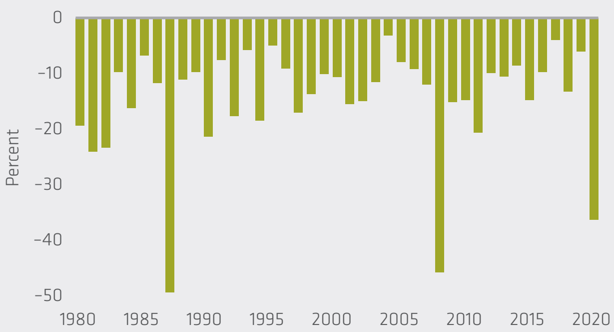
ALLIANCEBERNSTEIN®

LOW VOLATILITY EQUITIES

A SMOOTHER JOURNEY FOR EQUITY INVESTORS

During times of heightened market volatility, to be forced to sell when markets are down is the worst outcome for any investor. While markets usually recover, an investor's ability to absorb this volatility depends on their investment timeframe.

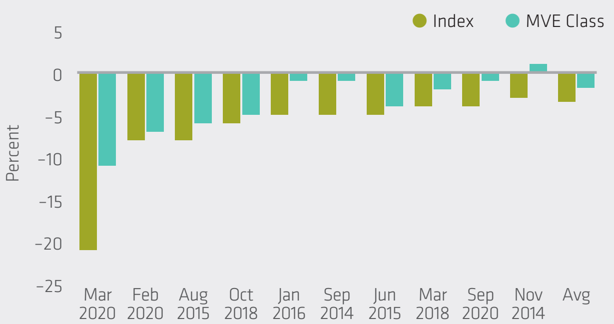
DISPLAY 1: VOLATILITY A CHALLENGE FOR ALL INVESTORS



Through to December 31, 2020
Largest peak to trough in a calendar year
Source: S&P Dow Jones

DISPLAY 2: DOWNSIDE RISK DURING INDEX'S 10 LARGEST MONTHLY FALLS

March 31, 2014-February 28, 2021



Past performance does not guarantee future results.
Based on the AllianceBernstein Managed Volatility Equities Fund (Managed Fund)—MVE Class ("MVE Class") vs. S&P/ASX 300. The total returns of the MVE Class are net of fees and costs and do not allow for tax or inflation. Performance figures exclude the value of any franking (or imputation) credits received.
Source: S&P Dow Jones and AB

Long-term investment returns can mask the underlying short-term volatility of the asset class. Equity downturns are quite common, and at times severe (*Display 1*). In two out of every three years, the market has experienced declines of 10% or greater from peak to trough over the period of 40 years. This volatility is a challenge for all investors, irrespective of where they are in the investment lifecycle.

In the 10 largest monthly falls of the index since inception the AllianceBernstein Managed Volatility Equities Fund (Managed Fund)—MVE Class ("MVE Class") has helped to protect on the downside and on average the MVE Class' return is down 53% when compared to the index's return (*Display 2*).

The MVE Class therefore aims to deliver a smoother performance pattern and downside risk capture by combining the complementary and compensating characteristics of price stability, high quality cash flows and reasonable valuations.

Our research indicates that by seeking higher quality names within the low volatility universe of stocks, we may obtain better returns over time. We believe quality is reflected in high and stable profitability and careful, shareholder-friendly management of capital. By incorporating a perspective on valuation, we may avoid pockets of the market that may be crowded, and thus expensive.

Low volatility strategies are designed to help 'smooth the ride', giving equity investors the opportunity to earn meaningful investment returns while reducing the downside risk of their investment. This simply means that your investment in equities should be less volatile and, when the market falls, the percentage your investment falls will be less than the market.

HOW DOES A LOW VOLATILITY STRATEGY FIT WITHIN A PORTFOLIO?

Most investors aim to generate good investment returns but are also concerned about the risks of their portfolio. Fortunately, there is a theory that allows investors to reduce overall portfolio risk and that is diversification. Low volatility strategies can play an important part in an investor's Australian equity allocation by increasing portfolio diversification. One of the key benefits is in down markets lowering the risk of an overall Australian equity allocation in a portfolio. And one of the easiest applications of low volatility equity strategies is to reduce the risk without sacrificing expected returns.

