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ALLIANCEBERNSTEIN®

PROSPECTUS

ALLIANCEBERNSTEIN FUND III

April 2026

> Merger Arbitrage

If you are in any doubt about the contents of this Prospectus, you should seek independent professional financial advice. Prospective investors should inform themselves as to the legal requirements, exchange control regulations and tax consequences within the countries of their residence and domicile for the acquisition, holding or disposal of shares and any foreign exchange restrictions that may be relevant to them. Shares that are acquired by persons not entitled under the Management Regulations to hold them may be redeemed by the Management Company on behalf of the Fund at the current Net Asset Value.

Subscriptions can be made on the basis of this Prospectus, which shall be updated by the latest available annual report of the Fund containing its audited accounts. Copies of such reports may be requested from an authorized financial advisor or at the registered office of the Management Company. Subscriptions for Shares implies (i) the complete and automatic adherence of the content of this Prospectus by the relevant Shareholders and (ii) the fact that any amendment conveyed to the Prospectus following an acceptable and validly implemented procedure described in the section " Meetings, Notices and Information to Shareholders" shall bind and be deemed approved by all Shareholders.

The Shares referred to in this document are offered solely on the basis of the information contained herein and in the reports and documents referred to herein. In connection with the offer made hereby, no person is authorized to give any information or to make any representations other than those contained herein or in the documents referred to herein. If given or made, such information or representations must not be relied upon as having been authorized by the Fund, the Management Company or the Distributor and any purchase made by any person on the basis of statements or representations which are not contained in or which are inconsistent with the information contained herein or in the documents referred to herein shall be solely at the risk of the purchaser.

All references herein to (i) "Dollar", "USD" and to "$" are to the U.S. Dollar, (ii) "Euro" and "€" are to the Euro, (iii) "JPY", "Yen" and "¥" are to the Japanese Yen, (iv) "BRL" is to the Brazilian Real, (v) "ZAR" is to the South African Rand, (vi) "AUD" and "A$" are to the Australian Dollar, (vii) "IDR" is to the Indonesian Rupiah and (viii) "CNY" is to the Renminbi/Chinese Yuan of the People's Republic of China.

The distribution of this Prospectus and the offering of the Shares are restricted to persons qualifying as well-informed investors (*investisseurs avertis*) the ("Eligible Investors" or individually an "Eligible Investor") under the Law (as defined under the "Glossary of Defined Terms" in this Prospectus).

The offer of Shares in the Fund is restricted to Eligible Investors approved by the Management Company. The Management Company has the right to reject applications in whole or part.

None of the Shares has been or will be registered under the U.S. Securities Act of 1933, as amended, and, unless authorized by the Management Company, the Shares may not be offered, sold, transferred or delivered, directly or indirectly, in the United States (as defined in the glossary of defined terms) or to any U.S. Person (as defined under the "Glossary of Defined Terms" in this Prospectus). The Fund has not been registered under the U.S. Investment Company Act of 1940, as amended.

Shares may be marketed in the EEA by using the marketing passport provided for in the AIFM Directive to Eligible Investors that are also Professional Investors (as defined under the "Glossary of Defined Terms"). Accordingly, no key investor document for packaged retail and insurance-based investment products (PRIIPs) will be prepared for the Fund. Shares may also be marketed outside the EEA to Eligible Investors.

AllianceBernstein Investments, a unit of the Management Company and/or AllianceBernstein Investments, a unit of AllianceBernstein Investments, Inc., will act as Distributor of the Shares in connection with the offering of the Shares referred to herein. Application forms for Shares are subject to acceptance by the Distributor and the Management Company on behalf of the Fund.

Any information contained herein or in any other sales document relating to the Fund does not constitute an offer or solicitation by anyone in any jurisdiction in which such offer or solicitation is not lawful or in which the person making such offer or solicitation is not qualified to do so or to anyone to whom it is unlawful to make such offer or solicitation.

Data Protection

Personal Data processing
Shareholders are informed that certain data relating to them as natural persons or to other identified or identifiable natural persons - such as but not limited to their representatives and ultimate beneficial owners - (all together referred herein as the "**Data Subjects**") and their holdings in Shares (the "**Personal Data**") will be collected, stored and/or processed by the Fund and/or the Management Company acting on behalf of the Fund (acting as joint data controllers) and/or by the Transfer Agent, the Depositary, the Paying Agent (if any) and/or certain of the Management Company's and/or the Transfer Agent's affiliates within the AB Group as well as their authorized agents (acting as data processors) (the "**Relevant Parties**"). The personal data will be processed (i) as a result of the contractual relationship between the Shareholder and the Fund and to provide related services to the Shareholders and/or (ii) to comply with applicable laws and regulations (including in situations where the Shareholder has no direct contractual relationship with the Fund).

Personal Data will only be used for the purpose for which it was collected, unless the Shareholders are informed in advance of its use for a different purpose.

Personal Data transfer
Personal Data may be transferred, subject to applicable laws and regulations, to the Relevant Parties, acting as data processors or as data controllers, which may be located in or outside the European Economic Area ("**EEA**"). Personal Data may therefore be transferred to entities located in countries which are not covered by an adequacy decision of the European Commission (such as, but not limited to, Singapore, Taiwan, India, Canada and United States of America) or where data protection laws might not exist or be of a lower standard than in the EEA. Such Personal Data transfers outside the European Union may be carried out (i) based on binding corporate rules concluded within the AB Group and/or (ii) based on standard data protection clauses adopted by the European Commission and/or (iii) where such transfer is necessary for the performance of the services provided to the Fund and/or the Shareholder, and/or (iv) where such transfer is necessary for the performance of the services based on a contract concluded between the Fund and/or the Management Company with a third party to which Shareholders are indirectly part and which is concluded in the Shareholders' interest.

Mandatory disclosure of Personal Data
In addition, the Data Subjects are informed that the Relevant Parties may disclose and transfer Personal Data to third parties such as courts and/or legal, governmental or regulatory bodies including tax authorities, auditors and accountants in Luxembourg as well as in other jurisdictions for the purpose of complying with applicable laws and regulations, as long as an international agreement, such as a mutual legal assistance treaty, is in force between the requesting third country and the EEA or Luxembourg.

Personal Data retention
Personal Data will be retained only as long as necessary for fulfilling the services required by Shareholders or in accordance with applicable laws and regulations.

Shareholders' representation
By submitting Personal Data to the Relevant Parties, the Shareholders represent that they have authority to provide that Personal Data to the Relevant Parties. The Management Company and the Fund may assume, where applicable, that the Data Subjects have, where necessary, given such consent and have been informed of the processing of their Personal Data and of their rights as described herein.

Shareholders' rights
The Shareholders (and where applicable, their Data Subjects) are entitled to request (i) the access to, (ii) the correction or completion, (iii) the erasure, (iv) a limitation of the processing of, (v) the portability of any Personal Data processed by the Fund and/or the Management Company, in the manner and subject to the limitations prescribed in applicable laws and regulations. Such request must be directed to the Data Protection Officer of the Management Company via post mail or e-mail.

Additional information

Additional information related to the processing or transfer of Personal Data and contact details of the Data Protection Officer of the Management Company are available at https://www.alliancebernstein.com/funds/abii/documents/annoucement/ab-lux-data-protection-disclosure-to-investors.pdf.

Information Means

Any information which the Management Company on behalf of the Fund is under a mandatory obligation (i) to make available to Shareholders before investing in the Fund, including any material change thereof and updates of this Prospectus' essential elements, or (ii) to disclose (periodically or on a regular basis) to Shareholders (each such information under (i) or (ii) being hereafter referred to as a "Mandatory Information") shall be validly made available or disclosed to Shareholders via and/or at any of the legally acceptable information means listed in the Management Regulations (the "**Information Means**").

Shareholders are reminded that certain Information Means (each hereinafter an "Electronic Information Means") require an access to internet and/or to an electronic messaging system and that, by the sole fact of investing or soliciting an investment in the Fund, Shareholders acknowledge the possible use of Electronic Information Means and confirm having access to internet and to an electronic messaging system allowing them to access any Mandatory Information made available or disclosed via an Electronic Information Means.

In principle, this Prospectus mentions the specific relevant Information Means via and/or at which a Shareholder may access any Mandatory Information that is not available or disclosed in this Prospectus. If this were not the case, Shareholders acknowledge that the relevant Information Means is available or disclosed at the registered office of the Management Company. No Shareholder will be allowed to invoke or claim the unavailability or non-disclosure of any Mandatory Information if this Mandatory Information was contained in this Prospectus or was available or disclosed via and/or at the relevant Information Means available or disclosed at the registered office of the Management Company.

*Responsible Investing*The Board believes that it must serve shareholders' interests by providing investment solutions that deliver long-term competitive performance. AB Group's strong commitment to responsible investing is an integral part of this duty. Responsible investing entails making better-informed investment decisions, through consideration of material ESG risks and opportunities, and influencing companies in Portfolios to better manage these material ESG risks and opportunities.
For more information on how a Portfolio has a sustainable investment objective or promotes environmental and/or social characteristics, if applicable, please see "Appendix C: SFDR Pre-Contractual Disclosures" section.

Contents

Section I: Portfolio Details
Specific information on each portfolio of the Fund and its classes of shares, including investment objective and policies, summary information, and other portfolio information

Information on the Portfolios

Merger Arbitrage..... I-1

Section II: Core Information
General information on the Fund and the portfolios

The Fund..... II-1
How to Purchase Shares..... II-2
How to Redeem Shares..... II-7
How to Exchange or Convert Shares..... II-8
Investment Types..... II-9
Risk Factors and Special Considerations..... II-19
Meetings, Notices and Information to Shareholders..... II-34
Management and Administration..... II-36
Additional Information..... II-39
Appendix A: Excessive and Short-Term Trading Policy and Procedures..... II-50
Appendix B: List of Portfolios, Classes of Shares and ISIN Codes II-51
Appendix C: SFDR Pre-Contractual Disclosures II-52
Directory

Important Considerations

The Fund is structured as an "umbrella fund" comprising separate pools of assets (each a “Portfolio”). Investors should reference Section I to determine the particular portfolios to which this Prospectus relates and read these "Important Considerations" with particular attention to those important considerations which pertain to the underlying investments of each such portfolio. In addition, investors should read carefully the "Risk Profile" set out in Section I relating to each portfolio, as well as "Risk Factors and Special Considerations" in Section II.

The value of Shares of the portfolios to which this Prospectus relates will change with the value of such portfolios' underlying investments. Hence, the value of Shares and any income arising from them will fluctuate and is not guaranteed. Consequently, investors may not get back the full amount of their investment upon redemption.

For any portfolio that invests in stocks, the value of underlying investments may fluctuate, sometimes dramatically, in response to the activities and results of individual companies or because of general market or economic conditions. For any portfolio that invests in fixed-income securities, the value of the underlying investments will depend generally upon interest rates and the credit quality of the issuer as well as general market or economic conditions.

For any portfolio that invests in fixed-income securities, the value of the shares of such portfolio and any income arising from such shares will change in response to fluctuations in interest rates and currency exchange rates. A portfolio may invest in high yielding securities where the risk of depreciation and realization of capital losses on some of the securities held will be unavoidable. In addition, medium- and lower-rated securities and unrated securities of comparable quality may be subject to wider fluctuations in yield and market values than higher-rated securities.

Any portfolio which invests in essentially only one country will have greater exposure to market, political and economic risks of that country. Any portfolio which invests in multiple countries will have less exposure to the risks of any one country, but will be exposed to risks in a larger number of countries.

Many of the underlying investments of a particular portfolio may be denominated in different currencies than that of the particular portfolio. This means currency movements in underlying investments may significantly affect the value of any such portfolio's share prices.

In addition, a particular portfolio may invest, in whole or in part, in emerging markets securities to the extent permitted by such portfolio's stated investment objective and policies. Investors should appreciate that these securities may be more volatile than securities issued by issuers located in more developed markets. As a result, there may be a greater risk of price fluctuation and of the suspension of redemptions in such portfolios, compared with a portfolio investing in more mature markets. This volatility may stem from political and economic factors, and may be exacerbated by legal, trading liquidity, settlement, transfer of securities and currency factors. Some emerging market countries have relatively prosperous economies but may be sensitive to world commodity prices. Others are especially vulnerable to economic conditions in other countries. Although care is taken to understand and manage these risks, the respective portfolios and their Shareholders ultimately bear the risks associated with investing in these markets.

A particular portfolio may use various techniques for hedging against market risks. In addition, a particular portfolio may make use of these techniques and instruments for the purpose of efficient portfolio management.

Glossary of Defined Terms

AB funds means the collective investment undertakings distributed under the service mark "AllianceBernstein" and sponsored by AllianceBernstein L.P.

AB funds account means a notional account established by the Management Company or the Transfer Agent for each Shareholder and reflecting all his or her shareholdings in AB funds

AB Group means AllianceBernstein L.P. and its subsidiaries and affiliates

Administration Agreement means the agreement between the Management Company and the Administrator

Administrator means Brown Brothers Harriman (Luxembourg) S.C.A.

ADRs means American Depositary Receipts

AIFM Directive means Directive 2011/61/EU of June 8, 2011 on Alternative Investment Fund Managers

AIFM Law means the Luxembourg Law of 12 July 2013 on alternative investment fund managers which has implemented the AIFM Directive in the Grand Duchy of Luxembourg

AIFM Regulation means the Commission Delegated Regulation (EU) No 231/2013 of 19 December 2012 supplementing Directive 2001/61/EU of the European Parliament and of the Council with regard to exemptions, general operating conditions, depositaries, leverage, transparency and supervision

AIFM Provisions means the corpus of rules formed by the AIFM Directive, the AIFM Regulation and any guidelines or other delegated acts and regulations issued from time to time by the EU relevant authorities pursuant to the AIFM Directive and/or the AIFM Regulation, as well as by any national laws and regulations (such as the AIFM Law) which are taken in relation to (or transposing either of) the foregoing

Business Day means any day on which banks are open in Luxembourg and, if applicable, any additional location designated in the relevant part of Section I relating to a specific portfolio

CSSF means the *Commission de Surveillance du Secteur Financier*, the regulatory and supervisory authority in Luxembourg

Currency of the Portfolio means the base currency of a portfolio in which its accounting records are kept as indicated under "Summary Information" in Section I with respect to that portfolio

dealer means, as the context requires, broker-dealers, banks, registered investment advisers, independent financial advisers and other financial intermediaries with whom the Distributor has agreements

Depositary means Brown Brothers Harriman (Luxembourg) S.C.A.

Depositary Agreement means the agreement between the Management Company and the Depositary

Distributor means AllianceBernstein Investments, a unit of the Management Company

EDRs means European Depositary Receipts

EEA means member states of the EU and Iceland, Norway and Liechtenstein

Eligible Investor means a well-informed investor who is an institutional investor, a professional investor or any other investor who:

(a) has confirmed in writing that he adheres to the status of well-informed investor; and

(b) (i) invests a minimum of 100,000 Euro in the specialised investment fund, or

(ii) has been the subject of an assessment made by a credit institution within the meaning of the Directive 2006/48/EC of the European Parliament and of the Council of 17 May 2006 on statutory audits of annual accounts and consolidated accounts amending Council Directives 78/660/EEC and 83/349/EEC and repealing Council Directive 84/253/EEC, by an investment firm within the meaning of Directive 2004/39/EC or by a management company within the meaning of Directive 2009/65/EC of the European Parliament and of the Council of 13 July 2009 on the coordination of laws, regulations and administrative provisions relating to undertakings for collective investment in transferable securities (UCITS) certifying his expertise, his experience and his knowledge in adequately apprising an investment in the specialised investment fund

EU means the European Union

Fund means AllianceBernstein Fund III, a mutual investment fund (*fonds commun de placement*) which qualifies as a specialized investment fund (*fonds d'investissement spécialisé*) and as an alternative investment fund organized under the laws of the Grand Duchy of Luxembourg

GDRs means Global Depositary Receipts

Interested Party means the Investment Manager or its affiliates (which includes the Management Company)

Investment Grade means fixed-income securities rated Baa (including Baa1, Baa2 and Baa3) or higher by Moody's or BBB (including BBB+ and BBB-) or higher by S&P, or the equivalent thereof by at least one IRSO

Investment Management Agreement means the agreement between the Management Company and the Investment Manager relating to each portfolio

Investment Manager means AllianceBernstein L.P., a Delaware limited partnership

IRC means the U.S. Internal Revenue Code of 1986, as amended

IRSO means an internationally recognized statistical ratings organization

Law means the Luxembourg Law of 13 February 2007 relating to specialized investment funds, as amended

Management Company or AIFM means AllianceBernstein (Luxembourg) S.à r.l., a *société à responsabilitée limitée* organized under the laws of the Grand Duchy of Luxembourg, acting as management company and alternative investment fund manager of the Fund

Management Regulations means the latest version of the management regulations of the Fund

Mémorial means the *Mémorial C,. Since June 1, 2016, Memorial C has been replaced by a list of publications available on the Luxembourg Business Registers (LBR) website .*

Moody's means Moody's Investors Services, Inc.

Net Asset Value means the value of the total assets of a portfolio less the total liabilities of such portfolio as described under "Determination of the Net Asset Value of Shares" in Section II

OECD means the Organization for Economic Cooperation and Development

Offered Currency means, for a portfolio, each currency in which the Shares are offered, as indicated under "Summary Information" in Section I with respect to that portfolio

Order Cut-off Time means point in time by which orders for purchase, exchange, or redemption must be received on each Business Day, which is 4:00 p.m. U.S. Eastern time or otherwise as indicated under "Summary Information" in Section I with respect to a portfolio

OTC means over the counter

Portfolio means the portfolio(s) of the Fund identified in Section I hereof (or in a subsection of Section I as the context requires)

portfolio means one or more portfolios of the Fund as the context requires

Professional Investors means investors that are considered as, or may be treated as, professional clients under the AIFM Directive

Prospectus means this version of the prospectus of the Fund

Regulated Market means a regulated market according to the European Parliament and the Council Directive 2014/65/EU of 15 May 2014 on market in financial instruments, as amended by the European Parliament and the Council Directive 2016/1034, as well as any other market in an Eligible State which is regulated, operates regularly and is recognized and open to the public

RESA means the *Recueil Electronique des Sociétés et Associations*

S&P means S&P Global Rating, a division of S&P Global, Inc.

Service means the United States Internal Revenue Service

Shareholders means the owners of Shares, as reflected in the shareholder register of the Fund, in respect of one or more portfolios, as the context requires

Shares means shares of the Fund of whatever class and whatever portfolio

total assets means total net assets of the Portfolio as the context requires

Trade Date means the Business Day as of which any transaction in Shares (purchase, redemption or exchange) for a portfolio is recorded in the Shareholder register of the Fund, in respect of one or more portfolios, as the context requires, as having been accepted

Transfer Agent means the Management Company or AllianceBernstein Investor Services, a unit of the Management Company, the Fund's registrar and transfer agent

UCI means an Undertaking for Collective Investment

United States means the United States of America or any of its territories or possessions or any area subject to its jurisdiction, including the Commonwealth of Puerto Rico

U.S. Person means (i) with respect to any person, any individual or entity that would be a U.S. Person under Regulation S promulgated under the U.S. Securities Act of 1933, as amended; (ii) with respect to individuals, any U.S. citizen or "resident alien" within the meaning of U.S. income tax laws as in effect from time to time; or (iii) with respect to persons other than individuals, (A) a corporation or partnership created or organized in the United States or under the laws of the United States or any U.S. state; (B) a trust where (I) a U.S. court is able to exercise primary supervision over the administration of the trust and (II) one or more U.S. persons have the authority to control all substantial decisions of the trust; and (C) an estate which is subject to U.S. tax on its worldwide income from all sources

Valuation Point means the point in time at which the Net Asset Value per Share is calculated with respect to a Trade Date, being 4:00 p.m. U.S. Eastern time on each Business Day or otherwise as indicated under "Summary Information" in Section I with respect to a portfolio

AllianceBernstein Fund III—Merger Arbitrage

Investment Objective and Policies

Investment Objective

The Portfolio seeks to provide long term capital appreciation through risk-adjusted returns from merger and merger-related activities.

Investment Policies

In actively managing the Portfolio, the Investment Manager uses a rules-based approach to systematically capture merger arbitrage risk premia. This approach focuses on investing in deals that have the highest likelihood of completing or closing rather than focusing on the direction of the equity markets, corporate earnings, or other macroeconomic factors.

The Investment Manager gains exposure to a diversified portfolio of common stocks and other equity securities of issuers involved in merger and acquisition transactions as well as other similar activities ("Merger Activity") directly and indirectly (through financial derivative instruments). This Portfolio uses a strategy, commonly known as merger arbitrage, that seeks to capitalize on the price differentials that materialize between the announcement of a pending Merger Activity and the closing of the transaction.

The merger arbitrage strategy involves taking exposure to a target company at a discount to the merger consideration being offered. This discount or spread reflects the premium paid to investors to compensate them for taking the investment risk, commonly known as risk premium, that a Merger Activity does not close or otherwise falls through. If a Merger Activity completes as expected, the investor realizes the premium for taking the investment risk. If a Merger Activity does not complete, the investor may bear large losses.

The Portfolio typically takes exposure to Merger Activities where the target company is located in developed countries. The Portfolio may also take short exposure to companies globally in order to properly hedge any long target company exposure.

Depending on the Merger Activity, the Portfolio may take a long or short position in any company involved in the Merger Activity. Realization of gains from Merger Activities typically depends on the completion of the transaction and the amount of time the Merger Activity took to close. Any foreign currency exposures are generally hedged at the time of each investment. The Investment Manager typically maintains exposure to the Merger Activity until the completion, or termination, of the transaction.

In addition to the implementation of the rules-based approach, the Investment Manager identifies the investible universe by applying a series of ESG-related exclusions.

The Investment Manager may use Prime Brokers as disclosed in this Prospectus in order to provide prime brokerage services to the Portfolio notably to borrow securities in order to take short positions and to increase leverage as described in the prime brokerage agreements.

The Portfolio shall not borrow monies to the extent that any such borrowing would result in an aggregate outstanding amount of borrowing in excess of 10% of the NAV, except in case of extraordinary circumstances where such 10% limit may be temporarily exceeded (for the avoidance of doubt, trading on margin and/or through other financing mechanisms with a prime broker shall not be included in the foregoing limitations).

Financial Derivative Instruments/Efficient Portfolio

Management Techniques. The Investment Manager expects to use financial derivative instruments to a significant extent in meeting the Portfolio's objective. Such financial derivative instruments (including OTC and exchange-traded financial derivative instruments) may include, but are not limited to, forwards contracts, non-deliverable forward contracts ("NDFs"), swaps (including total rate of return swaps ("TRS") on individual and baskets of securities), and currency transactions.

These financial derivative instruments and efficient portfolio management techniques will be predominantly employed (i) as an alternative to investing directly in the underlying investments, (ii) to create aggregate exposure that is greater than the net assets of the Portfolio, (iii) to take synthetic short positions, (iv) to hedge against, specific issuer risk and currency fluctuations, and (v) for efficient portfolio management purposes.

Leverage. The Portfolio may incur leverage of up to 600% using the gross method and 500% using the commitment method through the use of derivatives as further listed in the section above, for hedging and investment purposes and through prime brokerage borrowing.

Other Investment Policies

As a temporary defensive measure or to provide for redemptions, the Portfolio may, without limit, hold cash, cash equivalents, or short-term fixed-income obligations, including money market instruments.

Investment Diversification

In any event the Portfolio will comply with the risk diversification provided for in the Law and the circular 25/901 issued by the CSSF. The Portfolio will comply with the diversification rules within six months following the Portfolio's initial investment.

Responsible Investing

The Portfolio integrates ESG considerations.

The Portfolio is of the category that promotes environmental and social characteristics (SFDR Article 8; see "SFDR Pre-Contractual Disclosures" for more information).

Currency Hedged Share Classes

One or more of the Portfolio's share classes offered in a particular currency (each, an "Offered Currency") may be hedged to such Offered Currency. Any such share class will constitute a "Currency Hedged Share Class." Currency Hedged Share Classes aim to provide investors a return more closely correlated to the Portfolio's base currency return by reducing the effect of exchange rate fluctuations between the Portfolio's base currency and the relevant Offered Currency, taking into account practical considerations such as transaction costs. The hedging strategy employed is designed to reduce, but may not eliminate, currency exposure between the Portfolio's base currency and the Offered Currency.

Currency Hedged Share Classes do not affect the investment management of the Portfolio's underlying assets since it is only the net asset value (NAV) of the Currency Hedged Share Classes, not the Portfolio's underlying assets, which is hedged to the Offered Currency. Expenses incurred as a result of such hedging activity will be borne by the Currency Hedged Share Class in relation to which such expenses are incurred.

For additional information on share class hedging, see "How to Purchase Shares—Currency Hedged Share Classes" in Section II.

Summary Information

Portfolio Features

Currency of the Portfolio	USD	Class Names	**H** means Currency Hedged Share Classes. For additional information on share class hedging, see "How to Purchase Shares—Currency Hedged Share Classes" and "Risk Factors – Currency Hedged Share Class Risk" in Section II.
Offered Currency	USD		
Business Day	any day when both the New York Stock Exchange and Luxembourg banks are open for business		
Net Asset Value Calculation	Each Business Day	Distributions*	None *Includes Hedged Share Classes
Net Asset Value Publication	Net Asset Value of the Portfolio is available upon request from the Management Company	Order Cut-Off Times	*For USD-Denominated, and JPY-Denominated Share Classes* 4:00 P.M. U.S. Eastern Time on each Business Day
Net Asset Value Publication	Net Asset Value of the Portfolio is available upon request from the Management Company		*For Currency Hedged Share Classes and EUR-Denominated Share Classes* 6:00 P.M. Central European Time on each Business Day
Redemptions	The Management Company may limit the redemptions of Shares if the Portfolio receives, as of any Trade Date, requests to redeem more than 5% of the Shares outstanding as of such date. For additional information see "How to Redeem Shares" in Section II.		

Share Class Fees and Other Features[1]

	Management Fee	Minimum Initial Investment[2]	Luxembourg *Taxe d'Abonnement*[3]
USD-Denominated Share Classes			
Class A Shares	1.60%	USD 125,000	0.01%
Class I Shares	0.90%	USD 1 million	0.01%
Class SU Shares[4]	0.90%	USD 2 million	0.01%
Class S Shares[5]	None	USD 50 million	0.01%
Class S1 Shares[4]	0.80%	USD 50 million	0.01%
Class Z Shares[6]	None	USD 50 million	0.01%
JPY-Denominated Share Classes			
Class S1J Shares[4]	up to 0.80%	¥ 2.5 billion	0.01%
EUR-Denominated Share Classes			
Class I Shares	0.90%	EUR 1 million	0.01%
JPY-Hedged Share Classes			
Class S1J JPY H Shares[4]	up to 0.80%	¥ 2.5 billion	0.01%
AUD-Hedged Share Classes			
Class S AUD H Shares[5]	None	A$ 50 million	0.01%
Class S1 AUD H Shares[4]	0.80%	A$ 50 million	0.01%

1 The Management Company, Administrator, Depositary and Transfer Agent are entitled to receive, out of the assets of the Portfolio, fees as described under "Other Portfolio Information—Management Company, Administrator, Depositary and Transfer Agent Fees" below. The Portfolio also bears all of its other expenses. See "How to Purchase Shares" and "Additional Information—Fees and Expenses" in Section II. All share classes of the Portfolio are reserved for Eligible Investors. The Management Company has voluntarily undertaken, until the Management Company on behalf of the Fund notifies Shareholders to the contrary, that if, in any fiscal year, the aggregate fees and expenses with respect to the following share classes of the Portfolio (including any management fee and all other fees and expenses set out in "Additional Information—Fees and Expenses" in Section II, including Luxembourg Taxe d'Abonnement but exclusive of certain other taxes, brokerage (if applicable) and interest on borrowings) exceed the following percentages of the Portfolio's average Net Asset Value for the fiscal year attributable to the Portfolio's share classes (and corresponding H shares) as follows: A (1.90%), I (1.20%), SU (1.05%), S (0.15%), S1 (0.95%), S1J (0.95%) and Z (0.05%), the Fund may deduct from the payment to be made to the Management Company, or the Management Company will otherwise bear, such excess fees and expenses.

2 May be waived by the Management Company in its sole discretion.

3 Annual Luxembourg tax payable quarterly.

4 Class SU, Class S1 and Class S1J shares (and corresponding H shares) are reserved for institutional investors.

5 Class S shares (and corresponding H shares) are reserved for institutional investors that have entered into an agreement with the Management Company and are being charged an investment management fee separately.

6 Class Z shares are reserved for investment by AB funds.

Other Portfolio Information

Principal Investment Types

For a description of securities and other instruments in which the Portfolio may invest, investors should refer to "Investment Types" in Section II.

Risk Profile

It is intended that the Portfolio will make use of financial derivative instruments.

This Portfolio is subject to market, interest rate and currency fluctuations and to other risks inherent in investing in securities. Therefore, no assurance can be given that the investment objective will be achieved, that invested capital will be preserved, or that capital appreciation will occur.

Investment results may vary substantially on a monthly, quarterly or annual basis. An investment in this Portfolio does not represent a complete investment program.

The judicious use of derivatives by experienced investment advisers such as the Investment Manager can be beneficial. Derivatives also involve risks different from the risks presented by more traditional investments, including the credit risk of the counterparty, risk involved with effective management of derivative strategies, risk of illiquidity in the market for certain derivatives and risk of loss greater than the amount invested in the derivative.

For a more detailed discussion of these and other risks applicable to the Portfolio, investors should refer to "Risk Factors and Special Considerations" in Section II.

Eligible Investors

The offer of Shares of the Portfolio is restricted to Eligible Investors.

Profile of the Typical Investor

The Portfolio will suit higher risk-tolerant investors seeking capital appreciation through investment in a portfolio that seeks returns from merger and merger-related activities. The Portfolio is suitable for investors who have the associated experience with an investment in this Portfolio including the risks involving the purchase and sale of securities of, or relating to, companies involved in merger and merger-related activities. Investors are encouraged to consult their independent financial advisors regarding the suitability of Shares of the Portfolio for their investment needs.

Distributions

The Management Company does not intend to pay dividends with respect to the Shares. Therefore, any net income and net realized profits attributable to the Shares will be reflected in the respective Net Asset Value of the Shares.

The Portfolio may offer dividend-paying share classes in the future, details of which will be at the discretion of the Management Company.

Management Company, Administrator, Depositary and Transfer Agent Fees

The Management Company is paid an annual fee out of the assets of the Portfolio on the aggregate Net Asset Value attributable to the Shares equal to the lesser of $50,000 or 0.01% of average daily Net Asset Value.

The Administrator fee, Depositary fee and Transfer Agent fee for the Portfolio are paid out of the assets of the Portfolio in accordance with the usual practice in Luxembourg and shall not exceed a fixed maximum specified under “Administrator, Depositary and Transfer Agent Fees” in Section II. These fees are a combination of asset-based fees and transaction charges; their total amounts vary depending on, among other factors, the size of the composite assets of the Portfolio, the location where the investments are made, and the volume of investment transactions. In certain cases, these fees are calculated based on a reducing scale as the size of the composite assets increases and may be subject to temporary waivers or maximum and minimum limits.

Organizational Expenses

At the date of the inception of the Portfolio, provision was made on the accounts of the Portfolio for estimated organizational expenses of $25,000 and such expenses will be amortized over a period of up to five years.

History of the Portfolio

The Portfolio was established as a portfolio of the Fund on 24 January 2020.

Section II: Core Information

The Fund

AllianceBernstein Fund III is a mutual investment fund (*fonds commun de placement*) organized under the laws of the Grand Duchy of Luxembourg as an unincorporated co-proprietorship of its securities. The Fund qualifies as a specialized investment fund (*fonds d'investissement spécialisé*) in the meaning of the Law and as an alternative investment fund ("AIF") within the meaning of Article 1(39) of the AIFM Law. The Fund is registered under number K1891 at the *Registre de Commerce et des Sociétés* of Luxembourg. The Fund is managed in the interest of its Shareholders by the Management Company in accordance with the Fund's Management Regulations, as amended from time to time. See "Additional Information—Management Regulations." The Management Company shall act as the alternative investment fund manager ("AIFM") within the meaning of article 1(46) of the AIFM Law. The assets of the Fund, including the assets of each portfolio, are separate from those of the Management Company. All actions referred to herein as being performed by the Fund or a portfolio will be performed by the Management Company or its agents on behalf of the Fund or such portfolio.

