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# AB Managed Volatility Equities Fund\*

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Belmores

October, 2023

**Hamish FitzSimons, Portfolio Manager**—Australian Equities  
**Stephen Nguyen, Regional Director**—Australia Client Group

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\*AB Managed Volatility Equities Fund—MVE Class which is a unit class of the AllianceBernstein Managed Volatility Fund (Managed Fund) ARSN 099 739 447

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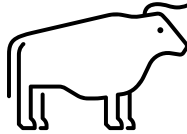


# Bull / Bear

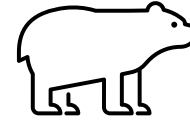
# Mindset

# Bull or Bear: Is good news good news?

The same information can be used by bulls and bears to support opposite outcomes

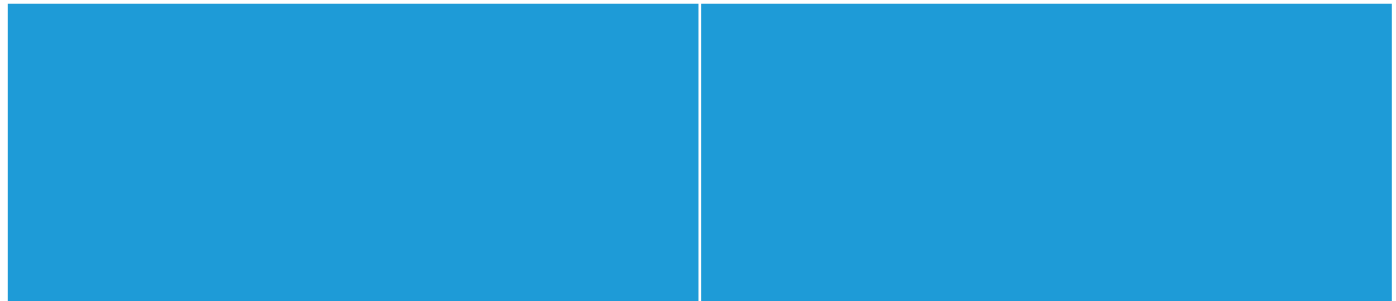


**BULL**

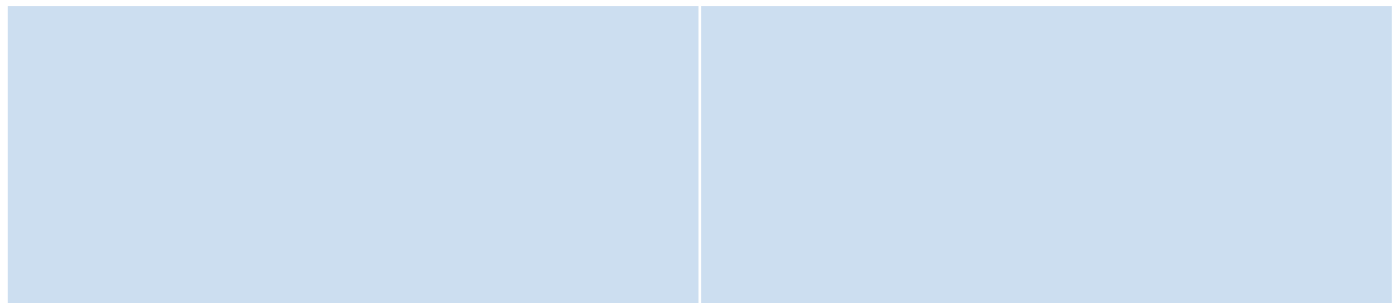


**BEAR**

Retail sales  
are UP

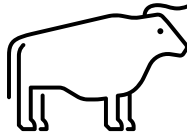


Retail sales  
are DOWN

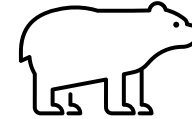


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**BULL**



**BEAR**

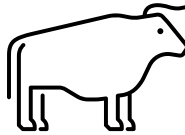
Retail sales  
are UP

Despite the rate rises,  
things are OK

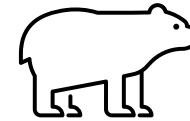
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**BULL**



**BEAR**

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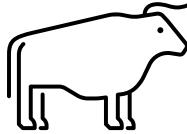
Despite the rate rises,  
things are OK

The rate rises haven't  
worked, there need to be  
more

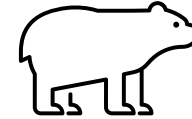
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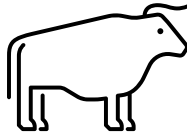
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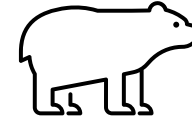
The interest rates will peak  
soon and then decline

# Bull or Bear: Is good news good news?

The same information can be used by bulls and bears to support opposite outcomes



**BULL**



**BEAR**

Retail sales  
are UP

Despite the rate rises,  
things are OK

The rate rises haven't  
worked, there need to be  
more

Retail sales  
are DOWN

The interest rates will peak  
soon and then decline

We are risking recession



# Bull / Bear Predictions



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# Does perfect foresight help you be bullish or bearish?

Even if you know the macro, does it help?

## Big issues

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1. Interest rates
2. Inflation
3. European war
4. China covid
5. China housing

From 1 February 22 to 1 February 23, ASX 200, S&P 500



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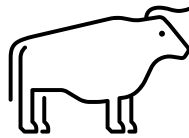
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## Big issues

February 2022

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Everything is  
fine

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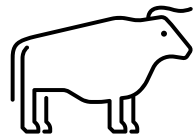
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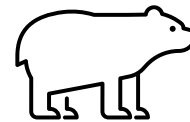
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February 2022



Everything is  
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February 2023



0/5

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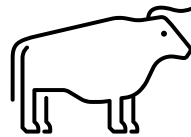
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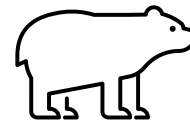
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February 2022

