



Annual Review 2019

AB MANAGED VOLATILITY EQUITIES—GREEN



OVERVIEW

There is a fitting, if rather sombre, coincidence in the fact that 2019 was both the first full reporting year for the AB Managed Volatility Equities–Green strategy (“Green MVE”) and the year that may be remembered as a turning point in broad public awareness and acceptance of climate risk.

As early as January 2019, 35 Southern Hemisphere weather stations—mainly in Australia, but also in Chile, Namibia and Réunion—had logged record high temperatures, while two in the Northern Hemisphere (both in Illinois) recorded new lows.¹

In May, a town in Hokkaido, Japan, recorded the country’s highest-ever temperature for that time of year, and India and Pakistan experienced one of the hottest and longest heat waves since record-keeping began. A heat wave in Europe in June was a record, until it was broken by another one in July.

By the end of the year, extreme weather in the US—including a heat wave in Alaska, a winter storm in Hawaii and flooding in Nebraska—had contributed to the toppling of 120,000 daily weather records across the country.

Also at year-end, and into the beginning of 2020, Australia’s drought, heat waves and unprecedentedly severe bushfires received global media coverage.

According to the Copernicus Climate Change Service, which is supported by the European Union, global average temperatures on land were the second highest on record,² while the journal *Advances in Atmospheric Sciences* reported a continuation of record-setting ocean temperature.³

These events and the scientific observations to which they gave rise were reflected in an increase in public agitation for governments to do more in response to climate change.



¹ Sam Wong, “So far 2019 has set 35 records for heat and 2 for cold,” *New Scientist*, January 30, 2019, <https://www.newscientist.com/article/2192369-so-far-2019-has-set-35-records-for-heat-and-2-for-cold/#ixzz6GUdv0kTt>

² Henry Fountain, “2019 Was Second-Hottest Year on Record,” *New York Times*, January 8, 2020, <https://www.nytimes.com/2020/01/08/climate/2019-temperatures.html%20>

³ “Record-Setting Ocean Warmth Continued in 2019,” SpringerLink (website), January 27, 2020, <https://link.springer.com/article/10.1007%2Fs00376-020-9283-7%20>

GREEN MVE: TIMELY AND INNOVATIVE

While the extreme weather events and activism of 2019 provided a focus for public anxiety about climate risk, there were positive developments, too—such as new or continued efforts by many governments, global asset owners and major corporations to move towards carbon neutrality.

GROWING HIGH-LEVEL ACCEPTANCE

In Australia, all states and territories have either committed to emission-reduction programmes to be enacted by 2050 or are working towards making the commitment.⁴ The UK, Germany and the State of New York have similar target dates, while Norway and Finland are aiming to meet earlier deadlines of 2030 and 2035, respectively. Various global cities, including Helsinki, Melbourne and New York, have formed an alliance to reduce their emissions by at least 80% and up to 100% by 2050. Austin, Texas, has independently committed to reaching net-zero emissions by 2050. In January 2020, the European Union—which claims to have reduced its emissions by 23% between 1990 and 2018—announced a €1 trillion “European Green Deal” aimed at achieving carbon neutrality by 2050.

Companies in Australia and elsewhere are travelling the same path. Under the Science Based Targets initiative, 732 companies worldwide are taking climate-related action. Of these, 312 have approved science-based targets, and as of January 2020, 186 companies have joined the “Business Ambition for 1.5°C: Our Only Future” campaign. Among individual companies, Swiss food and drink multinational Nestlé is working to reduce emissions across its value chain to achieve carbon neutrality by 2050. Etihad Airways and Spanish fossil fuel company Repsol are targeting carbon neutrality by 2050, while Amazon.com has set 2040 as its deadline.

The scale of the challenge—and opportunity—facing large corporates was highlighted by US retailer Walmart Stores when it published its inaugural Environmental, Social & Governance Report in May 2019. According to the report, the retailer had reduced its supplier emissions by 93 million tonnes and its own annual Scope 1 and Scope 2 emissions by 6.1% since 2017.⁵ The company also

said it was on track to reduce one billion tonnes of emissions from its global supply chains by 2030.

