

[ A ]  
[ B ]

# REEMERGING MARKETS

Investing in a  
Developing Recovery

+ **MYTHS TO IGNORE IN  
EMERGING MARKETS**

Sammy Suzuki

+ **PULLING MORE LEVERS ACROSS  
ASSET CLASSES**

Morgan C. Harting

+ **PREPARE FOR REENTRY INTO  
POCKETS OF GROWTH**

Laurent Saltiel, Sergey Davalchenko

+ **BENCHMARKS MISS THE MARK**

Morgan C. Harting, Laurent Saltiel,  
Sammy Suzuki

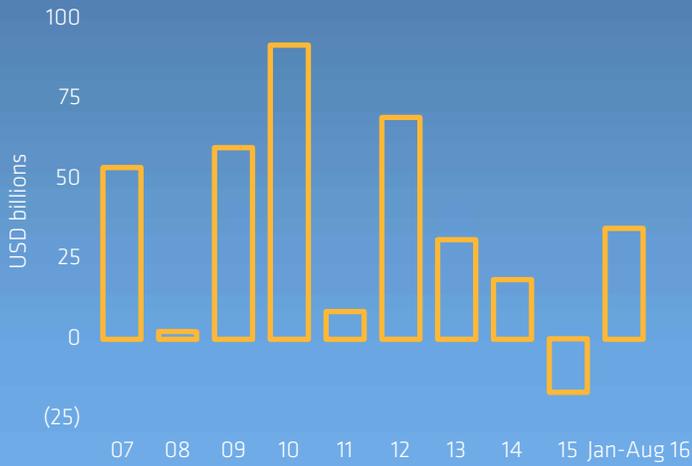
**BACK TO BUSINESS**

Sharon E. Fay, Shamaila Khan

OCTOBER 2016

## FLOWS AND FUNDAMENTALS ARE IMPROVING

GLOBAL NET NEW FLOWS TO EM EQUITY FUNDS<sup>1</sup>



MSCI EMERGING MARKETS INDEX: EARNINGS PER SHARE



Past performance and current analysis do not guarantee future results.

Left display as of August 31, 2016; right display as of September 30, 2016

<sup>1</sup> Based on Morningstar worldwide emerging-market mutual funds and ETFs

<sup>2</sup> Based on consensus earnings estimates for 2016

Source: FactSet, Morningstar, MSCI and AB



# BACK TO BUSINESS

Sharon E. Fay | CFA, Head and Chief Investment Officer—Equities

Shamaila Khan | Portfolio Manager—Emerging Market Corporate Debt

Emerging markets are presenting exciting opportunities for investors. As a recovery gathers momentum, we think a highly selective approach is the key to capturing return potential.

There's a new buzz sweeping through emerging markets. Improving fundamentals and attractive valuations are drawing attention after five tough years. Returns and flows are showing signs of life. For investors who have been underweight, developing-world assets look very tempting.

From Peru to the Philippines, investors can find an array of companies today that offer promising return potential. But before jumping back in, it's important to consider what has changed. In the past, investors could succeed by riding the so-called "beta trade," as emerging-market (EM) equities and fixed income delivered powerful returns over time. But today, without a rising tide to lift all boats, investors can no longer rely on a broad market recovery to drive returns. As a result, we think it's essential to stay active in emerging markets and take a highly selective approach in order to create portfolios that can deliver long-term outperformance. It's also important to move away from EM benchmarks, which are backward looking and don't reflect the most promising future investment opportunities.

## IMPROVING FUNDAMENTALS

Stocks and bonds have both been recovering sharply in 2016. During the first nine months of the year, the MSCI Emerging Markets Index advanced by 16.1% in US-dollar terms, outpacing developed equities. In fixed income, the J.P. Morgan Emerging Market Bond Index rose by 15.0% over the same period. Following large net outflows in 2015, investors have again been adding money to EM equity funds in 2016 (*Display, left*). Asset-allocation funds have started to gradually increase exposure to emerging markets—and for good reasons:

- + **Growth:** GDP growth across emerging markets has slowed from the breakneck pace of several years ago, but appears to have stabilized. Commodity prices have started to rebound from a slump, helping support the more commodity-dependent countries. Corporate earnings are forecast to grow by 6% in 2016 (*Display, right*), according to consensus estimates, versus flat or negative growth in many developed-world countries.
- + **Inflation:** Inflation remains well contained in most emerging economies, and the recent stabilization of exchange rates could provide room for additional stimulus.
- + **External Accounts:** Current account positions are improving from lows seen in 2013.
- + **Politics:** Political risks can't be overlooked, but there are encouraging changes taking place in various countries—such as Brazil, Argentina and India—that should further boost investor sentiment.

