

# RESEARCH REPORT

## AB

### MERCER ASSESSMENT

Strategy	AB Concentrated Global Growth
Manager	AB
Category	International Equity, Global Equity - Core
Date	February 2017

Idea Generation	<div><div></div><div></div><div></div><div></div></div>
Portfolio Construction	<div><div></div><div></div><div></div><div></div></div>
Implementation	<div><div></div><div></div><div></div><div></div></div>
Business Management	<div><div></div><div></div><div></div><div></div></div>
Rating	<div><div>A (T)</div><div>ESG3</div></div>
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### REASON FOR RATING

The appeal of this strategy rests on the clear philosophy, the well-structured and disciplined process, and the leadership provided by Mark Phelps as portfolio manager. He demonstrates passion for understanding companies and brings clarity of focus to generating ideas globally. The small, dedicated regional teams provide strong support, showing a similarly high level of passion and commitment to their approach and displaying a collegiate culture. We believe the move of this team to AB in 2012 has brought renewed energy to them as they no longer have to be concerned about business management. They seem well-supported within AB, although we note this has yet to be fully tested. Overall, with a clear philosophy and a robust process, a passionate and committed team, and strong support from their parent, we believe this strategy merits our highest conviction rating.

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## STRATEGY SUMMARY

### Overview

AB Concentrated Global Growth's portfolio of approximately 30 stocks is built from regional universes of sustainable growth companies where in-depth, bottom-up research has been conducted. Strict adherence to a valuation discipline determines the holdings at any one point in time.

#### Summary facts and figures

<b>Firm-wide assets</b>	US\$480 billion at 31 December 2016
<b>Inception year</b>	2005
<b>Assets in strategy</b>	US\$749 million at 31 December 2016
<b>Estimated capacity</b>	\$15 – \$20 billion
<b>Open/closed</b>	Open to All Investors
<b>Most suitable benchmark</b>	MSCI World Index
<b>Outperformance target range</b>	No explicit target
<b>Expected tracking error range</b>	No explicit target. Historically ranged from 3% to 7%.
<b>Persistent Factor Bias</b>	Profitability

### Firm Background and History

AB (formerly AllianceBernstein) is a majority-owned indirect subsidiary of AXA Financial, which in turn is a wholly-owned subsidiary of AXA Group. AXA Financial has an approximate 60% economic interest in AB's business. The remaining interest is owned by the public and employees. In October 2000, Alliance Capital, as the firm was then known, purchased Sanford C. Bernstein Inc. (Bernstein), a well-known value equity manager and investment research firm headquartered in New York. The Bernstein equity team was incorporated within Alliance Capital, but kept separate from Alliance Capital's growth equity team. On the fixed income side, the Bernstein team was merged into the much larger Alliance Capital team. In February 2006, Alliance Capital changed its name to AllianceBernstein and in 2015 rebranded as

AB. The firm is headquartered in New York and has other significant investment offices in London, Tokyo, Hong Kong and Sydney. Since the end of 2013, AB has acquired other boutique asset managers, including WP Stewart Asset Management and CPH Capital, in order to diversify its product lineup.

### Product History

The strategy was launched in 2004 at WP Stewart under the management of Bill Stewart and Alex Farman-Farmaian. Mark Phelps took over leadership of the strategy when he joined WP Stewart in 2005.

### Key Decision Makers

The portfolio manager for the strategy is Mark Phelps, who joined AB through its acquisition of WP Stewart in 2013 and is based in London. Previously, he was President and CEO of WP Stewart, and led the portfolio management of the Global Concentrated Growth strategy. He has also held senior positions with Dresdner Bank in both London and San Francisco, most recently as CIO for global equities at Dresdner RCM in San Francisco.

Phelps is supported on the global strategy by Dev Chakrabarti, who is senior analyst and co-PM on the Global Concentrated Growth strategy. They are further supported by regional teams in the US (5 analysts), Asia (4) and Europe (1 excluding Chakrabarti and Phelps).

### Investment Style/Philosophy

The team believes that long-term, consistent earnings growth drives long-term investment returns. They look to invest in high quality, growing companies producing superior and sustainable returns over the long term whilst minimizing risk.

### Investment Process

The initial universe of approximately 2,500 stocks is screened on market capitalization (in excess of \$2bn) and earnings growth (greater than 10%). In addition, companies are excluded if they have exhibited low ROE, low growth, high debt ratios, and are commoditized businesses. This reduces the opportunity set to approximately 250. Additional sources of ideas include broker analysts, which the regional teams keep close to. The focus is on finding companies with superior businesses, consistent

positive earnings, a high degree of predictability and industry leadership, reducing the universe further to approximately 100 stocks.

Each analyst covers around 8 or 9 stocks. Their research includes building a detailed model of explicit 5-year projections of earnings. The terminal value in year five is a P/E ratio based on the subjective assessment of whether a stock should trade at a premium or discount to the market P/E. With these inputs, earnings are then discounted back to a present value. The discount rate used makes an assumption for the risk-free rate and adds an equity risk premium dependent on the risk classification "bucket" of a stock (in Asia, this will be more stock specific as well as considering country and currency risks).

Stocks are debated throughout the process, and finally for inclusion in the universe. The universe is regularly monitored and ranked according to expected upside based on the current price compared to the estimate of fair value. This highlights stocks with potential for inclusion in the portfolio and tests the attractiveness of current holdings.

The portfolio manager will be guided by this current ranking of stocks, and will typically look for a minimum of 15% to 20% upside potential. However, he has full discretion in constructing the portfolio on a bottom-up basis from the investable universe. Portfolios are concentrated, with 25-35 holdings, and only constrained in the regional allocations: region weights (North America/ Europe/ Asia) should be within 20% of the index.

