



Concentrated Global Growth

Portfolio Information

Top Ten Holdings ¹	Portfolio %
Microsoft	5.28
Charles Schwab	5.21
Capgemini	4.99
Mastercard	4.53
Zoetis	3.88
Aptiv	3.86
IQVIA	3.79
ADP	3.74
ASML	3.62
Ashtead	3.58

Sector Weights ¹	Portfolio	MSCI World Index
Information Technology	30.30	23.69
Healthcare	17.87	12.63
Consumer Discretionary	15.48	12.26
Industrials	14.58	10.21
Financials	6.95	13.17
Consumer Staples	5.29	6.91
Communication Services	5.08	8.31
Materials	2.23	4.17
Real Estate	2.22	2.79
Energy		3.13
Utilities		2.74

Top Five Equity Contributors	Top Five Equity Detractors
Mastercard	Ashtead
Charles Schwab	Nike
Abbott Laboratories	AIA Group
Zoetis	Recruit Holdings
IQVIA	Alstom

Looking back on 2021, there is a distinct sense of déjà vu with this time a year ago as we are once again reporting on a strong year of absolute returns for global equity markets despite the continuing challenges of a global pandemic. The key drivers of equity returns for both years were undoubtedly extremely supportive fiscal and monetary policies, undertaken by governments and central banks around the world, designed to ensure that the economic effects of the COVID-19 pandemic were contained and minimized to the best of their ability. Looking back, it is hard to criticize these actions given the strong economic recovery we have seen in 2021; although, there may well be some more adverse consequences to deal with, down the road, that we will address in the investment outlook. However, as a result of these actions, there is one significant difference between the two years, namely earnings, with 2021 likely to record earnings growth above 50% globally following a fall in earnings in 2020 of in excess of 25%. In 2020, investment performance was entirely driven by expectations of the economic recovery, and fortunately that recovery materialized in 2021.

Overall, the MSCI World Index rose by 29.3% in 2021 (in Australian-dollar terms), with those sectors and countries that had the strongest earnings momentum delivering the best returns over the year. Notably, the US and Canada were the best performing markets. These were the main drivers of global returns as North America now accounts for over 70% of the MSCI World. Within the MSCI World, the next best-performing market was Europe, followed by Japan and China. At the sector level, the best-performing sector was energy, reflecting the dramatic recovery in earnings in that area following its collapse in 2020. That recovery was also seen in financials, where banks, in particular, also saw a strong earnings recovery. Other sectors that performed well were real estate, which continued to benefit from low interest rates, and technology, where the moves to a more digital economy continued apace.

Our Concentrated Global Growth Portfolio rose in absolute terms and outperformed the MSCI World in December and for the quarter, but underperformed for the year, before fees. The relative underperformance for the year was driven predominantly by our underweight exposure to North America, despite our exposure being nearly 60%, and our overweight to China. The China performance was particularly disappointing as the stocks we owned, namely Alibaba Group and Tencent, performed well at the divisional level but were caught up in a number of significant government regulatory changes focused on delivering “common prosperity.”

At the sector level, the strong rotation into energy and banks, to which we have limited exposure given our focus on stable consistent growth, also hurt our relative performance, most notably in 1Q:21. However, our underweight in these areas had benefitted us in 2020 and we will continue to focus our efforts on stability, believing that is the key to good long-term performance. Detractors from performance for the year included Alibaba, Alstom and Mastercard, one of which was caught up in regulatory concerns in China. Alstom made an acquisition of Bombardier, a rival train manufacturer, in a deal that should be very positive in the medium-to-long term. However, the deal came with some issues, particularly some loss-making contracts that required write downs. Looking forward, we believe that issue is now behind the company and it can start to deliver solid margin improvement. The leading stocks among contributors in 2021 were Capgemini, ASML and Ashtead, all of which benefitted from strong earnings growth.

Strong performance during the quarter was driven by robust economic growth, despite the emergence of the COVID-19 omicron variant, which raised fears of further lockdowns. In the US, the legislature passed an infrastructure bill that had been long expected and is seen as a positive for economic growth, although they once again failed to pass the “Build Back Better” program. In China, the government began to loosen monetary policy, fearing growth might stall following concerns about corporate failures in the property sector. The leading contributors for this period were Zoetis, Capgemini and ADP, all of which benefitted from strong earnings reports. Top detractors for the quarter were Murata Manufacturing, Philips and Alibaba. Murata was caught up in some investor concerns related to supply storages, which we believe are short-term in nature. Philips suffered from investors uncertainty regarding the recall of its sleep apnea machine, but right at the end of the quarter issued an independent report that stated any issue regarding the foam use in the machine would not typically be anticipated to result in long-term health consequences for patients. Alibaba continued to suffer from regulatory concerns and we sold the position believing the uncertainty regarding regulation was greater than the upside potential warranted.