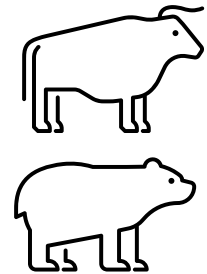


Everything is  
fine

February 2023



0/5



ASX up 7%

S&P down 10%

From 1 February 22 to 1 February 23, ASX 200, S&P 500



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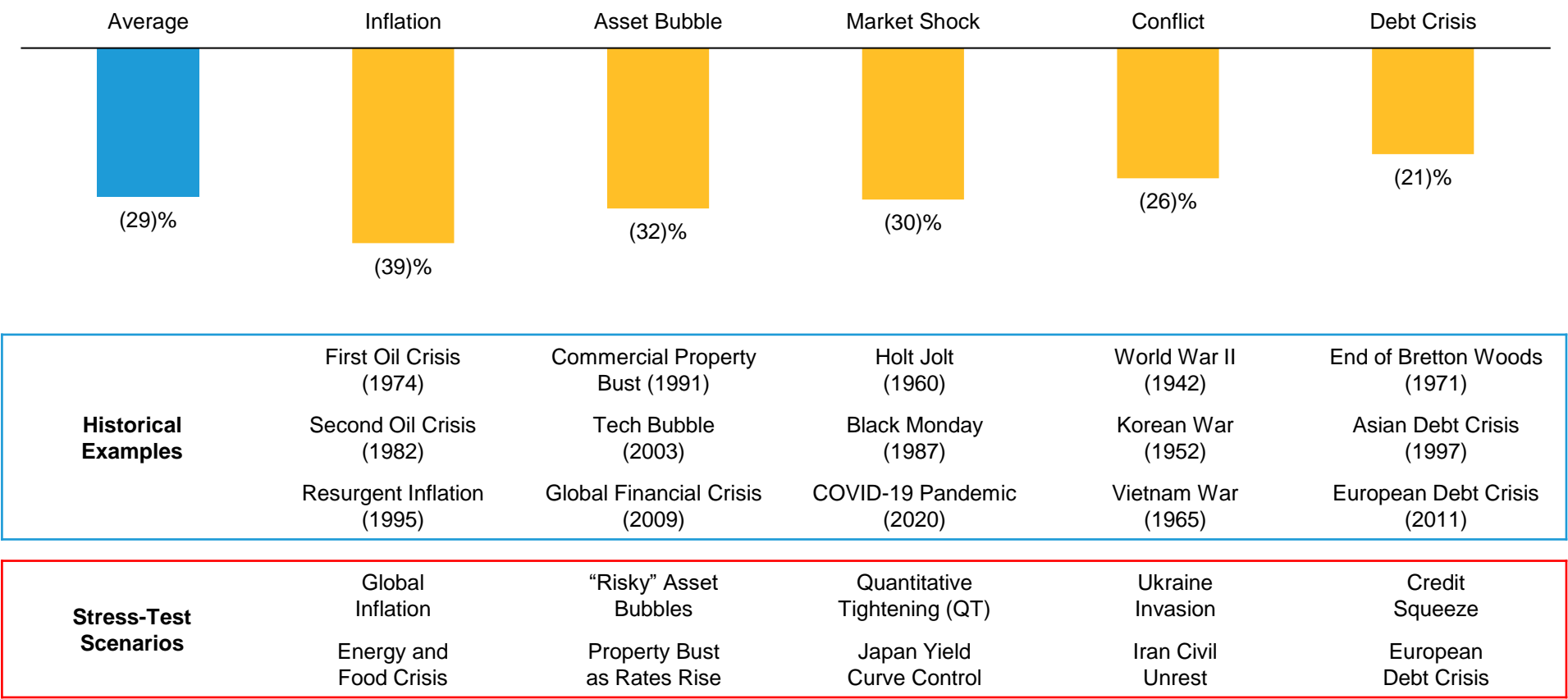
# Market Update



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# Macro Stress Test Scenarios

Peak-to-trough fall in Australian All Ordinaries Price index: 1940–2023



Historical analysis does not guarantee future results.

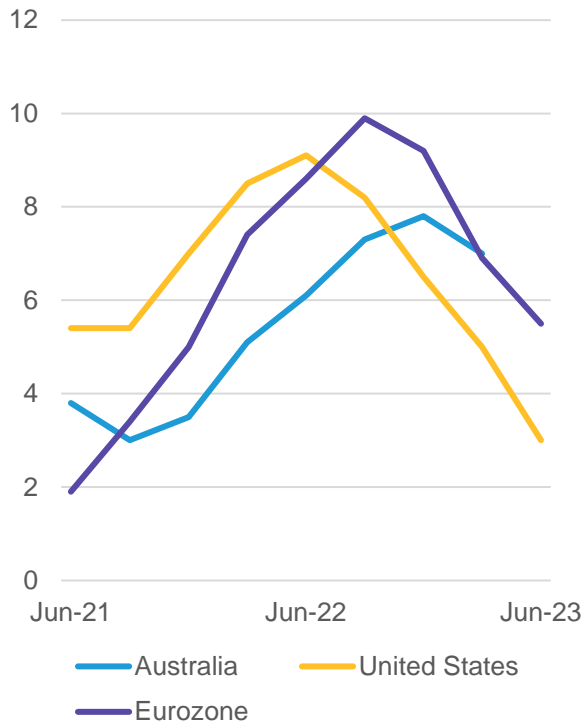
As of June 30, 2023

Source: Bloomberg and AB

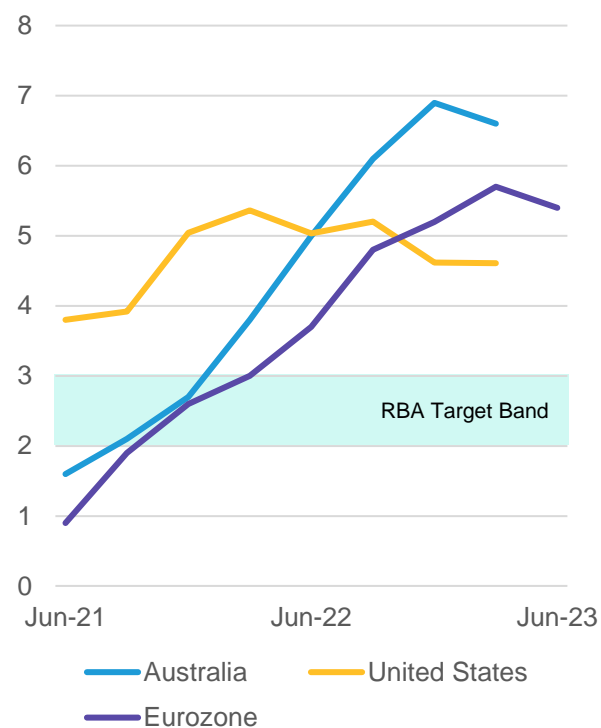
# Core Inflation A Challenge That Wage Pressure Makes Harder

June 30, 2023

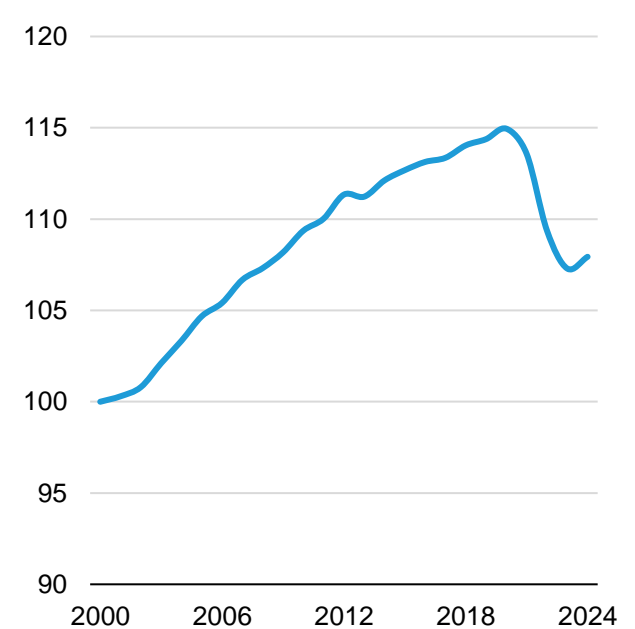
**Headline Inflation Starting to Fall...**  
CPI YoY%