Turnover is expected to be low: 10-15% in the universe and 30-40% in the portfolio. Currency hedging is client-specific, and will typically be a passive hedging strategy. Cash levels will be low.

## IDEA GENERATION ■ ■ ■ ■

**Key takeaway:** The focused team spread across the US, Asia and Europe is dedicated to finding companies sustainably growing their earnings. They are committed to the robust process and led by Mark Phelps, whom we hold in high regard as an experienced and insightful investor.

### Pros

- The team is experienced and collegiate and has been working together, following this focused approach, for many years.
- They are led by an enthusiastic and insightful investor in Mark Phelps.
- The strategy follows a clear and compelling philosophy that each member of the team is fully committed to.
- The process is robust, disciplined and helps the team build a deep understanding of businesses through diligent research.
- Each step of the modelling reflects a significant amount of thought and insight that has gone into it.
- The valuation discipline ensures the portfolio holds the best opportunities within the subset of companies already meeting their sustainable earnings growth criteria.

### Cons

- Although we believe the regional teams collegiate in nature, to what extent does their local focus create silos?
- Are the resources in Asia and Europe too light?

## PORTFOLIO CONSTRUCTION ■ ■ ■ ■

**Key takeaway:** Portfolios are constructed in a bottom up manner that is agnostic to the benchmark. The style and characteristics of the portfolio are consistent with what we would expect given the investment philosophy and process.

### Pros

- Portfolios reflect the best stock ideas from across the regions that are displaying the most attractive upside potential within the previously vetted universe of high quality stocks.
- The factor style exposure and characteristics of the portfolio are consistent with what we might expect given the team's philosophy and process.
- The style exposures are also persistent through time.
- Phelps has a sound understanding of the risks in the portfolio. AB pays significant attention to the oversight of portfolio risk but we have not seen any interference in the management of the portfolio from them based on their reporting. Whilst a small concern, we believe AB will continue to adopt a supportive but "hands-off" environment to the portfolio managers.

### Cons

- The concentrated nature of the portfolio means that every stock will impact the outcome – mistakes will be felt, although the quality focus of the strategy is likely to mitigate the risk in this aspect of portfolio construction.
- There are regional constraints in the construction of the portfolio, although we note that these are broad enough that we do not believe they will lead to compromise in the quality of the ideas when building the portfolio.

## IMPLEMENTATION

**Key takeaway:** Capacity limits have been in place for many years and for a strategy that is low turnover and mainly large cap, we believe these to be reasonable. The strategy benefits from AB's efficient trading and execution capabilities.

### Pros

- Despite assets being at low levels for the Concentrated Global Growth strategy, the capacity limit has been in place for some time. We are impressed by the pro-active thinking of the team in this respect.
- The capacity limits are across the suite of strategies the team run. This clearly takes into account the overlap between the different strategies.
- Turnover is relatively low and the strategy is likely to tilt toward larger businesses. This enhances the strategy's liquidity profile.
- AB has separate dealing teams who manage the implementation of the trading decisions taken by the portfolio manager. This should create efficiencies.

### Cons

- Although we do not believe there is any value detracted at this stage of implementation, the trading of the portfolio does not seem to be a particular point of added value. This is the case for many of AB's peers.
- We have not had sight of any analysis of the costs of trading. This is not a significant factor in our view, given the low level of turnover for the portfolio.
- AB is a large organization and we wonder the extent to which they might push this team for growth beyond their stated capacity limit. There are no signs of this and we do note that AB has closed strategies in the past to protect future alpha.

## BUSINESS MANAGEMENT

**Key takeaway:** AB is a large business but the discrete teams they have acquired in an attempt to diversify their business do seem to operate fairly autonomously. We hold Sharon Fay, CIO of Equities, in high regard and she seems aware of what truly matters for both investors and clients.

### Pros

- The firm has committed to diversifying their business from the historical value and growth teams through the acquisition of discrete teams. There seems to be selectivity in doing so to ensure such acquisitions make investment sense. Fay comes across as having a deep understanding of what truly matters for both the investors and the clients. She seeks to serve both without compromising either.
- Fay appears to seek to strike a balance between leaving the discrete investment teams to their independent decision-making and encouraging a collegiate environment. She seems sincere in her pursuit of this dual objective: discussion but independent decisions. As such, the Concentrated team are able to take the best from the AB resources whilst still maintaining their independence.
- Remuneration is structured to align investors' and clients' interests.
- For the Concentrated team, the infrastructure at AB supporting them allows them to focus on investments.

### Cons

- AB experienced some turmoil in 2008/09 when performance across the board for their equity strategies struggled. We believe they have righted the ship but to what extent does corporate memory impact their future decisions?
- Fay has removed portfolio managers in the past when they have not conformed to her perspective. Will she or other senior leadership interfere in the management of strategies again? Since the fall-out from 2008/09, we do not believe this has been tested again.
- Is AB's culture investment-led? Whilst we are told this is the case, we have yet to gain evidence either way.
- The acquisition of discrete teams is a new path for AB. Although this seems positive, it remains recent.

## ESG AND ACTIVE OWNERSHIP ESG3

**Key takeaway:** Although not systematically applied, the philosophy does demand some consideration of environmental, social and governance factors. The team will engage with management on these issues from time to time, but this more on an ad hoc basis.

### ESG Integration

The investment philosophy and process lends support to emphasizing ESG factors within the research given the focus on the long-term sustainability of earnings. Whilst this does not appear to be done in a systematic manner, the fundamental analysis will take into account management quality as a matter of course, which provides focus on governance aspects. Whilst less emphasis is placed on environmental and social aspect in the fundamental analysis, the team does spend time engaging with companies and has, for example, visited companies' factories and held dialogues with manufacturers on supply chain issues. However, this is not done in a consistent manner.