## ATTRACTIVE VALUATIONS

Against this backdrop, the valuation landscape is appealing. EM stocks traded at a 23% discount to global developed stocks based on price/earnings ratio at the end of September. And credit spreads for high-yield debt in emerging markets were 1.1% higher than for US high yield, while the spread on investment-grade EM debt was 0.5% more than that for US BBB corporates.

For investors seeking to capitalize on the long-term growth and dynamism of emerging markets, we believe that equities offer the best return potential. To capture this opportunity, investors can choose from a spectrum of investment vehicles that cater to different return

goals and risk appetites. Lower-volatility strategies can help investors generate long-term outperformance by mitigating the downside in falling markets, enabling them to stay invested over the long term. Strategies that focus on high-growth companies can provide powerful earnings-compounding benefits by positioning to profit from tomorrow's growth drivers—while avoiding stocks and countries that were beneficiaries of yesterday's growth. And a multi-asset approach can make active trade-offs among stocks, bonds and currencies to generate attractive risk-adjusted returns over time by tapping into the widest opportunity set.

## GLOBAL ADVANTAGE

In this magazine, our EM portfolio managers share their insights into how to invest in the developing world today. Their articles draw on the day-to-day challenges of managing portfolios and on their extensive field research aimed at identifying the most promising holdings among thousands of diverse investment candidates—from a Colombian bank to a South African media group to a Chinese education company.

At AB, we offer dedicated EM research and portfolio managers, backed by the resources and scale of a global asset manager. By collaborating with our developed-market teams, our EM portfolios benefit from unique macroeconomic, industry and country insights drawn from an understanding of how emerging economies and countries fit into an increasingly integrated global economy. With these guiding principles in mind, we aim to develop conviction in tomorrow's winners across emerging markets—and to maximize the benefits of a developing recovery.

# MYTHS TO IGNORE IN EMERGING MARKETS

Sammy Suzuki | Portfolio Manager—Emerging Markets Equity

As emerging markets begin to reignite investors' interest, it's worth vanquishing some of the long-held misconceptions about investing in the developing world. Here are four standouts:

## 1. YOU HAVE TO PREDICT CHINESE POLICY TO WIN. *WRONG.*

Measures of “old China”—flatlining power, cement and steel production—suggest an economy losing steam. But even under conservative forecasts, China's growth is still expected to create an economy the size of South Korea's, Canada's or Spain's every two to three years. It defies logic to say that China isn't incubating vast opportunities.

Many of these opportunities include “new China” industries catering to a rising consumer class (*Display, page 3*). Mobile-phone subscriptions, Internet shopping and online gaming are growing robustly. Sales of chewing gum and candy are brisk, as is spending on movies, traveling abroad, sportswear and cosmetics. There's plenty of growth potential to be found.

## 2. IT'S ALL ABOUT THE COMMODITY SUPERCYCLE. *NOT QUITE.*

Commodity supercycles are born every 20 to 40 years. The most recent one peaked in 2010. Resource-dependent economies and industries will remain hard pressed as pricing normalizes. But those that consume resources—India, for one—are already reaping rewards.

Beyond commodities, there are powerful trends unfolding today that are creating exciting investment opportunities. For example, the industrial-manufacturing suppliers in Mexico, Vietnam, Poland,

Hungary and the Czech Republic should continue to gain from China's waning status as a source for low-cost labor and from reviving demand from developed-world customers.

And the aging populations of emerging Asia are also creating new growth businesses. For example, South Korean convenience-store operators are gaining share with their smaller-format stores, which are easier for their increasingly elderly customers to navigate.