To some extent, these developments are being driven by the carbon-neutral aspirations of institutional shareholders. In September 2019, global asset owners representing US\$2.4 trillion in assets under management (AUM) launched the Net-Zero Asset Owner Alliance at the UN-convened Climate Action Summit in New York. Led by Allianz, CDC, CDPQ, Folksam Group, PensionDanmark and Swiss Re, the group included Alecta, AMF, CalPERS, Nordea Life & Pensions, Storebrand and Zurich as founding members. Alliance members aim to transition their portfolios to net-zero emissions by 2050. Membership in the alliance has grown so much that, at the time of this writing (February 2020), it was representing AUM of US\$4 trillion.

More recently, Dutch pension giant ABP—a leader in responsible investment among its European peers—announced that its portfolios will reach net-zero emissions by 2050. While progress in Asia on sustainability goals is not as advanced as in Western economies, some notable developments are under way: Japan’s Government Pension Investment Fund, for example, has begun disclosing climate-related information in line with recommendations published by the Task Force on Climate-Related Financial Disclosures (TCFD).

In late 2019, AllianceBernstein published *Advancing Responsible Investing*, in which it detailed its own actions, both as a corporate body and as an asset manager, on emissions and other sustainability issues. It also announced a first-of-its-kind agreement with Columbia University’s Earth Institute to further integrate climate risks and opportunities into the investment process through training, research and collaboration.

In aggregate, these developments point to a growing public and private sector acceptance of climate risk and the need to mitigate it, and to an increasingly supportive environment for the promotion and growth of Green MVE.

⁴ The 2050 target has been adopted mainly in response to modelling—conducted by the Intergovernmental Panel on Climate Change subsequent to the 2015 Paris Agreement—which indicated that net-zero emissions are essential to achieving the Paris Agreement objectives.

⁵ Scope 1 emissions per annum are released directly into the atmosphere through the combustion of fossil fuels (e.g., coal or transport fuels), as well as fugitive or process emissions from industrial and agricultural processes (e.g., cement production). Scope 2 emissions per annum are from the consumption of energy such as electricity or steam (e.g., the electricity consumed by an aluminum smelter).

2019 RETURNS WERE IN LINE WITH BENCHMARK, BUT WERE CARBON-NEUTRAL

Green MVE reflects our conviction that asset managers have an important role to play in mitigating climate risk by offering investors ways to seek to reduce the emissions associated with their equity portfolios. We also believe that such solutions should support asset managers' core focus of aiming to achieve the best possible returns for investors.

With Green MVE, we do this by redefining the concept of investment success. Traditionally, this is embodied in the idea of alpha, or the excess return achieved by a strategy relative to its benchmark. Green MVE targets "green alpha," which is the excess return left after the emissions associated with a portfolio have been neutralised via the retirement of carbon credits (in other words, outperformance by a carbon-neutral portfolio).

The starting point for the investment process is a portfolio of low-volatility stocks. As the Australian share market is heavily weighted to resource stocks, which tend to be volatile, Green MVE's focus on low-volatility equities means that the portfolio has had a lower carbon footprint than the overall market. The emissions⁶ associated with the AB Managed Volatility Equities (MVE) strategy,

on which Green MVE is based, have been, on average, 72% lower than those of the S&P/ASX 200 Accumulation Index from MVE's inception on March 31, 2014, through December 31, 2019.

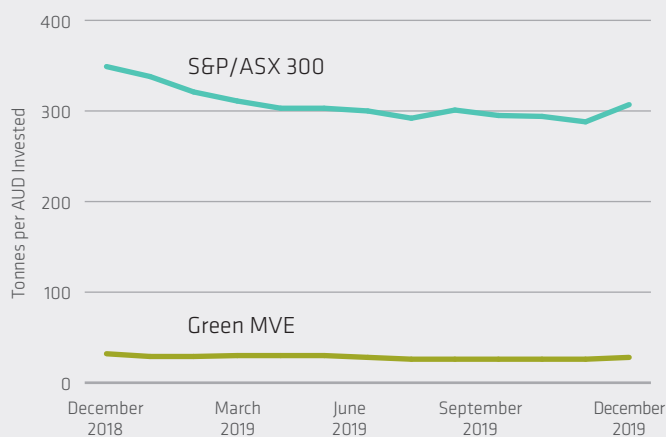
We can further lower the emissions associated with the portfolio's holdings by applying a carbon price to each stock during the selection process, so that stocks with a higher overall carbon price have lower representation in the portfolio. By doing this, we can aim to reduce the emissions associated with the portfolio by up to 90% less than those of the index (*Display 1*).

