RESEARCH REPORT
AB

MERCER ASSESSMENT

Strategy	**AB Global Core Equity**
Category	**International Equity, Global Equity - Core All Countries**
Date	**November 2020**

Idea Generation	■■■■	
Portfolio Construction	■■■■	
Implementation	■■■□	
Business Management	■■■□	
Rating	**A**	**ESG2**

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OVERALL ASSESSMENT

This strategy is appealing in its risk-aware portfolio construction that seeks to have stock selection drive alpha. The long term focus on companies with sustainable cash flow generation, strong competitive positioning and attractive valuations provides a firm foundation for the disciplined and diligent implementation of the process. The strong team is led by David Dalgas, who strikes us as a focused and dispassionate investor, committed to this philosophy and process and disciplined in the implementation thereof. We are also impressed with other members of the team - a cohesive group who have a single focus and are diligent in their implementation. The stock research is detailed and shows a consistency across the team. Risk reporting is integrated into the management of the portfolio and is a focus at both the stock level and the portfolio level.

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STRATEGY SUMMARY

Overview

The team's objective is to offer investors a broadly style neutral portfolio that relies on stock selection as the main driver of returns. The team adopts a long-term approach and builds the portfolio in a risk-aware (absolute and relative) manner.

Summary facts and figures	
Firm-wide assets	$600 billion as at 30 Jun 2020
Inception year	2011
Assets in strategy	$12.3 billion as at 30 Jun 2020
Estimated capacity	$25 billion
Open/closed	Open to All Investors
Most suitable benchmark	MSCI ACWI
Outperformance target range (% pa)	3.00
Expected tracking error range (% pa)	4.00 - 6.00
Vehicle type	Segregated
Indicative fee (% pa)*	0.61% on $100m
Universe median fee (% pa)*	0.65% on $100m
Persistent factor exposure**	Profitability/Quality

In practice fees may be negotiable.

***Persistent factor exposure is relative to an All Cap Core benchmark.*

Firm Background and History

AB (formerly AllianceBernstein) is a majority-owned indirect subsidiary of Equitable Holdings, Inc (EQH). EQH has an approximate 65% 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 Nashville, Tennessee and has significant investment offices in New York, London, Tokyo, Hong Kong and Sydney. Over the years, AB has acquired other boutique asset managers, including WP Stewart Asset Management and CPH Capital.

Product History

The strategy was originally launched in 1998 at BankInvest. However, the approach was changed from a regional research structure to sector structure between 2000 and 2001, when David Dalgas took on the role of portfolio manager. He also introduced sector, regional and risk factor neutrality into the portfolio construction at that time. The AB Core strategy follows the same approach.

Key Decision Makers

Stock selection is the responsibility of the Investment Board, consisting of co-CIOs, David Dalgas and Klaus Ingemann Nielsen (Ingemann), and Rasmus Lee Hansen (Hansen). Dalgas joined the industry in 1994 and co-founded CPH with Ingemann and Kenneth Graversen in 2010 (Graversen left in 2016). He covers research on Consumer Staples. Ingemann joined the industry in 1993 and has sector responsibility for Healthcare and Technology. Hansen joined the industry in 2004 and CPH in 2010, and has research responsibility for Financials and Real Estate. Per la Cour and Thomas Skovbjerg complete the research coverage. la Cour (joined the industry 2004/ CPH in 2010) covers Consumer Discretionary and Communication Services. Skovbjerg (1998/ 2016) covers Energy, Industrials, Materials and Utilities. Thomas Schmidt Christensen is the Senior Risk and Quant Manager. This team joined AB from CPH Capital in 2014. In 2020, they made two junior additions to support the senior investors.

Investment Style/Philosophy

AB Core holds the belief that the stability of earnings and cash-flow are under-appreciated by the market. They also have a clear focus on the price they will be willing to pay for investment opportunities and adhere to a strict valuation discipline.

Investment Process

The process begins with ten routine screens that are run weekly for the output to be discussed at the team's Monday meeting. AB Core is looking for companies that are attractively valued and exhibit a range of quality criteria.

Ideas that are progressed to the research stage are documented in a standardized note. In addition to reading the trade press, speaking to sell-side analysts and identifying key risks, analysts also use Porter's Five Forces to assess a company's ability to sustain its profits. Based on this analysis, Economic Value Added is estimated and is used in the discounted cash-flow (DCF) model. The team builds up the discount rate starting with the risk-free rate and adjusting for inflation, country, liquidity and financial risks, as well as ESG factors. Valuation is compared relative to the stock's own history.

Progressing an idea for consideration is initiated by the analyst, but inclusion of an idea in the portfolio is decided by the Investment Board. One member of the Investment Board is appointed to a devil's advocate role to review stock analysis and ask tough questions.

An initial position of around 1% is added to over time as conviction grows. The maximum weight to any one stock is limited to a marginal contribution to tracking error of 6%. The portfolio will hold 50 - 80 stocks. Sector positions and emerging market exposure are limited to +/-5% of the MSCI All Countries World Index. While there are no specific limits on other regional exposures, no more than 10% of the portfolio's factor risk should be explained by regions. The portfolio aims to have two-thirds of tracking error coming from stock specific risk.

Turnover is expected to be 30 - 70% per annum. Price targets are reviewed every six months or when the price target is reached, and the investment thesis of a holding is reviewed on an annual basis. Currency is not hedged. Cash levels will depend on the number of opportunities available that meet quality and value criteria. It has never exceeded 4%.

IDEA GENERATION

Key takeaway: AB Core follows a disciplined investment approach that supports the team's clear philosophy with its long term focus on cash-flow generative businesses. The valuation discipline and attention to downside risk strengthens this offering. The team has worked together, following this approach, for many years and brings strong focus to the strategy.

Pros

- The team of experienced investment professionals has worked together for many years and display a high level of commitment to the approach.
- It is the methodical and detailed due diligence that differentiates the strategy, with each step of the process reflecting a significant amount of thought.
- Dispassionate analysis and attention to the downside keeps the team true to each thesis and the estimate of fair value.
- The devil's advocate process at the stock-selection stage of the process ensures robust challenge.
- The team applies sensible screens in order to narrow the universe to a limited set of ideas warranting further due diligence. The requirement of specific reasons why ideas screening well are not progressed fosters objectivity.
- There is a strong desire for continuous improvement and refinement of the process, with regular off-site meetings and a willingness to improve the decision making process.