The Fund is structured as an "umbrella fund" comprising separate pools of assets (each a "portfolio"). Each portfolio is answerable only for its own obligations and expenses, and not for the liabilities of any other portfolio. The Fund may offer various classes of Shares of each of its portfolios. In the future, the Fund may issue Shares of other classes of one or more portfolios or Shares of other classes related to newly established portfolios. All Shares of the same class have the same rights as to dividends and redemptions.

The Management Company may at any time establish new Portfolios within the Fund.

The offer of Shares in the Fund is restricted to Eligible Investors. The Management Company has the right to reject applications in whole or part.

The core information in this Section applies to all Portfolios of the Fund, unless otherwise described in Section I of the applicable Portfolio.

Responsible Investing

The Board of Managers of the Management Company believes that it must serve shareholders' interests by providing investment solutions that deliver long-term competitive performance. AB Group's strong commitment to responsible investing is an integral part of this duty. Responsible investing entails making better-informed investment decisions, addressing ESG issues and dilemmas, including associated risks, and influencing companies in Portfolios to contribute to a positive outcome.

For more information on how a Portfolio has a sustainable investment objective or promotes environmental and/or social characteristics, if applicable, please see "Appendix C: SFDR Pre-Contractual Disclosures" for more information.

How to Purchase Shares

General

The Fund is offering through this document the classes of Shares indicated under "Summary Information" with respect to each portfolio in Section I. "Summary Information" indicates the Offered Currency or Offered Currencies in which such Shares are offered for subscription and redemption. The Shares being offered hereby may be subject to different sales charges and ongoing distribution and other fees. These alternative sale arrangements permit an investor to choose the method of purchasing shares that is most beneficial given the amount of the purchase, the length of time the investor expects to hold the shares and other circumstances.

The minimum initial investment, minimum subsequent investment and maximum investment, if any, are indicated under "Summary Information" in the relevant part of Section I relating to a specific portfolio. The minimum initial and subsequent investment may be reduced, and any maximum investment amount may be waived by the Management Company in its sole discretion.

The Fund does not currently accept payment in any currency other than an Offered Currency. The offering price of each class of Shares will be available for inspection at the registered office of the Management Company. The Management Company on behalf of the Fund may refuse any order to purchase Shares for any reason. In this regard, the Fund reserves the right to restrict purchases of Shares (including through exchanges) when they appear to evidence a pattern of frequent purchases and redemptions made in response to short-term considerations. See "Excessive and Short-Term Trading Policy and Procedures" in Appendix B.

The Management Company may, at any time at its discretion, temporarily discontinue, cease indefinitely or limit the issue of Shares to investors resident or established in certain countries or territories. The Management Company may also prohibit certain investors from acquiring Shares if necessary, for the protection of the Shareholders as a whole and the Fund.

Anti-Money Laundering Compliance

Pursuant to international rules comprising, but not limited to, applicable anti-money laundering /counter terrorism financing laws or regulations, and Executive Orders administered by the U.S. Department of Treasury's Office of Foreign Assets Control ("**OFAC**"), and Luxembourg laws and regulations comprising, but not limited to, the law of 12 November 2004 on the fight against money laundering and financing of terrorism, as amended (the "**Lux AML Law**"), the Grand Ducal Regulation dated 1 February 2010, CSSF Regulation 12-02 of 14 December 2012 and CSSF Circular 13/556 concerning the fight against money laundering and terrorist financing, and any respective amendments or replacements, obligations have been imposed on all professionals of the financial sector to prevent the use of undertakings for collective investment for money laundering and financing of terrorism purposes.

As a result of such provisions, the Management Company, or any delegate thereof, must ascertain the identity of the legal owner and, under certain conditions, of the beneficial owners of the Shares of the Fund. The documents and information required to make this verification will be communicated along the Application Form. The Management Company may require Shareholders to provide additional documents or information in case the information previously provided by the relevant Shareholder is not satisfactory to the Management Company. In any case, the Management Company may require, at any time, additional documentation to comply with applicable legal and regulatory requirements.

Such information provided to the Management Company is collected and processed for anti-money laundering and counter-terrorist financing compliance purposes.

In case of delay or failure by a Shareholder to provide the documents required, no Shares will be issued to it or, if applicable, no distribution will be made to it. Neither the Management Company nor any of its appointed agents will have any liability for delays or failure to process issue or redemption of Shares as a result of the applicant providing no or incomplete documentation.

The Management Company, or any delegate thereof, may provide the Luxembourg beneficial owner register (the "**RBO**") created pursuant to the law of 13 January 2019 establishing a register of beneficial owners with relevant information about any Investor or, as applicable, beneficial owner(s) thereof, qualifying as beneficial owner of the Fund within the meaning of Article 1(7) of the Lux AML Law. To the extent required by and subject to the conditions of Luxembourg anti-money laundering laws and regulations, such information shall be made available to the general public through access to the RBO. By executing an Application Form with respect to the Fund, each Shareholder acknowledges that failure by a Shareholder, or, as applicable, beneficial owner(s) thereof, to provide the Management Company, or any delegate thereof, with any relevant information and supporting documentation necessary for the Management Company to comply with its obligation to provide same information and documentation to the RBO is subject to criminal fines in Luxembourg.

The Management Company shall ensure due diligence measures on the Fund's investments are applied on a risk-based approach in accordance with Luxembourg applicable laws and regulations.

Purchases of Shares

Shares will be available for purchase in the Offered Currencies at their respective Net Asset Values (plus any applicable sales charge) on any Business Day. The Net

Asset Value will be calculated in the Currency of the Portfolio and additionally a Net Asset Value in another Offered Currency will be determined based upon the applicable conversion rate(s) on such Business Day. The Net Asset Value is determined for each Trade Date as of its Valuation Point, which is 4:00 p.m. U.S. Eastern time on such Trade Date, unless otherwise provided for in the relevant part of Section I relating to a specific portfolio. Orders from investors will be accepted only upon receipt of cleared funds by the Depositary unless, in a particular case, an individual investor has provided a written undertaking acceptable to the Management Company or the Distributor obligating such investor to effect payment in full for shares within a customary period of time. Any such arrangement may be accepted by the Management Company or the Distributor in its or their sole discretion. Each order should specify the Offered Currency in which the payment will be made. In cases where the Management Company consents to payments in a currency other than in an Offered Currency, the order will be accepted only upon conversion in the Currency of the Portfolio of the amount received and the reconciliation thereof with the relevant application.

Purchase orders for a given Trade Date may be accepted up to the Order Cut-off Time (4:00 p.m. U.S. Eastern time, or otherwise as defined in the relevant part of Section I relating to a specific portfolio) for such Trade Date. Valid and complete orders received and accepted by the Management Company or its agents within this time frame are processed as of such Trade Date, in the relevant Offered Currency, at the Net Asset Value per Share of the appropriate class determined as of the Valuation Point for such Trade Date. Orders received and accepted after the Order Cut-off Time (4:00 p.m. U.S. Eastern time, or otherwise as defined in the relevant part of Section I relating to a specific portfolio) are processed on the next Business Day at the appropriate Net Asset Value determined as of the Valuation Point on such Business Day, in which case the Trade Date in respect of such purchase, redemption or exchange request will be such Business Day. At the discretion of the Management Company, Trade Dates, Valuation Points or the foregoing Order Cut-off Times may be changed, and additional Trade Dates, Valuation Points and Order Cut-off Times may be designated. The Management Company will notify Shareholders of any such changes. In the event the Management Company has suspended or postponed the determination of Net Asset Values as set out in "Suspension of Issue, Redemption and Exchange of Shares and Calculation of Net Asset Value," the Net Asset Value determined at the next Valuation Point will be utilized.

Orders generally will be forwarded to the Management Company by the Distributor or selling dealer on the date received, provided the order is received by the Distributor or dealer prior to such deadline as may from time to time be established by the office in which the order is placed. Neither the Distributor nor any dealer is permitted to withhold placing orders to benefit themselves by a price change.

Share Classes

The maximum sales charge, if any, with respect to the Shares offered is indicated under "Summary Information" in the relevant part of Section I relating to a specific portfolio. The Distributor may fully reallow the amount of the sales charge to dealers with whom it has agreements. If in any country in which shares are offered, local law or practice requires or permits a lower sales charge than that indicated under "Summary Information" for any individual purchase order, the Distributor may sell shares and may authorize or require dealers to sell shares within such country with a lower sales charge.

All Shares of a class convey, upon issue, the same rights as to redemption and distributions. The Net Asset Value per Share of the various classes of Shares in respect of a particular portfolio may differ as a result of the different fees assessed on each class of Shares.

The Fund may offer in respect of each portfolio, various classes of Shares with differing fee structures and subscription requirements to meet the needs of certain classes of investors or to conform to market practice or requirements in certain jurisdictions. The Fund retains the right to offer only one or more class of Shares for purchase by investors in any particular jurisdiction. In addition, the Fund or the Distributor may adopt standards applicable to classes of investors or transactions which permit, or limit investment to, the purchase of a particular class of Shares.

Additional Share Class Information

CLASS A SHARES

Class A Shares are offered to selected dealers or distribution agents appointed by the Management Company purchasing Shares on behalf of Eligible Investors.

A portion of the fee charged for Class A Shares may be paid to dealers, distribution agents and/or platforms for certain maintenance and/or administration type fees (where legally permissible).

Class A Shares are available for distribution in the EU except to (i) MiFID distributors providing independent advice (e.g., independent financial investment advisors) or portfolio management services (e.g. discretionary investment managers) or (ii) any client on whose behalf a foregoing MiFID distributors is acting.[1]

[1] Notwithstanding the foregoing, the only circumstance where such class of Shares are available for distribution in the EU to entities providing independent advice or portfolio management services is where the relevant entity has provided the Management Company a written undertaking that any amount(s) received by it in respect of Class of Shares will be credited, in full, to such entity's client(s) and

CLASS I SHARES

Class I Shares are offered to Eligible Investors purchasing Shares (i) through dealers or distribution agents who have separate fee arrangements with such investors, (ii) product structures that purchase Shares directly, or on behalf of an end investor and assess such investor a fee at the product level; and (iii) other investors at the Management Company's discretion where such offering and/or sale takes place outside the EU.

With respect to distribution within the EU, no portion of fees charged by the Management Company involving Class I Shares is paid to dealers and/or distribution agents, except maintenance and/or administration type fees (where legally permissible) including payments to platforms. Accordingly, within the EU, Class I Shares are available for purchase by (or on behalf of) customers of: (i) dealers and/or distribution agents providing independent advice (e.g., independent financial investment advisors) or portfolio management services (e.g., discretionary investment managers); and (ii) dealers and/or distribution agents purchasing Class I Shares on behalf of their clients where either an arrangement with their client or applicable law prohibits such dealers and/or distribution agents from retaining any payment from a third-party.

CLASS S SHARES

Class S shares are offered to institutional investors that have entered into an agreement with the Management Company and are being charged an investment management fee separately.

With respect to distribution within the EU, no portion of the fees charged for Class S Shares is paid to third parties such as dealers or distribution agents, except maintenance and/or administration type fees (where legally permissible) including payments to platforms. Accordingly, within the EU, Class S Shares are available to entities providing portfolio management services (e.g. discretionary investment managers) or any client on whose behalf a foregoing entity is acting.

CLASS S1/SU SHARES

Class S1 shares are offered to institutional investors.

With respect to distribution within the EU, no portion of the fees charged for Class S1 Shares is paid to third parties such as dealers or distribution agents, except maintenance and/or administration type fees (where legally permissible) including payments to platforms. Accordingly, within the EU, Class S1 Shares are available to entities providing portfolio management services (e.g. discretionary investment managers) or any client on whose behalf a foregoing entity is acting.

CLASS Z SHARES

Class Z Shares are reserved for investment by AB funds.

Currency Hedged Share Classes

Currency Hedged Share Classes aim to provide investors with a return more closely correlated to the Portfolio's base currency return by reducing the effect of exchange rate fluctuations between the Portfolio's base currency (*e.g.,* US Dollars) and the relevant Offered Currency, taking into account practical considerations such as transaction costs. The hedging strategy employed is designed to reduce, but may not entirely eliminate, currency exposure between the portfolio's base currency and the Offered Currency.

The precise hedging strategy applied to a particular Hedge Share Class may vary from one portfolio offering Currency Hedged Share Class(es) to another. But, in general, the amount of net subscriptions/redemptions of a particular Currency Hedged Share Class will be converted into the Portfolio's base currency at the applicable spot rate. At the same time, the Investment Manager will enter into a forward currency exchange contract for the same amount. Thereafter the hedge will be monitored and adjusted from time-to-time to take account of net subscriptions/redemptions attributable to investor flows as well as the net asset value of the relevant Currency Hedged Share Class. The degree of effectiveness provided by a particular hedge will depend, among other things, on the Investment Manager's ability to enter into corresponding forward currency exchange contracts in order to match the most recently available value of the portfolio's assets attributable to the Currency Hedged Share Class with corresponding forward currency exchange contracts. During the life of each foreign currency exchange contract, any gains or losses on the forward position is incorporated into the daily net asset value of the Currency Hedged Share Class and is realized on the settlement of the forward currency exchange contract in-question. These forward positions are then rolled from one forward currency exchange contract to another thereby continuing the hedge.

The returns of share classes denominated in a portfolio's base currency are intended to correlate significantly with the returns of Currency Hedged Share Classes denominated in the Offered Currencies. However, these returns will not correlate perfectly due to various factors, including short-term interest rate differentials, unrealized gains/losses on currency forward positions' not being invested until the gains/losses are realized, the target hedge ratio and deviation range employed by the Investment Manager (the deviation range is designed to avoid higher transaction costs associated with excessive minor hedge adjustments but results in minor over/under hedges), the timing of the market value hedge adjustments relative to the portfolio's Valuation Point, and transaction costs attributable to hedging activity.

that no amount(s) in respect thereof will be retained by such entity, in each case in accordance with applicable law.

These hedging transactions for the Currency Hedged Share Classes are intended to be entered into continuously whether the Offered Currency in which the Currency Hedged Share Class is denominated is declining or increasing in value relative to other currencies. Therefore, such hedging will tend to protect investors in the relevant Currency Hedged Share Classes to the extent the value of the Currency Hedged Share Class's Offered Currency rises relative to the portfolio's base currency. Conversely, such hedging will tend to prevent investors from benefiting if the value of a Currency Hedged Share Class's Offered Currency decreases relative to the portfolio's base currency.

Currency Hedged Share Classes do not affect the investment management of the portfolio's underlying assets since it is only the net asset value of the Currency Hedged Share Classes which is hedged, not the portfolio's underlying assets.

In contrast to the rationale underlying Currency Hedged Share Classes, a particular portfolio's investment strategy may seek to fully or partially hedge currency exposures arising from some or all of the portfolio's underlying assets to the portfolio's base currency to the extent indicated in the description of a particular portfolio's investment strategy set out in Section I. This type of hedging activity (*i.e.,* hedging the currency exposures of a portfolio's investments against the portfolio's base currency) is separate from – and unrelated to – the hedging activity discussed under this heading relating solely to Currency Hedged Share Classes.

To the extent a particular portfolio offers Currency Hedged Share Classes and seeks also to fully or partially hedge currency exposures relating to some or all of the portfolio's underlying assets to the portfolio's base currency, certain costs and inefficiencies could result.

Finally, shareholders should be aware that the level of leverage of Currency Hedged Share Classes will automatically be higher than the expected level of leverage disclosed for a specific portfolio. Indeed, such expected level of leverage does not take into account the hedging transactions used for the Currency Hedged Share Classes.

Issuance and Settlement

Payments for Shares subscribed for should accompany the investor's Application Form, since the application will be accepted only upon identification of the payment made in respect of the Shares to be purchased, or, if Shares are subscribed for and purchased from or through an authorized selling dealer or the Distributor, payment should be made in accordance with such procedures as may be adopted by such dealer and approved by the Distributor and the Fund. Different settlement periods may apply in certain jurisdictions where the Shares are sold. Payment for Shares purchased directly from the Fund are payable to the account of the Fund as indicated in the Application Form. Upon receipt of payment by the Fund, the Management Company will issue whole and fractional Shares and certificates, if requested. Confirmations will be delivered to the investor. Payment for shares and the applicable sales charge, if any, must be made in an Offered Currency.

Confirmation Notes and Certificates

A confirmation note will be sent to the investor on the Business Day following the issue of the Shares, providing full details of the transaction. All Shares are issued in registered form, and the Fund's Shareholder register in respect of the relevant portfolio maintained by the Transfer Agent is evidence of ownership. The Management Company treats the registered owner of a Share as the absolute and beneficial owner thereof. Shares are issued in uncertificated form unless a certificate is specifically requested at the time of application. The uncertificated form enables the Fund to effect redemption instructions without undue delay and consequently the Fund recommends that investors maintain their Shares in uncertificated form. If an investor requests Shares to be issued in certificated form, a Share certificate is sent either to the investor or that person's nominated agent (at the investor risk) normally within 28 days of completion of the registration process or transfer, as the case may be, of the Shares.

AB Funds Accounts and Account Numbers

Upon acceptance of an investor's Application Form in connection with the investor's first investment in an AB fund, the Transfer Agent will establish an account in its Shareholder processing system in which the investor's AB fund Shares will be recorded. This account reflects an investor's share position in the relevant AB fund. An AB funds account will be denominated in the Offered Currency in which the investor's first AB fund subscription is made. An AB funds account can only be denominated in one currency and thus will only record holdings of Shares denominated in the same currency. Investors desiring to hold Shares in multiple Offered Currencies will therefore have more than one AB funds account and will receive separate statements with respect to each such account. Investors will be given an AB funds account number with respect to each AB funds account they establish, and this number, together with the investor's pertinent details, constitutes proof of identity. This AB funds account number should be used for all future dealings by the investor in respect of any AB fund Shares of such accounts. Any change to an investor's personal details, loss of AB funds account number(s) or loss of Share certificates must be notified immediately to the Transfer Agent in writing. The Fund reserves the right to require an indemnity or verification of identity countersigned by a bank, stockholder or other party acceptable to it before accepting such instructions.

Subscriptions in Kind

The Management Company may accept at its sole discretion securities and other assets as payment for

Shares at its discretion provided that the contribution of such securities and other assets are consistent with policies pursued by the Investment Manager and will not result in a breach of the relevant portfolio's investment objective and policies or the Fund's investment restrictions. In such case, an auditor's report to value the contribution in kind will be drawn up if and to the extent required by Luxembourg laws and regulations. Expenses in connection with the establishment of such report and any other expenses in connection with the subscription in kind will be borne by the subscriber that has chosen this method of payment, but will not be borne by the Fund unless the Management Company at its discretion or any of its appointed agents considers that the contribution in kind is in the interest of the Fund or made to protect the interests of the Fund.

How to Redeem Shares

Shareholders may redeem their Shares on any Business Day through the Distributor or any authorized dealer, or by transmitting an irrevocable redemption order by facsimile or mail to the Management Company or its authorized agent. The redemption order must clearly state the name of the Fund and portfolio, the Share class, the number of Shares to be redeemed or the total value (in the Offered Currency in which the Shareholder has elected to purchase the Shares) of Shares to be redeemed, together with the Shareholder's name and AB funds account number (for that Offered Currency) as registered with the Fund. Payments of redemption proceeds will be made in the Offered Currency in which the Shareholder's AB funds account is denominated.

If, as a result of any redemption request, a Shareholder's AB funds account falls below the minimum initial investment amount in Section I of the relevant Portfolio (or the equivalent amount in another Offered Currency depending on the currency in which the Shareholder's AB funds account is denominated), such redemption request may be deemed to apply to the Shareholder's entire AB funds account.

The redemption price will be equal to the Net Asset Value per Share in the relevant Offered Currency of the relevant share class determined for the appropriate Trade Date as of the Valuation Point, which is 4:00 p.m. U.S. Eastern time on such Trade Date, unless otherwise provided for in the relevant part of Section I relating to a specific portfolio. Redemption requests for a given Trade Date may be accepted up to the Order Cut-off Time (4:00 p.m. U.S. Eastern time, or otherwise as defined in the relevant part of Section I relating to a specific portfolio) for such Trade Date. Valid and complete redemption requests received within this time frame are normally processed as of such Trade Date at the redemption price as stated above. Redemption requests received after such Order Cut-off Time (4:00 p.m. U.S. Eastern time, or otherwise as defined in the relevant part of Section I relating to a specific portfolio) will be processed on the next Business Day at the appropriate Net Asset Value determined as of the Valuation Point on such Business Day, in which case the Trade Date in respect of such redemption request will be such Business Day. Depending on the Net Asset Value calculated with respect to a given Trade Date, the redemption price of Shares may be higher or lower than the price paid for such Shares at the time of subscription.

Payment of the redemption proceeds will be made by the Depositary or its agents in the relevant Offered Currency, usually within three Business Days after the relevant Trade Date to the account of the registered Shareholder, provided that (i) a redemption order has been received by the Management Company, or its authorized agent, in the appropriate form and (ii) the certificates (if issued) for the Shares to be redeemed have been received by the Management Company, or its authorized agent, prior to the Valuation Point with respect to such Trade Date. Payments can be made only to the registered owner of the Shares; third party payments cannot be made. Payments be made by wire transfer. Please note that payment of redemption proceeds may be delayed if the Management Company, or its authorized agent, has not received all required original documentation from Shareholders or their financial advisers, as appropriate, via mail. Wire transfer instructions should be included in an investor's original Application Form, otherwise wire transfer instructions must be received (and verified) by the Management Company, or its authorized agent, via mail or facsimile transmission before wire transfers of redemption proceeds may be sent. The Management Company will endeavor to ensure, for any Trade Date, that an appropriate level of liquidity is maintained in respect of each portfolio so that redemption of Shares may, under normal circumstances, be made promptly on such date to Shareholders requesting redemption. However, the Management Company may limit the redemption of Shares in the event the Fund receives as of any Trade Date requests to redeem more than 10% of the Net Asset Value of the relevant portfolio as of such date (or such lower percentage as may be stated in the description of such portfolio in Section I), in which case Shares of the portfolio may be redeemed on a pro rata basis. Any part of a redemption request to which effect is not given by reason of the exercise of this power by or on behalf of the Management Company will be treated as if a request has been made in respect of the next Trade Date and all following Trade Dates (in relation to which the Management Company has the same power) until the original request has been satisfied in full. Any such limitation will be notified to those Shareholders who have applied for redemption. In addition, under certain circumstances, the Management Company may suspend the right of Shareholders to redeem Shares. See "Additional Information—Suspension of Issue, Redemption and Exchange of Shares and Calculation of Net Asset Value."

Transfers

Except as set out below under "Additional Information—Restrictions on Ownership," the Shares are transferable to another Eligible Investor approved by the Management Company. The Shares may not be transferred to U.S. Persons without the consent of the Management Company.

Redemptions in Kind

If requested by the Shareholder, redemptions may be made in kind at the discretion of the Management Company. The nature and type of assets to be transferred in such case shall be determined on a fair and reasonable basis and without prejudice to the interest of the other Shareholders and the valuation used shall be confirmed by a special report of the Fund’s approved statutory auditor to the extent required by law. The specific costs for such redemptions in kind, in particular the costs of the special audit report, shall be borne by the Shareholder or by a third party, but will not be borne by the Fund unless the Management Company at its discretion or any of its appointed agents considers that the redemption in kind is in the interest of the Fund or made to protect the interests of the Fund.

How to Exchange or Convert Shares

Exchange for Shares of Other Portfolios within the Fund and Certain Other AB Funds

Shareholders have the option to exchange Shares for Shares of the same class of any other portfolio of the Fund or Shares of the same class of certain other AB funds. Any such exchange will be subject to the minimum investment requirements and any other applicable terms set out in the Prospectus relating to the Shares of the portfolio of the Fund or other AB fund to be acquired upon exchange. The Management Company reserves the right, in its discretion, to waive any applicable minimum subscription amounts.

The applicable Order Cut-off Time for an exchange will be the earlier of the Order Cut-off Times of the two AB funds or share classes that are associated with the exchange. If the earlier Order Cut-off Time is not met, the exchange will not be considered for acceptance until the next common Business Day of the two AB funds. Following receipt and acceptance by the Management Company, or its agent, of a valid and complete exchange order, exchanges will be effected, in each case, at the Net Asset Value as next determined in accordance with the terms set out in "Additional Information—Determination of the Net Asset Value of the Shares" below. Exchanges involving other AB funds will be effected by means of a redemption of the original Shares and a subscription for and purchase of the Shares to be acquired upon exchange.

The Management Company, on behalf of the Fund and the Distributor, reserves the right (i) to reject any order to acquire shares through exchange at any time or (ii) otherwise modify, restrict or terminate the exchange privilege generally at any time on 60 days' notice to Shareholders.

Exchanges will be effected in a manner such that upon redemption of the Shares acquired in the exchange, the redemption price will be paid in the Offered Currency in which the Shareholder's AB funds account is denominated. In the event a Shareholder exchanges original Shares into Shares that are not available in the Offered Currency in which the Shareholder's AB funds account is denominated, a second AB funds account denominated in the second Offered Currency will be opened in order for such Shares to be recorded therein. Shareholders will be issued a second AB funds account number and receive separate account statements with respect to any such second account. Transaction costs, if any, incurred in respect of an exchange of Shares of the same class but involving different currencies will be reflected in the amount of Shares realized by the investor upon exchange.

Investors interested in exchanging Shares should contact their financial adviser or the Distributor for more information about the exchange option. Neither the Fund nor the Management Company currently charges any administrative or other fees in connection with exchanges, provided that any applicable incentive fee accrued to the exchanged Shares may be charged to the Shareholder as of the date of the exchange. Investors who hold their Shares through accounts with a dealer should contact such dealer to determine if any such fees apply in connection with exchanges.

Investment Types

Portfolios of the Fund may invest in any of the following types of investments subject to the restrictions in the Portfolio's stated investment objective and policies.

In the Investment Manager's sole discretion, a portfolio may hedge against market risks, provide exposure towards certain markets without direct purchase in the underlying assets, and to achieve its investments goals, engage in various derivative strategies subject to the restrictions set out in the portfolio's stated investment objective and policies. Such transactions in which such portfolio may engage include swaps, including interest rate swaps, total rate of return swaps and credit default swaps, transactions in financial futures contracts and options thereon. A portfolio may also engage in transactions in options on portfolio securities. A portfolio may seek to hedge its investments against currency fluctuations which are adverse to the Currency of the Portfolio by utilizing currency options, futures contracts and forward foreign exchange contracts (commonly referred to as "derivatives"). The use of these transactions involves certain risks and there can be no assurance that the objective sought to be obtained from the use of such instruments will be achieved. See "Risk Factors and Special Considerations" below.

Equity Securities Types

Equity Securities. The equity securities in which a portfolio may invest include common stock, preferred stock, securities convertible into common stock or preferred stock and equity interests in partnerships, trusts or other types of equity securities that qualify as transferable securities.

Depositary Receipts. In addition to directly purchasing securities of corporate issuers in various securities markets, a portfolio may invest in ADRs, EDRs, GDRs or other securities representing securities of companies based in countries other than the United States. Depositary receipts may not necessarily be denominated in the same currency as the underlying securities for which they may be exchanged. In addition, the issuers of the stock of unsponsored depositary receipts are not obligated to disclose material information in the United States and, therefore, there may not be a correlation between such information and the market value of the depositary receipts. ADRs are depositary receipts typically issued by a U.S. bank or trust company that evidence ownership of underlying securities issued by a non-U.S. corporation. EDRs, GDRs and other types of depositary receipts are typically issued by non-U.S. banks or trust companies and evidence ownership of underlying securities issued by either a non-U.S. or an U.S. company. Generally, ADRs, in registered form, are designed for use in the U.S. securities markets, and EDRs, in bearer form, are designed for use in non-U.S. securities markets. For purposes of determining the country of issuance, investments in depositary receipts of either type are deemed to be investments in the underlying securities.

REITs. A portfolio may invest in global real estate investment trusts ("REITs") and other global real estate industry companies. A "real estate industry company" is a company that derives at least 50% of its gross revenues or net profits from the ownership, development, construction, financing, management or sale of commercial, industrial or residential real estate or interests therein or from ownership and servicing of real estate related loans or interests. The equity securities in which a portfolio will invest for this purpose consist of common stock, Shares of beneficial interest of REITs and securities with common stock characteristics, such as preferred stock or convertible securities. REITs are pooled investment vehicles which invest primarily in income producing real estate or real estate related loans or interests. REITs are generally classified as equity REITs, mortgage REITs that invest in commercial mortgages or residential mortgages, or a combination of equity and mortgage REITs. Equity REITs invest the majority of their assets directly in real property and derive income primarily from the collection of rents. Equity REITs can also realize capital gains by selling properties that have appreciated in value.

Debt Securities Types

Fixed-Income Securities. The fixed-income obligations in which a portfolio will invest include fixed-income securities issued by governmental entities, supranational entities, companies and other entities.

Convertible Securities. Convertible securities include bonds, debentures, corporate notes and preferred stocks that are convertible at a stated exchange rate into common stock. Prior to conversion, convertible securities have the same general characteristics as nonconvertible debt securities, which provide a stable stream of income with generally higher yields than those of equity securities of the same or similar issuers. The price of a convertible security will normally vary with changes in the price of the underlying stock, although the higher yield tends to make the convertible security less volatile than the underlying common stock. As with debt securities, the market value of convertible securities tends to decline as interest rates increase and increase as interest rates decline. While convertible securities generally offer lower interest or dividend yields than nonconvertible debt securities of similar quality, they enable investors to benefit from increases in the market price of the underlying common stock.

"Zero Coupon" Treasury Securities. A portfolio may invest in "zero coupon" Treasury securities, which are U.S. Treasury bills issued without interest coupons, U.S. Treasury notes and bonds which have been stripped of their unmatured interest coupons, and receipts or certificates representing interests in such stripped debt obligations and coupons. A zero coupon security pays no interest to its holder during its life. Its value to an investor consists of the difference between its face value at the time of maturity and the price for which it was acquired, which is generally an amount significantly less than its face value (sometimes referred to as a "deep discount" price). Such securities usually trade at a deep discount from their face or par value and will be subject to greater fluctuations of market value in response to changing interest rates than debt obligations of comparable maturities which make current distributions of interest. On the other hand, because there are no periodic interest payments to be reinvested

prior to maturity, zero coupon securities eliminate reinvestment risk and lock in a rate of return to maturity.

Currently the only U.S. Treasury security issued without coupons is the Treasury bill. Although the U.S. Treasury does not itself issue Treasury notes and bonds without coupons, under the U.S. Treasury Separate Trading of Registered Interest and Principal of Securities, or STRIPS, program interest and principal payments on certain long-term Treasury securities may be maintained separately in the Federal Reserve book entry system and may be separately traded and owned. In addition, in the last few years a number of banks and brokerage firms have separated ("stripped") the principal portions ("corpus") from the coupon portions of U.S. Treasury bonds and notes and sold them separately in the form of receipts or certificates representing interests in these instruments (which instruments are generally held by a bank in a custodial or trust account).

Commercial Mortgage-Backed Securities. Commercial mortgage-backed securities are securities that represent an interest in, or are secured by, mortgage loans secured by multifamily or commercial properties, such as industrial and warehouse properties, office buildings, retail space and shopping malls, and cooperative apartments, hotels and motels, nursing homes, hospitals and senior living centers. Commercial mortgage-backed securities have been issued in public and private transactions by a variety of public and private issuers using a variety of structures, some of which were developed in the residential mortgage context, including multi-class structures featuring senior and subordinated classes. Commercial mortgage-backed securities may pay fixed or floating-rates of interest. The commercial mortgage loans that underlie commercial mortgage-backed securities have certain distinct risk characteristics. Commercial mortgage loans generally lack standardized terms, which may complicate their structure, tend to have shorter maturities than residential mortgage loans and may not be fully amortizing. Commercial properties themselves tend to be unique and are more difficult to value than single-family residential properties. In addition, commercial properties, particularly industrial and warehouse properties, are subject to environmental risks and the burdens and costs of compliance with environmental laws and regulations.

Commercial mortgage-backed securities, like all fixed-income securities, generally decline in value as interest rates rise. Moreover, although generally the value of fixed-income securities increases during periods of falling interest rates, this inverse relationship may not be as marked in the case of single-family residential mortgage-backed securities due to the increased likelihood of prepayments during periods of falling interest rates in the case of commercial mortgage-backed securities. The process used to rate commercial mortgage-backed securities may focus on, among other factors, the structure of the security, the quality and adequacy of collateral and insurance, and the creditworthiness of the originators, servicing companies and providers of credit support.

