Quarterly Commentary **2Q** 2024

AB International Health Care Portfolio

Market Overview

- Global equities climbed in the second quarter, as investor excitement around artificial intelligence (AI) outweighed concerns about higher-for-longer interest rates. Softer US economic data also boosted sentiment, raising hopes that the US Federal Reserve might trim rates sooner than expected.
- The MSCI All Country World Index rose 2.9% for the quarter, bringing year-to-date gains to 11.3%.
- Global healthcare stocks also edged higher, with the MSCI World Health Care Index rising 0.5% during the quarter, bringing year-to-date gains to 8% (all returns in US dollar terms). However, subsector performance was mostly negative for the quarter. Healthcare technology and industrial conglomerates lagged, although pharmaceuticals and biotechnology rallied.

Portfolio Performance (as of 30/6/2024) #

	3 Months	Year to Date	Since Inception 05/07/1995 (Annualized)
Class A USD (NAV)	0.49%	8.04%	8.11%
Charges Applied (4%)	-3.53%	3.72%	7.96%

- During the quarter, major contributors to performance at the stock level included **Novo Nordisk**, which continued to gain from robust demand for its diabetes and obesity drug. **Regeneron Pharmaceuticals** was boosted by healthy sales of its macular degeneration drug Eylea, while **United Therapeutics** benefited from strong first-quarter earnings results.
- Major detractors from performance included **GlaxoSmithKline**, which slumped in the wake of a court ruling that the UK drugmaker must face trials over its discontinued heartburn treatment Zantac. **Carl Zeiss** dipped after it cut its earnings forecast on the back of a slower-than-expected recovery in its equipment business, while **Genmab**'s shares fell on news that its acquisition of ProfoundBio, a biotech firm that develops antibody-drug technologies for cancer treatments, would increase expenses in the short term.

Market Outlook

- Equity markets have maintained their strong performance in the second quarter despite headwinds from higher rates for longer and softening macroeconomic data.
- While the healthcare sector has done well, it is lagging the broader MSCI World Index for the year to date, since much of the broader performance remains concentrated in select technology and communication-services names; we maintain our view that this likely reflects the current excitement around the rise of AI.
- From a fundamental standpoint, profitability in the healthcare sector remains solid, growth opportunities abound and political environment still manageable.
- As valuations have increased in AI-related tech companies, the risk/reward skew points further toward healthcare as an attractive investment. AI has the potential to improve healthcare efficiency—by speeding up clinical trials, reducing administrative burdens and improving outcomes through reductions of medical errors—which we believe is not reflected in the valuations of many companies in the segment.

Past performance is not indicative of future results. Performance calculations are based on a single pricing basis, include the change in Net Asset Value and reinvestment of any distributions paid on Portfolio shares for the period shown, net of assumed front-end load (FEL) 4% for Class A shares. For Class A shares, maximum front-end load (FEL): Up to 5%. Accordingly, these figures do not represent actual returns to an investor.

Investment risks to consider. These and other risks are described in the Portfolio's prospectus.
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