Cons

- The strategy remains reliant on the ongoing input from co-CIOs, David Dalgas and Klaus Ingemann. If any of the two were to leave, we would reassess the rating.
- If there was any undue turnover in the relatively small team, we would be concerned.

PORTFOLIO CONSTRUCTION

Key takeaway: The portfolio reflects the philosophy and approach of the team. There is a clear focus on risk and the discipline of the process is also seen in portfolio construction.

Pros

- Portfolios are carefully constructed to avoid benchmark-relative risk, as the team specifically seeks to allow stock decisions to drive outperformance.
- There are tight controls on the activeness of the portfolio, the beta and the sector positions: we are comfortable these limits are diligently adhered to and do not undermine the ability of the team to generate alpha.
- Close attention is paid to the risk within the portfolio from both a quantitative and qualitative perspective.
- Whilst the Investment Board does have final say over the portfolio, it is built from the analysts' ideas, engendering a strong sense of collective ownership of the end product.
- The team makes extensive use of risk models as part of their process. While the team recognizes the limitations of these models, they display a strong understanding of their output, which is what counts.

Cons

- The Investment Board makes the final decision on stocks for the portfolio and their associated weights. This has the potential risk of disenfranchising the analysts from the final portfolio, although we have no evidence of this being the case so far.

IMPLEMENTATION ■■■□

Key takeaway: The strategy benefits from AB's efficient trading and execution capabilities. AB had been proactive in studying capacity issues and closing strategies as liquidity became a concern in the past. That said, the strategy's capacity estimate is higher than communicated before the team joined AB.

Pros

- Current assets under management are significantly below the stated capacity limit and give us no cause for concern at this point.
- The team understands the impact that liquidity and/or capacity could have on the strategy and seem cognisant of the resulting issues of managing too high a level of assets.
- The portfolio's realized turnover is consistent with the way the team describes their investment approach.
- All trading is carried out through a well-resourced and experienced dealing team. AB utilises various dealing channels and appear thoughtful about how to ensure best execution for clients.

Cons

- The consideration of capacity and a reasonable capacity limit were among the areas of concerns we had when the team was acquired by AB. While numerous discussions with the team and AB give us some comfort that the Global Core team will be able to control their capacity, it is still an issue to watch.

BUSINESS MANAGEMENT

Key takeaway: AB is part of a publicly listed organization. This creates some challenges. It has been restructured in recent years to better reflect the changing needs of the broad client base and to diversify its business. Whilst there is the risk that the firm's strengths are diluted, we view the changes positively.

Pros

- AB is a large international organization that has the scale to adequately resource its investment teams and invests in the areas they believe will generate growth for the business. This seems to be done with a focus on adding to AB's investment strengths. The size, scale and reputation of AB gives investors access to companies, policy makers and thought leaders that might not be possible for those working in other organizations. In addition, the firm's investment in technology is impressive, and the quality and breadth of proprietary tools at investors' disposal sets AB apart.
- The firm has committed to diversifying their business away from the historical reliance on specific strategies. In our view, this has been done in a thoughtful way, acquiring discrete teams and developing new innovative products to meet the changing needs of current and prospective clients with a focus on areas where they believe they have an investment edge.
- The senior management of the different asset class businesses has been stable and in place for many years. They are given significant freedom to manage their respective business units.
- AB promotes a collaborative working environment, evident through the team interaction required to develop proprietary tools as well as both formal and informal framework for meetings between portfolio managers and researchers.
- Remuneration is thoughtfully structured and aligns the interests of investors and clients.

Cons

- AB's majority owner is a listed financial services company. While AB has been able to operate independently from its parent company EQH to date, there is no guarantee this independence will continue to be enjoyed.
- To what extent do short to medium-term growth and profitability pressures affect the alignment between the business and clients? We have seen these affect strategies with staff departures and are wary of the potential impact of future pressures.
- AB experienced some turmoil in 2008/09 when performance across a number of strategies struggled. We believe they have righted the ship but to what extent does corporate memory affect their future decisions?
- AB's objective of diversifying the business leads the firm to build alternative capabilities and products through existing teams and through the acquisition of independent external teams. This latter approach is a new path for AB and whilst it seems positive, there is the risk that it introduces organizational friction. In addition, product proliferation is a potential risk.
- We note that AB had a change in CEO in 2017. Whilst this was a sudden change, it is not necessarily negative. Further turnover amongst senior leadership would be cause for concern.

ESG AND ACTIVE OWNERSHIP ESG2

Key takeaway: The team considers environmental, social, and governance (ESG) issues in the context of their potential financial effect on a company's stock price. A genuine ownership stance is adopted throughout the process, rather than seeing ESG as a tick-box exercise.

ESG Integration

AB Core considers environmental, social and corporate governance factors as part of their research framework. Their ESG framework, which is based on a qualitative assessment of these factors, also has a direct impact on the discount rate used in the estimate of fair value.

In addition, the team applies a screening service (currently MSCI) to cover all stocks in their universe, but they make their own decisions based on the information from the ESG reports. However, the screening process also excludes companies operating in the following industries: tobacco, weapons, nuclear & coal, adult entertainment.

Resources (Internal / External)

The Global Core team has access to dedicated ESG resources at AB and utilises these resources when and if required. We note, however, that the team performs their own ESG analysis.

In 2011, AB formed its Responsible Investment Committee, comprised of c. 20 senior members from the investment organization, client-facing teams, and Legal Department. The committee develops ESG strategy and thought leadership in partnership with investment teams, monitors progress on RI strategy and implementation, and provides ESG-related advice to investment and client teams.

AB has developed a platform, Esight, to share ESG research amongst different teams across asset classes and the business. Each team maintains their own view of the environmental, social and governance credentials of a firm, but Esight facilitates the sharing of information and collaboration.

We also note that AB has a partnership with Columbia University's Earth Institute, in part to provide training on Climate Change and to raise the profile of climate risks and opportunities within portfolios.

Engagement on ESG

AB Core has a strong focus on governance and management plays a part in that assessment. The team have increased their engagement efforts over time, in part through AB-led programs but also through the team's own initiative. They do vote on every shareholder resolution, considering each on a case-by-case basis in such a way as to serve the long-term interests of shareholders.