## 3. EMERGING-MARKET CONSUMERS ARE THE ONLY SOURCE OF GROWTH. *HERE'S WHY NOT.*

Emerging consumers are an important source of growth and are creating big investment opportunities. But they aren't the only game in town.

Many EM companies are making steady inroads with developed-market (DM) consumers. In Mexico, a large share of Gruma's earnings growth is coming from selling tortillas to customers in the US, where the company's dominance gives it an enormous competitive edge. Certain Mexican airports have become malls with runways, profiting from a captive customer base of big-spending foreign travelers. Emerging-Asian yarn spinners, fabric mills and sneaker-makers are riding the phenomenal popularity of “athleisure” sportswear in the US and Europe.

## 4. THE BEST WAY TO ACCESS EM GROWTH IS TO INVEST IN EM-DOMICILED COMPANIES. *NOT ALWAYS.*

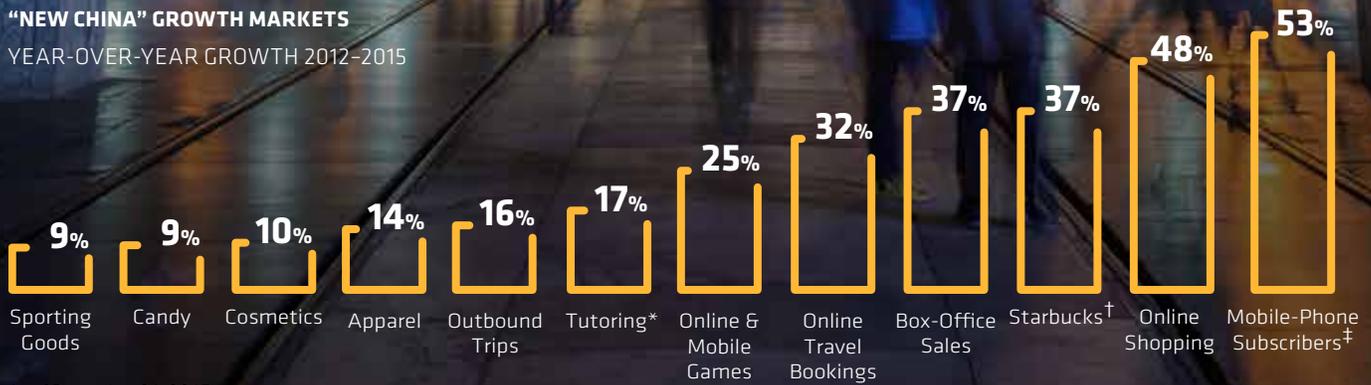
Sometimes the DM parent of an EM subsidiary offers investors a more attractive entry into a lucrative EM business. For example, Suzuki Motor may look more attractively valued than its Indian subsidiary Maruti Suzuki—a key profit driver—for playing EM auto sales growth.

Owning parent company Anheuser-Busch InBev (ABI) may be a better deal than owning its subsidiary Ambev. In addition to a stake in Ambev, ABI gets you a dominant position in Mexico, a fast-growing profit stream from China and the world's leading premium beer portfolio.

With these trends in mind, a targeted and differentiated stock-picking approach can capture exciting opportunities in a developing recovery. Given the likely economic squalls ahead, successful EM investing will require a long-term view, skillful piloting and highly sensitive downside-risk radar. It will also take the broadening of horizons beyond the old, familiar places.



**"NEW CHINA" GROWTH MARKETS**  
YEAR-OVER-YEAR GROWTH 2012-2015



As of December 31, 2015

\* Revenues of the three largest tutoring service providers

† Number of stores

‡ 3G/4G

Source: Bank of America Merrill Lynch, iResearch Consulting, National Bureau of Statistics of China, company reports and AB

# PULLING MORE LEVERS ACROSS ASSET CLASSES

Morgan C. Harting | CFA, Portfolio Manager—Multi-Asset Solutions

Combining emerging-market equities and bonds in a multi-asset portfolio gives a manager more options to find the right balance of returns.