**...But Core Inflation Still High**  
Core CPI YoY%



**... And Pressure To Raise Wages**  
Australian Real Wages (Index = 100 in 2000)



**Historical analysis and current forecast are not indicative of future results.**

As of June 30, 2023

Source: Bloomberg and AB



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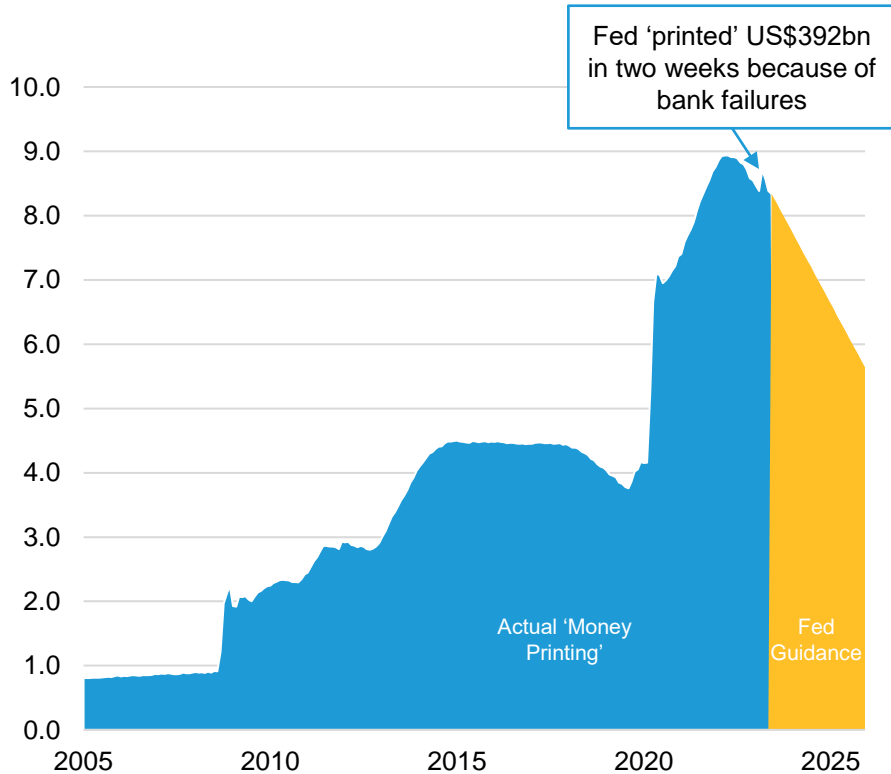


# Money printing

June 30, 2023

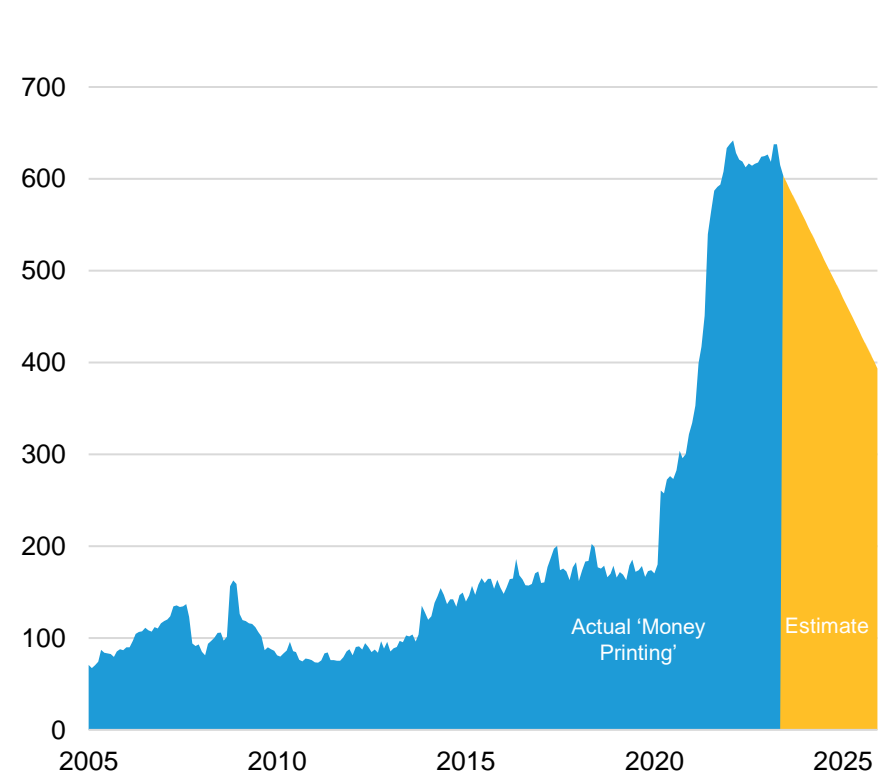
## US Money Printing

Fed Reserve Total Assets (US\$ Trillions)



## Australian Money Printing

RBA Total Assets (A\$ Billions)



**Historical analysis is not indicative of future results.**

As of June 30, 2023

Source: Bloomberg and AB



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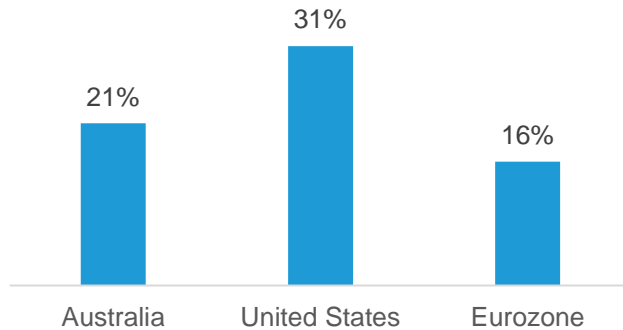
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# Economic Boom Bigger Than Market Expected (Even Including All of Covid)

June 30, 2023

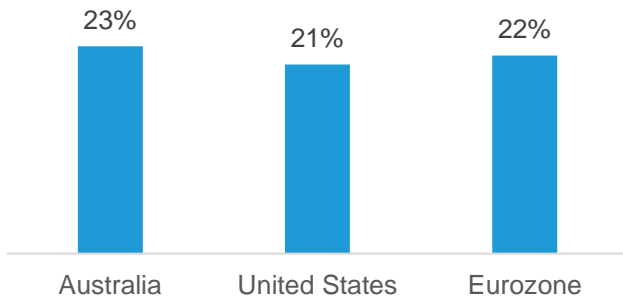
## Largest Fiscal Stimulus in 75+ Years\*

Government Deficit as % of GDP 2019 to 2022



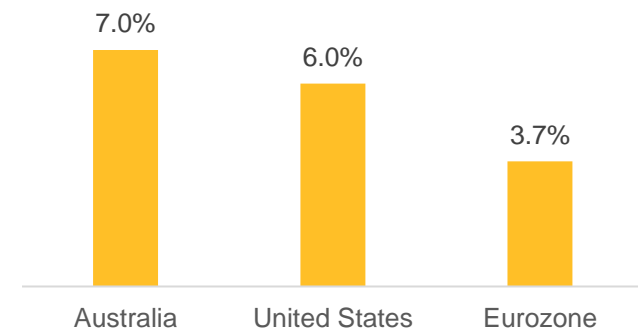
## Largest Monetary Stimulus in 75+ Years\*

Central Bank Money Printing % of GDP 2019 to 2022



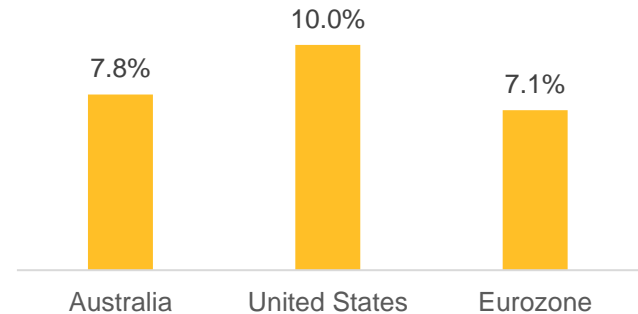
## Three Year Nominal GDP Nearly Strongest in 30 Years\*

Nominal GDP Annual Growth 2019 to 2022



## Highest Inflation in 40 Years\*

Consumer Price Index in 2022



**Historical analysis is not indicative of future results.**

As of June 30, 2023. \*Based on simple average of three regions. Source IMF, Bloomberg and AB