By offsetting (through arrangements with third parties to retire carbon credits) the residual emissions associated with the portfolio's holdings, Green MVE can become carbon-neutral.

The potential for excess returns comes from the investment philosophy associated with the underlying MVE strategy, which aims to limit downside risk in the portfolio to 50% of market drawdowns while capturing up to 80% of the upside when the market recovers. By limiting downside risk, the portfolio has less ground to make up when the broad market improves. Over time, this can result in the portfolio outperforming the benchmark⁷.

DISPLAY 1: CARBON EMISSIONS OF THE GREEN MVE PORTFOLIO AND THE S&P/ASX 300

Net Greenhouse Gas Emissions Associated with the Portfolio's Holdings and with the Index



	Tonnes per AUD Invested					Average
	Dec 2018	Mar 2019	Jun 2019	Sep 2019	Dec 2019	
S&P/ASX 300	349	311	300	295	307	308
Green MVE	31.6	30.4	27.9	26.0	28.3	28.2
Reduction	91%	90%	91%	91%	91%	91%

There is no guarantee that the solution to the need will be realised.

Based on a representative Managed Volatilities Equities–Green account

As of December 31, 2019

Source: S&P Dow Jones and AB

⁶ "Our Approach to Carbon Neutral," *The Loop*, AllianceBernstein (website), accessed February 2020, <https://web.alliancebernstein.com/institutions/au/carbon-neutral.htm>

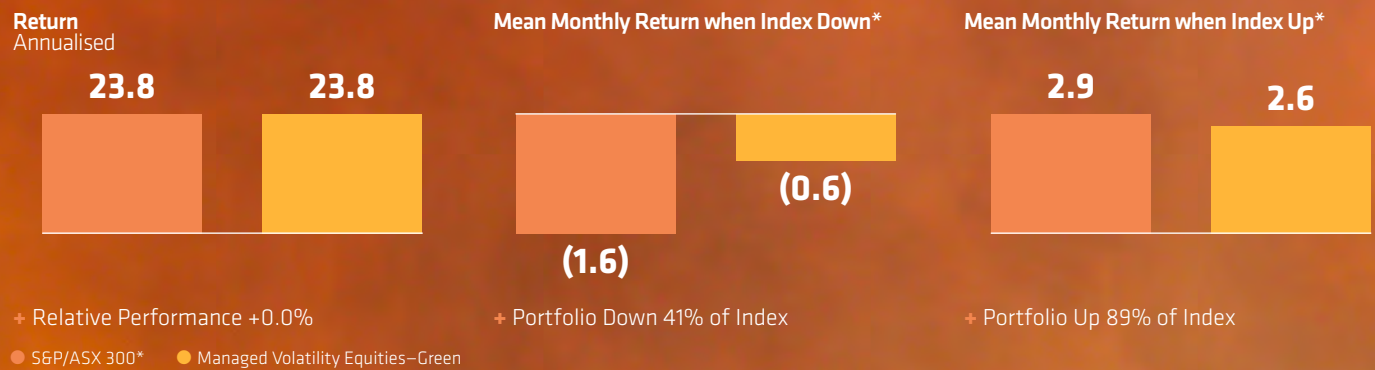
⁷ Between its inception on March 31, 2014, and December 31, 2019, the MVE strategy returned 12.7%, compared to the 8.4% returned by the S&P/ASX 300 Accumulation Index. For the year January 1, 2019, through December 31, 2019, the strategy returned 22.8% compared to 23.8%, for the index.

As *Display 2* shows, Green MVE performed in line with this philosophy during its first year, losing less than the market when the market fell and capturing significant upside when the market recovered. The annualised return was in line with the benchmark—with the difference being, of course, that the return was carbon-neutral.

This met our objective of helping investors to achieve low or neutral carbon outcomes without the need to sacrifice investment returns.

DISPLAY 2: A MARKET RETURN WITH ZERO CARBON EMISSIONS (PERCENT)

December 31, 2018–December 31, 2019



Past performance does not guarantee future results.

