



ALLIANCEBERNSTEIN

# A Smoother Journey for Equity Investors

## AB Managed Volatility Equities Fund

### Why Now?

#### Our COVID-19 Outlook

We are concerned about the impact of COVID-19 on both supply and demand in the local and international economies. The situation is evolving rapidly, and we are constantly evaluating developments.

The portfolio aims to limit downside risk in this environment. The portfolio has a lower beta than the market and attractive free cash flow. We maintain our focus on diversifying risks, and our fundamental insight aims to reduce our exposure to stocks with cyclical pressure, balance-sheet stress or negative events.

#### Key Details

##### Objective

- + The AB Managed Volatility Equities Fund—MVE Class (“MVE”) 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?

MVE 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

## 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\$600 billion in assets under management as of 30 June 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 to keep our clients “Ahead of Tomorrow.”

**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.

### Harnessing Diverse Thinking to Drive Differentiated Insights

Different Viewpoints, Broad Expertise and a Culture of Collaboration Foster Better Ideas



<b>185 Buy-Side Analysts*</b>	
<b>123</b> Fundamental	<b>16</b> Multi-Asset
<b>37</b> Quantitative	<b>21</b> Alternatives
<b>80</b> Equities	<b>14</b> Wealth Management
<b>53</b> Fixed Income	<b>8</b> Economists
<b>17 Average Years of Experience</b>	

<b>140 Portfolio Managers</b>	
<b>45</b> Equities	<b>16</b> Alternatives
<b>45</b> Fixed Income	<b>12</b> Wealth Management
<b>22</b> Multi-Asset	
<b>22 Average Years of Experience</b>	

**Current analysis does not guarantee future results.**

Map shows research and investment-management offices.

\*Includes one quantitative analyst who provides support across multiple platforms

As of 30 June 2020.

Source: 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 AB Managed Volatility Equities Fund—MVE Class, the key lies in aiming to lose less than the market when the market falls and participating meaningfully when the market rises again.

It's a different concept from the traditional investment approach, which aims to beat the benchmark. This strategy, which aims 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 Fund has beaten the S&P/ASX 300 Franking Credit Adjusted Daily Total Return Index (Tax-Exempt) by an annualized 4.9% after fees as at June 30, 2020.<sup>1</sup>

<sup>1</sup> The returns shown here are net of fees and costs and do not allow for tax or inflation. The return includes an adjustment for franking credits. The benchmark was changed to the S&P/ASX 300 Franking Credit Adjusted Daily Total Return Index (Tax-Exempt) effective March 1, 2016. The Fund's previous benchmark, the FTSE ASFA Australia 300 Index—Tax Exempt, is used for the period March 31, 2014 (the Fund's inception date) to February 29, 2016. See [here](#) for further details.

**Past performance does not guarantee future results.**

### AB Managed Volatility Equities: Performance Summary

In Australian dollars

	Periods Ended 30 June 2020						
	2Q 2020	Six Months	One Year	Two Years	Three Years	Five Years	Since Inception*
<b>Total Fund Returns</b>	<b>10.1%</b>	<b>(5.0)%</b>	<b>(1.6)%</b>	<b>4.9%</b>	<b>7.8%</b>	<b>9.4%</b>	<b>10.7%</b>
S&P/ASX 300 Index†	16.8	(10.5)	(7.6)	1.5	5.2	6.0	5.8
Relative Performance	(6.7)%	+5.6%	+6.0%	+3.4%	+2.6%	+3.4%	+4.9%

**Past performance does not guarantee future results.**

Based on the AB Managed Volatility Equities Fund – MVE Class vs. S&P/ASX 300. \*Fund inception date: March 31, 2014. †The benchmark was changed to S&P/ASX 300 effective June 1, 2019. The Fund's 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 AB Managed Volatility Equities Fund – 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

Outperformance to date has come mainly from the strategy having provided a buffer against large market falls. By losing less on the downside, the portfolio 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-volatility) 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 Fund's 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 Fund's access to some parts of the Australian market, it can seek to make up for it by investing up to 20% of the portfolio in global securities.

Such diversification not only aims at ensuring sufficient investment opportunities, it also means that the portfolio's risk exposures may be managed much more cheaply than would be the case if derivatives were used (the Fund's annual management fee is 55 basis points.)

The strategy also manages macro risks thoughtfully, to reduce the possibility that removing one risk from the portfolio doesn't inadvertently lead to exposure to another.

You can find out more information [here](#).

AllianceBernstein Investment Management Australia Limited (ABN 58 007 212 606, AFSL 230 683) ("ABIMAL") is the responsible entity of the AllianceBernstein Managed Volatility Equities Fund—MVE Class (ARSN 099 739 447) ("Fund" or "AB Managed Volatility Equities Fund—MVE Class") and is the issuer of units in the Fund. AllianceBernstein Australia Limited ("ABAL") ABN 53 095 022 718, AFSL 230 698 is the investment manager of the Fund. ABAL in turn has delegated a portion of the investment manager function to AllianceBernstein L.P. ("AB"). 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](http://www.alliancebernstein.com.au). Investors should consider the PDS in deciding whether to acquire, or continue to hold, units in the Fund.

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