AllianceBernstein®

AB Sustainable EMD Strategy

September 2021

Sustainable Thematic Approach: The Power of the UN SDGs

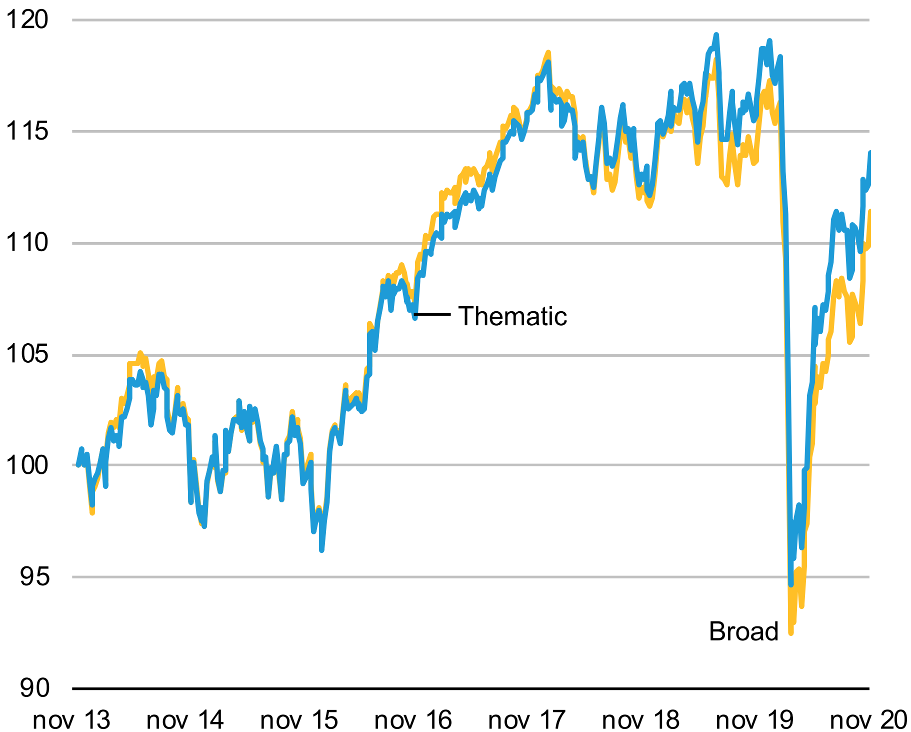
AB Sustainable Emerging Market Debt Strategy: Philosophy

We seek to generate **superior financial returns** through investments **that benefit society and the environment.**

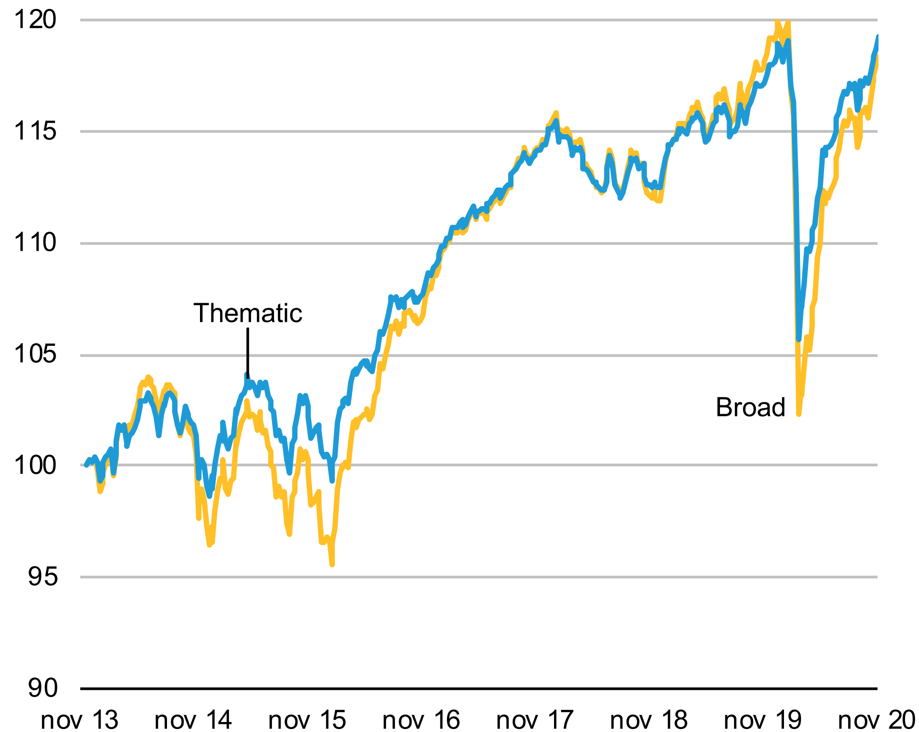
Excess Return of Broad vs. Thematic Universes