Based on AB Managed Volatility Equities Fund–Green Class vs. S&P/ASX 300

The returns presented above are gross of fees. The results do not reflect the deduction of investment-management fees or fund costs. Numbers may not sum due to rounding. Periods of more than one year are annualised. Performance of AB Managed Volatility Equities–Green is after the cost of carbon.

* For determining average monthly return when index is up or down

As of December 31, 2019

Source: S&P Dow Jones and AB

NOT ALL REDUCTIONS ARE EQUAL

As noted earlier, a growing number of companies in Australia and elsewhere are taking steps to reduce their emissions. We can see evidence of this from a summary of the year-over-year change in reported emissions for all the companies we held in the Green MVE portfolio on December 31, 2018. While reporting year-ends vary, we believe that our analysis provides a good snapshot of the overall trend in the portfolio.

At the beginning of the period, the companies we held had annualised emissions of about 110.5 million tonnes a year (mtpa). One year later, they had reduced their emissions by 9.4 mtpa to 101.2 mtpa, or 8.4%.

Several of the major reducers were large companies held in the 20% global share component of the portfolio. The largest absolute reduction was by Walmart Stores, which reduced its emissions by about 2.5 mtpa, or approximately 12%. McDonald’s, NTT, Nestlé and Verizon also made good progress.

Among Australian listed companies, the top five reducers were Rio Tinto, Wesfarmers, Woolworths, Contact Energy and Coles Group (Display 3). This was achieved through a combination of divestitures (in the cases of Rio Tinto, Wesfarmers and Contact Energy), as well as

a variety of investments in energy efficiency, improved refrigerant use and renewable energy sourcing.

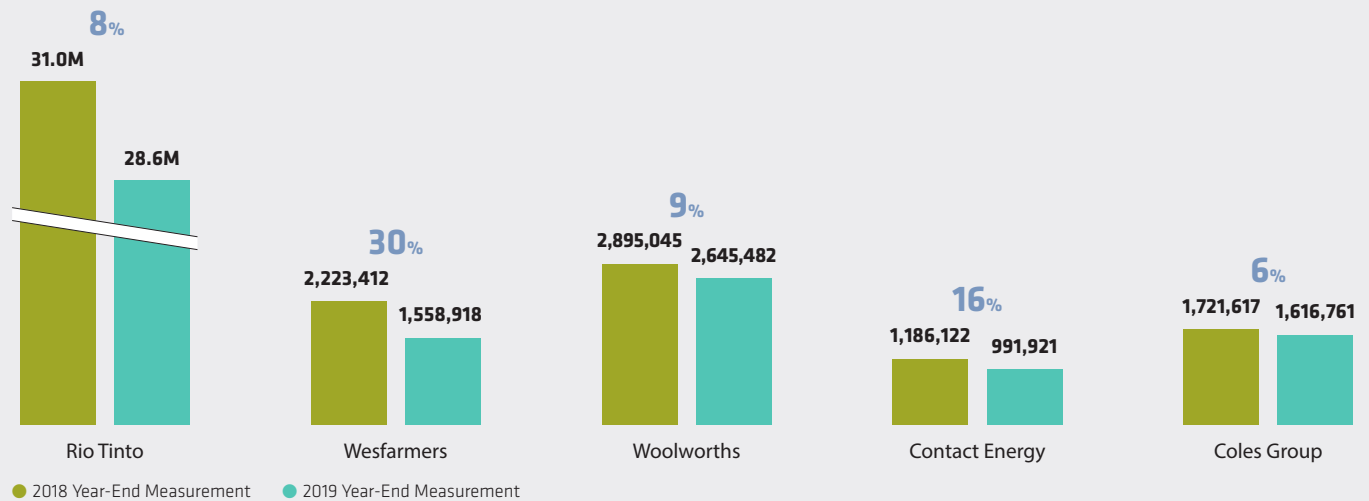
The trend is encouraging, but we acknowledge that not all emission reductions are qualitatively equal. The most straightforward result from improved sustainability within businesses. Others might occur through divestment, which, while reducing the divesting company’s carbon footprint, tends not to result in lower emissions overall: the divested asset—a coal mine, for example—would typically continue to emit under its new ownership.