Pass-Through Mortgage-Related Securities. The mortgage-related securities in which a portfolio may invest provide funds for mortgage loans made to U.S. residential home buyers. These include securities which represent interests in pools of mortgage loans made by lenders such as savings and loan institutions, mortgage bankers and commercial banks. Pools of mortgage loans are assembled for sale to investors (such as a portfolio) by various U.S. governmental, government-related and private organizations.

Interests in pools of mortgage-related securities differ from other forms of traditional debt securities, which normally provide for periodic payment of interest in fixed amounts with principal payments at maturity or specified call dates. Instead, mortgage-related securities provide a monthly payment which consists of both interest and principal. In effect, these payments are a "pass-through" of the monthly interest and principal payments made by the individual borrowers on their residential mortgage loans, net of any fees paid to the issuer, servicer or guarantor of such securities. Additional payments result from repayments of principal resulting from the sale of the underlying residential property, refinancing or foreclosure, net of fees or costs which may be incurred. Some mortgage-related securities, such as securities issued by the Government National Mortgage Association ("GNMA"), are described as "modified pass-through." These securities entitle the holder to receive all interest and principal payments owed on the mortgage pool, net of certain fees, regardless of whether or not the mortgagors actually make mortgage payments when due.

The investment characteristics of pass-through mortgage-related securities differ from those of traditional fixed-income securities. The major differences include the payment of interest and principal on the mortgage-related securities on a more frequent schedule, as described above, and the possibility that principal may be prepaid at any time due to prepayments on the underlying mortgage loans or other assets.

The occurrence of mortgage prepayments is affected by factors including the level of interest rates, general economic conditions, the location and age of the mortgage and other social and demographic conditions. Generally, prepayments on pass-through mortgage-related securities increase during periods of falling mortgage interest rates and decrease during periods of rising mortgage interest rates. Reinvestment of prepayments may occur at higher or lower interest rates than the original investment, thus affecting the yield of the portfolios.

The principal U.S. governmental (*i.e.*, backed by the full faith and credit of the U.S. Government) guarantor of mortgage-related securities is GNMA. GNMA is a wholly-owned U.S. Government corporation within the Department of Housing and Urban Development. GNMA is authorized to guarantee, with the full faith and credit of the U.S. Government, the timely payment of principal and interest on securities issued by institutions approved by GNMA (such as savings and loan institutions, commercial banks and mortgage bankers) and backed by pools of Federal Housing Administration-insured or Veterans Administration-guaranteed mortgages.

U.S. Government-related (*i.e.*, not backed by the full faith and credit of the U.S. Government) guarantors include the Federal National Mortgage Association ("FNMA") and the Federal Home Loan Mortgage Corporation ("FHLMC"). FNMA is a government-sponsored corporation owned entirely by private stockholders. Pass-through securities

issued by FNMA are guaranteed as to timely payment of principal and interest by FNMA but are not backed by the full faith and credit of the U.S. Government. FHLMC is a corporate instrumentality of the U.S. Government. Participation certificates issued by FHLMC are guaranteed as to the timely payment of interest and ultimate (or, in some cases, timely) collection of principal but are not backed by the full faith and credit of the U.S. Government.

Commercial banks, savings and loan institutions, private mortgage insurance companies, mortgage bankers and other secondary market issuers also create pass-through pools of conventional residential mortgage loans. Such issuers may also be the originators of the underlying mortgage loans as well as the guarantors of the mortgage-related securities. Pools created by such non-governmental issuers generally offer a higher rate of interest than government and government-related pools because there are no direct or indirect government guarantees of payments in the former pools. However, timely payment of interest and principal of these pools is generally supported by various forms of insurance or guarantees, including individual loan, title, pool and hazard insurance. The insurance and guarantees are issued by government entities, private insurers and the mortgage poolers. Such insurance and guarantees and the creditworthiness of the issuers thereof will be considered in determining whether a mortgage-related security meets a portfolio's investment quality standards. There can be no assurance that the private insurers can meet their obligations under the policies. A portfolio may buy mortgage-related securities without insurance or guarantees if through an examination of the loan experience and practices of the poolers the Investment Manager determines that the securities meet the portfolio's quality standards. Although the market for such securities is becoming increasingly liquid, securities issued by certain private organizations may not be readily marketable.

Collateralized Mortgage Obligations and Multi-Class Pass-Through Securities. Mortgage-related securities in which a portfolio may invest may also include collateralized mortgage obligations ("CMOs") and multi-class pass-through securities. CMOs are debt obligations issued by special purpose entities that are secured by mortgage-backed certificates, including, in many cases, certificates issued by governmental or government-related guarantors, including GNMA, FNMA and FHLMC, together with certain funds and other collateral. Multi-class pass-through securities are equity interests in a trust composed of mortgage loans or other mortgage-related securities. Payments of principal and interest on underlying collateral provide the funds to pay debt service on the CMO or make scheduled distributions on the multi-class pass-through security. CMOs and multi-class pass-through securities (collectively CMOs unless the context indicates otherwise) may be issued by agencies or instrumentalities of the U.S. Government or by private organizations. The issuer of a CMO may elect to be treated as a Real Estate Mortgage Investment Conduit ("REMIC").

In a CMO, a series of bonds or certificates is issued in multiple classes. Each class of CMOs, often referred to as a "tranche," is issued at a specific coupon rate and has a stated maturity or final distribution date. Principal prepayments on collateral underlying a CMO may cause it to be retired substantially earlier than the stated maturities or final distribution dates. The principal and interest on the underlying mortgages may be allocated among the several classes of a series of a CMO in many ways. In a common structure, payments of principal, including any principal prepayments, on the underlying mortgages are applied to the classes of the series of a CMO in a specified order, so that no payment of principal will be made on certain classes of a CMO until certain other classes have been paid in full.

One or more tranches of a CMO may have coupon rates which reset periodically at a specified increment over an index such as SOFR (as defined below). These adjustable rate tranches known as "floating rate CMOs" will be considered as ARMS (as defined below) by a portfolio. Floating rate CMOs are typically issued with lifetime caps on the coupon rate thereon. These caps, similar to the caps on adjustable rate mortgages described in "Adjustable Rate Mortgage Securities" below represent a ceiling beyond which the coupon rate on a floating rate CMO may not be increased regardless of increases in the interest rate index to which the floating rate CMO is tied.

Adjustable Rate Mortgage Securities. Adjustable rate mortgage securities ("ARMS") in which a portfolio may invest include (i) pass-through securities backed by adjustable rate mortgages and issued by GNMA, FNMA, FHLMC and by private organizations and (ii) floating rate CMOs. The coupon rates on ARMS are reset at periodic intervals to an increment over some predetermined interest rate index. There are three main categories of indices: (i) those based on U.S. Treasury securities, (ii) those derived from a calculated measure such as a cost of funds index or a moving average of mortgage rates and (iii) those based on short-term rates such as the Secured Overnight Financing Rate ("SOFR"), Certificates of Deposit ("CDs") or the prime rate. Many issuers have selected as indices the yields of one-, three- and five-year U.S. Treasury notes, the discount rate of six-month U.S. Treasury bills as reported in two Federal Reserve statistical releases, the monthly G.13 (415) and the weekly H.15 (519), the CD composite, the prime rate, SOFR and other indices. Additional indices may be developed in the future. In selecting a type of ARMS for investment, the Investment Manager will also consider the liquidity of the market for such ARMS.

The underlying adjustable rate mortgages which back ARMS in which a portfolio may invest will frequently have caps and floors which limit the maximum amount by which the loan rate to the residential borrower may change up or down (i) per reset or adjustment interval and (ii) over the life of the loan. Some residential adjustable rate mortgage loans limit periodic adjustments by limiting changes in the borrower's monthly principal and interest payments rather than limiting interest rate changes. These payment caps may result in negative amortization (*i.e.*, an increase in the balance of the mortgage loan). ARMS in which a portfolio may invest may also be backed by fixed-rate mortgages. Such ARMS, known as floating rate CMOs (as described above), generally have lifetime caps on the coupon rate thereon.

The ARMS in which a portfolio may invest include pass-through mortgage-related securities backed by adjustable rate mortgages and floating rate CMOs. As described above, adjustable rate mortgages typically have caps,

which limit the maximum amount by which the coupon rate may be increased or decreased at periodic intervals or over the life of the loan. Floating rate CMOs have similar lifetime caps. To the extent that interest rates rise faster than the allowable caps on ARMS, such ARMS will behave more like securities backed by fixed-rate mortgages than by adjustable rate mortgage loans. Consequently, interest rate increases in excess of caps can be expected to cause ARMS to behave more like traditional debt securities than adjustable rate securities and, accordingly, to decline in value to a greater extent than would be the case in the absence of such caps.

As noted above, because the coupon rates on ARMS are adjusted in response to changing interest rates, fluctuations in prices of ARMS due to changes in interest rates will be less than in the case of traditional debt securities. The adjustable rate feature of ARMS will not, however, eliminate such price fluctuations, particularly during periods of extreme fluctuations in interest rates. Also, since many adjustable rate mortgages only reset on an annual basis, it can be expected that the prices of ARMS will fluctuate to the extent that changes in prevailing interest rates are not immediately reflected in the coupon rates payable on the underlying adjustable rate mortgages.

Stripped Mortgage-Related Securities. Stripped mortgage-related securities ("SMRS") are derivative multi-class mortgage-related securities. SMRS may be issued by the U.S. Government, its agencies or instrumentalities, or by private originators of, or investors in, mortgage loans, including savings and loan associations, mortgage banks, commercial banks, investment banks and special purpose subsidiaries of the foregoing.

SMRS are usually structured with two classes that receive different proportions of the interest and principal distributions on a pool of GNMA, FNMA or FHLMC certificates, whole loans or private pass-through mortgage-related securities ("Mortgage Assets"). A common type of SMRS will have one class receiving some of the interest and most of the principal from the Mortgage Assets, while the other class will receive most of the interest and the remainder of the principal. In the most extreme case, one class will receive all of the interest (the interest-only or "IO" class), while the other class will receive all of the principal (the principal-only or "PO" class). The yield to maturity on an IO class is extremely sensitive to the rate of principal payments (including prepayments) on the related underlying Mortgage Assets, and a rapid rate of principal prepayments may have a material adverse effect on the yield to maturity of the IO class. The rate of principal prepayment will change as the general level of interest rates fluctuates. If the underlying Mortgage Assets experience greater than anticipated principal prepayments, the portfolio may fail to fully recoup its initial investment in these securities, even if the securities are rated AAA by S&P or Aaa by Moody's or the equivalent thereof by another NRSRO. Due to their structure and underlying cash flows, SMRS may be more volatile than mortgage-related securities that are not stripped.

Asset-Backed Securities. A portfolio may invest in certain high-quality asset-backed securities. The securitization techniques used to develop mortgage-related securities are now being applied to a broad range of assets. Through the use of trusts, special purpose corporations and other vehicles, various types of assets, including automobile and credit card receivables, home equity loans and equipment leases, are being securitized in pass-through structures similar to the mortgage pass-through structures described above or in a pay-through structure similar to the CMO structure. The collateral behind asset-backed securities tends to have a controlled or limited prepayment rate. In addition, the short-term nature of asset-backed loans reduces the impact of any change in prepayment level. Due to amortization, the average life for asset-backed securities is also the conventional proxy for maturity.

Because of the possibility that prepayments (on mortgage loans, automobile loans or other collateral) will alter the cash flow on asset-backed securities, it is not possible to determine in advance the actual final maturity date or average life. Faster prepayment will shorten the average life and slower prepayments will lengthen it. However, it is possible to determine what the range of the movement could be and to calculate the effect that it will have on the price of the security.

Structured Securities and Basket Securities. A portfolio may invest in various types of structured securities and basket securities. Structured securities in which a portfolio invests may represent, for example, interests in entities organized and operated solely for the purpose of restructuring the investment characteristics of particular fixed-income obligations. This type of restructuring involves the deposit with or purchase by an entity, such as a corporation or trust, of specified instruments and the issuance by that entity of one or more classes of structured securities backed by, or representing interests in, the underlying instruments. The cash flow on the underlying instruments may be apportioned among the newly issued structured securities to create securities with different investment characteristics such as varying maturities, payment priorities and interest rate provisions, and the extent of the payments made with respect to structured securities is dependent on the extent of the cash flow on the underlying instruments. Structured securities of a given class may be either subordinated or unsubordinated to the right of payment of another class. Subordinated structured securities typically have higher yields and present greater risks than unsubordinated structured securities.

Basket securities in which a portfolio invests may consist of entities organized and operated for the purpose of holding a basket of fixed-income obligations of various issuers or a basket of other transferable securities. Baskets involving fixed-income obligations may be designed to represent the characteristics of some portion of the fixed-income securities market or the entire fixed-income securities market.

Variable, Floating and Inverse Floating Rate Securities. Fixed-income securities may have fixed, variable or floating rates of interest. Variable and floating rate securities pay interest at rates that are adjusted periodically, according to a specified formula. A "variable" interest rate adjusts at predetermined intervals (*e.g.*, daily, weekly or monthly), while a "floating" interest rate adjusts whenever a specified benchmark rate (such as the bank prime lending rate) changes.

A portfolio may invest in fixed-income securities that pay interest at a coupon rate equal to a base rate, plus additional interest for a certain period of time if short-term interest rates rise above a predetermined level or "cap." The amount of such an additional interest payment typically is calculated under a formula based on a short-term interest rate index multiple by a designated factor.

Leveraged inverse floating rate fixed-income securities are sometimes known as inverse floaters. The interest rate on an inverse floater resets in the opposite direction from the market rate of interest to which the inverse floater is indexed. An inverse floater may be considered to be leveraged to the extent that its interest rate varies by a magnitude that exceeds the magnitude of the change in the index rate of interest. The higher degree of leverage inherent in inverse floaters is associated with greater volatility in market value, such that, during periods of rising interest rates, the market values of inverse floaters will tend to decrease more rapidly than those of fixed rate securities.

Inflation-Protected Securities. A portfolio may invest in certain types of government-issued inflation-protected securities, including U.S. Treasury Inflation Protected Securities ("U.S. TIPS") and inflation-protected securities issued by the governments of other nations. U.S. TIPS are fixed-income securities issued by the U.S. Department of the Treasury, the principal amounts of which are adjusted daily based upon changes in the rate of inflation (currently represented by the non-seasonally adjusted Consumer Price Index for All Urban Consumers, calculated with a three-month lag). The U.S. Treasury currently issues U.S. TIPS in only ten-year maturities, although it is possible that U.S. TIPS with other maturities will be issued in the future. U.S. TIPS have previously been issued with maturities of five, ten or thirty years. U.S. TIPS pay interest on a semi-annual basis, equal to a fixed percentage of the inflation-adjusted principal amount. The interest rate on these bonds is fixed at issuance, but over the life of the bond, this interest may be paid on an increasing or decreasing principal value that has been adjusted for inflation. Repayment of the original bond principal upon maturity (as adjusted for inflation) is guaranteed even during a period of deflation. However, if a portfolio purchases U.S. TIPS in the secondary market whose principal values have been adjusted upward due to inflation since issuance, the portfolio may experience a loss if there is a subsequent period of deflation. In addition, the current market value of the bonds is not guaranteed, and will fluctuate. If inflation is lower than expected during the period a portfolio holds a U.S. TIPS, the portfolio may earn less on this type of security than on a conventional bond. Inflation-protected securities of other governments may be subject to additional or different issues and risks depending on their structure and local markets.

Types of Credit Support. To lessen the effect of failures by obligors on underlying assets to make payments, non-GNMA, -FNMA or -FHLMC mortgage-related securities are likely to contain cash flow support. Such cash flow support falls into two categories: (i) liquidity protection and (ii) credit protection against losses resulting from ultimate default by an obligor on underlying assets. Liquidity protection refers to the provision of advances to cover delinquent (*e.g.*, 30-60 days late) payments, generally by the entity administering the pool of assets, to ensure that the pass-through of payments due on the underlying pool occurs in a timely fashion. Credit protection against losses resulting from ultimate default enhances the likelihood of ultimate payment of the obligations on at least a portion of the assets in the pool. These protections may be provided through guarantees, insurance policies or letters of credit obtained by the issuer or sponsor from third parties, through various means of structuring the transaction, as described below, or through a combination of these approaches.

The ratings of securities for which third-party credit enhancement provides liquidity protection or protection against losses from default are generally dependent upon the continued creditworthiness of the enhancement provider. The ratings of such securities could be subject to reduction in the event of deterioration in the creditworthiness of the enhancement provider even in cases where the delinquency and loss experience on the underlying pool of assets is better than expected.

Examples of credit support arising out of the structure of the transaction include "senior-subordinated securities" (multiple class securities with one or more classes subordinate to other classes as to the payment of principal thereof and interest thereon, with the result that defaults on the underlying assets are borne first by the holders of the subordinated class), creation of "reserve funds" (where cash or investments, sometimes funded from a portion of the payments on the underlying assets, are held in reserve against future losses) and "over collateralization" (where the scheduled payments on, or the principal amount of, the underlying assets exceed those expected to be required to make payment on the securities and pay any servicing or other fees). The degree of credit support provided for each issue is generally based on historical information with respect to the level of credit risk associated with the underlying assets. Other information which may be considered includes demographic factors, loan underwriting practices and general market and economic conditions. Delinquency or loss in excess of that which is anticipated could adversely affect the return on an investment in such a security.

Other Types of Investments and Strategies

Rights and Warrants. A portfolio may invest in rights or warrants only if the underlying equity securities themselves are deemed appropriate by the Investment Manager for inclusion in the relevant portfolio. Rights and warrants entitle the holder to buy equity securities at a specific price for a specific period of time. Rights are generally issued to existing Shareholders of an issuer and in some countries are referred to as "preferential subscription rights." Rights are similar to warrants except that they have a substantially shorter duration. Rights and warrants may be considered more speculative than certain other types of investments in that they do not entitle a holder to dividends or voting rights with respect to the underlying securities nor do they represent any rights in the assets of the issuing company. The value of a right or warrant does not necessarily change with the value of the underlying security, although the value of a right or warrant may decline because of a decrease in the value of the underlying security, the passage of time or a change in perception as to the potential of the underlying security, or any combination of these factors. If the market price of the underlying security is below the exercise price

set out in the warrant on the expiration date, the warrant will expire worthless. Moreover, a right or warrant ceases to have value if it is not exercised prior to the expiration date.

Options on Securities. An option gives the purchaser of the option, upon payment of a premium, the right to deliver to (in the case of a put) or receive from (in the case of a call) the writer of such option a specified amount of a security on or before a fixed date at a predetermined price. A call option written by a portfolio is "covered" if the portfolio owns the underlying security, has an absolute and immediate right to acquire that security upon conversion or exchange of another security it holds, or holds a call option on the underlying security with an exercise price equal to or less than that of the call option it has written. A put option written by a portfolio is covered if the portfolio holds a put option on the underlying securities with an exercise price equal to or greater than that of the put option it has written.

A call option is for cross-hedging purposes if a portfolio does not own the underlying security but seeks to provide a hedge against a decline in value of another security that the portfolio owns or has the right to acquire. A portfolio would write a call option for cross-hedging purposes, instead of writing a covered call option, when the premium to be received from the cross-hedge transaction would exceed that which would be received from writing a covered call option, while at the same time achieving the desired hedge.

Options on Securities Indices. An option on a securities index is similar to an option on a security except that, rather than the right to take or make delivery of a security at a specified price, an option on a securities index gives the holder the right to receive, upon exercise of the option, an amount of cash if the closing level of the chosen index is greater than (in the case of a call) or less than (in the case of a put) the exercise price of the option.

Futures Contracts and Options on Futures Contracts. A "sale" of a futures contract means the acquisition of a contractual obligation to deliver the securities or foreign currencies or commodity indices called for by the contract at a specified price on a specified date. A "purchase" of a futures contract means the incurring of an obligation to acquire the securities, foreign currencies or commodity indices called for by the contract at a specified price on a specified date. The purchaser of a futures contract on an index agrees to take or make delivery of an amount of cash equal to the differences between a specified multiple of the value of the index on the expiration date of the contract ("current contract value") and the price at which the contract was originally struck. No physical delivery of the securities underlying the index is made. Options on futures contracts are options that call for the delivery of futures contracts upon exercise. Options on futures contracts written or purchased by a portfolio will be traded on an exchange or OTC and will be used only for efficient management of its securities portfolio.

Forward Commitments. Forward commitments for the purchase or sale of securities may include purchases on a "when-issued" basis or purchases or sales on a "delayed delivery" basis. In some cases, a forward commitment may be conditioned upon the occurrence of a subsequent event, such as approval and consummation of a merger, corporate reorganization or debt restructuring (*i.e.*, a "when, as and if issued" trade).

When forward commitment transactions are negotiated, the price is fixed at the time the commitment is made, but delivery and payment for the securities take place at a later date. Normally, the settlement date occurs within two months after the transaction, but settlements beyond two months may be negotiated. Securities purchased or sold under a forward commitment are subject to market fluctuations, and no interest or dividends accrue to the purchaser prior to the settlement date.

The use of forward commitments enables a portfolio to protect against anticipated changes in interest rates and prices. For instance, in periods of rising interest rates and falling bond prices, a portfolio might sell securities held by it on a forward commitment basis to limit its exposure to falling prices. In periods of falling interest rates and rising bond prices, a portfolio might sell a security held by it and purchase the same or a similar security on a when-issued or forward commitment basis, thereby obtaining the benefit of currently higher cash yields. However, if the Investment Manager were to forecast incorrectly the direction of interest rate movements, the portfolio concerned might be required to complete such when-issued or forward transactions at a price inferior to the then current market values. When-issued securities and forward commitments may be sold prior to the settlement date, but a portfolio will enter into when-issued and forward commitments only with the intention of actually receiving securities or delivering them, as the case may be. If a portfolio chooses to dispose of the right to acquire a when-issued security prior to its acquisition or dispose of its right to deliver or receive against a forward commitment, it may incur a gain or loss. Any significant commitment of a portfolio's assets to the purchase of securities on a "when, as and if issued" basis may increase the volatility of such portfolio's Net Asset Value. In the event the other party to a forward commitment transaction was to default, the portfolio might lose the opportunity to invest money at favorable rates or to dispose of securities at favorable prices.

Repurchase and Reverse Repurchase Agreements. A reverse repurchase agreement arises when the Fund "buys" a security from a counterparty and simultaneously agrees to sell it back to the counterparty at an agreed-upon future date and price. In a repurchase transaction, the Fund "sells" a security to a counterparty and simultaneously agrees to repurchase it back from the counterparty at an agreed-upon future date and price. The repurchase price is the sum of repurchase agreement principal plus an agreed interest rate for the period the buyer's money is invested in the security. Such agreements provide the Investment Manager with additional flexibility to pursue the portfolio's investment objective.

The use of repurchase and reverse repurchase agreements by the Fund involves certain risks. If a counterparty in a reverse repurchase transaction defaults on its obligation, the portfolio concerned would suffer a loss to the extent that the proceeds from the sale of securities are insufficient to replace the amount of funds owed by the counterparty. If a counterparty in a repurchase transaction defaults on its obligation, the Fund concerned could suffer a loss to the

extent that cash received by the Fund in the transaction is insufficient to replace the securities to be returned by the counterparty. The Investment Manager monitors the creditworthiness of the counterparty with which a portfolio enters into repurchase agreements.

Securities Financing Transactions and Total Return Swaps. A portfolio may employ Securities Financing Transactions ("SFTs") in accordance with the EU Regulation 2015/2365 of the European Parliament and of the Council of 25 November 2015 on transparency of securities financing transactions and of reuse and amending EU Regulation No 648/2012 ("SFTR"). Any use of SFTs for investment purposes will be in line with the risk profile and risk diversification rules applicable to the Fund and any of the portfolio.

SFTs include the following transactions: (i) a repurchase transaction; (ii) securities lending and securities borrowing; (iii) a buy-sell back transaction or sell-buy back transaction; (iv) a margin lending transaction as defined under the SFTR.

A portfolio may further enter into swap contracts relating to any financial instruments or indices, including total return swaps ("TRSs").

All of the revenues arising from SFTs and TRSs, net of direct and indirect operational costs, will be retained by the relevant portfolio.

Investors should refer to "Meetings, Notices and Information to Shareholders—Shareholders' Information" in Section II for further information relating to the use of SFTs by the Fund and total return swaps.

Standby Commitment Agreements. Standby commitment agreements commit a portfolio, for a stated period of time, to purchase a stated amount of a security that may be issued and sold to a portfolio at the option of the issuer. The price and coupon of the security are fixed at the time of the commitment. At the time of entering into the agreement, a portfolio is paid a commitment fee, regardless of whether the security ultimately is issued, typically equal to approximately 0.5% of the aggregate purchase price of the security the portfolio has committed to purchase. A portfolio will not enter into a standby commitment with a remaining term in excess of 45 days.

There is no guarantee that a security subject to a standby commitment will be issued, and the value of the security, if issued, on the delivery date may be more or less than its purchase price. Since the issuance of the security underlying the commitment is at the option of the issuer, a portfolio will bear the risk of capital loss in the event the value of the security declines and may not benefit from an appreciation in the value of the security during the commitment period if the issuer decides not to issue and sell the security to the portfolio.

Options on Currencies. As in the case of other kinds of options, the writing of an option on a currency constitutes only a partial hedge, up to the amount of the premium received, and the portfolio concerned could be required to purchase or sell currencies at disadvantageous exchange rates, thereby incurring losses. The purchase of an option on a currency may constitute an effective hedge against fluctuations in exchange rates although, in the event of rate movements adverse to the portfolio's position, it may forfeit the entire amount of the premium plus related transaction costs.

Forward Foreign Currency Exchange Contracts. A portfolio may purchase or sell forward foreign currency exchange contracts to minimize the risk to it from adverse changes in the relationship between the Currency of the Portfolio and other currencies. A forward foreign currency exchange contract is an obligation to purchase or sell a specific currency for an agreed price at a future date and is individually negotiated and privately traded. Non-deliverable forward contracts ("NDFs") specify a cash payment upon maturity. NDFs are normally used when the market for physical settlement of the currency is underdeveloped, heavily regulated or highly taxed.

A portfolio may enter into a forward foreign currency exchange contract, for example, when it enters into a contract for the purchase or sale of a security denominated in a foreign currency in order to "lock in" the price, in the Currency of the Portfolio, of the security ("transaction hedge"). A portfolio may engage in transaction hedges with respect to the currency of a particular country to an amount equal to the aggregate amount of the portfolio's transactions in that currency, or such greater or lesser amount as may be required to accommodate for unrealized gains or losses in a portfolio or to adjust for subscription and redemption activity giving rise to the purchase or sale of underlying portfolio securities. When a portfolio believes that a currency in which its investments are denominated may suffer a substantial decline against the Currency of the Portfolio, it may enter into a forward sale contract to sell an amount of that other currency approximating the value of some or all of its investments denominated in such foreign currency, or when a portfolio believes that the Currency of the Portfolio may suffer a substantial decline against another currency it may enter into a forward purchase contract to buy that other currency for a fixed amount in the Currency of the Portfolio ("position hedge"). A portfolio generally may position hedge with respect to a particular currency to an amount equal to the aggregate market value (at the time of making such sale) of the securities held in its portfolio denominated or quoted in that currency, or such greater or lesser amount as may be required to accommodate for unrealized gains or losses in a portfolio or to adjust for subscription and redemption activity giving rise to the purchase or sale of underlying portfolio securities. As an alternative to a position hedge, a portfolio may enter into a forward contract to sell a different foreign currency for a fixed amount, in the Currency of the Portfolio, where such portfolio believes that the value in the Currency of the Portfolio of the currency to be sold pursuant to the forward contract will fall whenever there is a decline in the value, in the Currency of the Portfolio, of the currency in which portfolio securities of such portfolio are denominated ("cross-hedge"). Unanticipated changes in currency prices may result in poorer overall performance for a portfolio than if had not entered into such forward foreign currency exchange contracts. Hedging against a decline in the value of a currency does not eliminate fluctuations in the prices of portfolio securities or prevent losses if the prices of such securities decline. Such transactions also preclude the opportunity for gain if the value of the hedged currency should rise. Moreover, it may not be possible for a portfolio to hedge against a devaluation that is so generally

anticipated that the portfolio is not able to contract to sell the currency at a price above the devaluation level it anticipates.

Swaps, Caps, Floors. A portfolio may enter into swaps (including interest rate swaps), may purchase and sell interest rate caps, may purchase or sell floors and may buy and sell options on all the aforementioned transactions. Portfolios expect to enter into these transactions to preserve a return or spread on a particular investment or portion of a portfolio or for other hedging purposes. A portfolio may also enter into these transactions to protect against any increase in the price of securities the portfolio anticipates purchasing at a later date or to manage the duration of a portfolio. Interest rate swaps involve the exchange by a portfolio with another party of their respective commitments to pay or receive interest (*e.g.*, an exchange of floating-rate payments for fixed-rate payments). The purchase of an interest rate cap would entitle a portfolio, to the extent that a specified index exceeds a predetermined interest rate, to receive payments of interest on a contractually based notional amount from the party selling the interest rate cap. The purchase of an interest rate floor would entitle a portfolio to the extent that a specified index falls below a predetermined interest rate, to receive payments of interest on a contractually based notional amount from the party selling the interest rate floor. The sale of an interest rate cap would require that portfolio, to the extent that a specified index rises above a predetermined interest rate, to make payments of interest on a contractually based notional amount to the party purchasing the cap in exchange for receipt of a premium by the portfolio. The sale of an interest rate floor would require that a portfolio, to the extent that a specified index falls below a predetermined interest rate, to make payments of interest on a contractually based notional amount to the party purchasing the interest rate floor.

A portfolio may enter into swaps, caps and floors on either an asset-based or liability-based basis, depending on whether it is hedging its assets or its liabilities, and will usually enter into swaps on a net basis (*i.e.*, the two payment streams are netted out, with the portfolio receiving or paying, as the case may be, only the net amount of the two payments). The net amount of the excess, if any, of the relevant portfolio's obligations over its entitlements with respect to each swap will be accrued on a daily basis. If a portfolio enters into a swap on other than a net basis, the portfolio will maintain a segregated account in the full amount accrued on a daily basis of the portfolio's obligations with respect to the swap. The Investment Manager will monitor the creditworthiness of counterparties to its swap, cap and floor transactions on an ongoing basis.

The use of swaps (including caps and floors) involves investment techniques and risks different from those associated with ordinary portfolio securities transactions. If the Investment Manager is incorrect in its forecasts of the market values, interest rates and other applicable factors, the investment performance of the portfolio would diminish compared with what it would have been if these investment techniques were not used. Moreover, even if the Investment Manager is correct in its forecasts, there is a risk that the swap position may correlate imperfectly with the price of the asset or liability being hedged.

Currency Swaps. Currency swaps involve the individually negotiated exchange by a portfolio with another party of a series of payments in specified currencies. A currency swap may involve the delivery at the end of the exchange period of a substantial amount of one designated currency in exchange for the other designated currency. Therefore, the entire principal of a currency swap is subject to the risk that the other party to the swap will default on its contractual delivery obligations. The net amount of the excess, if any, of the portfolio's obligations over its entitlements with respect to each currency swap will be accrued on a daily basis. If there is a default by the other party to such a transaction, the portfolio will have contractual remedies pursuant to the agreements related to the transactions.

Credit Default Swaps. A portfolio may enter into a credit default swap, or CDS, with institutions subject to prudential supervision, and belonging to the categories approved by the CSSF referencing any of the aforementioned eligible investments for hedging purposes or speculation. When used for hedging purposes, the portfolio will be the buyer of a CDS contract. In this case, a portfolio will pay to the counterparty a periodic stream of payments over the term of the CDS, in return for a right to exchange the debt obligation or cash settlement in lieu thereof for par value (or other agreed-upon value) upon the occurrence of a "credit event" on the issuer of the specified debt obligation. If a credit event does not occur, a portfolio will have spent the stream of payments received on the CDS without having received any benefit. Conversely, when a portfolio is the seller of a CDS, it receives the stream of payments and is obligated to pay to the counterparty par value (or other agreed-upon value) of the referenced debt obligation in exchange for the debt obligation or cash settlement in lieu thereof upon the occurrence of such a credit event. As the seller, a portfolio will be subject to the credit risk of the issuer since it will have to look to the issuer in order to be made whole. A portfolio may invest in single name, index, tranche, basket or bespoke CDS transaction.