### Resources (Internal / External)

The team utilizes GMI data which scores companies on ESG issues, and whilst not all companies pass on the criteria determined by GMI, a key question for the team is whether they are comfortable with this.

The team also makes use of AB's ESG committee and the voting and engagement team, although this appears to be done more sporadically.

### Engagement on ESG

As already mentioned, the team will meet with management in the course of their fundamental analysis and demonstrated with examples that they will address environmental, social and governance issues with the company in the course of their discussions. However, this is not systematically applied and is likely to depend on the perceived impact of ESG factors on the sustainability of the earnings growth of the business.

### Firm-wide Commitment

Public RI/ ESG Policy	Yes
PRI Signatory	Yes
Year Joined	2011
UK Stewardship Code	

## ASSESSMENT OF ORGANIZATION/TEAM

### Ownership Structure

AllianceBernstein L.P.'s beneficial ownership is split, with approximately two-thirds held by AXA Financial, just over 20% publicly listed and the remainder held by directors, officers and employees. Although AXA Financial is a majority shareholder, AllianceBernstein L.P. operates independently as a firm.

The percentage held by employees has steadily increased since the current CEO, Peter Kraus, joined AB at the end of 2008. This suggests an intention for employee ownership to continue to rise, which we view positively.

### Firm Assets and Stability

The performance of AB's equity portfolios through the Global Financial Crisis (2008) was very poor, and this saw their total firm assets fall from the peak of \$790 billion at the end of 2007. However, assets have steadily grown since the low of just over \$400 billion at the end of 2011 and seem to have stabilized. We also note that the make-up of the assets under management has shifted: in 2007, 74% of the AUM was held in equity strategies. This has fallen to less than 20% as at June 2016. Fixed Income products are now the largest asset class component of the AUM.

We note that AB has been acquiring discrete teams in what they describe as an effort to diversify their equity business. In reality, the total level of AUM from these teams is less than 20% of the total equity business, and less than 5% of the overall AUM. We question the extent to which this is truly a diversifier for the business. In addition, this is a relatively new area for AB. The experience thus far does seem to have been positive but how will the AB leadership respond to another crisis?

### Business Environment and Culture

AB is a large organization with scale to adequately resource teams so that they are able to focus on investing. The acquisition of discrete teams adds to the complexity of the business, but the model of having boutiques within a larger organization is not uncommon. We get the sense that AB is striving for a more collegiate approach to these newly added

teams than others. However, we continue to observe a distinct culture in those we have met.

Specifically, the team that came from WP Stewart (WPS) is very cohesive. They display a strong sense of purpose and clarity of focus. The team has been stable for many years. They are also collegiate, and very willing to engage with AB colleagues in discussion on companies. This means that the move to AB has invigorated them as they now have easy access to a sizeable team of investment professionals.

### Team/ Experience

The Concentrated team is structured into three regional teams: US, Asia and Europe. Within these teams, the assignment of work differs, according to the need – in Asia, a regional approach is adopted as there is value in individuals being familiar with the nuances of language and culture of the diverse countries the team cover. There has clearly been some thought into this. In the US, where responsibilities are more sector-based, there is still a significant level of overlap in terms of discussion and the various individuals bring their perspectives to bear on any given stock. There is also a level of inter-regional discussion and collaboration. We believe this makes the discussion more robust and strengthens the case for any holding.

James Tierney leads the US team. It is the largest, with five individuals in total. Tierney joined the industry in 1989 and joined the then WPS team in 2000. His experience comes across and he appears to be a grounded investor who demonstrates strong insights. Tierney and the US team display a passion and commitment to their approach that focuses on sustainable earnings growth.

The Asian team was housed within Bowen Asia, a separate business founded by Lisa Stewart, daughter of Stewart. Although separate entities, the Bowen team had been associated with WPS by providing research to the global team. In 2012, Bowen was bought by WPS and fully integrated before the AB acquisition. The Asian team is led by Celina Lin. Lin joined Bowen in 1994, a few months

after it was launched, and took over leadership in 2009. She started her career in the industry in 1989. There are a total of four investors on the Asian team.

The European team has historically been light on resources, with only Dev Chakrabarti and Mark Phelps considering European equities. Phelps joined the industry in 1986 and WPS in 2005. He is impressive - he displays enthusiasm, demonstrates insights and shows a thoughtfulness to the way the strategy is structured. Chakrabarti does seem to pose a good foil to him, with a greater focus on detail than Phelps demonstrates. However, they recognized that greater analytical support would be better and recruited John Keith in 2014. Keith is the most analytical of the three and grounds the discussion in fundamentals. Although we believe the European universe is adequately covered, there may be room for an additional member on the European team.

## Remuneration

Remuneration is structured to align investors' interests with those of AB's clients. There is therefore

a significant level of attention paid to performance, although more qualitative factors such as collaboration do also come into consideration.

For portfolio managers, the focus is on measures of absolute, relative and risk-adjusted investment performance. Peer groups are also created, reflecting products most similar in terms of style for peer comparisons. Performance is measured over one-, three- and five-year calendar periods, with more weight given to longer time periods.

For analysts, compensation is based on the performance of their recommendations, as well as the breadth and depth of their research knowledge and their broader collaboration.

Part of the annual incentive compensation is paid as a cash bonus and part through the firm's Incentive Compensation Award Plan (ICAP). The ICAP award vests over a four-year period and is typically in the form of the firm's publicly traded equity.

## ASSESSMENT OF PHILOSOPHY/PROCESS

### History

The approach followed by the Concentrated team at AB was initially conceived by Bill Stewart in 1975. Stewart launched a global strategy in 2004 and Phelps took on the management of the strategy on joining WP Stewart in 2005. Although Phelps managed the strategy since then, we note that from 2008 until WP Stewart was acquired by AB in December 2013, Phelps also fulfilled the role of CEO.