Within the quarter, we made one major change to the Portfolio—selling Alibaba and buying Booking Holdings. As we have already mentioned, we felt that the risk-return profile of Alibaba was no longer acceptable. This has been a frustrating investment over the last eighteen months, having initially been very profitable post the IPO. We continue to believe the company has a good strategy and solid long-term prospects, but the continued moving of the “goal posts” by the regulators is obscuring the underlying fundamentals. We have argued before that we felt the authorities would begin to take a more rational approach, but this does not seem to be the case with new concerns about Alibaba’s cloud business beginning to surface. Accordingly, we decided to focus our investments elsewhere. We still believe China has some attractive growth characteristics, notably in consumption, manufacturing and healthcare but are looking to access this growth through non-Chinese companies such as Nike and Nidec.

We made the investment in Booking to increase our exposure to the reopening of the travel and leisure market in 2022/2023. The company had suffered from the news of the omicron variant and how it was likely to force the reintroduction of travel restrictions, which it undoubtedly will in the short run. However, the data on omicron suggests that, once we are through the initial infection spike in 1Q:22, there are grounds for believing that high rates of vaccination and infection will help build up greater immunity to a disease that is also showing signs of becoming less deadly over time. Booking is one of the world’s leading travel companies, operating several different travel platforms—specifically, Booking.com, Priceline, Agoda.com, Open Table and KAYAK. On a return to any sort of normality, we believe there is significant pent up demand for holidays and that the company can grow at 16% per annum over the next 5 years, trading on a multiple of 24 times on reduced 2022 earnings.

While 2021 had a number of similarities to 2020, it seems likely that 2022 will be a somewhat different animal. The most notable difference will be that the supportive monetary background provided by central banks around the world will be slowly unwound to reflect the underlying economic recovery as well as increased inflationary pressures. This in itself is not necessarily a bad thing as the world begins to normalize, but any withdrawal of liquidity may be unsettling. The recent announcements by the US Federal reserve are suggesting that the first interest rate hike could be as soon as March, with three rates hikes in 2022, now consensus. This would get us to a Federal Funds rate of 1% by year end. Again this is not particularly high in itself, but if bond yields react negatively, believing the Federal Reserve is behind the curve, and move further and faster, then it is possible the negative real yield that has been supporting the market moves positive, putting pressure on valuations.

The bull case for the market is that the omicron variant is very transmissible but not nearly as debilitating or deadly as the delta variant. Because it is so transmissible, infections will increase significantly and this together with vaccinations will move the population toward herd immunity, allowing us to begin to move back toward a more normal environment. In this case, consumption can continue to grow with pent-up demand in many areas, most notably housing, cars and travel. Supply bottlenecks that have been related to COVID-19 will begin to diminish and, as a result some inflationary pressures, will be seen to be transitory—albeit they have been in place for longer than initially expected. This reduction in inflationary pressures allows the central banks to tighten policy slowly and markets can move ahead modestly with some earnings support, albeit at a significantly slower pace than in 2021.

The bear case is that omicron is so transmissible that healthcare systems are overwhelmed, and significant lockdowns are undertaken. This is particularly true in Asia where some vaccines are seen to be less effective and policy measures to shut down large areas of the economy are very vigorous. This shuts down supply chains, which once again restricts goods availability just as demand is returning. This inflationary move forces central banks to take a more restrictive stance putting up interest rates at a faster clip. This in turn puts pressure on consumers, who are also suffering from the effects of higher prices, and growth begins to slow. In this case, equity markets will worry about earnings falling, partly due to demand and partly due to margin concerns. Valuations will also come under pressure given their elevated level and there will be concerns about rising bond yields.

We will potentially see fears raised about all of these issues over the coming months and it is very hard to be categorical about which scenario is correct. On balance, it seems likely that elements of both scenarios will play out and that will generate volatility with some significant market rotations. We continue to take a balanced approach, slowly moving to a reopening scenario, with investments such as Booking giving us greater exposure to the recovery of areas such as travel. We will continue to focus the Portfolio primarily on companies with a very stable earnings profile, not wishing to get caught up by moving the Portfolio too far in one direction or another, believing that we can generate a solid return from a positive and less volatile earnings mix.

