investment advisory and services fees divided by average AUM) generally approximate 40 to 110 basis points for actively-managed equity services, 10 to 75 basis points for actively-managed fixed income services and 2 to 20 basis points for passively-managed services. Average basis points realized for other services range from 5 basis points for certain Institutional asset allocation services to over 100 basis points for certain Retail and Private Wealth Management alternative services. These ranges include all-inclusive fee arrangements (covering investment management, trade execution and other services) for our Private Wealth Management clients.

We calculate AUM using established market-based valuation methods and fair valuation (non-observable market) methods. Market-based valuation methods include: last sale/settle prices from an exchange for actively-traded listed equities, options and futures; evaluated bid prices from recognized pricing vendors for fixed income, asset-backed or mortgage-backed issues; mid prices from recognized pricing vendors and brokers for credit default swaps; and quoted bids or spreads from pricing vendors and brokers for other derivative products. Fair valuation methods include: discounted cash flow models, evaluation of assets versus liabilities or any other methodology that is validated and approved by our Valuation Committee (see paragraph immediately below for more information regarding our Valuation Committee). Fair valuation methods are used only where AUM cannot be valued using market-based valuation methods, such as in the case of private equity or illiquid securities.

The Valuation Committee, which consists of senior officers and employees, is responsible for overseeing the pricing and valuation of all investments held in client and AB portfolios. The Valuation Committee has adopted a Statement of Pricing Policies describing principles and policies that apply to pricing and valuing investments held in these portfolios. We also have a Pricing Group, which reports to the Valuation Committee and is responsible for overseeing the pricing process for all investments.

We sometimes charge our clients performance-based fees. In these situations, 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 underperforms relative to its performance target (whether absolute or relative to a specified benchmark), it must gain back such underperformance before we can collect future performance-based fees. Therefore, if we fail to achieve our 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 7.1%, 4.1% and 0.7% of the assets we manage for institutional clients, private wealth clients and retail clients, respectively (in total, 4.4% of our AUM).

During 2016 and 2017, we received carried interest distributions of $77.8 million, as general partner of our real estate fund. In accordance with our current revenue recognition policies, we did not recognize these carried interest distributions as performance-based fee revenues, instead recording a deferred revenue liability, because the distributions are subject to claw-back provisions. In addition, we have revenue-sharing arrangements whereby certain employees are entitled to a share of carried interest proceeds distributed by certain funds, including the real estate fund. As such, we distributed $42.7 million of these carried interest proceeds to certain real estate fund employees. We have recorded this payment, which, like our carried interest distribution, is subject to claw-back provisions, as an advance to employees and will recognize it as compensation expense in the period in which the applicable revenue is recognized. Currently, we expect the net effect of these items to be included in the cumulative effect of initial

adoption of ASU 2014-09 as of January 1, 2018. See Revenue Recognition previously discussed.
Our investment advisory and services fees increased by $266.9 million, or 13.8%, in 2017, primarily due to a $204.9 million, or 10.8%, increase in base fees, which primarily resulted from a 7.9% increase in average AUM and the impact of a shift in distribution channel mix from Institutions to Retail and Private Wealth Management. Also, performance-based fees increased by $62.0 million. Our investment advisory and services fees decreased by $40.4 million, or 2.0%, in 2016, primarily due to a $49.4 million, or 2.5%, decrease in base fees, which primarily resulted from the impact of a shift in product mix from active

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equity products to active fixed income products, which generally have lower fees. However, our performance-based fees increased $9.0 million from the prior year.

Institutional investment advisory and services fees increased $53.8 million, or 12.8%, in 2017, primarily due to an increase in base fees of $26.0 million, or 6.5%, primarily resulting from a 4.3% increase in average AUM and the impact of a shift in product mix to active equities, which generally have higher fees. In addition, performance-based fees increased by $27.8 million. Institutional investment advisory and services fees decreased $13.6 million, or 3.1%, in 2016, primarily due to an $18.5 million, or 4.4%, decrease in base fees. The decrease in base fees resulted from a shift in product mix from active equities to active fixed income products, which generally have lower fees. However, performance-based fees increased $4.9 million from the prior year.

Retail investment advisory and services fees increased $137.8 million, or 17.0%, in 2017, primarily due to an increase in base fees of $116.9 million, or 14.5%, primarily resulting from a 12.6% increase in average AUM and higher fee rate realization. In addition, performance-based fees increased by $20.9 million. Retail investment advisory and services fees decreased $47.1 million, or 5.5%, in 2016, primarily due to a $41.6 million, or 4.9%, decrease in base fees. The decrease in base fees was due to a decrease in average AUM of 1.8% and the impact of a shift in product mix from non-U.S. global fixed income mutual funds, non-U.S. global equity mutual funds and other products to U.S. tax-exempt mutual funds, which generally have lower fees. Additionally, performance-based fees decreased $5.5 million from the prior year.

Private Wealth Management investment advisory and services fees increased by $75.4 million, or 10.7%, in 2017, due to an increase in base fees of $62.0 million, or 9.0%, primarily resulting from a 9.8% increase in average AUM. In addition, performance-based fees increased $13.4 million. Private Wealth Management investment advisory and services fees increased $20.3 million, or 3.0%, in 2016, due to an increase in base fees of $10.7 million, or 1.6%, resulting from a 2.2% increase in average AUM and a $9.6 million increase in performance-based fees.

Bernstein Research Services

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 extent by paying us directly for research through commission sharing agreements or cash payments.

