Overall Morningstar Rating™
Advisor Class Shares
★★★★
Rated against 307 funds in the World Large-Stock Growth Category, based on risk-adjusted returns.

AB SUSTAINABLE GLOBAL THEMATIC FUND

Advisor Class: ATEYX

Growth stocks reasserted their leadership in 2Q:21 as global equities ended the period at record highs. The strength of the economic recovery and potential changes to central bank policy will determine whether this was a head fake or a more permanent change in trend.

CYCLICAL TAILWINDS

The global economic recovery over the past year has been nothing short of dramatic, due largely to unprecedented fiscal and monetary stimulus and the successful worldwide rollout of COVID-19 vaccines. After falling 4.3% in 2020, real GDP in developed economies is set to expand by 5.3% in 2021. GDP is expected to increase by more than 10% in 2Q:21, marking the one-year anniversary of the worst of the global COVID-19 lockdowns. This sharp recovery in economic growth provided the fuel for the outperformance of cyclical value stocks earlier in the year. (Source: Bloomberg Finance)

A CHANGE IN CENTRAL BANK TONE

As growth has recovered, though, so too have prices for most goods and services. The US Consumer Price Index, for example, surged 5% in May compared with the prior year—a 13-year high. The Producer Price Index increased nearly 7% during the same period. Rising prices are due partly to a base-year distortion effect (we are comparing to a period when prices were abnormally low a year ago at the height of the pandemic), but they also reflect ongoing supply bottlenecks. Whether or not these rising prices are temporary is one of the most important debates in markets today, as the issue will dictate future central bank policy. The risk of sustained higher prices could force central banks to remove the ultra-accommodative policy stances that have helped support economic growth and equity markets throughout the crisis. The risk is perhaps greatest in the US, where the most stimulus was applied and where prices have been rising the fastest.

US Federal Reserve Chair Jerome Powell has consistently signaled that higher inflation readings would be temporary and that Fed policy would remain supportive of growth, but the June Fed meeting proved to be a hawkish surprise for the market. Chair Powell acknowledged that the recent price increases have been larger than expected and may prove more lasting. Accordingly, Fed officials signaled the possibility of tightening policy sooner than previously thought, which called into question the durability of the recent cyclical rotation trade.

FUND PERFORMANCE

The shorter-term performance of the Fund is influenced by perceptions of where we are in the economic cycle. Starting in November 2020 with the announcements of successful COVID-19 vaccines, investors correctly anticipated a resurgence in economic growth, and we experienced one of the strongest periods for value performance in the last three decades, outside of the Y2K era. Not surprisingly, this acted as a headwind to performance, given that our funds tend to have a quality growth bias.

Consistent with the recent cooling in the cyclical value trade, the Fund's performance trend has improved. During the second quarter and for the year to date, the AB Sustainable Global Thematic Fund rose in absolute terms but, net of fees, underperformed the MSCI All Country World Index, which returned 7.39% and 12.30%, respectively. The Fund outperformed the benchmark in June.

Philips, from the Health theme, detracted as shares declined after the company discovered a safety issue with its sleep apnea treatment device, DreamStation. Philips is taking proactive measures to work with regulatory agencies around the world to repair or replace the defective devices. In the meantime, the other businesses at Philips continue to see good performance, including the core hospital imaging and surgical equipment segments.

Lumentum Holdings, a leading optical component supplier, from the Empowerment theme, detracted after the company forecast a lull in demand for its telecom products as China's deployments take a pause. The company also anticipates a reduction in dollar spending from Apple based on the upcoming redesign of the iPhone. Both of these developments represent temporary headwinds, and the longer-term outlook for both network spending and 3D-sensing deployments remains bright.

Insulation installation services provider TopBuild, from the Empowerment theme, was also among the leading detractors from performance during the quarter. The stock was weak in June after

Past performance does not guarantee future results. Morningstar ratings are specific metrics of performance and do not represent absolute performance of any fund. For each fund with at least a three-year history, Morningstar calculates a Morningstar Rating based on a Morningstar Risk-Adjusted Return measure that accounts for variation in a fund's monthly performance, placing more emphasis on downward variations and rewarding consistent performance. Exchange-traded funds and open-ended mutual funds are considered a single population for comparative purposes. The top 10% of funds in each category receive 5 stars, the next 22.5% receive 4 stars, the next 35% receive 3 stars, the next 22.5% receive 2 stars and the bottom 10% receive 1 star. The Overall Morningstar Rating for a fund is derived from a weighted average of the performance figures associated with its three-, five- and ten-year (if applicable) Morningstar Rating metrics. The Fund was rated 4, 4 and 3 stars against 307, 263 and 166 funds in the category for the three-, five- and ten- year periods, respectively. The Fund's other share classes may have different performance characteristics.

housing starts and permits for the month of May came in lower than consensus estimates. Total starts were still up substantially versus May 2019, with single-family starts up even higher compared with both May 2019 and 2020. TopBuild gains twice the amount of revenue for single-family versus multi-family units, so continued single-family unit growth is a strong indicator of sustained growth for the company despite the headline numbers from the US Census Bureau.