### Philosophy and Process

The philosophy is appealing in its simplicity: long-term, consistent earnings growth drives long-term investment returns. The commitment to this belief is clearly seen across the team.

The philosophy provides a sound framework for the process. In the process, this AB team has struck a balance between independence of thought and accountability for work on the one hand, and collaboration and sharing of research trips and stock views on the other. The team culture (cohesive and collegiate) is a strength in the implementation of the process, facilitating constructive challenge. The underlying due diligence that vets each investment idea is thorough but is also focused on what really matters. This focus is encouraged through discussions within and between regional teams, and by the framework set for research.

Elements of the process show a significant amount of thought. An example is the bucketed discount rates that prevent the likelihood of the analysts getting distracted by overly-engineering the model. The slight variation on this in Asia clearly reflects the different environment of the region and we view the thoughtful flexibility of a disciplined process positively.

The valuation-based ranking of the universe is another example of the team's thoughtfulness, building discipline into their approach that might otherwise become overly positive on the growth prospects of stocks.

Although the philosophy and process have remained consistent, Phelps and the team do also apply some thought to the evolution of the approach over time, not chasing change but also ensuring the approach does not stagnate. We view this positively.

### Portfolio Construction and Risk Management

Portfolios hold a relatively small number of names, but the philosophy's focus on the sustainability of earnings growth does reduce the risk usually inherent in such a concentrated portfolio. Portfolios are built from the most attractively valued opportunities in the investable universe that has already met the quality criteria through the in-depth due diligence. This means that global portfolios are able to hold the best ideas from across the regions. We note that Phelps has an awareness of portfolio-level risk and will not allow the portfolio to be overly exposed to any one macro factor.

AB as an organization also prides itself on the calibre of their risk management and has dedicated functions focusing on each of operational risk, investment risk and counterparty risk. A series of independent risk committees oversee portfolio exposures across the business. This is meaningless unless there is a real understanding of the input of the systems and the output of reports. Discussions with Fay in the past have highlighted that she does have this understanding and her use of these reports does seem to demonstrate this.

### Trading

AB has a dedicated dealing team. Globally, they employ 11 equity traders located in Hong Kong, Sydney, London and New York. The average industry experience of the traders is 16 years and the average tenure with AB is 8. Authorised investment professionals (approved portfolio managers) enter their trade orders into an order management system that electronically routes the instruction to the dealing team. Only the dealing team is authorized to communicate orders to a broker or dealer, and AB's team will only act on orders recorded in the system. Trades are monitored for best execution. AB's infrastructure appears strong and seems to have

significant levels of checks and balances in place to ensure effective implementation of investment decisions.

### Turnover

Turnover has averaged 37% for the history of the strategy. AB tells us approximately half of this is name turnover, with the remainder being from the management of position sizes. The difference in the universe turnover (lower) and the portfolio turnover resonates with the tension between the philosophy's long term perspective and the process' sensitivity to valuation. We believe it is still relatively low and is in line with our expectations from the range indicated by AB, and the team's description of their process.

### Capacity and Liquidity Management

The AB Concentrated team has consistently held to a capacity limit of \$15 - \$20 billion across the strategies they offer. There is significant room for the strategies to grow before they reach these levels.

At capacity, the global portfolio appears to remain fairly liquid and, given the low turnover of the strategy, we have no concerns on the team's management of this aspect.

