JUN 06.30.18

SEMI-ANNUAL REPORT

AB VARIABLE PRODUCTS SERIES FUND, INC.

+SMALL/MID CAP VALUE PORTFOLIO

Investment Products Offered

- **Are Not FDIC Insured**
- **May Lose Value**
- **Are Not Bank Guaranteed**

AllianceBernstein Investments, Inc. (ABI) is the distributor of the AB family of mutual funds. ABI is a member of FINRA and is an affiliate of AllianceBernstein L.P., the Adviser of the funds.

You may obtain a description of the Fund's proxy voting policies and procedures, and information regarding how the Fund voted proxies relating to portfolio securities during the most recent 12-month period ended June 30, without charge. Simply visit AB's website at www.abfunds.com or go to the Securities and Exchange Commission's (the "Commission") website at www.sec.gov, or call AB at (800) 227 4618.

The Fund files its complete schedule of portfolio holdings with the Commission for the first and third quarters of each fiscal year on Form N-Q. The Fund's Forms N-Q are available on the Commission's website at www.sec.gov. The Fund's Forms N-Q may also be reviewed and copied at the Commission's Public Reference Room in Washington, DC; information on the operation of the Public Reference Room may be obtained by calling (800) SEC 0330.

As a shareholder of the Fund, you incur two types of costs: (1) transaction costs, including sales charges (loads) on purchase payments, contingent deferred sales charges on redemptions and (2) ongoing costs, including management fees; distribution (12b-1) fees; and other Fund expenses. This example is intended to help you understand your ongoing costs (in dollars) of investing in the Fund and to compare these costs with the ongoing costs of investing in other mutual funds.

The Example is based on an investment of $1,000 invested at the beginning of the period and held for the entire period as indicated below.

Actual Expenses
The table below provides information about actual account values and actual expenses. You may use the information in this line, together with the amount you invested, to estimate the expenses that you paid over the period. Simply divide your account value by $1,000 (for example, an $8,600 account value divided by $1,000 = 8.6), then multiply the result by the number in the first line under the heading entitled "Expenses Paid During Period" to estimate the expenses you paid on your account during this period. The estimate of expenses does not include fees or other expenses of any variable insurance product. If such expenses were included, the estimate of expenses you paid during the period would be higher and your ending account value would be lower.

Hypothetical Example for Comparison Purposes
The table below provides information about hypothetical account values and hypothetical expenses based on the Fund's actual expense ratio and an assumed annual rate of return of 5% before expenses, which is not the Fund's actual return. The hypothetical account values and expenses may not be used to estimate the actual ending account balance or expenses you paid for the period. You may use this information to compare the ongoing costs of investing in the Fund and other funds by comparing this 5% hypothetical example with the 5% hypothetical examples that appear in the shareholder reports of other funds. The estimate of expenses does not include fees or other expenses of any variable insurance product. If such expenses were included, the estimate of expenses you paid during the period would be higher and your ending account value would be lower.

Please note that the expenses shown in the table are meant to highlight your ongoing costs only and do not reflect any transactional costs, such as sales charges (loads), or contingent deferred sales charges on redemptions. Therefore, the second line of each class' table is useful in comparing ongoing costs only, and will not help you determine the relative total costs of owning different funds. In addition, if these transactional costs were included, your costs would have been higher.

	Beginning Account Value January 1, 2018	Ending Account Value June 30, 2018	Expenses Paid During Period*	Annualized Expense Ratio*
Class A				
Actual	$ 1,000	$ 1,025.80	$ 4.07	0.81%
Hypothetical (5% annual return before expenses)	$ 1,000	$ 1,020.78	$ 4.06	0.81%
Class B				
Actual	$ 1,000	$ 1,024.20	$ 5.32	1.06%
Hypothetical (5% annual return before expenses)	$ 1,000	$ 1,019.54	$ 5.31	1.06%

* Expenses are equal to each classes' annualized expense ratios, multiplied by the average account value over the period, multiplied by 181/365 (to reflect the one-half year period).

SMALL/MID CAP VALUE PORTFOLIO
TEN LARGEST HOLDINGS[1]
June 30, 2018 (unaudited)

COMPANY	U.S. $ VALUE	PERCENT OF NET ASSETS
Zions Bancorporation	$ 11,427,934	1.7%
Everest Re Group Ltd.	10,837,169	1.6
Reinsurance Group of America, Inc.—Class A	10,746,475	1.6
ICON PLC	10,018,605	1.4
QEP Resources, Inc.	9,893,697	1.4
Verint Systems, Inc.	9,805,785	1.4
Regal Beloit Corp.	9,273,666	1.3
American Financial Group, Inc./OH	9,243,260	1.3
Cooper-Standard Holdings, Inc.	9,137,623	1.3
Alcoa Corp.	8,782,968	1.3
	$ 99,167,182	14.3%

SECTOR BREAKDOWN[2]
June 30, 2018 (unaudited)

SECTOR	U.S. $ VALUE	PERCENT OF TOTAL INVESTMENTS
Financials	$ 153,345,418	22.1%
Industrials	113,025,708	16.3
Information Technology	100,822,562	14.6
Consumer Discretionary	89,221,610	12.9
Energy	64,067,065	9.2
Real Estate	51,539,133	7.4
Health Care	31,049,623	4.5
Utilities	29,278,023	4.2
Materials	28,225,827	4.1
Consumer Staples	23,091,034	3.3
Short-Term Investments	9,528,912	1.4
Total Investments	$ 693,194,915	100.0%

1 Long-term investments.

2 The Portfolio's sector breakdown is expressed as a percentage of total investments (excluding security lending collateral) and may vary over time.

Please note: The sector classifications presented herein are based on the Global Industry Classification Standard (GICS) which was developed by Morgan Stanley Capital International and Standard & Poor's. The components are divided into sector, industry group, and industry sub-indices as classified by the GICS for each of the market capitalization indices in the broad market. These sector classifications are broadly defined. The "Portfolio of Investments" section of the report reflects more specific industry information and is consistent with the investment restrictions discussed in the Portfolio's prospectus.