Enterprise security company Proofpoint, from the Empowerment theme, contributed as shares rallied after the company announced it had reached an agreement to be acquired by Thoma Bravo, a private equity firm. While Proofpoint's business prospects had been negatively affected by the layoffs of employees in certain industries, it remains a leader in its field of protection from email, social and malware attacks.

Calix, from the Empowerment theme, contributed, as the funding environment in the US for broadband investment remains strong. Calix's Next Generation network architecture enables its smaller service-provider customers to deliver robust, high-speed experiences for their end customers.

Top contributors during the quarter also included MSCI, from the Empowerment theme. MSCI continued to see strong growth momentum, with a 29% earnings-per-share increase year to date. Key drivers were the ESG and climate initiatives, with 42% growth in data-related services and indices. MSCI generates strong cash flow, with $1.6 billion available for share repurchase at the end of the quarter.

SHIFTING MACRO NARRATIVE FAVORS SUSTAINABLE THEMES

As we enter the second half of the year, investors will increasingly shift their focus to 2022 and beyond. We think it is likely that the post-recovery narrative will shift from historic stimulus, reopening economies and pent-up demand to rising inflation, rising taxes and peaking growth. This will create a more challenging backdrop for investors to navigate.

Rather than trying to time macro shifts, which is historically very difficult to do, we think investors can benefit by focusing on companies associated with our three sustainable investment themes—Climate, Health and Empowerment—which are supported by powerful, long-term secular tailwinds that are less dependent on where we are in the economic cycle.

Currently, 126 countries around the world have made net-zero carbon pledges by midcentury. Companies that provide the solutions that will help countries achieve their net-zero ambitions, including clean energy, sustainable transportation and resource efficiency solutions, have strong multidecade growth opportunities. Today, less than half of the global population is covered by essential health services, and roughly one quarter are food insecure and lack access to safely managed drinking water. Health-related themes such as broadening access to healthcare, food security and clean water benefit from similarly attractive long-term demand. And as the global population swells by midcentury, we will be faced with massive empowerment challenges related to housing, educating, transporting, employing and building the economic resilience of roughly three billion additional people.

Forecasting short-term twists and turns in the economic cycle with any accuracy or consistency has always been challenging. It has been even tougher to consistently predict how market participants will react—or overreact—to changes in the real economy.

One advantage of sustainable investing is that we don't have to call those short-term twists and turns correctly to create value over time. Rather, we focus on the fundamental strength and long-term appeal of our sustainable themes. Sustainable themes have obvious longer-term tailwinds, many of which have only strengthened during the COVID-19 crisis.

As always, thank you for your continued support.

Dan Roarty

PORTFOLIO INFORMATION

Class	Ticker	Inception Date
A	ALTFX	3/1/82
C	ATECX	5/3/93
Advisor	ATEYX	10/1/96
I	AGTIX	3/1/05

Portfolio Characteristics	Portfolio	Benchmark[1]
Total Number of Holdings	59	2962
P/E Ratio (Stock Price/Earnings; last 12 mo)	34.36x	25.81x~
Forward P/E Ratio (2021)	29.98x	19.78x
ROE (Return on Equity; next 12 mo)	17.34%	16.17%
Weighted Market Cap ($ Billions)	138.3	319.3
EPS (Earnings per Share) Growth Rate (2021/2020)	23.29%	25.56%
EPS Growth (5 yr history)	11.61%	10.11%
Sales Growth (5 yr history)	9.96%	9.69%

Portfolio Statistics	
Beta (3 yr)[2]	0.91
Sharpe Ratio (3 yr)[3]	1.20
Standard Deviation (3 yr)[4]	17.16
Alpha (3 yr)[5]	7.33

Top Ten Holdings[6]	
LabCorp	2.89%
SVB Financial Group	2.59
Waste Management	2.37
MSCI	2.30
Flex	2.27
Danaher	2.23
Lumentum Holdings	2.20
Apollo Hospitals Enterprise	2.14
Aptiv	2.14
Trex	2.14