Emerging-market (EM) stocks and bonds have posted a stellar year so far. Yet many investors are still anxious about EM stocks, which are much more volatile than their developed-market peers. A multi-asset approach can reduce risk significantly, helping investors maintain exposure to the underlying long-term growth story that makes investing in the developing world so appealing.

## IMPROVING RISK-ADJUSTED RETURNS

Our research compared the risk-adjusted returns of four approaches in emerging markets:

1. A cap-weighted equity index
2. A skillful tilt toward better-performing equity countries and sectors
3. A multi-asset approach that bolts together equity and debt indices
4. A portfolio that skillfully tilts toward the top-performing-quartile country and sector within each asset class.

As the *Display* below shows, bolting together EM stock and bond indices would have outperformed passive equities over the past 10 years through 2015—and generated stronger risk-adjusted returns than a skillful stock picker. But an equally skillful multi-asset manager who tilted toward better-performing countries and sectors in stocks and bonds would have done even better, our research suggests.

## EXPANDING THE OPPORTUNITY SET

Why does an integrated multi-asset approach work so well? It's because it provides a portfolio with a much larger opportunity set and the ability to invest in the most attractive assets as conditions change.

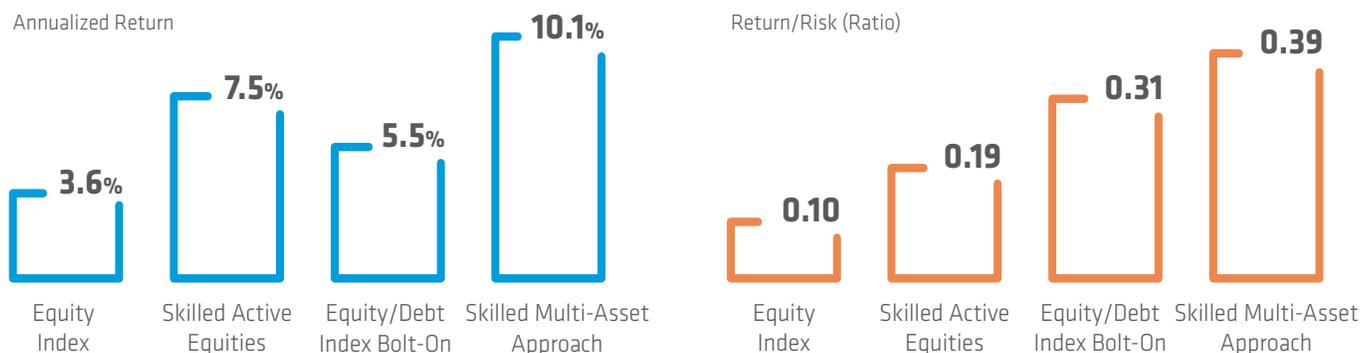
For example, the EM equity index spans 24 countries and nearly as many industries, affording an active manager ample opportunity to take active positions and outperform an equity index. Yet when EM stocks collectively face downward pressure, there aren't enough places for an equity-only manager to hide.

Last year, the EM equity index fell 15%. The quilt *Display, page 5*, shows that India was the top-quartile segment in equities, falling 6%, while the worst quartile was Mexican telecom, down 31%. So even if a skilled manager put all of her eggs in the top equity quartile basket, the portfolio would have suffered significant losses.

Widening the opportunity set to include bonds could have dampened the downside risk. Even the worst-performing quartile of dollar-denominated government bonds—Tanzania—outperformed the best equity quartile. This dynamic isn't unusual. The worst quartile of dollar sovereign bonds outperformed the best quartile of equities in 2011, and in 2008 as well.

By pulling more levers from the broadest universe of securities in a portfolio of carefully chosen stocks and bonds, we believe investors can regain the confidence to return to emerging markets and capture smoother return patterns through bouts of volatility ahead.

