



ALLIANCEBERNSTEIN®

FIVE QUESTIONS FOR (NEARLY) FIVE YEARS

AB GLOBAL EQUITIES FUND

Global equities markets have experienced plenty of challenges during the four years since AllianceBernstein (AB) launched the AB Global Equities Fund in Australia. We put five questions to Portfolio Manager, Klaus Ingemann, about how the Fund has performed and what lies ahead.

Q: WHAT HAVE BEEN THE MARKET HIGHS AND LOWS SINCE JULY 2015 AND HOW DID YOUR FUND RESPOND TO THEM?

Since 2015, the capitalisation of world equity markets has doubled as a result of continued quantitative easing, a remarkably long up-cycle, and successful US tax reform. Because we invest in companies for the long run, we are less dependent on the state of the macro cycle and, as we were early believers in the effectiveness of US tax reform, we benefited from our sizeable exposure to US companies which had domestic exposure, like Anthem and Service Corp. The Fund met its 3% annual target of outperformance during 2015-2019.

Q: TO WHAT EXTENT DID THE FUND'S PERFORMANCE DURING THAT PERIOD VALIDATE THE INVESTMENT THESIS BEHIND IT?

We have built further confidence in our stock-picking process and our portfolio construction techniques, as our objective of providing excess returns in an all-weather portfolio has worked well. We outperformed our market in every year from 2015 to 2018 inclusive, and so far in 2019. This is despite the highly different types of markets we have seen, ranging from Quality (2015), Value (2016) Growth (2017 and first-half 2018), Risk-off (2H 2018) and Risk-on (1H 2019).

Q: IF YOU COULD GO BACK TO JULY 2015, IS THERE ANYTHING YOU WOULD DO DIFFERENTLY IN TERMS OF STOCK SELECTION OR OTHER ASPECTS OF MANAGING THE FUND?

Yes, we did have a close look at some highly scalable business models like Netflix and Facebook, which we ended up not investing in because of valuation concerns and the lack of financial discipline exhibited by those firms. Looking back today, not only did we miss those boats, but we under-appreciated their ability to grow their user base to extremely high levels (2 billion for Facebook, for example) and reap the financial benefits of that at a later stage. We continue to struggle with their valuation levels but we are adapting our approach so that we better understand their business models, where building scale early pays off later.



Klaus Ingemann
Co-Chief Investment Officer—Global Core Equity

Klaus Ingemann joined AB in 2014 as Portfolio Manager and Senior Research Analyst and was promoted to Co-Chief Investment Officer of Global Core Equity in 2018. He previously served as an executive member of the investment board at CPH Capital, which he cofounded in 2011. He holds a BSc in business administration and an MSc in finance and accounting from the Copenhagen Business School and is a CFA charterholder.

FIVE QUESTIONS FOR (NEARLY) FIVE YEARS

Q: LOOKING AHEAD, WHAT ARE THE MAJOR INVESTMENT RISKS AND OPPORTUNITIES YOU SEE FOR THE FUND?

Our fund is designed to be insulated (in relative terms) from most types of events. It's built that way. However, many of our collective memories and those of the market revolve around a very long up-cycle which began with China's membership of the World Trade Organization in 2001 and was fuelled by several factors, including the utilization of rural populations for manufacturing purposes (not just in China but India, Mexico, Vietnam and other countries too), the easing of trade restrictions, the use of quantitative easing and a very low level of inflation. Now, we are at risk of eroding this globalization, and the effect could be rising interest rates and consumer prices, which could undo some of the macroeconomic benefits we have enjoyed for so many years. We believe our fund is well situated for that environment, but it will be hard to get a good sense of the pace of change as so much depends on the volatile political environment.

Q: HOW ARE YOU POSITIONING THE PORTFOLIO IN LIGHT OF THIS OUTLOOK?

As we are bottom-up stock pickers, we enjoy taking risk by selecting the best companies and investing in them when the price is right. This approach is combined with a portfolio construction technique that allows us to navigate troubled waters relatively unscathed, as we did in the aftermath of the dot-com bubble (2000 and 2001), the global financial crisis (2009), the euro-area crisis (2012), the mini-recession and Brexit (2016), Trump election (2016), and the late-cycle cyclical fear (fourth-quarter 2018). In all these periods, this strategy outperformed the market. We continue to construct our portfolio to withstand such pressures, while remaining alert to potential new risks, reminding ourselves all the time to "expect the unexpected".