On balance, however, we regard divestments positively because it’s likely that, as more companies sell high-emitting assets, the more cheaply those assets will need to be sold. Downward pressure on valuations would bring home to corporates and investors alike the high capital costs associated with emissions (a point made in a different way by Green MVE’s use of a carbon price in the stock selection process). In the medium to long term, we believe that this could assist in the reallocation of capital away from carbon-intensive industries and processes.

Against this background, it can be seen that our direct engagement with the corporates in which we invest, aimed at helping them to reduce their emissions, is an important element in our strategy.

DISPLAY 3: TOP FIVE AUSTRALIAN LISTED EMISSIONS REDUCERS

Year-on-year emission comparisons and percentage reductions



Emissions: tonnes of carbon dioxide equivalent (tCO₂e), Scope 1, Scope 2 and Scope F. Scope 1 emissions per annum are released directly into the atmosphere through the combustion of fossil fuels (e.g., coal or transport fuels), as well as fugitive or process emissions from industrial and agricultural processes (e.g., cement production). Scope 2 emissions per annum are from the consumption of energy such as electricity or steam (e.g., the electricity consumed by an aluminum smelter). Scope F emissions per annum are released by the future combustion of fossil fuels that have been produced and, instead of being consumed, are sold to a third party for them to combust (e.g., the coal extracted and then sold by a coal miner).

From December 19, 2018, through December 31, 2019

Source: AB

ENGAGING WITH CORPORATES

According to the latest available data, nearly 1,400 companies worldwide are applying a cost of carbon in their investment decision-making processes. That data was published in October 2017⁸ and represented an eight-fold leap over the previous four years. Presumably, the figure is higher now. Our use of a carbon price in the stock selection process provides a clear signal to the companies in our portfolio that their emissions are part of their capital costs. This unique insight is proving effective in strengthening their focus on emissions and the need to reduce them.

During the year, we had more than 100 engagements with corporates that included discussions about climate risk and actions to reduce emissions. Our talks occurred at several levels within each organisation, including with boards, chief executive officers, chief financial officers, heads of sustainability, heads of energy procurement, corporate secretaries, heads of investor relations and business unit heads.

One of the key insights we gained is that corporates are not monolithic: within each company, there tend to be many different ideas about the risk of climate change and many different approaches to reducing emissions, and these thoughts and actions are continually evolving as a result of considered and repeated engagements among people at different levels within each organisation. This activity gave us considerable comfort about the ability and willingness of corporates to make a significant contribution to climate-risk mitigation.

We also discovered a growing acceptance of the TCFD recommendations regarding the reporting of climate-related financial disclosures—recommendations we endorse, not only for the companies in which we invest, but also for ourselves and other asset managers and asset owners.

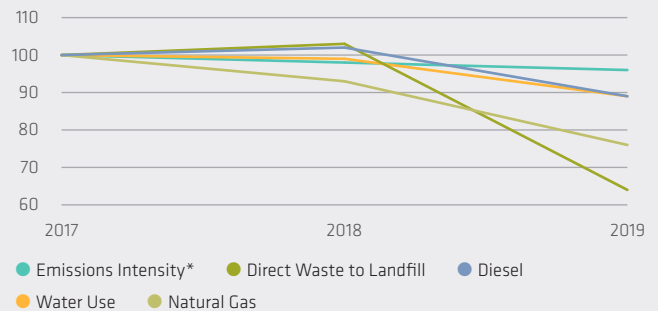
Major corporates with which we engaged during the year included Qantas Airways, which was one of the first major global airlines to commit to carbon neutrality by 2050. It aims to achieve this goal through a combination of fuel efficiency, increased investment in the use of sustainable jet fuels (it has already trialled aviation fuel made from mustard seeds) and the use of offsets (*Display 4*).

DISPLAY 4: QANTAS IS ADDRESSING EMISSIONS THROUGH SHORT- AND LONG-TERM TARGETS

Qantas Case Study

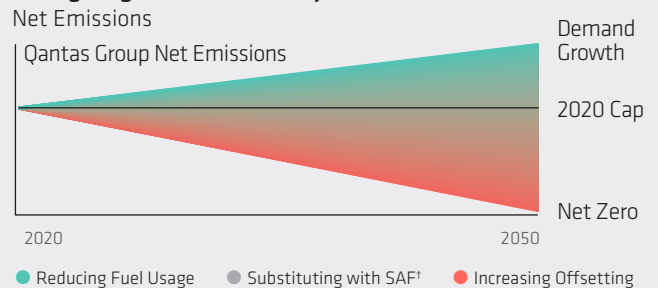
1: Qantas Environmental Performance

Index Performance 2017 = 100



Qantas is showing material progress on emissions intensity and related environmental factors...