## MULTI-ASSET APPROACH HELPS REDUCE EMERGING-MARKET EQUITY RISK (2006–2015)



As of December 31, 2015

Returns and volatility are based on annual returns. Equities represented by MSCI Emerging Markets. Debt represented by J.P. Morgan Emerging Markets Global Diversified Bond Index (EMBI), J.P. Morgan Government Bond Index—Emerging Markets (GBI-EM) and J.P. Morgan Corporate Emerging Markets Bond Index (CEMBI). Skilled active equities tilts 60% of the portfolio to the top-quartile sector and country performers and 40% to the bottom quartile. Bolt-on approach is an equal-weighted bolting of four EM equity and debt indices. Skilled multi-asset approach tilts 60% of the portfolio to the top-quartile performers across equities and bonds and 40% to the bottom quartile.

## WIDE RETURN DISPERSION REQUIRES INVESTING SKILL

EMERGING-MARKETS TOP- AND BOTTOM-QUARTILE RETURNS WITHIN ASSET CLASSES (PERCENT)

2008	2009	2010	2011	2012	2013	2014	2015
Colombia (0.5)	Korea IT 105.5	South Africa 34.2	Brazil 13.8	China Financials 30.5	Taiwan IT 6.1	India IT 15.1	Latvia 4.7
Colombia (2.9)	Sri Lanka 75.3	Brazil 19.0	Oil & Gas 5.8	Turkey 27.1	Gabon 1.4	India 13.7	Utilities 2.2
South Africa (13.0)	Mexico 56.6	Metals & Mining 17.2	Brazil 3.0	Real Estate 25.9	Financials 0.7	Real Estate 7.2	Tanzania (3.2)
Pulp & Paper (14.6)	Consumer 44.6	Lithuania 15.9	Hungary (1.1)	Iraq 23.1	Mexico 0.1	Latvia 5.9	Czech Republic (5.9)
Infrastructure (24.8)	Colombia 33.4	Pulp & Paper 10.3	Real Estate (4.1)	Colombia 12.3	Infrastructure (3.5)	Peru 2.9	India (6.1)
Dominican Rep. (39.0)	Pulp & Paper 24.6	Malaysia 8.8	China Energy (10.5)	Tech, Telecom 11.3	Costa Rica (7.1)	Transportation 0.1	Metals & Mining (8.5)
Mexico Telecom (42.6)	Colombia 16.7	India Energy 4.1	Nigeria (10.8)	Malaysia 7.9	Brazil Financials (13.7)	Nigeria (7.1)	Turkey (21.0)
Turkey (62.1)	Poland Local 8.2	Czech Republic 3.5	Korea Financials (28.7)	Korea Consumer Discretionary 6.4	Peru (17.2)	Mexico Materials (14.0)	Mexico Telecom (31.2)

● Equity Country or Country/Sector ● Dollar Sovereign Bonds ● Local-Currency Government Bonds ● Corporate Dollar Bonds

As of December 31, 2015

Equity returns based on MSCI Emerging Markets. Dollar sovereign bonds based on J.P. Morgan EMBI Global Diversified. Local-currency bonds based on J.P. Morgan GBI-EM. Corporate dollar bonds based on CEMBI

Source: Bloomberg, J.P. Morgan, MSCI and AB



# PREPARE FOR REENTRY INTO POCKETS OF GROWTH

Laurent Saltiel | Chief Investment Officer—Emerging Markets Growth

Sergey Davalchenko | Portfolio Manager—Emerging Markets Growth

The key to success in emerging markets today is to identify industries and companies with attractive growth prospects, even in a sluggish growth environment.

Even if a recovery accelerates, we don't expect a powerful equity rally like those in 2002 or 2007, when investors could simply ride the index and enjoy very attractive returns. The good news is that there are exciting new trends that are creating pockets of robust growth and providing new points of reentry into emerging markets.

## RETHINKING CONSUMER SPENDING

Rapid consumer spending growth has always been a key feature of the emerging-market (EM) investment opportunity. In the past, this was often driven by borrowing. Today, in key markets like Brazil and South Africa, consumers are already highly indebted and can't borrow much more.

So to find above-average consumer growth, it's important to focus on developing countries with low consumer-debt levels. For example, in the Philippines, Colombia, Peru and Indonesia, consumer debt accounts for a much lower proportion of GDP than in other emerging markets.