FUND PERFORMANCE (%)

As of June 30, 2019

	Total Returns	Growth Returns	Distribution Returns	Benchmark Returns	Relative Returns
1 Month	5.74	4.74	1.00	5.20	0.54
3 Months	5.92	4.92	1.00	4.89	1.03
1 Year	16.07	14.98	1.09	11.33	4.74
2 Years	15.76	14.53	1.24	13.13	2.63
3 Years	16.75	15.73	1.03	13.85	2.90
Since Inception [†]	10.54	9.54	1.00	8.73	1.81

See Performance Figures disclosures.

TOP TEN HOLDINGS (% TOTAL NET ASSETS)

Stock Name	Portfolio	Growth Returns
Service Corporation International	4.7	0.0
Alphabet Inc.	4.4	1.4
Anthem	4.4	0.2
Microsoft	4.3	2.1
Wells Fargo	3.7	0.4
Berkshire Hathaway	3.5	0.6
SECOM	3.3	0.0
Naspers	3.1	0.2
Cognizant	3.1	0.1
Julius Baer	2.8	0.0
Total Number of Stocks	56	2,844



**OUR FUND IS DESIGNED
TO BE INSULATED FROM
MOST EVENTS**

>> LEARN MORE
ALLIANCEBERNSTEIN.COM

PERFORMANCE FIGURES

In Australian dollars. Numbers may not sum due to rounding. The Total, Growth and Distribution Returns of the AB Global Equities Fund ("Fund") are net of fees and costs and do not allow for tax or inflation. Total Fund Returns presented in the above table do not include an adjustment for franking credits. Performance is calculated using the relevant end of month Exit Prices and assumes that income is re-invested and that the investment is held for the full period. The performance figures are historical and past performance is not necessarily an indication of future performance. The information above may change.

* Fund inception: July 22, 2015

† Benchmark: MSCI All Country World Index in Australian dollars

AllianceBernstein Investment Management Australia Limited (ABN 58 007 212 606, AFSL 230 683) ("ABIMAL") is the responsible entity of the AllianceBernstein Global Equities Fund (ARSN 099 296 607) ("Fund") and is the issuer of units in the Fund. ABIMAL has appointed AllianceBernstein Australia Limited (ABN 53 095 022 718, AFSL 230 698) ("ABAL") as the investment manager of the Fund. ABAL in turn has delegated the investment manager function to AllianceBernstein L.P. The Fund's Product Disclosure Statement ("PDS") is available by contacting the client services team at AllianceBernstein Australia Limited at (02) 9255 1299 or at www.alliancebernstein.com.au. Investors should consider the PDS in deciding whether to acquire, or continue to hold, units in the Fund.

This information is for exclusive use of the wholesale person or the representative of the holder of an Australian Financial Services Licence to whom it is provided and not to be relied upon by any other person. It is not intended for retail or public use and may not be further distributed without the prior written consent of ABAL.

Information, forecasts and opinions set out in this document are not personal advice and have not been prepared for any recipient's specific investment objectives, financial situation or particular needs. Neither this document nor the information contained in it are intended to take the place of professional advice. Please note that past performance is not indicative of future performance and projections, although based on current information, may not be realised. Information, forecasts and opinions can change without notice and neither ABIMAL or ABAL guarantees the accuracy of the information at any particular time. Although care has been exercised in compiling the information contained in this report, neither ABIMAL or ABAL warrants that this document is free from errors, inaccuracies or omissions.

This document is released by AllianceBernstein Australia Limited ABN 53 095 022 718, AFSL 230 698

The [A/B] logo is a registered service mark of AllianceBernstein and AllianceBernstein® is a registered service mark used by permission of the owner, AllianceBernstein L.P.

© 2019 AllianceBernstein Australia Limited Level 32, Aurora Place, 88 Phillip Street, Sydney NSW 2000 T: +61 (0)2 9255 1200 F: +61 (0)2 9247 9910 Level 50, Rial to South Tower, 525 Collins Street, Melbourne VIC 3000 T: +61 (0)3 8630 2200 F: +61 (0)3 8630 2210 www.AllianceBernstein.com.au