2: Targeting Carbon-Neutral by 2050



...has set industry-leading targets for emissions reductions through efficiency, sustainable airline fuels and offsetting...

3: Qantas Future Planet—Colodan Project

Reforestation Reducing Atmospheric CO₂

...and has developed the Qantas Future Planet project, a world-leading program for offsetting, with more than 30 corporate partners and Australian-sourced offset projects.

There is no guarantee that the solution to the need will be realised.

* Emissions per revenue tonne-kilometer.

† Sustainable aviation fuel

This example is provided for the sole purpose of illustrating how the research process can be used to help identify investable ideas in the portfolio management process. It should not be assumed that investments in any specific security were or will be profitable. Past performance does not guarantee future results. As of December 31, 2019

Source: AB and company reports

⁸ The figure represents the number of companies disclosing their emissions to the CDP (formerly the Carbon Disclosure Project)—1,389 as of October 12, 2017.






We use a balanced scorecard system to track companies' progress on a range of criteria linked to carbon emissions, climate risk and carbon price. This provides a visual summary of a company's strength and weaknesses in various areas. As *Display 5* shows, Sydney Airport, while not a particularly large emitter, has quite aggressive

targets to reduce emissions. During the year, it reaffirmed its commitment to become carbon-neutral by 2025—a goal which, as the scorecard details, is supported by a variety of projects and reporting metrics.






DISPLAY 5: SYDNEY AIRPORT AIMS TO BE CARBON-NEUTRAL BY 2025

Climate Change Scorecard as of September 30, 2019

CARBON EMISSIONS

- 
Discloses emissions Scope 1 and Scope 2 carbon emissions at 86.9 ktCO₂e, down from 87.9 ktCO₂e in 2017
- 
Reduces past emissions Carbon emissions per passenger reduced 31% from 2010 levels
- 
Targets emissions reductions New commitment to achieve carbon-neutral operations, in line with the Airport Council International Airport Carbon Accreditation program, by 2025
- 
Plans to reduce emissions Electrification of bus fleet; committed to having a 100% electric landside fleet by year-end 2021. Uses a renewable power purchase agreement (PPA). Commissioned a 550kw rooftop solar carpark
- 
Influences supply chain During 2018, entered into a PPA to contract up to 75% of current electricity load from renewable energy

CLIMATE RISK AND CARBON PRICE

- 
Aligns with TCFD Supports TCFD and discloses types of physical risk on company register. Does not quantify risk or transition impacts. Climate scenario analysis does not quantify risks to operational disruptions (e.g., airfield flooding) in extreme weather events.
- 
Plans to mitigate risks Announced expansion of scenario analysis in 2019 and plans to integrate analysis into strategic planning and risk-management framework in 2020
- 
Plans to grow green business Significant investment in airfield and terminal infrastructure upgrades to facilitate the introduction of next-generation aircraft, considered quieter, cleaner and more fuel efficient
- 
Internal carbon price No internal carbon price
- 
Offsets emissions Minimal emissions offset through "green fleet" program (295 tCO₂e in 2018). Plans to on-sell, rather than retire, large-scale generation certificates from renewable energy PPAs

Source: AB

Multinational mining and metals company Rio Tinto, by contrast, is a large emitter with lower relative targets. As a supplier of iron ore to steelmakers, which are large emitters, the company, in our view, has an opportunity to talk to its customers and to technological innovators about ways to reduce emissions throughout the whole steel industry. Consequently, we have engaged closely with Rio regarding its emission-reduction goals (*Display 6*).

Positive steps the company has taken include the divestment of its coal assets—although, as already noted, such assets continue to emit under their new owners. A particularly exciting development is the company’s plan to convert its Bingham Canyon project in Utah, US—one of the biggest copper mines in the world—entirely to renewable energy.

We believe that nearly all companies have opportunities to reduce emissions along their value chains; those with a brand presence in consumer markets, however, are potentially better able to raise public awareness of sustainability issues than companies that focus their reduction efforts on internal processes and business-to-business distribution channels. For this reason, it’s gratifying to observe the progress many companies are making in developing

low-carbon or carbon-neutral products and services for their retail customers.

