



AB MUNICIPAL PORTFOLIOS

NATIONAL PORTFOLIO Class A: ALTHX / Class C: ALNCX / Advisor Class: ALTVX

HIGH INCOME MUNICIPAL PORTFOLIO Class A: ABTHX / Class C: ABTFX / Advisor Class: ABTYX

INTERMEDIATE DIVERSIFIED MUNICIPAL PORTFOLIO Class A: AIDAX / Class C: AIMCX / Advisor Class: AIDYX

MUNICIPAL BOND INFLATION STRATEGY Class A: AUNAX / Class C: AUNCX / Advisor Class: AUNYX

MARKET OVERVIEW

Investor expectations for further rate hikes in 2019 fell during the first quarter, following the tumultuous markets of late 2018 and due to slowing growth and a lack of inflation. In fact, given that the fed funds target rate and the 10-year Treasury yield were essentially the same at quarter-end, investors expect interest rates to stay lower for a long time and for the Fed's next move to be a lowering of the target rate for fed funds. Fixed-income markets rallied in the first quarter with 10-year US Treasury yields declining 28 basis points (b.p.), as investors reacted to the change in sentiment.

Municipals are off to an impressive start in 2019, with the Bloomberg Barclays Municipal Bond Index returning 2.90% in the first quarter, the best quarterly gain in five years. Over the quarter, 10-year AAA-rated municipal yields declined 42 b.p. to 1.86%, considerably more than the 28 b.p. drop in 10-year US Treasury yields. Outperformance in the municipal market was primarily driven by strong investor demand, which saw the largest quarterly net inflows into municipal mutual funds since 1992.

PORTFOLIO PERFORMANCE

The Intermediate Diversified Municipal Portfolio rose during the quarter and outperformed its benchmark, the Bloomberg Barclays 5 Year GO Municipal Bond Index, which rose 2.01%. Relative performance was driven by yield-curve positioning, security selection and an overweight to mid-grade credit. Security selection within the state general obligation (GO) and prepay energy sectors contributed. Yield-curve positioning detracted because the Portfolio maintained a slightly defensive interest-rate stance versus the benchmark. The Portfolio remains overweight mid-grade credit, as both technical and fundamental factors look positive, and is slightly underweight duration, as we expect the US economy to continue to grow and interest rates to be higher by the end of 2019.

The National Municipal Income Portfolio rose during the quarter but underperformed its benchmark, the Bloomberg Barclays Municipal Index, which rose 2.90%. Performance was primarily driven by an overweight to intermediate bonds in the seven- to 10-year duration range and our overweight to mid-grade credit. The Portfolio's allocation to tax-efficient Consumer Price Index (CPI) swaps contributed as inflation expectations rose during the quarter after sharply declining in 4Q:18 along with equity markets. Security selection within senior living and special tax detracted. The Portfolio remains overweight credit, particularly bonds A-rated and BBB-rated, as both technical and fundamental factors look positive (credit quality

is a measure of the creditworthiness and risk of a bond or portfolio, based on the issuer's financial condition; for purposes of this document, all ratings are based on ratings of S&P, Moody's and Fitch: AAA/Aaa is highest and D is lowest). The Portfolio is underweight duration, as we expect the US economy to continue to grow and interest rates to be higher by the end of 2019. Our research suggests that a defensive interest-rate stance should contribute to performance in that environment. In our high-grade purchases, we are targeting a barbell maturity structure, different from the concentrated maturity structure that we maintained in 2018. This is largely because the intermediate part of the curve looks expensive, so we will seek to find relative value on the short end and longer end.

The High Income Municipal Portfolio rose and outperformed its benchmark, the Bloomberg Barclays Municipal Bond, which rose 2.90%. During the quarter, there was increased demand for bonds that offered attractive yields over high grades, which led to municipal high yield and municipal mid-grade credit to outperform. Yield-curve positioning, sector allocation and security selection all contributed to performance on a relative basis. Security selection within the utility, local GO and higher education sectors contributed. The Portfolio's allocation to tax-efficient CPI swaps contributed as inflation expectations rose during the quarter after sharply declining in 4Q:18 along with equity markets. The restructuring of Puerto Rico's largest outstanding debt issuer, the sales-tax bonds issues by COFINA, was the big headline in municipal high yield during the quarter. The restructuring became official in mid-February, and the debt was well received by the market as the bonds have continued to rally through the end of the quarter. The Bloomberg Barclays Municipal High Yield Puerto Rico Index was up in the first quarter, and the success of the COFINA restructuring created a positive ripple effect to other Puerto Rican debt names such as PRASA and PREPA that still need to be restructured. The Portfolio remains short its benchmark duration and overweight mid-grade credit.