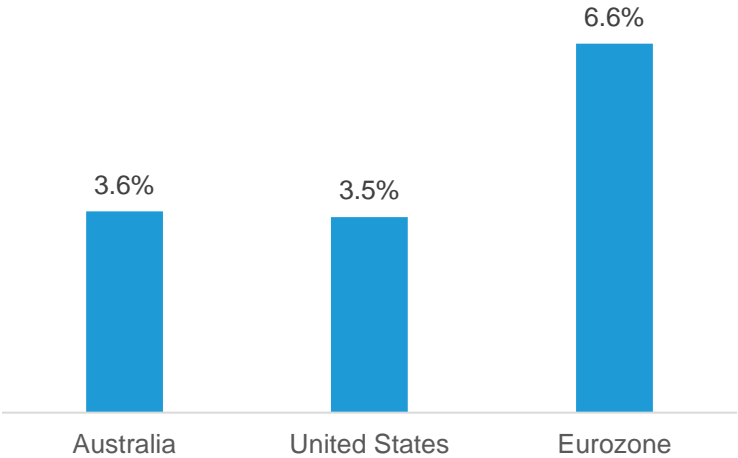
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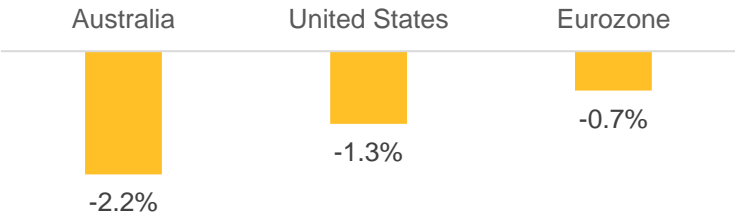
# Economic Boom Longer Than Market Expected Due to Low Unemployment

June 30, 2023

## Unemployment Lowest in 50 Years\*...



## ...Due to Labour Productivity Lowest In 50 Years\* OECD Labour Productivity 2022



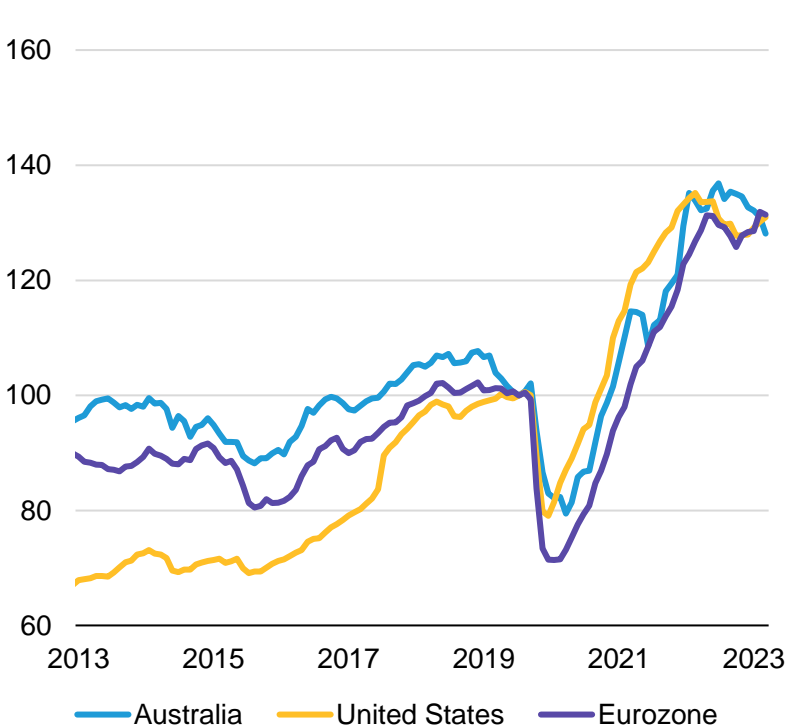
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As of June 30, 2023. \*Based on simple average of three regions. Source IMF, Bloomberg and AB

# Company Profits At All Time Highs And Biggest Cyclical Rally in 42 Years

June 30, 2023

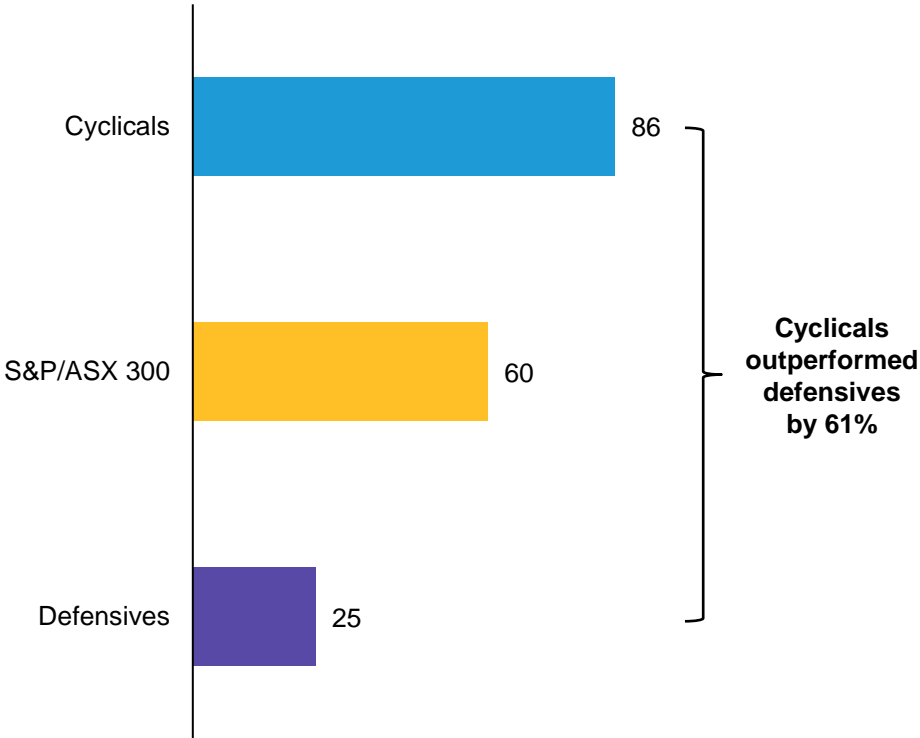
## Corporate Earnings At All Time High

Consensus Earnings (Index =100 December 2019)



## Biggest Cyclical Rally in 42 Years

March 31, 2020, to June 30, 2023 (percent)



**Historical analysis is not indicative of future results.**

As of June 30, 2023. Source Bloomberg and AB



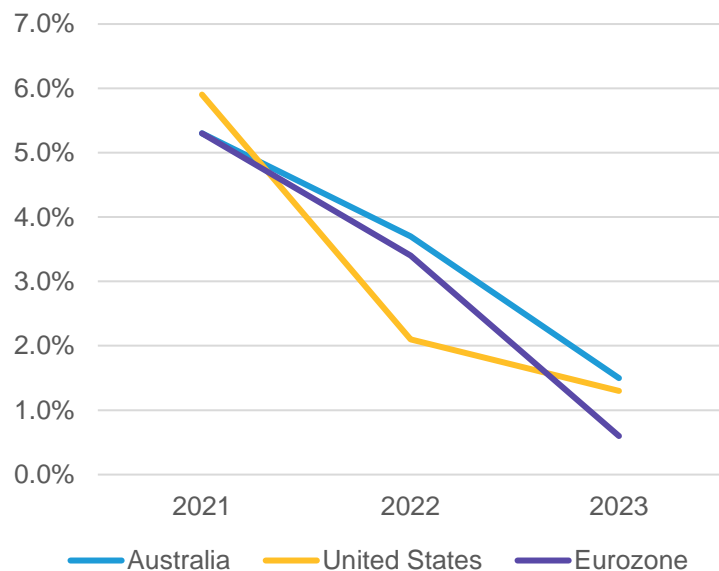
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# Economists Forecasting Economic Slowdown and Possible Recession