Firm-wide Commitment

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

ASSESSMENT OF ORGANIZATION/TEAM

Business Structure

AllianceBernstein L.P's (AB) beneficial ownership is split, with c. 65% held by Equitable Holdings Inc (EQH), c. 22% publicly listed and the remainder held by directors, officers and employees. EQH is the majority shareholder and has largely supported independent operation, it reshuffled the Board in 2017 and 2019, increasing the number of independent directors. Whilst we have been reassured of a return to AB's operational independence, further interference remains a potential risk. EQH is a listed company and up until its public offering in 2019 it was owned by AXA Financial.

AB's equity portfolios experienced poor performance around the time of the Global Financial Crisis (GFC, 2008). This contributed to assets under management (AUM) falling from their peak of $790 billion at the end of 2007. However, AUM has grown since its trough of just over $400 billion at the end of 2011 and the level appears to have stabilized since. We note that the composition of the AUM has shifted over time. In 2007, 74% of the AUM was held in equity strategies; however, this has steadily declined and equities comprised around 25% of the firm's AUM at the end of 2019. In contrast, AB's Fixed Income products have grown and now represent the largest component of the firm's AUM (at more than 50%). Whilst the addition of different asset classes and the shift in the asset mix has given the firm greater stability, it also has an impact on AB's overall profitability, as fixed income is a lower margin business. We note, however, that the business remains highly profitable.

Within the equity business, significant changes were made post the disappointing performance through the GFC to strengthen the area. Part of this has been the acquisition of 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 expansionary area for AB.

Environment and Culture

In 2019, the firm moved its headquarters from New York to Nashville, Tennessee. New York remains a significant investment office, together with offices in London, Tokyo, Hong Kong, Taipei, Montreal, and Seoul.

AB is a large organization with scale to adequately resource teams so that they are able to focus on investing. Research, portfolio management, and trading are seen as three different career paths and each are heavily involved in the investment process.

The firm stresses its collaborative culture and all teams share one Economic Research Group, one Credit Research Group, one Securitized Asset Research Group, and one Quantitative Research Group. 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; even within AB; the traditional Value and Growth equity teams remain fairly autonomous. We get a sense that while AB is a strong proponent of collaboration, it does not enforce it on individuals. Instead, collaboration is encouraged where possible, with the intention that these teams maintain their distinct culture and participate in discussions when it is mutually beneficial. However, we are mindful of the potential challenge for AB to preserve this balance between cross-collaboration and non-interference in each team's investment approach.

Remuneration and Alignment

Remuneration is structured to align investors' interests with those of AB's clients through variable compensation based on a long-term view of performance (one, three and five years). In addition, meaningful investment in the products they manage serves to adequately align interests with those of clients.

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 publicly traded AB equity.

The total compensation for portfolio managers is determined by both quantitative and qualitative factors. The quantitative component typically includes measures of absolute, relative and risk-adjusted investment performance. Relative and risk-adjusted returns are compared to the benchmark and versus peers over 1-, 3- and 5-year periods, with more weight given to longer time periods, which we like. The qualitative component tends to incorporate the softer issues: thought leadership, collaboration with other investment professionals at the firm, and building a strong talent pool, amongst other factors.

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. For junior analysts, compensation is largely salary based but quickly caps out as the variable compensation grows to become the dominant portion of compensation.

Overall, we believe compensation for investment team members is sensible and competitive, serving to promote stability of the investment team.

Team and Resources

This is a well-resourced investment team of sector-focused analysts who have been working together for a long time. They are led by experienced investors, David Dalgas and Klaus Ingemann. In our view, Dalgas and Ingemann provide strong leadership and oversight of the team while encouraging independent thinking. We are also impressed with other members of the team - a unified group who share a mutual goal and are absolutely committed to this approach.

The AB Global Core team aims to remain between six to seven senior investment professionals, as they believe this range represents the optimal number of individuals required to provide sufficient research coverage for the strategy while not diluting the team's culture and their investment focus. Whilst it is difficult to confirm an optimal team size, we believe there is value in the fact that the team has thought about this and maintain this discipline in recruitment. However, they will opportunistically hire, but the bar is high for potential joiners to the team. Given that it is a team driven approach, the preservation of a collaborative working environment is essential for the Global Core team. Hence, a new candidate has to be a good fit within the team, understanding the dynamics and culture of the team. Two junior individuals were added to the team in Q4 2020.

We get a strong sense of broad collaboration within the team on all ideas, and the team members appear to work well together. We note, however, that the team does not come across as the most diverse one from a gender or ethnicity perspective. The team is well-aware of it, but believes that there is cognitive diversity within the team given they all have different personalities.

During 2020, Chris Hogbin (previously COO for equities) took over the Head of Equities role from Sharon Fay, who moved into the position of Chief Responsibility Officer. This transition took place over a two-year period with Fay acting in more of a supporting role during the latter part of the handover. We believe AB took a sensible approach to the transition and Hogbin comes across as someone who could build on what Fay had achieved. He also brings a depth and breadth of experience to the role and seems to have been accepted by the senior investors in the business.

ASSESSMENT OF PHILOSOPHY/PROCESS

History

The Global Core equity strategy has been managed according to the same approach since 2001, when David Dalgas took on the role of portfolio manager at BankInvest. The process has also remained largely unchanged, with some marginal enhancements in its implementation. We view this positively as it indicates the team's focus on a continuous search for alpha.

Philosophy and Process

AB Global Core offers a clear investment philosophy. Specifically, the team seeks to invest in cash-generative, asset-light businesses that have high barriers to entry and management who allocate capital well. We think it is a sound philosophy, underpinned by logical reasoning.

A series of routine quantitative screens are used at the initial idea generation stage of the process. The screening only highlights new names, reducing the likelihood of the team re-doing work. Written feedback is provided for not progressing a stock highlighted by one of the screens so that a deliberate decision is made either way. New ideas can also be generated using ad hoc screens (that the team runs from time to time) and company meetings. The underlying metrics within each screen do not appear particularly differentiated. However, a sense of pragmatism around the implementation of routine as well as ad hoc screens adds value, in our view.

Progressing an idea to inclusion in the portfolio is initiated by the analyst, who will pull together a HOLT model, a DCF model, and a thesis that can be shared with the rest of the team. Although HOLT, as a common industry tool, has its benefits and limitations, it does provide some level of historical information. The Global Core team is pragmatic enough not to re-invent information they can get from the system, whilst still performing their own analysis. We note that our confidence in the team's process comes from the quality of their analysis and the assumptions that they put into the model, rather than their use of HOLT.