The Municipal Bond Inflation Portfolio outperformed its benchmark, the Bloomberg Barclays 1-10 Year TIPs Index, which rose 2.57% for the quarter, largely on municipals outperforming Treasuries. The Portfolio's overweight to credit contributed as credit spreads tightened following increased demand for bonds that offer attractive yields. Sector and security selection contributed as well, driven primarily by our overweight to certain revenue sectors (industrial, power, transportation) and state GO bonds. CPI swaps, generally a more tax-efficient way of achieving inflation protection, added to performance on an absolute basis as inflation expectations rose

Investors should consider the investment objectives, risks, charges and expenses of the Fund/Portfolio carefully before investing. For copies of our prospectus or summary prospectus, which contain this and other information, visit us online at www.abfunds.com or contact your AB representative. Please read the prospectus and/or summary prospectus carefully before investing.

during the quarter; however, they lagged on a relative basis. The Portfolio remains slightly underweight duration, overweight mid-grade municipal credit and fully hedged to inflation exposure through CPI swaps.

OUTLOOK

With the Fed holding interest rates and the economy still growing, municipals should continue to perform well, and our Portfolios' positioning reflects our modest-growth outlook. We remain slightly shorter than the benchmark's duration, reflecting our view that interest rates will be higher by the end of 2019. In terms of municipal credit, we continue to remain overweight as modest economic growth is a credit positive for most municipal issuers. Through February, the

employment picture remained positive for most municipalities; the US Bureau of Labor Statistics reported that the unemployment rate in February was lower in approximately 73% of metropolitan areas than a year ago, which should signify continued good tax collections for state and local governments. From a technical standpoint, mid-grade credit continues to trade near fair value and is further supported by increased investor demand for new issues that have extra yield. We continue to recommend supplementing Portfolio yield by dipping down in credit quality rather than extending out and buying very long maturities, due to the current flatness of the long end (20-plus years) of the municipal yield curve.

PORTFOLIO INFORMATION

NATIONAL PORTFOLIO

Effective Duration¹: 4.70 years

Quality Breakdown ^{2,3}	
Highest of S&P/Moody's/Fitch	
AAA	9.14%
AA	32.25
A	19.86
BBB	11.58
BB	2.62
B	0.32
CCC & Below	0.77
Pre-Refunded	6.67
Not Rated	6.45
Short Term Investments	10.34

Industry Breakdown ²	
Special Tax	13.26%
Toll Roads/Transit	12.22
State G.O.	8.67
Revenue - Miscellaneous	7.30
Local G.O.	6.77
Pre-Refunded/Escrowed-to-Maturity	6.67
Healthcare - Not-for-Profit	6.12
Water & Sewer	4.84
Tax-Supported State Lease	3.99
Other	30.16

HIGH INCOME MUNICIPAL PORTFOLIO

Effective Duration¹: 6.59 years

Quality Breakdown ^{2,3}	
Highest of S&P/Moody's/Fitch	
AAA	3.65%
AA	10.22
A	16.05
BBB	25.48
BB	8.95
B	4.80
CCC & Below	3.59
Pre-Refunded	0.45
Not Rated	21.69
Short Term Investments	5.12

Industry Breakdown ²	
Healthcare - Not-for-Profit	17.21%
Senior Living	13.85
Special Tax	6.95
Tobacco Securitization	6.43
Toll Roads/Transit	6.34
State G.O.	5.98
Higher Education - Private	5.33
Investment Companies	4.68
Revenue - Miscellaneous	4.44
Other	28.79

¹ Effective Duration is a measure of the sensitivity of an asset or portfolio's price to interest rate movements; ² Holdings are expressed as a percentage of total investments and may vary over time; ³ A measure of the quality and safety of a bond or portfolio, based on the issuer's financial condition, and not based on the financial condition of the fund itself. AAA is highest (best) and D is lowest (worst). Ratings are subject to change. Investment-grade securities are those rated BBB and above. If applicable, the Pre-Refunded category includes bonds which are secured by US Government Securities and therefore are deemed high-quality investment-grade by the Adviser. If applicable, the Not Rated category includes bonds that are not rated by a Nationally Recognized Statistical Rating Organization.

