AllianceBernstein®

Quarterly Commentary **3Q** 2024

AB International Health Care Portfolio

Market Overview

- In the third quarter of 2024, global equities experienced bouts of volatility but reached record highs after the US Federal Reserve (Fed) began easing monetary policy with a larger-than-expected 50 basis point interest-rate reduction. Positive Fed commentary, some reassuring economic data in the US, a second interest-rate cut by the European Central Bank, and the announcement of significant stimulus measures in China also helped bolster investor confidence.
- The MSCI All Country World Index rose by 6.6% in the third quarter of 2024, bringing year-to-date gains to 18.7%.
- Global healthcare stocks also moved higher, with the MSCI World Health Care Index gaining 5.7% during the quarter, bringing year-to-date gains to 14.1% (all returns in US-dollar terms). Subsector performance was positive during the review period: industrial conglomerates and healthcare technology contributed the most to relative performance, while pharmaceuticals was the only segment to decline. Biotechnology stocks rose but underperformed on a relative basis.

Portfolio Performance (as of 30/9/2024) #

	3 Months	Year to Date	Since Inception 05/07/1995 (Annualized)
Class A USD (NAV)	2.50%	10.74%	8.13%
Charges Applied (4%)	-1.60%	6.31%	7.98%

- During the quarter, major detractors from performance at the stock level included **Edwards Lifesciences**, a US leader in transcatheter aortic valve replacement (TAVR) devices, detracted from relative performance. Investors reacted negatively to an earnings release in which the company unexpectedly lowered its full-year guidance after previously raising it. Danish pharmaceutical group **Novo Nordisk** proved disappointing when data showed that its competitor's obesity drug led to faster-paced and more significant weight loss than its own drug, Ozempic. German multinational **Merck** declined when an otherwise strong earnings report was overshadowed by some weakness in sales for its HPV vaccine Gardasil, particularly in China.
- Significant contributors to performance included US biopharmaceutical company **Gilead Sciences**, which reported better-than-anticipated profits on strong sales and lower expenses. US medical technology firm **GE HealthCare** added value amid the potential for stimulus in China that could improve equipment demand in the country. Lastly, **UnitedHealth Group**, the largest US managed-care services company, boosted relative returns when its second-quarter earnings exceeded expectations.

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.

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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