ALLIANCEBERNSTEIN®

AB MANAGED VOLATILITY EQUITIES—GREEN

The aim of AB Managed Volatility Equities—Green (Green MVE) is to have a positive impact on the environment by aiming to create a carbon-neutral portfolio, while also seeking to deliver attractive investment returns for equity investors.

SNAPSHOT

Investment Return Objective	Green MVE aims to achieve returns that exceed the S&P/ASX 300 Accumulation Index (after fees) over the medium to long term and to reduce carbon emissions associated with its portfolio holdings.
Performance Objective	+ Green MVE's performance objective is to exceed the returns of the S&P/ASX 300 (after fees) and costs of offsetting carbon associated with its portfolio holdings, and on average: + Deliver 50% of the downside in months the index falls + Capture 80% of the upside in months the index rises + Produce returns 25% less volatile than the index's
Investment Process	+ Invest in stocks with low carbon emissions, price stability, high-quality cash flows and attractive valuations + Reduce downside, with fundamental insights on balance-sheet stress, cyclical pressure and events risk + Diversify portfolio, with typically less than 5% invested in each stock + Allocate 20% of portfolio to global stocks to improve downside protection + Actively manage macro risks
Portfolio Parameters	+ Portolio holds approximately 70 stocks, with portfolio turnover of approximately 50% + No limit on tracking error but forecast is approximately 7% versus the index + No limit on sector or stock weights relative to cap-weighted index + Individual stock positions unlikely to be greater than 5% absolute + Small-cap stocks typically held at no more than 10 times the benchmark weight + Portfolio excludes tobacco industry sector companies, coal and consumable fuels subindustry sector companies (MSCI GICS subindustry 10102050), investments in entities directly involved in the manufacture of cluster munitions or controversial weapons, and investments in entities directly involved in nuclear-power generation

INVESTMENT PHILOSOPHY

Green MVE's investment philosophy is based on five key principles:

1. Anchor in Low-Volatility Stocks

Low-volatility equities are typically low carbon emitters. The carbon emissions from Australian equities are predominantly from five groups of stocks: fossil fuel producers, power generators, heavy industry, airlines and mining. Low-volatility equity portfolios typically own few of these stocks, as most higher-carbon-emitting stocks exhibit high volatility.

Anchoring the portfolio in low-volatility equities, through their potential to mitigate downside portfolio risk, may deliver attractive investment returns over time.

2. Assign a Cost to Carbon

There is a growing belief that assigning a cost to carbon is an efficient way to attain greener outcomes. We believe this same concept is applicable to managing Australian equities.

The cost of carbon for an equity is a measure of the cost to offset the carbon emissions that an investor's share of the entity produces; that offset, for example, could be achieved by planting trees to absorb the carbon emissions.

Using this information, our portfolio managers can engage with Australian companies and help them to understand the cost of their carbon emissions as part of their overall cost of capital. In this way, the strategy can actively encourage companies to reduce or offset their carbon emissions. We consider this endeavour a green outcome which is beneficial to both the environment and Green MVE, to the extent that such action by the corporates we target would help with our aim of achieving a carbon-neutral portfolio.

3. Defining Success with the Introduction of Green Alpha

Outperformance, or alpha, is traditionally measured by comparing portfolio performance with the index's. However, this performance does not reflect the climate impact of the portfolio's carbon emissions. At AllianceBernstein (AB), we have created Green Alpha. Green Alpha refers to the return of the portfolio holdings adjusted after applying the cost of offsetting the carbon emissions associated with the portfolio's holdings. This return is then compared with the index's.

We believe focusing on Green Alpha incentivizes climate-responsible investing and investment returns above those of the index.

We don't believe the index should be adjusted for the cost of carbon, as peer investment tables do not include a carbon price and a well-constructed green portfolio should still aim to outperform.

4. Offsetting Carbon Emissions

We will seek to reduce the carbon emissions associated with the portfolio's holdings, with the goal of achieving a carbon-neutral portfolio, through arrangements with third-party service providers to retire carbon credits.

Carbon credits are an important step in the process of offsetting carbon emissions and typically represent investments made in projects designed to mitigate or repair environmental damage caused by carbon emissions. Some carbon credits are created and certified by applicable regulators and/or accreditation bodies and can be made available to companies or other entities that wish, or are required, to use the carbon credits against their own carbon emissions. In such instances, the carbon credits are retired by the registry organization so they can't be used again.