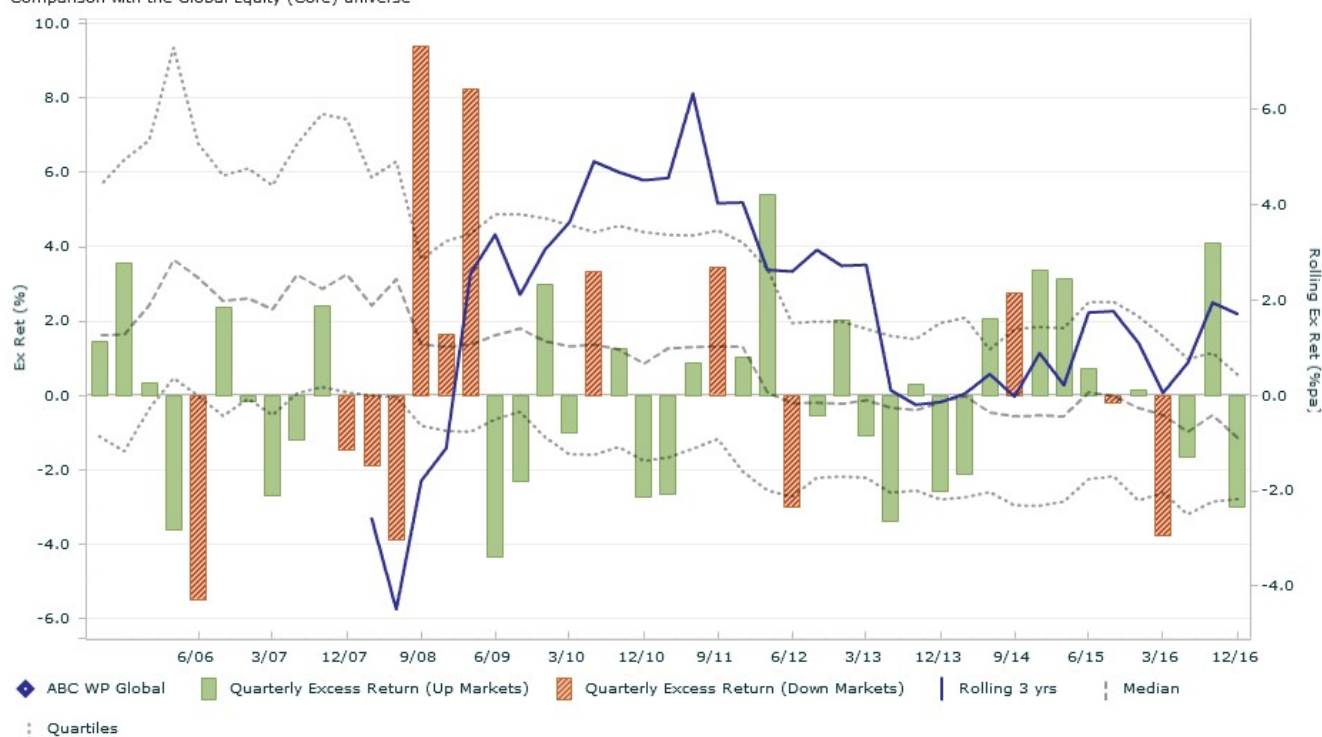
### Fees

Fees for separate accounts are on a sliding scale, starting at 90 bps. We note that this is toward the higher end of the universe range.

## ASSESSMENT OF TRACK RECORD

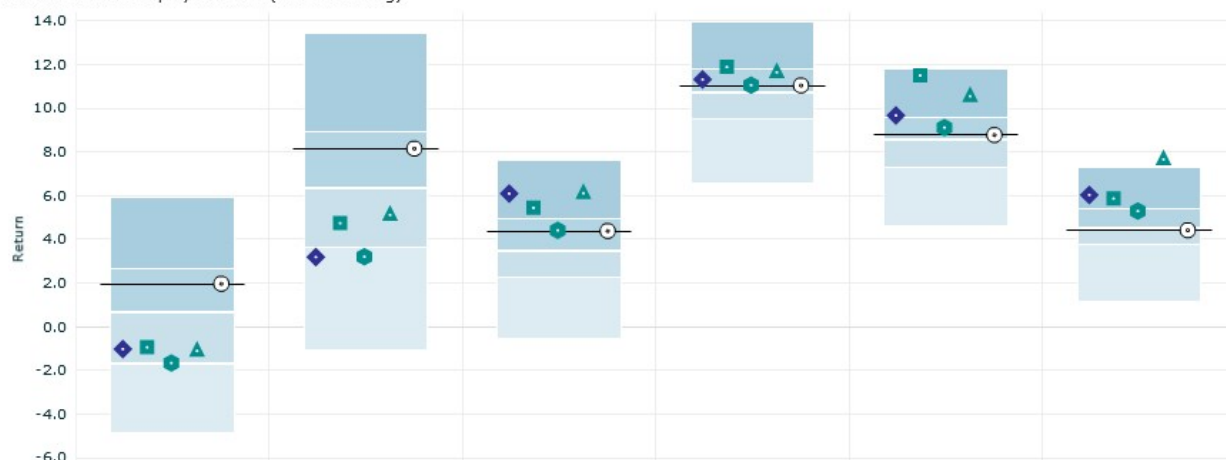
Track Record	AB Concentrated Global Growth (ABGEQCON)	Mercer Universe	Global Equity (Core)
Base Currency	\$US	Track Record Type	Composite
Benchmark	MSCI World Free (MSWF)	Track Record Assets	US\$225m as at 30-Sep-16

Quarterly Excess Return vs. MSCI World Free with rolling 3 yr line in \$US (before fees) over 11 yrs and 3 quarters ending December-16  
Comparison with the Global Equity (Core) universe



Return in \$US (before fees) over 3 mths, 1 yr, 3 yrs, 5 yrs, 7 yrs, 10 yrs ending December-16

Comparison with the Global Equity universe (Actual Ranking)



	3 mths (%)	1 yr (%)	3 yrs (%pa)	5 yrs (%pa)	7 yrs (%pa)	10 yrs (%pa)
◆ ABC WP Global	-1.02 (439)	3.19 (477)	6.09 (55)	11.31 (126)	9.67 (77)	6.02 (37)
■ MSCI Morn	-0.94 (433)	4.75 (388)	5.43 (90)	11.88 (91)	11.48 (21)	5.87 (41)
● MSCI Growth	-1.66 (492)	3.21 (475)	4.41 (155)	11.04 (152)	9.10 (113)	5.30 (66)
▲ MSCI Quality	-1.09 (447)	5.12 (374)	6.11 (54)	11.64 (102)	10.54 (47)	7.66 (11)
⊙ MSCI World	1.97 (219)	8.15 (198)	4.38 (160)	11.04 (152)	8.77 (143)	4.41 (122)
95th Percentile	5.95	13.42	7.60	13.93	11.80	7.30
Upper Quartile	2.67	8.93	4.96	11.80	9.58	5.41
Median	0.70	6.35	3.50	10.70	8.56	4.55
Lower Quartile	-1.68	3.61	2.25	9.52	7.28	3.79
5th Percentile	-4.81	-1.09	-0.53	6.60	4.60	1.15
Number	656	602	468	371	317	224



Performance characteristics vs. MSCI World Free in \$US (before fees) over 11 yrs and 3 quarters ending December-16

Comparison with the Global Equity universe (Percentile Ranking) (quarterly calculations)