Company	Shares	U.S. $ Value
COMMON STOCKS–98.9%		
FINANCIALS–22.2%		
BANKS–11.6%		
Associated Banc-Corp.	311,800	$ 8,512,140
Comerica, Inc.	95,770	8,707,409
Fulton Financial Corp.	310,660	5,125,890
Huntington Bancshares, Inc./OH	523,120	7,721,251
Sterling Bancorp./DE	346,120	8,133,820
Synovus Financial Corp.	149,070	7,875,368
Texas Capital Bancshares, Inc.(a)	73,240	6,701,460
Umpqua Holdings Corp.	338,410	7,644,682
Webster Financial Corp.	128,722	8,199,591
Zions Bancorporation	216,890	11,427,934
		80,049,545
CONSUMER FINANCE–0.8%		
OneMain Holdings, Inc.(a)	159,700	5,316,413
INSURANCE–7.8%		
American Financial Group, Inc./OH	86,120	9,243,260
Everest Re Group Ltd.	47,020	10,837,169
First American Financial Corp.	116,250	6,012,450
Hanover Insurance Group, Inc. (The)	40,240	4,811,094
Old Republic International Corp.	350,390	6,976,265
Reinsurance Group of America, Inc.–Class A	80,510	10,746,475
Selective Insurance Group, Inc.	104,170	5,729,350
		54,356,063
THRIFTS & MORTGAGE FINANCE–2.0%		
BankUnited, Inc.	202,040	8,253,334
Essent Group Ltd.(a)	149,918	5,370,063
		13,623,397
		153,345,418
INDUSTRIALS–16.3%		
AIR FREIGHT & LOGISTICS–1.2%		
Atlas Air Worldwide Holdings, Inc.(a)	112,360	8,056,212
AIRLINES–2.9%		
Alaska Air Group, Inc.	101,990	6,159,176
Hawaiian Holdings, Inc.	159,990	5,751,641
SkyWest, Inc.	164,760	8,551,044
		20,461,861
COMMERCIAL SERVICES & SUPPLIES–1.0%		
Steelcase, Inc.–Class A	506,874	6,842,799
CONSTRUCTION & ENGINEERING–3.7%		
AECOM(a)	197,245	6,515,002
Granite Construction, Inc.	118,260	6,582,352
Quanta Services, Inc.(a)	226,655	$ 7,570,277
Tutor Perini Corp.(a)	285,350	5,264,707
		25,932,338
ELECTRICAL EQUIPMENT–2.4%		
EnerSys	97,510	7,278,146
Regal Beloit Corp.	113,370	9,273,666
		16,551,812
MACHINERY–2.6%		
Oshkosh Corp.	92,640	6,514,445
SPX FLOW, Inc.(a)	107,500	4,705,275
Terex Corp.	154,320	6,510,761
		17,730,481
ROAD & RAIL–1.0%		
Werner Enterprises, Inc.	183,510	6,890,801
TRADING COMPANIES & DISTRIBUTORS–1.5%		
BMC Stock Holdings, Inc.(a)	131,020	2,731,767
MRC Global, Inc.(a)	361,220	7,827,637
		10,559,404
		113,025,708
INFORMATION TECHNOLOGY–14.6%		
COMMUNICATIONS EQUIPMENT–2.2%		
Finisar Corp.(a)(b)	281,170	5,061,060
Infinera Corp.(a)	433,132	4,301,001
NetScout Systems, Inc.(a)	187,480	5,568,156
		14,930,217
ELECTRONIC EQUIPMENT, INSTRUMENTS & COMPONENTS–4.5%		
Anixter International, Inc.(a)	105,410	6,672,453
Avnet, Inc.	203,970	8,748,274
CDW Corp./DE	66,890	5,404,043
Sanmina Corp.(a)	205,050	6,007,965
VeriFone Systems, Inc.(a)	179,860	4,104,405
		30,937,140
IT SERVICES–3.2%		
Amdocs Ltd.	103,130	6,826,175
Booz Allen Hamilton Holding Corp.	169,815	7,426,010
Genpact Ltd.	271,220	7,846,394
		22,098,579
SEMICONDUCTORS & SEMICONDUCTOR EQUIPMENT–2.1%		
Cypress Semiconductor Corp.	379,080	5,906,067
Mellanox Technologies Ltd.(a)	48,510	4,089,393
Qorvo, Inc.(a)	57,190	4,584,922
		14,580,382

Company	Shares	U.S. $ Value
SOFTWARE–1.4%		
Verint Systems, Inc.(a)	221,100	$ 9,805,785
TECHNOLOGY HARDWARE, STORAGE & PERIPHERALS–1.2%		
NCR Corp.(a)	282,537	8,470,459
		100,822,562
CONSUMER DISCRETIONARY–12.9%		
AUTO COMPONENTS–2.8%		
Cooper-Standard Holdings, Inc.(a)	69,929	9,137,623
Dana, Inc.	180,460	3,643,487
Lear Corp.	25,137	4,670,706
Tenneco, Inc.	35,242	1,549,238
		19,001,054
DIVERSIFIED CONSUMER SERVICES–1.6%		
Houghton Mifflin Harcourt Co.(a)	446,125	3,412,856
Sotheby's(a)	146,570	7,964,614
		11,377,470
HOTELS, RESTAURANTS & LEISURE–1.5%		
Bloomin' Brands, Inc.	348,139	6,997,594
Brinker International, Inc.(b)	66,072	3,145,027
		10,142,621
HOUSEHOLD DURABLES–1.9%		
Lennar Corp.–Class A	152,333	7,997,482
Taylor Morrison Home Corp.–Class A(a)	256,500	5,330,070
		13,327,552
MEDIA–0.6%		
Scholastic Corp.	94,320	4,179,319
SPECIALTY RETAIL–2.7%		
Burlington Stores, Inc.(a)	35,787	5,387,017
Michaels Cos., Inc. (The)(a)	295,690	5,668,377
Signet Jewelers Ltd.	137,250	7,651,688
		18,707,082
TEXTILES, APPAREL & LUXURY GOODS–1.8%		
Crocs, Inc.(a)	331,540	5,838,420
Deckers Outdoor Corp.(a)	58,890	6,648,092
		12,486,512
		89,221,610
ENERGY–9.3%		
ENERGY EQUIPMENT & SERVICES–3.0%		
Dril-Quip, Inc.(a)	88,230	4,535,022
Helix Energy Solutions Group, Inc.(a)	333,230	2,775,806
Oil States International, Inc.(a)	234,820	$ 7,537,722
RPC, Inc.(b)	399,610	5,822,318
		20,670,868
OIL, GAS & CONSUMABLE FUELS–6.3%		
HollyFrontier Corp.	127,260	8,708,402
Oasis Petroleum, Inc.(a)	654,630	8,490,551
QEP Resources, Inc.(a)	806,990	9,893,697
SM Energy Co.	333,410	8,565,303
SRC Energy, Inc.(a)	702,200	7,738,244
		43,396,197
		64,067,065
REAL ESTATE–7.5%		
EQUITY REAL ESTATE INVESTMENT TRUSTS (REITS)–7.5%		
American Campus Communities, Inc.	157,710	6,762,605
Camden Property Trust	83,850	7,641,250
CubeSmart	35,368	1,139,557
Education Realty Trust, Inc.	177,530	7,367,495
Empire State Realty Trust, Inc.–Class A	325,971	5,574,104
Gramercy Property Trust	232,638	6,355,670
STAG Industrial, Inc.	320,460	8,726,126
Sun Communities, Inc.	81,450	7,972,326
		51,539,133
HEALTH CARE–4.5%		
HEALTH CARE PROVIDERS & SERVICES–3.0%		
LifePoint Health, Inc.(a)	136,995	6,685,356
Molina Healthcare, Inc.(a)	67,380	6,599,198
WellCare Health Plans, Inc.(a)	31,459	7,746,464
		21,031,018
LIFE SCIENCES TOOLS & SERVICES–1.5%		
ICON PLC(a)	75,595	10,018,605
		31,049,623
UTILITIES–4.2%		
ELECTRIC UTILITIES–2.8%		
Alliant Energy Corp.	173,178	7,328,893
PNM Resources, Inc.	151,690	5,900,741
Portland General Electric Co.	140,420	6,004,359
		19,233,993
GAS UTILITIES–0.7%		
Southwest Gas Holdings, Inc.	69,080	5,268,732
MULTI-UTILITIES–0.7%		
Black Hills Corp.	78,015	4,775,298
		29,278,023