Calculation of the fair value for a stock is driven by a discounted cash flow analysis (DCF). The DCF model is consistent across all stocks and uses a 10-year forecast period with conservative assumptions. The team's valuation method is disciplined and consistently applied, and reflects the level of thought that has been applied in establishing the process. The team's research focusses on identifying those companies that have potential upside of at least 20%.

The investment ideas that pass the criteria highlighted above are captured in research reports and presented to the Investment Board. These reports are systematic in the elements of the investment thesis that they cover and detailed in the due diligence work that support them. This standard template seems to address the key issues the team considers when making the decision on a stock. There is a rigour in the framework of the template and the content, in examples we have seen, is thorough.

While the individual proposing a stock idea retains responsibility and accountability for it, the final approval for an idea is agreed by members of the Investment Board, which ensures consistency of process across the team.

Portfolio Construction and Risk Management

This is not a benchmark constrained investment approach, but the Global Core team prefers to manage a “factor-neutral” portfolio with stock specific risk representing two-thirds of the tracking error. A qualitative assessment of the up-side, the investment case, the risk to down-side and the worst case scenario is made in considering the allocation to a holding. The weighting decision is aided by a dedicated risk manager, Thomas Christensen, through an analysis of the factor risk within the portfolio and the impact any new position will have. This portfolio construction approach seems reasonable to us and in line with the risk-aware investment process the team employs. We note that the portfolio's risk exposures are also subject to a wider firm risk review.

Trading

AB has a dedicated dealing team. Globally, they employ more than 10 equity traders located in Hong Kong, Sydney, London and New York. The average industry experience of the traders is more than 15 years and the average tenure with AB is around 10. Authorized 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 is expected to be in the range of 30%-70%. Since inception (at CPH in 2011), the strategy's turnover has averaged at c. 40%. Given the realized turnover stood at the mid-point of the stated range, we do not have immediate concerns around the portfolio's turnover. We would be worried if it rose beyond the upper limit given the longer-term focus on the strategy.

Capacity and Liquidity Management

When the team joined AB, the capacity limit was revised upward to $25 billion, from the team's initial intention to close the strategy at $10 billion in assets. However, when exploring the analysis with the team, it does seem that the $25 billion mark remains a conservative estimate (it has not increased since they joined AB). In addition, the team have revisited the capacity limit when it neared the $10 billion mark, as they told us they would. AB assure us that the capacity decision lies with the investment team.

In reality, there may well be some liquidity benefits from being part of larger AB (with a more developed trading infrastructure), and we note that the portfolio is not typically invested in very small companies. In addition, our analysis suggests that the portfolio's liquidity profile does not show significant signs of strain at $25 billion of assets, using a maximum of 20% of the average daily trading volume. Overall, we believe capacity and liquidity of the portfolio will be well- managed.

Fees

Fees for separate accounts are on a sliding scale, starting at 80 bps. For a $100 million mandate, the fee is 61 bps. We note that this is slightly below the median of the peer group, but in reality AB has shown a willingness to negotiate on the flat fee, and to consider performance fees. We believe a better alignment of interests is achievable.

ASSESSMENT OF TRACK RECORD

Track Record	AB Global Core Equity (ALBGEQ7)	**Mercer Universe**	Global Equity (Core All Countries)
Base Currency	$US	**Track Record Type**	Composite
Gross/Net of Fees	Gross	**GIPS Compliant**	Yes
Benchmark	MSCI AC World (MSACW)	**Track Record Assets**	US$7157.942m as at 30 Sep 20

Since the team established CPH in 2010 (track record available from 2011), the Global Core strategy has delivered outperformance above the benchmark, although lower than the stated target of 3%. However, over this period, the strategy's valuation discipline will have created a drag on their returns, although the broader focus on quality would have been a tailwind. Overall, we do not believe the 3% target is too ambitious for the strategy and expect that over a full cycle they will achieve this.

Typically, we would not expect the strategy's performance to have a notable pattern in up- or down-markets. Given the team's approach, we would expect the strategy to struggle in strong beta rallies or momentum driven markets. We would also expect the strategy to struggle when highly cyclical, highly leveraged stocks lead the market.

The factor regression analysis over the full period of the track record suggests that the strategy's active returns cannot be fully explained by style/ factor exposure, supporting the team's message that the alpha delivered by the portfolio is from stock selection rather than style, sector or region.

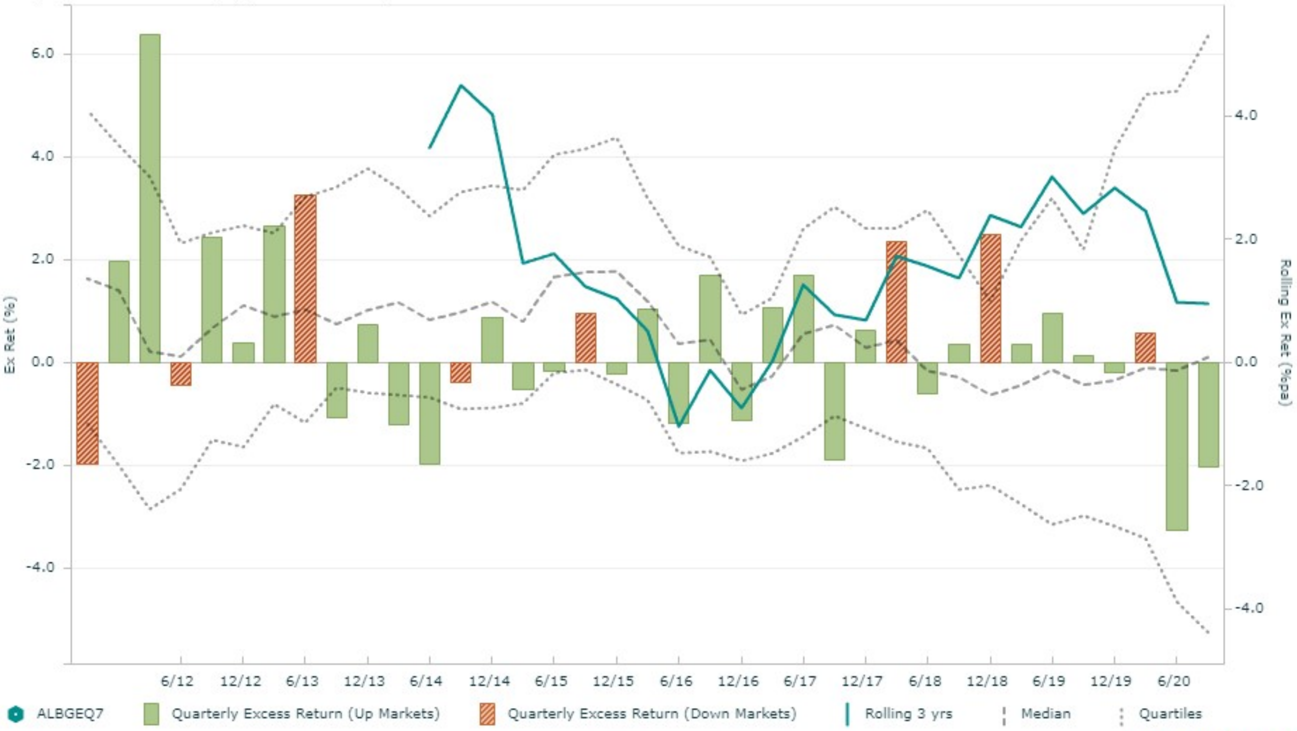
The performance since inception has been delivered with volatility slightly higher than the index. Given the team's approach, we would expect the strategy's volatility to be in line with the benchmark over the longer-term. It is worth noting, however, this higher realized volatility has been driven by the significant and unexpectedly high level of outperformance of the strategy in January 2012. The strategy's excess return of c. 400 basis points in one month was driven by outperformance of three holdings. That in turn skewed the ex-post standard deviation for the year 2012 – 15.3% versus 13.5% for the index.

