AB Large Cap Growth Fund
Advisor Class: APGYX

Market Overview
Equities finished higher in November, rebounding strongly after the S&P 500 and Nasdaq dipped into correction territory in October. The S&P 500 increased by 9.13% and the Russell 2000 Index increased by 9.05%, maintaining large caps’ significant year-to-date outperformance margin over smaller-cap companies. Growth stocks outperformed value stocks for the month and maintain a significant lead year to date. For November, the Russell 1000 Growth Index increased by 10.90%, while the Russell 1000 Value Index increased by 7.54%. All sectors within the benchmark finished with positive returns. Real estate and materials led the Russell 1000 Growth, while energy and healthcare underperformed on a relative basis. During the month, the AB Large Cap Growth Fund increased in absolute terms but underperformed the Russell 1000 Growth. For the year to date, the Fund also increased in absolute terms but underperformed the benchmark’s return of 36.63%.

Major domestic equity indices rebounded in November as 10- and 30-year US Treasury yields declined sharply, enough so that the US Aggregate Bond Index posted its largest monthly gain since 1985—an observation that brings the volatile underpinnings of today’s market environment into perspective. Increased optimism around disinflation, peak interest rates and a soft landing drove the move in yields and was catalyzed by supportive October payroll growth and Core Personal Consumption Expenditure Index prints. The month’s rally in yields softened financial conditions broadly—the Goldman Sachs Financial Conditions Index declined by more than 90 basis points (bps)—enticing investors back into more speculative corners of the market like cryptocurrencies, profitless technology and junk-rated debt.

Despite the risk-on environment, index concentration has not reversed. Amazingly, the Russell 1000 topped the Russell 2000’s monthly performance by nearly 30 bps. Tesla led the Magnificent Seven, appreciating by roughly 20% despite concerns of weakening electric vehicle demand and tightening operating margins amplified by October’s earnings release. Passive indices remain at roughly record-high concentration levels, while many top constituents carry significant valuation premiums versus the broader market. Though each of the Magnificent Seven companies possesses their own flavor of exceptionalism, valuation premiums and the law of large numbers make profit growth expectations more challenging. We believe that continued scrutiny of Magnificent Seven stocks is warranted since history has shown that index concentration inevitably unwinds.

US consumer resilience has outperformed many expectations and forecasts since the Federal Reserve began raising interest rates. Looking ahead, we see indications that elements supportive of consumer spending have diminished, like post-COVID excess US household savings having declined from roughly $2 trillion to $0.5 trillion and credit card delinquencies rising at a relatively fast pace. Recent company commentary also increasingly highlights declining consumer purchasing power, with Walmart’s management team, for example, mentioning expectations for a potential deflationary environment ahead. In our view, flashing indicators such as these lend credence to the belief that labor-market health (low unemployment, reasonable wage growth, etc.) will be increasingly relied upon to uphold future spending levels. With the COVID savings cushion depleting and overall stimulus receding, the economic environment over the next one to two years cannot repeat the past one to two years. From an investment standpoint, high-quality businesses stand to benefit the most in an environment where the room to raise prices is constrained. If prices decline, competition will be further heightened as businesses fight to maintain market share and sustain margins as best as they can. Our conviction remains in buying exceptional, profitable growth businesses as the economy continues its transition.
**Paycom Software: Platform Transition Pressuring Growth**

Paycom Software is a provider of cloud-based human capital–management solutions delivered as software as a service (SaaS). Its technology offers functionality and data analytics that businesses need to manage the employment lifecycle from recruitment to retirement. Paycom detracted from relative performance as its stock dropped after the company’s earnings report noted a short-term decline in services revenue stemming from the conversion of clients to its mobile Beti platform. As a result, management guided to decelerating revenue growth of around 13%–15% in 4Q:23 versus 25% thus far in 2023. The bulk of the “absorption” of revenue relating to the Beti transition is expected in 2024, in which management guided to 10%–12% revenue growth versus consensus expectations of 20%.

Management has described their new mobile platform, Beti, as a paradigm shift in the industry. The platform has a demonstrably (and independently verified) improved return on investment for clients that Paycom’s CEO adamantly believes is in their best interest over the long term, as payroll providers have historically profited from charging clients for payroll mistakes, and Beti helps to eliminate such errors. Looking ahead, the switch to Beti should improve operating margins for Paycom, and while the company may see only marginal incremental revenue in the short term, the platform has a wider capacity for add-ons and extra modules that could drive future revenue growth. The big question in our mind is if Paycom will be able to return to its traditional growth rates after the absorption period and how long that process may take, given that such a return would likely require the capture of additional market share. We continue to engage with company management, seeking clarity on the longer-term outlook for Paycom and will manage our position size accordingly.

**CrowdStrike: Navigating Macroeconomic Challenges with Competitive Strength**

CrowdStrike showcased resilient third-quarter performance amid challenging macroeconomic conditions. The company contributed to relative returns as its results surpassed expectations on both top and bottom lines, while also projecting a robust outlook for the coming quarter. CrowdStrike’s competitive edge appears to be strengthening, particularly against rivals like Microsoft, though management highlighted increasing win-rates against all competitors. Management further believes that the recent acquisition of logging competitor Splunk (by Cisco Systems) could open new opportunities for its own logging solution. In summary, we view CrowdStrike as executing and innovating well, while also maintaining its leadership position as the cybersecurity market looks to consolidate on fewer vendors.

The top five (held) contributors to relative performance in November were Intuitive Surgical, CrowdStrike, QUALCOMM, IDEXX Laboratories and Copart.

The top five (held) detractors from relative performance in November were Fortinet, Paycom Software, Veeva Systems, Vertex Pharmaceuticals and UnitedHealth Group.

As always, thank you for your continued support.

Frank Caruso, John Fogarty and Vinay Thapar
A WORD ABOUT RISK

Market Risk: The market values of the portfolio’s holdings rise and fall from day to day, so investments may lose value. Focused Portfolio Risk: Portfolios that hold a smaller number of securities may be more volatile than more diversified portfolios, since gains or losses from each security will have a greater impact on the portfolio’s overall value. Foreign (Non-US) Risk: Non-US securities may be more volatile because of political, regulatory, market and economic uncertainties associated with such securities. Fluctuations in currency exchange rates may negatively affect the value of the investment or reduce returns. These risks are magnified in emerging or developing markets. Derivatives Risk: Investing in derivative instruments such as options, futures, forwards or swaps can be riskier than traditional investments, and may be more volatile, especially in a down market.

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The Russell 1000 Growth Index represents the performance of large-cap growth companies within the US.

An investor cannot invest directly in an index and its performance does not reflect the performance of any AllianceBernstein fund. The unmanaged index does not reflect fees and expenses associated with the active management of a portfolio.

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DOC ID: 294, UMF-46507-2023-12-07

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