Loans of Portfolio Securities. A portfolio may make secured loans of its securities. The risks in lending securities, as with other extensions of credit, consist of possible loss of rights in the collateral should the borrower fail financially. In addition, a portfolio will be exposed to the risk that the sale of any collateral realized upon the borrower's default will not yield proceeds sufficient to replace the loaned securities. In determining whether to lend securities to a particular borrower, the Investment Manager will consider all relevant facts and circumstances, including the creditworthiness of the borrower. While securities are on loan, the borrower may pay the portfolio concerned any income from the securities. The portfolio may invest any cash collateral in money market instruments, thereby earning additional income, or receive an agreed upon amount of income from a borrower who has delivered equivalent collateral. The portfolio may have the right to regain record ownership of loaned securities or equivalent securities in order to exercise ownership rights such as voting rights, subscription rights and rights to dividends, interest or distributions. A portfolio may pay reasonable finders,' administrative and other fees in connection with a loan.

Illiquid Securities. Unless otherwise provided for in the relevant part of Section I relating to a specific portfolio, each portfolio may invest in illiquid securities. For this purpose, illiquid securities include, among others (a) direct

placements or other securities which are subject to legal or contractual restrictions on resale or for which there is no readily available market (*e.g.*, trading in the security is suspended or, in the case of unlisted securities, market makers do not exist or will not entertain bids or offers), including many currency swaps and any assets used to cover currency swaps, (b) OTC options and assets used to cover written OTC options, and (c) repurchase agreements not terminable within seven days. Securities that have legal or contractual restrictions on resale but have a readily available market are not deemed illiquid. The Investment Manager will monitor the liquidity of the portfolio securities of each portfolio. If a portfolio invests in illiquid securities, it may not be able to sell such securities and may not be able to realize their full value upon sale.

Synthetic Equity Securities. The portfolios may invest in synthetic equity securities, referred to as "local access products" or "participation notes" or "low exercise price warrants". These instruments are typically issued by banks or other financial institutions, and may or may not be traded on an exchange. These instruments are a form of derivative security that may give holders the right to buy or sell an underlying security or a basket of securities representing an index from or to the issuer for a particular price or may entitle holders to receive a cash payment relating to the value of the underlying security or index. These instruments are similar to options in that they are exercisable by the holder for an underlying security or the value of that security, but are generally exercisable over a longer term than typical options. These instruments typically have an exercise price, which is fixed at the time of issuance.

These instruments entitle the holder to purchase from the issuer common stock of a company or receive a cash payment. The cash payment is calculated according to a predetermined formula. The instruments typically have an exercise price that is very low relative to the market price of the underlying instrument at the time of issue (*e.g.*, one U.S. cent). The buyer of a low exercise price warrant effectively pays the full value of the underlying common stock at the outset. In the case of any exercise of warrants, there may be a time delay between the time a holder of warrants gives instructions to exercise and the time the price of the related common stock relating to exercise or settlement date is determined, during which time the price of the underlying security could change significantly. In addition, the exercise or settlement date of the warrants may be affected by certain market disruption events, such as the imposition of capital controls by a local jurisdiction or changes in the laws relating to investors in other jurisdictions. These events could lead to a change in the exercise date or settlement currency of the warrants, or postponement of the settlement date. In some cases, if the market disruption events continue for a certain period of time, the warrants may become worthless resulting in a total loss of the purchase price of the warrants.

The portfolios will acquire such instruments issued by entities deemed to be creditworthy by the Investment Manager, who will monitor the creditworthiness of the issuers on an on-going basis. Investments in these instruments involve the risk that the issuer of the instrument may default on its obligation to deliver the underlying security or cash in lieu thereof. These instruments may also be subject to liquidity risk because there may be a limited secondary market for trading the warrants.

The portfolios may also invest in long-term options of, or relating to, certain issuers. Long-term options are call options created by an issuer, typically a financial institution, entitling the holder to purchase from the issuer outstanding securities of another issuer. Long-term options have an initial period of one year or more, but generally have terms between three and five years. Long-term options do not settle through a clearing corporation that guarantees the performance of the counterparty. Instead, they are traded on an exchange and are subject to the exchange's trading regulations.

Temporary Defensive Position. Under extraordinary circumstances and for a limited period, the Investment Manager may take temporary defensive measures, varying the investment policy of any portfolio during periods in which conditions in securities markets or other economic or political conditions warrant. The Fund may reduce a portfolio's position in equity securities or long-term debt securities, as appropriate, and increase its position in other debt securities, which may include short-term fixed-income securities issued or guaranteed by the U.S. Government or by a governmental entity of any member state of the OECD, or by European, U.S. or multinational companies or supranational organizations rated AA or better by S&P or Aa or better by Moody's, or the equivalent thereof by at least one IRSO, or if not so rated, determined by the Investment Manager to be of equivalent investment quality. Such securities may be denominated in a portfolio's base currency or in a non-base currency. A portfolio may also hold ancillary liquid assets comprised of cash and money market instruments issued or guaranteed by such highly rated institutions provided their maturity is less than 120 days. A portfolio may also at any time temporarily invest funds awaiting reinvestment or held as reserves for dividends and other distributions to Shareholders in money market instruments referred to above. While a portfolio invests for temporary defensive purposes, it may not meet its investment objective.

Future Developments. On an ancillary basis, each portfolio may take advantage of other investment practices that are not currently contemplated for use by the portfolio, to the extent such investment practices are consistent with the portfolio's investment objective and legally permissible. Such investment practices, if they arise, may involve risks that exceed those involved in the practices described herein.

Swing Pricing Adjustment

In order to counter the effects of dilution on a Portfolio's Net Asset Value brought about by large purchases or redemptions of the Portfolio's Shares, the Board of Managers of the Management Company has implemented a swing pricing policy for all Portfolios.

Dilution involves a reduction in the Net Asset Value brought about by investors purchasing, selling and/or exchanging in and out of a Portfolio of the Fund at a price that does not reflect the dealing costs associated with the Portfolio's trade activity undertaken to accommodate the corresponding cash inflows or outflows. Dilution occurs when the actual cost of purchasing or selling the underlying assets of a Portfolio deviates from the valuation of these assets in the Portfolio due to dealing charges, taxes and any spread between the buying and selling prices of the underlying

assets. Dilution may have an adverse effect on the value of a Portfolio and therefore impact Shareholders.

Under the Fund's swing pricing policy, if on any Business Day, the aggregate net investor inflows or outflows in Shares of a Portfolio exceed a pre-determined threshold, as determined from time to time by the Board of Managers of the Management Company , the Net Asset Value of the Portfolio may be adjusted upwards or downwards to reflect the costs attributable to such net inflows or net outflows. The threshold is set by the Board of Managers of the Management Company taking into account factors such as the prevailing market conditions, the estimated dilution costs and the size of a Portfolio. The level of swing pricing adjustment will be reviewed and may be adjusted on a periodic basis to reflect an approximation of dealing costs as determined by the Board of Managers of the Management Company . The application of swing pricing will be triggered automatically on a daily basis upon crossing the relevant threshold. The swing pricing adjustment will be applicable to all Shares of a Portfolio (and all transactions) on that Business Day. When reviewing and implementing the Fund's swing pricing policy, the Board of Managers of the Management Company may receive input and expertise from various business units within AB Group including *inter alia* the risk management, legal and compliance, trading, and product development units.

The swing pricing adjustment may vary by Portfolio and is dependent upon the particular assets in which a Portfolio is invested. The swing pricing adjustment will generally not exceed 2% of the original Net Asset Value of a Portfolio under normal market conditions. However, in extraordinary circumstances typically when there is heightened volatility and price discovery is challenged, the transaction costs may increase dramatically and the Board of Managers of the Management Company may decide, in order to protect existing shareholders of a Portfolio, to increase the swing pricing adjustment beyond 2%. The Board of Managers of the Management Company will publish such decision on the Fund's website as soon as practicable thereafter.

Shareholders are advised that the application of swing pricing may result in increased volatility in a Portfolio's valuation and performance, and a Portfolio's Net Asset Value may deviate from the underlying investments' performance on a particular Business Day as a result of the application of swing pricing. Typically, such adjustment will increase the Net Asset Value per Share on a given Business Day when there are net inflows into a Portfolio and decrease the Net Asset Value per Share when there are net outflows. For any Portfolio that has a performance fee for a particular Share Class, the performance fee will be calculated on the basis of the applicable NAV without taking into account the effects of the swing pricing mechanism.

CSSF Circular 24/856 is applicable to the Fund and its Portfolios and the tolerance threshold in the case of any NAV calculation errors applicable to each Portfolio is available at the registered office of the AIFM.

Risk Factors and Special Considerations

Each portfolio engages in a business involving special considerations and risks, including some or all of those discussed below. There can be no assurance that the portfolio's investment objective will be achieved or that there will be any return of capital, and investment results may vary substantially on a monthly, quarterly or annual basis. An investment in a portfolio does not represent a complete investment program.

General Risks

Country Risks—General. A portfolio may invest in securities of issuers located in various countries and geographic regions. The economies of individual countries may differ favorably or unfavorably from each other in such respects as growth of gross domestic product or gross national product, rate of inflation, capital reinvestment, resource self-sufficiency and balance of payments position. Issuers in general are subject to varying degrees of regulation with respect to such matters as insider trading rules, restrictions on market manipulation, shareholder proxy requirements and timely disclosure of information. The reporting, accounting and auditing standards of issuers may differ, in some cases significantly, from country to country in important respects and less information from country to country may be available to investors in securities or other assets. Nationalization, expropriation or confiscatory taxation, currency blockage, political changes, government regulation, political or social instability or diplomatic developments could affect adversely the economy of a country or a portfolio's investments in such country. In the event of expropriation, nationalization or other confiscation, a portfolio could lose its entire investment in the country involved. In addition, laws in countries governing business organizations, bankruptcy and insolvency may provide limited protection to security holders such as a portfolio.

Portfolios which invest essentially in securities whose issuers are domiciled in only one country will have greater exposure to market, political and economic risks of that country than portfolios that have more geographically diversified investments. Portfolios which invest in securities whose issuers are domiciled in multiple countries will have less exposure to the risks of any one country but will be exposed to a larger number of countries.

A portfolio may trade its securities in a variety of markets with many different brokers and dealers. The failure of a broker or dealer may result in the complete loss of a portfolio's assets on deposit with such broker or dealer depending on the regulatory rules governing such broker or dealer. In addition, brokerage commissions in certain countries may be higher than in others, and securities markets in certain countries may be less liquid, more volatile and less subject to governmental supervision than in others.

The securities markets of many countries are also relatively small, with the majority of market capitalization and trading volume concentrated in a limited number of companies representing a small number of industries. Consequently, a portfolio invested in equity securities of companies in such countries may experience greater price volatility and significantly lower liquidity than a portfolio invested solely in equity securities of companies in countries with relatively larger securities markets. These smaller markets may be subject to greater influence by adverse events generally affecting the market, and by large investors trading significant blocks of securities. Securities settlements may in some instances be subject to delays and related administrative uncertainties.

Certain countries require governmental approval prior to investments by foreign persons or limit investment by foreign persons to only a specified percentage of an issuer's outstanding securities or a specific class of securities that may have less advantageous terms (including price) than securities of the company available for purchase by nationals. These restrictions or controls may at times limit or preclude investment in certain securities and may increase the costs and expenses of a portfolio. In addition, the repatriation of investment income, capital, or the proceeds of sales of securities from certain countries is controlled under regulations, including in some cases the need for certain advance government notification or authority. If deterioration occurs in a country's balance of payments, the country could impose temporary restrictions on foreign capital remittances. A portfolio also could be adversely affected by delays in, or a refusal to grant, any required governmental approval for repatriation, as well as by the application of other restrictions on investment. Investing in local markets may require a portfolio to adopt special procedures that may involve additional costs to the portfolio. These factors may affect the liquidity of the portfolio's investments in any country and the Investment Manager will monitor the effect of any such factor or factors on the portfolio's investments.

Country Risks—Emerging Markets. A portfolio may be permitted to invest in securities of emerging market issuers. A portfolio consequently may experience greater price volatility and significantly lower liquidity than a portfolio invested solely in equity securities of issuers located in more developed markets. Investments in securities of emerging market issuers entail significant risks in addition to those customarily associated with investing in securities of issuers in more developed markets, such as (i) low or non-existent trading volume, resulting in a lack of liquidity and increased volatility in prices for such securities, as compared to securities of comparable issuers in more developed capital markets, (ii) uncertain national policies and social, political and economic instability, increasing the potential for expropriation of assets, confiscatory taxation, high rates of inflation or unfavorable diplomatic developments, (iii) possible fluctuations in exchange rates, differing legal systems and the existence or possible imposition of exchange controls, custodial restrictions or other laws or restrictions applicable to such investments, (iv) national policies which may limit a portfolio's investment opportunities such as restrictions on investment in issuers or industries deemed sensitive to national interests, and (v) the lack or relatively early development of legal structures governing private and foreign investments and private property.

Other risks relating to investments in emerging market issuers include: the availability of less public information on issuers of securities; settlement practices that differ from those in more developed markets and may result in delays or may not fully protect a portfolio against loss or theft of assets; the possibility of nationalization of a company or industry and expropriation or confiscatory taxation; and the imposition of foreign taxes. Investments in emerging markets securities will also result in generally higher expenses due to: the costs of currency exchange; higher brokerage commissions in certain emerging markets; and the expense of maintaining securities with foreign custodians.

Issuers in emerging markets may not be subject to accounting, auditing and financial reporting standards and requirements comparable to those to which companies in developed markets are subject. In certain emerging market countries, reporting standards vary widely. As a result, traditional investment measurements used in developed markets, such as price/earnings ratios, may not be applicable in certain emerging markets.

In addition to the above risks generic to all emerging markets, there are specific risks linked to investing in Russia. Investors should be aware that the Russian market presents specific risks in relation to the settlement and safekeeping of securities as well as in the registration of assets, where registrars are not always subject to effective government supervision. Russian securities are not on physical deposit with the Depositary or its local agents in Russia. Therefore, neither the Depositary nor its local agents in Russia can be considered to be performing a physical safekeeping or custody function in the traditional sense. The Depositary's liability only extends to its own negligence and willful default and to negligence and willful misconduct of its local agents in Russia and does not extend to losses due to the liquidation, bankruptcy, negligence and willful default of any registrar. In the event of such losses, the Fund will have to pursue its rights against the issuer and/or its appointed registrar.

Market Risk. Prices and yields of many securities can change frequently, sometimes with significant volatility, and can fall, based on a wide variety of factors. Examples of these factors include:

- political and economic news;
- government policy;
- changes in technology and business practices;
- changes in demographics, cultures and populations;
- health crises (i.e. pandemic and epidemic diseases);
- natural or human-caused disasters;
- weather and climate patterns;
- scientific or investigative discoveries; and
- costs and availability of energy, commodities and natural resources.

The public's fear and/or response to the above-mentioned diseases or events may have now, or in the future, adverse effects on a Fund's investments and NAV and may lead to increased market volatility. The occurrence and duration of such diseases or events may also adversely affect the economies and financial markets in specific countries or worldwide. The effects of market risk can be immediate or gradual, short-term or long-term, or narrow or broad.

Currency Risk. Underlying investments of a portfolio may be denominated in one or more currencies different than that in which such portfolio is denominated. This means currency movements in such underlying investments may significantly affect the Net Asset Value in respect of such portfolio's Shares. Investments by the portfolios that are denominated in a particular currency are subject to the risk that the value of such currency will change in relation to one or more other currencies. Among the factors that may affect currency values are trade balances, the level of short-term interest rates, differences in relative values of similar assets in different currencies, long-term opportunities for investment and capital appreciation and political developments. The portfolios are not limited in the percentage of its assets that may be denominated in currencies other than the Currency of the Portfolio.

The Investment Manager will take into account, and may hedge to reduce the risk of, such risks by investing in one or more currencies, futures contracts on multiple currencies and options thereon, forward currency exchange contracts on multiple currencies, or any combination thereof. The Investment Manager is not obligated to engage in such currency hedging transactions and may elect to do so in its sole discretion. No assurance can be made that such currency hedging strategies will be effective. In addition, a portfolio may seek active speculative investment opportunities by taking long or short positions in currencies through use of currency-related derivatives such as currency options and forward contracts, subject to certain limitations in such portfolio's investment objective and policies. Such currency transactions involve a significant degree of risk and the markets in which currency exchange transactions are effected may be highly volatile.

In addition, because the Shares of certain portfolios are offered in more than one currency, such portfolio and holders of the Shares are subject to certain additional currency risks. For example, such portfolio may be subject to the risk of an unfavorable change in the Dollar/Euro rate of exchange in respect of Euro subscriptions accepted on a particular Trade Date but for which actual Euro subscription amounts are not received by the Depositary until a subsequent Trade Date. Also, the portfolio may be subject to the risk of a decline in the value of the Dollar relative to the Euro subsequent to a Euro redemption and prior to the payment of Euro redemption amounts to the redeeming Shareholder.

Additionally, when a portfolio quotes its Shares' Net Asset Values in a currency other than the Currency of the Portfolio, such values are derived from the spot foreign exchange rate of the other Offered Currency on each Valuation Point. Accordingly, the total return ultimately realized by a Shareholder upon redemption in respect of an investment in Shares made in such other Offered Currency will be directly affected, either positively or negatively, by changes in the exchange rate between such other Offered Currency and the Currency of the Portfolio from the date of subscription to the date of redemption. All expenses related to converting subscription and redemption amounts into and out of the Currency of the Portfolio and other Offered Currencies are borne by the portfolio concerned and attributed to the Shares of such portfolio.

The Distributor occasionally may arrange for foreign exchange facilities that allow investors to use certain currencies other than the Offered Currencies of a portfolio for

subscription and redemption of Shares. Such transactions are conducted outside of the Fund and at the investor's own risk and expense. Investors utilizing such facilities may be subject to foreign exchange risks related to timing of settlement upon subscription and changes in exchange rates during the period of investment in the Fund.

Currency Derivative Transaction Risks. For Those Portfolios Offering Designated Currency Share Classes. To the extent described in Section I in respect of a particular Portfolio, a Portfolio may enter into forward currency exchange contracts or non-deliverable forward currency exchange contracts or other instrument or strategy (together, "Currency Derivative Transactions") with respect to a particular designated currency in respect of each share class (each, a "Designated Currency"). As described in Section I, a Portfolio may engage in such Currency Derivative Transactions in respect of a particular share class in order to gain exposure to the relevant Designated Currency versus the base currency of the Portfolio. Given that there is no legal segregation of liabilities between the various share classes within the Portfolio, there is a risk that, under certain circumstances, Currency Derivative Transactions in relation to a particular Designated Currency in respect of a particular share class could result in liabilities which might affect the Net Asset Value of the other share classes of the Portfolio, in which case assets of the other share classes of the Portfolio may be used to cover the liabilities incurred by such share class.

Currency Hedged Share Class Risk. The precise hedging strategy applied to a particular Currency Hedged Share Class will vary from one portfolio offering Currency Hedged Share Class(es) to another, as set out in Section I. Each such portfolio will apply a hedging strategy which aims to mitigate currency risk between the base currency Net Asset Value (NAV) of the Portfolio and the Offered Currency in which the Currency Hedged Share Class is denominated, while taking account of various practical considerations including transaction costs. The hedging strategy employed is designed to reduce, but may not eliminate, currency exposure between the Portfolio's base currency and the Offered Currency.

Hedging strategies in connection with Currency Hedged Share Classes may be entered into whether the portfolio's base currency is declining or increasing in value relative to the relevant Offered Currency in which the Currency Hedged Share Class in question is denominated and so, where such hedging is undertaken it may substantially protect investors in the relevant Currency Hedged Share Class against a decrease in the value of the portfolio's base currency relative to the Offered Currency in which such Currency Hedged Share Class is denominated, but at the same time it may also prevent investors from benefiting from an increase in the value of the portfolio's base currency relative to the Offered Currency.

Given that there is no segregation of liabilities between the various share classes within a portfolio, there is a remote risk that, under certain circumstances, currency hedging transactions in relation to a Currency Hedged Share Class could result in liabilities which might affect the Net Asset Value of the other share classes of the same Portfolio, in which case assets of the other share classes of the Portfolio may be used to cover the liabilities incurred by such Currency Hedged Share Class.

Certain Legal and Regulatory Risks. The legal, tax and regulatory environment worldwide for investment funds (such as the Fund) and their managers is evolving, and changes in the regulation of investment funds, their managers, and their trading and investment activities may have an adverse effect on the ability of the Fund to pursue its investment program and on the value of investments held by the Fund. There has been an increase in scrutiny of the investment industry by governmental agencies and self-regulatory organizations in multiple jurisdictions in which the Fund operates.

Illiquid Assets Risk. Certain securities in which a portfolio may invest, may become subject to legal or other restrictions on transfer and there may be no liquid market for such securities. The market prices, if any, for such securities tend to be volatile and may not be readily ascertainable and a strategy may not be able to sell them when it desires to do so or to realize what it perceives to be their fair value in the event of a sale. The sale of restricted and illiquid securities often requires more time and results in higher brokerage charges or dealer discounts and other selling expenses than does the sale of securities eligible for trading on national securities exchanges or in the over-the-counter markets. Restricted securities may sell at a price lower than similar securities that are not subject to restrictions on resale.

In addition, a portfolio may engage in transactions in futures contracts or options thereon in limited circumstances, and such instruments may also be subject to illiquidity when market activity decreases or when a daily price fluctuation limit has been reached. Most futures exchanges limit fluctuations in futures contract prices during a single day by regulations referred to as "daily limits." During a single trading day no trades may be executed at prices beyond the daily limit. Once the price of a futures contract has increased or decreased to the limit point, positions can neither be taken nor liquidated. Futures prices have occasionally moved the daily limit for several consecutive days with little or no trading. Similar occurrences could prevent the portfolio from promptly liquidating unfavorable positions and, therefore, result in losses to a portfolio and corresponding decreases in the Net Asset Value of the relevant Shares.

Certain OTC instruments, for which there will be limited liquidity, will be valued for purposes of calculating Net Asset Value based upon an average of prices taken from at least two major primary dealers. These prices will affect the price at which Shares may be redeemed or purchased. Such valuation may not be realized upon sale by a portfolio.

Focused Portfolio Risk. Because they may invest in a more limited number of companies than many other funds, certain portfolios may have more risk because changes in the value of a single security could have a more significant effect, either negative or positive, on such a portfolio's Net Asset Value.

Allocation Risk. This is the risk that the allocation of investments between growth and value companies may have a more significant effect on a portfolio's Net Asset Value when one of these styles is performing more poorly than the other. Also, the transaction costs of rebalancing a portfolio's investments may be, over time, significant.

Turnover Risk. A portfolio may be actively managed and, in some cases in response to market conditions, the portfolio's turnover may exceed 100%. A higher rate of portfolio turnover increases brokerage and other expenses, which must be borne by a portfolio and its Shareholders. High portfolio turnover also may result in the realization of substantial net short term capital gains, which, when distributed, may be taxable to Shareholders.

In addition, a portfolio may experience relatively higher turnover attributable to investors in a particular country where such portfolio is available for purchase. This activity may adversely affect such portfolio's performance and the interests of long-term investors. Volatility resulting from excessive purchases and redemptions or exchanges of Shares, especially involving large dollar amounts, may disrupt efficient portfolio management. In particular, a portfolio may have difficulty implementing long-term investment strategies if it is unable to anticipate what portion of assets it should retain in cash to provide liquidity to Shareholders. Also, excessive purchases and redemptions or exchanges of Shares may force a portfolio to maintain a disadvantageously large cash position to accommodate short duration trading activity. Further, excessive purchases and redemptions or exchanges of a portfolio's Shares may force a portfolio to sell portfolio securities at inopportune times to raise cash to accommodate short duration trading activity. Additionally, portfolios may incur increased expenses if one or more Shareholders engage in excessive purchase and redemption or exchange activity. For example, a portfolio that is forced to liquidate investments due to short duration trading activity may incur increased brokerage and tax costs without attaining any investment advantage. Similarly, a portfolio may bear increased administrative costs as a result of the asset level and investment volatility that accompanies patterns of short duration trading activity.

Management Risk. A portfolio may be subject to management risk because it is an actively managed investment fund. The Investment Manager will apply its investment techniques and risk analyses in making investment decisions for the portfolio, but there can be no guarantee that its decisions will produce the desired results. In some cases, derivative and other investment techniques may be unavailable or the Investment Manager may determine not to use them, possibly even under market conditions where their use could benefit the Portfolio.

Lack of Operating History Risk. Certain portfolios of the Fund may be recently formed and have no operating history.

Smaller Capitalization Companies Risk. A Portfolio may invest in securities of companies with relatively small market capitalizations. Securities of these smaller capitalization companies may be subject to more abrupt or erratic market movements than the securities of larger, more established companies, both because the securities are typically traded in lower volume and because the companies are subject to greater business risk. Also, in certain emerging market countries, volatility may be heightened by actions of a few major investors. For example, substantial increases or decreases in cash flows of mutual funds investing in these markets could significantly affect local stock prices and, therefore, Share prices of a portfolio.

Industry/Sector Risk. A portfolio may invest in particular industries or sectors. Market or economic factors affecting one of those industries or sectors or group of related industries could have a major effect on the value of the portfolio's investments.

Derivatives Risk. A portfolio may use derivatives, which are financial contracts whose value depends on, or is derived from, the value of an underlying asset, reference rate, or index. The Investment Manager will sometimes use derivatives as part of a strategy designed to reduce other risks. Generally, however, a portfolio may use derivatives as direct investments to earn income, enhance yield and broaden portfolio diversification. In addition to other risks such as the credit risk of the counterparty, derivatives involve the risk of difficulties in pricing and valuation and the risk that changes in the value of the derivative may not correlate perfectly with relevant underlying assets, rates, or indices.

While the judicious use of derivatives by experienced investment advisers such as the Investment Manager may promote portfolio management efficiencies, mitigate certain risks, and increase exposure towards certain markets without direct purchase in the underlying assets, derivatives also involve risks different from, and, in certain cases, greater than, the risks presented by more traditional investments. The following is a general discussion of important risk factors and issues concerning the use of derivatives that investors should understand before investing in a portfolio.

- *Market Risk*. This is the general risk attendant to all investments that the value of a particular investment will change in a way detrimental to the portfolio's interest.

- *Management Risk*. Derivative products are highly specialized instruments that require investment techniques and risk analyses different from those associated with stocks and bonds. The success of a portfolio's derivative transactions will be subject to the Investment Manager's ability to correctly predict price movements, interest rates, or currency exchange rate movements. Should prices, interest rates, or exchange rates move unexpectedly, a portfolio may not achieve the anticipated benefits of the transactions or may realize losses and thus be in a worse position than if such strategies had not been used. The use of a derivative requires an understanding not only of the underlying instrument but also of the derivative itself, without the benefit of observing the performance of the derivative under all possible market conditions. In particular, the use and complexity of derivatives require the maintenance of adequate controls to monitor the transactions entered into, the ability to assess the risk that a derivative adds to a portfolio and the ability to forecast price, interest rate or currency exchange rate movements correctly.

- *Credit Risk*. This is the risk that a loss may be sustained by a portfolio as a result of the failure of another party to a derivative (usually referred to as a "counterparty") to comply with the terms of the derivative contract. The credit risk for exchange-traded derivatives is generally less than for privately negotiated derivatives, since the clearing house, which is the issuer or counterparty to each exchange-traded derivative, provides a guarantee

of performance. This guarantee is supported by a daily payment system (*i.e.*, margin requirements) operated by the clearing house in order to reduce overall credit risk. For privately negotiated derivatives, there is no similar clearing agency guarantee. Therefore, the Investment Manager will consider the creditworthiness of each counterparty to a privately negotiated derivative in evaluating potential credit risk.

- *Liquidity Risk*. Liquidity risk exists when a particular instrument is difficult to purchase or sell. If a derivative transaction is particularly large or if the relevant market is illiquid (as is the case with many privately negotiated derivatives), it may not be possible to initiate a transaction or liquidate a position at an advantageous price.

- *Leverage Risk*. Since warrants, options and many derivatives (to the extent utilized) have a leverage component, adverse changes in the value or level of the underlying asset, rate or index can result in a loss substantially greater than the amount invested in the warrant, option or derivative itself. In the case of swaps, the risk of loss generally is related to a notional principal amount, even if the parties have not made any initial investment. Certain derivatives have the potential for unlimited loss, regardless of the size of the initial investment.

- *Other Risks*. Other risks in using derivatives include the risk of mispricing or improper valuation of derivatives and the inability of derivatives to correlate perfectly with underlying assets, rates and indices. Many derivatives, in particular privately negotiated derivatives, are complex and often valued subjectively. Improper valuations can result in increased cash payment requirements to counterparties or a loss of value to the portfolio concerned. Derivatives do not always perfectly or even highly correlate or track the value of the assets, rates or indices they are designed to track. Consequently, a portfolio's use of derivatives may not always be an effective means of, and sometimes could be counterproductive to, furthering the portfolio's investment objective.

OTC Derivatives Transaction Risk. In addition to the general risks of derivatives discussed above, transactions in the OTC derivatives markets may involve the following particular risks.

- *Absence of regulation; counterparty default.* In general, there is less governmental regulation and supervision of transactions in the OTC markets (in which currencies, forward, spot and option contracts, credit default swaps, total return swaps and certain options on currencies are generally traded) than of transactions entered into on organised exchanges. In addition, many of the protections afforded to participants on some organised exchanges, such as the performance guarantee of an exchange clearing house, may not be available in connection with OTC transactions. Therefore, any portfolio entering into OTC transactions will be subject to the risk that its direct counterparty will not perform its obligations under the transactions and that the portfolio will sustain losses. A portfolio will only enter into transactions with counterparties which it believes to be creditworthy, and may reduce the exposure incurred in connection with such transactions through the receipt of letters of credit or collateral from certain counterparties. Regardless of the measures the Fund may seek to implement to reduce counterparty credit risk, however, there can be no assurance that a counterparty will not default or that the Fund will not sustain losses as a result.

- *Liquidity; requirement to perform*. From time to time, the counterparties with which the Fund effects transactions might cease making markets or quoting prices in certain of the instruments. In such instances, the Fund might be unable to enter into a desired transaction in currencies, credit default swaps or total return swaps or to enter into an offsetting transaction with respect to an open position, which might adversely affect its performance. Further, in contrast to exchange‑traded instruments, forward, spot and option contracts on currencies do not provide the Investment Manager with the possibility to offset the Fund’s obligations through an equal and opposite transaction. For this reason, in entering into forward, spot or options contracts, the Fund may be required, and must be able, to perform its obligations under the contracts.

- *Necessity for counterparty trading relationships*. As noted above, participants in the OTC market typically enter into transactions only with those counterparties which they believe to be sufficiently creditworthy, unless the counterparty provides margin, collateral, letters of credit or other credit enhancements. While the Fund and the Investment Manager believe that the Fund will be able to establish multiple counterparty business relationships to permit the Fund to effect transactions in the OTC market and other counterparty markets (including credit default swaps, total return swaps and other swaps market as applicable), there can be no assurance that it will be able to do so. An inability to establish or maintain such relationships would potentially increase the Fund's counterparty credit risk, limit its operations and could require the Fund to cease investment operations or conduct a substantial portion of such operations in the futures markets. Moreover, the counterparties with which the Fund expects to establish such relationships will not be obligated to maintain the credit lines extended to the Fund, and such counterparties could decide to reduce or terminate such credit lines at their discretion

Borrowing Risk. A portfolio may borrow from a bank or other entity in a privately arranged transaction for temporary purposes, which includes for purposes of redeeming Shares, in an amount not exceeding 10% of the value of the Portfolio's total assets. Borrowing creates an opportunity for a portfolio to finance the limited activities described above without the requirement that portfolio securities be liquidated at a time when it would be disadvantageous to do so. Any investment income or gains on, or savings in transaction costs made through the retention of, portfolio securities in excess of the interest paid on and the other costs of the borrowings will cause the net income or Net Asset Value per Share of the Shares to be greater than would otherwise be the case. On the other hand, if the income or gain, if any, on the securities retained fails to cover the interest paid on and

the other costs of the borrowing, the net income or Net Asset Value per Share of the Shares will be less than would otherwise be the case.