Company	Shares	U.S. $ Value
MATERIALS–4.1%		
CHEMICALS–1.7%		
Orion Engineered Carbons SA	119,970	$ 3,701,075
Stepan Co.	100	7,801
Trinseo SA	110,870	7,866,226
		11,575,102
CONTAINERS & PACKAGING–1.1%		
Graphic Packaging Holding Co.	542,230	7,867,757
METALS & MINING–1.3%		
Alcoa Corp.(a)	187,350	8,782,968
		28,225,827
CONSUMER STAPLES–3.3%		
BEVERAGES–1.1%		
Cott Corp.	462,629	7,656,510
FOOD & STAPLES RETAILING–0.6%		
US Foods Holding Corp.(a)	109,330	4,134,860
FOOD PRODUCTS–1.6%		
Ingredion, Inc.	36,345	4,023,392
Nomad Foods Ltd.(a)	379,170	7,276,272
		11,299,664
		23,091,034
Total Common Stocks (cost $531,881,195)		683,666,003
SHORT-TERM INVESTMENTS–1.4%		
INVESTMENT COMPANIES–1.4%		
AB Fixed Income Shares, Inc.–Government Money Market Portfolio–Class AB, 1.71%(c)(d)(e) (cost $9,528,912)	9,528,912	9,528,912
TOTAL INVESTMENTS BEFORE SECURITY LENDING COLLATERAL FOR SECURITIES LOANED–100.3% (cost $541,410,107)		693,194,915
INVESTMENTS OF CASH COLLATERAL FOR SECURITIES LOANED–1.5%		
INVESTMENT COMPANIES–1.5%		
AB Fixed Income Shares, Inc.–Government Money Market Portfolio–Class AB, 1.71%(c)(d)(e) (cost $10,441,633)	10,441,633	$ 10,441,633
TOTAL INVESTMENTS–101.8% (cost $551,851,740)		703,636,548
Other assets less liabilities–(1.8)%		(12,177,543)
NET ASSETS–100.0%		$ 691,459,005

(a) Non-income producing security.

(b) Represents entire or partial securities out on loan. See Note E for securities lending information.

(c) Affiliated investments.

(d) The rate shown represents the 7-day yield as of period end.

(e) To obtain a copy of the fund's shareholder report, please go to the Securities and Exchange Commission's website at www.sec.gov, or call AB at (800) 227-4618.

See notes to financial statements.

ASSETS	
Investments in securities, at value	
Unaffiliated issuers (cost $531,881,195)	$683,666,003(a)
Affiliated issuers (cost $19,970,545—including investment of cash collateral for securities loaned of $10,441,633)	19,970,545
Receivable for investment securities sold	2,503,803
Unaffiliated dividends and interest receivable	831,742
Receivable for capital stock sold	28,032
Affiliated dividends receivable	4,360
Total assets	707,004,485
LIABILITIES	
Payable for collateral received on securities loaned	10,441,633
Payable for investment securities purchased	4,082,653
Advisory fee payable	447,807
Payable for capital stock redeemed	343,907
Distribution fee payable	100,121
Administrative fee payable	9,316
Directors' fees payable	473
Transfer Agent fee payable	87
Accrued expenses	119,483
Total liabilities	15,545,480
NET ASSETS	$691,459,005
COMPOSITION OF NET ASSETS	
Capital stock, at par	$ 31,321
Additional paid-in capital	449,448,790
Undistributed net investment income	4,012,630
Accumulated net realized gain on investment transactions	86,181,456
Net unrealized appreciation on investments	151,784,808
	$691,459,005

Net Asset Value Per Share—1 billion shares of capital stock authorized, $.001 par value

Class	Net Assets	Shares Outstanding	Net Asset Value
A	$ 229,084,385	10,302,428	$ 22.24
B	$ 462,374,620	21,018,587	$ 22.00

(a) Includes securities on loan with a value of $10,062,985 (see Note E).

See notes to financial statements.

INVESTMENT INCOME	
Dividends	
Unaffiliated issuers (net of foreign taxes withheld of $14,695)	$ 5,108,293
Affiliated issuers	83,846
Interest	9,360
Securities lending income	4,881
	5,206,380
EXPENSES	
Advisory fee (see Note B)	2,597,790
Distribution fee—Class B	579,069
Transfer agency—Class A	1,098
Transfer agency—Class B	2,219
Custodian	62,649
Printing	48,335
Administrative	27,008
Legal	26,135
Audit and tax	22,571
Directors' fees	12,772
Miscellaneous	12,279
Total expenses	3,391,925
Less: expenses waived and reimbursed by the Adviser (see Notes B & E)	(9,182)
Net expenses	3,382,743
Net investment income	1,823,637
REALIZED AND UNREALIZED GAIN (LOSS) ON INVESTMENT TRANSACTIONS	
Net realized gain on investment transactions	33,253,037
Net change in unrealized appreciation/depreciation of investments	(18,108,296)
Net gain on investment transactions	15,144,741
NET INCREASE IN NET ASSETS FROM OPERATIONS	$ 16,968,378

See notes to financial statements.

	Six Months Ended June 30, 2018 (unaudited)	Year Ended December 31, 2017
INCREASE (DECREASE) IN NET ASSETS FROM OPERATIONS		
Net investment income	$ 1,823,637	$ 2,068,051
Net realized gain on investment transactions	33,253,037	54,025,680
Net change in unrealized appreciation/depreciation of investments	(18,108,296)	27,557,556
Net increase in net assets from operations	16,968,378	83,651,287
DIVIDENDS AND DISTRIBUTIONS TO SHAREHOLDERS FROM		
Net investment income		
Class A	–0–	(1,018,430)
Class B	–0–	(1,111,760)
Net realized gain on investment transactions		
Class A	–0–	(10,952,926)
Class B	–0–	(22,632,252)
CAPITAL STOCK TRANSACTIONS		
Net decrease	(28,662,498)	(31,401,524)
Total increase (decrease)	(11,694,120)	16,534,395
NET ASSETS		
Beginning of period	703,153,125	686,618,730
End of period (including undistributed net investment income of $4,012,630 and $2,188,993, respectively)	$691,459,005	$703,153,125

See notes to financial statements.

NOTE A: Significant Accounting Policies

The AB Small/Mid Cap Value Portfolio (the "Portfolio") is a series of AB Variable Products Series Fund, Inc. (the "Fund"). The Portfolio's investment objective is long-term growth of capital. The Portfolio is diversified as defined under the Investment Company Act of 1940. The Fund was incorporated in the State of Maryland on November 17, 1987, as an open-end series investment company. The Fund offers fourteen separately managed pools of assets which have differing investment objectives and policies. The Portfolio offers Class A and Class B shares. Both classes of shares have identical voting, dividend, liquidating and other rights, except that Class B shares bear a distribution expense and have exclusive voting rights with respect to the Class B distribution plan.

The Portfolio offers and sells its shares only to separate accounts of certain life insurance companies for the purpose of funding variable annuity contracts and variable life insurance policies. Sales are made without a sales charge at the Portfolio's net asset value per share.

The financial statements have been prepared in conformity with U.S. generally accepted accounting principles ("U.S. GAAP") which require management to make certain estimates and assumptions that affect the reported amounts of assets and liabilities in the financial statements and amounts of income and expenses during the reporting period. Actual results could differ from those estimates. The Portfolio is an investment company under U.S. GAAP and follows the accounting and reporting guidance applicable to investment companies. The following is a summary of significant accounting policies followed by the Portfolio.

1. Security Valuation

Portfolio securities are valued at their current market value determined on the basis of market quotations or, if market quotations are not readily available or are deemed unreliable, at "fair value" as determined in accordance with procedures established by and under the general supervision of the Fund's Board of Directors (the "Board").