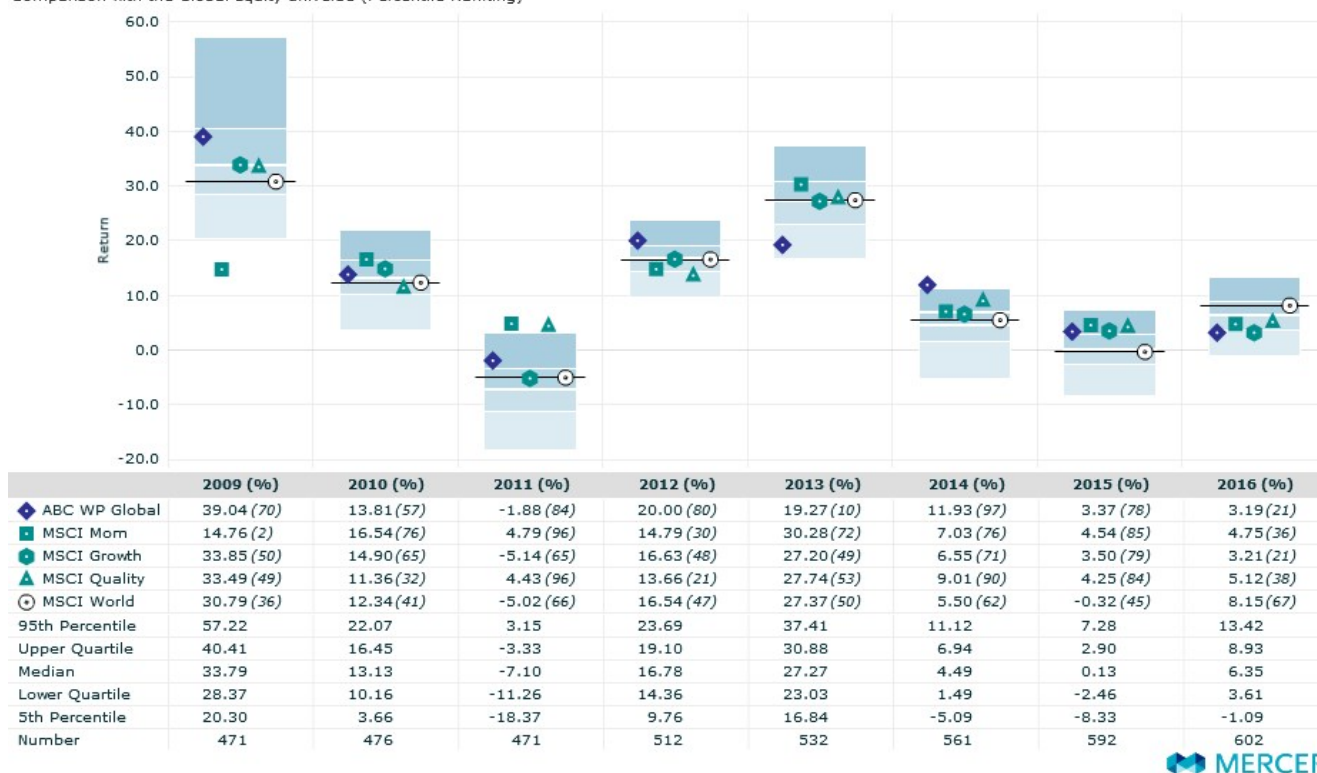


	Ret (%pa)	Std Dev (%pa)	Ret/SD	TE (%pa)	IR	Ex Ret (%pa)
◆ ABC WP Global	7.57 (74)	15.59 (15)	0.49 (86)	6.41 (76)	0.19 (63)	1.21 (74)
■ MSCI Morn	8.43 (84)	16.69 (30)	0.51 (89)	7.62 (88)	0.27 (69)	2.06 (84)
● MSCI Growth	6.81 (50)	16.50 (25)	0.41 (62)	2.89 (15)	0.15 (60)	0.44 (50)
▲ MSCI Quality	8.33 (84)	14.14 (6)	0.59 (94)	4.84 (53)	0.41 (84)	1.97 (84)
⊙ MSCI World	6.37 (34)	16.58 (27)	0.38 (49)	0.00 (0)	-	0.00 (34)
95th Percentile	9.22	22.35	0.63	10.01	0.61	2.85
Upper Quartile	7.65	19.40	0.44	6.37	0.32	1.29
Median	6.78	17.70	0.39	4.49	0.10	0.41
Lower Quartile	6.10	16.46	0.35	3.47	-0.06	-0.26
5th Percentile	4.28	13.97	0.21	1.76	-0.32	-2.09
Number	179	179	179	179	179	179



Return in \$US (before fees) over last 8 calendar years ending December-16

Comparison with the Global Equity universe (Percentile Ranking)



MERCER

Over its full history, AB's concentrated global equity strategy has outperformed the benchmark, even on a net of fees basis.

The process does not specifically target a lower volatility than the market but the focus on the sustainability of earnings growth does result in the strategy investing in businesses that have a lower volatility in earnings than the broader market. This has resulted in the strategy's performance also being less volatile than the market – an outcome we would broadly expect. However, this characteristic of the performance track record should not lead to the conclusion that this is a defensive strategy: it has only outperformed in down markets less than half the time over the history of the portfolio.

We would expect the strategy to outperform in steady growth markets, but the performance is likely to lag in momentum-driven rallies. Similarly, the strategy is likely to lag the benchmark when value as a factor drives the market, or when lower quality,

highly leveraged strategies dominate the performance charts.

Given the portfolio's style biases, we have included the MSCI Momentum, Growth and Quality indices in the performance charts above. There are no notable patterns observable from this. AB presents evidence that demonstrates that the strategy's track record has delivered returns in excess of the performance from the portfolio's naïve factor exposures.

Overall, we believe performance has been in line with our expectations.