Thematic universes outperform over seven-year period

Sovereign Excess Return



Non-Sovereign Excess Return



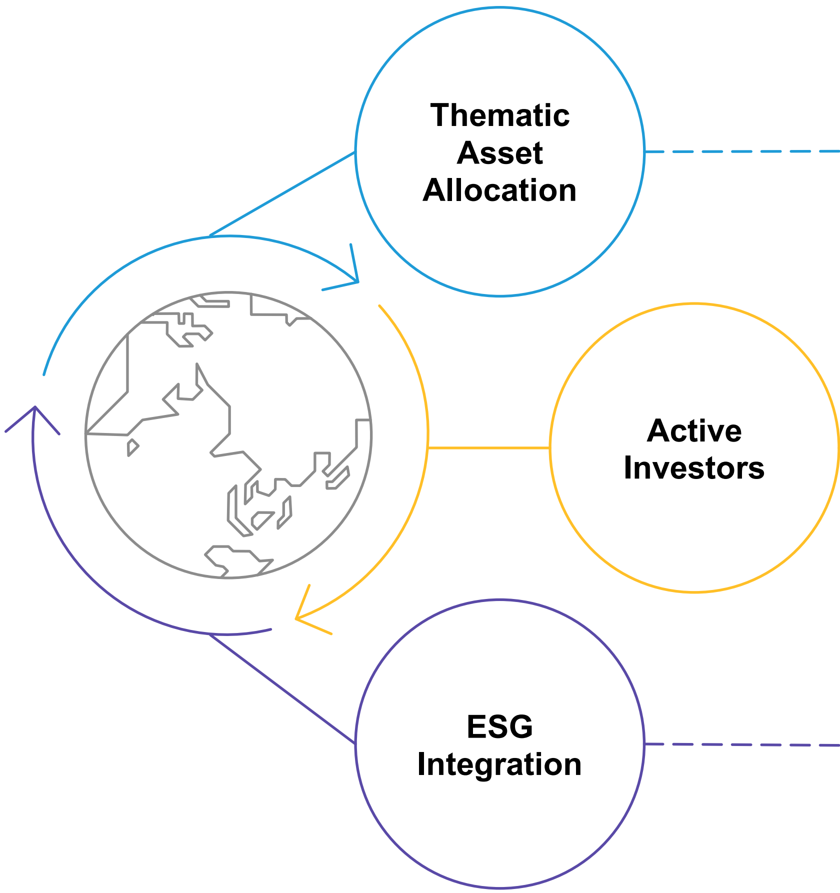
For informational purposes only. Past performance does not guarantee future results.

Sovereign Broad Index includes all USD sovereigns with US$500 million or above outstanding; Sovereign Thematic Index includes the subset of that broad universe that passes the AB thematic filter. Corporate Broad index includes all USD non-sovereign entities with US$300 million or above outstanding (including SOEs); Non-Sovereign Thematic Index includes the subset of that broad universe that passes the AB thematic filter.