Sector Breakdown[6]	Portfolio	Benchmark[1]
Information Technology	30.17%	21.89%
Industrials	20.15	9.86
Healthcare	18.46	11.57
Financials	12.92	14.10
Consumer Discretionary	6.77	12.75
Materials	3.44	4.92
Utilities	3.31	2.63
Consumer Staples	1.05	6.86
Cash and Cash Equivalents	3.73	–
Communication Services	–	9.40
Energy	–	3.40
Real Estate	–	2.62

Country Breakdown[6]	
United States	58.28%
Netherlands	7.26
Denmark	4.24
India	3.94
Switzerland	3.49
France	3.34
Japan	3.29
Germany	2.92
Other	13.24

Net Currency Exposure[6]	
US Dollar	62.76%
Euro	6.57
Japanese Yen	4.39
Danish Krone	4.25
British Pound	4.04
Chinese Yuan Renminbi	3.49
Swiss Franc	2.69
Other	11.81

Top Five Contributors[7]	Top Five Detractors[7]
Proofpoint	Koninklijke Philips
Calix	Lumentum Holdings
MSCI	Infineon Technologies
TOMRA Systems	TopBuild
Apollo Hospitals	Vestas Wind Systems

1 MSCI All Country World Index (net).
2 Beta measures a fund's volatility relative to its benchmark.
3 Sharpe Ratio is a measure of the fund's return relative to the investment risk it has taken. A higher Sharpe Ratio means the fund's returns have been better given the level of risk the fund has taken.
4 Standard Deviation is a measure of the dispersion of a portfolio's return from its mean.
5 Alpha is the risk-adjusted measurement of 'excess return' over the benchmark.
6 Holdings are expressed as a percentage of total investments and may vary over time. They are provided for informational purposes only and should not be deemed as a recommendation to buy or sell the securities mentioned.
7 Contribution based on absolute returns as of quarter end.

QUARTERLY AVERAGE ANNUAL TOTAL RETURNS AS OF 06/30/21: ADVISOR CLASS PERFORMANCE

	QTD	YTD	1 Yr	3 Yrs	5 Yrs	10 Yrs	Since Inception	Expense Ratios as of 6/17/21
Sustainable Global Thematic Fund†^	7.01%	10.15%	43.60%	21.77%	20.36%	11.48%	7.60%	Gross 0.82%
MSCI All Country World Index (net)	7.39	12.30	39.26	14.57	14.61	9.90	–	Net‡ 0.81%
Morningstar World Large-Stock Growth Category	8.22	9.95	40.81	19.17	18.49	11.83	8.99	

The performance shown above represents past performance and does not guarantee future results. Current performance may be lower or higher than the performance information shown. You may obtain performance information current to the most recent month-end by visiting www.abfunds.com. The investment return and principal value of an investment in the Portfolio will fluctuate, so that your shares, when redeemed, may be worth more or less than their original cost. Advisor Class shares have no front-end or contingent deferred sales charges, however when purchased through a financial advisor additional fees may apply. Returns for other share classes will vary due to different charges and expenses. Performance assumes reinvestment of distributions and does not account for taxes. If applicable, high double-digit returns are highly unusual and cannot be sustained; such returns are primarily achieved during favorable market conditions.

† The Fund's Advisor Class share inception date is 10/1/96 and is the date used to calculate since inception annualized performance.

^ Reflects a 4.33% and 0.77% increase in NAV on June 8, 2016 and November 2, 2017 as a result of the Fund recording a receivable on its books and records in connection with the distributions by the Alliance Fair Fund and Bank of America Fair Fund, respectively.

‡ If applicable, this reflects the Adviser's contractual waiver of a portion of its advisory fee and/or reimbursement of a portion of the Fund's operating expenses. Absent reimbursements or waivers, performance would have been lower.

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Investors cannot invest directly in indices or averages, and their performance does not reflect fees and expenses or represent the performance of any AB fund.

Sources: FactSet, Morningstar Inc. and AB.

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. **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. **Capitalization Size Risk (Small/Mid):** Small- and mid-cap stocks are often more volatile than large-cap stocks—smaller companies generally face higher risks due to their limited product lines, markets and financial resources. **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. **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. **ESG Risk:** Applying ESG and sustainability criteria to the investment process may exclude securities of certain issuers for nonfinancial reasons and, therefore, the Fund may forgo some market opportunities available to funds that do not use ESG or sustainability criteria.

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