INTERMEDIATE DIVERSIFIED MUNICIPAL PORTFOLIO

Effective Duration¹: 3.95 years

Quality Breakdown ^{2,3}	
Highest of S&P/Moody's/Fitch	
AAA	9.83%
AA	42.90
A	28.24
BBB	8.64
BB	1.55
B	0.03
CCC & Below	0.08
Pre-Refunded	5.02
Not Rated	0.63
Short Term Investments	3.08

Industry Breakdown ²	
State G.O.	16.49%
Special Tax	10.37
Toll Roads/Transit	9.77
Local G.O.	7.58
Airport	6.87
Prepay Energy	6.79
Revenue - Miscellaneous	5.57
Tax-Supported State Lease	5.53
Pre-Refunded/Escrowed-to-Maturity	5.02
Other	26.01

MUNICIPAL BOND INFLATION STRATEGY

Effective Duration¹: 1.91 years

Quality Breakdown ^{2,3}	
Highest of S&P/Moody's/Fitch	
AAA	9.81%
AA	40.05
A	30.70
BBB	8.87
BB	1.64
B	0.23
CCC & Below	0.13
Pre-Refunded	6.39
Not Rated	1.48
Short Term Investments	0.70

Industry Breakdown ²	
State G.O.	16.75%
Special Tax	12.50
Revenue - Miscellaneous	10.42
Healthcare - Not-for-Profit	7.71
Airport	7.67
Pre-Refunded/Escrowed-to-Maturity	6.39
Water & Sewer	6.31
Local G.O.	5.40
Prepay Energy	5.19
Other	21.66

¹ Effective Duration is a measure of the sensitivity of an asset or portfolio's price to interest rate movements; ² Holdings are expressed as a percentage of total investments and may vary over time; ³ A measure of the quality and safety of a bond or portfolio, based on the issuer's financial condition, and not based on the financial condition of the fund itself. AAA is highest (best) and D is lowest (worst). Ratings are subject to change. Investment-grade securities are those rated BBB and above. If applicable, the Pre-Refunded category includes bonds which are secured by US Government Securities and therefore are deemed high-quality investment-grade by the Adviser. If applicable, the Not Rated category includes bonds that are not rated by a Nationally Recognized Statistical Rating Organization.

A WORD ABOUT RISK

Below Investment Grade Securities Risk: Investments in fixed-income securities with lower ratings (commonly known as "junk bonds") tend to have a higher probability that an issuer will default or fail to meet its payment obligations. **Credit Risk:** A bond's credit rating reflects the issuer's ability to make timely payments of interest or principal—the lower the rating, the higher the risk of default. **Derivatives Risk:** Investing in derivative instruments such as options, futures, forwards or swaps can be riskier than traditional investments, and may be more volatile, especially in a down market. **Inflation Risk:** Prices for goods and services tend to rise over time, which may erode the purchasing power of investments. **Leverage Risk:** Trying to enhance investment returns by borrowing money or using other leverage tools—magnify both gains and losses, resulting in greater volatility. **Liquidity Risk:** The difficulty of purchasing or selling a security at an advantageous time or price. **Local Economy Risk:** This portfolio may contain municipal securities issued by the Commonwealth of Puerto Rico as well as other local governments whose current economic conditions could exacerbate the risks associated with investing in these securities. **Market Risk:** The market values of the portfolio's holdings rise and fall from day to day, so investments may lose value. **Municipal Market Risk:** Debt securities issued by state or local governments may be subject to special political, legal, economic and market factors that can have a significant effect on the portfolio's yield or value. **Interest Rate Risk:** As interest rates rise, bond prices fall and vice versa—long-term securities tend to rise and fall more than short-term securities.

QUARTERLY AVERAGE ANNUAL TOTAL RETURNS AS OF 03/31/19: ADVISOR CLASS PERFORMANCE
NATIONAL PORTFOLIO

	QTD	YTD	1 Yr	3 Yrs	5 Yrs	10 Yrs	Since Inception [†]	Expense Ratios as of 1/31/19	
National Portfolio [†]	2.78%	2.78%	4.51%	2.65%	3.92%	5.26%	5.84%	Gross	0.55%
Bloomberg Barclays Muni Bond Index	2.90	2.90	5.38	2.71	3.73	4.72	5.81	Net [‡]	0.50%
Morningstar Muni National Intermediate Category	2.67	2.67	4.52	2.09	2.99	4.08	4.64		
SEC Taxable-Equivalent Yield at 35% (30-day)* [^]	3.51%								
SEC Taxable-Equivalent Yield at 37% (30-day)* [^]	3.62%								
SEC Current Yield (30-day)*	Gross 2.25% Net [‡] 2.28%								