Through 30 November 2020. Source: Bloomberg and AB

AB Sustainable EMD Strategy: How Sustainable Managers Contribute to Positive Social Outcomes

Primary mechanisms identified by the PRI*



Lowers cost of capital for sustainable activities which, in the long run, crowds out non-sustainable activities

UN Sustainable Development Goals focus and alignment

Corporations and governments play a pivotal role in society. Active investors can encourage them to improve business activities and practices

We **engage** company management teams and sovereign institutions on **material** ESG issues

Emphasizing issuers with strong and/or improving ESG metrics has been linked to positive social outcomes as well as superior financial performance

We consider ESG factors at **each step** of our investment process

For illustrative purposes only.
ESG: environmental, social and governance risk factors
*PRI stands for Principles for Responsible Investment
Source: Principles for Responsible Investment "The SDG Investment Case" October 2017

UN Sustainable Development Goals Provide a Map for Thematic Investors

The goals represent tremendous investment and social opportunity

The SDGs are a Powerful Framework of 17 Goals

The goals address challenges relating to **economic prosperity**, **environmental sustainability** and **social inclusion**

Why Align a Portfolio with the SDGs?

Thematic Relevance	The Sustainable Development Goals (SDGs) offer a road map for identifying thematic opportunities that are **underappreciated by traditional investors**
Investment Opportunity	The estimated investment required to achieve the SDGs is massive—**roughly US$90 trillion**
Global Consensus	**193 nations committed** to achieving the goals, signaling broad global consensus and creating a powerful tailwind for aligned companies
Social and Environmental Objectives	Investments that align with the SDGs can help to end poverty, protect the planet and **improve the lives and prospects of everyone, everywhere**

For informational purposes only.

Source: UN and AB

Deriving AB Sustainable Themes from the UN SDGs

Identify **sustainable investment opportunities** using the UN SDGs

17 UN SDGs
169 UN Sub-Targets

Corporate

Private sector products and services address 106 of the 169 UN SDG sub-targets
140 sustainable products and services which help to achieve UN SDGs

Sovereign

Public sector policies can address all 169 UN SDG sub-targets
Sustainable government policies and metrics that help support UN SDGs

Group sustainable investment opportunities into **AB Sustainable Themes** and **Sub-Themes**

AB Sustainable Theme: Climate

Sub-Theme:
- Resource efficiency
- Sustainable transportation
- Cleaner energy
- Green bonds

AB Sustainable Theme: Health

Sub-Theme:
- Access to Quality Care
- Food Security and Clean Water
- Medical Innovation
- Sanitation and Recycling

AB Sustainable Theme: Empowerment

Sub-Theme:
- Financial Security and Inclusion
- Information and Communications Technologies
- Sustainable Infrastructure

AB Sustainable Theme: Climate

Sub-Theme:
- Susceptibility to natural disasters
- Sustainability
- Emissions

AB Sustainable Theme: Health and Empowerment

Sub-Theme:
- Global Health
- Human Development and Equality

AB Sustainable Theme: Institutions

Sub-Theme:
- Freedom and Fundamental Rights
- Corruption and Government
- Law and Order

Sovereign Investment Universe: Governed by Alignment with AB's Sustainable Themes and Compliance with Minimum Requirements

Eligible Sovereigns Must be Aligned† to One or More AB Sustainable Themes

Climate
- Susceptibility to natural disasters
- Sustainability
- Emissions

Health/Empowerment
- Global Health
- Human Development and Equality

Institutions
- Freedom and Fundamental Rights
- Corruption and Government
- Law and Order

Sovereign Investment Universe

Continuous Engagement with sovereigns on any themes where alignment has not been achieved†

Exclude bottom 10% of countries in our proprietary sovereign ESG integration model, unless deemed top decile improvers on a forward basis

Exclude countries with a score <3/10 on any AB Sustainable theme to meet minimum requirements

Exclude Non-signatories of Paris Agreement, Non-Members of WHO, Non-Signatories of Geneva Conventions, and countries with low degrees of political freedoms*

Sovereigns Who Do Not Meet Minimum Requirements Are Excluded

For illustrative purposes only. There can be no assurance that any investment objectives will be achieved.