Where an investor is near or at retirement and may need to sell assets to realise income during times of heightened volatility, reduced downside risk can be an important way for this investor to minimise losses during these times. This risk is also known as 'sequencing risk' which low volatility strategies can help to reduce.

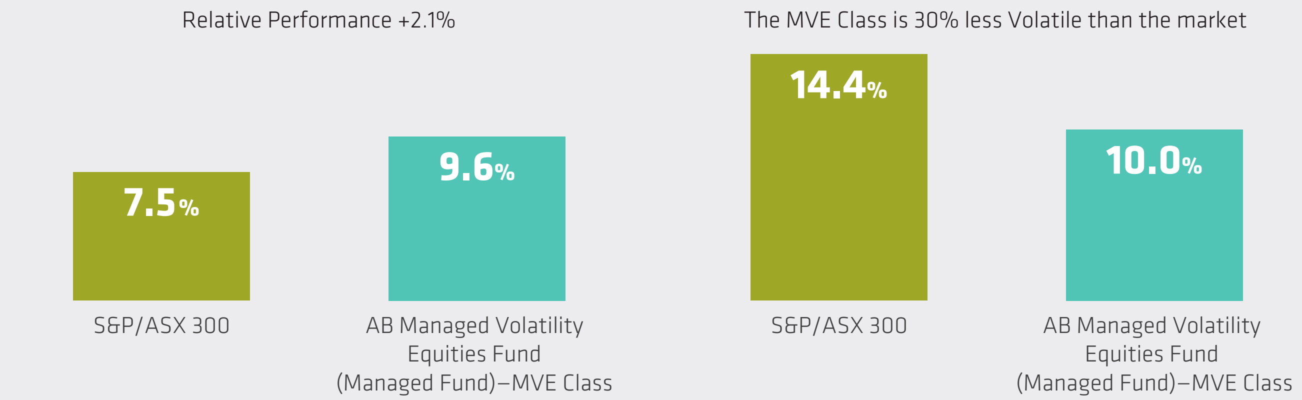
Low volatility strategies may be suitable for retirees and investors looking for lower volatility and outperformance. Where investment losses are less in down markets, this can have a material positive impact on returns over the long-term. Reduced downside risk (or fewer losses in falling markets) leaves more of your investment to grow when markets rise again, contributing to faster recovery of your portfolio and the potential to generate bigger outperformance through the power of compounding.

An effective, actively managed low-volatility equities portfolio can be a reliable, simple and cost-effective way to create this smoother ride.

DISPLAY 3: ATTRACTIVE PERFORMANCE WITH RELATIVELY LOWER RISK TO INDEX

Performance
March 31, 2014 to February 28, 2021

Volatilty
March 31, 2014 to February 28, 2021



Past performance does not guarantee future results.
Based on the AB Managed Volatility Equities Fund (Managed Fund)—MVE Class ("MVE Class") vs. S&P/ASX 300. * MVE Class inception date: March 31, 2014. † The benchmark was changed to S&P/ASX 300 effective June 1, 2019. The MVE Class' previous benchmark was S&P/ASX 300 Franking Credit Adjusted Daily Total Return (Tax-Exempt) and between March 31, 2014 to February 29, 2016 the benchmark was FTSE ASFA Australia 300—Tax Exempt. Numbers may not sum due to rounding. The total returns of the MVE Class are net of fees and costs and do not allow for tax or inflation. Performance is calculated using the relevant end-of-month exit prices and assumes that income is reinvested and that the investment is held for the full period. The information above may change in the event of error.
Source: FTSE, S&P Dow Jones and AB

WHY CHOOSE AB FOR LOW VOLATILITY?

It may be possible to withstand the worst effects of market volatility, with the right investment strategy. In the case of the MVE Class, the key objective is to lose less than the market when the market falls and then participate meaningfully when the market rises again. It's a different concept from the traditional investment approach, which aims to beat the benchmark.

This low-vol strategy, which aims, on an average month, to suffer only 50% of any market downside and capture 80% of the upside, redefines success as outperforming the benchmark and reducing downside risk.