Consumer trends play out differently in various countries. In Russia, hypermarkets are growing rapidly because they offer much lower prices than traditional retailers. Convenience stores in Thailand are booming. And rising demand for private education is defying domestic challenges in China.

## DON'T IGNORE CHINA

Slowing economic growth in China shouldn't be a deterrent. Instead, consider the course of transition in the world's second-largest economy.





It's true that the "old" sectors, such as manufacturing and commodities, which fueled China's emergence as a global economic superpower, are fading as a source of premium growth. But there is a new China emerging that's defying the current slowdown in economic growth. Internet, healthcare and education companies are just a few areas that we expect will continue to post above-average growth rates for years to come.

#### **LOOK FOR GLOBAL LEADERS**

Across the EM landscape, companies can be found that are becoming global leaders in their industries. Tata Consultancy Services of India is now a major player in the global IT services market. Taiwan Semiconductor Manufacturing has a dominant market share, advanced technology and the highest margins among its peers. Aspen Pharmacare is becoming a global leader in branded and generic pharmaceutical products.

In our view, it's only a matter of time before some of these established and rising stars in emerging markets make it to the top. Investors who find them today can purchase exceptional growth potential at very attractive stock prices.

These are just a few ways in which investors can start to think about getting back into EM equities. Stocks of companies like these can be expected to do well even as market challenges persist, while providing excellent positioning for a potential sustained longer-term recovery.

# BENCHMARKS MISS THE MARK

Morgan C. Harting, Laurent Saltiel, Sammy Suzuki

Change is in the air for emerging market investors. Yet investors who seek to increase exposure through passive portfolios may miss out on some of the best opportunities.

After several tough years, earnings of companies in developing countries are improving, fundamentals are stabilizing and valuations look attractive. But even if an earnings recovery accelerates, we don't expect a return to the double-digit market growth that investors once enjoyed. Many things have changed in recent years, making a repeat of the explosive equity gains in emerging markets unlikely. As a result, we think that investing in an index-tracking fund isn't the right way to go.

**What's wrong with a passive approach?**  
Passive exposure to emerging markets will force investors to take large indiscriminate positions in regions confronting significant headwinds, such as Turkey, which faces heightened political risk, and China, where economic growth is decelerating.

In the MSCI Emerging Markets Index, about 78% of the market capitalization (excluding China) is in countries growing more slowly than average (*Display*). Korea and Taiwan (two fairly mature economies) together account for more than a quarter of the total benchmark, but these are fairly mature economies that may not represent the strongest opportunities. India accounts for only 8% of the benchmark, even though it has a population of more than 1.2 billion, attractive demographic trends and a dynamic economy benefiting from numerous market-friendly reforms. And smaller countries like the Philippines and the United Arab Emirates—as well as frontier markets such as Vietnam and Pakistan—could be big beneficiaries of the next leg of growth, but have very small weights in emerging-market (EM) indices.

China's benchmarks also pose concentration risks. The MSCI China Index is heavily skewed toward state-owned companies, which tend to have fairly poor corporate governance and suffer from heavy government intervention. State-owned enterprises also weigh heavily in the benchmarks of other countries like Brazil and Russia. In addition, attractive areas of investment with strong long-term growth prospects like healthcare or education together account for less than 4% of the MSCI Emerging Markets.

Active managers have a good track record in emerging markets. Last year, the MSCI Emerging Markets benchmark ranked in the 66th percentile of active managers—meaning two-thirds of stock pickers outperformed the index. And over the past decade, a median-performing EM manager would have consistently beaten the benchmark.

Active management offers distinct benefits. Emerging markets are still much less transparent and more inefficient than developed markets. News tends to travel much more slowly than it does in the developed world. As a result, developing-market stocks are more prone to overreactions and mispricings—but also far richer in opportunities for attentive stock pickers to exploit. That's the beauty of EM investing.

Today, there's a strong case to be made for increasing exposure to EM countries. But, in our view, that exposure should be governed by fundamental company- and country-specific insights, rather than by a broad market play.

By staying active, investors can avoid the messiest parts of emerging markets. And by taking a selective approach focused on developing high conviction in individual stocks, balanced by risk management, we believe investors can position effectively to get better long-term returns in a developing recovery.