In general, the market values of securities which are readily available and deemed reliable are determined as follows: securities listed on a national securities exchange (other than securities listed on the NASDAQ Stock Market, Inc. ("NASDAQ")) or on a foreign securities exchange are valued at the last sale price at the close of the exchange or foreign securities exchange. If there has been no sale on such day, the securities are valued at the last traded price from the previous day. Securities listed on more than one exchange are valued by reference to the principal exchange on which the securities are traded; securities listed only on NASDAQ are valued in accordance with the NASDAQ Official Closing Price; listed or over the counter ("OTC") market put or call options are valued at the mid level between the current bid and ask prices. If either a current bid or current ask price is unavailable, AllianceBernstein L.P. (the "Adviser") will have discretion to determine the best valuation (e.g., last trade price in the case of listed options); open futures are valued using the closing settlement price or, in the absence of such a price, the most recent quoted bid price. If there are no quotations available for the day of valuation, the last available closing settlement price is used; U.S. Government securities and any other debt instruments having 60 days or less remaining until maturity are generally valued at market by an independent pricing vendor, if a market price is available. If a market price is not available, the securities are valued at amortized cost. This methodology is commonly used for short term securities that have an original maturity of 60 days or less, as well as short term securities that had an original term to maturity that exceeded 60 days. In instances when amortized cost is utilized, the Valuation Committee (the "Committee") must reasonably conclude that the utilization of amortized cost is approximately the same as the fair value of the security. Such factors the Committee will consider include, but are not limited to, an impairment of the creditworthiness of the issuer or material changes in interest rates. Fixed-income securities, including mortgage-backed and asset-backed securities, may be valued on the basis of prices provided by a pricing service or at a price obtained from one or more of the major broker-dealers. In cases where broker-dealer quotes are obtained, the Adviser may establish procedures whereby changes in market yields or spreads are used to adjust, on a daily basis, a recently obtained quoted price on a security. Swaps and other derivatives are valued daily, primarily using independent pricing services, independent pricing models using market inputs, as well as third party broker-dealers or counterparties. Open end mutual funds are valued at the closing net asset value per share, while exchange traded funds are valued at the closing market price per share.

Securities for which market quotations are not readily available (including restricted securities) or are deemed unreliable are valued at fair value as deemed appropriate by the Adviser. Factors considered in making this determination may include, but are not limited to, information obtained by contacting the issuer, analysts, analysis of the issuer's financial statements or other available documents. In addition, the Portfolio may use fair value pricing for securities primarily traded in non-U.S. markets because most foreign markets close well before the Portfolio values its securities at 4:00 p.m., Eastern Time. The earlier close of these foreign markets gives rise to the possibility that significant events, including broad market moves, may have occurred in the interim and may materially affect the value of those securities. To account for this, the Portfolio generally values many of its foreign equity securities using fair value prices based on third party vendor modeling tools to the extent available.

2. Fair Value Measurements

In accordance with U.S. GAAP regarding fair value measurements, fair value is defined as the price that the Portfolio would receive to sell an asset or pay to transfer a liability in an orderly transaction between market participants at the measurement date. U.S. GAAP establishes a framework for measuring fair value, and a three-level hierarchy for fair value measurements based upon the transparency of inputs to the valuation of an asset or liability (including those valued based on their market values as described in Note A.1 above). Inputs may be observable or unobservable and refer broadly to the assumptions that market participants would use in pricing the asset or liability. Observable inputs reflect the assumptions market participants would use in pricing the asset or liability based on market data obtained from sources independent of the Portfolio. Unobservable inputs reflect the Portfolio's own assumptions about the assumptions that market participants would use in pricing the asset or liability based on the best information available in the circumstances. Each investment is assigned a level based upon the observability of the inputs which are significant to the overall valuation. The three-tier hierarchy of inputs is summarized below.

- Level 1—quoted prices in active markets for identical investments
- Level 2—other significant observable inputs (including quoted prices for similar investments, interest rates, prepayment speeds, credit risk, etc.)
- Level 3—significant unobservable inputs (including the Portfolio's own assumptions in determining the fair value of investments)

Where readily available market prices or relevant bid prices are not available for certain equity investments, such investments may be valued based on similar publicly traded investments, movements in relevant indices since last available prices or based upon underlying company fundamentals and comparable company data (such as multiples to earnings or other multiples to equity). Where an investment is valued using an observable input, such as another publicly traded security, the investment will be classified as Level 2. If management determines that an adjustment is appropriate based on restrictions on resale, illiquidity or uncertainty, and such adjustment is a significant component of the valuation, the investment will be classified as Level 3. An investment will also be classified as Level 3 where management uses company fundamentals and other significant inputs to determine the valuation.

The following table summarizes the valuation of the Portfolio's investments by the above fair value hierarchy levels as of June 30, 2018:

	Level 1	Level 2	Level 3	Total
Investments in Securities:				
Assets:				
Common Stocks(a)	$683,666,003	$ –0–	$ –0–	$683,666,003
Short-Term Investments	9,528,912	–0–	–0–	9,528,912
Investments of Cash Collateral for Securities Loaned in Affiliated Money Market Fund	10,441,633	–0–	–0–	10,441,633
Total Investments in Securities	703,636,548	–0–	–0–	703,636,548
Other Financial Instruments(b)	–0–	–0–	–0–	–0–
Total(c)	**$703,636,548**	**$ –0–**	**$ –0–**	**$703,636,548**

(a) See Portfolio of Investments for sector classifications.

(b) Other financial instruments are derivative instruments, such as futures, forwards and swaps, which are valued at the unrealized appreciation/(depreciation) on the instrument. Other financial instruments may also include swaps with upfront premiums, options written and swaptions written which are valued at market value.

(c) There were no transfers between any levels during the reporting period.

The Portfolio recognizes all transfers between levels of the fair value hierarchy assuming the financial instruments were transferred at the beginning of the reporting period.

The Adviser established the Committee to oversee the pricing and valuation of all securities held in the Portfolio. The Committee operates under pricing and valuation policies and procedures established by the Adviser and approved by the Board, including pricing policies which set forth the mechanisms and processes to be employed on a daily basis to implement these policies and procedures. In particular, the pricing policies describe how to determine market quotations for securities and other instruments. The Committee's responsibilities include: 1) fair value and liquidity determinations (and oversight of any third parties to whom any responsibility for fair value and liquidity determinations is delegated), and 2) regular monitoring of the Adviser's pricing and valuation policies and procedures and modification or enhancement of these policies and procedures (or recommendation of the modification of these policies and procedures) as the Committee believes appropriate.

The Committee is also responsible for monitoring the implementation of the pricing policies by the Adviser's Pricing Group (the "Pricing Group") and any third party which performs certain pricing functions in accordance with the pricing policies. The Pricing Group is responsible for the oversight of the third party on a day-to-day basis. The Committee and the Pricing Group perform a series of activities to provide reasonable assurance of the accuracy of prices including: 1) periodic vendor due diligence meetings, review of methodologies, new developments and processes at vendors, 2) daily comparison of security valuation versus prior day for all securities that exceeded established thresholds, and 3) daily review of unpriced, stale, and variance reports with exceptions reviewed by senior management and the Committee.

In addition, several processes outside of the pricing process are used to monitor valuation issues including: 1) performance and performance attribution reports are monitored for anomalous impacts based upon benchmark performance, and 2) portfolio managers review all portfolios for performance and analytics (which are generated using the Adviser's prices).

3. Currency Translation

Assets and liabilities denominated in foreign currencies and commitments under forward currency exchange contracts are translated into U.S. dollars at the mean of the quoted bid and ask prices of such currencies against the U.S. dollar. Purchases and sales of portfolio securities are translated into U.S. dollars at the rates of exchange prevailing when such securities were acquired or sold. Income and expenses are translated into U.S. dollars at rates of exchange prevailing when accrued.