Q2 and Q3 of 2020 stand out in terms of poor relative performance. This was post the market fall induced by the COVID-19 pandemic, and markets over the period were very narrowly led by growth stocks. The team's valuation discipline meant that they did not hold the top performers.

AB - Global Core Equity

Quarterly Excess Return vs. MSCI AC World with rolling 3 yr line in $US (before fees) over 9 yrs and 1 quarter ending September-20

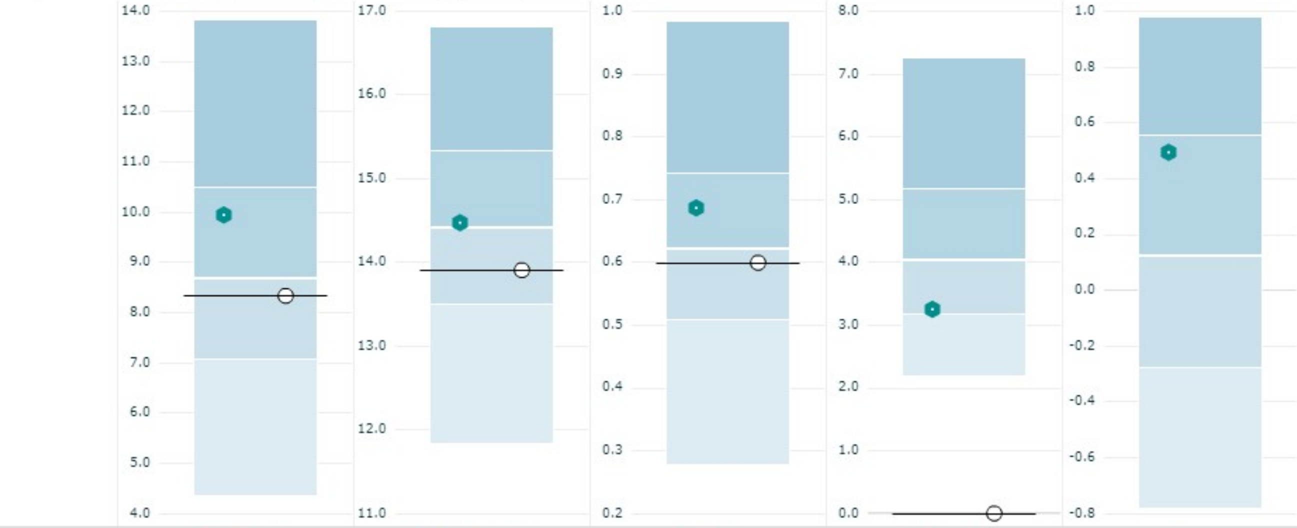
Comparison with the Global Equity (Core All Countries) universe



AB - Global Core Equity

Performance characteristics vs. MSCI AC World in $US (before fees) over 9 yrs and 3 mths ending September-20

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



	Ret (%pa)	Std Dev (%pa)	Ret/SD	TE (%pa)	IR
ALBGEQ7	9.9 *(31)*	14.5 *(48)*	0.7 *(33)*	3.3 *(73)*	0.5 *(29)*
MSACW	8.3 *(59)*	13.9 *(67)*	0.6 *(54)*	0.0 *(100)*	-
5th Percentile	13.8	16.8	1.0	7.2	1.0
Upper Quartile	10.5	15.3	0.7	5.2	0.6
Median	8.7	14.4	0.6	4.0	0.1
Lower Quartile	7.1	13.5	0.5	3.2	-0.3
95th Percentile	4.4	11.8	0.3	2.2	-0.8
Number	184	183	183	183	183

AB - Global Core Equity

Return in $US (before fees) over 3 mths, 1 yr, 2 yrs, 3 yrs, 4 yrs, 5 yrs, 10 yrs ending September-20

Comparison with the Global Equity universe (Percentile Ranking)

	3 mths (%)	1 yr (%)	2 yrs (%pa)	3 yrs (%pa)	4 yrs (%pa)	5 yrs (%pa)	10 yrs (%pa)
ALBGEQ7	6.2 *(72)*	6.5 *(63)*	6.4 *(43)*	8.6 *(38)*	11.1 *(38)*	11.7 *(32)*	-
MSACW	8.3 *(44)*	11.0 *(45)*	6.4 *(43)*	7.7 *(46)*	10.5 *(44)*	10.9 *(39)*	9.1 *(60)*
5th Percentile	14.2	38.6	19.8	19.5	18.8	18.1	14.3
Upper Quartile	9.8	17.3	10.5	11.3	13.0	12.5	11.2
Median	7.8	10.2	5.1	7.1	9.9	10.0	9.6
Lower Quartile	5.9	2.6	0.9	3.3	6.9	7.7	8.1
95th Percentile	2.5	-8.3	-6.7	-2.7	2.8	3.8	5.3
Number	501	461	418	383	349	313	174