June 30, 2023

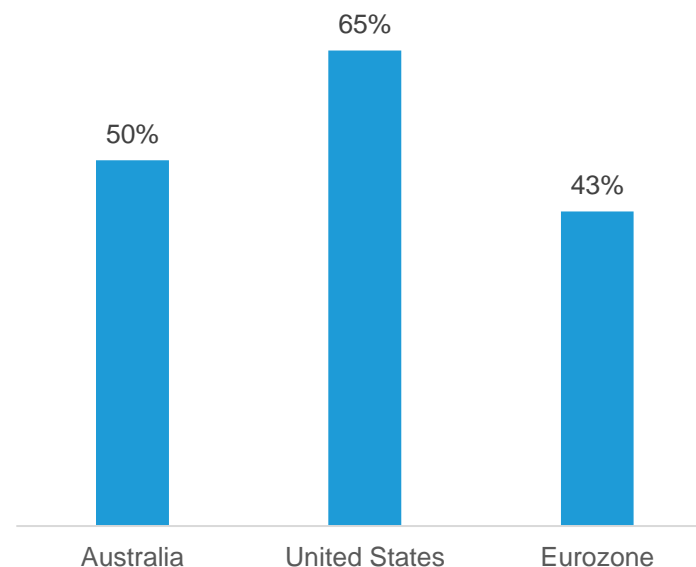
## Real GDP Growth

Actual for 2021-22 and Consensus for 2023



## Probability of Recession in Next 12 Months

Consensus



**Historical analysis is not indicative of future results.**

As of June 30, 2023

Source: Bloomberg and AB



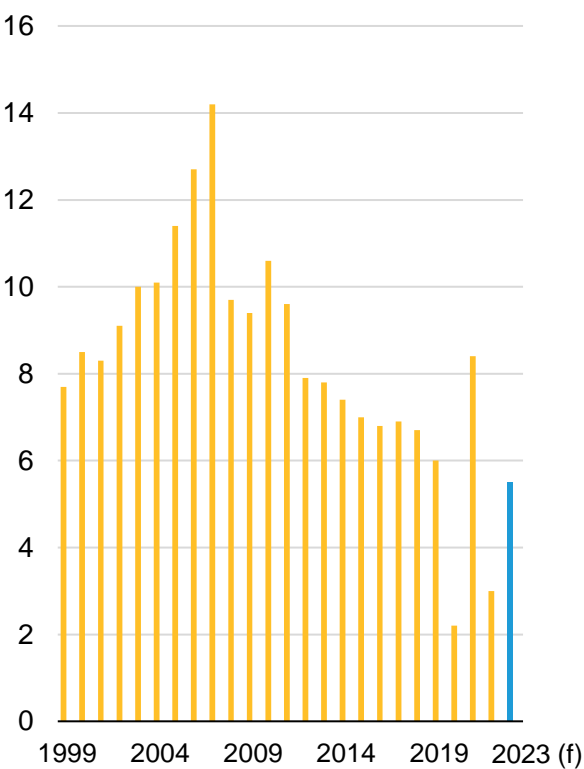
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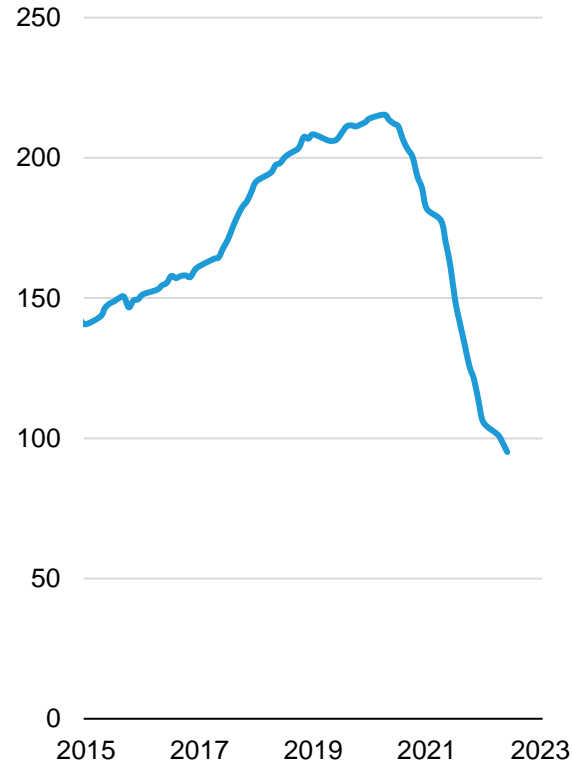
# China Reopened But Slow Recovery and No Signs Of A Housing Boom

June 30, 2023

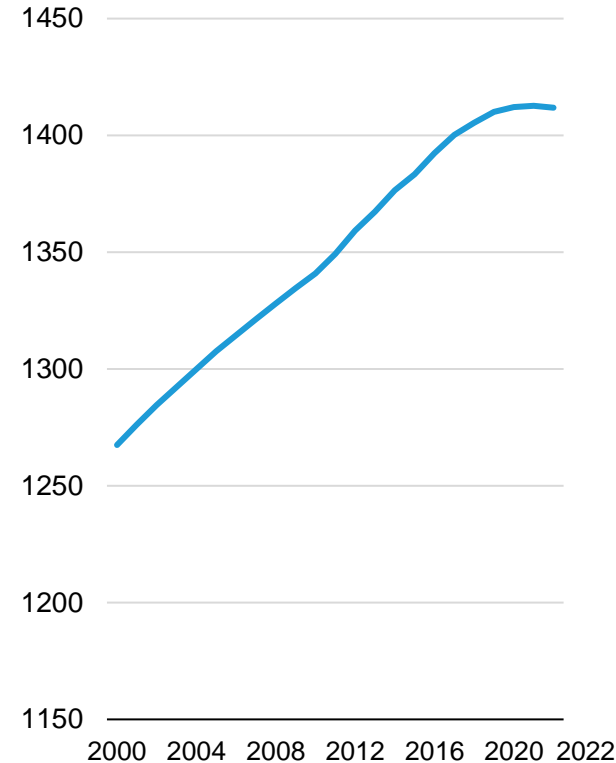
2023 GDP Forecast  
YoY %



China Annual Housing Starts  
Floor Space Started (Million m<sup>2</sup>/month)



China Population  
Millions



Historical analysis is not indicative of future results. As of June 30, 2023  
Source: Bloomberg and AB

