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AB Sustainable Global Thematic Equities Fund



Dedicated to pursuing strong financial returns while investing in companies that may contribute to positive environmental and social outcomes.

AB Sustainable Global Thematic Equities Fund (SGT) is an actively managed portfolio of global equity securities with potential for long-term capital growth and a fundamental bias towards quality.

How it Works

The AB Sustainable Global Thematic Equities Fund is dedicated to pursuing strong financial returns while investing in companies that may contribute to positive environmental and social outcomes.

We've developed a clear investment process that begins with the United Nations (UN) Sustainable Development Goals (SDGs) and integrates ESG factors into all investment decisions. Through this process, we have created a high-conviction global equity fund that we believe represents the most compelling sustainable thematic opportunities in the market.

1 Sustainable themes

In 2015, the United Nations released the Sustainable Development Goals (SDGs), which AB has leveraged as a roadmap for thematic investing.

The SDGs represent a powerful consensus of 193 countries committed to solving a set of global challenges that will require an estimated US\$90 trillion¹ investment from both the public and private sectors.

In order to build the Fund, the investment manager derives themes from the SDGs. Currently these include health, climate and empowerment. These three primary themes are supported by dynamic, narrow and definable sub-themes. The investment manager believes the primary and sub-themes offer compelling investment opportunities and represent long-term trends that are expected to persist for decades, irrespective of changing geopolitical or economic factors.

2 SDG-Aligned Investment Universe

We begin with the UN SDGs as our framework for finding sustainable thematic opportunities and building the investible universe.

The SDGs are made up of 17 goals and 169 underlying targets that address challenges relating to economic prosperity, environmental sustainability, and social inclusion.

Inclusions:

We work through each of the goals and identify products and services that may contribute to their advancement.²To be included, companies must derive at least 25% of their revenues from a product or service which is contributing to the achievement of one or more of the UN SDGs, each of which is linked to a sustainable theme.

Exclusions³:

Companies considered "misaligned" with the UN SDGs are excluded. This includes those directly involved in production, ownership, or operation of the following: adult entertainment; alcohol; coal; controversial weapons; firearms; gambling; genetically modified organisms; military contracting; prisons; tobacco.

Companies with no direct involvement, yet still distribute or retail these products, will be excluded if distribution represents 5% or more of their [gross] revenue.

This top-down process generates our sustainable investment universe.

3 Stock selection

Alignment with the SDGs is not enough for a company to make it into the Fund. The investment manager conducts detailed bottom-up research including an assessment of material ESG factors and a stringent valuation process to assess risks and returns. They approach each investment decision from the perspective of a private equity buyer by considering a takeout of the entire business and a multiyear holding period, rather than that of a short-term trader of the stock. The investment manager also engages with company management teams and builds extensive proprietary financial forecasts, identifies and quantifies material risks, and provides disciplined valuation assessments.

Please see Section 5 of the [Additional Information](#) for further details.

¹ Source: United Nations and AllianceBernstein (AB) as of 31 December 2022.

² Not all of the 17 SDGs are represented in the universe. In evaluating the sub-targets, we look for opportunities for private sector investment only, whilst the remainder may be more appropriately addressed by policymakers.

³ For more information on universe alignment and exclusions, please see our exclusion policy (attached to this flyer).

What makes SGT different?

We are active investors

Our focus is on generating strong financial returns, and we believe that integrating a top-down and bottom-up approach allows us to construct a portfolio of SDG-aligned investments that improve our ability to generate attractive financial returns.

Top down:

- Sustainable themes
- Companies aligned with SDGs
- Attractive long-term growth optionality

Bottom-up stock analysis:

- Comprehensive assessment of material ESG factors
- Stringent valuation process
- Balanced portfolio construction

We are forward-looking thematic investors

We have chosen themes that focus on where we believe the world is going in order to create a portfolio designed for long-term growth.

- Climate
- Health
- Empowerment

We believe these themes are long-term in nature and encapsulate secular growth trends that we expect to persist for decades to come.

We are shareholders and active owners

We engage with management teams on material financial and social issues.

Broadly speaking, engagement can be broken into two categories:

1. Engagement for research – the goal of this engagement is to better understand the operational and cultural nuances of a company in order to draw informed research conclusions.
2. Engagement for impact – this involves us developing meaningful relationships with the company so that over time we may foster positive change, often on controversial issues, from a position of mutual respect.

We are sustainable thematic equity investors

We have found that identifying forward-looking sustainable themes requires an additional dimension of insight.

To develop such insight, our investment process incorporates what we call “grassroots research.” This involves the investment team travelling to various local markets (typically emerging markets) to engage individuals, business owners, and government officials on a broad range of topics including healthcare, financial inclusion, education, gender, and economic opportunity. Through this research, our team aims to deepen our understanding of key sustainability trends. In addition, the differentiated perspectives that we gain help us spot opportunities and sensitise us to risks that may not always be evident from a ‘financial-only’ perspective.

An Experienced Team



Daniel C. Roarty, CFA
Chief Investment Officer—Sustainable
Thematic Equities

12 years at AB
30 years of experience

Daniel is supported by a dedicated team of fundamentals and quantitative research analysts offering deep experience and global perspectives.

Investor Profile

The AB Sustainable Global Thematic Equities Fund is designed for equity investors with high-risk tolerances who want the potential for long-term growth of capital by investing in global equity securities in companies that may contribute to positive environmental and social outcomes.