HIGH INCOME MUNICIPAL PORTFOLIO

High Income Municipal Portfolio [†]	4.12%	4.12%	5.92%	4.29%	6.21%	–	6.70%	Gross	0.63%
Bloomberg Barclays Muni Bond Index	2.90	2.90	5.38	2.71	3.73	–	4.17	Net [‡]	0.62%
Morningstar High Yield Muni Category	3.39	3.39	5.72	3.85	5.26	–	5.59		
SEC Taxable-Equivalent Yield at 35% (30-day)* [^]	5.35%								
SEC Taxable-Equivalent Yield at 37% (30-day)* [^]	5.52%								
SEC Current Yield (30-day)*	Gross 3.48% Net [‡] –%								

INTERMEDIATE DIVERSIFIED MUNICIPAL PORTFOLIO

Intermediate Diversified Muni Portfolio [†]	2.38%	2.38%	4.27%	1.52%	2.11%	2.81%	3.11%	Gross	0.48%
Bloomberg Barclays 5-Yr GO Muni Bond Index	2.01	2.01	4.50	1.71	2.11	2.93	2.19	Net [‡]	–
Morningstar Muni National Short Category	1.15	1.15	2.46	1.11	1.14	1.72	2.01		
SEC Taxable-Equivalent Yield at 35% (30-day)* [^]	2.52%								
SEC Taxable-Equivalent Yield at 37% (30-day)* [^]	2.60%								
SEC Current Yield (30-day)*	Gross 1.64% Net [‡] –%								

MUNICIPAL BOND INFLATION STRATEGY

Municipal Bond Inflation Strategy [†]	3.06%	3.06%	3.02%	2.20%	1.80%	–	2.17%	Gross	0.61%
Bloomberg Barclays 1-10 Year TIPS Index	2.57	2.57	2.72	1.53	1.50	–	2.19	Net [‡]	0.50%
Morningstar Muni National Short Category	1.15	1.15	2.46	1.11	1.14	–	1.40		
SEC Taxable-Equivalent Yield at 35% (30-day)* [^]	2.95%								
SEC Taxable-Equivalent Yield at 37% (30-day)* [^]	3.05%								
SEC Current Yield (30-day)*	Gross 1.81% Net [‡] 1.92%								

The performance shown above represents past performance and does not guarantee future results. Current performance may be lower or higher than the performance information shown. You may obtain performance information current to the most recent month-end by visiting www.abfunds.com. The investment return and principal value of an investment in the Portfolios will fluctuate, so that your shares, when redeemed, may be worth more or less than their original cost. Advisor Class shares have no front-end or contingent deferred sales charges, however when purchased through a financial advisor additional fees may apply. Returns for other share classes will vary due to different charges and expenses. Performance assumes reinvestment of distributions and does not account for taxes. If applicable, high double-digit returns are highly unusual and cannot be sustained; such returns are primarily achieved during favorable market conditions.

[†] The performance for National Portfolio Advisor Class shares prior to 8/6/08, the share class's inception date, reflects Class A share performance, adjusted for differences in operating expenses. The inception date of the Class A shares is 12/29/86.

The High Income Municipal Portfolio's Advisor Class share inception date is 1/26/10 and is the date used to calculate since inception annualized performance.

The performance for Intermediate Diversified Municipal Portfolio's Advisor Class shares prior to 6/26/15, the share class's inception date, reflects Class A share performance, adjusted for differences in operating expenses. The inception date of the Class A shares is 2/1/02.

The Municipal Bond Inflation Strategy's Advisor Class share inception date is 1/26/10 and is the date used to calculate since inception annualized performance.

*** If applicable, this reflects the Adviser's contractual waiver of a portion of its advisory fee and/or reimbursement of a portion of the Fund's operating expenses. This waiver extends through September 28, 2019 for the National and High Income Municipal Portfolios, and January 31, 2020 for the Municipal Bond Inflation Strategy, and may be extended by the Adviser for additional one-year terms. Absent reimbursements or waivers, performance would have been lower.**

* Yields for other share classes will vary due to different expenses. Gross SEC yield is calculated using the total expense ratio excluding any fee waivers.

[^] The taxable-equivalent yield is based on SEC yields and the stated marginal federal income tax rate and the maximum state taxes, where applicable.

Bloomberg Barclays Municipal Bond Index represents the performance of the long-term tax-exempt bond market consisting of investment-grade bonds. Bloomberg Barclays 5-Year GO Municipal Bond Index represents the performance of long-term, investment-grade tax-exempt bonds with maturities ranging from four to six years. Bloomberg Barclays 1-10 Year TIPS Index measures the performance of intermediate (1-10 year) US Treasury inflation-protected securities. Investors cannot invest directly in indices or averages, and their performance does not reflect fees and expenses or represent the performance of any AB fund.

Sources: FactSet, Morningstar Inc. and AB.