Short-Selling Risk. If permitted in the portfolio's investment objective and policies, a portfolio may short sell (short-selling) securities by borrowing through prime brokers. Short-selling allows the investor to profit from declines in market prices or hedge long portfolio positions. When the portfolio engages in short selling, it will realize gains to the extent the security declines in price between the date of the short sale and the date on which the portfolio replaces the borrowed security by an amount in excess of the costs incurred in effecting the short sale. The portfolio will incur losses as a result of the short sale if the price of the security rises between such applicable dates, or if the costs of effecting the short sale (as described herein) exceed the amount by which the price of the security declines between such applicable dates. Such loss can exceed the amount of the initial investment and is theoretically unlimited. Purchasing securities to close out the short position can itself cause the price of the securities to rise further, thereby exacerbating the loss. There is also the risk that the securities borrowed by the portfolio in connection with short sales would need to be returned to the securities lender on short notice. If such request for return of securities occurs at a time when other short sellers of the applicable security are receiving similar requests, a "short squeeze" could occur whereby the portfolio might be compelled, at a disadvantageous time, to replace borrowed securities previously sold short with purchases on the open market, possibly at prices significantly in excess of the proceeds received from the relevant short sale.

The portfolio is required to pay brokerage commissions to execute short sales. The portfolio also may be required to pay premiums to the lender of the securities, which would increase the cost of the security sold. Until the security is replaced, the portfolio is generally required to pay to the lender amounts equal to any dividends or interest that accrue on the securities borrowed during the period of the loan. The portfolio has no policy that limits the amount of capital that it may deposit in order to collateralize its obligation to the lender to replace borrowed securities sold short

Prime Brokerage Risk. If permitted in the portfolio's investment objective and policies, a portfolio may utilize one or more prime brokers, including US prime brokers. A prime broker is a third-party broker-dealer or bank that may extend credit to the portfolio in connection with its investment activities and maintains physical possession of a portion of the portfolio's assets. In the event of a default, insolvency, or failure of the prime broker, there is no guarantee that the portfolio would be able to retrieve its assets from the prime broker. In such a scenario, the portfolio could potentially experience: (i) a delay in recovering assets, (ii) a freezing of its positions, (iii) market loss during the time the positions are frozen or (iv) the loss of portfolio assets.

The Management Company may grant a prime broker the right under US law and under its contracts with the prime broker to make available a portion of the portfolio's securities to the fullest extent permitted by applicable law for reuse by such prime broker (the "Margin Securities"). In the event of a default, insolvency, or failure of the prime broker, this may result in an inability on the part of the prime broker to meet its obligations to return all of those assets to its customers, and the portfolio may as a result incur a loss.

Taxation Risk. A portfolio may be subject to taxation resulting, for example, from income or realized capital gains attributable to certain portfolio securities. In certain cases, a double-taxation treaty may exist and serve to eliminate or ameliorate the effect of such taxation. In other cases, no such double-taxation treaty may exist. For example, a portfolio may invest in equity securities of U.S. issuers. Dividends on the equity securities of U.S. corporations generally will be subject to a 30% U.S. withholding tax. Interest payments on certain debt obligations of U.S. obligors similarly may be subject to a 30% U.S. withholding tax. Distributions on the non-U.S. securities in which the portfolio invests, including ADRs, EDRs and GDRs, may be subject to taxes withheld by the country of residence of the issuer of the underlying securities. In general, these taxes will be neither refundable nor subject to reduction under an income tax treaty between the country of source and the country of residence of the Fund. No assurance can be given that applicable tax laws and interpretations thereof will not be changed or amended in the future in a manner that will adversely affect the Net Asset Value of the Shares.

FATCA and Certain Withholding Risk. The Foreign Account Tax Compliance Act ("FATCA"), a portion of the 2010 Hiring Incentives to Restore Employment Act, became law in the United States in 2010. It generally requires financial institutions outside the U.S. ("foreign financial institutions" or "FFIs") to pass information about "Financial Accounts" held by "Specified U.S. Persons", directly or indirectly, to the U.S. tax authorities on an annual basis, or else become subject to withholding tax on certain U.S. source income and possibly gross proceeds.

In order to avoid a U.S. withholding tax of 30% on certain payments (including payments of gross proceeds) made with respect to certain actual and deemed U.S. investments, the Fund and/or each Portfolio generally will be required to timely register with the Service and agree to identify, and report information with respect to certain of their direct and indirect U.S. account holders (including debtholders and equityholders). Luxembourg has signed a Model 1A (reciprocal) inter-governmental agreement with the United States (the "US IGA") to give effect to the foregoing withholding and reporting rules. So long as the Fund complies with the US IGA and the enabling legislation, the Investment Manager anticipates that the Fund will not be subject to the related U.S. withholding tax.

A non-U.S. investor in the Fund will generally be required to provide to the Fund (or in certain cases, a distributor, intermediary or certain other entities through which such non-U.S. investor invests (each, an "Intermediary")) information which identifies its direct and indirect U.S. ownership. Under the US IGA, any such information provided to the Fund will be shared with the Luxembourg Minister of Finance or its delegate (the "Luxembourg MOF"). The Luxembourg MOF will provide the information reported to it with the Service annually on an automatic basis. A non-U.S. investor that is a "foreign financial institution" within the meaning of Section 1471(d)(4) of the IRC or a "financial institution" within the meaning of an applicable inter-governmental agreement will generally be required to register with the Service and agree to identify, and report information with respect to certain of its own direct and indirect U.S. account holders (including

debtholders and equityholders). A non-U.S. investor who fails to provide such information to the Fund (or, if applicable, an Intermediary) or register and agree to identify such account holders (as applicable) may be subject to the 30% withholding tax with respect to its share of any such payments attributable to actual and deemed U.S. investments of the Fund, and the Fund may take any action in relation to an investor's Shares or redemption proceeds to ensure that such withholding is economically borne by the relevant investor whose failure to provide the necessary information or comply with such requirements (as applicable) gave rise to the withholding, subject to applicable laws and regulations and provided that the Management Company acts in good faith and on reasonable grounds. Shareholders should consult their own tax advisors regarding the possible implications of these rules on their investments in the Fund.

Non-U.S. shareholders may also be required to make certain certifications to the Fund as to the beneficial ownership of the Shares and the non-U.S. status of such beneficial owner, in order to be exempt from U.S. information reporting and backup withholding on a redemption of Shares.

It is possible that further inter-governmental agreements ("future IGAs") similar to the US IGA may be entered into with other third countries by the Luxembourg Government to introduce similar regimes for reporting to such third countries' fiscal authorities ("foreign fiscal authorities").

By investing (or continuing to invest) in the Fund, investors shall be deemed to acknowledge that:

(i) the Fund (or its agent or an Intermediary) may be required to disclose to the Luxembourg MOF certain confidential information in relation to the investor, including, but not limited to, the investor's name, address, tax identification number (if any), social security number (if any) and certain information relating to the investor's investment;

(ii) the Luxembourg MOF may provide information as outlined above with the Service, the Luxembourg Minister of Finance and other foreign fiscal authorities;

(iii) the Fund (or its agent or an Intermediary) may disclose to the Service, the Luxembourg Minister of Finance and other foreign fiscal authorities certain confidential information when registering with such authorities and if such authorities contact the Fund (or its agent directly) with further enquiries;

(iv) the Fund or an Intermediary may require the investor to provide additional information and/or documentation which the Fund or an Intermediary may be required to disclose to the Luxembourg MOF;

(v) in the event an investor does not provide the requested information and/or documentation and/or has not itself complied with the applicable requirements, the Fund reserves the right to take any action and/or pursue all remedies at its disposal, including, without limitation, action to ensure that any withholding imposed in respect of such investor's Shares or redemption proceeds is economically borne by such investor and compulsory redemption of the investor concerned; and

(vi) no investor affected by any such action or remedy shall have any claim against the Fund (or its agent) for any form of damages or liability as a result of actions taken or remedies pursued by or on behalf of the Fund in order to comply with FATCA, any of the US IGA or any future IGAs, or any of the relevant underlying legislation and regulations.

Sustainability risks. Sustainability risk means an environmental, social, or governance event or condition that, if it occurs, could potentially or actually cause a material negative impact on the value of a Sub-fund's investment. Sustainability risks can either represent a risk of their own or have an impact on other risks and may contribute significantly to risks, such as market risks, operational risks, liquidity risks or counterparty risks. Sustainability risks may have an impact on long-term risk adjusted returns for investors. Assessment of sustainability risks is complex and may be based on environmental, social, or governance data which is difficult to obtain and incomplete, estimated, out of date or otherwise materially inaccurate. Even when identified, there can be no guarantee that these data will be correctly assessed.

Consequent impacts to the occurrence of sustainability risk can be many and varied according to a specific risk, region or asset class. Generally, when sustainability risk occurs for an asset, there will be a negative impact and potentially a total loss of its value and therefore an impact on the net asset value of the concerned Portfolio.

Equity Securities Risks

Equity Securities Risk. The value of underlying equity investments of a portfolio may fluctuate, sometimes dramatically, in response to the activities and results of individual companies or because of general market and economic conditions and changes in currency exchange rates. The value of a portfolio's investments may decline over short- or long-term periods.

Debt Securities Risks

Fixed-Income Securities Risk –General. The Net Asset Value of a portfolio invested in fixed-income securities will change in response to fluctuations in interest rates and currency exchange rates, as well as changes in credit quality of the issuer. Some portfolios may invest in high yielding fixed-income securities where the risk of depreciation and realization of capital losses on some of the fixed-income securities held will be unavoidable. In addition, medium- and lower-rated and unrated fixed-income securities of comparable quality may be subject to wider fluctuations in yield and market values than higher-rated fixed-income securities.

Fixed-Income Securities Risk –Interest Rates. The value of a portfolio's Shares will fluctuate with the value of its investments. The value of a portfolio's investments in fixed-income securities will change as the general level of interest rates fluctuates. During periods of falling interest rates, the

values of fixed-income securities generally rise, although if falling interest rates are viewed as a precursor to a recession, the values of a portfolio's securities may fall along with interest rates. Conversely, during periods of rising interest rates, the values of fixed-income securities generally decline. Changes in interest rates have a greater effect on fixed-income securities with longer maturities and durations than those with shorter maturities and durations.

Fixed-Income Securities Risk –Lower-Rated and Unrated Instruments. A portfolio's assets may be invested, in whole or in part, in high yield, high risk debt securities that are rated in the lower rating categories (*i.e.*, below Investment Grade) or which are unrated but are of comparable quality as determined by the Investment Manager. Debt securities rated below Investment Grade are commonly referred to as "junk bonds" and are considered to be subject to greater risk of loss of principal and interest than higher-rated securities and are considered to be predominantly speculative with respect to the issuer's capacity to pay interest and repay principal, which may in any case decline during sustained periods of deteriorating economic conditions or rising interest rates.

Lower-rated securities generally are considered to be subject to greater market risk than higher-rated securities in times of deteriorating economic conditions. In addition, lower-rated securities may be more susceptible to real or perceived adverse economic and competitive industry conditions than Investment Grade securities, although the market values of lower-rated securities tend to react less to fluctuations in interest rate levels than do those of higher-rated securities. The market for lower-rated securities may be thinner and less active than that for higher-quality securities, which can adversely affect the prices at which these securities can be sold. To the extent that there is no regular secondary market trading for certain lower-rated securities, the Investment Manager may experience difficulty in valuing such securities and, in turn, a portfolio's assets. In addition, adverse publicity and investor perceptions about lower-rated securities, whether or not based on fundamental analysis, may tend to decrease the market value and liquidity of such lower-rated securities. Transaction costs with respect to lower-rated securities may be higher, and in some cases, information may be less available, than is the case with Investment Grade securities.

Since the risk of default is higher for lower-rated securities, the Investment Manager's research and credit analysis are a correspondingly important aspect of its program for managing a portfolio's investment in these securities. In considering investments for a portfolio, the Investment Manager will attempt to identify those high-yielding securities the financial condition of which is adequate to meet future obligations or has improved, or is expected to improve in the future. The Investment Manager's analysis focuses on relative values based on such factors as interest or dividend coverage, asset coverage, earnings prospects, and the experience and managerial strength of the issuer.

Unrated securities will be considered for investment by a portfolio when the Investment Manager believes that the financial condition of the issuers of such securities, or the protection afforded by the terms of the securities themselves, limits the risk to the portfolio to a degree comparable to that of rated securities which are consistent with the portfolio's objectives and policies.

In seeking to achieve a portfolio's primary objective, there will be times, such as during periods of rising interest rates, when depreciation and realization of capital losses on securities in the portfolio will be unavoidable. Moreover, medium- and lower-rated securities and unrated securities of comparable quality may be subject to wider fluctuations in yield and market values than higher-rated securities under certain market conditions. Such fluctuations after a security is acquired do not affect the cash income received from that security but are reflected in the Net Asset Value of a portfolio.

Fixed-Income Securities Risk –Prepayment. Many fixed-income securities, especially those issued at high interest rates, provide that the issuer may repay them early. Issuers often exercise this right when interest rates decline. Accordingly, holders of securities that may be called or prepaid may not benefit fully from the increase in value that other fixed-income securities experience when rates decline. Furthermore, in such a scenario a portfolio may reinvest the proceeds of the payoff at then-current yields, which would be lower than those paid by the security that was paid off. Prepayments may cause losses on securities purchased at a premium, and unscheduled prepayments, which will be made at par, will cause a portfolio to experience a loss equal to any unamortized premium.

Credit Risk –Sovereign Debt Obligations. By investing in debt obligations of governmental entities, a portfolio will be exposed to the direct or indirect consequences of political, social and economic changes in various countries. Political changes in a particular country may affect the willingness of a particular government to make or provide for timely payments of its debt obligations. The country's economic status, as reflected, among other things, in its inflation rate, the amount of its external debt and its gross domestic product, will also affect the government's ability to honor its obligations.

The ability of governments to make timely payments on their debt obligations is likely to be influenced strongly by the issuer's balance of payments, including export performance, and its access to international credits and investments. To the extent that a particular country receives payment for its exports in currencies other than the Currency of the Portfolio, such country's ability to make debt payments denominated in the Currency of the Portfolio could be adversely affected. To the extent that a particular country develops a trade deficit, such country will need to depend on continuing loans from foreign governments, supranational entities or private commercial banks, aid payments from foreign governments and on inflows of foreign investment. The access of a particular country to these forms of external funding may not be certain, and a withdrawal of external funding could adversely affect the capacity of such country to make payments on its debt obligations. In addition, the cost of servicing debt obligations can be affected by a change in global interest rates since the majority of these debt obligations carry interest rates that are adjusted periodically based upon global rates.

A portfolio may invest in debt obligations of governmental entities and supranational entities, for which a limited or no established secondary markets may exist. Reduced

secondary market liquidity may have an adverse effect on the market price and a portfolio's ability to dispose of particular instruments when necessary to meet its liquidity requirements or in response to specific economic events such as deterioration in the creditworthiness of the issuer. Reduced secondary market liquidity for such debt obligations may also make it more difficult for a portfolio to obtain accurate market quotations for the purpose of valuing its portfolio. Market quotations are generally available on many sovereign debt obligations only from a limited number of dealers and may not necessarily represent firm bids of those dealers or prices for actual sales.

A portfolio may have limited legal recourse in the event of a default with respect to certain sovereign debt obligations it holds. For example, remedies from defaults on certain debt obligations of governmental entities, unlike those on private debt, must, in some cases, be pursued in the courts of the defaulting party itself. Legal recourse therefore may be significantly diminished. Bankruptcy, moratorium and other similar laws applicable to issuers of sovereign debt obligations may be substantially different from those applicable to issuers of private debt obligations. The political context, expressed as the willingness of an issuer of sovereign debt obligations to meet the terms of the debt obligation, for example, is of considerable importance. In addition, no assurance can be given that the holders of commercial bank debt will not contest payments to the holders of securities issued by foreign governments in the event of default under commercial bank loan agreements.

In addition, a portfolio's investment in debt obligations of supranational entities is subject to the additional risk that one or more member governments may fail to make required capital contributions to a particular supranational entity and, as a result, such supranational entity may be unable to meet its obligations with respect to its debt obligations held by the portfolio.

Credit Risk –Corporate Debt Obligations. By investing in debt obligations issued by companies and other entities, a portfolio will be subject to the risk that a particular issuer may not fulfill its payment or other obligations in respect of such debt obligations. Additionally, an issuer may experience an adverse change in its financial condition which may in turn result in a decrease in the credit rating assigned by an IRSO to such issuer and its debt obligations, possibly below Investment Grade. Such adverse change in financial condition or decrease in credit rating(s) may result in increased volatility in the price of an issuer's debt obligations and negatively affect liquidity, making any such debt obligation more difficult to sell.

Asset-Backed Securities Risk

A portfolio may have the ability to invest in mortgage-backed and mortgage-related securities, including RMBS, CMBS CDOs and related instruments, as further described below.

Residential Mortgage-Backed Securities ("RMBS") Risk. Holders of residential mortgage-backed securities ("RMBS") bear various risks, including credit, market, interest rate, structural and legal risks. RMBS represent interests in pools of residential mortgage loans secured by one to four family residential mortgage loans. Such loans may be prepaid at any time. Residential mortgage loans are obligations of the borrowers thereunder only and are not typically insured or guaranteed by any other person or entity, although such loans may be securitized by government agencies and the securities issued guaranteed. The rate of defaults and losses on residential mortgage loans will be affected by a number of factors, including general economic conditions and those in the geographic area where the mortgaged property is located, the terms of the mortgage loan, the borrower's "equity" in the mortgaged property and the financial circumstances of the borrower.

Pass-Through Mortgage-Related Securities. The mortgage-related securities in which a portfolio may invest provide funds for mortgage loans made to U.S. residential home buyers. These include securities which represent interests in pools of mortgage loans made by lenders such as savings and loan institutions, mortgage bankers and commercial banks. Pools of mortgage loans are assembled for sale to investors (such as a Portfolio) by various U.S. governmental, government-related and private organizations.

Interests in pools of mortgage-related securities differ from other forms of traditional debt securities, which normally provide for periodic payment of interest in fixed amounts with principal payments at maturity or specified call dates. Instead, mortgage-related securities provide a monthly payment which consists of both interest and principal. In effect, these payments are a "pass-through" of the monthly interest and principal payments made by the individual borrowers on their residential mortgage loans, net of any fees paid to the issuer, servicer or guarantor of such securities. Additional payments result from repayments of principal resulting from the sale of the underlying residential property, refinancing or foreclosure, net of fees or costs which may be incurred. Some mortgage-related securities, such as securities issued by the Government National Mortgage Association ("GNMA"), are described as "modified pass-through." These securities entitle the holder to receive all interest and principal payments owed on the mortgage pool, net of certain fees, regardless of whether or not the mortgagors actually make mortgage payments when due.

The investment characteristics of pass-through mortgage-related securities differ from those of traditional fixed-income securities. The major differences include the payment of interest and principal on the mortgage-related securities on a more frequent schedule, as described above, and the possibility that principal may be prepaid at any time due to prepayments on the underlying mortgage loans or other assets.

The occurrence of mortgage prepayments is affected by factors including the level of interest rates, general economic conditions, the location and age of the mortgage and other social and demographic conditions. Generally, prepayments on pass-through mortgage-related securities increase during periods of falling mortgage interest rates and decrease during periods of rising mortgage interest rates. Reinvestment of prepayments may occur at higher or lower interest rates than the original investment, thus affecting the yield of the Portfolios.

The principal U.S. governmental (*i.e.*, backed by the full faith and credit of the U.S. Government) guarantor of mortgage-related securities is GNMA. GNMA is a wholly-owned U.S. Government corporation within the Department of Housing and Urban Development. GNMA is authorized to guarantee, with the full faith and credit of the U.S. Government, the

timely payment of principal and interest on securities issued by institutions approved by GNMA (such as savings and loan institutions, commercial banks and mortgage bankers) and backed by pools of Federal Housing Administration-insured or Veterans Administration-guaranteed mortgages.

U.S. Government-related (*i.e.*, not backed by the full faith and credit of the U.S. Government) guarantors include the Federal National Mortgage Association ("FNMA") and the Federal Home Loan Mortgage Corporation ("FHLMC"). FNMA is a government-sponsored corporation owned entirely by private stockholders. Pass-through securities issued by FNMA are guaranteed as to timely payment of principal and interest by FNMA but are not backed by the full faith and credit of the U.S. Government. FHLMC is a corporate instrumentality of the U.S. Government. Participation certificates issued by FHLMC are guaranteed as to the timely payment of interest and ultimate (or, in some cases, timely) collection of principal but are not backed by the full faith and credit of the U.S. Government.

Commercial banks, savings and loan institutions, private mortgage insurance companies, mortgage bankers and other secondary market issuers also create pass-through pools of conventional residential mortgage loans. Such issuers may also be the originators of the underlying mortgage loans as well as the guarantors of the mortgage-related securities. Pools created by such non-governmental issuers generally offer a higher rate of interest than government and government-related pools because there are no direct or indirect government guarantees of payments in the former pools. However, timely payment of interest and principal of these pools is generally supported by various forms of insurance or guarantees, including individual loan, title, pool and hazard insurance. The insurance and guarantees are issued by government entities, private insurers and the mortgage poolers. Such insurance and guarantees and the creditworthiness of the issuers thereof will be considered in determining whether a mortgage-related security meets a Portfolio's investment quality standards. There can be no assurance that the private insurers can meet their obligations under the policies. A portfolio may buy mortgage-related securities without insurance or guarantees if through an examination of the loan experience and practices of the poolers the Investment Manager determines that the securities meet the portfolio's quality standards. Although the market for such securities is becoming increasingly liquid, securities issued by certain private organizations may not be readily marketable.

Collateralized Mortgage Obligations and Multi-Class Pass-Through Securities. Mortgage-related securities in which a portfolio may invest may also include collateralized mortgage obligations ("CMOs") and multi-class pass-through securities. CMOs are debt obligations issued by special purpose entities that are secured by mortgage-backed certificates, including, in many cases, certificates issued by governmental or government-related guarantors, including GNMA, FNMA and FHLMC, together with certain funds and other collateral. Multi-class pass-through securities are equity interests in a trust composed of mortgage loans or other mortgage-related securities. Payments of principal and interest on underlying collateral provide the funds to pay debt service on the CMO or make scheduled distributions on the multi-class pass-through security. CMOs and multi-class pass-through securities (collectively CMOs unless the context indicates otherwise) may be issued by agencies or instrumentalities of the U.S. Government or by private organizations. The issuer of a CMO may elect to be treated as a Real Estate Mortgage Investment Conduit ("REMIC").

In a CMO, a series of bonds or certificates is issued in multiple classes. Each class of CMOs, often referred to as a "tranche," is issued at a specific coupon rate and has a stated maturity or final distribution date. Principal prepayments on collateral underlying a CMO may cause it to be retired substantially earlier than the stated maturities or final distribution dates. The principal and interest on the underlying mortgages may be allocated among the several classes of a series of a CMO in many ways. In a common structure, payments of principal, including any principal prepayments, on the underlying mortgages are applied to the classes of the series of a CMO in a specified order, so that no payment of principal will be made on certain classes of a CMO until certain other classes have been paid in full.

One or more tranches of a CMO may have coupon rates which reset periodically at a specified increment over an index such as SOFR (as defined below). These adjustable rate tranches known as "floating rate CMOs" will be considered as ARMS (as defined below) by a Portfolio. Floating rate CMOs are typically issued with lifetime caps on the coupon rate thereon. These caps, similar to the caps on adjustable rate mortgages described in "Adjustable Rate Mortgage Securities" below represent a ceiling beyond which the coupon rate on a floating rate CMO may not be increased regardless of increases in the interest rate index to which the floating rate CMO is tied.

Adjustable Rate Mortgage Securities. Adjustable rate mortgage securities ("ARMS") in which a Portfolio may invest include (i) pass-through securities backed by adjustable rate mortgages and issued by GNMA, FNMA, FHLMC and by private organizations and (ii) floating rate CMOs. The coupon rates on ARMS are reset at periodic intervals to an increment over some predetermined interest rate index. There are three main categories of indices: (i) those based on U.S. Treasury securities, (ii) those derived from a calculated measure such as a cost of funds index or a moving average of mortgage rates and (iii) those based on short-term rates such as the Secured Overnight Financing Rate ("SOFR"), Certificates of Deposit ("CDs") or the prime rate. Many issuers have selected as indices the yields of one-, three- and five-year U.S. Treasury notes, the discount rate of six-month U.S. Treasury bills as reported in two Federal Reserve statistical releases, the monthly G.13 (415) and the weekly H.15 (519), the CD composite, the prime rate, SOFR and other indices. Additional indices may be developed in the future. In selecting a type of ARMS for investment, the Investment Manager will also consider the liquidity of the market for such ARMS.

The underlying adjustable rate mortgages which back ARMS in which a portfolio may invest will frequently have caps and floors which limit the maximum amount by which the loan rate to the residential borrower may change up or down (i) per reset or adjustment interval and (ii) over the life of the loan. Some residential adjustable rate mortgage loans limit periodic adjustments by limiting changes in the borrower's monthly principal and interest payments rather than limiting interest rate changes. These payment caps may result in negative amortization (*i.e.*, an increase in the balance of the mortgage loan). ARMS in which a portfolio may invest may also be backed by fixed-rate mortgages. Such ARMS, known

as floating rate CMOs (as described above), generally have lifetime caps on the coupon rate thereon.

The ARMS in which a portfolio may invest include pass-through mortgage-related securities backed by adjustable rate mortgages and floating rate CMOs. As described above, adjustable rate mortgages typically have caps, which limit the maximum amount by which the coupon rate may be increased or decreased at periodic intervals or over the life of the loan. Floating rate CMOs have similar lifetime caps. To the extent that interest rates rise faster than the allowable caps on ARMS, such ARMS will behave more like securities backed by fixed-rate mortgages than by adjustable rate mortgage loans. Consequently, interest rate increases in excess of caps can be expected to cause ARMS to behave more like traditional debt securities than adjustable rate securities and, accordingly, to decline in value to a greater extent than would be the case in the absence of such caps.

As noted above, because the coupon rates on ARMS are adjusted in response to changing interest rates, fluctuations in prices of ARMS due to changes in interest rates will be less than in the case of traditional debt securities. The adjustable rate feature of ARMS will not, however, eliminate such price fluctuations, particularly during periods of extreme fluctuations in interest rates. Also, since many adjustable rate mortgages only reset on an annual basis, it can be expected that the prices of ARMS will fluctuate to the extent that changes in prevailing interest rates are not immediately reflected in the coupon rates payable on the underlying adjustable rate mortgages.

Stripped Mortgage-Related Securities. Stripped mortgage-related securities ("SMRS") are derivative multi-class mortgage-related securities. SMRS may be issued by the U.S. Government, its agencies or instrumentalities, or by private originators of, or investors in, mortgage loans, including savings and loan associations, mortgage banks, commercial banks, investment banks and special purpose subsidiaries of the foregoing.

SMRS are usually structured with two classes that receive different proportions of the interest and principal distributions on a pool of GNMA, FNMA or FHLMC certificates, whole loans or private pass-through mortgage-related securities ("Mortgage Assets"). A common type of SMRS will have one class receiving some of the interest and most of the principal from the Mortgage Assets, while the other class will receive most of the interest and the remainder of the principal. In the most extreme case, one class will receive all of the interest (the interest-only or "IO" class), while the other class will receive all of the principal (the principal-only or "PO" class). The yield to maturity on an IO class is extremely sensitive to the rate of principal payments (including prepayments) on the related underlying Mortgage Assets, and a rapid rate of principal prepayments may have a material adverse effect on the yield to maturity of the IO class. The rate of principal prepayment will change as the general level of interest rates fluctuates. If the underlying Mortgage Assets experience greater than anticipated principal prepayments, the Portfolio may fail to fully recoup its initial investment in these securities, even if the securities are rated AAA by S&P or Fitch or Aaa by Moody's or the equivalent thereof by another NRSRO. Due to their structure and underlying cash flows, SMRS may be more volatile than mortgage-related securities that are not stripped.

Types of Credit Support. To lessen the effect of failures by obligors on underlying assets to make payments, non-GNMA, -FNMA or -FHLMC mortgage-related securities are likely to contain cash flow support. Such cash flow support falls into two categories: (i) liquidity protection and (ii) credit protection against losses resulting from ultimate default by an obligor on underlying assets. Liquidity protection refers to the provision of advances to cover delinquent (*e.g.*, 30-60 days late) payments, generally by the entity administering the pool of assets, to ensure that the pass-through of payments due on the underlying pool occurs in a timely fashion. Credit protection against losses resulting from ultimate default enhances the likelihood of ultimate payment of the obligations on at least a portion of the assets in the pool. These protections may be provided through guarantees, insurance policies or letters of credit obtained by the issuer or sponsor from third parties, through various means of structuring the transaction, as described below, or through a combination of these approaches.

The ratings of securities for which third-party credit enhancement provides liquidity protection or protection against losses from default are generally dependent upon the continued creditworthiness of the enhancement provider. The ratings of such securities could be subject to reduction in the event of deterioration in the creditworthiness of the enhancement provider even in cases where the delinquency and loss experience on the underlying pool of assets is better than expected.

Examples of credit support arising out of the structure of the transaction include "senior-subordinated securities" (multiple class securities with one or more classes subordinate to other classes as to the payment of principal thereof and interest thereon, with the result that defaults on the underlying assets are borne first by the holders of the subordinated class), creation of "reserve funds" (where cash or investments, sometimes funded from a portion of the payments on the underlying assets, are held in reserve against future losses) and "over collateralization" (where the scheduled payments on, or the principal amount of, the underlying assets exceed those expected to be required to make payment on the securities and pay any servicing or other fees). The degree of credit support provided for each issue is generally based on historical information with respect to the level of credit risk associated with the underlying assets. Other information which may be considered includes demographic factors, loan underwriting practices and general market and economic conditions. Delinquency or loss in excess of that which is anticipated could adversely affect the return on an investment in such a security.

Commercial Mortgage-Backed Securities ("CMBS"). Commercial mortgage-backed securities are securities that represent an interest in, or are secured by, mortgage loans secured by multifamily or commercial properties, such as industrial and warehouse properties, office buildings, retail space and shopping malls, and cooperative apartments, hotels and motels, nursing homes, hospitals and senior living centers. Commercial mortgage-backed securities have been issued in public and private transactions by a variety of public and private issuers using a variety of structures, some of which were developed in the residential mortgage context, including multi-class structures featuring senior and subordinated classes. Commercial mortgage-backed securities may pay fixed or floating-rates of interest. The commercial mortgage loans that underlie commercial

mortgage-backed securities have certain distinct risk characteristics. Commercial mortgage loans generally lack standardized terms, which may complicate their structure, tend to have shorter maturities than residential mortgage loans and may not be fully amortizing. Commercial properties themselves tend to be unique and are more difficult to value than single-family residential properties. In addition, commercial properties, particularly industrial and warehouse properties, are subject to environmental risks and the burdens and costs of compliance with environmental laws and regulations.

Commercial mortgage-backed securities, like all fixed-income securities, generally decline in value as interest rates rise. Moreover, although generally the value of fixed-income securities increases during periods of falling interest rates, this inverse relationship may not be as marked in the case of single-family residential mortgage-backed securities due to the increased likelihood of prepayments during periods of falling interest rates in the case of commercial mortgage-backed securities. The process used to rate commercial mortgage-backed securities may focus on, among other factors, the structure of the security, the quality and adequacy of collateral and insurance, and the creditworthiness of the originators, servicing companies and providers of credit support.

Other Asset-Backed Securities Risk. A portfolio may invest in certain high-quality asset-backed securities. Through the use of trusts, special purpose corporations and other vehicles, various types of assets, including automobile and credit card receivables, home equity loans and equipment leases, may be securitized in pass-through structures similar to the mortgage pass-through structures described above or in a pay-through structure similar to the CMO structure. The collateral behind asset-backed securities tends to have a controlled or limited prepayment rate. In addition, the short-term nature of asset-backed loans reduces the impact of any change in prepayment level. Due to amortization, the average life for asset-backed securities is also the conventional proxy for maturity.

Because of the possibility that prepayments (on mortgage loans, automobile loans or other collateral) will alter the cash flow on asset-backed securities, it is not possible to determine in advance the actual final maturity date or average life. Faster prepayment will shorten the average life and slower prepayments will lengthen it. However, it is possible to determine what the range of the movement could be and to calculate the effect that it will have on the price of the security.

Structured Securities Risk.

Certain investment products may combine the traditional characteristics of asset-backed investment with additional structural features, such as a tranched investment structure or embedded derivatives. Such structure investments may be more complex than traditional investment types and may entail additional risks.

Collateralized Debt Obligations Risk. Collateralized Debt Obligations ("CDOs") are instruments representing interests, generally divided into tranches, in pools, the underlying asset classes of which may include certain fixed income securities, such as asset-backed securities, corporate leveraged loans, other CDOs, credit default swaps and other derivatives. There are a variety of different types of CDOs, including CDOs collateralized by trust preferred securities and asset-backed securities and CDOs collateralized by corporate loans and debt securities called collateralized loan obligations ("CLOs"). CDOs may issue several types of securities or tranches, including, without limitation, CDO and CLO equity, multi-sector CDO equity, trust preferred CDO equity and CLO debt. CDO equity tranches may be unrated or non-investment grade. CDOs are subject to credit, liquidity and interest rate risks, which are each discussed in greater detail below.