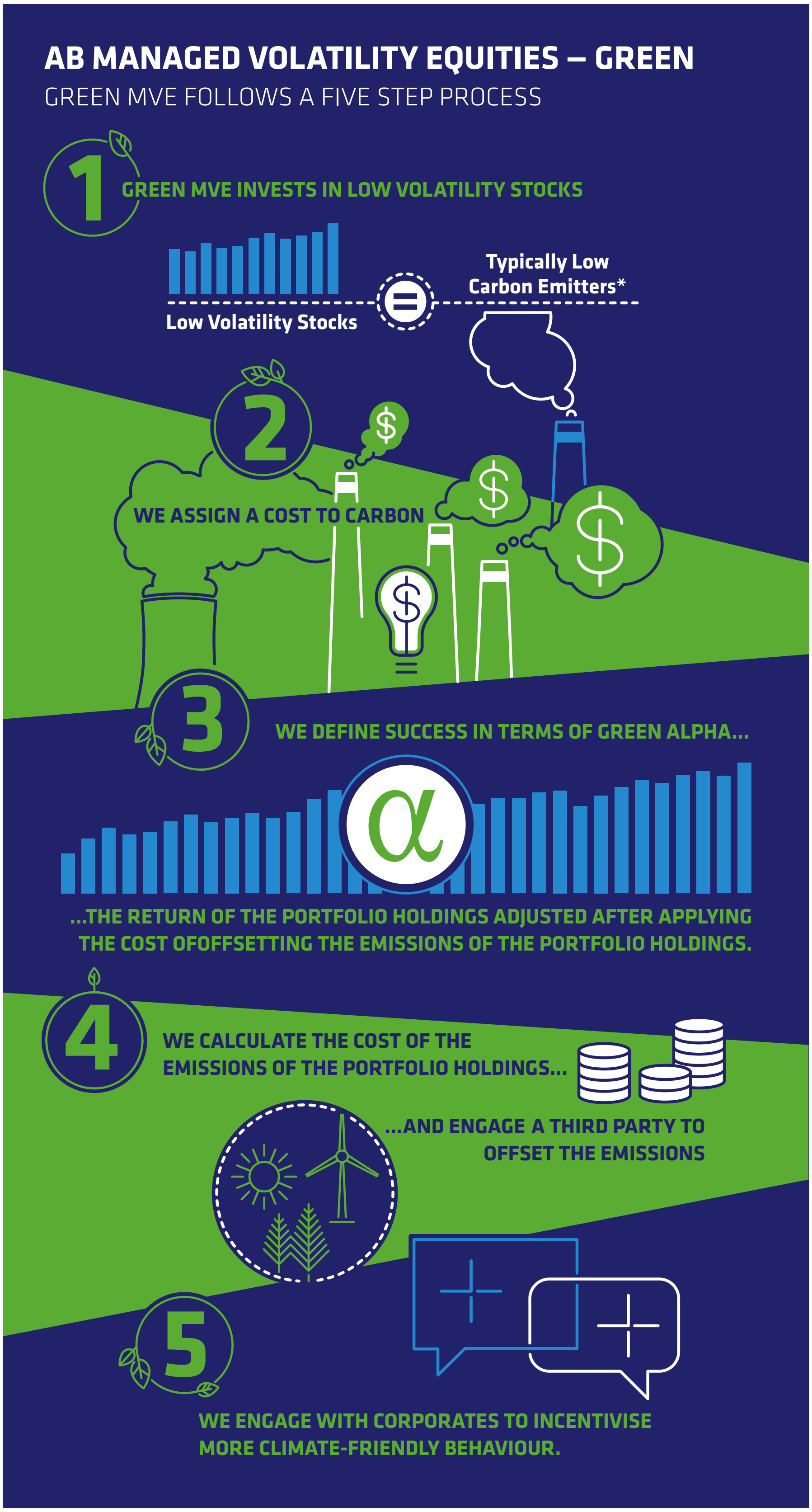
Each month AB will estimate the carbon emissions of the portfolio holdings. We will seek to reduce the carbon emissions associated with the portfolio holdings by engaging third parties to facilitate the retirement of carbon credits. These credits will be certified by applicable regulators and/or accreditation bodies as determined by ABIMAL.[1] In this way, Green MVE will seek to become carbon neutral.

5. Engaging with Corporates to Incentivize Climate-Friendly Behaviour

Green MVE values companies that offset the cost of their carbon emissions. Our research team proactively engages with corporate executives and directors to introduce this concept and explain how a reduction in carbon emissions makes their stock a more attractive investment. The research team also conducts deep-dive engagements with selected corporates on their targets, plans and progress in reducing emissions. Where relevant, we propose new ideas, such as making a consumer brand carbon neutral to increase sales, or investing in value-accretive solar on commercial buildings. These engagements intend to simultaneously improve investment returns and reduce carbon emissions. In general, our feedback from corporates on these interactions has been very positive.

1 AllianceBernstein Investment Management Australia Limited

There is no universal definition of what constitutes a green outcome. Please refer to AB's Approach to Carbon Neutral at www.AllianceBernstein.com/go/gmve



Simplified Overview.

THROUGH THESE FIVE STEPS, GREEN MVE HAS THE POTENTIAL TO BE A CARBON NEUTRAL PORTFOLIO

* Since its inception in 2014, the AB Managed Volatility Equities investment strategy, on which Green MVE is based, has had, on average, 25% of the carbon emissions than that of the index. That is, the average carbon emissions for AB Managed Volatility Equities relative to S&P/ASX 200, as of March 31, 2018.

AUS–MVE–FLY–EN–GN–0719
www.AllianceBernstein.com/go/gmve