



# AB International Health Care Portfolio

## Market Overview

- After reaching new highs in the wake of the US Federal Reserve’s (Fed’s) larger-than-usual 0.50 percentage point interest-rate reduction in September, global equities declined in October. Economic data, including solid third-quarter US gross domestic product (GDP) growth, helped reinforce hopes for a soft economic landing. However, as the month closed, uncertainty surrounding the outcome of the US presidential election, concerns about the earnings of leading tech stocks and rising bond yields sent share prices lower.
- The MSCI All Country World Index fell by 2.3% in October, bringing the year-to-date gains to 16.0%.
- Global healthcare stocks also retreated during the month, with the MSCI World Health Care Index falling by 4.8%. This brought the year-to-date gains to 8.6% (all returns in US-dollar terms). Subsector performance was mostly negative during the review period: life science tools and services, as well as healthcare providers and services, detracted the most from performance. Conversely, industrial conglomerates and healthcare technology added value.

## Portfolio Performance (as of 31/10/2024) #

	1 Month	Year to Date	Since Inception 05/07/1995 (Annualized)
Class A USD (NAV)	-5.21%	4.97%	7.91%
Charges Applied (4%)	-9.01%	0.77%	7.76%

- During the month, major detractors from performance at the stock level included biotechnology company **Regeneron Pharmaceuticals**, whose share price fell when the sales of its eye disease drug Eylea proved disappointing. Health insurer **Elevance Health** declined as high medical costs and falling Medicaid enrollment continued to weigh on its earnings. **Merck** also retreated despite reporting better-than-expected third-quarter revenue and adjusted earnings. The pharmaceutical company’s shares were pressured when it was revealed that weak sales of its Gardasil vaccine in China will likely extend into 2025, given high inventories and low demand.
- Significant contributors to performance included biopharmaceutical company **Gilead Sciences**, as investors anticipated that the company would report stronger-than-anticipated sales of its HIV treatments. Biotechnology company **United Therapeutics** also added value when it announced solid third-quarter earnings driven by broad growth across all its key product lines. Lastly, **Vertex Pharmaceuticals** revealed higher year-on-year revenue and earnings. Furthermore, the company’s full-year guidance was well received by the market.

## Market Outlook

- The healthcare sector has performed well over the year to date but lagged the broader MSCI World Index. During this period, much of the market’s performance remained concentrated in select artificial intelligence (AI)-exposed technology and communication-services names.
- From a fundamental standpoint, profitability across the healthcare sector remains solid, and growth opportunities abound.
- After much excitement over the past 18 months, it appears that the AI revolution will take longer than the market initially anticipated. We continue to see tremendous potential for AI to improve the efficiency of the healthcare system, but we do not believe these factors are reflected in the valuations of many healthcare companies.
- Although the economy’s strength may affect some healthcare subsectors, the economic sensitivity of healthcare overall remains low compared to other market segments. Furthermore, given the levels of innovation present in the sector, we continue to believe that healthcare remains well-positioned.

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**# 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.**

Investment in the Portfolio entails certain risks. Investment returns and principal value of the Portfolio will fluctuate so that an investor's shares, when redeemed, may be worth more or less than their original cost. Some of the principal risks of investing in the Portfolio include: **Concentration/Focus Risk:** To the extent that the Portfolio invests a large portion of its assets in a limited number of industries, sectors or issuers, or within a limited geographical area, it can be riskier and subject to greater volatility than a Portfolio that invests more broadly. **Currency Risk:** To the extent that the Portfolio holds assets that are denominated in currencies other than its Base Currency, any changes in currency exchange rates could reduce investment gains or income, or increase investment losses, in some cases significantly. Hedging may reduce but not eliminate currency risk. **Derivatives Risk:** The Portfolio is entitled to use derivative instruments for hedging and/or EPM purposes which may involve additional risks different from, and, in certain cases, greater than, the risks presented by more traditional investments. **Liquidity Risk:** The risk that arises when adverse market conditions affect the ability to sell assets when necessary. Reduced liquidity may have a negative impact on the price of the assets.

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### Important Information

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