## ASSESSMENT OF PORTFOLIO HOLDINGS

### Portfolio Characteristics

Date of analysis	30 Sep 2016	Adjustment used for style tilts	Unadjusted
Benchmark used for analysis	MSCI World Free	Cash	4.6%
Number of stocks	31	Key factor measures	Weighted Average (Benchmark)
Effective number of stocks	29.5	- Forward earnings yield	5.0% (6.2%)
Predicted tracking error	4.8%	- Market cap	\$79bn (\$97bn)
Predicted beta	1.02	- ROE	28.3% (16.2%)
Coverage ratio	5.5%		
Predicted vol (benchmark)	12.9% (11.7%)		

### AB – Concentrated Global Growth

Mercer Selected Style Skyline™ vs. MSCI World Free as at September-16



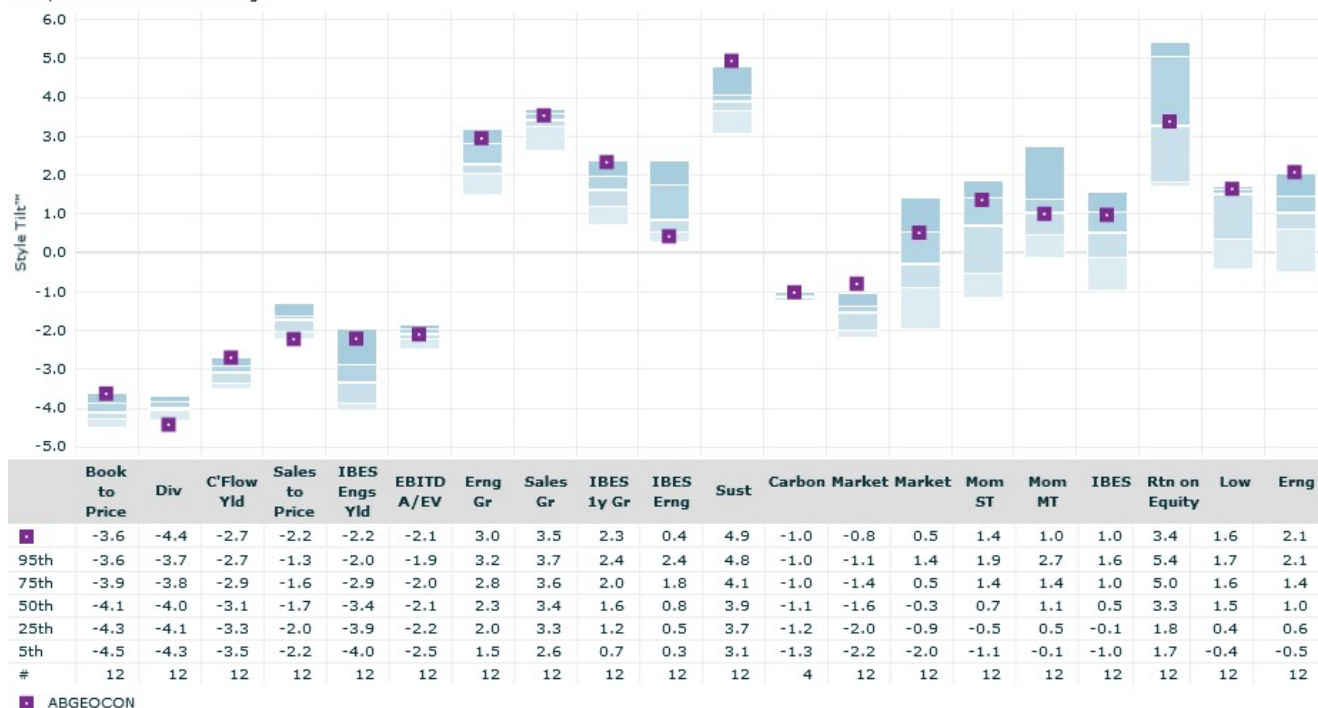
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## Mercer Selected Style Skyline™ vs. MSCI World Free as at September-16

