



Global Equities Fund

Performance Commentary

For the quarter, the Portfolio rose in absolute terms, underperforming its MSCI All Country World Index (ACWI) benchmark (gross and net of fees). The MSCI ACWI returned 8.2% in US-dollar terms. American Express was the top contributor and Nike was the top detractor.

The Portfolio's Investment Management Team (the Team) initiated positions in Taiwan Semiconductor Manufacturing (TSM), B3 and Live Nation Entertainment. The Team initiated a stake in Taiwan Semiconductor Manufacturing. Revenue is expected to grow in excess of 20% in 2024, supported by strong demand from NVIDIA, AMD, Broadcom, Apple and Intel, among others. Although Taiwan is exposed to geopolitical risks, TSM has started to build plants in the US, Japan and Germany. At its current valuation, the stock is attractive both in absolute terms and relative to other semiconductor manufacturers. Following an exit from the name last summer, the Team reestablished a position in B3, a Brazilian incumbent exchange operator. Since last summer's sale, B3 shares have underperformed on both a relative and absolute basis, resulting in a compelling valuation compared with its peer group of exchanges across the US, Asia and Europe. The Team has been familiar with B3 for a long time and is attracted to its monopolistic nature, asset-light model and structural growth opportunities, especially given its currently low level of domestic penetration. The Team also initiated a position in Live Nation Entertainment, the dominant player in concert tickets. Live Nation operates a vertically integrated business model that leverages the scale of its concert business operations to fuel growth in its higher-margin businesses such as onsite sales, including parking, food and beverages, advertising and sponsorship, and ticketing. The Team expects the company to generate double-digit growth over the next several years, primarily driven by fan growth. The stock currently trades at the low end of its five-year trading range.

During the quarter, the Team sold Wuxi AppTec, Zebra Technologies, Prosus, Alnylam Pharmaceuticals, Kering, CSX and PayPal. Following news of a potential bipartisan US bill banning Chinese biotechnology companies, including WuXi AppTec, from doing business in the US, the Team decided to exit its exposure. While there is upside to the shares from a growth standpoint, the Team is mindful of the increased geopolitical risks that have materially changed the view of a worst-case scenario for this company. Following a deep dive, the Team lost conviction in the investment case of Zebra Technologies and decided to sell. Prosus was sold due to lack of attractive risk/reward. The Team exited a position in Alnylam Pharmaceuticals, a leading RNAi therapeutics company, following a decent rally during the final few months of 2023. While the Team continues to like the upside optionality in Alnylam, its risk/reward profile at updated levels no longer screened as attractive as those of other healthcare names. The failed Gucci recovery and multi-quarter fundamental underperformance versus peers has led the Team to re-assess the investment case for Kering with unattractive risk/reward as the outcome. The Team sold CSX following a strong share price performance and subsequent reach of price target. The Team initiated a position in PayPal in late 2021, and since then, its shares have presented a headwind, with negatives including profit warnings, disappointing surprises on user growth, changes in the management team, increased competition and weaker economics. While shares are now at a materially lower point than when initially purchased, the Team can no longer justify an attractive risk/reward; hence, the remaining shares have been sold.

1Q:24 Contributors

American Express: US-based payments company American Express contributed. The company's fourth-quarter earnings fell short of analyst expectations, due in part to higher customer engagement expenses, but positive guidance and a dividend increase helped send shares higher. The Team continues to like the stock on a combination of valuation and superior growth.

ABN AMRO: Dutch bank ABN AMRO contributed. The company's fourth-quarter profits beat expectations, as did its return-on-equity target for 2026, with the bank eyeing cost savings amid modest income growth. The bank continues to return equity to shareholders through stock buybacks. The Team's investment case in ABN AMRO is supported by a combination of attractive valuation, excess capital/superior payout and improving profitability level amid healthy asset quality.

EQT: Sweden-based private equity investment firm EQT contributed to results. The stock recovered from the company's disappointing earnings release early in the quarter, which reflected a down year in 2023 for European private equity fundraising. Deal count remained robust, though, and the firm recently announced its largest fundraiser to date. The Team finds EQT to be a winner within the private market industry—an industry expected to see superior structural inflow from increased penetration (institutional as well as retail) while also expected to benefit from an uptick in capital markets activity.

1Q:24 Detractors

Nike: Athletic footwear and apparel giant Nike detracted from performance. The company is facing slowing global growth momentum, particularly in China, and has focused on cost discipline to maintain margins in the current promotional environment. Despite its recent challenges, the Team expects Nike to be well-positioned for longer-term structural growth with margin-optionality from a growing direct-to-consumer business. Valuation screen attractive on both absolute and relative terms.

Infineon Technologies: Infineon Technologies, a Germany-based power-management semiconductor company, detracted from performance. Shares traded lower ahead of the company's first-fiscal-quarter financial results, as analysts expected a decline in earnings. The Team's investment case in Infineon remains supported by valuation.

NVIDIA: An underweight position in semiconductor manufacturer NVIDIA detracted from relative results. The company has been one of the primary beneficiaries of the increased demand for artificial-intelligence technology. The stock's rally, which began in 2023, gained momentum on fourth-quarter earnings that came in ahead of already-high expectations. The Team finds NVIDIA valued to the expensive side, but acknowledge the potential upside scenario; hence, it maintains an underweight position.

Outlook

The Team continues to purchase companies that are creating value through strong management and innovative product lines. Price volatility can provide opportunities to buy into such companies at more attractive prices. While the current economic uncertainty is unsettling, the Team believes that the types of companies it looks for can prove to be resilient. It will continue to carefully monitor how Portfolio holdings are reacting to the uncertainty and will make any changes as necessary. The Team is also working hard to analyze where markets may have overreacted and created significant new return opportunities.

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The AllianceBernstein Global Equities Fund has been operating since July 22, 2015.

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