The value of any CDOs owned by a portfolio generally will fluctuate with, among other things, the financial condition of the obligors or issuers of the underlying portfolio of assets of the related CDO (“CDO Collateral”), general economic conditions, the condition of certain financial markets, political events, developments or trends in any particular industry and changes in prevailing interest rates. Consequently, holders of CDOs must rely solely on distributions on the CDO Collateral or proceeds thereof for payment in respect thereof. CDO Collateral may consist of high yield debt securities, loans, ABS and other instruments, which often are rated below investment grade (or of equivalent credit quality). The lower ratings of high yield securities and below investment grade loans reflect a greater possibility that adverse changes in the financial condition of an issuer or in general economic conditions or both may impair the ability of the related issuer or obligor to make payments of principal or interest. In addition, the lack of an established, liquid secondary market for some CDOs (CDO equity securities in particular) may have an adverse effect on the market value of those CDOs and will in most cases make it difficult to dispose of such CDOs at market or near-market prices.

Rating Agencies. Future actions of any rating agency can adversely affect the market value or liquidity of CDOs, and a rating agency may, at any time and without any change in its published ratings criteria or methodology, lower or withdraw any rating assigned by it to any class of CDO security. Any such revision or withdrawal of a rating as a result of such a failure might adversely affect the liquidity and value of the CDO security.

Effects of Regulation on CDO Market. Legislative or regulatory action taken by the U.S. federal government or any U.S. regulatory body (or other non-U.S. authority or regulatory body) in response to economic conditions or otherwise may negatively impact the liquidity and value of CDOs.

Structured Securities and Basket Securities. A portfolio may invest in various types of structured securities and basket securities. Structured securities in which a portfolio invests may represent, for example, interests in entities organized and operated solely for the purpose of restructuring the investment characteristics of particular fixed-income obligations. This type of restructuring involves the deposit with or purchase by an entity, such as a corporation or trust, of specified instruments and the issuance by that entity of one or more classes of structured securities backed by, or representing interests in, the underlying instruments. The cash flow on the underlying instruments may be apportioned among the newly issued structured securities to create securities with different investment characteristics such as varying maturities, payment priorities and interest rate provisions, and the extent of the payments made with

respect to structured securities is dependent on the extent of the cash flow on the underlying instruments. Structured securities of a given class may be either subordinated or unsubordinated to the right of payment of another class. Subordinated structured securities typically have higher yields and present greater risks than unsubordinated structured securities.

Basket securities in which a portfolio invests may consist of entities organized and operated for the purpose of holding a basket of fixed-income obligations of various issuers or a basket of other transferable securities. Baskets involving fixed-income obligations may be designed to represent the characteristics of some portion of the fixed-income securities market or the entire fixed-income securities market.

Structured instruments are potentially more volatile and carry greater market risks than traditional debt instruments. Depending on the structure of the particular structured instrument, changes in a benchmark may be magnified by the terms of the structured instrument and have an even more dramatic and substantial effect upon the value of the structured instrument. The prices of the structured instrument and the benchmark or underlying asset may not move in the same direction or at the same time. Structured instruments may be less liquid and more difficult to price than less complex securities or instruments or more traditional debt securities. The risk of these investments can be substantial; possibly all of the principal is at risk.

Special Considerations

No Payment of Additional Taxes or Assessments. Each Shareholder will assume and be responsible to the proper governmental or regulatory authority for any and all taxes of any jurisdiction or governmental or regulatory authority, including, without limitation, any state or local taxes or other like assessments or charges that may be applicable to any payment in respect of the Shares made by the Fund or a portfolio, the Management Company or the Administrator. None of the Fund, any portfolio, the Management Company or the Administrator will pay any additional amounts to Shareholders to reimburse them for any tax, assessment or charge required to be withheld or deducted from payments on the Shares by the Fund or a portfolio, the Management Company or the Administrator. None of the Fund, any portfolio, the Management Company or the Administrator will be responsible for the payment of any additional amount of withholding tax which may become payable due to an increase in any applicable withholding tax rates.

Conflicts of Interest.

The Management Company, the Investment Manager, the Depositary, the Administrator, distributors and other service providers and their respective affiliates, directors, officers and unitholders are or may be involved in other financial, investment and professional activities that may create conflicts of interest with the management and administration of the Fund. These include the management of other funds, purchases and sales of securities, brokerage services, depositary and safekeeping services, and serving as directors, officers, advisors or agents for other funds or other companies, including companies that a portfolio may invest in. Each of the parties will ensure that the performance of their respective duties will not be impaired by any such other involvement that they might have. In the event that a conflict of interest does arise, the managers of the Management Company and the relevant parties involved shall endeavour to resolve it fairly, within a reasonable time and in the interest of the Fund.

Potential investors should also be aware that the Fund is subject to a number of actual and potential conflicts of interest involving the AB Group. While conflicts of interest are inherent to the relationships among the AB Group, merely because an actual or potential conflict of interest exists does not mean that it will be acted upon to the detriment of the Fund. The Investment Manager will, in such event, have regard to its obligations under the Investment Management Agreement and, in particular, to its obligations to act in the best interests of the Fund, so far as practicable having regard to its obligations to other clients, when undertaking any investments where potential conflicts of interest may arise. Should a conflict of interest arise, the Investment Manager will endeavor to ensure that it is resolved fairly. Without limitation, these conflicts may include the following:

- *Other Funds Managed by the Investment Manager*. An Interested Party may make investments for other clients without making the same available to the Fund. In the event any investment is made in funds already managed or advised directly or indirectly by the Investment Manager itself or a company with which it is linked by way of common management or control or by way of a direct or indirect stake of more than 10% of the capital or votes, such investment will be effected only on terms which either avoid, or make appropriate provision to effectively eliminate, double charging of investment management or advisory fees. Furthermore, the Management Company or other company will not charge subscription or redemption fees in connection with an acquisition or disposal of such investments.

- *Allocation Among Clients*. An Interested Party may make investments for other clients without making the same available to the Fund. In addition, to the extent that the Investment Manager deems it advisable to seek investments for the Fund and for its other client accounts in the same security at the same time, the Fund may not be able to acquire as large an allocation of such security as it desires, or it may have to pay a higher price or obtain a lower yield for such security. Allocation will be made in a manner deemed equitable by the Investment Manager, taking into account size of account, amount purchased or sold and any other factor it may deem relevant.

  The Management Regulations does not impose any specific obligations or requirements concerning the allocation of investment opportunities, time, or effort to the Fund, or any restrictions on the nature or timing of investments for the account of the Fund or for other accounts which AB or its affiliates may manage (other than any restrictions and requirements discussed herein). Accordingly, the Investment Manager is not obligated to devote any specific amount of time to the affairs of the Fund and is not required to accord exclusivity or priority to the Fund in the event of limited

investment opportunities, provided that the Investment Manager will act in a manner that it considers fair and reasonable in allocating investment opportunities.

- *Board of Managers of the Management Company.* The Board of Managers of the Management Company spend substantial time and attention on other business activities for other clients and management of other investment vehicles and may act for or manage other clients with overlapping investment objectives with those of the Fund.

- *Cross Trades*. To the extent permitted by applicable law, an Interested Party may engage in cross trades of securities between its clients as well cross trades between its clients and brokerage clients of its affiliates for whom the Investment Manager does not provide asset management services. In the event that the Investment Manager effects a cross trade to which the Fund is a party, the Investment Manager will act on behalf of both the Fund and the other party to the cross trade, and thus may have a potentially conflicting division of loyalty to such parties. In order to address such potentially conflicting divisions of loyalty, the Investment Manager has established policies and procedures with respect to cross trades so that neither party to a cross trade is unfairly advantaged or disadvantaged relative to the other party. All cross trades will be executed on an agency basis at the current fair market value and otherwise consistent with the Investment Manager's fiduciary obligations. None of the foregoing activities should interfere substantially with the commitment of time necessary for the Investment Manager or its principals to perform their responsibilities to the Fund.

- *Services to Other Clients*. An Interested Party may enter into financial, banking, currency, advisory (including corporate finance advice) or other transactions on an arm's-length basis with the Fund or any company in the investment portfolio of the Fund for which it may receive and retain fees.

- *Sales to and from the Fund*. An Interested Party may sell or purchase investments to or from the Fund, provided that (i) the sale or purchase is effected on an official stock exchange or other organized market where the purchaser or vendor is undisclosed at the time of the sale or purchase or in other circumstances where the vendor and purchaser are not identified to each other; or (ii) the terms and conditions of any such sale or purchase are effected on an arm's-length basis and approved by the Board of Managers of the Management Company before such sale or purchase is effected.

- *Transactions with Affiliated Broker/Dealers*. The Investment Manager may, in the normal course of business, utilize the brokerage services of affiliated broker/dealers including, but not limited to, Goldman Sachs & Co. LLC, Sanford C. Bernstein & Co., LLC and Sanford C. Bernstein Limited subject to the Investment Manager's obligation to execute transactions on behalf of the Fund consisted with best execution standards.

- *Soft-Dollar Arrangements*. Although currently the Management Company does not receive or enter into soft-dollar commissions/arrangements, the Investment Manager does receive and has entered into soft-dollar commissions/arrangements with brokers relating to portfolios of the Fund that invest in equity securities, in respect of which certain goods and services used to support the investment decision making process were received. The soft commission arrangements were entered into on the basis that the execution of transactions on behalf of the Fund will be consistent with best execution standards and brokerage rates will not be in excess of customary institutional full-service brokerage rates. The goods and services received include specialist industry, company and consumer research, portfolio and market analysis and computer software used for the delivery of such services. The nature of the goods and services received is such that the benefits provided under the arrangement must be those which assist in the provision of investment services to the Fund and may contribute to an improvement in the Fund's performance. For the avoidance of doubt, such goods and services do not include travel, accommodations, entertainment, general administrative goods or services, general office equipment or premises, membership fees, employees' salaries or direct money payments. Disclosure of soft commission arrangements will be made in the periodic reports of the Fund.

- *Research*. The principal portfolio themes for the Fund may take into account forecast information provided by equity, credit, quantitative, economic, and structured asset fixed-income research analysts employed by an Interested Party and other research firms. Accordingly, estimates of earnings and dividends related to investments of the Fund may differ from estimates of the Interested Party's institutional research analysts. Further, the Investment Manager's buy-sell actions for the Fund may differ from those recommended by the Interested Party's institutional research analysts.

- *No Independent Legal Counsel*. The Fund is represented by Elvinger Hoss Prussen, *société anonyme* with respect to Luxembourg law. Elvinger Hoss Prussen, *société anonyme* has been selected to act as independent legal counsel to the Interested Parties and the Fund, as applicable, by the AB Group. Elvinger Hoss Prussen, *société anonyme* also acts as legal counsel to certain other investment funds, accounts, and vehicles managed by the AB Group and its affiliates. Conflicts could arise due to these multiple legal representations. Prospective and existing investors in the Fund have not been, and will not be, represented by Elvinger Hoss Prussen, *société anonyme*, and are encouraged to seek the advice of their own legal counsel in evaluating the merits and risks of this offering and the operations of the Fund.

Legal, tax and regulatory risks. Legal, tax and regulatory changes in various jurisdictions could occur, during the lifetime of the Fund, which may adversely affect it. Should any of those laws change over the scheduled term of the Fund or any portfolio, the legal requirements to which the Fund may be subject could differ materially from the current requirements. The Fund may be subject to tax in jurisdictions

outside of Luxembourg in respect of investments made in those jurisdictions.

The AIFM Provisions seek to regulate alternative investment fund managers (in this paragraph, “AIFM”) based in the EU and prohibits such managers from managing any alternative investment fund or marketing shares in such AIFs to EU shareholders unless authorisation is granted to the AIFM by the relevant supervisory authorities. Under the AIFM Provisions, in order to obtain such authorisation, and be able to manage AIFs, an AIFM would need to comply with various obligations in relation to the AIFs which may create significant additional compliance costs that may be passed to shareholders in the AIFs. Furthermore, the marketing of shares or units in an AIF to EU shareholders would not be permitted if the AIFM were not authorised.

Any regulatory changes arising from implementation of the AIFM Provisions (or otherwise) that hinder the ability of the Management Company to manage the investments of the Fund, or limit the Management Company's ability to market future issuances of Shares, may adversely affect the Management Company's ability to carry out the Fund's investment strategy and achieve its investment objective.

Meetings, Notices and Information to Shareholders

Shareholder Meetings

The Management Regulations do not provide for meetings of Shareholders, and the Fund does not intend to call any such meetings.

Reports and Financial Information

The latest audited annual reports will be made available to the Shareholders at no cost to them at the registered office of the Management Company and of the Depositary. The accounts of each portfolio will be established in the relevant Currency of the Portfolio and consolidated accounts of the Fund are established in Dollars. The annual reports of the Fund are prepared in accordance with Luxembourg GAAP.

Any other financial information to be published concerning any portfolio of the Fund or the Management Company, including the daily Net Asset Value of the Shares of any class of any portfolio and any suspension of such valuation, will be made available to the Shareholders at no cost to them at the registered office of the Management Company and of the Depositary. In addition, the Net Asset Value of the Shares is published as provided for in the relevant part of Section I relating to a specific portfolio.

Notices to Shareholders

All notices to Shareholders will be sent to Shareholders at their address indicated in the register of Shareholders and, to the extent required by Luxembourg law, will be published in the RESA.

Shareholders' Information

In accordance with Article 21 of the AIFM Law, and to the extent required by the AIFM Law, Shareholders will be made available with the following information upon request at the registered office of the Management Company and/or of the Investment Manager:

(i) the latest net asset value and historical performance of the Fund;

(ii) reporting on an annual basis that includes the current risk profile of the Fund and the risk management approach employed to manage and monitor such risk;

(iii) a description of the main legal implications of the contractual relationship to be entered into by the Fund for the purpose of investment, including information on jurisdiction, the applicable law and on the existence or not of any legal instruments providing for recognition and enforcement of judgments in Luxembourg;

(iv) a list of fees, charges and expenses that are borne by the AIFM in connection with the operation of the AIF and that are to be directly or indirectly allocated to the AIF;

(v) a description on how the Management Company ensures a fair treatment of the investors and, whenever an investor obtains preferential treatment or the right to obtain preferential treatment, a description of that preferential treatment, the type of investors who obtain such preferential treatment and, where relevant, their legal or economic links with the Fund or Management Company;

(vi) a description of any safekeeping function delegated by the Depositary, the identification of the delegate, any conflict of interests that may arise from such delegations and arrangement made by the Depositary to contractually discharge itself of liability;

(vii) mandatory information to be provided to investors relating to prime brokers pursuant to AIFM Law, if not already provided in this Prospectus;

(viii) the manner by which the Management Company covers potential professional liability risks resulting from its activities;

(ix) existing redemption arrangements with Shareholders (if any);

(x) additional information regarding the use of SFTs by the Fund and total return swaps in accordance with the provisions of the SFTR, including amongst others general description of instruments used and the rationale for their use, type of assets that can be subject to them, maximum and expected proportion of assets under management subject to them, criteria to select counterparties, acceptable collateral, valuation methodology, information on safekeeping of assets and collateral etc.; and

(xi) any other information or documents which the Fund is required by virtue of law to make available to the investors and any amendments or supplements made from time to time.

In addition, to the extent required by the AIFM Law, Shareholders will be provided with information set out in Article 21(4) of the AIFM Law (relating to illiquid assets, new arrangements for managing the liquidity of the Fund, risk profile and risk management systems) and Article 21(5) of the AIFM Law (relating to leverage, *i.e.*, (1) any changes to the maximum level of leverage that the Management Company may employ on behalf of the Fund and any right of the reuse of collateral or any guarantee granted under any leveraging arrangement, and (2) the total amount of leverage employed at the same time as the annual report or, in the case of any new arrangements introduced by the Management Company, for managing liquidity of the Fund, as required by the AIFM Law, immediately. The relevant information will also be available to Shareholders at the registered office of the Management Company and/or of the Investment Manager.

Any material change of this Prospectus affecting the rights of Shareholders (including but not limited to, a change to the investment objective and/or investment policy of a portfolio) shall be reflected in this Prospectus upon prior approval of the Board of Managers of the Management Company and the CSSF and shall be notified to Shareholders in accordance with applicable Luxembourg regulatory requirements.

Additional information is available at the registered office of the Management Company as more fully provided for under section “Documents Available for Inspection”.

Management and Administration

Investment Management

The AIFM has delegated the portfolio management functions of the Fund's assets to AllianceBernstein L.P., a Delaware limited partnership with principal offices at 501 Commerce Street, Nashville, TN 37203, U.S.A., a leading global investment manager providing diversified services to institutions and individuals through a broad line of investments. The Investment Management Agreement may be terminated by the Management Company on behalf of the Fund or by the Investment Manager upon sixty days' written notice to the other. AllianceBernstein Corporation, the Investment Manager's general partner, is an indirect wholly owned subsidiary of AXA Financial, Inc., which in turn is a wholly owned subsidiary of AXA, a French company.

The Investment Manager is registered with the U.S. Securities and Exchange Commission (the "SEC") as an investment adviser under the U.S. Investment Advisers Act of 1940, as amended. Additional information about the Investment Manager is available on the SEC's website at www.adviserinfo.sec.gov. Registration with the SEC or with any U.S. state securities authority does not imply a certain level of skill or training.

The Management Company / AIFM

The Fund is managed for the Shareholders' account by AllianceBernstein (Luxembourg) S.à r.l. in its capacity as Management Company and AIFM of the Fund. The Management Company is authorised pursuant and subject to the provisions of Chapter 15 of the Law of 17 December 2010 on undertakings for collective investment, as amended and of Chapter II of the AIFM Law.

The Management Company, the principal shareholder of which is AllianceBernstein Holdings Limited, a wholly owned subsidiary of the Investment Manager, was organised as a *société anonyme* under the laws of the Grand Duchy of Luxembourg by notarial deed dated 31 July 1990, and published in the *Mémorial* on 4 October 1990. It has been incorporated for an undetermined period and its registered and principal office is at 2-4, rue Eugène Ruppert, L-2453 Luxembourg. It is registered with the Registre de Commerce et des Sociétés in Luxembourg under No. B 34.405.

The issued capital of the Management Company is €16,300,000, divided into 163,000 registered shares with no par value, all of which are fully paid.

The AIFM shall, when managing the Fund, comply with applicable laws and regulations, including CSSF Circular 18/698 and the obligations set out therein that relate to the fight against money laundering and the financing of terrorism.

Under the term of the Management Regulations, the AIFM is responsible for the portfolio management, the risk management, the administration, the distribution of the Fund's assets and other activities related to the Fund's assets within the meaning of Appendix I of the AIFM Law but is allowed to delegate, under its supervision and control, some of these duties to third parties, in accordance with the AIFM Provisions. The terms under which the above-mentioned services are delegated are subject to separate agreements and are reasonable in view of the services provided. In case of changes or appointment of additional third parties, the Prospectus will be updated accordingly.

The AIFM may notably appoint one or several investment managers and investment advisors and may set up investment committees to assist it in connection with the management of the investments of certain Portfolios. The investment managers shall manage the investment of the relevant Portfolios in accordance with stated investment objectives and restrictions and, on a discretionary basis, acquire and dispose of investment in the Portfolios. The terms of the appointment of the investment managers are specified in the investment management agreements.

The AIFM may also delegate the function of administrative agent of the Fund to an external service provider.

In the context of its marketing function, the AIFM may enter into agreements with distributors pursuant to which the distributors may agree to act as intermediaries or nominees for investors subscribing for Shares through their facilities.

The AIFM will monitor on a continued basis the activities of the third parties to which it has delegated functions. The agreements entered into between the AIFM and the relevant third parties provide that the AIFM can give at any time further instructions to such third parties, and that it can withdraw their mandate under certain circumstances.

All delegations shall be carried out in accordance with the AIFM Provisions.

The managers of the Management Company are:

Silvio D. Cruz, Director, AllianceBernstein (Luxembourg) S.à r.l. and Senior Vice President, United States of America

Bertrand Reimmel, Managing Director and Senior Vice President, AllianceBernstein (Luxembourg) S.à r.l Luxembourg;

Steven Eisenberg, Senior Vice President, AllianceBernstein L.P., United States of America

Carolyn Buccerone, Senior Vice President and Associate General Counsel, AllianceBernstein L.P.
United States of America; and

John Schiavetta, Senior Vice President and Chief Risk Officer, AllianceBernstein L.P., 501 Commerce Street, Nashville, TN 37203 USA.

Administrator

Brown Brothers Harriman (Luxembourg) S.C.A. has been appointed as the administrator of the Fund pursuant to the terms of the Administration Agreement. In such capacity it is responsible for the general administrative functions of the Fund required by Luxembourg law, such as the calculation of

the Net Asset Value of the Shares and the maintenance of accounting records. Brown Brothers Harriman (Luxembourg) S.C.A. also acts as paying agent of the Fund. Either the Administrator or the Management Company may terminate the Administrator's appointment at any time on giving ninety days' written notice.

Depositary

Brown Brothers Harriman (Luxembourg) S.C.A. has been appointed depositary of the Fund pursuant to the terms of the Depositary Agreement. All cash and securities constituting the assets of the Fund are held by the Depositary on behalf of the Shareholders. The Depositary may, with the approval of the Management Company, entrust banks and financial institutions with the safekeeping of such assets.

The Depositary may hold securities in fungible or non-fungible accounts with such clearing houses as the Depositary, with the approval of the Management Company, may determine. It will have the normal duties of a bank with respect to the Fund's deposits of cash and securities held by it. The Depositary may only dispose of the assets of the Fund and make payments to third parties on behalf of the Fund on receipt of instructions from the Management Company or its appointed agents. Upon receipt of instructions from the Management Company or its appointed agents, the Depositary will carry out all dispositions of the Fund's assets. In addition, the Depositary will fulfill the duties and assume its responsibilities in accordance with the Law and the AIFM Law.

The Depositary is further authorized to delegate its safekeeping duties under the AIFM Law to subcustodians and to open accounts with such sub-custodians, provided that (i) such delegation is in accordance with, and subject to compliance with, the conditions set out in the applicable Luxembourg laws; and (ii) the Depositary will exercise all due skill, care and diligence in the selection, appointment, periodic review and ongoing monitoring of its sub-custodians. The Depositary will delegate such duties to one or more prime brokers, who will act as sub-custodians as described herein. Please refer to Sub-section entitled “Prime Brokers and Sub-Custodians” and Section “Meetings, Notices and Information to Shareholders—Shareholders’ Information” for further information relating to the appointment of prime brokers and the delegation of safekeeping functions.

Upon request of the Management Company, the Depository may delegate such duties for the Fund to one or more prime brokers, who will act as sub-custodians. Please refer to the Sub section entitled “Prime Brokers and Sub-Custodians” and the Section “Meetings, Notices and Information to Shareholders—Shareholders’ Information” for further information relating to the appointment of prime brokers and the delegation of safekeeping functions.

The Depositary will in certain circumstances, as further outlined in the Sub-section entitled “Prime Brokers and Sub-Custodians” and in accordance with Article 19(13) of the AIFM Law, discharge itself of its liability. In the event where certain financial instruments are required by a foreign local law or regulation to be held in custody by a local entity, and no local entity satisfies the delegation requirements in accordance with Article 19(11)(d)(ii) of the AIFM Law, the Depositary may nonetheless discharge itself of liability provided that specific conditions in accordance with Article 19(14) of the AIFM Law, are met.

According to the AIFM Law, once a loss of a financial instrument held in custody by the Depositary is ascertained, it will be notified immediately to Shareholders in writing.

Either the Depositary or the Management Company may terminate the Depositary's appointment at any time on giving ninety days' written notice. In the case of termination, the Management Company will appoint a new depositary. Termination is, however, subject to the condition that a new depositary, which is required to be appointed within two months of the notice of termination, assumes the responsibilities and functions of the depositary under the Management Regulations. In addition, the Depositary's appointment will continue for such further period as may be necessary for the transfer of all assets of the Fund to the new depositary.

Brown Brothers Harriman (Luxembourg) S.C.A. maintains its registered office at 80, route d’Esch, L-1470 Luxembourg, and is a bank organized as a *société en commandite par actions* in and under the laws of the Grand Duchy of Luxembourg.

Prime Brokers and Sub-Custodians

For the portfolio “AllianceBernstein Fund III—Merger Arbitrage”, the Management Company has appointed, and may in the future appoint, one or more prime brokers, including US prime brokers, that have been selected and engaged by the Investment Manager (the “**Prime Brokers**”). The Prime Brokers act as sub-custodians of certain of the Fund’s assets (as further described below), may clear and settle the portfolio’s transactions in securities and other interests, and may also provide financing of transactions.

The Depositary has confirmed its approval to the appointment of the Prime Brokers pursuant to the respective sub-custodian agreements (as required by the AIFM Provisions).

Upon request of the Management Company, each Prime Broker will further be appointed as sub-custodian by the Depositary (each, a “**Sub-Custodian**”). Securities held by a Sub-Custodian on behalf of the portfolio are credited to an account on such Sub-Custodian’s books and records for the exclusive benefit of the Depositary on behalf of the portfolio. In the US, a Sub-Custodian generally holds all US equity securities (both customer and firm securities) in a single participant account with the Depositary Trust and Clearing Corporation (the “DTCC”) and may also hold other securities in customer accounts with other banking or financial institutions (each, a “Sub-Delegate”). The Management Company will grant the Prime Broker the right under US law

and under its contracts with the Management Company to make available a portion of the portfolio's securities to the fullest extent permitted by applicable law for reuse by such Prime Broker (the "Margin Securities"). In the event of a Sub-Custodian insolvency, the portfolio would have a net equity claim for the full value of all portfolio securities (irrespective of whether the securities have been used by the Sub-Custodian), less any debit balance that remains outstanding. Under the US securities law, the framework governing the protection of customer assets held by a Prime Broker is the Securities Exchange Act of 1934 ("Exchange Act") Rule 15c3-1 ("Net Capital Rule") and the Exchange Act Rule 15c3-3 ("Customer Protection Rule"). The Net Capital Rule requires Prime Brokers to maintain a certain minimum of liquid net capital so that they can at all times meet their obligations to customers. The Customer Protection Rule requires Prime Brokers to segregate customers fully paid securities from the US Prime Brokers' assets. Margin Securities are not subject to segregation requirements.

Pursuant to the AIFM Provisions, the Management Company and the Prime Brokers will ensure that the Depositary will get access at any time to true and complete information relating to the portfolio's accounts maintained by the Prime Brokers in which the Prime Brokers will record the assets held from time to time in custody by the Prime Brokers for the account of the portfolio. The Prime Brokers will provide the Depositary with a right of access to information on the composition of the assets entrusted to the Prime Brokers pursuant to the terms and conditions of the applicable prime brokerage and sub-custodian agreements and to the AIFM Provisions. The Prime Brokers will promptly provide all information to the Depositary and to the Investment Manager in order to enable them to be in a position to exercise their duty of supervision. The Prime Brokers will provide the Depositary and the Management Company with statements of assets held by the Prime Brokers in the portfolio's account and with statements of transactions carried out (showing a snapshot of the positions as at the close of business on the previous day) in accordance with AIFM Provisions and pursuant to the terms and conditions of the applicable prime brokerage and sub-custodian agreements. With regard to Margin Securities the Prime Broker will provide information on the securities which form part of Margin Securities, including those which have actually been reused by the Prime Broker.

In the context of the above duties, the Management Company has granted the Prime Brokers the right to make available for reuse and actually reuse the assets of the portfolio. The Depositary has discharged all or part of its liability under Article 19(13) of the AIFM Law to the Prime Brokers.

More details in relation to the above and to any other material arrangements of the Management Company, the Investment Manager, the Depositary and the Prime Brokers as well as information about (i) the names of the Prime Brokers that have been appointed, (ii) the way conflicts of interest in relation to the relationship of the Fund with the Prime Brokers are managed, (iii) the safe-keeping functions which have been (sub-)delegated and the identification of the relevant Sub-Delegates, and (iv) the conflicts of interests that may arise from the appointment of the Sub-Custodians and any further subdelegations, will be provided to Shareholders or prospective investors on request at the registered office of the Management Company or by such other means as is determined by the Management Company or the Investment Manager and notified to Shareholders.

Registrar and Transfer Agent

AllianceBernstein Investor Services, a unit of the Management Company, acts as registrar and transfer agent of the Fund. In such capacity, the Transfer Agent is responsible for processing purchases, redemptions, exchanges and transfers of Shares of the Fund.

Distributor

AllianceBernstein Investments, a unit of the Management Company acts as the Distributor for the Shares on a best efforts basis. The Distributor has contracted with dealers for the distribution of Shares outside the United States.

Shareholder's Rights Against Service Providers

Shareholders shall not have any direct contractual rights against the Investment Manager, the Depositary, the Administrator, the auditor of the Fund or any other service providers who have been appointed from time to time by the Management Company for the Fund.

In accordance with the Law and the AIFM Law, liability of the Depositary to Shareholders shall be invoked through the Management Company. Should the Management Company fail to act despite a written notice to that effect from a Shareholder within a period of three months following receipt of such a notice, that Shareholder may directly invoke the liability of the Depositary

Additional Information

Fees and Expenses

In addition to the sales charge that investors purchasing Shares may incur, the Fund and each portfolio are also subject to ongoing fees and expenses. Distribution fees are accrued and charged as expenses of the portfolio to which they relate.

Management Fee. The Management Company is entitled to a management fee with respect to each portfolio, accrued daily and payable monthly, at the annual rate, based on the average daily Net Asset Value of the Shares, indicated under "Summary Information" in Section I.

From the management fee paid to the Management Company by a portfolio, the Investment Manager is entitled to the payment of an investment management fee with respect to such portfolio, accrued daily and payable monthly, at the annual rate, based on the average daily Net Asset Value of the Shares of such portfolio. With respect to certain share classes, the management fee may also include a component that is paid to distributors or other financial intermediaries and service providers to cover shareholder servicing and other administrative expenses. In the event that the Investment Manager does not act as investment manager for a complete month, the management fee payable by such portfolio for such month will be prorated to reflect the portion of such month in which the Investment Manager acted as such under the Investment Management Agreement.

The Management Company or the Investment Manager, or an affiliate thereof, may make cash payments from time to time from such entity's own resources to distributors, dealers or other entities in connection with the sale of Shares of a portfolio. Such payments may include payments to reimburse directly or indirectly the costs associated with these firms' marketing, educational and training efforts and other support activities. A number of factors are considered in determining the amount of these payments, including each firm's AB funds sales, assets and redemption rates, and the willingness and ability of the firm to provide access to its financial advisors for educational and marketing purposes. In some cases, firms may include AB funds on a "preferred list." The goal is to make the financial advisors who interact with current and prospective Shareholders more knowledgeable about AB funds so that they can provide suitable information and advice about AB funds and related investor services.

If one fund sponsor makes greater distribution assistance payments than another, a financial advisor in such arrangements and his or her firm may have an incentive to recommend one fund complex over another. Similarly, if such a financial advisor or his or her firm receives more distribution assistance for one share class versus another, then they may have an incentive to recommend that class.

Those considering an investment in AB funds should speak with their financial advisor to learn more about the total amounts paid to the financial advisor and his or her firm by the Management Company, the Investment Manager and their affiliates and by sponsors of other funds he or she may recommend and should also consult disclosures made by their financial advisor at the time of purchase. Under certain circumstances, an investor in J US, J JP, J AU, J ZA, J BR, J ID and J CN Shares may receive payments from the Management Company or the Investment Manager, or an affiliate thereof, out of such entity's own resources.

Distribution Fee. Distribution fees with respect to a class of Shares will be paid to the Distributor as compensation for providing distribution-related services to the Fund with respect to such Shares at the rate indicated under "Summary Information" in Section I. Any shareholder servicing fees with respect to a class of shares will be paid by the Management Company out of the Management Fee to the Distributor as compensation for providing ongoing shareholder services to the Fund for holders of such Shares. The Distributor may pay some or all of such distribution or shareholder servicing fees to dealers who distribute Shares based on the average daily Net Asset Value of shares owned by such dealers' clients during such month. The distribution fee and the shareholder servicing fee of a particular class will not be used to subsidize the sale of shares of any other class.