Qantas, for example, offers customers the opportunity to offset the emissions from their travel during the booking process, and 10% of travellers booking with the airline online choose to take up this option. Interestingly, first-time bookers showed a 38% increase in Net Promoter Score, a key measure of customer loyalty.






And carbon-neutral products are making their way into the grocery aisle. Woolworths currently sells climate-neutral coffee through its Macro organic products, and the North Australian Pastoral Company has begun marketing carbon-neutral beef under its Five Founders brand. Our discussions with these companies suggest that all these products are exhibiting higher growth rates and higher margins than their traditional competitors, pointing to solid consumer demand for carbon-neutral products.

The varied and incremental nature of all these initiatives underlines the importance of our engagement with corporates to help them identify opportunities to reduce their emissions, and to encourage them to meet their reduction targets.






DISPLAY 6: BIG EMITTER RIO TINTO FACES A TOUGH CHALLENGE

Climate Change Scorecard as of June 30, 2019

CARBON EMISSIONS

- 
Discloses emissions Discloses Scope 1 and Scope 2 emissions. Scope 3 emissions (mostly due to iron ore) in 2018 of 536mt CO₂e were more than 18 times larger than Scope 1 and Scope 2 emissions.
- 
Reduces past emissions Scope 1+ Scope 2+ Scope F emissions reduced 49% from 2011 to 2018. As of June 2019, Scope F emissions are now zero as all coal mines have been divested.
- 
Targets emissions reductions Signed Paris Pledge for Action, aiming for substantial decarbonisation by 2050; achieved 2020 coal emissions intensity goal in 2016. We await a new and more ambitious five-year goal.
- 
Plans to reduce emissions Developed carbon abatement curves for each asset so can assess most economic sources for emissions reduction. Experimenting with on-site solar
- 
Influences supply chain Joined Energy Transitions Commission to tackle hard-to-abate emissions—e.g., steel. Beyond high-grade iron ore being lower emissions, limited action on supply chain

CLIMATE RISK AND CARBON PRICE

- 
Aligns with TCFD Supports TCFD and discloses types of physical risk by asset (but does not quantify risk). Simple climate scenario analysis understates risks—e.g., steel supply chain and slowing GDP.
- 
Plans to mitigate risks Conducting more work on physical risks. Supply chain risks remain, and we voted against Scope 3 AGM resolution. Climate scenarios include carbon price up to US\$140/t CO₂e.
- 
Plans to grow green business Partnered with Alcoa, Apple and the Canadian and Quebec governments on carbon-free aluminium smelting called “Elysis.” Exposure to commodity winners—e.g., copper and aluminium
- 
Internal carbon price Internal carbon price used since 1998, with price dependent on region and changes over time
- 
Offsets emissions Does not offset emissions or report any parts of its products or services under the National Carbon Offset Standard

Source: Company reports and AB

OFFSETS: A SMALL BUT IMPORTANT FACTOR

As discussed earlier, the application of a carbon price during stock selection enables us to aim to lower the emissions associated with the portfolio to just 10% of those of the index. Our engagement with corporates is more focused on the external environment and is aimed at helping companies in the portfolio reduce their emissions in absolute terms.

The use of carbon offsets—which, in our case, takes the form of the retirement of carbon credits through arrangements with third parties—is another way to lower emissions associated with the portfolio. By offsetting the residual 10% relative to the index, we can make the portfolio carbon-neutral.

For some investors, offsets are less satisfactory than actual emission reductions. In our view, they should play only a small role in the attempt to achieve carbon neutrality. That role can be an important one, however. As noted earlier, our use of a carbon price during stock selection establishes, for the companies in which we invest, a clear link between their emissions and their cost of capital, and this is proving to be a powerful incentive in persuading those companies to reduce their emissions. Offsets are important in this respect, as the cost of developing them helps to determine the market carbon price.

They can also have a direct, positive impact by helping to reward behaviour that mitigates climate risk. For example, the money that flows from buying and retiring them can deliver social and economic benefits to the communities and individuals who work on accredited carbon capture or sequestration projects. The projects also benefit the natural environments in which they are based.