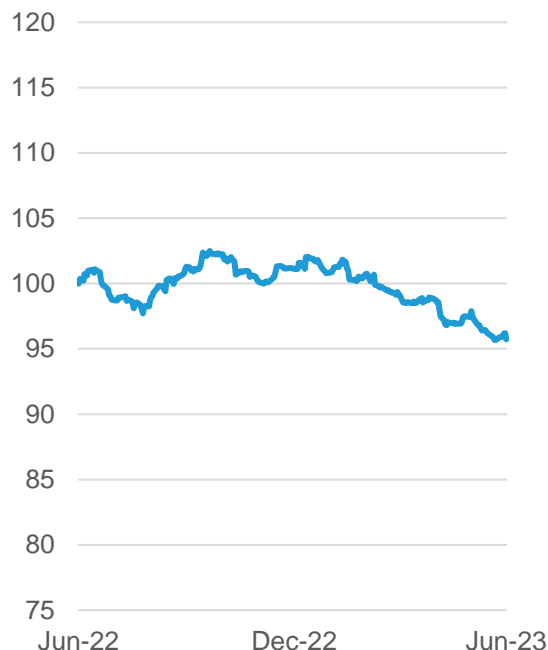


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# As Economy Slows Brokers Starting to Downgrade 'Cyclical' Earnings

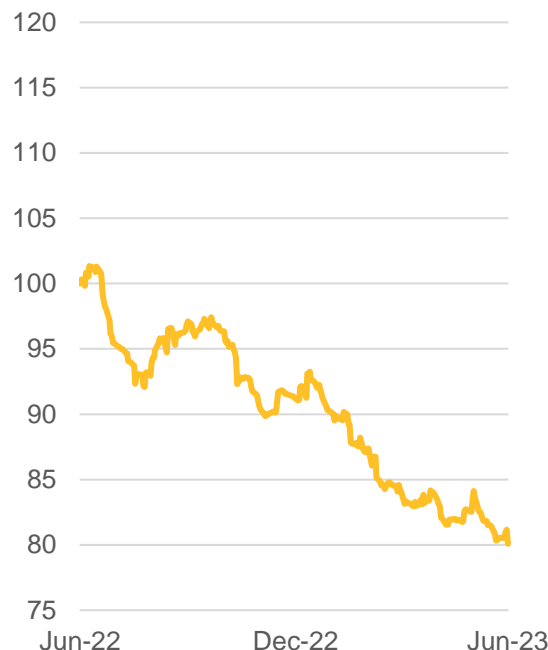
Consensus EPS Indexed to 100 on June 30, 2022

## S&P/ASX 300



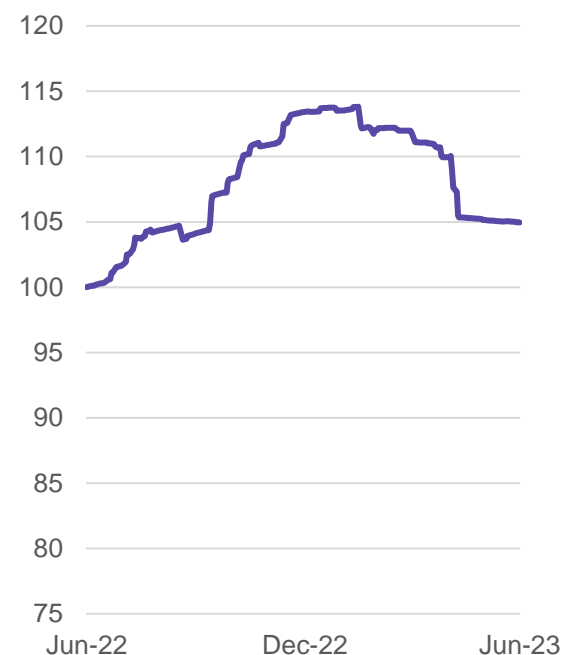
EPS down 4% in  
FY 2023

## S&P/ASX 300 Resources



EPS down 20% in  
FY 2023

## S&P/ASX 300 Banks



EPS down 8% since  
February 2023

Historical analysis and current forecast are not indicative of future results.

As of June 30, 2023

Source: Bloomberg and AB



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# Housing



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# The current popular view on rental vacancy and house prices

## FINANCIAL REVIEW

A plunge in new home building to a 10-year low will collide with the arrival of a record 1.5 million migrants, worsening housing shortages, driving up rents and inflating real estate prices, say property executives.

Source: AFR 10 May 2023

... but isn't that the opposite of what just happened?

	2019	2020	2021	2022
Immigration ('000)	241	193	-85	184
Housing completions ('000)	202	181	179	172
Residential vacancy (Dec) %	2.8%	2.5%	1.9%	1.3%
Residential vacancy (Dec) #	84,601	76,665	57,558	39,568

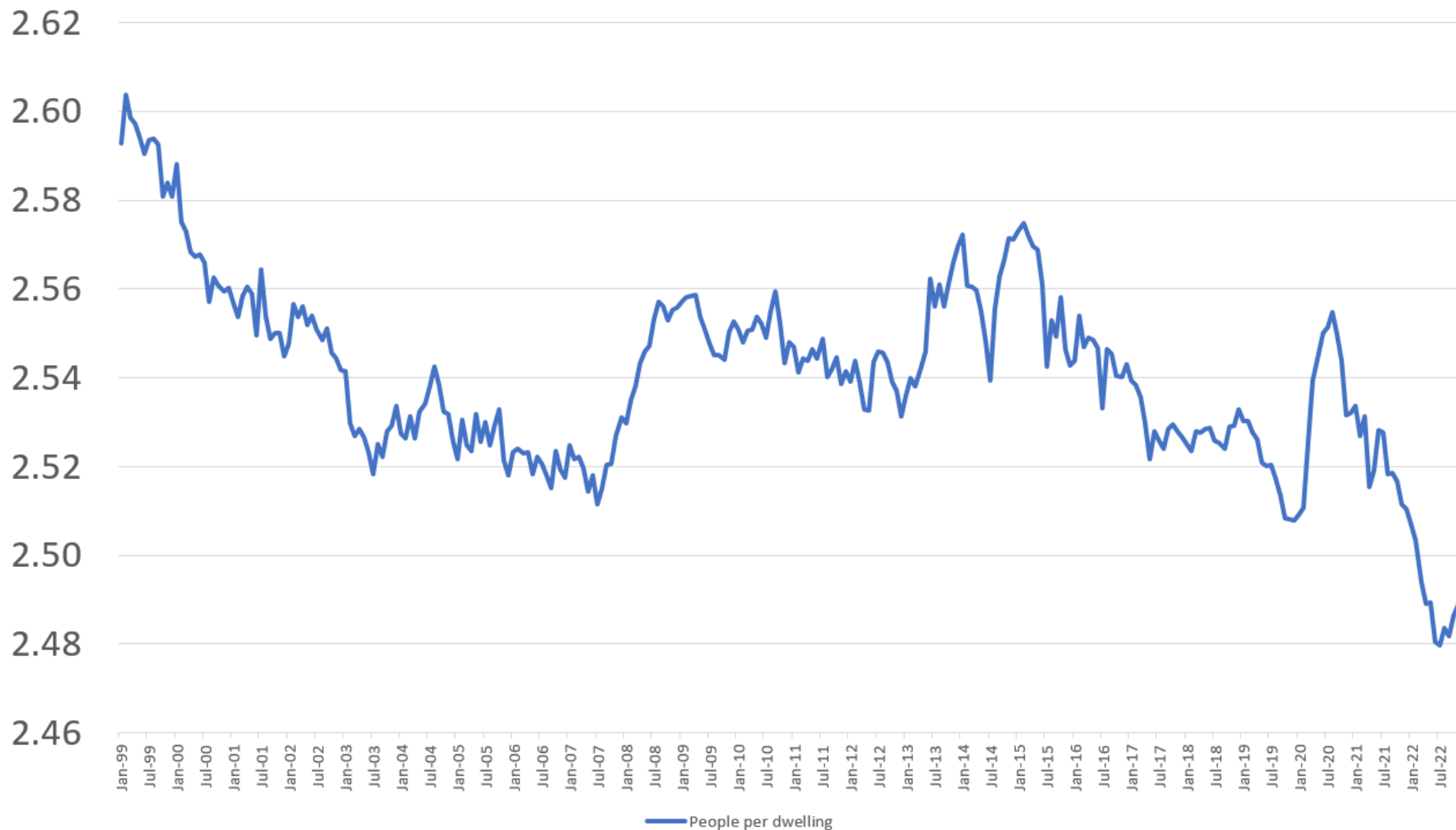
Low immigration

Normal building

Vacancy **DROPS**

Source: ABS, RBA, AB

## People per house – the most important small number for housing



Source: RBA



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## People per house – the most important small number for housing