For more information on the fund, please visit
AllianceBernstein.com/go/ABSGT



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Sustainable Thematic Equities Exclusion Policy

Overview

AB's Sustainable Thematic equity strategies are based on the UN Sustainable Development Goals (SDGs). When constructing the investment universe, the primary criteria for inclusion is an assessment of revenues and their contribution to the achievement of the SDGs. The investment universe includes companies in the aligned category only, according to the following three groupings of companies, which we determine by revenue exposure.

- 1. Aligned** companies generate greater than 25% of their revenue from the direct production of products or provision of services that support the achievement of one or more UN SDGs.
- 2. Misaligned** companies generate revenues from the direct production of products or provision of services that we believe deeply inhibit the achievement of the UN SDGs.
- 3. Neutral** companies generate revenues from the production of products or provision of services that do not contribute to the achievement of the SDGs, nor deeply inhibit the achievement of the UN SDGs.

Misalignments: Direct Exposure

The following products and services have been deemed misaligned with the achievement of the UN SDGs. Companies deriving any revenue (unless otherwise stated) from direct involvement in these products and services are excluded from the investment universe.

- **Adult Entertainment:** Companies involved in the direct production of adult entertainment (e.g., online, tv), or ownership/operation of adult entertainment establishments.
- **Alcohol:** Companies involved in the direct production of alcoholic beverages (e.g., distillers, brewers).
- **Cannabis:** Companies with >25% of revenue derived from cannabis-related business activities as covered by [AB's Global Stewardship Statement](#).¹
- **Coal:** Companies involved in the mining, distribution, refining, and transportation of thermal and metallurgical coal.
- **Controversial Weapons:** Companies covered by [AB's Statement on Controversial Weapons](#)²—those with direct involvement in anti-personnel landmines, cluster bombs and munitions made with depleted uranium, as well as those involved in the direct production of all other nuclear weapons, biological weapons, chemical weapons and white phosphorus.
- **Firearms:** Companies involved in the direct production of (including essential, tailor-made components) of assault and non-assault firearms or small arms, for civilian, military or law enforcement use.
- **Gambling:** Companies involved in the direct production of specialized equipment used exclusively for the use of gambling (e.g., slot machines) or ownership/operation of gambling establishments (e.g., casinos, online gambling services).
- **Genetically Modified Organisms:** Companies involved in the production of seeds and plants whose genome contains foreign DNA from another organism and are intended for agricultural use or human consumption.
- **Military Contracting:** Companies that generate 5% or more of their revenues from selling weapon systems and/or essential, tailor-made weapon-related products or services to the military or defense industry. The exclusion does not apply to companies that provide non-weapons related products or services to the military or defense industry.
- **Prisons:** Companies with >20% of revenue derived from direct involvement in private prisons, as covered by [AB's Global Stewardship Statement](#).¹
- **Tobacco:** Companies involved in the direct production of tobacco (e.g., the growing or processing of raw tobacco leaves), as well as tobacco products (e.g., cigars, blunts, cigarettes, e-cigarettes), or those that derive 5% or more of their revenue from the wholesale distribution of tobacco.

¹ AB's Global Stewardship Statement can be found at this link: https://www.alliancebernstein.com/abcom/Our_Firm/Content/CGDocs/ABGlobalStewardship.pdf

² AB's Statement on Controversial Weapons can be found at this link: https://www.alliancebernstein.com/content/dam/corporate/corporate-pdfs/Statement_on_Controversial_Weapons.pdf

Misalignments: Indirect Exposure

Some companies do not directly produce misaligned products but are part of the value chain for direct producers. In the case of distributors and retailers, companies are excluded if sales from the misaligned product manufacturer represent over 20% of company revenue.

Oil & Gas

While involvement in the production of unconventional—and some forms of conventional—oil and gas may be deemed to be misaligned with the achievement of the UN SDGs, many companies with legacy operations in the oil and gas sector are transitioning to cleaner forms of energy that are positively aligned. As such, companies with direct involvement in oil and gas exploration and extraction are subject to additional due diligence criteria that must be met for them to be considered for inclusion in the portfolio. This due diligence criteria addresses the extent of a company's UN SDG-aligned, as well as its misaligned, activity.

- The Sustainable Thematic Equities team (the Team) will not invest in any company where operations in misaligned segments—such as oil products and services—are structurally increasing.
- The Team require evidence that at least 50% of CapEX is dedicated to UN SDG-aligned activities. If a company does not meet our pre-defined thresholds, it is excluded.

Power Generation

Companies with involvement in power generation are subject to additional due diligence criteria that must be met for them to be

considered for inclusion in the portfolio. This due diligence criteria addresses the extent of a company's UN SDG-aligned, as well as its misaligned, activity.

- The Team will not invest in any company where operations in misaligned segments—such as coal-fired power generation—are structurally increasing. We also wish to see that a company's positive contribution to the UN SDGs, through the nature of the energy generation mix, is increasing.
- The Team require evidence that at least 50% of revenue, or CapEX, is dedicated to UN SDG-aligned activities, such as power generation from clean energy sources. If a company does not meet our pre-defined thresholds, it is excluded.

Human Rights and Labor

Portfolio holdings are monitored for violations of global norms, as dictated by the UN Global Compact, as well its complementary standards of the UN Guiding Principles on Business & Human Rights and the OECD Guidelines for Multinational Enterprises. Associated conventions and treaties, such as the International Labour Organisation's Conventions are also monitored. If a company is identified to have committed a material violation of global norms, the company will be excluded from the investment universe, unless AB's research finds evidence to refute the findings of third-party research that has made the identification, subject to compliance with any other investment restrictions