Portfolio Characteristics	Portfolio	MSCI World Index
Number of Holdings	32	1,542
P/E Ratio (Stock Price/Earnings; last 12 mo) ³	39.42x	22.74x~
Forward P/E Ratio (2021) ³	34.58x	21.02x
ROE (Return on Equity; next 12 mo) ³	20.75%	17.35%
Weighted Market Cap (\$ Billions)	443.1	599.6
EPS (Earnings per Share) Growth Rate (2023/2021) ³	18.66%	12.02%
EPS Growth (5 yr history) ³	10.06%	11.87%
Sales Growth (5 yr history) ³	10.16%	9.62%

	Pure Gross of Fee ²	MSCI World Index
Month	2.55	1.69
1 Year	27.01	29.29
3 Years	22.57	20.40
5 Years	20.52	14.94
7 Years	17.37	13.43
10 Years	19.93	16.64

You should not assume that these securities or investments we make in the future were or will be profitable or will equal the performance of the securities discussed in this document.

Market Risk: The market values of the portfolio's holdings rise and fall from day to day, so investments may lose value.

1 Based on a representative account as of 12/31/21. Portfolio holdings, characteristics and weightings (which are equity only weightings and excluding cash) will vary over time. These are not recommendations to buy or sell any security.

2 Based on the Concentrated Global Growth Composite ("Composite") in AUD. Pure gross-of-fees do not reflect the deduction of any expenses, including trading costs, and are presented as supplemental information to net returns. Each client's returns will vary, based on the client's actual portfolio holdings and the actual fees charged to the account. Performance results are shown pure gross of all fees and net of a maximum 3.0% managed account fee, which includes transaction costs, custodial service fees and investment advisory fees. Please see the Concentrated Global Growth Composite Performance Disclosure below. **Past performance does not guarantee future results.**

3 Current analysis and estimates do not guarantee future results. Based on calendar year earnings. Sources: MSCI and AB.

This is supplemental information to the Concentrated Global Growth Managed Account Composite Performance Disclosure which can be found on the next page.

The MSCI World Index (free float-adjusted market capitalization weighted) represents the equity market performance of developed markets. Net index reflects the reinvestment of dividends. MSCI makes no express or implied warranties or representations, and shall have no liability whatsoever with respect to any MSCI data contained herein. The MSCI data may not be further redistributed or used as a basis for other indices, any securities or financial products. This report is not approved, reviewed or produced by MSCI. Any index or benchmark cited herein is for comparison purposes only.

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Concentrated Global Growth Composite (in Australian Dollar)

Period	Composite Assets (AUD millions)	Composite Accounts at End of Period	Gross Return (%)	Net Return (%)	Internal Composite Dispersion (%)	Composite 3 Year Ann. Ex Post Standard Deviation (%)	Benchmark 3 Year Ann. Ex Post Standard Deviation (%)	Total Firm Assets (AUD billions)	MSCI World Index Return (%)
2020	5,278.2	14	13.26	12.24	0.37	12.47	11.83	792.4	5.58
2019	1,742.7	9	37.63	36.41	0.78	11.14	9.58	817.2	27.86
2018	489.4	7	5.50	4.56	0.28	11.72	9.60	672.6	1.42
2017	401.2	4	21.73	20.65	0.16	12.40	10.63	656.9	13.32
2016	305.4	4	3.78	2.86	0.16	12.16	10.44	613.9	8.02
2015	240.3	4	16.29	15.25	0.06	10.63	10.73	593.9	11.50
2014	100.2	3	22.35	21.25	0.18	9.98	9.16	538.5	14.72
2013	116.0	10	38.39	37.15	0.35	10.15	10.41	465.6	47.00
2012	109.2	13	18.48	17.35	0.26	9.32	8.51	381.2	14.38
2011	78.6	11	(1.88)	(2.81)	0.37	9.46	10.87	328.2	(5.55)
3 Years*			18.04	16.98					11.04
5 Years*			15.75	14.72					10.88
10 Years*			16.87	15.82					13.03

*annualized through most recent year-end

PRESENTATION OF THE FIRM—AllianceBernstein L.P. (“ABLP”) is a registered investment advisor with the US Securities and Exchange Commission. AB Institutional Investments and AB Investments (collectively, the “Firm”) are the institutional and retail sales, marketing and client service units of ABLP. In February 2006, Alliance Capital Management L.P. changed its name to ABLP.