Covid caused people to move out and seek more room, supported by strong employment prospects and strong income growth

Date	People per house	People in Australia	Dwellings required
Jun-20	2.55	26,000,000	10,196,078
Mar-23	2.48	26,000,000	10,483,871
Difference	0.07	0	(287,793)

Source: RBA, AB

## People per house – how big is 280k housing?

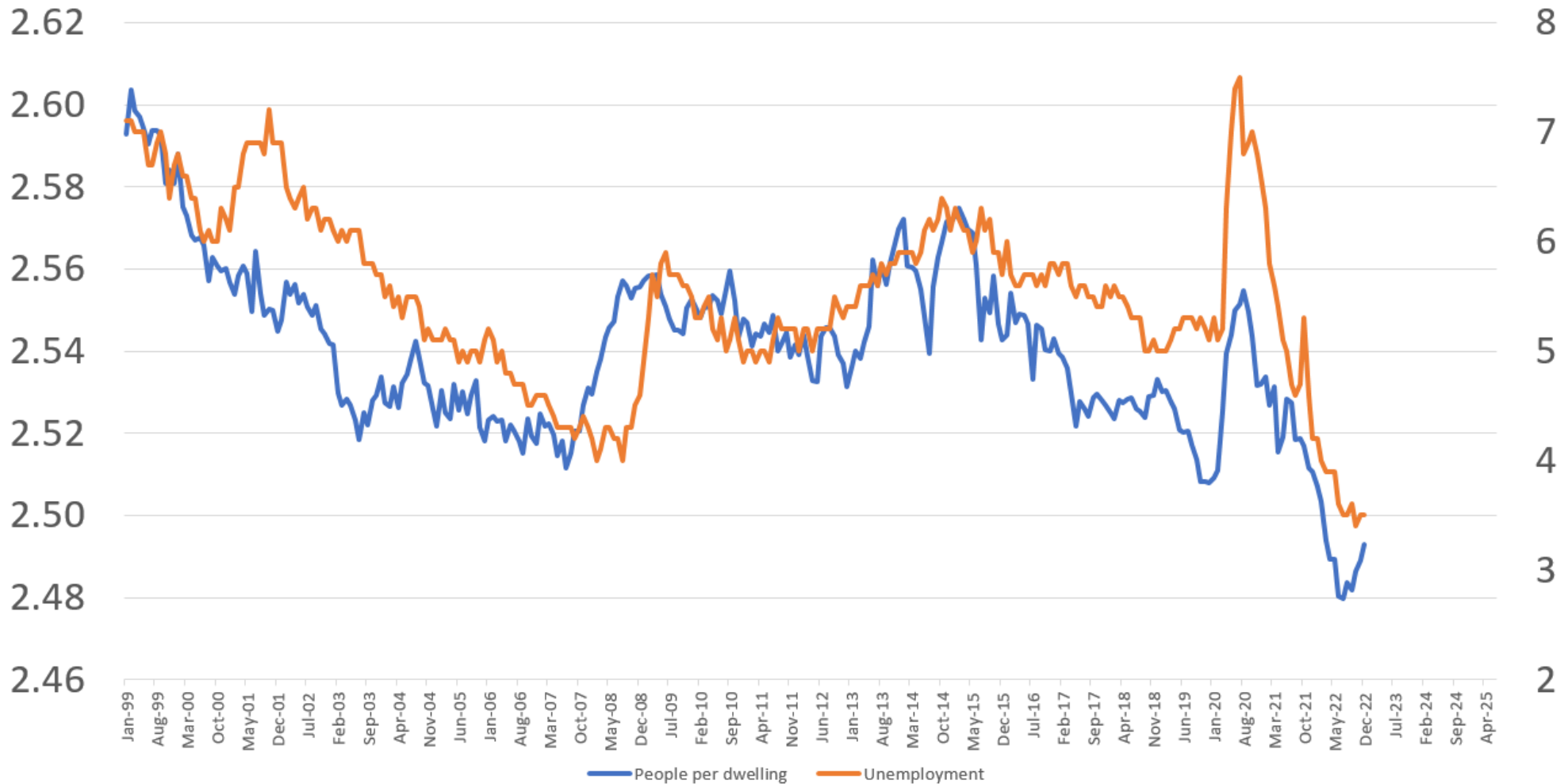
Small moves in people per house are more significant than 2 years of peak immigration, and 1.5 years of housing construction

	People	Dwellings	% of people per house move
2024 Immigration forecast	300,000	120,968	43%
Avg dwelling construction	446,400	180,000	65%