Net realized gain or loss on foreign currency transactions represents foreign exchange gains and losses from sales and maturities of foreign fixed income investments, holding of foreign currencies, currency gains or losses realized between the trade and settlement dates on foreign investment transactions, and the difference between the amounts of dividends, interest and foreign withholding taxes recorded on the Portfolio's books and the U.S. dollar equivalent amounts actually received or paid. Net unrealized currency gains and losses from valuing foreign currency denominated assets and liabilities at period end exchange rates are reflected as a component of net unrealized appreciation or depreciation of foreign currency denominated assets and liabilities.

4. Taxes

It is the Portfolio's policy to meet the requirements of the Internal Revenue Code applicable to regulated investment companies and to distribute all of its investment company taxable income and net realized gains, if any, to shareholders. Therefore, no provisions for federal income or excise taxes are required. The Portfolio may be subject to taxes imposed by countries in which it invests. Such taxes are generally based on income and/or capital gains earned or repatriated. Taxes are accrued and applied to net investment income, net realized gains and net unrealized appreciation/depreciation as such income and/or gains are earned.

In accordance with U.S. GAAP requirements regarding accounting for uncertainties in income taxes, management has analyzed the Portfolio's tax positions taken or expected to be taken on federal and state income tax returns for all open tax years (the current and the prior three tax years) and has concluded that no provision for income tax is required in the Portfolio's financial statements.

5. Investment Income and Investment Transactions

Dividend income is recorded on the ex-dividend date or as soon as the Portfolio is informed of the dividend. Interest income is accrued daily. Investment transactions are accounted for on the date the securities are purchased or sold. Investment gains or losses are determined on the identified cost basis. The Portfolio amortizes premiums and accretes discounts as adjustments to interest income.

6. Class Allocations

All income earned and expenses incurred by the Portfolio are borne on a pro-rata basis by each outstanding class of shares, based on the proportionate interest in the Portfolio represented by the net assets of such class, except for class specific expenses which are allocated to the respective class. Expenses of the Fund are charged proportionately to each portfolio or based on other appropriate methods. Realized and unrealized gains and losses are allocated among the various share classes based on respective net assets.

7. Dividends and Distributions

Dividends and distributions to shareholders, if any, are recorded on the ex-dividend date. Income dividends and capital gains distributions are determined in accordance with federal tax regulations and may differ from those determined in accordance with U.S. GAAP. To the extent these differences are permanent, such amounts are reclassified within the capital accounts based on their federal tax basis treatment; temporary differences do not require such reclassification.

NOTE B: Advisory Fee and Other Transactions with Affiliates

Under the terms of the investment advisory agreement, the Portfolio pays the Adviser an advisory fee at an annual rate of .75% of the first $2.5 billion, .65% of the next $2.5 billion and .60% in excess of $5 billion, of the Portfolio's average daily net assets. The fee is accrued daily and paid monthly. The Adviser has agreed to waive its fees and bear certain expenses to the extent necessary to limit total operating expenses on an annual basis (the "Expense Caps") to 1.20% and 1.45% of daily average net assets for Class A and Class B shares, respectively. For the six months ended June 30, 2018, there were no expenses waived by the Adviser.

Pursuant to the investment advisory agreement, the Portfolio may reimburse the Adviser for certain legal and accounting services provided to the Portfolio by the Adviser. For the six months ended June 30, 2018, the reimbursement for such services amounted to $27,008.

The Portfolio compensates AllianceBernstein Investor Services, Inc. ("ABIS"), a wholly-owned subsidiary of the Adviser, under a Transfer Agency Agreement for providing personnel and facilities to perform transfer agency services for the Portfolio. Such compensation retained by ABIS amounted to $600 for the six months ended June 30, 2018.

The Portfolio may invest in AB Government Money Market Portfolio (the "Government Money Market Portfolio") which has a contractual annual advisory fee rate of .20% of the portfolio's average daily net assets and bears its own expenses. In connection with the investment by the Portfolio in the Government Money Market Portfolio, the Adviser has contractually agreed to waive its advisory fee from the Portfolio in an amount equal to the Portfolio's pro rata share of the effective advisory fee of Government Money Market Portfolio, as borne indirectly by the Portfolio as an acquired fund fee and expense. For the six months ended June 30, 2018, such waiver amounted to $530.

A summary of the Portfolio's transactions in AB mutual funds for the six months ended June 30, 2018 is as follows:

Fund	Market Value 12/31/17 (000)	Purchases at Cost (000)	Sales Proceeds (000)	Market Value 6/30/18 (000)	Dividend Income (000)
Government Money Market Portfolio	$ 0	$11,811	$ 2,282	$ 9,529	$ 4
Government Money Market Portfolio*	18,302	92,688	100,548	10,442	80
Total				$19,971	$84

* Investments of cash collateral for securities lending transactions (see Note E).

Brokerage commissions paid on investment transactions for the six months ended June 30, 2018 amounted to $129,702, of which $0 and $0, respectively, was paid to Sanford C. Bernstein & Co. LLC and Sanford C. Bernstein Limited, affiliates of the Adviser.

NOTE C: Distribution Plan

The Portfolio has adopted a Distribution Plan (the "Plan") for Class B shares pursuant to Rule 12b-1 under the Investment Company Act of 1940. Under the Plan, the Portfolio pays distribution and servicing fees to AllianceBernstein Investments, Inc. (the "Distributor"), a wholly-owned subsidiary of the Adviser, at an annual rate of up to .50% of the Portfolio's average daily net assets attributable to Class B shares. The fees are accrued daily and paid monthly. The Board currently limits payments under the Plan to .25% of the Portfolio's average daily net assets attributable to Class B shares. The Plan provides that the Distributor will use such payments in their entirety for distribution assistance and promotional activities.

The Portfolio is not obligated under the Plan to pay any distribution and servicing fees in excess of the amounts set forth above. The purpose of the payments to the Distributor under the Plan is to compensate the Distributor for its distribution services with respect to the sale of the Portfolio's Class B shares. Since the Distributor's compensation is not directly tied to its expenses, the amount of compensation received by it under the Plan during any year may be more or less than its actual expenses. For this reason, the Plan is characterized by the staff of the Securities and Exchange Commission as being of the "compensation" variety.

In the event that the Plan is terminated or not continued, no distribution or servicing fees (other than current amounts accrued but not yet paid) would be owed by the Portfolio to the Distributor.

The Plan also provides that the Adviser may use its own resources to finance the distribution of the Portfolio's shares.

NOTE D: Investment Transactions

Purchases and sales of investment securities (excluding short-term investments) for the six months ended June 30, 2018 were as follows:

	Purchases	Sales
Investment securities (excluding U.S. government securities)	$119,092,467	$141,932,471
U.S. government securities	–0–	–0–

The cost of investments for federal income tax purposes was substantially the same as the cost for financial reporting purposes. Accordingly, gross unrealized appreciation and unrealized depreciation are as follows:

Gross unrealized appreciation	$163,571,877
Gross unrealized depreciation	(11,787,069)
Net unrealized appreciation	$151,784,808

1. Derivative Financial Instruments

The Portfolio may use derivatives in an effort to earn income and enhance returns, to replace more traditional direct investments, to obtain exposure to otherwise inaccessible markets (collectively, "investment purposes"), or to hedge or adjust the risk profile of its portfolio.

The Portfolio did not engage in derivatives transactions for the six months ended June 30, 2018.