Comparison with historical range

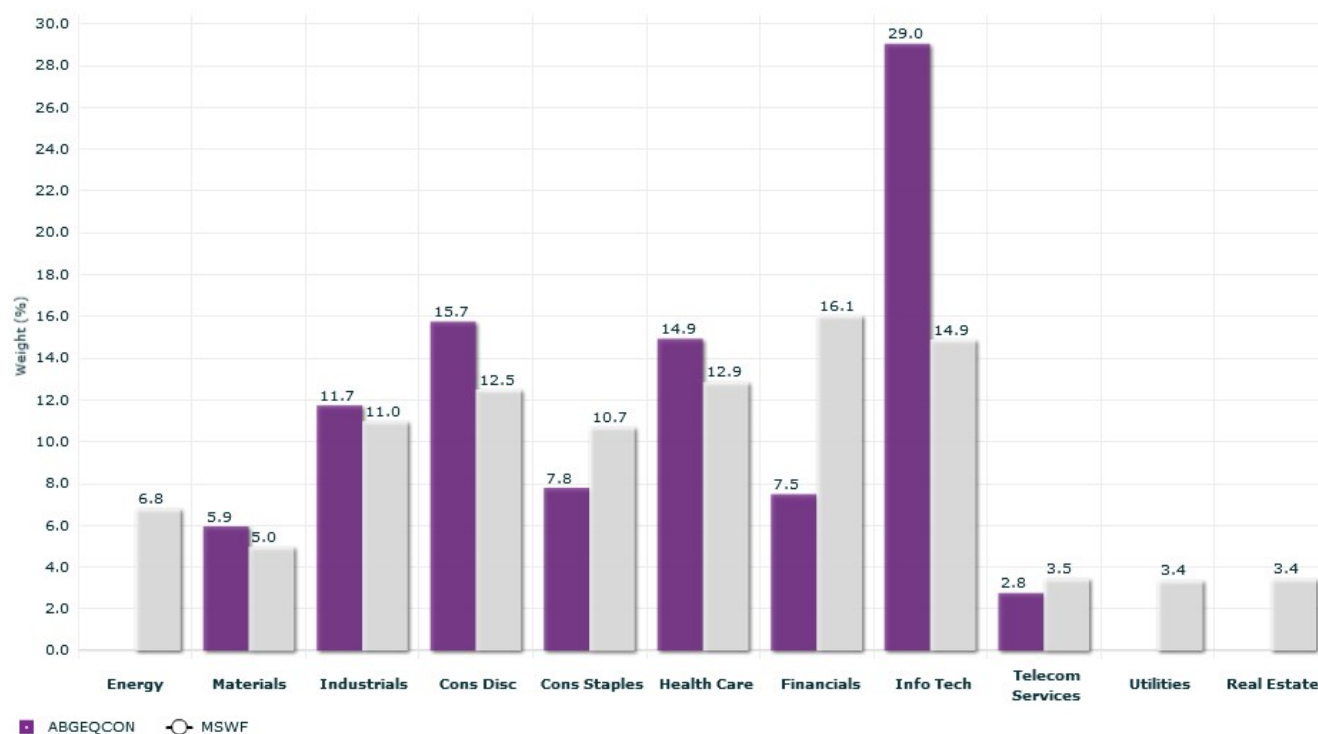


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## AB - Concentrated Global Growth

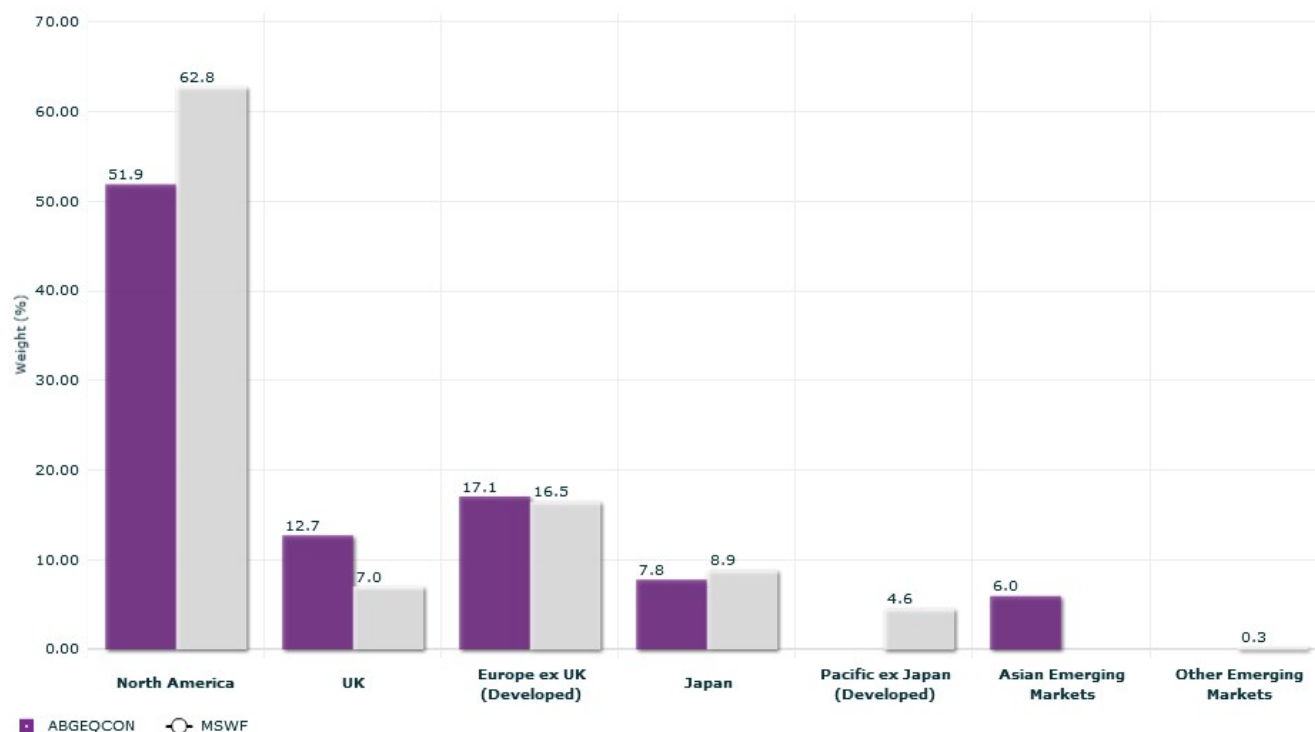
Sector Allocation vs. MSCI World Free as at September-16



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Region Allocation vs. MSCI World Free as at September-16



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The portfolio's characteristics and style factor exposures over time have persistently reflected the philosophy of the team, with strong tilts to quality and sustainable earnings growth.

Sector and regional positioning, although built from the bottom-up stock selection, have tended to be persistent.

Although portfolios are concentrated, the team is aware of the risk within the portfolio and seeks diversification from each position held. This is seen

in the effective number of stocks being close to the actual number of stocks. The portfolio also displays a reasonably modest predicted tracking error, which is unusual given its concentrated nature and high active coverage. This is likely driven by the exposure to larger cap names in the portfolio. We believe the unconstrained nature of the approach and the concentrated portfolio can lead to a relatively high tracking error.

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- The value of stocks and shares, including unit trusts, can go down as well as up and you may not get back the amount you have invested.
- Investments denominated in a foreign currency will fluctuate with the value of the currency.
- Certain investments, such as illiquid, leveraged or high-yield instruments or funds and securities issued by small capitalization and emerging market issuers, carry additional risks that should be considered before choosing an investment manager or making an investment decision.
- For higher volatility investments, losses on realisation may be high because their value may fall suddenly and substantially.
- Where investments are not domiciled and regulated locally, the nature and extent of investor protection will be different to that available in respect of investments domiciled and regulated locally. In particular, the regulatory regimes in some domiciles are considerably lighter than others, and offer substantially less investor protection. Where an investor is considering whether to make a commitment in respect of an investment which is not domiciled and regulated locally, we recommend that legal advice is sought prior to the commitment being made.