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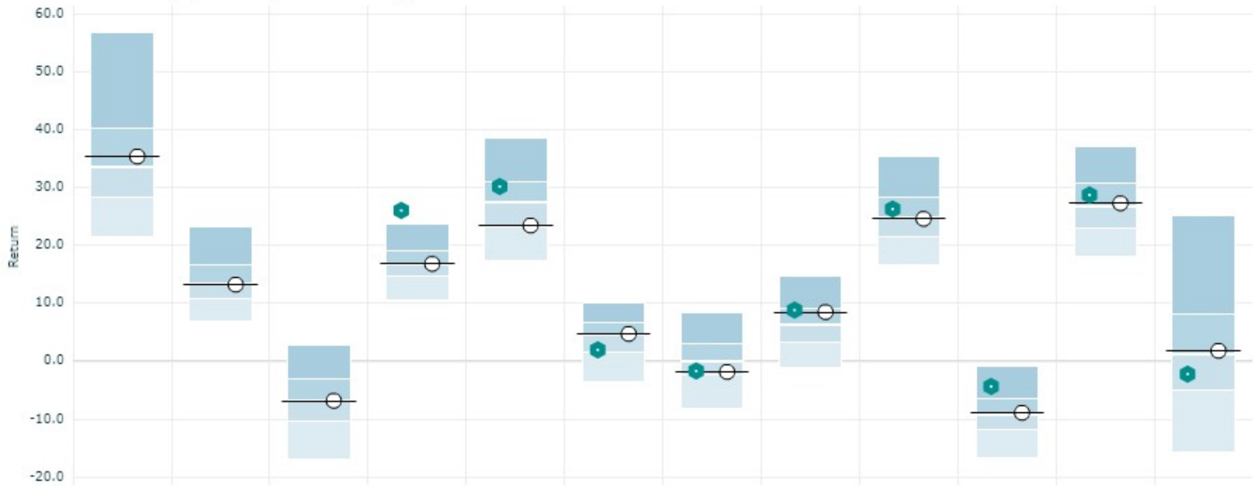
AB - Global Core Equity

Return in $US (before fees) over last 12 calendar years ending September-20

Comparison with the Global Equity universe (Percentile Ranking)



	2009 (%)	2010 (%)	2011 (%)	2012 (%)	2013 (%)	2014 (%)	2015 (%)	2016 (%)	2017 (%)	2018 (%)	2019 (%)	9 mths to 9/2020 (%)
ALBGEQ7	-	-	-	26.1 *(2)*	30.2 *(30)*	2.0 *(72)*	-1.7 *(70)*	8.9 *(28)*	26.3 *(39)*	-4.4 *(14)*	28.8 *(37)*	-2.2 *(66)*
MSACW	35.4 *(42)*	13.2 *(52)*	-6.9 *(50)*	16.8 *(51)*	23.4 *(75)*	4.7 *(47)*	-1.8 *(71)*	8.5 *(30)*	24.6 *(52)*	-8.9 *(46)*	27.3 *(46)*	1.8 *(49)*
5th Percentile	56.7	23.4	2.7	23.6	38.6	10.1	8.4	14.6	35.4	-0.9	37.2	25.1
Upper Quartile	40.2	16.7	-3.0	19.1	30.9	6.6	3.0	9.1	28.3	-6.5	30.7	8.1
Median	33.6	13.4	-6.8	16.9	27.6	4.5	0.1	6.4	24.8	-9.4	26.7	1.4
Lower Quartile	28.4	10.8	-10.2	14.7	23.3	1.7	-2.4	3.4	21.6	-11.9	23.0	-5.0
95th Percentile	21.5	6.8	-16.9	10.6	17.3	-3.6	-8.2	-1.2	16.6	-16.8	18.0	-15.8
Number	376	380	381	418	439	472	517	546	560	580	579	476

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ASSESSMENT OF PORTFOLIO HOLDINGS

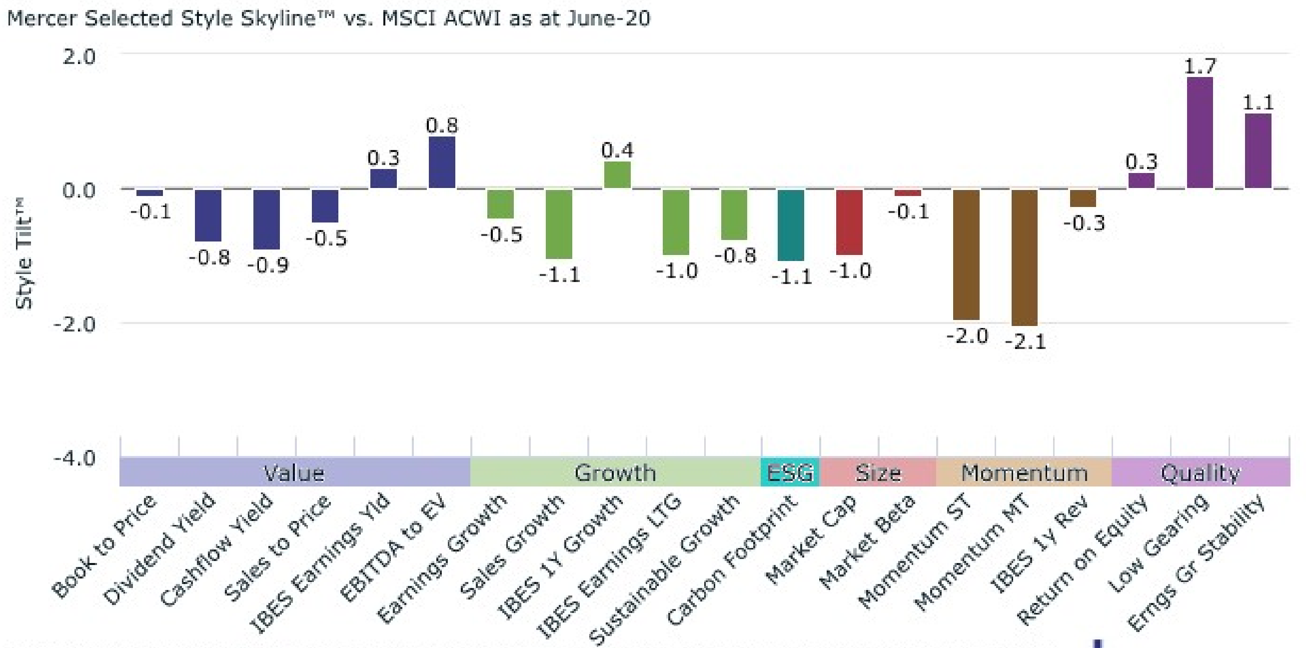
Portfolio Characteristics

Date of analysis	30 Jun 2020	**Adjustment used for style tilts**	Unadjusted
Benchmark used for analysis	MSCI ACWI	**Cash**	0.6%
Number of stocks	69	**Selected portfolio fundamentals**	Weighted Average (Benchmark)
Effective number of stocks	43	- **Forward earnings yield**	5.1% (4.9%)
Predicted tracking error	3.1%	- **Market cap**	$169bn ($233bn)
Predicted beta	1.02	- **ROE**	21.1% (20.3%)
Coverage ratio	14.0%	- **Dividend yield**	2.0% (2.3%)
Predicted vol (benchmark)	15.2% (14.6%)	- **Debt/Equity ratio**	73.1 (101.5)