2. Currency Transactions

The Portfolio may invest in non-U.S. Dollar-denominated securities on a currency hedged or unhedged basis. The Portfolio may seek investment opportunities by taking long or short positions in currencies through the use of currency-related derivatives, including forward currency exchange contracts, futures and options on futures, swaps, and other options. The Portfolio may enter into transactions for investment opportunities when it anticipates that a foreign currency will appreciate or depreciate in value but securities denominated in that currency are not held by the Portfolio and do not present attractive investment opportunities. Such transactions may also be used when the Adviser believes that it may be more efficient than a direct investment in a foreign currency-denominated security. The Portfolio may also conduct currency exchange contracts on a spot basis (i.e., for cash at the spot rate prevailing in the currency exchange market for buying or selling currencies).

NOTE E: Securities Lending

The Portfolio may enter into securities lending transactions. Under the Portfolio's securities lending program, all loans of securities will be collateralized continually by cash. The Portfolio will be compensated for the loan from a portion of the net return from the income earned on cash collateral after a rebate is paid to the borrower (in some cases, this rebate may be a "negative rebate" or fee paid by the borrower to the Portfolio in connection with the loan), and payments are made for fees of the securities lending agent and for certain other administrative expenses. It is the policy of the Portfolio to receive collateral consisting of cash in an amount exceeding the value of the securities loaned. The Portfolio will have the right to call a loan and obtain the securities loaned at any time on notice to the borrower within the normal and customary settlement time for the securities. While the securities are on loan, the borrower is obligated to pay the Portfolio amounts equal to any income or other distributions from the securities. The Portfolio will not be able to exercise voting rights with respect to any securities during the existence of a loan, but will have the right to regain ownership of loaned securities in order to exercise voting or other ownership rights. The lending agent has agreed to indemnify the Portfolio in the case of default of any securities borrower. Collateral received and securities loaned are marked to market daily to ensure that the securities loaned are secured by collateral. The lending agent currently invests the cash collateral received in AB Government Money Market Portfolio, an eligible money market vehicle, in accordance with the investment restrictions of the Portfolio, and as approved by the Board. The collateral received on securities loaned is recorded as an asset as well as a corresponding liability in the statement of assets and liabilities. When the Portfolio lends securities, its investment performance will continue to reflect changes in the value of the securities loaned. At June 30, 2018, the Portfolio had securities on loan with a value of $10,062,985 and had received cash collateral which has been invested into AB Government Money Market Portfolio of $10,441,633. The cash collateral will be adjusted on the next business day to maintain the required collateral amount. The Portfolio earned securities lending income of $4,881 and $79,486 from the borrowers and AB Government Money Market Portfolio, respectively, for the six months ended June 30, 2018; these amounts are reflected in the statement of operations. In connection with the cash collateral investment by the Portfolio in the AB Government Money Market Portfolio, the Adviser has agreed to waive a portion of the Portfolio's share of the advisory fees of AB Government Money Market Portfolio, as borne indirectly by the Portfolio as an acquired fund fee and expense. For the six months ended June 30, 2018, such waiver amounted to $8,652. A principal risk of lending portfolio securities is that the borrower may fail to return the loaned securities upon termination of the loan and that the collateral will not be sufficient to replace the loaned securities.

NOTE F: Capital Stock

Each class consists of 500,000,000 authorized shares. Transactions in capital shares for each class were as follows:

	SHARES		AMOUNT	
	Six Months Ended June 30, 2018 (unaudited)	Year Ended December 31, 2017	Six Months Ended June 30, 2018 (unaudited)	Year Ended December 31, 2017
Class A				
Shares sold	386,447	1,291,766	$ 8,426,788	$ 26,552,466
Shares issued in reinvestment of dividends and distributions	–0–	629,078	–0–	11,971,356
Shares redeemed	(859,610)	(2,537,276)	(18,843,170)	(51,958,746)
Net decrease	(473,163)	(616,432)	$(10,416,382)	$(13,434,924)
Class B				
Shares sold	640,168	2,296,542	$ 13,884,781	$ 46,650,675
Shares issued in reinvestment of dividends and distributions	–0–	1,258,294	–0–	23,744,012
Shares redeemed	(1,480,561)	(4,333,856)	(32,130,897)	(88,361,287)
Net decrease	(840,393)	(779,020)	$(18,246,116)	$(17,966,600)

At June 30, 2018, certain shareholders of the Portfolio owned 71% in aggregate of the Portfolio's outstanding shares. Significant transactions by such shareholders, if any, may impact the Portfolio's performance.

NOTE G: Risks Involved in Investing in the Portfolio

Capitalization Risk—Investments in small- and mid-capitalization companies may be more volatile than investments in large-capitalization companies. Investments in small-capitalization companies may have additional risks because these companies have limited product lines, markets or financial resources.

Foreign (Non-U.S.) Risk—Investments in securities of non-U.S. issuers may involve more risk than those of U.S. issuers. These securities may fluctuate more widely in price and may be less liquid due to adverse market, economic, political, regulatory or other factors.

Currency Risk—Fluctuations in currency exchange rates may negatively affect the value of the Portfolio's investments or reduce its returns.

Derivatives Risk—The Portfolio may enter into derivative transactions such as forwards, options, futures and swaps. Derivatives may be illiquid, difficult to price, and leveraged so that small changes may produce disproportionate losses for the Portfolio, and subject to counterparty risk to a greater degree than more traditional investments. Derivatives may result in significant losses, including losses that are far greater than the value of the derivatives reflected on the statement of assets and liabilities.

Indemnification Risk—In the ordinary course of business, the Portfolio enters into contracts that contain a variety of indemnifications. The Portfolio's maximum exposure under these arrangements is unknown. However, the Portfolio has not had prior claims or losses pursuant to these indemnification provisions and expects the risk of loss thereunder to be remote. Therefore, the Portfolio has not accrued any liability in connection with these indemnification provisions.

NOTE H: Joint Credit Facility

A number of open-end mutual funds managed by the Adviser, including the Portfolio, participate in a $280 million revolving credit facility (the "Facility") intended to provide short-term financing, if necessary, subject to certain restrictions in connection with abnormal redemption activity. Commitment fees related to the Facility are paid by the participating funds and are included in miscellaneous expenses in the statement of operations. The Portfolio did not utilize the Facility during the six months ended June 30, 2018. Effective July 3, 2018, the Facility will be increased to $325 million.

NOTE I: Distributions to Shareholders

The tax character of distributions to be paid for the year ending December 31, 2018 will be determined at the end of the current fiscal year. The tax character of distributions paid during the fiscal years ended December 31, 2017 and December 31, 2016 were as follows:

	2017	2016
Distributions paid from:		
Ordinary income	$ 2,130,190	$ 3,624,690
Net long-term capital gains	33,585,178	33,801,029
Total taxable distributions	$35,715,368	$37,425,719

As of December 31, 2017, the components of accumulated earnings/(deficit) on a tax basis were as follows:

Undistributed ordinary income	$ 2,037,079
Undistributed net capital gain	53,754,900
Unrealized appreciation/(depreciation)	169,066,623(a)
Total accumulated earnings/(deficit)	$224,858,602(b)

(a) The difference between book-basis and tax-basis unrealized appreciation/(depreciation) is attributable primarily to the tax deferral of losses on wash sales.

(b) The difference between book-basis and tax-basis components of accumulated earnings/(deficit) is attributable primarily to the tax treatment of deferred dividends from real estate investment trust (REITs).

For tax purposes, net realized capital losses may be carried over to offset future capital gains, if any. Funds are permitted to carry forward capital losses for an indefinite period, and such losses will retain their character as either short-term or long-term capital losses. As of December 31, 2017, the Portfolio did not have any capital loss carryforwards.