*Defined as scoring less than 30 in both Freedom House's 'Freedom Scores' and MSCI's Government Democracy Index

†Alignment is defined as achieving a percentile ranking of 50 or above in any of the three AB Sustainable themes, versus the broader EM sovereign universe

Source: AB

Alignment with AB's Sustainable Themes and Selected Exclusions Narrows the Eligible Sovereign Universe and Ensures Minimum Requirements Are Met

Creating the Sustainable Universe	Costa Rica	Indonesia	Colombia	Russia	Honduras	Egypt
Thematic Alignment	Pass	Pass	Pass	Pass	Fail	Pass
Compliance with Requirements	Pass	Pass	Pass	Fail (no engagement possible)	—	Fail (low political freedoms)
Engagement Required?	No	Yes, on mis-aligned themes	Yes, on mis-aligned themes	—	No	No
Include in Investment Universe?	**Yes**	**Yes**	**Yes**	**No**	**No**	**No**

Analysis provided for illustrative purposes only and is subject to revision.
Source: AB

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Strategy Risks

Market Risk: The market values of the investments may rise and fall from day to day, so investments may lose value.

Currency Risk: Currency fluctuations may have a large impact on returns, and the value of an investment may be negatively affected when translated into the currency in which the initial investment was made.

Derivatives Risk: The portfolio may include financial derivative instruments. These may be used to obtain, increase or reduce exposure to underlying assets and may create gearing/leverage; their use may result in greater fluctuations of the assets under management.

OTC Derivatives Counterparty Risk: Transactions in over-the-counter (OTC) derivatives markets may have generally less governmental regulation and supervision than transactions entered into on organized exchanges. These will be subject to the risk that their direct counterparty will not perform its obligations and that the portfolio will sustain losses.

Allocation Risk: Allocating to different types of assets may have a large impact on returns if one of these asset classes significantly underperforms the others.

Overseas Assets Risk: Investing in overseas assets may be more volatile because of political, regulatory, market and economic uncertainties associated with them. These risks are magnified in assets of emerging or developing markets.

Systemic Risk: Systemic risk is the risk of broad financial-system stress or collapse triggered by the default of one or more financial institutions, resulting in a series of defaults by other interdependent financial institutions.

Turnover Risk: A portfolio will be actively managed, and turnover may, in response to market conditions, exceed 100%. A higher rate of portfolio turnover increases brokerage and other expenses. High portfolio turnover may also result in the realization of substantial net short-term capital gains, which may be taxable when distributed.

Illiquid Securities: Selling illiquid or restricted securities usually requires more time, and costs are often higher.

Leverage Risk: The portfolio may use derivatives or other financial instruments to gain exposure to investments exceeding its overall value. This may cause greater changes in the portfolio's price, as it is more sensitive to market or interest-rate movements, and increase the risk of loss.

Interest-Rate Risk: Bonds may lose value if interest rates rise or fall. Long-duration bonds tend to rise and fall more than short-duration bonds.

Credit Risk: A bond's credit rating reflects the issuer's ability to make timely payments of interest or capital—the lower the rating, the higher the risk of default. If the issuer's financial strength deteriorates, the issuer's rating may be lowered and the bond's value may decline. Medium-, lower- and unrated securities may be subject to wider fluctuations in yield and market values than higher-rated securities.

Corporate Debt Risk: There is risk that a particular issuer may not fulfill its payment and other obligations. In addition, an issuer may experience adverse changes to its financial position or a decrease in its credit rating, resulting in increased debt-obligation price volatility and negative liquidity. There may also be a higher risk of default.

Sovereign Debt Risk: There is risk that government-issued debt obligations will be exposed to direct or indirect consequences of political, social and economic changes in various countries. Political changes or the economic status of a country may affect the willingness or ability of a government to honor its payment obligations.

Mortgage-Backed Securities/Other Asset-Backed Securities Risk: Investments in mortgage-backed and other asset-backed securities may be particularly sensitive to changes in interest rates. They may also be subject to higher rates of default in the mortgages or assets backing the securities, or risks associated with the nature and servicing of those securities.

LF-224972-2021-11-02
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