Or ~9% rental vacancy

Source: RBA, ABS, AB

## People per house – unemployment a big driver

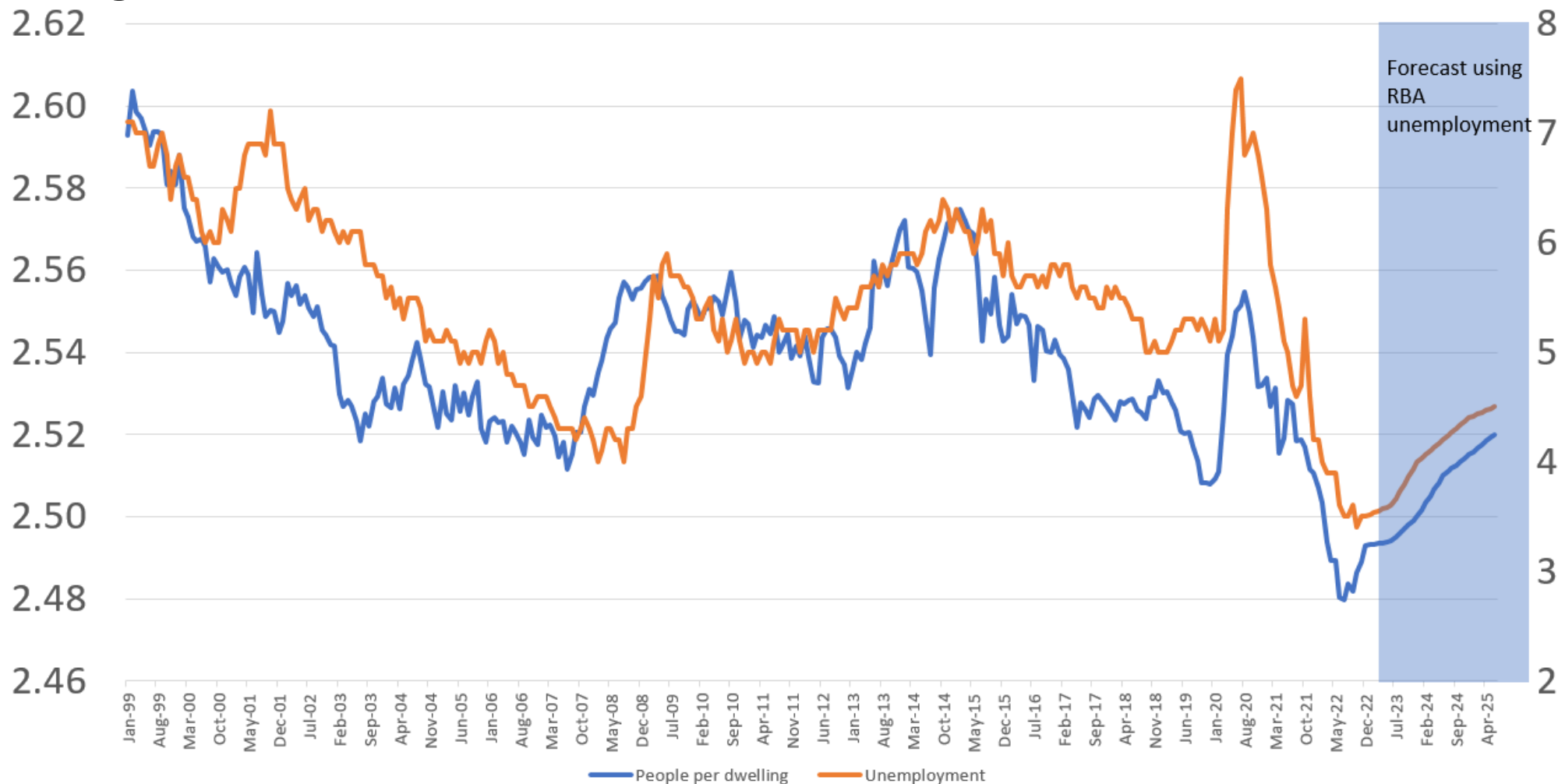


Source: RBA, ABS, AB



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# About to get worse – RBA unemployment forecasts over the next to years correlate to the equivalent of $\frac{3}{4}$ of a year of construction or a year of immigration

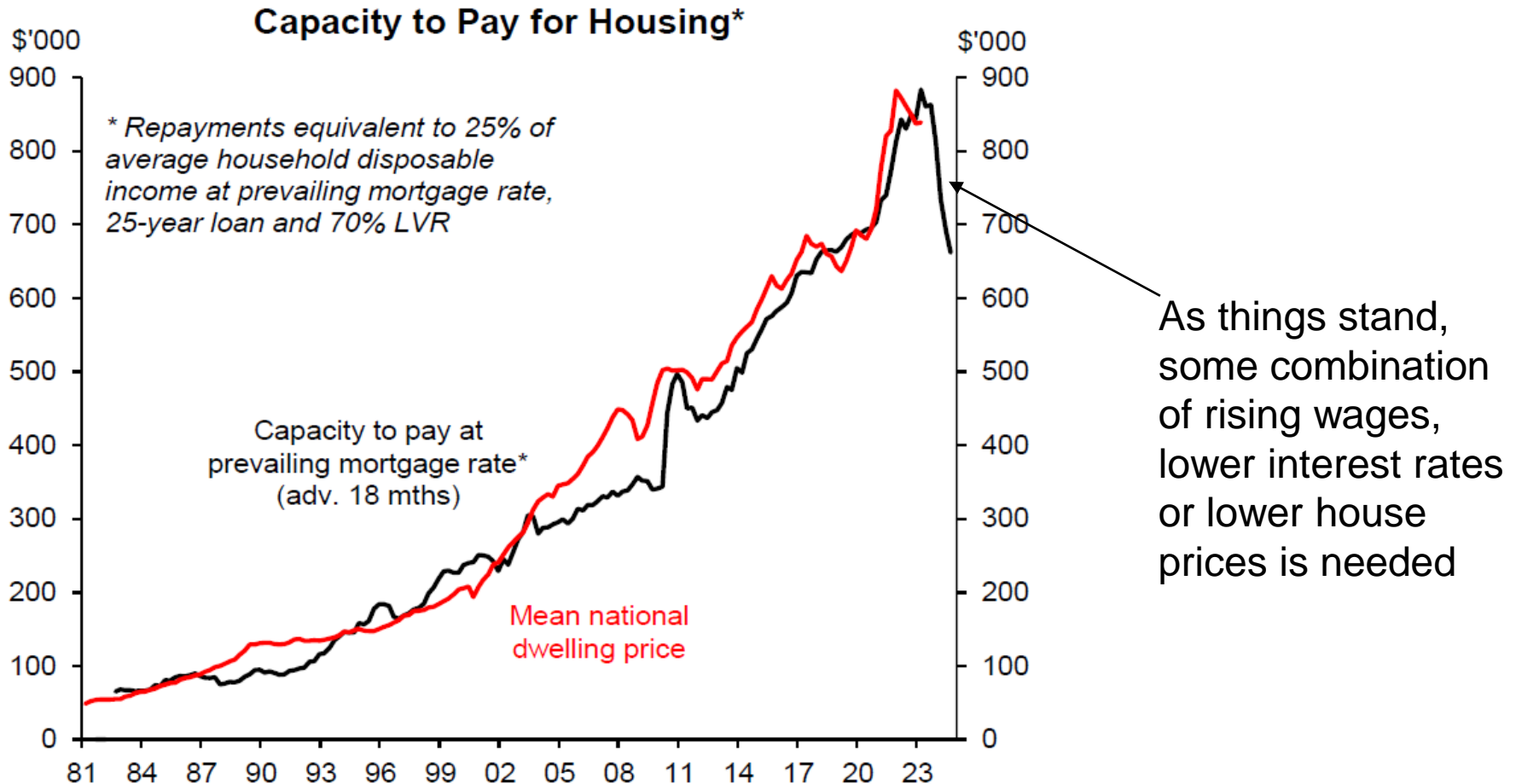


Source: RBA, ABS, AB



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# Over the last 40 years, dwelling prices are a function of income and interest rates only



Source: ABS, CoreLogic RPData, Macrobond, RBA, Macquarie Macro Strategy



# Inflation



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# Inflation Risk - Pricing Power Is Key During Periods of High Inflation

Illustrative examples of portfolio holdings

## Gold



## Food and Beverage

coles

## Infrastructure (CPI linked contracts)

Transurban

## Everyday Essentials

Brambles

## Telecoms



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As of June 30, 2023

Source: AB



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# Disclosures



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# Risks of Managed Investment Schemes

All investments carry risk, and different investment strategies may carry different levels of risk depending on the assets held. Generally, assets with the highest long-term returns may also carry the highest levels of risk.

This Fund aims to produce higher returns and therefore carries a higher level of risk than an investment that aims to produce more modest returns.

The significant risks of investing in the AB Managed Volatility Equities Fund – MVE Class are typical for a fund that invests in Australian and global shares. These risks include:

- Market risk
- Individual investment risk
- Foreign investments risk
- Derivatives risk
- Liquidity risk
- Fund risk
- Compulsory redemption risk

**Before deciding whether to acquire, or continue to hold units in the Fund, please refer to the Fund Product Disclosure Statement (PDS) for a full description of the Fund's features, benefits and risks.**

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A Target Market Determination (“TMD”) for the AB Managed Volatility Equities Fund (Managed Fund) – MVE Class is available free of charge from our website [www.alliancebernstein.com.au](http://www.alliancebernstein.com.au). The TMD sets out the class of persons who comprise the target market for the AB Managed Volatility Equities Fund (Managed Fund) – MVE Class and the distribution conditions that are applicable, together with a number of other matters which should be considered by retail investors and their advisers.