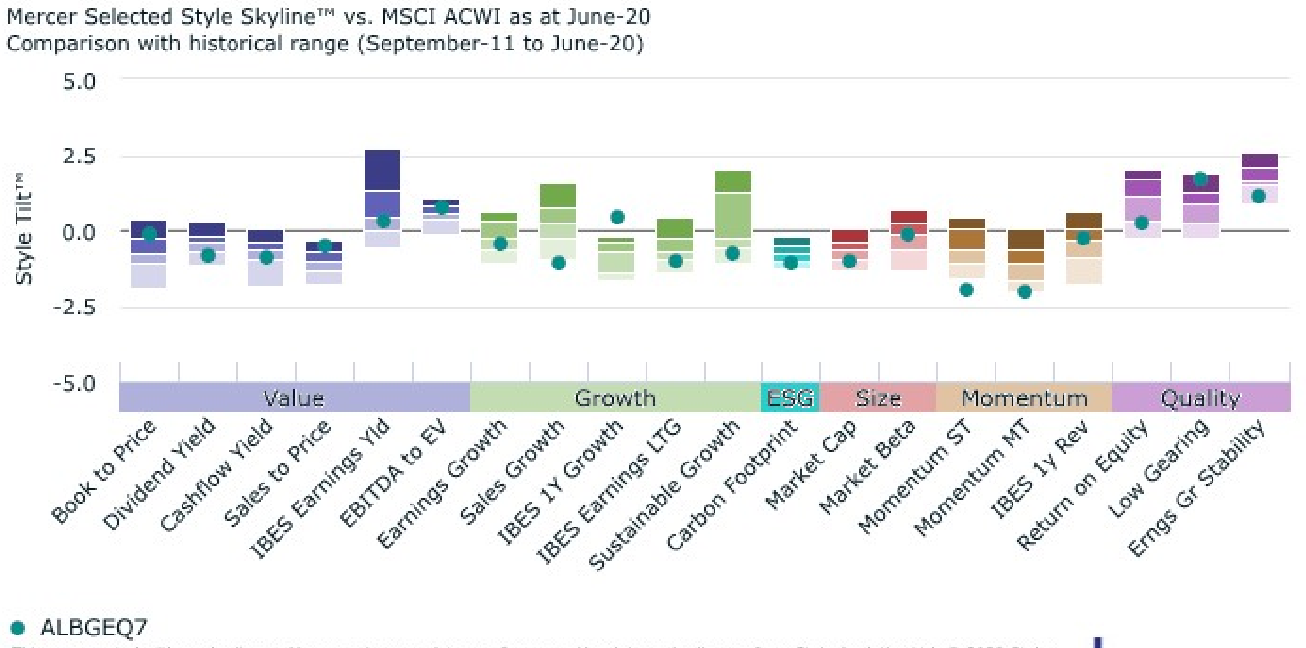
The Style Skyline has persistently shown factor exposures that are in line with our expectations. Specifically, quality metrics (low gearing) and some of the value factors (EBITDA to EV, forward-looking earnings yield) are targeted in the process and we would expect the portfolio's exposure to these factors to be positive relative to the benchmark. Over the portfolio's history, this has been the case. The strategy's strong positive bias to earnings growth stability is consistent with the team's focus on profitable companies with sustainable growth opportunities. Exposure to other style factors will vary depending on where the investment team is finding new ideas.

Predicted tracking error is reasonably low, unsurprisingly given the team's tight controls on the portfolio's relative sector positioning. The portfolio's active share is reasonably high, as a result of the team's purely bottom-up focus. We would expect these portfolio characteristics to persist.

Although sector and country positioning are primarily the outcome of the team's bottom-up process, attention is paid to the risk from this positioning and the portfolio has not historically displayed significant deviations from the index at the region or sector level. This is consistent with the way the team describes their portfolio construction process. That said, while the team seeks to ensure that it is stock specific risk that drives the tracking error, they will also not compromise on the quality of ideas being added to the portfolio.