## WHAT'S INSIDE THE INDEX?

MSCI Emerging Markets Index  
Ex China by Country Market Capitalization



- Countries growing faster than EM average
- Countries growing slower than EM average

MSCI China Index (27% of MSCI EM Index)  
by Market Capitalization



- Other
- Internet-related companies
- State-owned enterprises\*

Past performance does not guarantee future results.

As of June 30, 2016

\* State-owned enterprises defined as companies with government ownership of 50% or greater

Source: Bloomberg, International Monetary Fund, J.P. Morgan, MSCI and AB

AB EMERGING MARKET CAPABILITIES	DESCRIPTION
<b>EQUITY</b>	
Emerging Markets Growth	Focuses on high-quality companies offering sustainable growth and strong competitive advantages
Emerging Markets Strategic Core	Focuses on stocks with fundamental quality, stability and attractive valuations to deliver outperformance with downside protection
Emerging Markets Value	Takes a deep-value approach that seeks companies trading below their long-term earnings power
Emerging Consumer	Invests in companies best positioned to capitalize on trends that will redefine emerging consumer markets
Frontier Emerging Markets	Provides exposure to the next-stage of growth by investing in untapped opportunities across frontier and smaller emerging markets.
<b>MULTI-ASSET</b>	
Emerging Markets Multi-Asset	Takes a dynamic approach that invests in an integrated portfolio of equities, debt and currency to deliver equity-like returns with lower volatility and higher yield
<b>FIXED INCOME</b>	
Emerging Market Debt	Invests in a diversified portfolio of hard-currency emerging-market debt, with an opportunistic allocation to corporates, local debt and currencies
Emerging Market Corporate Debt	Invests primarily in fixed-income securities issued by corporations domiciled in emerging markets
Emerging Market Local Currency Debt	Invests primarily in local-currency emerging-market sovereign debt, with selective use of hard-currency sovereign debt and corporate bonds



## >> LEARN MORE

ABGLOBAL.COM

### A WORD ABOUT RISK:

**Market Risk:** The Market values of the portfolio's holdings rise and fall from day to day, so investments may lose value. **Derivatives Risk:** Derivative instruments such as options, futures, forwards or swaps can be riskier than traditional investments, and may be more volatile, especially in a down market. **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. **Foreign (non US):** Risk Non-US securities may be more volatile because of political, regulatory, market and economic uncertainties associated with such securities. Fluctuations in currency exchange rates may negatively affect the value of the investment or reduce returns. These risks are magnified in emerging or developing markets.

**Note to All Readers:** The information contained here reflects the views of AllianceBernstein L.P. or its affiliates and sources it believes are reliable as of the date of this publication. AllianceBernstein L.P. makes no representations or warranties concerning the accuracy of any data. There is no guarantee that any projection, forecast or opinion in this material will be realized. **Past performance does not guarantee future results.** The views expressed here may change at any time after the date of this publication. This document is for informational purposes only and does not constitute investment advice. AllianceBernstein L.P. does not provide tax, legal or accounting advice. It does not take an investor's personal investment objectives or financial situation into account; investors should discuss their individual circumstances with appropriate professionals before making any decisions. This information should not be construed as sales or marketing material or an offer or solicitation for the purchase or sale of any financial instrument, product or service sponsored by AB or its affiliates.