Since its launch on March 31, 2014, the MVE Class has beaten the S&P/ASX 300 Index by an annualized 2.1% (after fees) and has been less volatile than the market by 30% as at February 28, 2021 (*Display 3*).

Outperformance to date has come mainly from the strategy having provided a buffer against large market falls. By losing less on the downside, the MVE Class is positioned to have less ground to make up when the market recovers.

This, combined with the ability of low-volatility stocks generally to participate significantly (although not fully, because they are low beta) in market recoveries, may lead to outperformance over time. There is more to the strategy, however, than simply buying low-volatility stocks.

It's important to choose the right kind of low-vol stocks: the underlying businesses need to be stable and high quality, with good cash flows and strong balance sheets, and the shares should be reasonably valued.

And it's vital to use fundamental research as a guard against 'volatility traps', or the risk that idiosyncratic factors—such as a disruptive change in a company's operating environment—can make a low-volatility stock suddenly volatile.

The focus on low-volatility stocks means that the MVE Class' portfolio, by definition, is constructed in a benchmark-agnostic way. For Australian investors seeking lower volatility, this has the additional advantage of distancing them from local market benchmarks, which are dominated by two highly volatile sectors—financials and resources.

While this might limit the MVE Class' access to some parts of the Australian market, it seeks to make up for it by investing up to 20% of the portfolio in global securities.

The strategy also manages macro risks thoughtfully, to reduce the possibility that removing one risk from the portfolio inadvertently leads to exposure to another.

ABOUT AB

WHO WE ARE

AllianceBernstein is a leading global investment management firm that offers high-quality research and diversified investment services to institutional investors, individuals and private wealth clients in major world markets. We are one of the largest investment management firms in the world, with US$686 billion in assets under management as of 31 December 2020. Our global client base includes some of the world's leading institutions as well as private wealth clients and retail investors. We maintain research, portfolio management, wealth-management and client service offices around the world, reflecting our global capabilities and the needs of our clients. Partnering closely with our clients, our research and portfolio management teams collaborate across asset classes, regions, sectors, and investment strategies to spark new thinking and deliver superior outcomes.

Singular Focus: We believe our exclusive focus on asset management—without the potential distractions or conflicts associated with investment banking, insurance writing, commercial banking, or proprietary trading—helps us maintain a highly effective investment organization with a culture that exists solely to benefit our clients.

Defined by a Legacy of Research Excellence: We maintain large and experienced teams of in-house fundamental and quantitative analysts. We focus the full scope of our research expertise and innovation on the global investing landscape with the goal of making a difference for our clients.

Responsible Investor: As a global firm, we care deeply about environmental, social and governance (ESG) issues and the impact they can have on the world and our clients' financial interests. Our long-standing disciplined research process includes ESG factors, and our fundamental analysts carefully assess whether ESG factors could have a material impact on our forecasts and investment decisions. We take a three-pronged approach to active ownership—directly engaging with issuers as part of our research/investment process, utilizing an engagement framework to assist us in identifying companies we should engage with on ESG issues, and selectively engaging as part of our proxy voting process.

HOW TO ACCESS

There are three ways to access MVE Class:

1. **Invest through your Broker (Ticker: AMVE)**
   You can invest in MVE Class directly via your online broking account. MVE Class is traded through Chi-X.

   Investors should read the product disclosure statement and speak to their financial adviser before making a decision.

2. **Invest directly with the MVE Class**
   MVE Class is offered on a number of industry leading platforms. Alternatively, you can buy units directly from AB provided you apply for the minimum investment of A$50,000 in units.

   Investors should read the product disclosure statement and speak to their financial adviser before making a decision.

3. **Speak to your Financial Adviser**
   Before making a decision to invest, investors should speak with their financial adviser to see if MVE Class is right for them.

KEY DETAILS:

OBJECTIVE

+ The MVE Class aims to achieve returns that exceed the S&P/ASX 300 Accumulation Index after fees over the medium to long term.

WHO SHOULD CONSIDER INVESTING?

The MVE Class is designed for equity investors, including retirees and pre-retirees, seeking:

+ Lower volatility
+ Reduced downside risk in falling equity markets
+ The potential for long-term capital growth and some income, including franked Australian dividend income

LEARN MORE

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