NOTE J: Subsequent Events

Management has evaluated subsequent events for possible recognition or disclosure in the financial statements through the date the financial statements are issued. Management has determined that there are no material events that would require disclosure in the Portfolio's financial statements through this date.

Selected Data For A Share Of Capital Stock Outstanding Throughout Each Period

	CLASS A					
	Six Months Ended June 30, 2018 (unaudited)	Year Ended December 31, 2017	2016	2015	2014	2013
Net asset value, beginning of period	$21.68	$20.29	$17.29	$21.95	$22.89	$17.67
Income From Investment Operations						
Net investment income (a)	.08(b)	.10(b)	.10(b)†	.11	.17	.16
Net realized and unrealized gain (loss) on investment transactions	.48	2.41	4.09	(1.11)	1.82	6.41
Net increase (decrease) in net asset value from operations	.56	2.51	4.19	(1.00)	1.99	6.57
Less: Dividends and Distributions						
Dividends from net investment income	–0–	(.09)	(.11)	(.17)	(.17)	(.13)
Distributions from net realized gain on investment transactions	–0–	(1.03)	(1.08)	(3.49)	(2.76)	(1.22)
Total dividends and distributions	–0–	(1.12)	(1.19)	(3.66)	(2.93)	(1.35)
Net asset value, end of period	$22.24	$21.68	$20.29	$17.29	$21.95	$22.89
Total Return						
Total investment return based on net asset value (c)	2.58%	13.15%*	25.09%†	(5.49)%	9.20%	38.06%*
Ratios/Supplemental Data						
Net assets, end of period (000's omitted)	$229,084	$233,652	$231,197	$191,388	$211,680	$217,146
Ratio to average net assets of:						
Expenses, net of waivers/reimbursements	.81%^	.81%	.82%	.82%	.82%	.81%
Expenses, before waivers/reimbursements	.81%^	.82%	.83%	.82%	.82%	.81%
Net investment income	.69%(b)^	.47%(b)	.53%(b)†	.56%	.75%	.77%
Portfolio turnover rate	17%	33%	57%	42%	45%	56%

See footnote summary on page 17.

Selected Data For A Share Of Capital Stock Outstanding Throughout Each Period

	CLASS B					
	Six Months Ended June 30, 2018 (unaudited)	Year Ended December 31, 2017	2016	2015	2014	2013
Net asset value, beginning of period	$21.48	$20.12	$17.15	$21.79	$22.74	$17.58
Income From Investment Operations						
Net investment income (a)	.05(b)	.05(b)	.05(b)†	.06	.11	.11
Net realized and unrealized gain (loss) on investment transactions	.47	2.39	4.06	(1.09)	1.81	6.36
Net increase (decrease) in net asset value from operations	.52	2.44	4.11	(1.03)	1.92	6.47
Less: Dividends and Distributions						
Dividends from net investment income	–0–	(.05)	(.06)	(.12)	(.11)	(.09)
Distributions from net realized gain on investment transactions	–0–	(1.03)	(1.08)	(3.49)	(2.76)	(1.22)
Total dividends and distributions	–0–	(1.08)	(1.14)	(3.61)	(2.87)	(1.31)
Net asset value, end of period	$22.00	$21.48	$20.12	$17.15	$21.79	$22.74
Total Return						
Total investment return based on net asset value (c)	2.42%	12.85%*	24.79%†	(5.69)%	8.95%	37.63%*
Ratios/Supplemental Data						
Net assets, end of period (000's omitted)	$462,375	$469,501	$455,422	$386,875	$447,378	$472,677
Ratio to average net assets of:						
Expenses, net of waivers/reimbursements	1.06%^	1.06%	1.07%	1.07%	1.07%	1.06%
Expenses, before waivers/reimbursements	1.06%^	1.07%	1.08%	1.07%	1.07%	1.06%
Net investment income	.44%(b)^	.22%(b)	.28%(b)†	.31%	.49%	.51%
Portfolio turnover rate	17%	33%	57%	42%	45%	56%

(a) Based on average shares outstanding.

(b) Net of expenses waived/reimbursed by the Adviser.

(c) Total investment return is calculated assuming an initial investment made at the net asset value at the beginning of the period, reinvestment of all dividends and distributions at net asset value during the period, and redemption on the last day of the period. Total return does not reflect (i) insurance company's separate account related expense charges and (ii) the deductions of taxes that a shareholder would pay on Portfolio distributions or the redemption of Portfolio shares. Total investment return calculated for a period of less than one year is not annualized.

† For the year ended December 31, 2016, the amount includes a refund for overbilling of prior years' custody out of pocket fees as follows:

Net Investment Income Per Share	Net Investment Income Ratio	Total Return
$.001	.003%	.003%

* Includes the impact of proceeds received and credited to the Portfolio resulting from class action settlements, which enhanced the Portfolio's performance for the years ended December 31, 2017 and December 31, 2013 by .11% and .01%, respectively.

^ Annualized.

See notes to financial statements.

INFORMATION REGARDING THE REVIEW AND APPROVAL OF THE FUND'S ADVISORY AGREEMENT

The disinterested directors (the "directors") of AB Variable Products Series Fund, Inc. (the "Company") unanimously approved the continuance of the Company's Advisory Agreement with the Adviser in respect of AB Small/Mid Cap Value Portfolio (the "Fund") at a meeting held on May 1-3, 2018 (the "Meeting").

Prior to approval of the continuance of the Advisory Agreement, the directors had requested from the Adviser, and received and evaluated, extensive materials. They reviewed the proposed continuance of the Advisory Agreement with the Adviser and with experienced counsel who are independent of the Adviser, who advised on the relevant legal standards. The directors also reviewed additional materials, including materials from an outside consultant, who acted as their independent fee consultant, and comparative analytical data prepared by the Senior Analyst for the Fund. The directors also discussed the proposed continuance in private sessions with counsel.

The directors considered their knowledge of the nature and quality of the services provided by the Adviser to the Fund gained from their experience as directors or trustees of most of the registered investment companies advised by the Adviser, their overall confidence in the Adviser's integrity and competence they have gained from that experience, the Adviser's initiative in identifying and raising potential issues with the directors and its responsiveness, frankness and attention to concerns raised by the directors in the past, including the Adviser's willingness to consider and implement organizational and operational changes designed to improve investment results and the services provided to the AB Funds. The directors noted that they have four regular meetings each year, at each of which they review extensive materials and information from the Adviser, including information on the investment performance of the Fund.

The directors also considered all factors they believed relevant, including the specific matters discussed below. During the course of their deliberations, the directors evaluated, among other things, the reasonableness of the advisory fee. The directors did not identify any particular information that was all-important or controlling, and different directors may have attributed different weights to the various factors. The directors determined that the selection of the Adviser to manage the Fund and the overall arrangements between the Fund and the Adviser, as provided in the Advisory Agreement, including the advisory fee, were fair and reasonable in light of the services performed, expenses incurred and such other matters as the directors considered relevant in the exercise of their business judgment. The material factors and conclusions that formed the basis for the directors' determinations included the following:

Nature, Extent and Quality of Services Provided

The directors considered the scope and quality of services provided by the Adviser under the Advisory Agreement, including the quality of the investment research capabilities of the Adviser and the other resources it has dedicated to performing services for the Fund. The directors noted that the Adviser from time to time reviews the Fund's investment strategies and from time to time proposes changes intended to improve the Fund's relative or absolute performance for the directors' consideration. They also noted the professional experience and qualifications of the Fund's portfolio management team and other senior personnel of the Adviser. The directors also considered that the Advisory Agreement provides that the Fund will reimburse the Adviser for the cost to it of providing certain clerical, accounting, administrative and other services to the Fund by employees of the Adviser or its affiliates. Requests for these reimbursements are made on a quarterly basis and subject to approval by the directors. Reimbursements, to the extent requested and paid, result in a higher rate of total compensation from the Fund to the Adviser than the fee rate stated in the Advisory Agreement. The directors noted that the methodology used to determine the reimbursement amounts had been reviewed by an independent consultant retained by the Company's former Independent Compliance Officer. The quality of administrative and other services, including the Adviser's role in coordinating the activities of the Fund's other service providers, also was considered. The directors concluded that, overall, they were satisfied with the nature, extent and quality of services provided to the Fund under the Advisory Agreement.