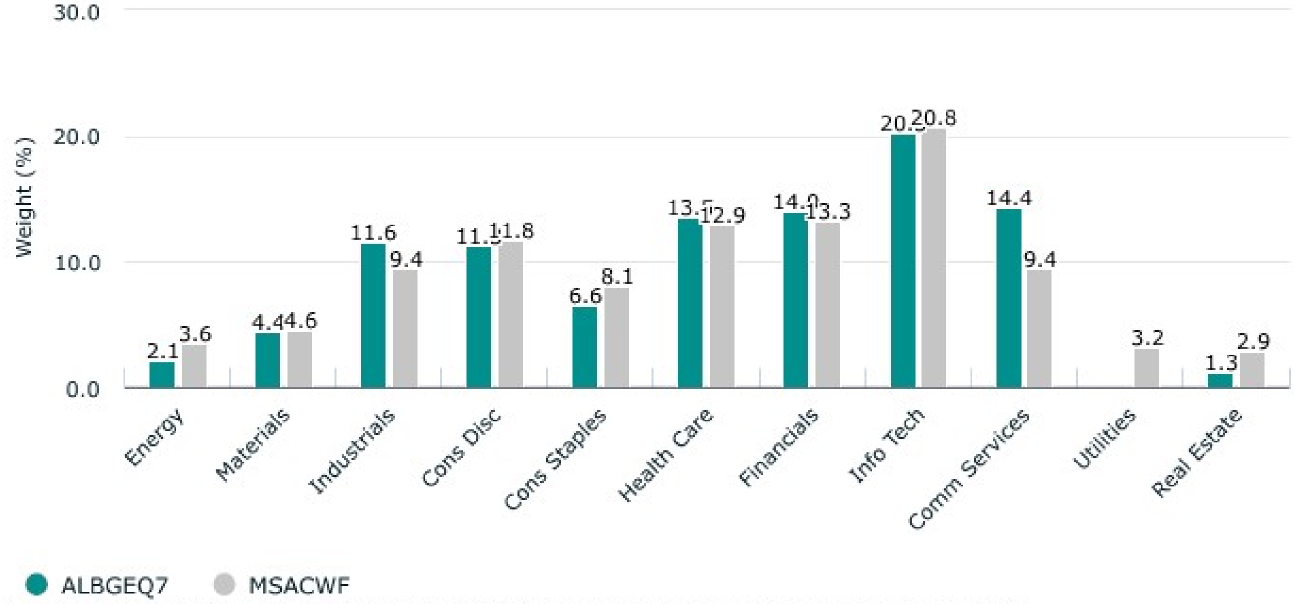


StyleAnalytics



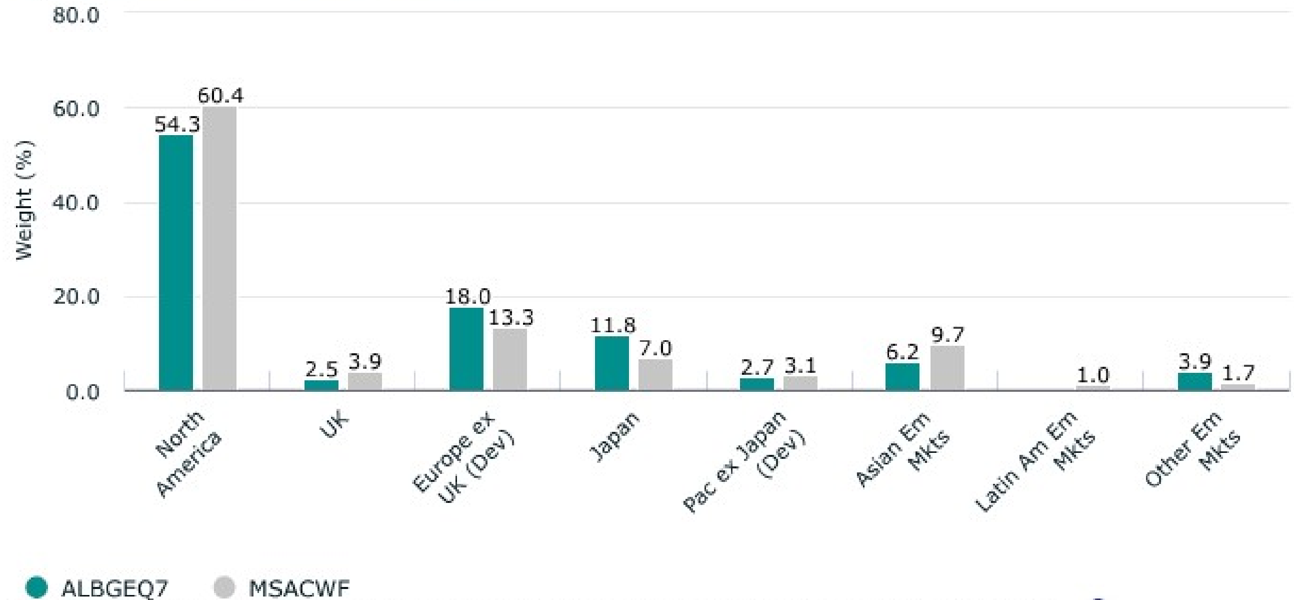
StyleAnalytics

Sector Allocation vs. MSCI ACWI as at June-20



* For sector allocation analysis prior to October 2018, the sector Communication Services was known as Telecommunication Services.

Region Allocation vs. MSCI ACWI as at June-20



APPENDIX 1

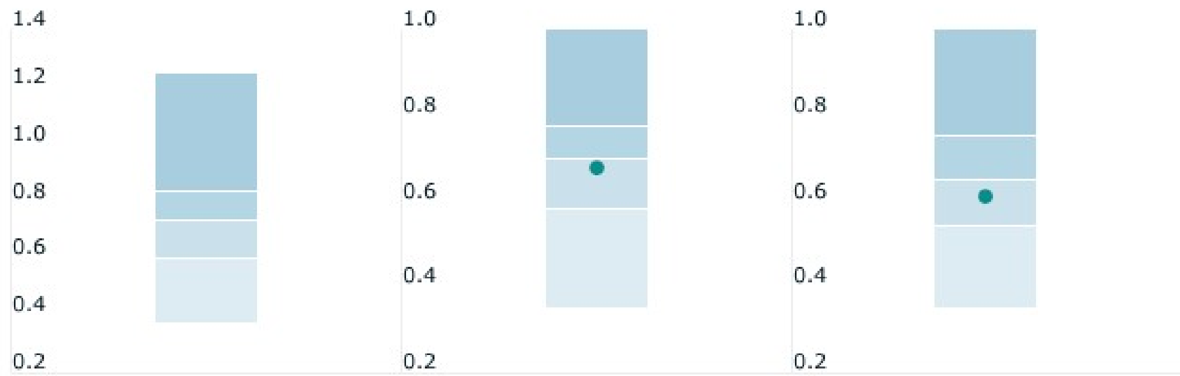
Fee Schedule

The table below shows the fee scale applicable for a representative vehicle for this strategy. Note that this may only include the manager's remuneration and may not include other expenses that investors may incur. Fees may be negotiable, particularly for larger mandates, and a performance related fee scale may be offered.

Vehicle name	Vehicle type	Fee scale	Minimum account size
AB Global Core Equity	Segregated	0.8% on the first $20 million 0.6% on the next $50 million 0.5% on the balance	$50m

The exhibit below shows the manager's stated fee payable for this vehicle for a variety of mandate sizes compared to the universe of stated fees. Again we note that in practice fees are often negotiable. This universe comprises all vehicle types.

Fees 25m (%), Fees 50m (%), Fees 100m (%) in $US
Comparison with the Global Equity universe



	Fees 25m (%)	Fees 50m (%)	Fees 100m (%)
● ALBGEQ7	-	0.68	0.61
5th Percentile	1.25	1.00	1.00
Upper Quartile	0.84	0.78	0.75
Median	0.73	0.70	0.65
Lower Quartile	0.60	0.58	0.54
95th Percentile	0.37	0.35	0.35
Number	399	497	536

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- 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.