Management Company Fee. The Management Company is entitled to receive out of the assets of the portfolios a fee that is intended to cover the expenses of the services it provides in connection with the operation and central administration of the portfolios in Luxembourg. The amount of the fee payable with respect to each share class of a portfolio is set forth in Section I with respect to each portfolio. The Management Company fee is accrued daily and paid monthly.

Administrator, Depositary and Transfer Agent Fees. Each of the Administrator, Depositary and Transfer Agent is entitled to receive out of the assets of each portfolio a fee accordance with the usual practice in Luxembourg. Such fees are a combination of asset-based fees and transaction fees as described in "Other Portfolio Information—Management Company, Administrator, Depositary and Transfer Agent Fees" in Section I with regard to each portfolio.

Unless otherwise provided for in the relevant part of Section I relating to a specific portfolio, the Administrator, Depositary and Transfer Agent fees will be of a maximum of 1.00% per year, calculated on the basis of the Net Asset Value of a portfolio. The Depositary fees do not comprise the costs of correspondent banks, expenses and transaction fees which will be charged separately. The Administrator, Depositary and Transfer Agent fees are eligible for the total expense ratio caps disclosed in the relevant part of Section I relating to a specific portfolio. The actual amounts of such fees are detailed in the annual report of the Fund.

Other Expenses. Each portfolio bears all of its other expenses, including, but not limited to (a) all taxes which may be due on the assets and the income of the portfolio and any entity-level taxes, (b) the reasonable disbursements and out-of-pocket expenses (including, without limitation, telephone, telex, cable and postage expenses) incurred by the Depositary and any custody

charges of banks and financial institutions to which custody of assets of the portfolio is entrusted, (c) usual banking fees due on transactions involving securities held in the portfolio (such fees to be included in the acquisition price and to be deducted from the selling price), (d) any remuneration and out-of-pocket expenses of the Transfer Agent which will be payable monthly, (e) legal expenses incurred by the Management Company or the Depositary while acting in the interest of the Shareholders, and (f) the cost of printing certificates, the cost of preparing and/or filing the Management Regulations and all other documents concerning the portfolio, including registration statements, prospectuses and explanatory memoranda with all authorities (including local securities dealers' associations) having jurisdiction over the portfolio and any other costs of qualifying or registering the Shares of the portfolio for offer or sale in any jurisdiction, the cost of preparing, in such languages as are necessary for the benefit of the Shareholders, including the beneficial holders of the Shares, and distributing annual and semiannual reports and such other reports or documents as may be required under the applicable laws or regulations of the above-cited authorities; the cost of accounting, bookkeeping and calculating the daily Net Asset Value; the cost of preparing and distributing public notices to the Shareholders; lawyers' and auditor's fees; the costs incurred with the admission and the maintenance of the Shares on the stock exchanges on which they are listed; annual Luxembourg registration fees; and all similar administrative charges, including, unless otherwise decided by the Management Company, all other expenses directly incurred in offering or distributing the Shares, including the printing costs of copies of the above-mentioned documents or reports, which are utilized by the distributors or dealers of the Shares in the course of their business activities.

Unless otherwise provided for in the relevant part of Section I relating to a specific share class of a portfolio, all recurring charges will be charged first against income, then against capital gains and then against assets. Expenses attributable to a particular portfolio are charged to that portfolio, while expenses not attributable to a specific portfolio will be allocated among the Fund's portfolios on such basis as the Board of Managers of the Management Company determines is fair and equitable. Different classes of Shares within a portfolio will bear all expenses attributable to that class of Shares, and if expenses of a portfolio are not attributable to a specific class of Shares of such portfolio, such expenses will be allocated among the classes of Shares of such portfolio on such basis as the Board of Managers of the Management Company determines is fair and equitable.

The Management Company expects the annual expense ratio of each portfolio to be comparable to that of other collective investment undertakings with similar investment objectives.

Co-Management of Assets

For the purpose of effective management, where the investment policies of a portfolio so permit, the Management Company may choose to co-manage assets of certain portfolios within or outside the Fund. In such cases, assets of different portfolios or strategies will be managed in common. The assets which are co-managed shall be referred to as a "pool." These pooling arrangements are an administrative device designed to reduce operational and other expenses and do not change the legal rights and obligations of Shareholders. The pools do not constitute separate entities and are not directly accessible to investors. Each of the co-managed portfolios or strategies shall remain entitled to its specific assets. Where the assets of more than one portfolio or strategy are pooled, the assets attributable to each participating portfolio or strategy will initially be determined by reference to its initial allocation of assets to such a pool and will change in the event of additional allocations or withdrawals. The entitlements of each participating portfolio or strategy to the co-managed assets apply to each and every line of investments of such pool. Additional investments made on behalf of the co-managed portfolios or strategies shall be allotted to such portfolios or strategies in accordance with their respective entitlement, whereas assets sold shall be levied similarly on the assets attributable to each participating portfolio or strategy.

A review of the tax impact of the pooling arrangements has been undertaken in Luxembourg. It is not anticipated that any material Luxembourg taxes will arise due to the implementation of the pooling arrangements as described in this Prospectus. There may be a risk of taxation impacts in other jurisdictions where securities located in those countries are pooled as described in this Prospectus, though any additional taxes arising are not anticipated to be material.

Determination of the Net Asset Value of Shares

The Net Asset Value per Share of each class of Shares, expressed in the Currency of the Portfolio and any other Offered Currency, will be determined by the Management Company as of 4:00 p.m. U.S. Eastern time on each Business Day or otherwise as indicated under "Summary Information" in Section I with respect to a portfolio. To the extent feasible, investment income, interest payable, fees and other liabilities (including management fees) will be accrued daily.

In all cases, the Net Asset Value per Share of each class of Shares is determined by dividing the value of the total assets of each portfolio properly allocable to such class of Shares less the liabilities of such portfolio properly allocable to such class of Shares by the total number of Shares of such class outstanding on each Business Day. The Net Asset Value per Share of each class of Shares of a portfolio may differ as a result of the different fees assessed on each class of Shares of such portfolio.

With respect to securities for which market quotations are readily available, the market value of a security held by a portfolio will be determined as follows:

(a) securities listed on an exchange are valued at the last sale price reflected on the consolidated tape at the close of the exchange on the Business Day as of which such value is being determined. If there has been no sale on such day, the securities are valued at the mean of the closing bid and asked prices on such day. If no bid or asked prices are quoted on such day, then the security is valued in good faith at fair value by, or in accordance with procedures established by, the Management Company and the External Valuer;

(b) securities traded on more than one exchange are valued in accordance with paragraph (a) above by reference to the principal exchange on which the securities are traded;

(c) securities traded in the over-the-counter market, including securities listed on an exchange whose primary market is believed to be over-the-counter (but excluding securities traded on The Nasdaq Stock Market, Inc. ("NASDAQ")) are valued at the mean of the current bid and asked prices;

(d) securities traded on NASDAQ are valued in accordance with the NASDAQ Official Closing Price;

(e) listed put or call options purchased by a portfolio are valued at the last sale price. If there has been no sale on that day, such securities will be valued at the closing bid prices on that day;

(f) open futures contracts and options thereon will be valued using the closing settlement price or, in the absence of such a price, the most recent quoted bid price. If there are no quotations available for the day of valuations, the last available closing settlement price will be used;

(g) U.S. Government securities and other debt instruments having 60 days or less remaining until maturity are valued at amortized cost if their original maturity was 60 days or less, or by amortizing their fair value as of the 61st day prior to maturity if their original term to maturity exceeded 60 days (unless in either case it is determined, in accordance with procedures established by the Management Company, that this method does not represent fair value);

(h) fixed-income securities may be valued on the basis of prices that reflect the market value of such fixed-income securities and that are provided by a pricing service when such prices are believed to reflect the fair market value of such securities. The prices provided by a pricing service take into account many factors, including institutional size, trading in similar groups of securities and any developments related to specific securities. For securities where the Investment Manager has determined that an appropriate pricing service does not exist, such securities may be valued on the basis of a quoted bid price or spread from a major broker-dealer in such security;

(i) mortgage-backed and asset-backed securities may be valued at prices that reflect the market value of such securities and that are obtained from a bond pricing service or at a price that reflects the market value of such securities and that is obtained from one or more of the major broker-dealers in such securities when such prices are believed to reflect the fair market value of such securities. In cases where broker-dealer quotes are obtained, the Management Company and the External Valuer may establish procedures whereby changes in market yields or spreads are used to adjust, on a daily basis, a recently obtained quoted bid price on a security;

(j) OTC and other derivatives are valued on the basis of a quoted bid price or spread from a major broker-dealer in such security;

(k) units or shares in open-ended undertakings for collective investments shall be valued on the basis of their last net asset value, as reported by such undertakings; and

(l) all other securities will be valued in accordance with readily available market quotations as determined in accordance with procedures established by the Management Company and the External Valuer. In the event that extraordinary circumstances render such a valuation impracticable or inadequate, other rules determined prudently and in good faith by the Management Company and the External Valuer in order to achieve a fair valuation of the assets of the Fund may be applied.

The Fund values its securities at their current market value determined on the basis of market quotations or, if market quotations are not readily available or are unreliable, at "fair value" as determined in accordance with procedures established by and under the general supervision of the Management Company. When the Fund uses fair value pricing, it may take into account any factors it deems appropriate. The Fund may determine fair value based upon developments related to a specific security or current valuations of market indices. The prices of securities used by the Fund to calculate its Net Asset Value may differ from quoted or published prices for the same securities. Fair value pricing involves subjective judgments and it is possible that the fair value determined for a security is materially different than the value that could be realized upon the sale of that security.

In accordance with the relevant procedures, the AIFM expects to use fair value pricing for securities primarily traded on exchanges in the Americas only under very limited circumstances, such as the early closing of the exchange on which a security is traded or suspension of trading in the security. The AIFM may use fair value pricing more frequently for securities primarily traded outside of the Americas because, among other things, most markets outside of the Americas close well before the AIFM values its securities at 4:00 p.m. U.S. Eastern Time or otherwise as indicated under "Summary Information" in Section I with respect to a portfolio. The earlier close of these markets gives rise to the possibility that significant events, including broad market moves, may have occurred in the interim. To account for this, the External Valuer may frequently value many of its non-Americas securities using fair value prices based on third party vendor modelling tools to the extent available.

Accordingly, as may also be the case with a previously reported stock exchange price, the price of any portfolio security determined utilizing fair value pricing procedures may be materially different from the price to be realized upon the sale of such security.

For purposes of determining the Fund's Net Asset Value per Share, all assets and liabilities initially expressed in a currency other than the Currency of the Portfolio will be converted into such currency at the mean of the current bid and asked prices of such currency against the Currency of the Portfolio last quoted by a major bank that is a regular participant in the relevant exchange market or on the basis

of a pricing service that takes into account the quotes provided by a number of such major banks. If such quotations are not available as of the close of the Exchange, the rate of exchange will be determined in good faith by, or under the direction of, the Board of Managers of the Management Company.

In the event that extraordinary circumstances render such a valuation impracticable or inadequate, other rules determined prudently and in good faith by the Management Company and the External Valuer in order to achieve a fair valuation of the assets of the Fund may be applied.

Additional information in relation to the valuation procedure for the Fund and of the pricing methodology for valuing the Fund's assets, including as the case may be the methods used in valuing hard-to-value assets, is available at the registered office of the Management Company.

Brown Brothers Harriman (Luxembourg) S.C.A. has been appointed by the Management Company to make the daily determination of the Net Asset Value per Share of each class of Shares of each portfolio. The Net Asset Value in respect of a particular Valuation Point will be available at or around 6:00 p.m. U.S. Eastern time on such Business Day or otherwise as indicated under "Summary Information" in Section I with respect to a portfolio. For purposes of issues and redemptions, the Net Asset Value may be converted in other currencies as specified in this Prospectus.

Suspension of Issue, Redemption and Exchange of Shares and Calculation of Net Asset Value

The Management Company may temporarily suspend the determination of Net Asset Value of a portfolio, and consequently the issue, redemption and exchange of Shares of such portfolio, in any of the following events:

- When one or more stock exchanges or markets that provide the basis for valuing a substantial portion of the assets of a portfolio, or when one or more foreign exchange markets in the currency in which a substantial portion of the assets of the portfolio are denominated, is closed otherwise than for ordinary holidays or if dealings therein are restricted or suspended;

- When, as a result of political, economic, military or monetary events or any circumstances outside the responsibility and the control of the Management Company, disposal of the assets of a portfolio is not reasonably or normally practicable without being seriously detrimental to the interests of the Shareholders;

- In the case of a breakdown in the normal means of communication used for the valuation of any investment of a portfolio or if, for any reason, the value of any asset of a portfolio may not be determined as rapidly and accurately as required;

- During any period when the Fund is unable to repatriate funds for the purpose of making payments on the redemption of Shares of such portfolio(s) or during which any transfer of funds involved in the realisation or acquisition of investments or payments due on redemption of Shares of the Fund cannot, in the opinion of the Management Company, be effected at normal rates of exchange; or

- During any period when in the opinion of the Management Company there exist unusual circumstances where it would be impracticable or unfair towards the investor to continue dealing with Shares of the Fund, a portfolio or a Class or any other circumstance or circumstances where a failure to do so might result in the shareholders of the Fund, a portfolio or a Class incurring any liability to taxation or suffering other pecuniary disadvantages or other detriment which the shareholders of the Fund, a portfolio or a Class might not otherwise have suffered.

The decision to suspend temporarily the determination of the Net Asset Value of Shares of a portfolio does not necessarily entail the same decision for the classes of Shares of another portfolio, if the assets within such other portfolio are not affected to the same extent by the same circumstances. Suspensions of the calculation of the Net Asset Value will be published in the manner prescribed for notices to Shareholders under the heading "Meetings, Notices and Information to Shareholders" in this Section II if such suspension is likely to exceed ten days.

Restrictions on Ownership

Eligible Investors. The sale of Shares in the Fund is restricted to persons who qualify as Eligible Investors.

The Management Company will, at its discretion, refuse to issue or to transfer Shares of the Fund if there is not sufficient evidence that the person to whom such Shares are sold or transferred is an Eligible Investor.

Eligible Investors subscribing for Shares of the Fund in their own name, but on behalf of a third party, must certify to the Management Company that such subscription is made on behalf of an Eligible Investor as aforesaid, and the Management Company may require, at its sole discretion, evidence that the beneficial owner of the Shares is an Eligible Investor.

Shares of the Fund may not be transferred to any person or any entity without the prior consent of the Management Company, which consent can only be withheld in the circumstances described above or in any other circumstances where any such transfer would be detrimental to the Fund or its Shareholders.

The Management Company or any of its appointed agents may compulsorily redeem Shares owned by investors in breach of the restrictions of this section.

U.S. Persons. Pursuant to its powers as set out in the Management Regulations, the Management Company has resolved to restrict or prevent the ownership of shares by any "U.S. Person." Investors will be required to provide assurances satisfactory to the Distributor, the dealer or the Fund indicating that the prospective purchaser is not a U.S. Person. Shareholders are required to notify the Fund immediately of any change in such information. IT IS THE RESPONSIBILITY OF EACH SHAREHOLDER TO VERIFY

THAT IT IS NOT A U.S. PERSON THAT WOULD BE PROHIBITIED FROM OWNING SHARES IN THE FUND.

In addition, the Management Company, in its discretion, may permit the ownership of Shares by U.S. Persons in certain circumstances.

If it shall come to the attention of the Management Company at any time that Shares of the Fund are beneficially owned by a U.S. Person, either alone or in conjunction with any other person, the Management Company, on behalf of the Fund, may in its discretion compulsorily repurchase such Shares at their redemption price as described herein.

In addition to any liability under applicable law, each Shareholder who does not qualify as an Eligible Investor or is otherwise precluded from holding Shares according to the terms of this Prospectus, and who holds Shares in the Fund, shall hold harmless and indemnify the Fund, the Management Company or any of its appointed agents, any of the managers of the Management Company, the Investment Manager and their affiliates and the other Shareholders for any damages, losses and expenses resulting from or connected to such holding circumstances where the relevant Shareholder had furnished misleading or untrue documentation or had made misleading or untrue representations to wrongfully establish its status as an Eligible Investor or has failed to notify the Management Company or any of its appointed agents of its loss of such status.

Management Regulations

The Fund is managed by the Management Company in accordance with the Management Regulations. The Management Regulations of the Fund, dated 15 April 2026, to be published in the *RESA* through a notice advising of the deposit of such document with the *Registre de Commerce et des Sociétés* in Luxembourg. The Management Regulations are on file with the *Registre de Commerce et des Sociétés* of Luxembourg where they may be inspected and where copies thereof may be obtained.

By acquiring Shares, every Shareholder approves and fully accepts that the Management Regulations will govern the relationship among the Shareholders, the Management Company and the Depositary. The Management Regulations place certain restrictions and limitations on the Management Company in connection with its operation of the Fund and the portfolios. The Management Company may from time to time impose further investment restrictions as are compatible with or in the interest of the Shareholders, in order to comply with the laws and regulations of the various countries where the Shares of the Fund's portfolios are sold.

Listing of Shares

The Management Company may at its discretion decide to list one or several specific Class(es) of Shares on any stock exchange or multilateral trading facility (“MTF”).

Liquidity Risk Management

The Fund benefits from a liquidity risk management system. In this context, procedures have been put in place to enable a monitoring of the liquidity risks of each Portfolio and to ensure that the liquidity profile of each Portfolio's investment portfolio is such that the Fund can normally meet its share redemption obligations. Additional information on the liquidity risk management system is available at the registered office of the Management Company.

It is intended that Shareholders will be notified through any Information Means of any material changes to the liquidity management systems and procedures employed by the Management Company including any suspension of redemptions or activation of gates, side pockets or similar special liquidity arrangements in accordance with the AIFM Provisions.

Leverage

For portfolios employing leverage, the Management Company is required in accordance with the AIFM Provisions to calculate and monitor the level of leverage and to disclose their maximum level of leverage as stated in the relevant section for each portfolio as well as their total amount of leverage employed as stated in the annual reports of the Fund.

In this context leverage means any method by which a portfolio increases its exposure whether through borrowing cash or securities, or leverage embedded in derivative positions or by any other means. The sources of leverage which can be used when managing a portfolio include:

a) cash borrowing;

b) financial derivative instruments; and

c) reinvestment of cash collateral in the context of securities lending.

Leverage is expressed as percentage of a portfolio’s Net Asset Value (Exposure/NAV x 100%). The exposure of a portfolio shall be calculated in accordance with the gross method and the commitment method.

A portfolio’s exposure is calculated under the gross method and commitment method in accordance with the Commission Delegated Regulation of 19 December 2012 supplementing Directive 2011/61/EU.

The maximum level of leverage that may be employed by portfolios employing leverage, calculated in accordance with the gross and commitment methods, is stated in the relevant section for each portfolio. In addition, the total amount of leverage employed by portfolios employing leverage will be disclosed in the Fund's annual reports.

As these calculations do not take into account whether a particular financial derivative instrument increases or decreases investment risk, they will not necessarily be representative of the actual level of investment risk within a portfolio.

Changes to the maximum level of leverage and any right of re-use of collateral or any guarantee under the leveraging arrangements, if any, shall be notified to Shareholders through any Information Means without undue delay.

Additionally, in addition to above, if permitted in the applicable portfolio's investment policies and objectives, a portfolio may borrow securities using a prime broker which may be another source of leverage. Borrowing through a prime broker involves additional risks. The prime brokers may change from time to time. Information on the prime brokers can be obtained at the registered office of the Management Company.

Taxation

The following summaries do not purport to be complete in all respects and do not constitute investment or tax advice and investors should consult their own professional advisers as to the tax implications under the laws of the countries of their nationality, residence, domicile or incorporation of an investment in the portfolios.

The taxation of income and capital gains of the Fund and Shareholders is subject to the fiscal law and practice of Luxembourg, any jurisdiction in which the Fund makes investments and of the jurisdictions in which Shareholders are resident or otherwise subject to tax. The following general summary of the anticipated tax treatment in Luxembourg and the United States does not constitute legal or tax advice and applies only to Shareholders holding Shares as an investment.

Prospective Shareholders should inform themselves of, and where appropriate take advice on, the laws and regulations (such as taxation and exchange controls) applicable to the subscription, purchase, redemption, exchange, conversion, holding and realization of Shares and the receipt of distributions (whether or not on redemption) in the place of their citizenship, residence, domicile or incorporation.

The information below is based on current law and interpretations thereof on the date of this document. No assurance can be given that applicable tax law and interpretations thereof will not be changed in the future. The following tax summary is not a guarantee to any Shareholder of the tax results of investing in the Fund.

Luxembourg Taxation. The following is a general summary of the anticipated tax treatment in Luxembourg and is based on the Management Company's understanding of certain aspects of the law and practice currently in force in Luxembourg. There can be no guarantee that the tax position at the date of this Prospectus or at the time of an investment will endure indefinitely.

The Fund. The Fund is not subject to any taxes in Luxembourg on income or capital gains. The Fund is only subject tax to which the Fund in Luxembourg is subject to a subscription tax (*taxe d'abonnement*) levied at a rate of 0.01% per annum, based on the Net Asset Value of each Portfolio at the end of the relevant quarter, calculated and paid quarterly. The tax is not applicable for the portion of the assets of a Portfolio invested in other Luxembourg undertakings for collective investment.

Subscription tax exemption applies to (i) the Fund's investments in other undertakings for collective investment, which have already borne the Luxembourg subscription tax, (ii) specialized investment funds as well as individual compartments with multiple compartments whose exclusive object is the collective investment in money market instruments and the placing of deposits with credit institutions, and, the weighted residual portfolio maturity of which does not exceed 90 days, and, which have obtained the highest possible rating from a recognised rating agency, (iii) specialized investment funds whose securities are reserved for institutions for occupational retirement provision, and (iv), specialized investment funds as well as individual compartments whose main object is the investment in microfinance institutions.

Withholding Tax. Interest and dividend income received by the Fund may be subject to non-recoverable withholding tax in the country of origin. The Fund may further be subject to tax on the realised or unrealised capital appreciation of its assets in the country of origin.

No withholding tax will be applied in Luxembourg to income or capital gains paid to investors from the Fund, wherever they are resident.

Shareholders. Shareholders in the Fund will be subject to tax on the income and capital gains earned from the investment in accordance with the laws in force in their country of residence.

Under current legislation, Shareholders are not subject to any capital gains, income or withholding tax in Luxembourg except for (i) those domiciled, resident or having a permanent establishment in Luxembourg or (ii) non-residents of Luxembourg, not protected by a tax treaty, who hold through the Fund more than 10% of a Luxembourg company and have their Shares in the Fund redeemed less than 6 months after subscription of the Shares of the Fund.

The Fund collects the income produced by the assets in its portfolio after deduction of any withholding tax in the relevant countries. Because the Fund does not have legal personality, any potential entitlement to reduction in the rate of applicable withholding taxes depends on the status of the Fund's investors. Where an investor is exempt from tax in his country of residence, or is eligible for treaty relief under a double tax treaty concluded between his country of residence and the country where the security is located, it may be possible to obtain a full or partial refund of his proportionate share of the withholding tax suffered by the Fund.

European Union Savings Directive. Individuals resident in the EU or in certain third countries or dependent or associated Territories should consider the following information.

The Council of the EU has adopted on 3 June 2003 Council Directive 2003/48/EC on the taxation of savings income in the form of interest payments (the "Directive"). Under the Directive, Member States of the EU will be required to provide the tax authorities of another EU Member State with information on payments of interest or other similar income paid by a paying agent (as defined by the Directive) within its jurisdiction to an individual resident or a residual entity established in that other EU Member State or in certain dependent or associated territories of an EU Member State. Austria has opted instead for a tax withholding system for a transitional period in relation to such payments.

Switzerland, Monaco, Liechtenstein, Andorra and San Marino and the Channel Islands, the Isle of Man and the dependent or associated territories in the Caribbean, have also introduced measures equivalent to information reporting or, during the above transitional period, withholding tax.

Under the Luxembourg laws dated June 21, 2005 (the "Laws"), implementing the Directive, as amended by the Luxembourg Law of 25 November 2014, and several agreements concluded between Luxembourg and certain dependent or associated territories of the EU ("Territories"), a Luxembourg-based paying agent is required as from 1 January 2015 to report to the Luxembourg tax authorities the payment of interest and other similar income paid by it to (or under certain circumstances, to the benefit of) an individual or certain residual entities resident or established in another EU Member State or in the Territories, and certain personal detail on the beneficial owner. Such details will be provided by the Luxembourg tax authorities to the competent foreign tax authorities of the state of residence of the beneficial owner (within the meaning of the Directive).

Dividends distributed by a portfolio of the Fund will be subject to the Directive and the Laws if more than 15% of such portfolio's assets are invested in debt claims (as defined in the Laws) and proceeds realized by Shareholders on the redemption or sale of Shares in a portfolio will be subject to the Directive and the Laws if more than 25% of such portfolio's assets are invested in debt claims.

Council Directive 2014/48/EU enlarges inter alia the scope of the Directive.

Under the directive 2015/2060/EU repealing the Directive, the Directive has been repealed and will no longer apply once all the reporting obligation concerning year 2015 will have been complied with.

Automatic Exchange of Information. The Organisation for Economic Co-operation and Development ("OECD") has developed a Common Reporting Standard ("CRS") to achieve a comprehensive and multilateral Automatic Exchange Of Information ("AEOI") on a global basis. On 9 December 2014, Council Directive 2014/107/EU amending Directive 2011/16/EU as regards mandatory automatic exchange of information in the field of taxation (the "Euro-CRS Directive") was adopted in order to implement the CRS among the Member States. For Austria, the Euro-CRS Directive applies the first time by 30 September 2018 for the calendar year 2017, i.e. the Savings Directive will apply one year longer.

The Euro-CRS Directive was implemented into Luxembourg law by the law of 18 December 2015 on the automatic exchange of financial account information in the field of taxation ("CRS Law"). The CRS Law requires Luxembourg financial institutions to identify financial assets holders and establish if they are fiscally resident in countries with which Luxembourg has a tax information sharing agreement. Luxembourg financial institutions will then report financial account information of the asset holder to the Luxembourg tax authorities, which will thereafter automatically transfer this information to the competent foreign tax authorities on a yearly basis.

Accordingly, the Fund may require its investors to provide information in relation to the identity and fiscal residence of financial account holders (including certain entities and their controlling persons) in order to ascertain their CRS status and report information regarding an investor and his/her/its account to the Luxembourg tax authorities (*Administration des Contributions Directes*), if such account is deemed a CRS reportable account under the CRS Law. The Fund shall communicate any information to the investor according to which (i) the Fund is responsible for the treatment of the personal data provided for in the CRS Law; (ii) the personal data will only be used for the purposes of the CRS Law; (iii) the personal data may be communicated to the Luxembourg tax authorities (*Administration des Contributions Directes*); (iv) responding to CRS-related questions is mandatory and accordingly the potential consequences in case of no response; and (v) the investor has a right of access to and rectification of the data communicated to the Luxembourg tax authorities (*Administration des Contributions Directes*).

Under the CRS Law, the first exchange of information will be applied by 30 September 2017 for information related to the calendar year 2016. Under the Euro-CRS Directive, the first AEOI must be applied by 30 September 2017 to the local tax authorities of the Member States for the data relating to the calendar year 2016.

In addition, Luxembourg signed the OECD's multilateral competent authority agreement ("Multilateral Agreement") to automatically exchange information under the CRS Law. The Multilateral Agreement aims to implement the CRS among non-Member States; it requires agreements on a country-by-country basis.

The Fund reserves the right to refuse any application for Shares if the information provided or not provided does not satisfy the requirements under the CRS Law.

Investors in the Fund may therefore be reported to the Luxembourg and other relevant tax authorities in accordance with applicable rules and regulations.

Investors should consult their professional advisors on the possible tax and other consequences with respect to the implementation of the CRS Law.

United States Taxation.

THE DISCUSSION HEREIN IS FOR INFORMATIONAL PURPOSES ONLY AND IS A DISCUSSION PRIMARILY OF THE U.S. TAX CONSEQUENCES TO PROSPECTIVE SHAREHOLDERS. EACH PROSPECTIVE SHAREHOLDER SHOULD CONSULT ITS PROFESSIONAL TAX ADVISOR WITH RESPECT TO THE TAX ASPECTS OF AN INVESTMENT IN THE FUND. TAX CONSEQUENCES MAY VARY DEPENDING UPON THE PARTICULAR STATUS OF A PROSPECTIVE SHAREHOLDER. IN ADDITION, SPECIAL CONSIDERATIONS (NOT DISCUSSED HEREIN) MAY APPLY TO PERSONS WHO ARE NOT DIRECT SHAREHOLDERS IN THE FUND BUT WHO ARE DEEMED TO OWN SHARES AS A RESULT OF

THE APPLICATION OF CERTAIN ATTRIBUTION RULES.

The Fund has not sought a ruling from the U.S. Internal Revenue Service or any other U.S. federal, state or local agency with respect to any of the tax issues affecting the Fund, nor has it obtained an opinion of counsel with respect to any tax issues.

The following is a summary of certain potential U.S. federal tax consequences which may be relevant to prospective shareholders. The discussion contained herein is not a full description of the complex tax rules involved and is based upon existing laws, judicial decisions and administrative regulations, rulings and practices, all of which are subject to change, retroactively as well as prospectively. A decision to invest in the Fund should be based upon an evaluation of the merits of the trading program, and not upon any anticipated U.S. tax benefits.

U.S. Tax Status. The U.S. federal tax classification of segregated portfolios of a non-U.S. entity such as the Fund is not entirely clear. The Fund intends to take the position that each Portfolio of the Fund is a separate entity for U.S. federal tax purposes due to the segregation of a Portfolio's assets and liabilities under the laws of Luxembourg. The remainder of the U.S. tax discussion herein assumes that each Portfolio will be treated as a separate corporation for U.S. federal tax purposes. The references to "the Fund" below shall be read to apply to each Portfolio, unless otherwise indicated.

U.S. Trade or Business. Section 864(b)(2) of the IRC, provides a safe harbor (the "Safe Harbor") applicable to a non-U.S. corporation (other than a dealer in securities) that engages in the U.S. in trading securities (including contracts or options to buy or sell securities) for its own account pursuant to which such non-U.S. corporation will not be deemed to be engaged in a U.S. trade or business. The Safe Harbor also provides that a non-U.S. corporation (other than a dealer in commodities) that engages in the U.S. in trading commodities for its own account is not deemed to be engaged in a U.S. trade or business if "the commodities are of a kind customarily dealt in on an organized commodity exchange and if the transaction is of a kind customarily consummated at such place." Pursuant to proposed regulations, a non-U.S. taxpayer (other than a dealer in stocks, securities, commodities or derivatives) that effects transactions in the United States in derivatives (including (i) derivatives based upon stocks, securities, and certain commodities and currencies, and (ii) certain notional principal contracts based upon an interest rate, equity, or certain commodities and currencies) for its own account is not deemed to be engaged in a United States trade or business. Although the proposed regulations are not final, the Service has indicated in the preamble to the proposed regulations that for periods prior to the effective date of the proposed regulations, taxpayers may take any reasonable position with respect to the application of Section 864(b)(2) of the IRC to derivatives, and that a position consistent with the proposed regulations will be considered a reasonable position.

The Fund intends to conduct its business in a manner so as to meet the requirements of the Safe Harbor. Thus, based on the foregoing, the Fund's securities and commodities trading activities are not expected to constitute a U.S. trade or business and, except in the limited circumstances discussed below, the Fund does not expect to be subject to the regular U.S. income tax on any of its trading profits. However, the federal tax treatment of certain lending activities is not entirely clear and may fall outside the Safe Harbor. The Investment Manager believes that the transactions under the Fund's investment programs should qualify for the Safe Harbor, although there can be no assurance that the IRS will agree. Thus, it is possible that certain of the Fund's activities may constitute a U.S. trade or business, in which case one or more portfolios would be subject to U.S. income and branch profits tax on the income and profits relating to such activities.

Even if the Fund's securities trading activity does not constitute a U.S. trade or business, gains realized from the sale or disposition of stock or securities (other than debt instruments with no equity component) of U.S. Real Property Holding Corporations (as defined in Section 897 of the IRC) ("USRPHCs"), including stock or securities of certain Real Estate Investment Trusts ("REITs"), will be generally subject to U.S. income tax on a net basis. However, a principal exception to this rule of taxation may apply if such USRPHC has a class of stock which is regularly traded on an established securities market and the Fund generally did not hold (and was not deemed to hold under certain attribution rules) more than 5% of the value of a regularly traded class of stock or securities of such USRPHC at any time during the five year period ending on the date of disposition.[2] Moreover, if the Fund were deemed to be engaged in a U.S. trade or business as a result of owning a limited partnership interest in a U.S. business partnership or a similar ownership interest, income and gain realized from that investment would be subject to U.S. income and branch profits tax.