Costs of Services Provided and Profitability

The directors reviewed a schedule of the revenues and expenses and related notes indicating the profitability of the Fund to the Adviser for calendar years 2016 and 2017 that had been prepared with an expense allocation methodology arrived at in consultation with an independent consultant retained by the Company's former Independent Compliance Officer. The directors noted the assumptions and methods of allocation used by the Adviser in preparing fund-specific profitability data and understood that there are a number of potentially acceptable allocation methodologies for information of this type. The directors noted that the profitability information reflected all revenues and expenses of the Adviser's relationship with the Fund, including those relating to its subsidiaries that provide transfer agency, distribution and brokerage services to the Fund. The directors recognized that it is difficult to make comparisons of the profitability of the Advisory Agreement with the profitability of advisory contracts for unaffiliated funds because comparative information is not generally publicly available and is affected by numerous factors. The directors focused on the profitability of the Adviser's relationship with the Fund before taxes and distribution expenses. The directors concluded that the Adviser's level of profitability from its relationship with the Fund was not unreasonable.

Fall-Out Benefits

The directors considered the other benefits to the Adviser and its affiliates from their relationships with the Fund, including, but not limited to, benefits relating to soft dollar arrangements (whereby investment advisers receive brokerage and research services from brokers that execute agency transactions for their clients); 12b-1 fees and sales charges received by the Fund's principal underwriter (which is a wholly owned subsidiary of the Adviser) in respect of the Fund's Class B shares; brokerage commissions paid by the Fund to brokers affiliated with the Adviser; and transfer agency fees paid by the Fund to a wholly owned subsidiary of the Adviser. The directors recognized that the Adviser's profitability would be somewhat lower without these benefits. The directors understood that the Adviser also might derive reputational and other benefits from its association with the Fund.

Investment Results

In addition to the information reviewed by the directors in connection with the Meeting, the directors receive detailed performance information for the Fund at each regular Board meeting during the year.

At the Meeting, the directors reviewed performance information prepared by an analytical service that is not affiliated with the Adviser (the "15(c) service provider"), showing the performance of the Class A Shares of the Fund against a group of similar funds ("peer group") and a larger group of similar funds ("peer universe"), each selected by the 15(c) service provider, and information prepared by the Adviser showing performance of the Class A Shares against a broad-based securities market index, in each case for the 1-, 3-, 5- and 10-year periods ended February 28, 2018 and (in the case of comparisons with the broad-based securities market index) for the period from inception. Based on their review, the directors concluded that the Fund's investment performance was acceptable.

Advisory Fees and Other Expenses

The directors considered the advisory fee rate payable by the Fund to the Adviser and information prepared by the 15(c) service provider concerning advisory fee rates payable by other funds in the same category as the Fund. The directors recognized that it is difficult to make comparisons of advisory fees because there are variations in the services that are included in the fees paid by other funds. The directors compared the Fund's contractual effective advisory fee rate with a peer group median and took into account the impact on the advisory fee rate of the administrative expense reimbursement paid to the Adviser in the latest fiscal year.

The directors also considered the Adviser's fee schedule for other clients pursuing a similar investment style. For this purpose, they reviewed the relevant advisory fee information from the Adviser's Form ADV and the materials from the Fund's Senior Analyst and noted the differences between the Fund's fee schedule, on the one hand, and the Adviser's institutional fee schedule and the schedule of fees charged by the Adviser to any offshore funds and any sub-advised funds, on the other. The directors noted that the Adviser may, in some cases, agree to fee rates with large institutional clients that are lower than those reviewed by the directors and that they had previously discussed with the Adviser its policies in respect of such arrangements. The directors also compared the advisory fee rate for the Fund with that for another AB Fund with a similar investment style.

The Adviser reviewed with the directors the significantly greater scope of the services it provides to the Fund relative to institutional, offshore fund and sub-advised fund clients. In this regard, the Adviser noted, among other things, that, compared to institutional and offshore accounts, the Fund (i) demands considerably more portfolio management, research and trading resources due to significantly higher daily cash flows; (ii) has more tax and regulatory restrictions; (iii) must prepare and distribute regulatory and other communications about fund operations; and (iv) must provide shareholder servicing to retail investors. The Adviser also reviewed the greater legal risks presented by the large and changing population of Fund shareholders who may assert claims against the Adviser in individual or class actions, and the greater entrepreneurial risk in offering new fund products, which require substantial investment to launch, may not succeed, and generally must be priced to compete with larger, more established funds resulting in lack of profitability to the Adviser until a new fund achieves scale. In light of the substantial differences in services rendered by the Adviser to institutional, offshore fund and sub-advised fund clients as compared to funds such as the Fund, and the different risk profile, the directors considered these fee comparisons inapt and did not place significant weight on them in their deliberations.

The directors also considered the total expense ratio of the Class A shares of the Fund in comparison to a peer group and a peer universe selected by the 15(c) service provider. The Class A expense ratio of the Fund was based on the Fund's latest fiscal year and the directors considered the effects of any fee waivers and/or expense reimbursements as a result of the Adviser's expense cap (although the directors noted that the Fund's expense ratio was currently below the Adviser's expense cap). The directors noted that it was likely that the expense ratios of some of the other funds in the Fund's category were lowered by waivers or reimbursements by those funds' investment advisers, which in some cases might be voluntary or temporary. The directors view expense ratio information as relevant to their evaluation of the Adviser's services because the Adviser is responsible for coordinating services provided to the Fund by others. Based on their review, the directors concluded that the Fund's expense ratio was acceptable.

Economies of Scale

The directors noted that the advisory fee schedule for the Fund contains breakpoints that reduce the fee rates on assets above specified levels. The directors took into consideration prior presentations by an independent consultant on economies of scale in the mutual fund industry and for the AB Funds, and by the Adviser concerning certain of its views on economies of scale. The directors also had requested and received from the Adviser certain updates on economies of scale in advance of the Meeting. The directors believe that economies of scale may be realized (if at all) by the Adviser across a variety of products and services, and not only in respect of a single fund. The directors noted that there is no established methodology for setting breakpoints that give effect to the fund-specific services provided by a fund's adviser and to the economies of scale that an adviser may realize in its overall mutual fund business or those components of it which directly or indirectly affect a fund's operations. The directors observed that in the mutual fund industry as a whole, as well as among funds similar to the Fund, there is no uniformity or pattern in the fees and asset levels at which breakpoints (if any) apply. The directors also noted that the advisory agreements for many funds do not have breakpoints at all. Having taken these factors into account, the directors concluded that the Fund's shareholders would benefit from a sharing of economies of scale in the event the Fund's net assets exceed a breakpoint in the future.

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