**Note to Canadian Readers:** This publication has been provided by AllianceBernstein Canada, Inc. or Sanford C. Bernstein & Co., LLC and is for general information purposes only. It should not be construed as advice as to the investing in or the buying or selling of securities, or as an activity in furtherance of a trade in securities. Neither AllianceBernstein Institutional Investments nor AllianceBernstein L.P. provides investment advice or deals in securities in Canada. **Note to European Readers:** This information is issued by AllianceBernstein Limited, a company registered in England under company number 2551144. AllianceBernstein Limited is authorised and regulated in the UK by the Financial Conduct Authority (FCA—Reference Number 147956). **Note to Austrian and German Readers:** This information is issued in Germany and Austria by AB Europe GmbH. **Note to Swiss Readers:** This document is issued by AllianceBernstein Schweiz AG, Zürich, a company registered in Switzerland under company number CHE-306.220.501. AllianceBernstein Schweiz AG is authorised and regulated in Switzerland by the Swiss Financial Market Supervisory Authority (FINMA) as a distributor of collective investment schemes. Swiss Representative & Swiss Paying Agent: BNP Paribas Securities Services, Paris, succursale de Zürich. Registered office: Selnaustrasse 16, 8002 Zürich, Switzerland, which is also the place of performance and the place of jurisdiction for any litigation in relation to the distribution of shares in Switzerland. The Prospectus, the key investor information documents, the Articles or management regulations, and the annual and semiannual reports of the concerned fund may be requested without cost at the offices of the Swiss representative. This document is directed at Qualified Investors only. **Note to Readers in Japan:** This document has been provided by AllianceBernstein Japan Ltd. AllianceBernstein Japan Ltd. is a registered investment management company (registration number: Kanto Local Financial Bureau no. 303). It is also a member of the Japan Investment Advisers Association; the Investment Trusts Association, Japan; the Japan Securities Dealers Association; and the Type II Financial Instruments Firms Association. The product/service may not be offered or sold in Japan; this document is not made to solicit investment. **Note to Australian and New Zealand Readers:** This document has been issued by AllianceBernstein Australia Limited (ABN 53 095 022 718 and AFSL 230698). Information in this document is intended only for persons who qualify as "wholesale clients," as defined in the Corporations Act 2001 (Cth of Australia) or the Financial Advisers Act 2008 (New Zealand), and should not be construed as advice. **Note to Hong Kong Readers:** This document is issued in Hong Kong by AllianceBernstein Hong Kong Limited (聯博香港有限公司), a licensed entity regulated by the Hong Kong Securities and Futures Commission. This document has not been reviewed by the Hong Kong Securities and Futures Commission. **Note to Readers in Vietnam, the Philippines, Brunei, Thailand, Indonesia, China, Taiwan and India:** This document is provided solely for the informational purposes and is not investment advice, nor is it intended to be an offer or solicitation, and does not pertain to the specific investment objectives, financial situation or particular needs of any person to whom it is sent. This document is not an advertisement. AB is not licensed to, and does not purport to, conduct any business or offer any services in any of the above countries. **Note to Readers in Malaysia:** Nothing in this document should be construed as an invitation or offer to subscribe to or purchase any securities, nor is it an offering of fund-management services, advice, analysis or a report concerning securities. AB is not licensed to, and does not purport to, conduct any business or offer any services in Malaysia. Without prejudice to the generality of the foregoing, AB does not hold a capital-markets services license under the Capital Markets & Services Act 2007 of Malaysia, and does not, nor does it purport to, deal in securities, trade in futures contracts, manage funds, offer corporate finance or investment advice, or provide financial-planning services in Malaysia. **Note to Singapore Readers:** This document has been issued by AllianceBernstein (Singapore) Ltd. ("ABSL", Company Registration No. 199703364C). ABSL is a holder of a Capital Markets Services Licence issued by the Monetary Authority of Singapore to conduct regulated activity in fund management and dealing in securities. AllianceBernstein (Luxembourg) S.à.r.l. is the management company of the portfolio and has appointed ABSL as its agent for service of process and as its Singapore representative. This document has not been reviewed by the MAS. **MSCI Note:** MSCI makes no express or implied warranties or representations and shall have no liability whatsoever with respect to any MSCI data contained herein. The MSCI data may not be further redistributed or used as a basis for other indices or any securities or financial products. This report is not approved, reviewed or produced by MSCI.

The information contained here reflects the views of AllianceBernstein L.P. or its affiliates and sources it believes are reliable as of the date of this publication. AllianceBernstein L.P. makes no representations or warranties concerning the accuracy of any data. There is no guarantee that any projection, forecast or opinion in this material will be realized.

The [A/B] logo is a registered service mark of AllianceBernstein and AllianceBernstein® is a registered service mark used by permission of the owner, AllianceBernstein L.P.

© 2016 AllianceBernstein L.P.