COMPLIANCE STATEMENT—The Firm claims compliance with the Global Investment Performance Standards (GIPS®) and has prepared and presented this report in compliance with the GIPS standards. The Firm has been independently verified for the periods from 1993 through 2019. The verification reports are available upon request. A firm that claims compliance with the GIPS standards must establish policies and procedures for complying with all the applicable requirements of the GIPS standards. Verification provides assurance on whether the firm’s policies and procedures related to composite and pooled fund maintenance, as well as the calculation, presentation, and distribution of performance, have been designed in compliance with the GIPS standards and have been implemented on a firm-wide basis. Verification does not provide assurance on the accuracy of any specific performance report.

COMPOSITE DESCRIPTION—The performance results displayed herein represents the investment performance record for the Concentrated Global Growth Composite (the “Composite”). The Composite includes all fee-paying discretionary accounts and, when applicable, pooled investment vehicles. The Concentrated Growth investment team seeks to build a concentrated portfolio of mid- and large- capitalization companies with attractive long-term earnings growth prospects. Acquired firm performance has been linked to Firm’s performance effective December 12, 2013 with the acquisition of W.P. Stewart & Co., Ltd. The investment management process has remained substantially the same. Due to GIPS Firm definition and monthly composite inclusion policy, private client accounts have been removed from the acquired accounts in the Composite effective December 31, 2013. The creation date of this Composite is December 2013 and the inception date is March 31, 2005.

For the performance period presented, investment professionals may have changed or departed, none of which in the Firm’s view have altered the composite’s strategy.

Accounts in the Composite may utilize derivative contracts, including but not limited to, swaps, swaptions, options, futures, options on futures and currency transactions for risk-management purposes or for enhancing expected returns by adjusting exposure to the markets, sectors, countries, currencies or specific securities permitted by these guidelines. The impact of all derivatives is fully incorporated into the calculation of risk and return and the use of derivatives shall not violate the investment guidelines that limit exposure to markets, sectors, countries, currencies or specific securities. Investment in non-exchange-traded (over-the-counter) derivatives exposes the accounts within the Composite to counterparty risk.

A complete list including composite descriptions, pooled fund descriptions for limited distribution pooled funds, and broad distribution funds managed by the Firm is available upon request. Additional information regarding policies for valuing accounts, calculating performance, and preparing GIPS reports is also available upon request via email to CompositeRequests@alliancebernstein.com.

TOTAL RETURN METHODOLOGY AND FEE STRUCTURE—Performance figures in this presentation have been presented gross and net of investment-management fees. Net performance figures have been calculated by deducting the highest fee payable by a separately managed institutional account; 0.90% of assets, annually. The Composite may contain mutual funds with share classes that incur higher management fees. Prior to 2014, the Composite’s net-of-fee return is calculated by deducting the actual fees charged to each account in the Composite. The current investment advisory fee schedule applicable for this Composite is as follows: 0.900% on the first 50 million in US Dollars; 0.750% on the next 50 million in US Dollars; 0.650% on the balance

RATE OF RETURN—No representation is made that the performance shown in this presentation is indicative of future performance. An account could incur losses as well as generate gains. Performance figures for each account are calculated monthly on a trade-date basis using a total rate-of-return calculation. Investment transactions are recorded on a trade date basis, and interests and dividends are recorded on accrual basis, net of withholding taxes, if applicable. Investments in securities are valued in accordance with the Firm’s Valuation Policies and reflect a good faith estimate of fair value levels for all investments, which may not be

realized upon liquidation. The fair valuation process requires judgment and estimation by the Firm. The gross-of-fee returns reflect the deduction of trading costs. The Composite returns are calculated based on the asset-weighted monthly composite constituent account returns where the weight is the beginning fair value of the accounts.

DISPERSION—Internal dispersion is calculated using the asset-weighted standard deviation of all accounts included in the Composite for the entire year; it is not presented for periods less than one year or when there were fewer than two accounts in the Composite for the entire year. The three-year annualized ex post standard deviation measures the variability of the Composite and the benchmark returns over the preceding 36-month period; it is not presented for periods of less than three years.

The benchmark, which is not covered by the report of independent verifiers, is the MSCI World (Net).

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Level 32, Aurora Place, 88 Phillip Street, Sydney NSW 2000 +612 9255 1299 Email: aust_clientservice@alliancebernstein.com www.alliancebernstein.com.

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