While offsets may not be the perfect solution for meeting the climate challenge, we regard them as a force for good. We also believe that the climate challenge is too big and too urgent for us to wait for the perfect solution to become available.

Many kinds of offsets are available, globally and in Australia, and during 2019 we used Australian carbon credit units, which are generated by Australian projects and certified by the federal government's Clean Energy Regulator. We sourced offsets from two projects: the West Arnhem Land Fire Abatement (WALFA) project in the Northern Territory and the Colodan reforestation project in Queensland.

WALFA involves burning savanna areas in a high-rainfall zone during the early dry season to reduce the risk of late dry season wildfires. Since it began in 2006, the project has successfully reinstated indigenous burning practices and delivered significant social, cultural, environmental and economic benefits to traditional landowners.

The Colodan reforestation project will support agriculture on a 4,662-hectare property in the arid North Burnett region of Queensland, generating nearly 3,000 hectares of natural woodland and protecting about 500 hectares of established native forest. The property provides important habitats for an array of threatened wildlife.

During the year, the portfolio retired 852 tonnes of emissions associated with its holdings. We will continue to seek high-quality carbon-retirement opportunities from certified environment-based projects in Australia.



A GOOD START TO A LONG JOURNEY

In its first full year, Green MVE has performed as we had hoped—limiting losses when the market fell, capturing most of the upside when the market rose and achieving carbon neutrality while delivering returns that were in line with the benchmark. While this is pleasing, we are under no illusion as to the scale of the climate-risk challenge that faces investors (indeed, the world) and the fact that many members of the Australian asset-management community have yet to be persuaded about the legitimate role that offsets can play in a carbon-neutral portfolio.

In the context of the accelerating push by global asset owners to commit to net-zero emissions by 2050, however, we believe that Green MVE is the right strategy for the times. Compared to many other low-carbon investment strategies, its innovative use of a carbon price in stock selection and its retirement of carbon credits provide clearer and more measurable sustainability outcomes. By linking emissions to the cost of capital, Green MVE also provides an unusually strong incentive for Australian listed companies to take more urgent and effective action in improving their sustainability. And, the strategy has a track record of delivering competitive, carbon-neutral returns.

Given these factors, we are confident that Green MVE will continue to gain support over time.

ABOUT AB MANAGED VOLATILITY EQUITIES—GREEN

AllianceBernstein Investment Management Australia Limited (ABN 58 007 212 606, AFSL 230 683) ("ABIMAL") is the responsible entity of AllianceBernstein Managed Volatility Equities Fund—MVE Class (ARSN 099 739 447) ("Fund") and is the issuer of units in the Fund. AB Managed Volatility Equities—Green ("MVE-Green Class") is a unit class of the Fund. ABIMAL has appointed AllianceBernstein Australia Limited ("ABAL") (ABN 53 095 022 718, AFSL 230 698) as the investment manager of the MVE-Green Class. ABAL in turn has delegated a portion of the investment manager function to AllianceBernstein L.P. The MVE-Green Class's Information Memorandum ("IM") is available by contacting the client services team at AllianceBernstein Australia Limited at (02) 9255 1299. Investors should consider the IM in deciding to acquire, or continue to hold, units in the MVE-Green Class.

OUR APPROACH TO CARBON-NEUTRAL

The AllianceBernstein approach to creating and managing a net carbon-neutral ("Carbon Neutral") investment strategy is intended to align with the general principles outlined by the predominant international and domestic authorities seeking to address climate change. This includes the United Nations Framework Convention on Climate Change (UNFCCC), the World Bank, the Australian Clean Energy Regulator, and the New Zealand Ministry for the Environment. Specifically, we are committed to the following three-step approach with respect to the MVE-Green Class ("Green Class"):

1. Calculating the greenhouse gas ("GHG") emissions from the activities of the portfolio companies.
 2. Seeking to reduce the GHG emissions associated with Green Class's portfolio holdings in portfolio construction.
 3. Offsetting the remaining net GHG emissions associated with Green Class's portfolio holdings.
- For detailed information and an explanation of terms and definitions about our approach to Carbon Neutral please click [here](#).

ABOUT AB MANAGED VOLATILITY EQUITIES—MVE CLASS

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 <http://www.AllianceBernstein.com.au>. Investors should consider the PDS in deciding to acquire, or continue to hold, units in the Fund.

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