Revenues from Bernstein Research Services decreased $30.0 million, or 6.2%, in 2017. The decrease was driven by a decline in client activity in the U.S. and a volume mix shift to electronic trading in Europe. The decrease was partially offset by increased client activity in Asia and a weaker U.S. dollar year-over-year. Revenues from Bernstein Research Services decreased $13.6 million, or 2.8%, in 2016, as a result of lower market values and volumes in Europe and Asia and the discontinuation of our Equity Capital Market services.

Distribution Revenues

Two of our subsidiaries act as distributors and/or placement agents of company-sponsored mutual funds and receive distribution services fees from certain of those funds as partial reimbursement of the distribution expenses they incur. Period-over-period fluctuations of distribution revenues typically are in line with fluctuations of the corresponding average AUM of these mutual funds.

Distribution revenues increased $27.7 million, or 7.2%, in 2017, primarily due to the corresponding average AUM of these mutual funds increasing 11.2%, offset by the impact of a shift in product mix. During 2017, average AUM of A-share mutual funds (which have lower distribution fee rates than B-share and C-share mutual funds) increased 21.5%, while average AUM of B-share and C-share mutual funds decreased by 13.5%. Distribution revenues decreased $42.8 million, or 10.0%, in 2016, while the corresponding average AUM of these mutual funds decreased 8.0%.

Dividend and Interest Income and Interest Expense

Dividend and interest income consists primarily of investment income and interest earned on customer margin balances and U.S. Treasury Bills as well as dividend and interest income in our consolidated company-sponsored investment funds. Interest expense principally reflects interest accrued on cash balances in customers' brokerage

accounts. Dividend and interest income, net of interest expense, increased $8.2 million, or 21.6%, in 2017, primarily due to higher dividend and interest income in our consolidated company-sponsored investment funds. Dividend and interest income, net of interest expense, increased $16.3 million, or 75.5%, in 2016, primarily due to the dividends related to our consolidated company-sponsored investment funds of $10.2 million and higher mutual fund dividends of $3.4 million.

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Investment Gains (Losses)

Investment gains (losses) consist primarily of realized and unrealized investment gains or losses on: (i) employee long-term incentive compensation-related investments, (ii) U.S. Treasury Bills, (iii) market-making in exchange-traded options and equities, (iv) seed capital investments, (v) derivatives and (vi) investments in our consolidated company-sponsored investment funds. Investment gains (losses) also include equity in earnings of proprietary investments in limited partnership hedge funds that we sponsor and manage.

Investment gains (losses) are as follows:

	Years Ended December 31,		
	2017	2016	2015
	(in thousands)		
Long-term incentive compensation-related investments			
Realized gains (losses)	$2,214	$1,463	$3,687
Unrealized gains (losses)	5,723	(288)	(5,589)
Consolidated private equity fund investments			
Realized gains (losses)			
Non-public investments	—	—	1,983
Public securities	—	—	(5,500)
Unrealized gains (losses)			
Non-public investments	—	—	1,396
Public securities	—	—	10,028
Investments held by consolidated company-sponsored investment funds			
Realized gains (losses)	59,669	(8,482)	—
Unrealized gains (losses)	36,340	28,437	—
Seed capital investments			
Realized gains (losses)			
Seed capital	24,822	67,778	23,007
Derivatives	(22,395)	(15,207)	11,448
Unrealized gains (losses)			
Seed capital	(9,713)	24,976	(34,830)
Derivatives	(1,478)	(311)	3,724
Brokerage-related investments			
Realized gains (losses)	(2,796)	(5,057)	(5,653)
Unrealized gains (losses)	(284)	44	(150)
	$92,102	$93,353	$3,551

During 2017, we realized a gain of $4.6 million (included in realized gains of seed capital investments in table above) on the exchange of software technology for an ownership stake in a third party provider of financial market data and trading tools.

During the first quarter of 2016, we sold our investment in Jasper, a company in which we owned a 7.6% equity interest. We expect to receive a total of $85.5 million in cash, subject to final transaction costs and working capital adjustments. During March 2016, the transaction closed and we received $74.8 million in cash, recorded a $10.7 million receivable (of which we have received $10.2 million as of December 31, 2017) for the balance retained in escrow for 18 months and recorded an investment gain of $75.3 million (included in realized gains of seed capital investments in table above).

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Other Revenues

Other revenues consist of fees earned for transfer agency services provided to company-sponsored mutual funds, fees earned for administration and recordkeeping services provided to company-sponsored mutual funds and the general accounts of AXA and its subsidiaries, and other miscellaneous revenues. Other revenues decreased $1.8 million, or 1.8%, in 2017, primarily due to lower shareholder servicing fees, partly offset by higher mutual fund reimbursements. Other revenues decreased $1.3 million, or 1.3%, in 2016, primarily due to lower shareholder servicing fees.

Expenses

The components of expenses are as follows:

	Years Ended December 31,			% Change	
	2017	2016	2015	2017-16	2016-15
	(in thousands)				
Employee compensation and benefits	$1,313,469	$1,229,721	$1,267,926	6.8 %	(3.0)%
Promotion and servicing:					
Distribution-related payments	420,350	371,607	393,033	13.1	(5.5)
Amortization of deferred sales commissions	31,886	41,066	49,145	(22.4)	(16.4)
Trade execution, marketing, T&E and other	204,392	208,538	223,415	(2.0)	(6.7)
	656,628	621,211	665,593	5.7	(6.7)
General and administrative:					
General and administrative	481,488	426,147	431,635	13.0	(1.3)
Real estate charges	36,669	17,704	998	107.1	n/m
	518,157	443,851	432,633	16.7	2.6
Contingent payment arrangements	267	(20,245)	(5,441)	n/m	272.1
Interest	8,194	4,765			