U.S. Withholding Tax. In general, under Section 881 of the IRC, a non-U.S. corporation which does not conduct a U.S. trade or business is nonetheless subject to tax at a flat rate of 30% (or lower tax treaty rate) on the gross amount of certain U.S. source income which is not effectively connected with a U.S. trade or business, generally payable through withholding. Income subject to such a flat tax rate is of a fixed or determinable annual or periodic nature, including dividends, certain "dividend equivalent payments" and certain interest income. In some cases, dividend income subject to the 30% (or lower tax treaty rate), can be imputed to holders of certain equity interests or equity derivative instruments, such as options or convertible debt,

[2] The Fund will also be exempt from tax on dispositions of REIT shares, whether or not those shares are regularly traded, if less than 50% of the value of such shares is held, directly or indirectly, by non-U.S. persons at all times during the five-year period ending on the date of disposition. However, even if the disposition of REIT shares would be exempt from tax on a net basis, distributions from a REIT (whether or not such REIT is a USRPHC), to the extent attributable to the REIT's disposition of interests in U.S. real property, are subject to tax on a net basis when received by the Fund and may be subject to the branch profits tax. Distributions from certain publicly traded REITs to non-U.S. shareholders owning 5% or less of the shares are subject to a 30% gross withholding tax on those distributions and are not subject to tax on a net basis.

as a result of an adjustment by the issuing corporation to the exercise or conversion ratio, or as a result of other corporate action which has the effect of increasing a holder's interest in the earnings and profits, or assets of the issuing corporation.

Certain types of income are specifically exempted from the 30% tax and thus withholding is not required on payments of such income to a non-U.S. corporation. The 30% tax does not apply to U.S. source capital gains (whether long or short-term) or to interest paid to a non-U.S. corporation on its deposits with U.S. banks. The 30% tax also does not apply to interest which qualifies as portfolio interest. The term "portfolio interest" generally includes interest (including original issue discount) on an obligation in registered form which has been issued after July 18, 1984 and with respect to which the person who would otherwise be required to deduct and withhold the 30% tax receives the required statement that the beneficial owner of the obligation is not a U.S. person within the meaning of the IRC. In addition, if any credit default swap is characterized as a contract of insurance or a guarantee, payments received under such credit default swap may be subject to an excise tax or a withholding tax.

Redemption of Shares. Gain realized by shareholders who are not U.S. persons within the meaning of the IRC ("non-U.S. shareholders") upon the sale, exchange or redemption of Shares held as a capital asset should generally not be subject to U.S. federal income tax provided that the gain is not effectively connected with the conduct of a trade or business in the U.S. However, in the case of nonresident alien individuals, such gain will be subject to the 30% (or lower tax treaty rate) U.S. tax if (i) such person is present in the U.S. for 183 days or more during the taxable year (on a calendar year basis unless the nonresident alien individual has previously established a different taxable year) and (ii) such gain is derived from U.S. sources.

Generally, the source of gain upon the sale, exchange or redemption of Shares is determined by the place of residence of the shareholder. For purposes of determining the source of gain, the IRC defines residency in a manner that may result in an individual who is otherwise a nonresident alien with respect to the U.S. being treated as a U.S. resident only for purposes of determining the source of income. Each potential individual shareholder who anticipates being present in the U.S. for 183 days or more (in any taxable year) should consult his tax advisor with respect to the possible application of this rule.

Gain realized by a non-U.S. shareholder engaged in the conduct of a U.S. trade or business will be subject to U.S. federal income tax upon the sale, exchange or redemption of Shares if such gain is effectively connected with its U.S. trade or business.

Estate and Gift Taxes. Individual holders of Shares who are neither present nor former U.S. citizens or U.S. residents (as determined for U.S. estate and gift tax purposes) are not subject to U.S. estate and gift taxes with respect to their ownership of such Shares.

Identity and Reporting of Beneficial Ownership; Withholding on Certain Payments.

United States. In order to avoid a U.S. withholding tax of 30% on certain payments (including payments of gross proceeds) made with respect to certain actual and deemed U.S. investments, the portfolio and/or the Fund generally will be required to timely register with the Service, and agree to identify, and report information with respect to, certain direct and indirect U.S. account holders (including debtholders and equityholders). Luxembourg has signed a Model 1A (reciprocal) inter-governmental agreement with the United States (the "US IGA") to give effect to the foregoing withholding and reporting rules. So long as the Fund complies with the US IGA and the enabling legislation, the Investment Manager anticipates that the Fund will not be subject to the related U.S. withholding tax.

A non-U.S. investor in the Fund will generally be required to provide to the Fund (or in certain cases, a distributor, intermediary or certain other entities through which a non-U.S. investor invests (each, an "Intermediary")) information which identifies its direct and indirect U.S. ownership. Under the US IGA, any such information provided to the Fund and certain financial information related to such investor's investment in the Fund will be shared with the Luxembourg Minister of Finance or its delegate (the "Luxembourg MOF"). The Luxembourg MOF will provide the information reported to it with the Service annually on an automatic basis. A non-U.S. investor that is a "foreign financial institution" within the meaning of Section 1471(d)(4) of the IRC or a "financial institution" within the meaning of an applicable inter-governmental agreement will generally be required to timely register with the Service, and agree to identify, and report information with respect to, certain of its own direct and indirect U.S. account holders (including debtholders and equityholders). A non-U.S. investor who fails to provide such information to the Fund (or, if applicable, an Intermediary) or timely register and agree to identify, and report information with respect to, such account holders (as applicable) may be subject to the 30% withholding tax with respect to its share of any such payments attributable to actual and deemed U.S. investments of the Fund, and the Fund may take any action in relation to an investor's Shares or redemption proceeds to ensure that such withholding is economically borne by the relevant investor whose failure to provide the necessary information or comply with such requirements (as applicable) gave rise to the withholding, subject to applicable laws and regulations and provided that the Management Company acts in good faith and on reasonable grounds. Shareholders should consult their own tax advisors regarding the possible implications of these rules on their investments in the Fund.

Non-U.S. shareholders may also be required to make certain certifications to the Fund as to the beneficial ownership of the Shares and the non-U.S. status of such beneficial owner, in order to be exempt from U.S. information reporting and backup withholding on a redemption of Shares.

In General. It is possible that further inter-governmental agreements ("future IGAs") similar to the US IGA may be entered into with other third countries by the Luxembourg Government to introduce similar regimes for reporting to such third countries' fiscal authorities ("foreign fiscal authorities").

By investing (or continuing to invest) in the Fund, investors shall be deemed to acknowledge that:

(i) the Fund (or its agent or an Intermediary) may be required to disclose to the Luxembourg MOF certain confidential information in relation to the investor, including, but not limited to, the investor's name, address, tax identification number (if any), social security number (if any) and certain information relating to the investor's investment;

(ii) the Luxembourg MOF may provide information as outlined above with the Service, the Luxembourg Minister of Finance and other foreign fiscal authorities;

(iii) the Fund (or its agent or an Intermediary) may disclose to the Service, the Luxembourg Minister of Finance and other foreign fiscal authorities certain confidential information when registering with such authorities and if such authorities contact the Fund (or its agent directly) with further enquiries;

(iv) the Fund or an Intermediary may require the investor to provide additional information and/or documentation which the Fund or an Intermediary may be required to disclose to the Luxembourg MOF;

(v) in the event an investor does not provide the requested information and/or documentation and/or has not itself complied with the applicable requirements, the Fund reserves the right to take any action and/or pursue all remedies at its disposal, including, without limitation, action to ensure that any withholding imposed in respect of such investor's Shares or redemption proceeds is economically borne by such investor and compulsory redemption of the investor concerned; and

(vi) no investor affected by any such action or remedy shall have any claim against the Fund (or its agent) for any form of damages or liability as a result of actions taken or remedies pursued by or on behalf of the Fund in order to comply with FATCA, any of the US IGA or any future IGAs, or any of the relevant underlying legislation and regulations.

Other Jurisdictions. Interest, dividend and other income realized by the Fund from other sources, and capital gains realized, or gross sale or disposition proceeds received, on the sale of securities of issuers not specifically discussed herein, may be subject to withholding and other taxes levied by the jurisdiction in which the income is sourced. It is difficult to predict the rate of foreign tax the Fund will pay since the amount of the assets to be invested in various countries and the ability of the Fund to reduce such taxes, are not known.

Future Changes in Applicable Law. The foregoing description of U.S. and Luxembourg income tax consequences of an investment in and the operations of the Fund is based on laws and regulations which are subject to change through legislative, judicial or administrative action. Other legislation could be enacted that would subject the Fund to income taxes or subject shareholders to increased income taxes.

Other Taxes. Prospective shareholders should consult their own counsel regarding tax laws and regulations of any other jurisdiction which may be applicable to them.

THE TAX AND OTHER MATTERS DESCRIBED IN THIS MEMORANDUM DO NOT CONSTITUTE, AND SHOULD NOT BE CONSIDERED AS, LEGAL OR TAX ADVICE TO PROSPECTIVE SHAREHOLDERS.

Auditors and Fiscal Year

The Management Company has appointed Ernst & Young S.A., Independent Public Accountants, 35E, avenue J.F. Kennedy, L-1855 Luxembourg, as independent auditor of the Fund. Ernst & Young will, with respect to the assets of the Fund, carry out the duties prescribed by Luxembourg law.

The Fund's financial year ends on the last Business Day of December of each year. The consolidated accounts of the Fund are kept in US Dollars.

Duration of the Fund, Liquidation, Amalgamation

The Fund and the various portfolios have been established for an indefinite period. Shareholders, their heirs and any other beneficiaries may not demand the dissolution or division of the Fund or of a portfolio.

A portfolio may be dissolved by the Management Company at any time. Notice will be given in writing to Shareholders and will also be published in Luxembourg in accordance with the provisions of Luxembourg law and in other newspapers circulated in such jurisdictions as the Management Company may determine. No Shares of such portfolio may be issued after the date of such decision of the Management Company.

The Fund will be dissolved when the last portfolio is dissolved. In the event of the liquidation of the last portfolio, the Management Company will realize the assets of that portfolio in the best interest of the Shareholders, and the Depositary will distribute the net liquidation proceeds corresponding to each class of Shares of that portfolio, after deduction of liquidation charges and expenses, to the holders of Shares of each class in the proportion of the respective rights of each class, all in accordance with the directions of the Management Company. Liquidation proceeds which cannot be distributed to the persons entitled thereto at the close of liquidation will be deposited with the *Caisse de Consignation* in Luxembourg until the applicable prescription period shall have elapsed.

If the Management Company decides to dissolve any portfolio without terminating the Fund, it will refund to the Shareholders of each class of such portfolio the full Net Asset Value of the Shares within each class of such portfolio. Such action will be publicized by the Management Company and the proceeds of the refund which cannot be distributed to the persons entitled thereto will be deposited with the *Caisse de Consignation* in Luxembourg within nine months following the decision of the Board of Managers of the Management Company to dissolve the relevant portfolio.

By decision of the Management Company, two or more portfolios may be amalgamated and the corresponding class of Shares converted into Shares of the corresponding class of another portfolio. The rights of the different Share classes will in such event be determined in the proportion of the respective Net Asset Values. Notice of such an amalgamation will be given at least one month prior thereto in order to allow investors to request redemption of their Shares without cost if they do not wish to participate in the portfolio so established.

Governing Language

English will be the governing language of the Management Regulations, *provided, however*, that the Management Company and the Depositary may, on behalf of themselves and the Fund, consider as binding the translation into languages of the countries in which the Shares are offered and sold with respect to Shares of the Fund sold to investors in such countries.

Applicable Law and Jurisdiction

The Management Regulations are governed by the laws of the Grand Duchy of Luxembourg and any dispute arising among the shareholders, the Management Company and the Depositary will be subject to the jurisdiction of the District Court of Luxembourg. Notwithstanding the foregoing, the Management Company and the Depositary may subject themselves and the Fund to the jurisdiction of the courts of the countries in which the Shares of the Fund are offered and sold with respect to claims by investors resident in such countries, and with respect to matters relating to subscriptions and repurchases of such Shares by Shareholders resident in such countries, to the laws of such countries. The claims of the Shareholders against the Management Company or the Depositary will lapse five years after the date of the event which gave rise to such claims.

Documents Available for Inspection

The following documents are available for inspection during normal business hours at the registered office of the Management Company: (1) the Management Regulations; (2) the Depositary Agreement; (3) the Administration Agreement; (4) the Investment Management Agreement; (5) the articles of incorporation of the Management Company; (6) the latest annual report relating to the Fund and (7) the Prospectus of the Fund. Copies of the Prospectus of the Fund, the Management Regulations and the latest annual reports may be obtained at the registered office of the Management Company without cost.

Appendix A: Excessive and Short-Term Trading Policy and Procedures

Purchases and exchanges of Shares should be made for investment purposes only. The Management Company of the Fund does not permit market-timing or other excessive trading practices. Excessive, short-term trading practices may disrupt portfolio management strategies and harm Fund performance. The Management Company reserves the right to restrict, reject or cancel, without any prior notice, any purchase or exchange order for any reason, including any purchase or exchange order accepted by any Shareholder's financial intermediary. The Management Company will not be held liable for any loss resulting from rejected orders.

Surveillance procedures. The Management Company of the Fund has adopted policies and procedures designed to detect and deter frequent purchases and redemptions of Shares or excessive or short-term trading that may disadvantage long-term Shareholders. The Management Company, through its agents, maintains surveillance procedures to detect excessive or short-term trading in Shares. This surveillance process involves several factors, which include scrutinizing transactions in Shares that exceed certain monetary thresholds or numerical limits within a specified period of time. For purposes of these transaction surveillance procedures, the Management Company may consider trading activity in multiple accounts under common ownership, control, or influence. Trading activity identified by either, or a combination, of these factors, or as a result of any other information available at the time, will be evaluated to determine whether such activity might constitute excessive or short-term trading. Despite the efforts of the Management Company and its agents to detect excessive or short duration trading in Shares, there is no guarantee that the Management Company will be able to identify these Shareholders or curtail their trading practices.

Account Blocking Procedures. If the Management Company determines, in its sole discretion, that a particular transaction or pattern of transactions identified by the transaction surveillance procedures is excessive or short-term trading in nature, the relevant AB funds account(s) will be immediately "blocked" and no future purchase or exchange activity will be permitted. However, redemptions will continue to be permitted in accordance with the terms of the Prospectus. A blocked account will generally remain blocked unless and until the account holder or the associated financial intermediary provides evidence or assurance acceptable to the Management Company that the account holder did not or will not in the future engage in excessive or short-term trading.

Application of Surveillance Procedures and Restrictions to Omnibus Accounts. Omnibus account arrangements are common forms of holding Shares, particularly among financial intermediaries. The Management Company seeks to apply its surveillance procedures to these omnibus account arrangements. The Management Company will monitor turnover of assets as a result of purchases and redemptions in the omnibus account. If excessive turnover, in the opinion of the Management Company or its agents, is detected, the Management Company will notify the intermediary and request that the financial intermediary review individual account transactions for excessive or short-term trading activity and take appropriate action to curtail the activity, which may include applying blocks to accounts to prohibit future purchases and exchanges of Shares. The Management Company will continue to monitor the turnover attributable to a financial intermediary's omnibus account arrangement and may consider whether to terminate the relationship if the financial intermediary does not demonstrate that appropriate action has been taken.

Limitations on Ability to Detect and Curtail Excessive Trading Practices. While the Management Company will try to prevent market timing by utilizing adopted procedures, these procedures may not be successful in identifying or stopping excessive or short-term trading. Shareholders seeking to engage in excessive short-term trading activities may deploy a variety of strategies to avoid detection and, despite the efforts of the Management Company and its agents to detect excessive or short duration trading in Shares, there is no guarantee that the Management Company will be able to identify these Shareholders or curtail their trading practices.

Appendix B: List of Portfolios, Classes of Shares and ISIN Codes

Strategy Name and Class	Class	Class Currency	ISIN Code
Merger Arbitrage	A	USD	LU2592429919
Merger Arbitrage	I	USD	LU2592429836
Merger Arbitrage	I	EUR	LU2592429752
Merger Arbitrage	SU	USD	LU2106586022
Merger Arbitrage	S	USD	LU2106586295
Merger Arbitrage	S1	USD	LU2106586378
Merger Arbitrage	S1J	JPY	LU2106586709
Merger Arbitrage	S1J JPY H	JPY	LU2106586964
Merger Arbitrage	Z	USD	LU2106586535
Merger Arbitrage	S AUD H	AUD	LU2113187087
Merger Arbitrage	S1 AUD H	AUD	LU2113187160

Appendix C: SFDR Pre-Contractual Disclosures

Introduction

The following disclosures are made in accordance with and for the purposes of Regulation (EU) 2019/2088, as amended and supplemented from time to time ("SFDR") and are not meant to provide exhaustive information on the suitability of a Portfolio for a prospective investor's investment needs.

For more information on the Management Company's Sustainability-Related Disclosures, please refer to the Management Company's website (https://www.alliancebernstein.com/corporate/management-company.htm).

Any reference to "AB" herein refers to the Investment Manager, the Management Company, and/or another subsidiary of the Investment Manager providing directly or indirectly investment management services to the Portfolios, as the case may be.

The Management Company identifies and analyses sustainability risks (i.e. an environmental, social, or governance event or condition that, if it occurs, could potentially or actually cause a material negative impact on the value of an investment) as part of its risk management process.

Key Definitions

AB Stewardship Approach	AB Global Stewardship Statement: AB's policy on responsible investing, ESG integration, engagement and collaboration can be found here.
ESG	Environmental, social and/or governance
ESG factors	ESG issues that may present risks or opportunities as well as Sustainability Risks.
Sustainable Investments	Economic activity that contributes to environmental and/or social objectives provided that such corresponding investments do not significantly harm any of the applicable environmental and/or social objectives and that the investee issuers follow good governance practices.
Sustainability Risks	ESG events or conditions that, if it occurred, could cause an actual or a potential material negative impact on the value of an investment. Sustainability risks may have an impact on long-term risk adjusted returns for investors. Consequent impacts to the occurrence of sustainability risk can be many and vary according to a specific risk, region or asset class. Generally, when a sustainability risk occurs for an asset, there will be a negative impact and potentially a loss of its value and therefore an impact on the net asset value of the concerned Portfolio.
EU Taxonomy	Regulation (EU) 2020/852 of the European Parliament and of the Council of 18 June 2020 on the establishment of a framework to facilitate sustainable investment, and amending Regulation (EU) 2019/2088.

Template pre-contractual disclosure for the financial products referred to in Article 8, paragraphs 1, 2 and 2a, of Regulation (EU) 2019/2088 and Article 6, first paragraph, of Regulation (EU) 2020/852.

Product name: Merger Arbitrage

Legal entity identifier: 549300Z4NC4L2LY8311

Environmental and/or social characteristics

Sustainable investment means an investment in an economic activity that contributes to an environmental or social objective, provided that the investment does not significantly harm any environmental or social objective and that the investee companies follow good governance practices.

The **EU Taxonomy** is a classification system laid down in Regulation (EU) 2020/852, establishing a list of **environmentally sustainable economic activities**. That Regulation does not include a list of socially sustainable economic activities. Sustainable investments with an environmental objective might be aligned with the Taxonomy or not.

Does this financial product have a sustainable investment objective?

●● ☐ Yes	●○ ☑ No
☐ It will make a minimum of **sustainable investments with an environmental objective**: ___%	☐ It **promotes Environmental/Social (E/S) characteristics** and while it does not have as its objective a sustainable investment, it will have a minimum proportion of **___%** of sustainable investments
☐ in economic activities that qualify as environmentally sustainable under the EU Taxonomy	☐ with an environmental objective in economic activities that qualify as environmentally sustainable under the EU Taxonomy
☐ in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy	☐ with an environmental objective in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy
	☐ with a social objective
☐ It will make a minimum of **sustainable investments with a social objective ___%**	☑ It promotes E/S characteristics, but **will not make any sustainable investments**

What environmental and/or social characteristics are promoted by this financial product?

The environmental and/or social characteristics ("E/S Characteristics") promoted by the Portfolio include:

- ESG-related screens and exclusions.

The Portfolio utilises the below investment exclusions on both the long and the short positions:

- MSCI ESG Rating - CCC rated
- UN Global Compact Compliance - All non-compliant
- Controversial Weapons
- Tobacco / E-cigarette Producers
- Firearms
- Nuclear Weapons
- Private Prisons
- Oil Sands
- Shale Oil/Gas
- Arctic Gas
- Unconventional Oil & Gas
- Thermal Coal
- Cannabis

More information on these characteristics can be found in AB's Sustainability-Related Disclosures *www.alliancebernstein.com/go/MergerArbwebdisclosures*

Sustainability indicators measure how the environmental or social characteristics promoted by the financial product are attained.

What sustainability indicators are used to measure the attainment of each of the environmental or social characteristics promoted by this financial product?

AB measures the attainment of E/S Characteristics promoted by systematically ensuring pre-trade compliance with ESG-related screens and exclusions as well as on-going monitoring of the ESG-related screens and exclusions.

More information on these indicators can be found in AB's Sustainability-Related Disclosures *www.alliancebernstein.com/go/MergerArbwebdisclosures*

- **What are the objectives of the sustainable investments that the financial product partially intends to make and how does the sustainable investment contribute to such objectives?**
  N/A

- **How do the sustainable investments that the financial product partially intends to make, not cause significant harm to any environmental or social sustainable investment objective?**
  N/A

Principal adverse impacts are the most significant negative impacts of investment decisions on sustainability factors relating to environmental, social and employee matters, respect for human rights, anti-corruption and anti-bribery matters.

- ***How have the indicators for adverse impacts on sustainability factors been taken into account?***
  N/A

- ***How are the sustainable investments aligned with the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights? Details:***
  N/A

The EU Taxonomy sets out a "do not significant harm" principle by which Taxonomy-aligned investments should not significantly harm EU Taxonomy objectives and is accompanied by specific EU criteria.

The "do not significant harm" principle applies only to those investments underlying the financial product that take into account the EU criteria for environmentally sustainable economic activities. The investments underlying the remaining portion of this financial product do not take into account the EU criteria for environmentally sustainable economic activities.

Any other sustainable investments must also not significantly harm any environmental or social objectives.

Does this financial product consider principal adverse impacts on sustainability factors?

☑ Yes, the Portfolio considers the following PAI:

- Exposure to controversial weapons (#14)

For PAI 14, the Portfolio excludes controversial weapons.

The specific PAI indicators that are taken into consideration may evolve over time. Additional information on PAIs will be published in the Fund's annual report, as required by SFDR Article 11(2).

☐ No

What investment strategy does this financial product follow?

The investment strategy guides investment decisions based on factors such as investment objectives and risk tolerance.

As outlined in the Prospectus, the Portfolio is actively managed and the Investment Manager uses a rules-based approach to systematically capture merger arbitrage risk premia. This approach focuses on investing in deals that have the highest likelihood of completing or closing rather than focusing on the direction of the equity markets, corporate earnings, or other macroeconomic factors. In addition to the implementation of the rules-based approach, the Investment Manager identifies the investible universe by applying a series of ESG-related exclusions.

The Investment Manager identifies environmental social and governance ESG considerations through the application of a variety of ESG-related screens and "tilts to or away from" ESG factors.

- **What are the binding elements of the investment strategy used to select the investments to attain each of the environmental or social characteristics promoted by this financial product?**

  The Portfolio promotes E/S Characteristics by employing ESG-related screens and exclusions when identifying the investible universe as further detailed in the question "What environmental and/or social characteristics are promoted by this financial product?" above. All securities held by the Portfolio are subject to these screens and exclusions including direct investment and indirect investment through derivatives, both long and short exposures.

  Additionally, the issuer of a security held will follow good governance practices according to AB's Good Governance Policy

More information can be found in AB's Sustainability-Related Disclosures *www.alliancebernstein.com/go/MergerArbwebdisclosures.More* information on exclusions used by the Portfolio can be found in the Prospectus. More information on AB's Good Governance Policy can be found below.

- **What is the committed minimum rate to reduce the scope of the investments considered prior to the application of that investment strategy?**

  N/A

Good governance practices include sound management structures, employee relations, remuneration of staff and tax compliance.

- **What is the policy to assess good governance practices of the investee companies?**

  AB has developed a proprietary Good Governance Policy using a combination of external and internal data sources along with assessments or scoring based on specific governance criteria, including sound management structures, employee relations, remuneration of staff and tax compliance. The specific governance indicators includes UN Global Compact principles and controversies related to the governance criteria. The foregoing Good Governance Policy is subject to, and dependent on, available data.

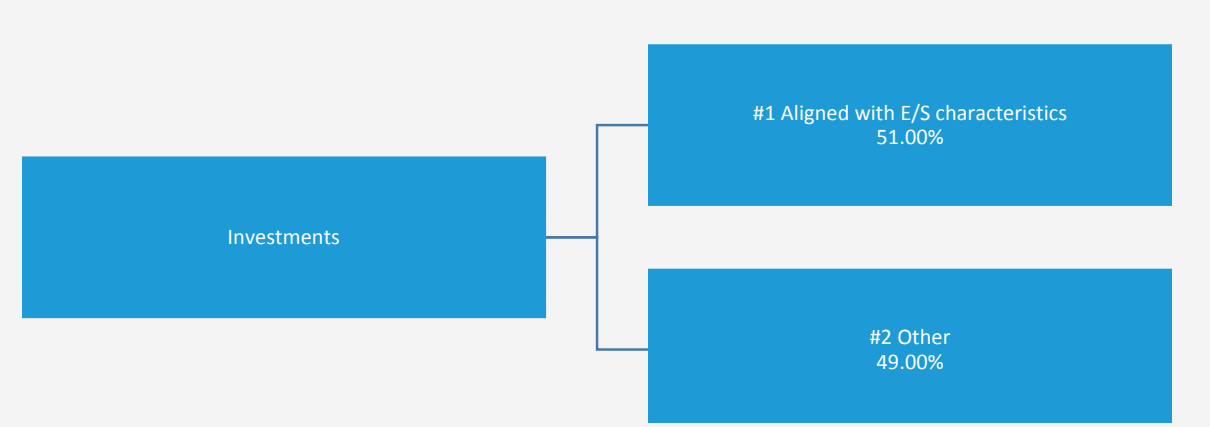
What is the asset allocation planned for this financial product?

Asset allocation describes the share of investments in specific assets.

#1 Minimum Aligned with E/S: 51%

This number includes all securities that satisfy all ESG-related screens and exclusions, including cash equivalents.

#2 Maximum Other: 49%



#1 Aligned with E/S characteristics includes the investments of the financial product used to attain the environmental or social characteristics promoted by the financial product.

#2 Other includes the remaining investments of the financial product which are neither aligned with the environmental or social characteristics, nor are qualified as sustainable investments.

Based on the Portfolio's gross assets.

The Portfolio will publish information regarding the percentage that promotes E/S Characteristics in the Fund's annual report.

- **How does the use of derivatives attain the environmental or social characteristics promoted by the financial product?**

  The Portfolio may use derivatives for hedging, efficient portfolio management, and other investment purposes. For derivatives used for other investment purposes, exposure to securities must satisfy all ESG-related screens and exclusions.

To what minimum extent are sustainable investments with an environmental objective aligned with the EU Taxonomy?

N/A

To comply with the EU Taxonomy, the criteria for **fossil gas** include limitations on emissions and switching to

- **Does the financial product invest in fossil gas and/or nuclear energy related activities that comply with the EU Taxonomy [1]?**

  ☐ Yes:

[1] Fossil gas and/or nuclear related activities will only comply with the EU Taxonomy where they contribute to limiting climate change ("climate change mitigation") and do not significantly harm any EU Taxonomy objective - see explanatory note in the left hand margin. The full criteria for fossil gas and nuclear energy economic activities that comply with the EU Taxonomy are laid down in Commission Delegated Regulation (EU) 2022/1214.

renewable power or low-carbon fuels by the end of 2035. For **nuclear energy**, the criteria include comprehensive safety and waste management rules.

☐ In fossil gas ☐ In nuclear energy

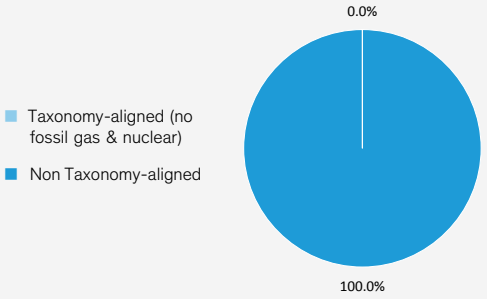
☑ No

There is currently no data to measure whether the Portfolio invests in fossil gas and/or nuclear energy related activities that comply with the EU taxonomy. It may, as a result of the implementation of its specific investment strategy, hold investments having a marginal exposure to such activities, but until there is external vendor data enabling measurement of such exposure, the Portfolio does not commit to any minimum exposure.

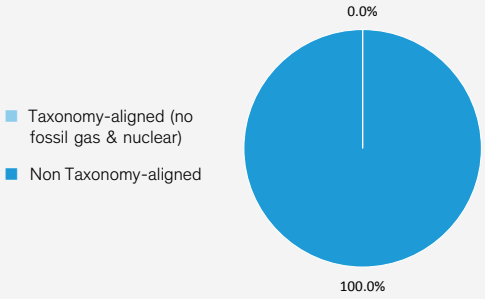
Taxonomy-aligned activities are expressed as a share of:
- **turnover** reflecting the share of revenue from green activities of investee companies
- **capital expenditure** (CapEx) showing the green investments made by investee companies, e.g. for a transition to a green economy.
- **operational expenditure** (OpEx) reflecting green operational activities of investee companies.

The two graphs below show in light blue the minimum percentage of investments that are aligned with the EU Taxonomy. As there is no appropriate methodology to determine the Taxonomy-alignment of sovereign bonds, the first graph shows the Taxonomy-alignment in relation to all the investments of the financial product including sovereign bonds, while the second graph shows the Taxonomy-alignment only in relation to the investments of the financial product other than sovereign bonds.*

1. Taxonomy-alignment of investments including sovereign bonds*



2. Taxonomy-alignment of investments excluding sovereign bonds*



This graph represents 100% of the total investments

** For the purpose of these graphs, 'sovereign bonds' consist of all sovereign exposures*

Enabling activities directly enable other activities to make a substantial contribution to an environmental objective.

Transitional activities are activities for which low-carbon alternatives are not yet available and among others have greenhouse gas emission levels corresponding to the best performance.

What is the minimum share of investments in transitional and enabling activities?

N/A

What is the minimum share of sustainable investments with an environmental objective that are not aligned with the EU Taxonomy?

N/A

are sustainable investments with an environmental objective that **do not take into account the criteria** for environmentally sustainable economic activities under the EU Taxonomy.

What is the minimum share of socially sustainable investments?

N/A

What investments are included under “#2 Other”, what is their purpose and are there any minimum environmental or social safeguards?

This includes:

- Any securities or derivatives that do not satisfy all ESG-related screens and exclusions.
- Cash held for liquidity, risk management purposes, or collateral management purposes.

For these assets, there are no minimum environmental or social safeguards.

Is a specific index designated as a reference benchmark to determine whether this financial product is aligned with the environmental and/or social characteristics that it promotes?

Reference benchmarks are indexes to measure whether the financial product attains the environmental or social characteristics that they promote.

The Portfolio does not use a designated reference benchmark for measuring sustainability or determining E/S Characteristics.

Where can I find more product specific information online?

More product-specific information can be found on the website: *www.alliancebernstein.com/go/MergerArbwebdisclosures*

AllianceBernstein Fund III

Directory

Management Company and Alternative Investment Fund Manager
AllianceBernstein (Luxembourg) S.à r.l.
2-4, rue Eugène Ruppert
L-2453 Luxembourg

Investment Manager
AllianceBernstein L.P.
501 Commerce Street
Nashville, TN 37203
U.S.A.

Distributor
AllianceBernstein Investments
a unit of the Management Company
2-4, rue Eugène Ruppert
L-2453 Luxembourg

Depositary and Administrator
Brown Brothers Harriman (Luxembourg) S.C.A.
80, route d'Esch
L-1470 Luxembourg

Prime Brokers and Sub-Custodians* to the Depositary
acting for the portfolio "AllianceBernstein Fund III—Merger Arbitrage"
Goldman Sachs & Co.LLC
200 West Street
New York, NY 10282

** The prime brokers may change from time to time. Information on the Fund's prime brokers can be obtained at the registered office of the Management Company.*

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